UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 8-K

CURRENT REPORT PURSUANT
TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

Date of report (Date of earliest event reported) February 15, 2005

Impac Mortgage Holdings, Inc.
(Exact Name of Registrant as Specified in Its Charter)

Maryland
(State or Other Jurisdiction of Incorporation)

1-14100	**33-0675505**
(Commission File Number)	**(IRS Employer Identification No.)**
1401 Dove Street, Newport Beach, California	**92660**
(Address of Principal Executive Offices)	**(Zip Code)**

(949) 475-3600
(Registrant's Telephone Number, Including Area Code)

(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (*see* General Instruction A.2. below):

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 2.02 Results of Operations and Financial Condition

On February 15, 2005, Impac Mortgage Holdings, Inc. ("the Company") issued a press release announcing its 2004 fourth quarter and year-end financial results and held a conference call regarding those results. A copy of the press release and the transcript of the conference call are attached hereto as Exhibit 99.1 and 99.2, respectively, and the information therein is incorporated herein by reference.

Item 7.01 Regulation FD Disclosure

Paragraph 4, paragraphs 11 through 15, paragraph 23 and paragraph 24 of the press release appearing in Exhibit 99.1 are not filed but are furnished pursuant to Regulation FD.

Item 8.01 Other Events

On February 15, 2005, the Company issued a press release announcing its 2004 fourth quarter and year-end financial results. The introductory titles, paragraphs 1 and 2, the section entitled "Financial Highlights for 2004", which is deemed paragraph 3, paragraphs 5 through 10, paragraphs 16 through 22, 25 and 26 and the accompanying financial statements and data, all of which appear as part of Exhibit 99.1, are filed and incorporated herein by reference.

Exhibit 9.01 Financial Statements and Exhibits.

(c) Exhibits

99.1	Press Release Dated February 15, 2005
99.2	Transcript of conference call held on February 15, 2005

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Date: February 18, 2005

IMPAC MORTGAGE HOLDINGS, INC.

By: /s/ William S. Ashmore

Name: William S. Ashmore
Title: President and Chief Operating Officer

Exhibit Index

Exhibit Number	Description
99.1	Press Release Dated February 15, 2005
99.2	Transcript of conference call held on February 15, 2005

Exhibit 99.1

IMPAC MORTGAGE HOLDINGS, INC.
(NYSE: IMH)

NEWS RELEASE
For Immediate Release

Impac Mortgage Holdings, Inc. Reports Net Earnings Per Diluted Common Share of $3.72 for 2004 Compared to $2.88 for 2003

Estimated Taxable Income Per Diluted Common Share Increased 21% to $2.97 for 2004 Compared to $2.46 for 2003

Impac Mortgage Holdings, Inc. Announces Expected Delay in Completion of its Audit of Internal Control under the Sarbanes-Oxley Act

NEWPORT BEACH, CA. – February 15, 2005 – Impac Mortgage Holdings, Inc. ("IMH") (NYSE: IMH), a real estate investment trust ("REIT"), today reported net earnings of $257.6 million, or $3.72 per diluted common share, for 2004 as compared to net earnings of $149.0 million, or $2.88 per diluted common share, for 2003. Net earnings may fluctuate significantly when comparing year-over-year financial results as we record the change in the fair value of derivative instruments as an increase or decrease to net earnings. The change in the fair value of derivative instruments is a component of mark-to-market gain (loss)-derivative instruments on our statements of operations and, along with other book to tax adjustments, is reflected in the reconciliation of estimated taxable income available to common stockholders to net earnings that is provided in tabular form in this press release for both IMH and Impac Funding Corporation ("IFC"), our qualified taxable REIT subsidiary. The change in fair value of derivatives was an increase to net earnings of $103.7 million for 2004 as compared to an increase to net earnings of $38.8 million for 2003.

Estimated taxable income available to common stockholders was $202.9 million, or $2.97 per diluted common share for 2004, as compared to actual taxable income of $127.5 million, or $2.46 per diluted common share, for 2003, which represents a per share year-over-year increase of 21%. We paid common stock dividends of $202.7 million, or $2.90 per diluted common share, which was a distribution of substantially all of our estimated taxable income for 2004. As a REIT, we pay dividends to our stockholders based on taxable income which is derived by recognizing the differences between book income, or net earnings as determined by generally accepted accounting principles ("GAAP"), and taxable income as reported upon the filing of our annual federal tax returns. Because a portion of the total common stock dividends paid to our stockholders during 2004 was the result of dividends paid from IFC to IMH, which are qualifying dividends under the Jobs and Growth Tax Relief Reconciliation Act of 2003, 18.3%, or $0.53 per common share of total common stock dividends paid in 2004, will be taxed at the qualifying tax rate (15%) and 81.7%, or $2.37 per common share of total common stock dividends paid in 2004, will be taxed as ordinary income.

Financial Highlights for 2004

- Estimated taxable income per diluted common share increased 21% to $2.97 compared to actual taxable income per diluted common share of $2.46 for 2003
- Cash dividends declared increased 41% to $2.90 per common share compared to $2.05 per common share for 2003
- Total assets increased 125% to $23.8 billion at year-end from $10.6 billion as of prior year-end
- Book value per common share increased 41% to $11.80 at year-end compared to $8.39 as of prior year-end primarily as we issued $383.2 million in new common equity at an average price per share of $20.78; in addition, we raised gross proceeds of $157.5 million of preferred equity
- Total market capitalization was $1.7 billion at December 31, 2004 compared to $1.0 billion at prior year-end
- Dividend yield as of December 31, 2004 was 13.23%, based on an annualized fourth quarter dividend of $0.75 per common share and a closing stock price of $22.67
- Total return to common stockholders was 40.42% based on common stock price appreciation of $4.46 per common share and common stock dividends declared of $2.90 per common share
- IFC, the mortgage operations, acquired and originated $22.2 billion of primarily non-conforming Alt-A mortgages ("Alt-A mortgages") for 2004 which was a 134% increase over $9.5 billion for 2003
- The long-term investment operations retained $16.9 billion of Alt-A mortgages and originated $458.5 million of small-balance, multi-family mortgages ("multi-family mortgages") for 2004 compared to $5.8 billion and $290.5 million, respectively, for 2003

- The long-term investment operations securitized $17.7 billion of mortgages as collateralized mortgage obligations (“CMOs”) to finance the acquisition and origination and retention of Alt-A and multi-family mortgages for long-term investment, which placed us 18th worldwide in the amount of mortgage-backed securitizations issued.

Another Record Year for Loan Acquisitions and Originations and Portfolio Growth

Joseph R. Tomkinson, Chairman and Chief Executive Officer of Impac Mortgage Holdings, Inc., commented, “We experienced phenomenal growth during 2004 as our balance sheet grew 125% to $23.8 billion, total market capitalization grew by 70% to $1.7 billion and book value per common share rose 41% to $11.80 as of year-end. This growth was primarily fueled by record levels of mortgage production as Alt-A mortgage acquisitions and originations grew 134% to $22.2 billion of which $16.9 billion was retained on our balance sheet for long-term investment in addition to $458.5 million of multi-family mortgages originated and retained. Mortgage acquisitions and originations grew substantially even as nationwide originations of 1-4 family mortgages declined by 26% according to numbers published by the Mortgage Bankers Association. We were able to accomplish record levels of mortgage acquisitions and originations as we focus on purchase money transactions as opposed to refinancing transactions. We continue to work with our correspondent customers to help them expand their Alt-A origination platforms in addition to adding new correspondent clients.”

Total acquisitions and originations increased across all loan production channels during 2004. Correspondent flow acquisitions rose 104% to $11.0 billion, correspondent bulk acquisitions rose 286% to $8.5 billion, wholesale and retail originations rose 33% to $2.0 billion and sub-prime originations rose 38% to $684.8 million for 2004. Correspondent bulk acquisitions are mortgages that we acquired from our approved correspondents that are not underwritten specifically to our guidelines but under similar Alt-A loan programs.

Due to record loan acquisitions and originations and our ability to raise additional capital and increase borrowing limits on available financing arrangements, the long-term investment operations retained $16.9 billion of mortgages from the mortgage operations and originated an additional $458.5 million of multi-family mortgages. As a result, average mortgage assets rose by 110% to $16.6 billion for 2004 as compared to $7.9 billion for 2003.

Trends in Net Interest Margins on Mortgage Assets

Adjusted net interest margins on mortgage assets, which excludes amortization of loan discounts and includes net cash payments on derivative instruments and is further defined and presented in tabular form as yield analysis on mortgage assets, declined by 19 basis points to 1.16% during 2004 as compared to 1.35% during 2003. Adjusted net interest margins on mortgage assets declined during 2004 primarily due to (1) an increase in short-term interest rates, (2) an increase in the amortization of loan premiums, securitization costs and bond discounts as a result of higher than expected mortgage prepayments and, to a lesser extent, (3) higher leverage and lower net interest margins on certain CMOs completed during the second half of 2004.

