Impac Mortgage Holdings, Inc. Announces Year End 2011 Results

March 21, 2012

IRVINE, CA, Mar 21, 2012 (MARKETWIRE via COMTEX) --Impac Mortgage Holdings, Inc. (NYSE Amex: IMH), a Maryland corporation, along with its subsidiaries and affiliates, or the "Company," reports net earnings for the year ended 2011 of $3.2 million, or $0.39 per diluted common share, as compared to net earnings of $10.3 million, or $1.24 per diluted common share for the year ended 2010.

Selected Financial Results for 2011

-- Earnings of $3.2 million for the year ended December 31, 2011, compared to $10.3 million for 2010. The decrease in net earnings was primarily due to an increase in expenses, as expected and stated in previous Company filings, mostly associated with the expansion of mortgage lending activities and a decrease in REO recoveries in the discontinued operations.

-- Mortgage and real estate services fees of $56.7 million for the year ended December 31, 2011, compared to $57.2 million for 2010 with the decrease primarily due to the sale of the title company, decrease in portfolio loss mitigation and real estate recovery revenues offset by an increase in mortgage lending net revenues. See table below.

-- In September and October 2011, the Company sold its interest in Experience 1, Inc., the parent of the title insurance company, for $3.7 million, recording a total gain of approximately $1.9 million ceasing the Company's involvement in title and escrow activities.

-- The mortgage lending operations originated $883.2 million and sold $803.9 million of loans during 2011 as compared to $40.8 million of loans originated for 2010. Additionally, the mortgage lending revenues increased to $14.0 million in 2011 as compared to $763 thousand in 2010.

-- Non-interest income -- net trust assets of $9.4 million for the year ended December 31, 2011, compared to $4.3 million for 2010, primarily associated with a change in assumptions in the long term mortgage portfolio as compared to 2010.

For the three and twelve months ended December 31, 2011 and 2010, mortgage and real estate services fees were as follows (in thousands):

	For the Three Months Ended December 31,		For the Twelve Months Ended December 31,	
	2011	2010	2011	2010
Real estate services and recovery fees	$ 3,086	$ 5,282	$ 16,742	$ 22,064
Mortgage lending	6,478	351	14,016	763
Title and escrow	-	5,569	13,906	16,786
Loss mitigation fees	1,719	2,225	6,766	11,741
Portfolio service fees	1,144	1,572	5,234	5,814

Total mortgage and real estate services fees	$ 12,427	$ 14,999	$ 56,664	$ 57,168

During 2011, the Company, through its subsidiary Excel Mortgage Servicing, Inc. ("Excel"), significantly expanded its mortgage lending activities by:

- -- Increasing its origination capabilities through opening regional production offices in the Pacific Northwest and Gulf Coast regions of the United States in March of 2011;
- -- Expanding its warehouse borrowing facilities capacity to $87.5 million;
- -- Increasing the number of states licensed to originate loans to 31;
- -- Increasing its mortgage origination volumes to $883.2 million as compared to $40.8 million in 2010; and
- -- Increasing its mortgage servicing portfolio to $605.4 million as compared to $173.9 million in 2010.

During 2011, the Company sold $329.1 million in service retained loans to Fannie Mae and Freddie Mac and issued $72.6 million in Ginnie Mae securities through its AmeriHome Mortgage Corp indirect subsidiary, and sold $402.2 million in loans on a service released basis to other investors. The Company is currently focusing on originating loans eligible for sale to Fannie Mae, Freddie Mac and government sponsored loans, such as FHA, VA and USDA loans, eligible for Ginnie Mae securities issuance. Management believes that having the ability to both sell loans directly to these agencies and issue Ginnie Mae securities gives the Company an advantage in the overall mortgage origination market with regard to products, pricing, operational efficiencies and overall recruitment of higher quality loan originators. As a result of selling loans with servicing retained, the mortgage servicing portfolio increased to $605.4 million in unpaid principal balance at December 31, 2011 as compared to $173.9 million at December 31, 2010. The Company expects to increase the servicing portfolio to a level that achieves profitability with economies of scale while maintaining compliance with government agency requirements. However, the Company may also opportunistically sell servicing on a flow and bulk basis to keep the amount of capital invested in servicing within our current capital constraints.

The Company has hired a nationally recognized residential mortgage servicer to sub-service the servicing portfolio. Although the Company uses the sub-servicer to provide primary servicing and certain default servicing functions, the Company's default management team, experienced in loss mitigation and real estate recovery, monitors and surveys the performance of the mortgage servicing portfolio. Incurring the cost of both a sub-servicer and an internal default management team reduces net servicing income, but it is an important investment used to minimize delinquencies and minimize repurchase risk.

