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IMH - Q1 2018 Impac Mortgage Holdings Inc Earnings Call

EVENT DATE/TIME: MAY 10, 2018 / 4:00PM GMT

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PRESENTATION

Operator

Good day, ladies and gentlemen, and welcome to the First Quarter 2018 Impac Mortgage Holdings Earnings Conference Call. (Operator Instructions) As a reminder, this conference call may be recorded.

I would now like to turn the conference over to Justin Moisio, Investor Relations. You may begin.

Justin Moisio - *Impac Mortgage Holdings, Inc. - SVP of Business Development & IR*

Thank you. Good morning, everyone. Thanks for joining Impac Mortgage Holdings First Quarter 2018 Earnings Conference Call.

During this call, we will make projections or other forward-looking statements in regards to, but not limited to, GAAP and taxable earnings, cash flows, interest rate risk and market risk exposure, mortgage production and general market conditions. I would like to refer you to the business risk factors in the most recently filed Form 10-K under the Securities and Exchange Act of 1934. These documents contain and identify important factors that could cause the actual results to differ materially from those contained in our projections or forward-looking statements.

This presentation, including outlook and any guidance, is effective as of the date given, and we expressly disclaim any duty to update the information herein.

I would like to get started by introducing, George Mangiaracina, President of Impac Mortgage Holdings.

George A. Mangiaracina - *Impac Mortgage Holdings, Inc. - President*

Good morning. Welcome and thank you for joining Impac's First Quarter 2018 Earnings Call. I have on the line with me, Joe Tomkinson, our CEO; Todd Taylor, our CFO; Ron Morrison, our General Counsel; and Rian Furey, our COO.

I will begin with a brief review of the results. For the first quarter of 2018, GAAP net earnings were $3.9 million or $0.18 per diluted common share as compared to net earnings of $4.6 million or $0.29 per diluted common share for the first quarter of 2017.

Q1 2018 adjusted operating income increased to $4.4 million or $0.21 per diluted common share as compared to $2.2 million or $0.12 in Q1 2017. In the first quarter of 2018, as a result of higher interest rates and decreased refinance activity, origination volume declined 16% to $1.3 billion, down from $1.6 billion in the first quarter of 2017.

Gain on sale margins declined to 163 basis points from 236 basis points. These factors resulted in a decrease of gain on sale revenue to $21.5 million in Q1 2018 from $37.3 million in Q1 2017. Partially offsetting the decline in gain on sale revenue for Q1 2018 was an increase in servicing fee income, a mark-to-market gain on our mortgage servicing rights, or MSRs, and a decrease in operating expenses.

The unpaid principal balance of our mortgage servicing portfolio increased 27% to $16.8 billion at the end of Q1 2018. Net servicing fee income increased to $9.5 million in Q1 2018, compared to $7.3 million in Q1 2017. The mark-to-market gain on our MSRs was $7.7 million in Q1 2018 as compared to a mark-to-market loss of just under $1 million in Q1 2017.

We continued to align staffing levels with current and projected origination volumes. Personnel expense decreased 29% or $7.2 million Q1 2018 versus Q1 2017. The decrease primarily related to targeted staff reductions as well as to an adjustment to our commission expense structure. Our total headcount was reduced to 503 employees as of March 31, 2018, down from 626 as of March 31, 2017, a 20% reduction.

On a normalized run rate, we expect to realize cost-savings of approximately $20 million per year as a result of these reductions in headcount. We expect to reallocate some of these cost-savings to invest in technology and personnel.

As mentioned on our year-end earnings call, we continue to focus our efforts on NonQM, government production and a balance between purchase and refinance activity. Origination volume of NonQM loans increased 35% to $248 million in Q1 2018 as compared to $184 million in Q1 2017. The combined NonQM and government-insured originations now represent approximately 61% of total originations in 2018 first quarter as compared to just 39% in first quarter 2017.

In Q1 2018, purchase money transactions increased 32% to $442 million as compared to $336 million in Q1 2017. With respect to mortgage originations, Rian Furey joined the company in December as President of CashCall Mortgage, and took the additional role of Impac's COO in March. Rian has been working to provide integrated operations, technology, marketing and foundational support services across all of our origination channels. We've instituted a number of changes to our business model. These initiatives are consistent with our goal of repositioning the platform from a California refinance-centric business, to one that is more geographically diverse by state and loan type, including greater focus on NonQM, government and purchase money.