During 2004, the Federal Reserve Bank raised short-term interest rates, which affect movements in one-month LIBOR, a total of 125 basis points. This caused borrowing costs on adjustable rate CMOs, which are tied to one-month LIBOR and re-price monthly without limitation, to rise at a faster pace than coupons on six-month LIBOR adjustable rate mortgages securing CMOs, which represents approximately 30% of our long-term mortgage portfolio and re-price every six-months with limitation. However, net interest margin compression was partially offset by our interest rate risk management program as interest rate derivative costs declined 6 basis points to 55 basis points of average mortgage assets during 2004 as compared to 61 basis points during 2003. Total net cash outlays on derivative instruments during 2004 were $91.9 million as compared to $47.8 million during 2003. Net cash payments on derivative instruments along with the change in unrealized fair value of derivatives comprise substantially all of the mark-to-market gain (loss)-derivative instruments on our statements of operations.

Along with an increase in short-term interest rates, our expectation, based on past experience, was that a corresponding decline in mortgage prepayment rates would follow. However, mortgage prepayment rates accelerated during the latter part of 2004. There is recent mortgage industry evidence which documents that the substantial increase in home appreciation rates over the last three years was a significant factor affecting Alt-A borrowers refinance decisions during 2004. Borrowers appear willing to use home equity to pay loan prepayment penalties in order obtain lower monthly payments by refinancing into other mortgage products, including interest-only and high loan-to-value mortgage products.

Actual prepayment rates in excess of projected future prepayment rates resulted in a cumulative upward adjustment in both the amortization rate and amortization amount of loan premiums, securitization costs and bond discounts during the fourth quarter of 2004. As such, amortization of loan premiums and securitization expenses increased by 12 basis points to 1.00% of average mortgage assets during 2004 as compared to 0.88% of average mortgage assets during 2003. A substantial portion of our long-term mortgage investment portfolio consists of mortgages with prepayment penalty features that are primarily designed to help minimize the rate of early mortgage prepayments. However, if mortgages do prepay, a prepayment penalty is charged which helps to offset additional amortization of loan premiums and securitization costs. During 2004, prepayment penalties received from borrowers was recorded as interest income and increased the yield on average mortgage assets by 6 basis points. Therefore, prepayment penalty income offset the effect of increased amortization of loan premiums and securitization costs due to higher than expected prepayments by approximately 50%.

Mr. Tomkinson, remarked, “By design, our current interest rate risk management program provides 20% to 25% coverage of the outstanding principal amount of six-month LIBOR ARMs and 75% to 85% coverage of the outstanding principal balance of intermediate, or hybrid, ARMs at the point in time that we securitize the mortgages. Gradual interest rate increases as expected from the Federal Reserve Bank during 2005 may over the short-term continue to adversely affect net interest margins on mortgages securing CMOs until coupons on adjustable rate mortgages become fully adjusted. However, we continue to believe that our interest rate risk management program will help to mitigate the effect of increases in short-term interest rates and will continue to provide more consistent net interest income and net earnings over the course of the year.”

Outlook for 2005 – Fundamentals are Solid with Prospects for the Long-Term Positive

Mr. Tomkinson, said, “We have historically and continue to acquire and originate purchase money transactions as opposed to refinance transactions. This is significant as the overall decline in nationwide 1-4 family originations during 2004 was primarily due to a 50% decline in refinance activity. On the other hand, purchase money transactions rose 23% during 2004. Purchase money transactions continue to remain strong and based on current economic data and Mortgage Bankers Association projections of only a 4% decline in purchase money volumes during 2005, we expect continued strength in the purchase money market during 2005, which should result in a good year of mortgage production.

“In anticipation of a more competitive environment in 2005, during 2004 we focused on providing our correspondents and broker’s access to and training on our proprietary web-based underwriting system to allow them to expand their Alt-A mortgage origination platforms, increase their mortgage production levels and in turn deliver a higher level of mortgages to our mortgage operations for acquisition. In addition, in January of 2005, we acquired certain assets and assumed selected liabilities along with the hiring of personnel of a wholesale mortgage banker that specializes in the origination of high quality Alt-A mortgages. This will allow us to expand our mortgage operations into areas of the country where we do not currently have a significant presence. Our strategy for 2005 includes, among other things, additions to sales personnel to increase our correspondent and broker customer base, further penetration into builder business, the continued marketing of new products and services and high customer service levels.”

Portfolio Growth, Profitability and Dividends

Mr. Tomkinson, commented, “In 2005, while it appears that the Federal Reserve will continue to raise short term interest rates at a measured pace, we believe that margin compression will begin to stabilize as mortgages held for long-term investment begin to re-price to fully-indexed rates over the course of this year. We believe that prepayments on mortgages held for long-term investment should slow as interest rates continue to rise and home appreciation slows to a more normalized pace. We also expect to follow similar interest rate risk management programs that should protect net interest income and net earnings from dramatic upward spikes in short-term interest rates.

“Furthermore, we expect moderate balance sheet growth as we anticipate annual acquisitions and originations to remain relatively unchanged from 2004 levels in combination with our strategy of selling a greater percentage of acquisitions and originations to third party investors. Moderate balance sheet growth combined with sufficient capital liquidity should reduce our need to raise capital during 2005. Our goal continues to be to provide consistent, reliable dividends to our stockholders.”

We currently declare dividends on a quarterly basis and at such time the board of directors will declare the amount, the record date and the payment date. The board of directors has the right to change the dividend schedule at any time and without prior notice. We estimate the following dates of our dividend declaration, record and payment dates for 2005:

Common Stock Dividend

Declaration Date	Record Date		Pay Date	
March 29, 2005	Friday	April 8, 2005	Friday	April 15, 2005
June 28, 2005	Friday	July 8, 2005	Friday	July 15, 2005
September 27, 2005	Friday	October 7, 2005	Friday	October 14, 2005
November 29, 2005	Friday	December 9, 2005	Friday	December 30, 2005

Preferred Series B and C

Declaration Date	Record Date		Pay Date	
February 2005	Tuesday	March 1, 2005	Thursday	March 31, 2005
May 2005	Wednesday	June 1, 2005	Thursday	June 30, 2005
August 2005	Thursday	September 1, 2005	Friday	September 30, 2005
November 2005	Thursday	December 1, 2005	Friday	December 30, 2005

Fourth Quarter Results for 2004

For the fourth quarter of 2004, net earnings were $114.4 million, or $1.52 per diluted share, as compared to net earnings of $47.5 million, or $0.86 per diluted share, for the fourth quarter of 2003. Net earnings may fluctuate significantly when comparing quarter-over-quarter financial results as we record the change in the fair value of derivative instruments as an increase or decrease to net earnings. The change in fair value of derivatives for the fourth quarter of 2004 was an increase to net earnings of $76.9 million as compared to an increase in net earnings of $16.9 million for the fourth quarter of 2003.

Estimated taxable income available to common stockholders was $50.2 million, or $0.68 per diluted share, during the fourth quarter of 2004 as compared to estimated taxable income available to common stockholders of $38.2 million, or $0.69 per diluted share, for the fourth quarter of 2003. A reconciliation of estimated taxable income available to common stockholders to net earnings is provided in tabular form in this press release for comparative purposes.

Estimated taxable income available to common stockholders, on a per common share basis, was relatively unchanged for the fourth quarter of 2004 as compared to the fourth quarter of 2003 primarily due to (1) a decline in adjusted net interest margins on mortgage assets, including the effect of an increase in amortization of loan premiums, securitization costs and bond discounts, as earlier described, and (2) an increase in weighted number of average common shares outstanding.

Net interest income increased 60% to $89.7 million during the fourth quarter of 2004 as compared to $55.9 million during the fourth quarter of 2003 as average mortgage assets grew by 144% to $22.0 billion from $9.0 billion, respectively. However, the increase in net interest income generated as a result of the growth of average mortgage assets during the fourth quarter of 2004 was partially offset as adjusted net interest margins on mortgage assets, which is further defined and presented in tabular form as yield analysis on mortgage assets, declined 79 basis points to 0.80% as compared to 1.59% during the fourth quarter of 2003. The decline in net interest margins during the fourth quarter of 2004 was primarily due to the same factors that affected net interest margins during 2004, as earlier described, which were (1) an increase in short-term interest rates, (2) an increase in the amortization of loan premiums, securitization costs and bond discounts due to higher than expected mortgage prepayments and (3) higher leverage and lower net interest margin on certain CMOs completed during the second half of 2004.

The growth in average mortgage assets during the fourth quarter of 2004 as compared to the fourth quarter of 2003 was driven by record mortgage acquisition and originations and retentions by the long-term investment operations. Total acquisitions and originations increased across all loan production channels during the fourth quarter of 2004. Correspondent flow acquisitions rose 88% to $3.2 billion, correspondent bulk acquisitions rose 193% to $2.5 billion, wholesale and retail originations rose 26% to $511.8 million and sub-prime originations rose 2% to $150.0 million for the fourth quarter of 2004.