During the third quarter 2011, the Company received an offer to sell its interest in the title insurance company. After consideration of the increasing competition and lower margins in the title insurance industry along with a decision to focus the Company's efforts on expanding the mortgage lending platform, the Company's Board of Directors determined it was in the Company's best interest to sell its interest in the title insurance company in September 2011. In September and October 2011, the Company sold its interest in Experience 1, Inc., the parent of the title insurance company, for $3.7 million, recording a total gain of approximately $1.9 million.

In March 2011, the Company opened regional residential mortgage production offices in the Pacific Northwest and Gulf Coast regions giving the Company origination capabilities throughout the entire West Coast and Gulf Coast regions. Included in the originations balances stated above, during the year ended December 31, 2011, these new production offices contributed approximately $452.5 million in originations of primarily agency and government insured residential mortgage loans. To facilitate the growth of the mortgage lending operations the Company increased its warehouse borrowings capacity to $87.5 million at December 31, 2011 from $42.0 million at December 31, 2010.

In 2011, the mortgage lending operations has been successful in increasing its monthly lending origination volumes to be in excess of $100 million. However, although the mortgage lending revenues increased in 2011, expenses associated with the mortgage lending activities significantly increased also. The increase in expenses was primarily due to start-up and expansion costs, as anticipated and discussed in pervious filings, associated with opening new offices, hiring staff, purchasing equipment, investing in technology and the supplemental default management team as discussed above. Specifically, as the Company attempts to build a purchase money centric platform with a significant amount of retail originated loans; the related start-up costs for this type of origination platform will be higher than a refinance focused mortgage operation. In addition, the Company has made small investments in proprietary technologies that will further support our expansion of retail originated purchase money mortgages along with more competitive recruitment of realtor direct loan officers. The Company believes this is the right strategy in the long term as interest rates on mortgage loans are expected to rise in the future, which will greatly reduce the percentage of refinance transactions to more historical percentages. In order for the mortgage operations to achieve profitability, we will need to (i) increase overall origination volumes, (ii) improve lending revenues by originating a higher percentage of retail loans and products with wider margins and greater loan fees and (iii) reduce lending operating costs through increased operational efficiencies, or some combination of them.

Stockholders' Equity

To understand the financial position of the Company better, we believe it is important to understand the composition of the Company's stockholders' equity. At December 31, 2011 and 2010, the condensed components of stockholders' equity were comprised of the following significant assets and liabilities (in thousands):

Condensed Components of
Stockholders' Equity
As of December 31,

	2011	2010
Cash	$ 7,665	$ 11,619
Restricted cash	5,019	1,586
Residual interests in securitizations	26,506	26,407
Loans held-for-sale	61,718	4,283
Warehouse borrowings	(58,691)	(4,057)
Mortgage servicing rights	4,141	1,439
Line of credit	(4,000)	-
Note payable	(5,182)	(6,874)
Long-term debt ($71,120 par)	(11,561)	(11,728)
Repurchase reserve (1)	(5,816)	(8,169)
Lease liability	(2,131)	(2,226)
Deferred charge	11,974	13,144
Net other assets (liabilities)	1,455	2,273
Stockholders' equity (deficit)	$ 31,097	$ 27,697

(1) $5.2 million and $8.0 million was within discontinued operations at December 31, 2011 and 2010, respectively.

At December 31, 2011, cash decreased to $7.7 million from $11.6 million at December 31, 2010. The primary sources of cash between periods were $56.7 million in fees generated from the mortgage and real estate services, $14.2 million from residual interests in securitizations (net of the $4.5 million restricted excess cash in the reserve account) and $8.8 million from the issuance of the note payable. Offsetting the sources of cash were operating expenses totaling $66.1 million, payments on the notes payable of $11.5 million and settlements of repurchase requests associated with loans sold by the discontinued non-conforming mortgage operations of approximately $6.2 million.

At December 31, 2011, our note payable was $5.2 million as compared to $6.9 million at December 31, 2010. During 2011, the Company entered into a new $10.3 million structured debt agreement with the same noteholder and used a portion of the proceeds to pay off the $4.0 million balance owed on the previous debt agreement receiving net proceeds of $4.8 million. As of December 31, 2011, the carrying value of the note was $5.2 million, net of a $513 thousand discount.