Balanced origination volume should on an aggregate basis have a positive effect in reducing the company's prepays fees on our MSR portfolio and result in more advantageous execution levels on our loan deliveries to the agencies and to other capital markets counterparties.

I'll now turn the discussion over to Rian, to provide additional color on our origination businesses.

Rian Furey - *Impac Mortgage Holdings, Inc. - President of Direct Lending & COO*

Thanks, George. On the CashCall Mortgage side of the house, during the first quarter, we continued to focus on analyzing and improving the efficiency of our marketing spend in the face of rising interest rates. We've emphasized the platform's advantages of price, product and speed to close for borrowers, while softening our no closing cost message as those transactions have been a major driver in our historical prepayment speeds. In our TV and radio campaigns, the cash flow mortgage platform now features a low, flat rate origination fee for all transactions. We continue to purchase online leads and use paid web search to target NonQM and purchase money borrowers and in diverse geographies.

We still maintain a group of salaried originators that work to retain borrowers who intend to prepay their loan, and are able to return 2 of 3 refinances to our servicing book.

In our third-party origination channel, the first quarter is focused on rightsizing our staffing, which was temporarily disruptive to our overall origination. Following our reorganization, our focus has been on improving our service levels, education for the marketplace on our NonQM product, and building our external-facing technology used to interface with our originator partners.

George A. Mangiaracina - *Impac Mortgage Holdings, Inc. - President*

Thank you, Rian. I'll now provide a brief update on some of our key initiatives prior to opening the call to Q&A. As we continue to scale NonQM production, we have simultaneously been working with investors and rating agencies to enable the securitization of our loans. In the first quarter of 2018, we are pleased to announce that Impac NonQM collateral was securitized as part of a $300 million privately placed 144(a) transaction. Our loans represented over 12% of the collateral in the offering.

As mentioned on our previous earnings call, we remain on target to have one of our NonQM investors issue a deal backed solely by Impac loans by the end of the second quarter of 2018. These are important milestones for the company as they demonstrate market acceptance of our NonQM product and should result in increased demand and improved pricing for our NonQM loans. We believe NonQM to be a critical component of our future growth strategy, and are encouraged by the 50% increase in our NonQM pipeline from approximately $200 million as of March 31, 2017, to approximately $300 million today.

During our year-end earnings call, we noted that we anticipated recognizing a mark-to-market gain in the first quarter of 2018 on the company's MSR portfolio. In line with these expectations, we recognized a $7.7 million gain. Market conditions would indicate that the MSR portfolio should again provide a positive contribution to GAAP earnings in the second quarter.

In terms of liquidity, the MSR portfolio contributed approximately $9.5 million of net servicing fee cash flow to the company in the first quarter. As of March 31, 2018, the MSRs were carried at a fair market value of $174 million. The company had borrowed approximately $45 million against the MSRs, with flexibility to borrow approximately an additional $30 million.

We intend to continue to selectively retain MSRs as long as the economic value of this asset class satisfies the company's return profile. The company has been successful in recapturing loans that would otherwise prepay with third parties, a critical defense against portfolio runoff. Additionally, the credit quality of the MSRs remains strong: weighted average coupon of approximately 3.84%, a weighted average LTV in the high 60s and a weighted average FICO above 720 as of March 31, 2018.

In summary, the company's MSR should provide GAAP earnings resilience and liquidity throughout 2018, if the company continues to be faced with a challenging origination environment. That concludes my prepared remarks. I will now open the call for questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Our first question comes from the line of Steve Delaney of JMP Securities.

Steven Cole Delaney - *JMP Securities LLC, Research Division - MD, Director of Specialty Finance Research and Senior Research Analyst*

And congratulations, George and Rian, on your new positions. My questions are in 3 categories: so that the origination loan mix, then, the NQMs, and lastly, operating expenses. Going back, George, I know you mentioned the purchase percentage. I was writing as fast as I could, but couldn't pick that up. Purchase percent versus refi in 1Q?

George A. Mangiaracina - *Impac Mortgage Holdings, Inc. - President*

Yes. The purchase -- the first quarter, the purchase percentage was 32%, and 68% in refi.