Delay in Audit of Internal Control over Financial Reporting

We are announcing an update to the timing of our efforts to comply with Section 404 of the Sarbanes-Oxley Act, commonly referred to as “SOX 404.” In substance, SOX 404 requires an annual management assessment of the effectiveness of a company’s internal control over financial reporting, and an audit by its independent registered public accounting firm on management’s assessment on internal control over financial reporting. At this time, we report that despite our plan to comply with SOX 404 in a timely manner, we believe that it is unlikely that we will meet the current SOX 404 requirements by the filing deadline of March 16, 2005. As previously disclosed, in July 2004, as part of our ongoing documentation and evaluation efforts in meeting SOX 404 requirements, we discovered an error in our financial statements. Such error resulted in a restatement of our financial statements for the quarters ended March 31, 2004 and 2003 and for the years ended December 31, 2003, 2002 and 2001. We also restated our financial statements for the quarter ended June 30, 2004 and 2003 as a result of a clerical error. The restatement process and the amended filings of the Form 10-K and Form 10-Qs were finalized in October of 2004. During our initial assessment of internal controls over financial reporting, we identified certain documentation and control deficiencies that may rise to the level of significant deficiencies or material weaknesses, in addition to those previously disclosed as part of the restatement. These have been a focus of our remediation efforts prior to year end. As we complete our process, we will need to evaluate the severity of any remaining deficiencies both individually and in the aggregate in the context of our overall evaluation of internal control over financial reporting. As such, we may not be able to render a conclusion that our internal controls over financial reporting were effective as of December 31, 2004.

Mr. Tomkinson, commented, "While it is unlikely we will be able to complete the SOX 404 requirements on a timely basis, it doesn't come without tremendous effort and costs on the part of our employees. The restatement process of approximately three months demanded a significant amount of time and resources from senior management and personnel from our accounting and finance areas. In the first quarter of 2004, we hired consultants to advise us on our internal control over financial reporting and assist in the documentation and testing of internal controls. Furthermore, in 2004 as part of our ongoing evaluation of internal control as well as improvements relating to such, we hired a director of internal audit. Such action was taken to eliminate the reliance on a previously outsourced internal audit function and to strengthen our ability to monitor the operating effectiveness of our internal control over financial reporting. Even with the assistance of newly hired internal auditors and consultants, such time and resource commitment devoted to the restatement impacted our timetable related to our SOX 404 project plan and our ability to complete the documentation, assessment and evaluation of internal control over financial reporting. Our internal delays have impacted the timing of management's assessment and the audit over internal controls by our external auditors, which are ongoing."

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For additional information, questions or comments call or write to the investor relations group and ask for Tania Jernigan at (949) 475-3600 or e-mail Ms. Jernigan at tjernigan@impaccompanies.com. The Company has announced a conference call and live web cast on Tuesday, February 15, 2005 at 9:00 a.m. Pacific Time (12:00 p.m. Eastern Time). Joseph R. Tomkinson, Chairman and Chief Executive Officer, will discuss results of operations for 2004 and provide a general update followed by a question and answer session. If you would like to participate in the conference call, you may listen by dialing (800) 350-9149, conference ID number 3756967, or access the web cast via our web site at http://www.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 www.impaccompanies.com and can be accessed by linking to Impac Mortgage Holdings, Inc./Audio Archives. You can subscribe to receive instant notification of conference calls, new releases and the monthly unaudited fact sheet by using our e-mail alert feature located at the web site under Impac Mortgage Holdings, Inc./Investor Relations/Email Alerts.

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Our external auditors have not completed their audit of our financial statements for the year ended December 31, 2004, and our auditors have not performed a review under Statement of Auditing Standards No. 100, "Interim Financial Information" of the financial information contained herein. The information contained in this press release may change as a result of the completion of the audit of our financial statements for the year ended December 31, 2004.

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Note: Safe Harbor "Statement under the Private Securities Litigation Reform Act of 1995." This release contains forward-looking statements including statements relating to the expected performance of the Company's businesses, operations and dividend and earnings expectations. 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," "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, among other things, failure to achieve projected earnings levels; the ability to generate sufficient liquidity; the ability to access the equity markets; risks of delays in raising, or the inability to raise, additional capital, either through equity offerings, lines of credit or otherwise the ability to generate taxable income and to pay dividends; interest rate fluctuations on our assets that differ from those on our liabilities; interest rate fluctuations; changes in expectations of future interest rates; increase in prepayment rates on our mortgages; the availability of financing and, if available, the terms of any financing; risks related to our ability to maintain an effective system of internal control over financial reporting; changes in markets which the Company serves, including a decrease in the purchase money market; risks relating to our ability to file our annual report on Form 10-K in a timely fashion or to receive from our external auditors an attestation on our internal control over financial reporting; challenges related to the acquisition of a wholesale mortgage broker, acquisition integration risks, the ability to successfully expand our mortgage operations as a result of such acquisition; changes to our dividend declaration, record or payments dates changes in our assumptions, including the need to raise capital, or other general market and economic conditions, other factors described in this press release and our filings with the Securities and Exchange Commission, including "Risk Factors" in our Quarterly Report on Form 10-Q for the quarter ended September 30, 2004. Caution must be exercised in relying on these and other forward-looking statements. Due to known and unknown risks and other factors not presently identified, the Company's results may differ materially from its expectations and projections. We will revise our estimates based on actual conditions experienced, however, it is not practicable to publish all revisions and as a result, no one should assume that results projected in or contemplated by the forward-looking statements included above may continue to be accurate in the future.

IMPAC MORTGAGE HOLDINGS, INC.
(in thousands, except per share amounts)
(unaudited)

Balance Sheets:

	As of December 31, 2004	As of December 31, 2003
Cash and cash equivalents	$ 329,677	$ 127,381
CMO collateral	21,308,906	8,644,079
Mortgage loans held-for-investment	586,686	652,814
Finance receivables	471,820	630,030
Allowance for loan losses	(63,955)	(38,596)
Mortgage loans held-for-sale	587,745	397,618
Accrued interest receivable	97,617	39,347
Other assets	497,271	125,284
Total Assets	$23,815,767	$10,577,957
CMO borrowings	$21,206,373	$ 8,489,853
Reverse repurchase agreements	1,527,558	1,568,807
Other liabilities	37,761	46,510
Stockholders' equity	1,044,075	472,787
Total Liabilities and Stockholders' Equity	$23,815,767	$10,577,957

Statements of Operations:

	For the Three Months Ended, December 31, 2004	For the Three Months Ended, December 31, 2003	For the Year Ended, December 31, 2004	For the Year Ended, December 31, 2003
Interest income	$ 250,372	$ 112,684	$755,616	$385,716
Interest expense	160,683	56,825	412,533	209,009
Net interest income	89,689	55,859	343,083	176,707
Provision for loan losses	6,149	3,490	30,927	24,853
Net interest income after provision for loan losses	83,540	52,369	312,156	151,854
Gain on sale of loans	16,582	13,806	25,134	39,022
Equity in net earnings of Impac Funding Corporation	—	—	—	11,537
Mark-to-market gain (loss) - derivative instruments	47,869	(1,003)	4,694	(16,021)
Other non-interest income	1,583	2,235	10,947	9,995
Total non-interest income	66,034	15,038	40,775	44,533
Personnel expense	16,673	13,223	60,420	25,250
General and administrative and other expense	8,986	6,202	28,052	12,656
Professional services	2,705	2,142	4,374	4,785
Amortization of deferred charge	1,346	3,799	16,212	5,659
Write-down on investment securities available-for-sale	1,120	118	1,120	298
Provision for repurchases	777	913	405	1,499
Amortization and impairment of mortgage servicing rights	561	497	2,063	1,290
Loss (gain) on disposition of real estate owned	(332)	(1,556)	(3,901)	(2,632)
Total non-interest expense	31,836	25,338	108,745	48,805
Net earnings before taxes	117,738	42,069	244,186	147,582
Income taxes	3,371	(5,381)	(13,450)	(1,397)
Net earnings after taxes	114,367	47,450	257,636	148,979
Cash dividends on cumulative convertible preferred stock	(2,135)	—	(3,750)	—
Net earnings available to common stockholders	$ 112,232	$ 47,450	$253,886	$148,979
Net earnings per share:				
Basic	$ 1.55	$ 0.88	$ 3.79	$ 2.94
Diluted	1.52	0.86	3.72	2.88
Dividends declared per common share	$ 0.75	$ 0.55	$ 2.90	$ 2.05
Weighted average shares outstanding:				
Basic	72,432	53,744	66,967	50,732

Diluted	73,765	55,012	68,244	51,779
Common shares outstanding	75,154	56,368	75,154	56,368

IMPAC MORTGAGE HOLDINGS, INC.
(in thousands, except per share amounts)
(unaudited)

Reconciliation of Estimated Taxable Income Available to Common Stockholders to Net Earnings (1)

	For the Three Months Ended, December 31,		For the Year Ended, December 31,	
	2004	2003	2004	2003(5)
Net earnings	$ 114,367	$ 47,450	$ 257,637	$ 148,979
Adjustments to net earnings:				
Loan loss provision	6,149	3,490	30,927	24,853
Dividends from IFC	13,000	9,000	37,000	31,385
Cash received from previously charged-off assets	—	(534)	—	(5,533)
Tax loss on sale of investment securities	—	(3,545)	—	(4,725)
Tax deduction for actual loan losses	(1,799)	(4,016)	(16,252)	(12,859)
Fair value of derivatives (2)	(76,880)	(16,945)	(103,724)	(38,762)
Dividends on preferred stock	(2,135)	—	(3,750)	—
Net earnings of IFC (3)	(16,762)	(5,401)	(42,944)	(16,889)
Net adjustments on intercompany loan sale transactions	14,264	8,508	44,048	802
Net miscellaneous adjustments	—	215	—	215
Estimated taxable income available to common stockholders (4)	$ 50,204	$ 38,222	$ 202,942	$ 127,466
Estimated taxable income per diluted common share	$ 0.68	$ 0.69	$ 2.97	$ 2.46
Diluted weighted average common shares outstanding	73,765	55,012	68,244	51,779

(1) Estimated taxable income include estimates of book to tax adjustments and can differ from actual taxable income as calculated when the Company files its annual corporate income tax return for 2004. Since estimated taxable income is a non-GAAP financial measurement, the reconciliation of estimated taxable income available to common stockholders to net earnings meets the requirement of Regulation G as promulgated by the SEC for the presentation of non-GAAP financial measures.
(2) The mark-to-market change for the valuation of derivatives is income or expense for GAAP financial reporting but is not included as an addition or deduction for taxable income calculations.
(3) The period for the year ended December 31, 2003 represents equity in net earnings of IFC prior to its consolidation with IMH on July 1, 2003.
(4) Excludes the deduction for dividends paid and the availability of a deduction attributable to any net operating tax loss carryforwards.
(5) Actual taxable income per corporate income tax return filed in 2003.

