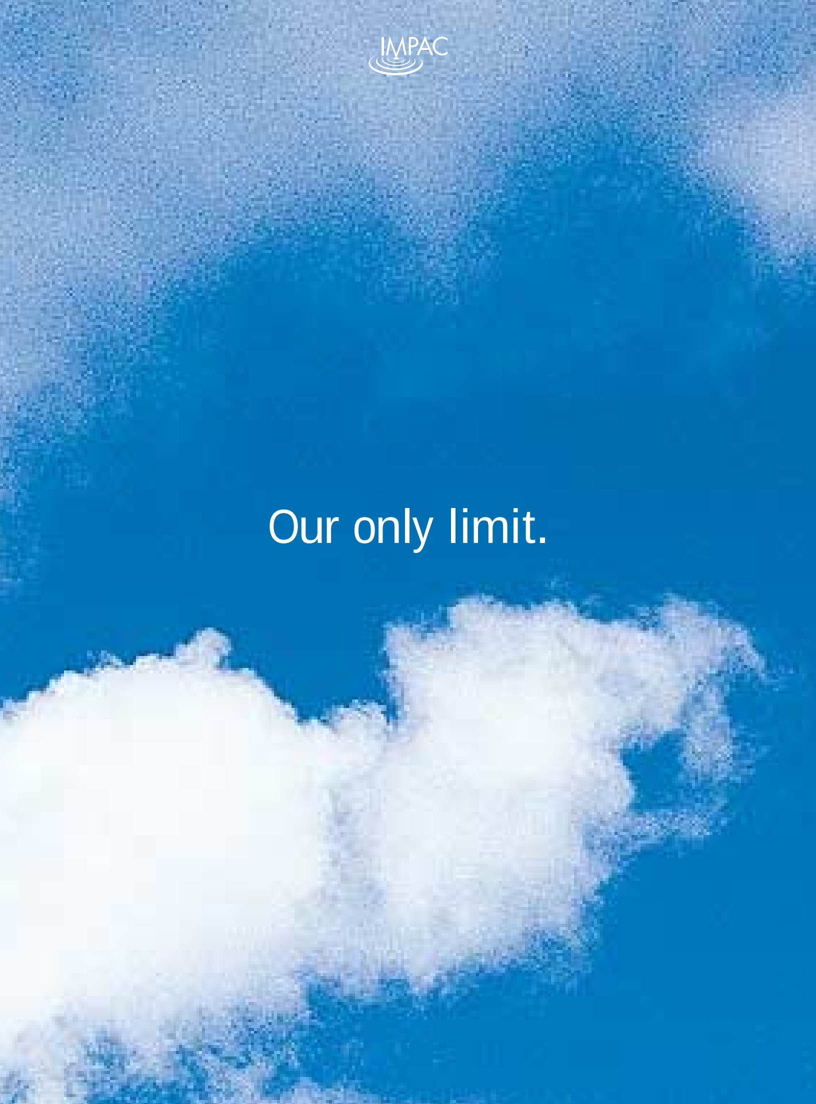
IMPAC
Our only limit.

TO OUR SHAREHOLDERS

Letter to SHAREHOLDERS

Last year was an overwhelming success for us. We set out to implement a business plan that would allow us to improve profitability, reduce volatility of earnings and position ourselves for future growth. We are pleased to announce that we executed the plan flawlessly. We grew the balance sheet during 2001, by $1.0 billion to an all-time high of $2.9 billion with high quality non-conforming Alt-A mortgage loans from our Mortgage Operations. Our net income in 2001 increased impressively to $33.2 million as compared to a loss in 2000, our taxable income increased to $46.4 million and we declared common stock dividends of $0.69 per common share.

A year of sizeable accomplishments.

Looking back, there is a great deal of accomplishments to be proud of. We caused conversion of all of our outstanding preferred stock to common stock. We retired our senior subordinated debt more than two years before maturity. We completed a record number of 12 mortgage securitizations or $3.2 billion. We resumed the regular payment of common stock dividends, six months ahead of schedule. We raised additional capital by selling 5.1 million new shares of common stock. We increased our allowance for loan losses by 129% to $11.7 million and increased loan production by 52% over the prior year. And Impac ended the year with combined available liquidity of $37.9 million.

If there was one word to describe our results in 2001, it would have to be consistency. We focused on growing our balance sheet, minimizing interest rate risk, strengthening the credit quality of our portfolio, and developing a steadier stream of income. Here, too, we made impressive gains. As a result of our increased loan production and acquisitions, the size and credit quality of our Long-Term Investment portfolio has improved dramatically. Today, 95% or $2.1 billion of the Company's CMO collateral is high credit quality, Alt-A non-conforming mortgages with an average credit score of 678 as compared to 90% or $1.3 billion and 675 for last year, respectively. Scores above 640 are considered "A" quality.

As a result of the performance of our Alt-A mortgage loans, credit rating agencies are requiring us to invest less capital in our securities, allowing the Company to utilize more leverage. Consequently, we have been successful in growing the balance sheet with more efficient use of capital. To minimize volatility in our earnings from changes in interest rates, we maintained stringent risk management policies. To reduce the effect of refinancing activity during decreasing interest rate environments, the Company continues to acquire adjustable rate non-conforming Alt-A mortgages with prepayment penalties and pays reduced premiums for loans. Furthermore, the Company purchases various financial instruments to hedge and protect our net interest margins against rising short- term interest rates.

As a result of these measures, we believe our Long-Term Investment portfolio will provide a more consistent and reliable income stream despite changes in interest rates.

Looking Ahead

We remain committed to the same initiatives we carried out so successfully in 2001. We will continue to offer innovative, non-conforming Alt-A loan programs and operate under a low cost model with our centralization strategy being a key component in our ability to efficiently and effectively scale our operations up or down. We will also continue to sustain stringent standards for maintaining high credit quality and reduced interest rate risk.

In 2002, we expect the Long-Term Investment Portfolio to grow to $3.7 billion, investing only in loan products originated or acquired by our Mortgage Operations. We intend to continue to grow our Mortgage Operations, with special focus on the expansion of the wholesale lending division. This area grew significantly in 2001 and continues to offer tremendous opportunity for us because it allows us to get closer to the customer, which lends itself to lower premiums and greater profitability. At the same time, we plan to expand our Warehouse Lending Operations which has a been a consistent contributor to earnings.

In closing, on behalf of the Board and our entire executive management team, we want to thank our shareholders for their continued support and to express our renewed commitment to growing this Company for years to come. We have made enormous strides this year, and we plan to continue this momentum in the future.

Respectfully yours,

Joseph R. Tomkinson
Chairman and Chief Executive Officer

William S. Ashmore
President and Chief Operating Officer

The Impac Companies
1401 Dove St., Suite 100
Newport Beach, CA 92660
Telephone 949.475.3600
www.impaccompanies.com