Steven Cole Delaney - *JMP Securities LLC, Research Division - MD, Director of Specialty Finance Research and Senior Research Analyst*

Got it. And do you have a sense -- as I understand your comments that you're certainly trying to emphasize and source more purchased business. Would you expect that to improve as the quarters move on this year?

George A. Mangiaracina - *Impac Mortgage Holdings, Inc. - President*

Notional bet, we've been encouraged that, obviously, as refinanced volume declines, if you held purchase volume steady, it would increase as a percentage just because of the decline in refi...

Steven Cole Delaney - *JMP Securities LLC, Research Division - MD, Director of Specialty Finance Research and Senior Research Analyst*

That's true. Yes.

George A. Mangiaracina - *Impac Mortgage Holdings, Inc. - President*

But we've been encouraged by the notional growth in purchase, and I think we'll continue to see that trend throughout 2018.

Steven Cole Delaney - *JMP Securities LLC, Research Division - MD, Director of Specialty Finance Research and Senior Research Analyst*

Yes. And the second question is sort of connects...

George A. Mangiaracina - *Impac Mortgage Holdings, Inc. - President*

And Steve, just to be -- to give you a more complete answer in terms of just the percentages that migrated, if you looked at the end of the first quarter of 2017, we were close to 80% refinanced, and now we're down to 68%. So we see the -- that trend has been continuing for the last year.

Steven Cole Delaney - *JMP Securities LLC, Research Division - MD, Director of Specialty Finance Research and Senior Research Analyst*

And this is kind of a derivative question off of that same theme. Do you have these handy? Do you have the percent that was California versus other states for the first quarter?

George A. Mangiaracina - *Impac Mortgage Holdings, Inc. - President*

We do. And I'll let Rian expand a little more as to those percentages and some of the things he's done in the CashCall platform. But we're about 64% California now, first quarter, and Rian touched on our efforts outside of California to diversify.

Rian Furey - *Impac Mortgage Holdings, Inc. - President of Direct Lending & COO*

Yes. As we transitioned some of the marketing and promotion expense away from TV and radio, which has traditionally been all California-focused. The digital spend has been diversified across the country into about 10 select markets, where we feel we're able to be both price- and product-competitive.

Steven Cole Delaney - *JMP Securities LLC, Research Division - MD, Director of Specialty Finance Research and Senior Research Analyst*

Okay. Very good. And I'm just curious, rates, obviously, we had a big move in rates late last year and early this year, easily 100 basis points at the long end. I'm just curious now that things have settled a little bit and you've seen borrower responses to these rates, do you have a sense for how -- or even a goal internally for how 2018 total originations might shake out versus the $7.1 billion that you did last year?

George A. Mangiaracina - *Impac Mortgage Holdings, Inc. - President*

Well, we obviously have projections based on different targets on for the 10-year, and we're managing -- that kind of goes to managing headcount and expense load to projected origination. And I -- it's hard to look out past the quarter, Steve, as you know, when it comes to the interest rates. I think, we're seeing an increased volatility in that part of the marketplace, and we're really focused on the balance and the earnings potential and GAAP protection on the servicing portfolio. So where we sit now, I think we see growth in our NonQM production. For the rest of the year, I think you'll see growth in our government production throughout 2018. On the conventional side, which is much more rate sensitive, we're projecting kind of flat to slightly up, but nothing really to speak of.

Steven Cole Delaney - *JMP Securities LLC, Research Division - MD, Director of Specialty Finance Research and Senior Research Analyst*

Okay. That's helpful. Let me switch, if I may, to the non -- the NQMs. 19% of volume in the first quarter. Do you see that percentage being able to be increased materially over the next 2 or 3 quarters? And I guess, materially, could it become 1/3 of your production over the next year?

George A. Mangiaracina - *Impac Mortgage Holdings, Inc. - President*

Yes. I think it can, Steven. We're focused more on the notional of NonQM because the conventional product, which will drive the very large notional moves in origination are so heavily predicated on interest rates. The NonQM product is the less sensitive. So I'll say that NonQM is a significant focus of the company. Still, we look at -- what's encouraging to us is the growth that I mentioned in the pipeline. So our pipeline at the end of the first quarter of '17 was $200 million, it now sits at $300 million. That's a 50% growth. And I think it speaks to our ability to scale in that channel.