IMPAC FUNDING CORPORATION
(in thousands)
(unaudited)

Reconciliation of Federal Estimated Taxable Income to Net Earnings (1)

	For the Year Ended December 31, 2004
Net earnings	$ 42,944
Tax provision	20,943
Book income before tax provision	63,887
Permanent book to tax differences:	
Compensation from exercise of non-qualified stock options	(2,836)
Other permanent differences	277
Temporary book to tax differences:	
Prior-year state tax	(5,391)
Compensation-related accruals and deferrals	4,489
Allowance for bad debts	1,159
Fair value of derivative instruments (2)	9,552
Depreciation (book to tax differences)	(2,923)
Mortgage servicing rights	(4,964)
Net miscellaneous adjustments	158
Estimated taxable income before adjustments	63,408
Add:	
Tax depreciation	5,623
Less:	
Federal income taxes	(22,193)
Compensation from qualified and incentive stock options	(740)
Other miscellaneous adjustments	(276)
Estimated taxable income	45,822

Distributions paid to IMH (3)	(37,000)
Estimated excess taxable income (4)	$ 8,822

(1) Federal estimated taxable income include estimates of book to tax adjustments and can differ from actual taxable income as calculated when IFC files its annual corporate income tax return for 2004.

(2) The mark-to-market change for the valuation of derivative instruments is income or expense for GAAP financial reporting but is not included as an addition or deduction for federal taxable income calculations.

(3) Dividends paid by IFC to IMH are prorated to IMH stockholders based on total common stock dividends paid by IMH and are taxed at the qualifying tax rate (15%).

(4) Distributions to IMH represent federal taxable income to IMH as distributions from IFC were entirely from current federal earnings and profit.

IMPAC MORTGAGE HOLDINGS, INC.
(dollars in thousands)
(unaudited)

Yield Analysis of Mortgage Assets

	For the Three Months Ended, December 31, 2004		For the Three Months Ended, December 31, 2003	
	Avg Bal	Yield	Avg Bal	Yield
Investment securities available-for-sale	$ 11,069	12.65%	$ 13,958	26.48%
CMO collateral	19,309,936	4.32%	7,885,792	4.46%
Mortgage loans held-for-investment and held-for-sale	2,282,979	5.91%	1,155,818	5.74%
Finance receivables	439,090	5.86%	487,678	5.63%
Total Mortgage Assets	$ 22,043,074	4.52%	$ 9,543,246	4.71%
CMO borrowings	$ 19,009,339	2.93%	$ 7,694,314	2.47%
Reverse repurchase agreements	2,603,244	3.26%	1,591,971	2.34%
Total Borrowings on Mortgage Assets	$ 21,612,583	2.97%	$ 9,286,285	2.45%
Net Interest Spread on Mortgage Assets		1.55%		2.26%
Net Interest Margin on Mortgage Assets		1.61%		2.33%
Adjusted Net Interest Margin on Mortgage Assets (1)		0.80%		1.59%
Effect of Amortization of Net Loan Premiums and Securitization Costs (2)		-1.09%		-0.85%
Effect of Interest Rate Derivative Costs (3)		-0.45%		-0.48%

(1) Adjusted net interest margin on mortgage assets exclude the accretion of loan discounts related to the deferral of income from the sale of mortgage servicing rights from IFC to IMH on mortgages retained by IMH of $19.8 million and $6.3 million and the inclusion of net cash payments on derivative instruments of $24.7 million and $11.4 million for the three months ended December 31, 2004 and 2003, respectively. The accretion of these loan discounts is an adjustment to yield on CMO collateral and is included in net interest income on the consolidated income statement while net cash flows on derivative instruments, or interest rate derivative costs, are included as a component of mark-to-market gain (loss) - derivative instruments on the consolidated income statement. For purposes of reconciling adjusted net interest margin on mortgage assets, which is a non-GAAP financial measurement, subtract accretion of loan discounts and net cash payments on derivative instruments from total net interest income on mortgage assets of $88.6 million and $55.6 million for the three months ended December 31, 2004 and 2003, respectively, and divide by total mortgage assets.

(2) Represents cost of amortization of net loan premiums and securitization costs relative to average mortgage assets. Amortization of net loan premiums and securitization costs were $48.2 million and $14.0 million for the fourth quarter of 2004 and 2003, respectively.

(3) Represents net cash payments on derivative instruments, or interest rate derivative costs, relative to average mortgage assets. Interest rate derivative costs were $24.7 million and $11.4 million for the fourth quarter of 2004 and 2003, respectively.

	For the Year Ended, December 31, 2004		For the Year Ended, December 31, 2003	
	Avg Bal	Yield	Avg Bal	Yield
Investment securities available-for-sale	$ 12,131	27.38%	$ 20,404	17.23%
CMO collateral	14,283,347	4.33%	6,620,328	4.79%
Mortgage loans held-for-investment and held-for-sale	1,837,347	5.76%	632,538	5.47%
Finance receivables	510,899	4.90%	604,087	4.80%
Total Mortgage Assets	$16,643,724	4.52%	$7,877,357	4.88%
CMO borrowings	$14,072,852	2.52%	$6,474,391	2.69%
Reverse repurchase agreements	2,175,728	2.66%	1,374,884	2.36%
Borrowings secured by investment securities	—	—	2,709	85.46%
Total Borrowings on Mortgage Assets	$16,248,580	2.54%	$7,851,984	2.66%
Net Interest Spread on Mortgage Assets		1.98%		2.22%
Net Interest Margin on Mortgage Assets		2.05%		2.23%
Adjusted Net Interest Margin on Mortgage Assets (4)		1.16%		1.35%
Effect of Amortization of Net Loan Premiums and Securitization Costs (5)		-1.00%		-0.88%
Effect of Interest Rate Derivative Costs (6)		-0.55%		-0.61%

(4) Adjusted net interest margin on mortgage assets exclude the accretion of loan discounts related to the deferral of income from the sale of mortgage servicing rights from IFC to IMH on mortgages retained by IMH of $54.9 million and $21.1 million and the inclusion of net cash payments on derivative instruments of $91.9 million and $47.8 million for the year ended December 31, 2004 and 2003, respectively. The accretion of these loan discounts is an adjustment to yield on CMO collateral and is included in net interest income on the consolidated income statement while net cash flows on derivative instruments, or interest rate derivative costs, are included in mark-to-market gain (loss) - derivative instruments on the consolidated income statement. For purposes of reconciling adjusted net interest margin on mortgage assets, which is a non-GAAP financial measurement, subtract accretion of loan discounts and net cash payments on derivative instruments from total net interest income on mortgage assets of $340.5 million and $175.6 million for the year ended December 31, 2004 and 2003, respectively, and divide by total mortgage assets.

(5) Represents cost of amortization of net loan premiums and securitization costs relative to average mortgage assets. Amortization of net loan premiums and securitization costs were $130.9 million and $44.5 million for 2004 and 2003, respectively.

(6) Represents net cash payments on derivative instruments, or interest rate derivative costs, relative to average mortgage assets. Interest rate derivative costs were $91.9 million and $47.8 million for 2004 and 2003, respectively.

