

ANNUAL REPORT 1999
ON FORM 10K



This year Impac will

revolutionize the mortgage

industry and introduce

IDASL.com: a web-based

mortgage application

program that lets brokers get

loan approval in minutes.

A large, two-story house with a green lawn and trees in the background. The house has a prominent front porch with a brick wall and a large window. The roof is gabled, and there are several windows, including a large arched window on the second floor. The house is surrounded by a well-maintained lawn and some landscaping.

IDASL provides our customers with a powerful tool to conduct their business by allowing for faster and more reliable decisions with increased operational efficiencies. Tom Golden, President and CEO of Express Capital commented on IDASL,

"It will have a dramatic, positive effect on the way that we execute and deliver the Impac products, both in terms of speed and accuracy. We are adjusting our business to take advantage Impac's new and exciting technology."

We're creating
a revolution in the
mortgage business.

We expect continued
growth in our
operations and
investment portfolio.



Dear Fellow Stockholders:

Following one of the industry's worst years on record, Impac Mortgage Holdings, Inc. ("The Company") eliminated risk of margin calls on its securities portfolio, increased liquidity, restructured its balance sheet and rebounded from a loss in 1998 to earnings of \$22.3 million for the year ending December 31, 1999. In addition, the Company accomplished all of its goals as outlined in previous announcements except for the acquisition of the Bank, which the application was re-filed in February 2000. However, in spite of the Company's accomplishments in 1999, the Company's stock continues to hover near the low end of its historical price range.

Therefore, the Company's Board of Directors and the executive team feel it is imperative not only to delineate the 2000 business plan, but also to take the necessary actions to increase long-term shareholder value with a goal to return to historical dividend pay-outs. The 2000 business plan includes a substantial investment in technology, an aggressive expansion of the Company's businesses and a commitment to paying dividends to our loyal stockholders.

Investment in Technology. In 1999, over 70% of our customers used the Internet to conduct business with the Company, such as accessing loan status, pricing, program guidelines, executing rate locks, checking on underwriting dispositions and purchase confirmations. The Company's commitment to technology was evident in 1999 and is forefront in our 2000 business plan.

In 2000, we are aggressively pursuing our business to business technology initiatives to grow our mortgage banking operations with a significant enhancement to our e-commerce business, Impac Direct Access System for Lending ("IDASL"). IDASL is not a lead generator for mortgage brokers, but is an interactive internet-based system that enables our customers to receive automated loan approval decisions, guaranteed pricing and, if necessary, mortgage insurance approval all within less than a minute.

Utilizing our streamlined mortgage loan programs, IDASL is designed to be user friendly, deliver consistent underwriting decisions and reduce the entire process of submitting, underwriting and pricing a mortgage loan from up to several days to a few minutes. Future enhancements to the IDASL system will include the ability to provide fraud detection and electronic property appraisals that will further streamline the entire mortgage application process.

IDASL is now available only to selected customers. By mid year, the Company expects to offer IDASL to mortgage brokers and bankers nationwide.

With the implementation of IDASL, the Company anticipates improved margins, lower cost of originations and increased profitability at all levels of our business operations. Most importantly, IDASL allows the Company to move closer to the borrowers with future minimal capital investment and maintaining centralization, a key factor in our operating strategy.

Business Expansion - The Mortgage Lending Operations. The Company's Mortgage Lending Operations are comprised of The Conduit Operations, Impac Funding Corporation, ("IFC") and the Wholesale/Retail Operations, Impac Lending Group, ("ILG").

The Conduit Operations acquires residential non-conforming loans from originators, including mortgage bankers, credit unions, thrifts and banks, and subsequently securitizes these loans. The implementation of IDASL will enhance the Conduit Operations' profitability by dramatically increasing the efficiencies and speed of underwriting a loan. We expect IDASL to bring competitive advantages to the Conduit Operations, however we anticipate business volumes to remain relatively stable as compared to 1999.

On the other hand, we believe the expansion of our Wholesale/Retail Operations will bring significant future profitability and growth for the Company's mortgage lending operations. The Wholesale/Retail Operations enables residential mortgage brokers and borrowers to access the Company directly to underwrite, fund and close their loans. Direct access to the broker will enable the Company to reduce premiums paid for loans, and thereby considerably improve profitability margins on each loan. Furthermore, IDASL will enable the Company to aggressively expand its operations nationwide while maintaining centralization and a stringent level of quality control.


The Warehouse Lending Operations The Warehouse Lending Operations or Impac Warehouse Lending Group, Inc. ("IWLG") provides residential mortgage warehouse lines to smaller mortgage bankers.

The Warehouse Lending Operations requires minimal capital commitment, generates above average market returns and is expected to be a significant contributor to the Company's overall profitability for 2000. During 1999, IWLG increased the number of its customers by 44% and outstanding warehouse lines commitments to \$278,000,000. With only a handful of employees, IWLG recorded gross revenues of \$33.1 million and net earnings of nearly \$9.9 million for the year ending December 31, 1999. During 2000, we expect to continue to add to our customer base, increase our warehouse line commitments and significantly increase average daily outstanding balances.

The Long - Term Investment Operations The Long - Term Investment Operations invests in non-conforming residential mortgage loans and mortgage-backed securities.

During 1999, the Company restructured its balance sheet, increased book value per common share, increased additional liquidity, and improved overall credit quality of its investment portfolio. However, in order to generate consistent long-term earnings and a return to historical dividend pay-outs, the Company must grow its' balance sheet. Therefore, the 2000 business plan includes limiting loan sales to third parties, reducing dividend pay-outs, and retaining the capital to make further investments in the Company's investment portfolio.

As part of this strategy, the Company has already completed a \$460.0 million Collateralized Mortgage Obligation which increased the overall size of the Company's mortgage investment portfolio.



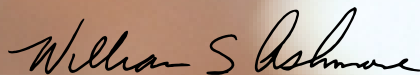
Conclusion We are enthusiastic about the year 2000. We expect continued growth in our business operations and investment portfolio because of a larger, restructured balance sheet and technology initiatives, such as IDASL.

Our mission is to raise market awareness of the Company's operating entities and their underlying value, to rebuild the balance sheet and further increase dividends to our stockholders. We thank you for your continued support and are working diligently to build back stockholder value.

Sincerely,



Joseph R. Tomkinson
Chairman & CEO



William S. Ashmore
President & COO