We've also -- we've been selling NonQM. We've gained market acceptance to hold on investors for the better part of 4 years in that space, and I think some of the developments that we touched on in the script was the fact that we're now seeing market acceptance through securitization of that product (multiple speakers) yes. So we've had our collateral securitized and we -- yes.

Steven Cole Delaney - *JMP Securities LLC, Research Division - MD, Director of Specialty Finance Research and Senior Research Analyst*

Very encouraging to hear that's -- and the possibility of doing 100%, Impac NQM securitization would be impressive. To that point, should we -- given the scarcity of that product, the higher coupons, would it be reasonable for us to assume that gain on sale margins that you can realize on NQMs would be higher than what you see on agency or higher than your average of 163? I'm not asking for the margin, but just on a relative basis?

George A. Mangiaracina - *Impac Mortgage Holdings, Inc. - President*

Well, absolutely, and I can share that our margins, if you're going to compare the one sale, our margins are more of in lines of 250 to 300 on NonQMs. So it's a place we should focus, and a lot of our investment in technology and streamlining, operating process, credit decisioning, envisioning, it's really focused on growing the NonQM segment of our business.

Steven Cole Delaney - *JMP Securities LLC, Research Division - MD, Director of Specialty Finance Research and Senior Research Analyst*

Right. And we've understood that for the last 2 years. So -- but it's probably more urgent now with what we're -- the rate move and the slowing of refis, for sure. And just, lastly, I think I'll leave it here. Can you tell us approximately how many discrete buyers of the NQM product that you currently have in place?

George A. Mangiaracina - *Impac Mortgage Holdings, Inc. - President*

We -- yes, I'll take you through what we plan to do in the second quarter in a moment, but to date, what we've done is we've got about a half a dozen buyers that we put our pools of collateral out twice a month, and we run a competitive bid process on a loan by loan basis, and we then allocate loans on a best x based on that loan by loan execution. And so there's about a half a dozen, and Steve, there could be 2 or 3 times that amount just by the investor demand for the product. But we're mindful that this is a relationship with our investors and it's not really helpful for us to sell only a handful of loans each month to someone. So we've been careful about expanding that list beyond 6 until our origination volume grows more dramatically.

I would say, in the second quarter, you'll probably see us formalize a forward delivery mechanism with one or a number of our NonQM investors that as part of that forward commitment, we would expect to accrue additional volume incentives as we sell product on a committed basis forward. And then, we'd also, I think, look to secure the option to co-invest in some of the tranches of the securitizations that, that collateral will eventually result in. And those are 2 -- again, I'm talking about milestones. Those are 2 very important milestones for us in the second quarter.

Operator

Our next question comes from the line of Michael Doumani of Morgan Stanley.

Michael Doumani - *Morgan Stanley - Analyst*

I was off for a few minutes, and I apologize if you've addressed these issues, but I have 2 questions. One of them, from a liquidity standpoint going forward, do you feel that you're adequately taken care of?

George A. Mangiaracina - *Impac Mortgage Holdings, Inc. - President*

Yes. I mean, we -- look, we're always evaluating our liquidity and our capital position, and we currently don't have any plans to raise capital. If liquidity needs a rise, we have our MSR portfolio, which I noted is $174 million in fair value. We've only borrowed $45 million against that. We have additional capacity for another $30 million. And MSR portfolio also throws off about $9.5 million, $10 million in cash flow a quarter. So I think -- I believe we're in good shape on capital and liquidity.

Michael Doumani - *Morgan Stanley - Analyst*

Great. And the other question, are there any new strategies you're looking at going forward?

George A. Mangiaracina - *Impac Mortgage Holdings, Inc. - President*

Well, certainly, I think we covered some of this with the prior questions. NonQM is a focus here, and we've made significant strides in that. I don't know if you jumped off when we were addressing that prior question. Do you want me...

Michael Doumani - *Morgan Stanley - Analyst*

I think I did, and if -- and I can catch up with Justin later on so that you don't have to repeat it.

George A. Mangiaracina - *Impac Mortgage Holdings, Inc. - President*

Okay. And then, in addition to that, in addition to NonQM, I think we're looking to embed settlement services into our CashCall mortgage call center around escrow-entitled, so we have some strategic initiatives there, and Rian can touch on that briefly for us.