IMPAC MORTGAGE HOLDINGS, INC.
(in thousands)
(unaudited)

Mortgage Acquisition and Origination Summary

	For the Three Months Ended, December 31,				For the Year Ended, December 31,			
	2004		2003		2004		2003	
	Volume	%	Volume	%	Volume	%	Volume	%
Mortgages by Type:								
Fixed rate first trust deeds	$ 361,898	6	$ 682,886	22	$ 1,968,502	9	$3,812,952	40
Fixed rate second trust deeds	276,398	4	81,950	3	755,913	3	181,173	2
Adjustable rate:								
Six month LIBOR ARMs	852,264	13	475,607	15	3,382,978	15	1,611,392	17
Six month LIBOR hybrids (1)	4,870,905	77	1,876,470	60	16,105,711	73	3,919,604	41
Total adjustable rate	5,723,169	90	2,352,077	75	19,488,689	88	5,530,996	58
Total mortgage acquisitions and originations	$6,361,465	100	$3,116,913	100	$22,213,104	100	$9,525,121	100
Mortgages by Channel:								
Correspondent acquisitions:								
Flow acquisitions	$3,160,346	50	$1,710,972	55	$10,996,260	50	$5,399,428	57
Bulk acquisitions	2,539,381	40	852,334	27	8,537,504	38	2,159,116	23
Total correspondent acquisitions	5,699,727	90	2,563,306	82	19,533,764	88	7,558,544	80
Wholesale and retail originations	511,785	8	406,626	13	1,994,569	9	1,468,697	15
Novelle Financial Services, Inc.	149,953	2	146,981	5	684,771	3	497,880	5
Total mortgage acquisitions and originations	$6,361,465	100	$3,116,913	100	$22,213,104	100	$9,525,121	100
Mortgages by Credit Quality:								
Alt-A loans	$6,175,604	97	$2,956,705	95	$21,453,383	97	$8,988,018	94
B/C loans	185,861	3	160,208	5	759,721	3	537,103	6
Total mortgage acquisitions and originations	$6,361,465	100	$3,116,913	100	$22,213,104	100	$9,525,121	100
Mortgages by Purpose:								
Purchase	$3,754,628	59	$1,796,163	58	$13,373,840	60	$4,683,202	49
Refinance	2,606,837	41	1,320,750	42	8,839,264	40	4,841,919	51
Total mortgage acquisitions and originations	$6,361,465	100	$3,116,913	100	$22,213,104	100	$9,525,121	100
Mortgages by Prepayment Penalty:								
With prepayment penalty	$4,628,521	73	$2,268,440	73	$15,965,959	72	$7,165,949	75
Without prepayment penalty	1,732,944	27	848,473	27	6,247,145	28	2,359,172	25
Total mortgage acquisitions and originations	$6,361,465	100	$3,116,913	100	$22,213,104	100	$9,525,121	100

Mortgages Retained for Long-Term Investment Summary (2)

	For the Three Months Ended, December 31,				For the Year Ended, December 31,			
	2004		2003		2004		2003	
	Volume	%	Volume	%	Volume	%	Volume	%
Mortgages by Type:								
Fixed rate first trust deeds	$ 421,471	9	$ 32,436	2	$ 1,195,200	7	$ 706,227	12
Fixed rate second trust deeds	94,865	2	—	0	244,491	1	6,744	0
Adjustable rate:								
Six month LIBOR ARMs	566,832	11	466,565	20	2,754,757	16	1,670,720	27
Six month LIBOR hybrids (1)	3,860,688	78	1,787,328	78	13,173,928	76	3,694,687	61
Total adjustable rate	4,427,520	90	2,253,893	98	15,928,685	92	5,365,407	88
Total mortgages retained	$4,943,856	100	$2,286,329	100	$17,368,376	100	$6,078,378	100
Mortgages by Credit Quality:								
Alt-A loans	$4,788,346	97	$2,192,625	96	$16,846,781	97	$5,760,779	95

Multifamily mortgages	123,421	2	84,327	4	458,532	3	290,527	5
B/C loans	32,089	1	9,377	0	63,063	0	27,072	0
Total mortgages retained	$4,943,856	100	$2,286,329	100	$17,368,376	100	$6,078,378	100
Mortgages by Purpose:								
Purchase	$2,872,237	58	$1,422,432	62	$10,516,622	61	$3,408,584	56
Refinance	2,071,619	42	863,897	38	6,851,754	39	2,669,794	44
Total mortgages retained	$4,943,856	100	$2,286,329	100	$17,368,376	100	$6,078,378	100
Mortgages by Prepayment Penalty:								
With prepayment penalty	$3,598,947	73	$1,748,980	76	$12,657,395	73	$4,823,027	79
Without prepayment penalty	1,344,909	27	537,349	24	4,710,981	27	1,255,351	21
Total mortgages retained	$4,943,856	100	$2,286,329	100	$17,368,376	100	$6,078,378	100

(1) Mortgages are fixed rate for initial two to ten year periods which subsequently adjust to indicated index plus a margin.

(2) Mortgages are retained for long-term investment which are initially financed with reverse repurchase agreements and subsequently financed primarily with CMO borrowings.

Conference Call Transcript

IMH - Q4 2004 Impac Mortgage Holdings, Inc. Earnings Conference Call

Event Date/Time: Feb. 15. 2005 / 12:00PM ET
Event Duration: N/A

CORPORATE PARTICIPANTS

Tania Jernigan

Impac Mortgage Holdings, Inc. - VP IR

Joseph Tomkinson

Impac Mortgage Holdings, Inc. - Chairman & CEO

Richard Johnson

Impac Mortgage Holdings, Inc. - CFO

CONFERENCE CALL PARTICIPANTS

Paul Magadenson

Analyst

Jim Fowler

JMP Securities - Analyst

Bose George
UBS - Analyst

Mike McMahon

Sandler O'Neill - Analyst

Howard Amster

Raymad Security - Analyst

Jason Arnold

RBC Capital Markets - Analyst

Jim Ackor

RBC Capital Markets - Analyst

Stephen Laws

WRHambrecht - Analyst

PRESENTATION

Operator

At this time I would like to welcome everyone to the 2004 earnings conference call. All lines have been placed on mute to prevent any background noise. After the speaker's remarks there will be a question and answer period. (OPERATOR INSTRUCTIONS). Ms. Jernigan you may began your conference.

Tania Jernigan - ***Impac Mortgage Holdings, Inc.*** - ***VP IR***

Good morning, everyone, and thank you for joining Impac Mortgage Holdings' year end 2004 earnings call. During this call we will make projections or other forward-looking statements in regards to GAAP and (technical difficulty) capital earnings, cash flow, dividends, loan acquisitions and originations, growth of total mortgage assets and reduction of interest rate and market risk exposure. I would like to refer you to review the business risk factors in our quarterly report on Form 10-Q for the filing period of September 30, 2004, as well as in our Form 10-K/A for 2003.

These documents contain and identify important factors that could cause the actual results to differ materially from those contained in our projections or other forward-looking statements. In addition, in this call we will discuss non-GAAP measures in talking about our Company's performance. You can find the reconciliation of those measures to GAAP measures in our press release on our website at www.impaccompanies.com., under Investor Relations and SEC filings. I would like to get started by introducing Impac Mortgage Holdings' Chairman and CEO, Joseph Tomkinson.

Joseph Tomkinson - ***Impac Mortgage Holdings, Inc.*** - ***Chairman & CEO***

Thank you for joining the Impac Mortgage Holdings' year end 2004 earnings conference call. I have with me in the room Richard Johnson, our Chief Financial Officer, and Ron Morrison, our General Counsel. During this call I want to review our results for the year which, given current market conditions, we are very proud of. I will also review current trends in our operations as well as our strategy for 2005. Let's get started with the highlights for the year which include the following milestones. GAAP net earnings were $257.7 million or $3.72 per diluted common share as compared to 149 million or $2.88 per diluted common share for 2003. Our estimated taxable income which we believe is a better indicator of the Company's performance, increased 21 percent, (technical difficulty) $2.97 per diluted common share as compared to $2.46 per diluted common share for 2003.

Total acquisitions and originations increased 134 percent to another record high of $22.2 billion as compared to $9.5 billion for 2003. Of the $22.2 billion in acquisitions and originations, the long-term investment operations retained for investment (technical difficulty) approximately $16.9 billion as compared to 5.8 billion for 2003. This includes multifamily originations which increased their annual production 58 cents to $458.5 million as compared to 290 million for 2003.

Total assets increased 125 percent to $23.8 billion at December 31, 2004, from 10.7 billion at December 31, 2003. During the year we issued 18.4 million shares of common stock at an average price of $20.78 and 6.3 million shares of preferred stock which resulted in gross proceeds for the Company of $540.7 million. As the result of our accretive capital raising efforts during the year, book value for common share increased 41 percent to $11.80 at December 31, 2004, from $8.39 at December 31, 2003.

Common stock dividends paid to our stockholders increased 41 percent to $2.90 per share as compared to $2.05 for 2003. For 2004, including dividends paid of $2.90 and common stock appreciation, our stockholders enjoyed a 40.4 percent total return. And finally, I'm pleased to report that since our initial public offering of November 1995, including the reinvestment of dividends on common stock appreciation, stockholders have earned approximately 695 (technical difficulty) return on their initial investment. I would now like to briefly review our financial results for the fourth quarter and then I will move into current trends and our outlook for 2005.

Estimated taxable income for the fourth quarter remained relatively flat at $50.2 million or 68 cents per diluted common share as compared to $49.6 million or 69 cents per diluted common share for the third quarter of 2004 and $38.2 million or 69 cents per diluted common share for the same period last year. In the fourth quarter we declared and paid a dividend of 75 cents per common share. Estimated taxable income available to common shareholders was less than the dividend paid during the fourth quarter, primarily as amortization of premium and securitization expenses increased as prepayment rates accelerated toward the end of 2004, and to a lesser extent the new capital raised during the fourth quarter which was not fully employed by the year end.