Subsequent to December 31, 2011, the Company entered into a new $7.5 million structured debt agreement using eight of the Company's residual interests (net trust assets) as collateral. The Company used a portion of the proceeds to pay off the $408 thousand balance owed on the previous debt agreement. The Company received proceeds of $7.0 million, net of the aforementioned payoff and transaction costs of approximately $50 thousand. It bears interest at a fixed rate of 25% per annum and is amortized in equal principal payments over 18 months.

At December 31, 2011, the balance of deferred charge was $12.0 million. For the year ended December 31, 2011, the Company recorded $1.2 million in income tax expense resulting from deferred charge impairment write-downs based on changes in estimated fair value of securitized mortgage collateral. The deferred charge arose as a result of the deferral of income tax expense on inter-company profits that resulted from the sale of mortgages from taxable subsidiaries to IMH in prior years (when IMH was a REIT). This balance is recorded as required by GAAP and does not have any realizable cash value.

In April 2011, the Company entered into a $2.0 million working capital line of credit agreement which was subsequently increased to $4.0 million in November 2011. The line of credit expires in April 2012, but the Company is currently in the process of renewing the line.

Outlook

Mr. Joseph Tomkinson, Chairman and CEO of Impac Mortgage Holdings, Inc., stated, "As we look back to 2011, it was predominately a year of Impac's reemergence into mortgage lending and the start of building a strong mortgage origination platform. In addition, we cannot discount the importance of the overall performance in 2011 of the securities portfolio and our portfolio loss mitigation activities to the Company's overall financial performance as we build the loan origination business. As we look to 2012, we will continue to expand our mortgage lending activities concentrating on those origination channels, loan products, and increased operational efficiencies that will result in a profitable business along with increasing the overall enterprise value of the mortgage lending platform."

Year End 2011 Earnings Conference Call

The Company has announced a conference call and live web cast on Thursday, March 22, 2012 at 9:00 a.m. Pacific Time (12:00 p.m. Eastern Time). We will discuss our year end 2011 financial results, followed by a question and answer session. If you would like to participate in the conference call, you may listen by dialing (866) 838 - 8084, conference ID number 61895163, or access the web cast via our web site at http://ir.impaccompanies.com. To participate in the conference call, dial in fifteen minutes prior to the scheduled start time. The conference call will be archived on the Company's web site at http://ir.impaccompanies.com. You can subscribe to receive instant notification of news releases, events, presentations, and daily stock quotes by using our e-mail alert feature located at the web site under "Receive Email Alerts."

Forward-Looking Statements

This press release contains certain forward looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward looking statements, some of which are based on various assumptions and events that are beyond our control, may be identified by reference to a future period or periods or by the use of forward looking terminology, such as "may," "will," "believe," "expect," "likely," "should," "could," "seem to," "anticipate," or similar terms or variations on those terms or the negative of those terms. The forward looking statements are based on current management expectations. Actual results may differ materially as a result of several factors, including, but not limited to the following: the ongoing volatility in the mortgage industry; our ability to manage successfully through the current market environment; our compliance with applicable local, state and federal laws and regulations and other general market and economic conditions; our ability to meet liquidity needs from current cash flows or generate new sources of revenue; management's ability to manage successfully and grow the Company's mortgage and real estate business activities including mortgage lending operations; the ability to make interest payments; increases in default rates or loss severities and mortgage related losses; our ability to obtain additional financing and the terms of any financing that we do obtain; inability to effectively liquidate properties to mitigate losses; increase in loan repurchase requests and ability to adequately settle repurchase obligations; decreases in value of our residual interests that differ from our assumptions; the ability of our common stock to continue trading in an active market; the outcome of litigation or regulatory actions pending against us or other legal contingencies.

For a discussion of these and other risks and uncertainties that could cause actual results to differ from those contained in the forward looking statements, see Item 1A. "Risk Factors" and Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations" in the Company's Annual Report on Form10-K for the period ending December 31, 2011. This document speaks only as of its date and we do not undertake, and specifically disclaim any obligation, to release publicly the results of any revisions that may be made to any forward looking statements to reflect the occurrence of anticipated or unanticipated events or circumstances after the date of such statements.

About the Company Impac Mortgage Holdings, Inc. (IMH) is a publicly traded company and through its subsidiaries, provides mortgage and real estate services, including mortgage lending and portfolio loss mitigation and real estate services. The Company's operations include the management of the long-term mortgage portfolio, including the residual interest in securitizations, to mitigate losses and maximize cash flows and the mortgage and real estate related business activities.

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