Rian Furey - *Impac Mortgage Holdings, Inc. - President of Direct Lending & COO*

Yes. Sure. As a potential for additional revenue stream within the CashCall Mortgage platform, we're currently using third parties for escrow and title, and we have the ability to bring those capabilities in the house.

George A. Mangiaracina - *Impac Mortgage Holdings, Inc. - President*

And then, lastly, I'd note, this is -- we're in a very difficult -- the flattening yield curve and the backup in rates, it's a difficult origination environment. We have seen companies in this space exiting the business in the first and early second quarter. We've seen downsizing, relocating, and that provides us with an opportunity to acquire talent, potentially acquire origination platforms, technology, and so we remain opportunistic there. I mean, I don't know if that's a strategy, but that's something that we stayed in touch with.

Operator

Our next question comes from the line of Henry Coffey of Wedbush.

Henry Joseph Coffey - *Wedbush Securities Inc., Research Division - MD of Specialty Finance*

I think that's called a tactic, by the way. It took me about 40 years to understand the difference. So just on that subject, when you pick up new talent, are they coming from the larger Wells Fargos of the world? Or are they coming from the private equity shops? Or they're coming from the sort of small family originators? Where is all the dislocation occurring in your opinion?

George A. Mangiaracina - *Impac Mortgage Holdings, Inc. - President*

Well, we -- the talents that we've acquired to date has come from some fintech companies that ran out of for several rounds of funding, and there was dislocation there. It's come from consolidation in the industry, where we have a mortgage company within 5 miles of our office here that was relocating to Texas, for example. And it gives us an opportunity to hire good people who have been offered to move to Texas, but for whatever reason, want to stay in -- for a lot of reasons, to stay in Orange County.

So I'd say the profile of -- the dislocations really occurred in the smaller, say, mom and pop shops, up to firms that were more focused on call center, refinance activity. They just don't -- they don't have the staying power in this market. And also, firms that have not continued to invest in their servicing portfolio. We were fortunate to have a counterbalance and a countercyclical asset on our books that gives us the ability to be optimistic.

Henry Joseph Coffey - *Wedbush Securities Inc., Research Division - MD of Specialty Finance*

Yes. So on that subject, the gain that you showed -- so you showed net servicing fees and the gains. And where does the amortization show up in those 2?

Todd R. Taylor - *Impac Mortgage Holdings, Inc. - Executive VP & CFO*

Henry, this is Todd Taylor. I'll take that. The amortization is embedded in the change in the MSR of $7.7 million to mark-to-market that George referred to earlier.

Henry Joseph Coffey - *Wedbush Securities Inc., Research Division - MD of Specialty Finance*

So I guess, you'll be surprised at the next question. Can you give us the number? And can you put it in your Q in the future?

Todd R. Taylor - *Impac Mortgage Holdings, Inc. - Executive VP & CFO*

Actually, we're going to put it in the -- sorry, we're going to put it in the 10-Q, actually, because we've got this question a number of times. We'll start to disclose that and put it in the Q. In the first quarter, amortization, combined with, what we call, pay charges or paying full pre-payment charge was $7 million.

Henry Joseph Coffey - *Wedbush Securities Inc., Research Division - MD of Specialty Finance*

And so you have a nice situation in that you have this MSR and a servicing revenue that will kind of help counterbalance a little bit with what's going on in mortgage. With originations, and I did this off the top of my head, but it looks like you were down sequentially a little over 20%, which is what we're seeing kind of with a lot of originators. When you look past -- when you look, say, into the second half of the year, will the NonQM product allow you to "outgrow the market", do you think? Or do you think you'll still pretty much be growing in line with the market?

George A. Mangiaracina - *Impac Mortgage Holdings, Inc. - President*

Well, we -- our intention is to outgrow the market in the NonQM space. There's a lot of noise in the percentage that you referenced. We were actually down 16%. The market, as a whole, might have been down a little bit less than that. But we were, for the first quarter, still pivoting away from California refi-centric, right? So I think we have room to grow originations over the remainder of the year. But again, our focus is going to be on NonQM. I guess the NonQM grow at a much faster pace than the rest of our origination book.

Henry Joseph Coffey - *Wedbush Securities Inc., Research Division - MD of Specialty Finance*

I was looking at the sequential declines, which if I've done my sums right, $1.6 billion to $1.3 billion (inaudible).