For the reasons just mentioned, the fourth quarter dividend was less than estimated taxable income earned. However it should be noted that for the year, the Company paid dividends of $202.7 million or $2.90 per diluted common share and earned an estimated taxable income of $202.9 million or $2.97 per diluted common share.

Now I would like to provide some insight with respect to our adjusted net interest margins which excludes amortization of loan discounts and includes net cash payments on derivative instruments. Adjusted net interest margins on mortgage assets declined by 19 basis points to 1.16 percent during 2004 as compared to 1.35 percent during 2003, primarily due to the following: an increase in the amortization of loan premiums, securitization expenses and bond discounts as early prepayments continue to increase despite our expectations that they would decline as interest rates rose during the fourth quarter. Historically the Company has benefited from prepayment penalties that have discouraged borrowers from refinancing. However despite these penalties recent market evidence suggests that because of significant home appreciation and the introduction of new loan programs such as interest-only and the high LTD loan products, borrowers are more willing to use home equity to pay the prepayment penalties in order to either receive cash or obtain a lower monthly mortgage payment.

While we believe that prepayment penalties will continue to mitigate early prepayments on our mortgage loans, until such time as we see a change in the prepayment behavior, we will continue to amortize loan premiums and securitization expenses at an accelerated rate. Another factor (technical difficulty) was the result of our borrowing costs (technical difficulty) which are tied to one month LIBOR, increasing as the Federal Reserve increased short-term rates 5 times during 2004. And to a lesser extent, interest margins also decreased as the Company in the second half of the year, in order to preserve capital during the restatement period, put on new CMOs with a higher overall leverage but with lower net interest margins.

Adjusted net interest margins were partially offset by our interest rate risk management program as derivative costs declines 6 basis points to 55 basis points of average mortgage assets during 2004 as compared to 61 basis points during 2003. Our interest rate risk management program was never designed to completely eliminate interest rate risk because we only had a portion, generally 20, 25 percent of our adjusted rate borrowings that finance our six-month LIBOR adjustable-rate mortgage loans. This differs from our hedging strategy on our high (indiscernible) mortgages, the 2, 3, 5, and 7 year fixed initial terms, whereby due to the fixed nature of the hybrid mortgages we hedged 75 to 85 percent of those borrowings.

Fixed-rate mortgages are not hedged and the assets and liabilities are both fixed and therefore perfectly matched. Furthermore we believe that adjusted net interest margins will stabilize or improve as interest rates on our six-month LIBOR adjustable-rate mortgages reprice upward as prepayment rates decline as interest rates increase and property appreciation slows down during 2005.

Before I move on to discuss trends at the mortgage operations, I would like to review the growth and credit terms at the long-term investment operations which remain truly exceptional. As mentioned, total assets increased to a record $23.8 billion primarily as the REIT retained for investment, $16.9 billion of all-pay mortgage loans from the mortgage operations, and 458.5 million of small balance multifamily mortgages. Of the loans acquired by the REIT during the year, almost 100 percent were (a) (technical difficulty) loans as defined by the Company. Of these loans, 92 percent were adjustable-rate mortgage loans, 61 percent were purchased money transactions, and 73 percent included prepayment penalty features.

At December 31, 2004, the Company allowance for loan losses was $64 million as compared to 38.6 million at December 31, 2003. As a result of historical performance continued (technical difficulty) overall credit quality and current loss trends, the Company's allowance for the loan loss as a percentage of (technical difficulty) provided for which includes loan sales for investment and CMO collateral, decreased to 29 basis points at December 31, 2004, as compared to 39 basis points at December 31, 2003. In the opinion of the management and in accordance with our loan loss reserve methodology, the present allowance for loan losses is considered adequate.

I'd now like to discuss trends at the mortgage operations where despite a 26 percent decrease in 2004 nationwide residential mortgage lending, 2004 acquisitions and originations increased an amazing 134 percent to (technical difficulty) as compared to 9.5 billion for 2003. Acquisitions and originations within all of our production channels continued to be strong which is largely attributed to a healthy home purchase market, our focus on the all-pay loans which we believe are less sensitive to rising interest rates, and our ability to compete very effectively in the adjustable-rate mortgage market. (technical difficulty) the mortgage operations, corresponding all-pay loan acquisitions were $5.7 billion, wholesale originations were $511.8 million, and our subprime unit originations were $150 million.

This compares to the third quarter where corresponding all-pay loan acquisitions were $6.2 billion, wholesale originations were $564 million and subprime (technical difficulty) $195 million. While production is expected to soften during the first quarter of 2005 due to what we believe is normal seasonality based on economic data and mortgage banking association projections, we expect purchased money transactions to be only slightly off 2004 record volumes. Therefore, while we anticipate more competition we also expect strong purchased money transaction and we remained very optimistic that 2005 will be another solid year of loan mortgage (technical difficulty) for the Company.

During 2004 in anticipation of a more competitive environment, we significantly increased our correspondent and wholesale sales forces as well as we expended a considerable amount of time training our correspondent customers on our proprietary Web base underwriting system and providing them with new (technical difficulty) programs that allow them to expand their Alt-A mortgage origination platforms. Those relationships proved to be very rewarding in 2004. Our strategy for 2005 includes leverage (indiscernible) Impac's reputation as a leader in the all-pay industry and capitalizing on the synergies created among our various business units.

In 2005 we expect to further grow our sales force by increasing active correspondent customers and delivering wholesale mortgage brokers. In January of this year, (indiscernible) wholesale mortgage platform by purchasing certain assets and selected liabilities along with hiring (technical difficulty) wholesale mortgage banker that specialize in the origination of high-quality (technical difficulty) mortgages. This (technical difficulty) expect to increase our all-pay whole origination, but also give us the ability to expand our wholesale operations in areas of the country where we currently do not have a significant presence.

In closing while we operate in a very challenging environment we continue to believe that our fundamentals are solid and prospects in the long-term remain positive. We believe there our adjusted net interest margins will stabilize as our loans begin to reprice over the year and prepayments decline. While it appears that the Federal Reserve will continue to raise short-term interest rates at a measured pace, we believe that our interest rate risk management program and our long-term investment portfolio is sound and will continue to protect adjusted net interest margins from dramatic spikes in short-term interest rates. In regards to future growth, we are prepared for more competitive environment (technical difficulty) loan products, marketing programs and technology services that focus on building relationships.

Given the mortgage industry 2005 outlook and our current pipeline of $2.7 billion, we remain optimistic for continued solid loan production for at least the first half of 2005. As a result of our current strategy of selling a greater percentage of acquisitions and originations (technical difficulty) and armed with a strong capital base, we anticipate moderate balance sheet growth with a reduced dependence on the capital markets for 2005.

In closing, with regard to dividend outlook, the Company continues to be committed to maintaining a consistent and a reliable dividend. However until we have better clarity about our 2005 taxable income we are currently refraining from providing dividend guidance for 2005. We expect to declare our first-quarter 2000 dividend (technical difficulty) and at that time (technical difficulty) provide guidance for the year. This concludes my formal remarks. Now at this time, I'd like to open it up for questions.

QUESTION AND ANSWER

Operator

(OPERATOR INSTRUCTIONS). Paul Magadenson (ph) with (indiscernible) Capital Management.

Paul Magadenson ***Analyst***

I have a couple of questions if you don't mind. I think at the end of the third quarter the undistributed earnings in the TRS were a little under 5 million, and 13 million roughly, it looks from the financials, was upstream to the REIT. Can you tell how much (technical difficulty) the fourth quarter and how much of that 13 came from what was already held there as opposed to produced in the quarter? And then I have a follow-up question.

Richard Johnson - *Impac Mortgage Holdings, Inc. - CFO*

If you look at the table in the press release it shows that over 2004 we distributed $37 million worth of E&P earnings and profits out of the TRS (technical difficulty) 45, so there is a remainder of 8.8. Of the 13 that was generated during the quarter, that was slightly less than the actual amount that was created during the quarter.

Paul Magadenson ***Analyst***

So the balance at the end of the quarter, do you have that? Would it be about 5 million then?

Richard Johnson - *Impac Mortgage Holdings, Inc. - CFO*

I think the table shows the year. If you look at the table it says that estimated excess taxable income that hasn't been distributed is $8.8 million.

Paul Magadenson ***Analyst***

Thank you. My other question, the net adjustments on intercompany loan sales transactions. I think, if I'm not mistaken, that was a new line item. I was wondering if you could just explain that to me. I wasn't sure what that was exactly.

Richard Johnson - *Impac Mortgage Holdings, Inc. - CFO*

If you look at the table, historically in the past when we've done this we have said GAAP or things from IFC is one single line item as a reduction or addition to the adjustment to taxable income, and then we showed the dividend as a separate line item. And IFC

GAAP earnings is now broken up into two components. So if you want to look at a historical comparison you just add the two numbers together which is net earnings of IFC and then net adjustment to intercompany loan sales. For comparability, I would add those two together.

Paul Magadenson ***Analyst***

I'm sorry — the three items and the two, would add up to which one?

Richard Johnson - *Impac Mortgage Holdings, Inc. - CFO*

Historically speaking, we've shown two items. One is the dividend from IFC, and the other is the net earnings or GAAP earnings from IFC that is in the consolidated earnings of IMH. Just back out the GAAP and you would add back the dividend. In this particular case we are breaking out the GAAP members into two separate numbers.

Paul Magadenson ***Analyst***

I will work with that then I'll follow-up off line if I have any questions. Thank you.

Operator

Jim Fowler with JMP Securities.

Jim Fowler - *JMP Securities - Analyst*

A couple of questions. As you think about 2005 given your comments on competition and the like, what would you expect the correspondent flow and correspondent bulk percentages of total originations to trend towards? And then secondly, as that number has grown a bit what incremental pressure do you think that is put on prepayment (indiscernible)? Thanks a lot.

Joseph Tomkinson - *Impac Mortgage Holdings, Inc. - Chairman & CEO*

I'm not sure that I can really accurately answer that question. Clearly there is — let me take the first part of the question which I think you're dealing with increased competition in the sector. The best way that we can answer that is to increase our product lines and move away from maybe some of the product lines that we historically have been putting out there. We have also increased our number of correspondents and our penetration in certain areas of the country, mainly the Midwest where we historically have not had a presence.

So combining those two new products and more penetration, we think that we have a pretty good basis for additional growth, albeit I don't believe — and I told everyone around here — I don't believe we're going to see the kind of growth that we have seen in the last year. However, I think we have come out publicly and stated that if we grew our portfolio another 30 percent, that is still good growth for any company.

Richard Johnson - *Impac Mortgage Holdings, Inc. - CFO*

As far as historically the mix of correspondent versus wholesale acquisition originations, about 80/20. If you look at the year for 2004, that migrated more towards the acquisitions of 90 percent versus 10 percent wholesale. I think you notice in the press release we made the announcement we have expanded some of our wholesale operations. Whereby I think what we're trying to do is accomplish a better mix or a blended mix similar to what we had historically. Historically we've had 80/20. I think if you want to look prospectively, I think that's what we're trying to accomplish.

Jim Fowler - *JMP Securities - Analyst*

Thank you, gentlemen.

Operator

Eric Wasserstrom with UBS.

Bose George - *UBS - Analyst*

Actually this is Bose George. I had a question about the potential consequences of not being compliant with SOX 404 by March. Specifically could you address whether it could impact the ability to raise equity at the time?

Richard Johnson - *Impac Mortgage Holdings, Inc. - CFO*

Thanks, Bose. I think the question is really what does that mean for the Company. (technical difficulty) today. With respect to SOX 404 there is a requirement the Company file, at the time we File the 10-K, two opinions. One is the audit opinion on your financial statements and one is the audit opinion on the audit of internal controls of the Company. (technical difficulty) press releases as a result of the statement process and you kind of go through the history of the Company and what happened last year, put us in a position that we are behind in where we need to be in order to file that audit of internal controls. So we are (indiscernible) in the market that we may be behind.

What that means and what we know today is that, if in fact we are not able to file the audited internal control as of the date that it's due, the Company may be deemed or is going to be deemed a delinquent filer. And I guess from that standpoint if we are deemed a delinquent filer, we will not be able to raise capital in the public market until such time as that filing has been completed. So from that standpoint, all it is a process that we're going through and it may create a delay with respect to raising capital but it does not box the Company out from raising capital in the future.

Bose George - ***UBS*** - ***Analyst***

But it just makes the raising of capital more cumbersome during that period versus shutting you out. Is that correct?

Joseph Tomkinson - ***Impac Mortgage Holdings, Inc.*** - ***Chairman & CEO***

If we were in the market for raising capital I guess that's true. To be honest with you, we have been trying to get more clarification from the PCAOB and the SEC. We have been working directly with them. And there's a lot of interpretation, a lot of confusion and quite frankly we're just taking it from the standpoint of hey, we're behind. As Richard mentioned, we got behind because of the restatement last year. We had to put all of our efforts toward that and it put us about 60 days behind.

We are taking the position that at the very worst, we would be deemed a late filer. Having said that the Company has been working almost 24 hours a day to catch itself up. We think that will be able to present by the end of the month all of our processes and workpapers to KPMG who has been working very closely with us. And so hopefully, we are no more than 30 days out of the box.

Bose George - ***UBS*** - ***Analyst***

Thanks a lot.

Operator

Mike McMahon with Sandler O'Neill.

Mike McMahon - ***Sandler O'Neill*** - ***Analyst***

A follow-up to that last question. While you may be put in the penalty box for a brief time until you get SOX compliant, this doesn't preclude you from doing a private equity deal. Is that correct?

Richard Johnson - ***Impac Mortgage Holdings, Inc.*** - ***CFO***

I was trying to refer to only public offerings but not private.

Joseph Tomkinson - ***Impac Mortgage Holdings, Inc.*** - ***Chairman & CEO***

Just to give a little bit more clarity, the Company was rather forward thinking on this last summer and (technical difficulty) changed our strategy a little bit. I think we mentioned that in the press release a couple of times, that we have set up where we sell to REMIC sales a lot of our product for cash gains. What this does is preserves the capital, increases the income. And right now we're sitting on, in capital, we sit on about $142 million. And then we sit on additional restricted capital — we call it restricted, we just put aside — of another $120 million. We're actually, the Company is in a very good position to go forward for the year.

Mike McMahon - ***Sandler O'Neill*** - ***Analyst***

I wanted to follow up on the loan sales. How much did you sell during the quarter, and the breakdown between whole loan and REMIC?

Richard Johnson - ***Impac Mortgage Holdings, Inc.*** - ***CFO***

Mike, during the fourth quarter we did a $1 billion REMIC transaction and I believe the gain was around 71 basis points. Remainders were various little small whole loan sales that were subprime or second TDs or HELOCs that we generally sell on a monthly basis. But the significant component was the REMIC transaction that we did in the fourth quarter, approximately about $1 billion.

Mike McMahon - - ***Sandler O'Neill*** - ***Analyst***

Okay. Thank you for anticipating my next question which was the 71 basis points. Can you, as a last question here, we've heard presentations by several other mortgage lenders talk about the competitive pressures and the negative effect of the yield curve flattening on gain on sale margins. And do you have a sense for where or what might be happening to the margin on your Alt-A product? I have a feeling there is more — you have more pricing power, if you will, in the (technical difficulty) terms of raising coupons (technical difficulty) the subprime guys who raise it once every three months whether they're ready to or not. Can you give us some color on that?

Joseph Tomkinson - ***Impac Mortgage Holdings, Inc.*** - ***Chairman & CEO***

Mike, as you know we have an asset liability committee meeting that meets weekly and we review not only our CMO cash flows but also our expected margins and we price (technical difficulty) almost daily. We think as I mentioned earlier, that as time goes on and we enjoy the full adjustment of our adjustable-rate mortgages that the net interest margins will stabilize and even widen out a bit. But there is, in this marketplace, there is a lot of competitiveness out there. And as I alluded to earlier we've always — I tell people around here we are not going to make a widget for a dollar and sell it for 80 cents.

I take a look around and I see what the subprime lenders are doing, and that is in effect what they're going. (technical difficulty) we'll move to other more profitable products that we have been putting out in the marketplace although we haven't increased the volumes because we wanted to work out the idiosyncrasies of those products. That is what this Company will do.

Richard Johnson - ***Impac Mortgage Holdings, Inc.*** - ***CFO***

I'm just going to add a little bit to that. Obviously you know the Company pretty well. We are pricing daily with respect to our profitability in trying to set a net spread. Unlike subprime like you mentioned before, who priced every once a month, twice a month or two, three-months and allowed their profitability margin based on the execution they get. That is not how we execute. We hedge our pipeline during the lock-in period, origination and funding, and until some is securitized, to generate a certain return. Our business is different from the subprime market in the way we price and also securitize and sell.

Mike McMahon - ***Sandler O'Neill*** - ***Analyst***

If I could ask a final. What was the significance of that final statement about the auditors not reviewing the interim fourth quarter numbers?

Richard Johnson - ***Impac Mortgage Holdings, Inc.*** - ***CFO***

Generally speaking, and I don't know if you are aware of this, but because of this SOX 404 requirement, audits now need to be dated the same date as your completion of your SOX 404. And so technically, our audit won't be signed off until such date as the 404 is completed which is sometime in the future. It was just a disclaimer saying that while we believe that there is nothing material, we've identified all the adjustments that need to be recorded, the truth of the matter is the audit is not completely signed off and won't be until such time in the future. It was just on as a disclaimer.

Mike McMahon - ***Sandler O'Neill*** - ***Analyst***

Thank you.

Operator

Howard Amster (ph) with Raymad (ph) Security.

Howard Amster - ***Raymad Security*** - ***Analyst***

Hi, Joe, Richard. Most of the questions were answered. I just wanted to know if you could — to understand correctly, you are going to increase the portfolio about $6 billion. Is that correct, based on your comments? And the other was, when you do the REMIC securities you book gain on sale, the accounting on those. Does that, at any point then, come through as portfolio income at some later date when the thing ages? Could you just go over that please?