George A. Mangiaracina - *Impac Mortgage Holdings, Inc. - President*

Yes. Quarter-over-quarter, yes.

Henry Joseph Coffey - *Wedbush Securities Inc., Research Division - MD of Specialty Finance*

Yes -- no, I -- yes, yes, yes. And then, can you walk through to me, you're going to be warehousing NonQM product for your securitization? Or you're going to -- how are you going to finance that? And how are you going to hold those assets during the accumulation phase?

George A. Mangiaracina - *Impac Mortgage Holdings, Inc. - President*

We are not -- we currently do not have plans to securitize -- to be the issuer of a NonQM securitization. We sell -- we do not aggregate for securitization. We have been approached recently to provide very favorable warehousing terms to do so, but there's also credit risk associated with holding assets for a long period of time. And the agg stage here would be something like 3 or 4 months, if we're at a $100 million a month run rate in NonQM.

So we sell our loans on a competitive bid basis twice a month, and the investors that purchase those loans will then securitize -- be the issuer, and we might have an option to participate in some of the tranches off that securitization. And as I noted, we expect one of those investors to issue a deal backed 100% solely by Impac collateral, which would be an important milestone for us. But we're not aggregating for securitization at this time. So we leave that, as an option.

Henry Joseph Coffey - *Wedbush Securities Inc., Research Division - MD of Specialty Finance*

So a big step forward, but not a lot of balance sheet risk?

George A. Mangiaracina - *Impac Mortgage Holdings, Inc. - President*

That's correct.

Henry Joseph Coffey - *Wedbush Securities Inc., Research Division - MD of Specialty Finance*

Great. And my last question...

George A. Mangiaracina - *Impac Mortgage Holdings, Inc. - President*

And actually -- yes. Go.

Henry Joseph Coffey - *Wedbush Securities Inc., Research Division - MD of Specialty Finance*

No, I'm sorry. Keep going.

George A. Mangiaracina - *Impac Mortgage Holdings, Inc. - President*

No, I was going to say, actually, a forward commitment as opposed to putting collateral out in a competitive bid twice a month. A forward commitment would take away some of that credit risk associated with holding the product as well.

Operator

Our next question comes from Mikhail [Gober] of JMP Securities.

Mikhail Goberman - *JMP Securities LLC, Research Division - Associate*

Just a quick question on your MSR strategy going forward. I noticed about a 13% increase in carrying value quarter-over-quarter. So what's sort of the strategy in terms of, maybe, selling down the book, given color we've been hearing on valuations for MSR as kind of being a little rich, maybe a little full?

George A. Mangiaracina - *Impac Mortgage Holdings, Inc. - President*

Well, we don't -- we've had a mark-to-market gain on the MSRs in the first quarter, and given the rate environment, we would expect to, as we said, and we noted here, we would expect to have mark-to-market gain also provide some stability here in the second quarter to GAAP earnings. From a liquidity perspective -- so I'm not -- I don't necessarily agree that the MSRs are fully valued here. We still believe they have greater economic value to us than market value, should we decide to exit large portions of it. We are selling some product on a service-released basis, about half of our production, I believe, in the first quarter was sold service-released. So I don't know if that answers your question.

Mikhail Goberman - *JMP Securities LLC, Research Division - Associate*

No, that's good. And just another quick one on your income statement. Just curious about this $1.44 million of change in fair value item that you have, just what is that?

Todd R. Taylor - *Impac Mortgage Holdings, Inc. - Executive VP & CFO*

That is a new accounting rule we are required to start doing in 2018. Basically, what that is just doing is breaking out what we consider the credit risk portion of the mark-to-market on the long-term debt, and now it's got to be considered other comprehensive income, which in this case, doesn't roll through retained earnings like the other piece did. So effectively, it's basically just -- you combine the change in fair value on the P&L that you see, that was about $1.2 million, and you offset that against the $1.4 million you're referring to, you get about $200,000. That's exactly -- that would be the number if we hadn't -- hadn't had to start doing and booking this new accounting rule.

Operator

And I'm showing no further questions at this time. I'll turn the call back over to management for any closing remarks.

George A. Mangiaracina - *Impac Mortgage Holdings, Inc. - President*

Thank you all for participating today. Appreciate your time.

Operator

Ladies and gentlemen, thank you for participating in today's conference. That does conclude today's program. You may all disconnect. Everyone, have a great day.