Joseph Tomkinson - ***Impac Mortgage Holdings, Inc.*** - ***Chairman & CEO***

I will answer the first part. First of all, I think what we said is if we increased the portfolio 30 percent that would be good growth for any company and that just happens to be roughly 6, $6.5 billion. I think that that is certainly achievable. As far as the gain on sale, I think you misunderstood me. It's a REMIC sale for cash, and I'll let Richard explain that in more detail.

Richard Johnson - ***Impac Mortgage Holdings, Inc.*** - ***CFO***

I think the question is comparing to others who do REMIC securitization and retain residual interest in their securitization and accord income over time. That is not our treatment. We actually sell off 100 percent of all the bonds and generate cash from our sales. The answer to the question is, yes, it comes to the gain on sale line item, and no, there is no portfolio of income in the future because we have received cash.

Howard Amster - ***Raymad Security*** - ***Analyst***

Thank you very much.

Operator

Jim Ackor with RBC Capital Markets.

Jason Arnold - ***RBC Capital Markets*** - ***Analyst***

It's actually Jason Arnold. I just had a quick question. Could you give me the balance of your total delinquencies, and if you had any charge-offs during the period, that would be great. Thanks.

Richard Johnson - ***Impac Mortgage Holdings, Inc.*** - ***CFO***

I don't have those two numbers at this point in time. And so they are purposely eliminated from the press release as we didn't have the numbers prepared in time. I can't answer the delinquency other than they haven't changed materially from the previous period. With respect to the actual charge-offs that were done through the quarter, I believe that they were for all intents and purposes, benign for the month or for the quarter, roughly around 1.5 million or something in that nature.

Jim Ackor - *RBC Capital Markets* - *Analyst*

Why don't you give me the previous quarter's delinquencies, just because we made the statement they were rather (ph) benign.

Richard Johnson - *Impac Mortgage Holdings, Inc.* - *CFO*

I don't have them at the tip of my hand.

Jim Ackor - *RBC Capital Markets* - *Analyst*

Okay, great. Thanks a lot guys.

Joseph Tomkinson - *Impac Mortgage Holdings, Inc.* - *Chairman & CEO*

If you call back, call investor relations after the call. It is just something that we don't have at our fingertips here. We will research it and get it for you.

Jim Ackor - *RBC Capital Markets* - *Analyst*

Thank you very much.

Operator

(OPERATOR INSTRUCTIONS). Jim Fowler which JMP Securities.

Jim Fowler - *JMP Securities* - *Analyst*

I question has been answered, thank you.

Operator

Charles (indiscernible), a private investor.

Unidentified Speaker

May I ask a question?

Joseph Tomkinson - *Impac Mortgage Holdings, Inc.* - *Chairman & CEO*

Yes, go ahead. I'm a private investor, a very small amount I suppose, and I still would like to know what you think about the maintenance of dividends as they stand today, because you said on March 29th you expect a 75 cent dividend to be distributed. But I wonder going forward, whether you feel that this can continue reliably or even perhaps see an increase of dividends down the road within the next year?

Joseph Tomkinson - *Impac Mortgage Holdings, Inc.* - *Chairman & CEO*

First of all, let me correct you. I didn't say that March 29th, we were going to pay a 75 cent dividend. What I said is we expect to declare a first-quarter 2000 dividend on March 29th. At that time we expect to provide guidance for the year. The Company does not as a policy predict future dividends until such time as we actually declare them. And because that's our policy and it's our Board policy, I'm refraining from making any comment on that.

Unidentified Speaker

Thank you very much.

Operator

Stephen Laws with WRHambrecht.

Stephen Laws - *WRHambrecht* - *Analyst*

Good morning out there. The first question, I guess the only question I have left revolves around your portfolio. Given the mismatch in the one month and six month LIBOR you have on some of your adjustable-rate securitizations, are you going to look to add more hybrid and fixed-rate (technical difficulty) '05 or are you going to continue to see about the same mix that you have in place. Or simply your '05 origination volume, you're going to drive the mix of what you add to your portfolio?

Richard Johnson - *Impac Mortgage Holdings, Inc.* - *CFO*

With respect to future production, what we are thing today is we are seeing a higher percentage of the hybrids as far as our origination goes. That has been mainly the crux of the overall originations for the year and also for the lat part of the year representing — or almost 80 percent of all the originations and acquisitions have been in that hybrid sector. A smaller and smaller percentage over time has been in the six-month LIBOR. I think that is primarily as the market is aware the rates are going up. People are less likely to want to take that short-term adjustment and they want to lock themselves in.

To add to that, what we’re thing is we are seeing a slight migration as time goes on to a little bit more of the thirty-year fixed and as the yield curve is flattening there is less and less of a disparity between the intermediate ARMs and the thirty-year fixed. So I think prospectively, we really can’t necessarily (technical difficulty) or say we’re going to acquire or originate this kind of product. It’s really indicative of the yield curve and what is originated. I guess the good thing is it really doesn’t matter from our standpoint what product is originated because we can pretty much invest in any of the type of loans, but the inflows are really indicative of the shape of the yield curve, that is at the time.

Stephen Laws - *WRHambrecht - Analyst*

One follow-up quickly. I did jump off earlier for a second so I apologize if this has been answered. As we see some statements, or the difference in the six-month and one month LIBOR increase, should we see — we should see some recovery on the margins here, is that correct?

Richard Johnson - *Impac Mortgage Holdings, Inc. - CFO*

That is correct.

Stephen Laws - *WRHambrecht - Analyst*

Thank you.

Operator

Jim (indiscernible) with Millennium Partners.

Unidentified Speaker

I just had some questions about the adjusted net interest margin, as you guys calculated. Can you tell us what that (technical difficulty)? And what sort of guidance or range are using for ‘05?

Richard Johnson - - *Impac Mortgage Holdings, Inc. - CFO*

I’m not sure I understand the question about quarter end because it is in the press release, as far as the adjusted net interest margin (indiscernible) excludes the accretion of the loan discounts which were previously known as the deferred gains, and also includes the net cash payment on the derivatives.

Unidentified Speaker

I’m sorry, Richard. I mean for December, like a month-to-month progression.

Richard Johnson - *Impac Mortgage Holdings, Inc. - CFO*

You know what, that’s not a number we publish. We only publish it on a quarterly basis. I can’t give you that information.

Unidentified Speaker

At least, the trend, did it improve at all during the quarter?

Richard Johnson - *Impac Mortgage Holdings, Inc. - CFO*

Again, I can’t comment to that.

Unidentified Speaker

If we could turn to expenses. What is the outlook with the additional costs getting to SOX compliance? How will the expense trend go during ‘05? Are we likely to see a big pickup in expenses? I think Joe mentioned hiring additional wholesaler and correspondent salespeople as well.

Joseph Tomkinson - *Impac Mortgage Holdings, Inc. - Chairman & CEO*

If you take a look at our actual production costs, I think they are hovering right around 44 basis points.

Richard Johnson - *Impac Mortgage Holdings, Inc. - CFO*

40 or 50 basis points.

Joseph Tomkinson - *Impac Mortgage Holdings, Inc. - Chairman & CEO*

We are extremely efficient in the overall costs (technical difficulty) Sarbanes-Oxley, which really should be dubbed the accountant full employment act, has cost us somewhere in the range of 2 million additional, and it’s still ongoing. Having said that, I think as we get our arms are around the SOX 404 and we finish our work, in the latter half of the year we will see those particular expenses begin to decline.

Unidentified Speaker

Okay, good. If I can also ask about Joe’s comments earlier on prepayments and how, even though you have prepayment penalties on a lot of your loans, because of I guess the growing number of options available to homeowners they are increasingly using their home equity to pay prepayment penalties.

Joseph Tomkinson - *Impac Mortgage Holdings, Inc. - Chairman & CEO*

That is correct. That is what we believe. There has been some market research done mainly by Bear Stearns which historically for us it's unusual phenomena. Normally when you see the prepayment, when you see the interest rates rise you expect a decline in the pre-pays. However, this is a study that as I mentioned Bear Stearns did, and they pointed out that there's been such phenomenal increase in real estate appreciation that a large segment of the population is willing to use their equity in their home to go ahead and pay those prepayment penalties because they can still lower their payments through different types of fundings, i.e., the interest-only payment or in some cases maybe the negative AM programs that are out there and available. Do I think this phenomenon is going to continue? I can't really answer that question. I don't think it's a long-term situation. But who am I to say?

Unidentified Speaker

So the prepayment penalty is in effect being rolled into the new loan, right?

Joseph Tomkinson - *Impac Mortgage Holdings, Inc. - Chairman & CEO*

They are paying the penalties and we're reaping the benefits from it but the runoff has been certainly higher than we ever expected.

Unidentified Speaker

Lastly, I guess maybe a comment or two on the state of the all-pay market. Are you seeing any encroachment by some of the nonprime issuers or even some (technical difficulty) conforming guys coming down market?

Joseph Tomkinson - *Impac Mortgage Holdings, Inc. - Chairman & CEO*

To be honest with you, it's too soon to really tell. Our volumes aren't showing that. However, we have spent a great deal of time and money in penetrating other markets and creating other products. It's something that I think the Company has done a good job in planning for. When I say we move away from traditional all-pay products and begin moving into niche products.

Unidentified Speaker

Good luck, guys. Thanks.

Operator

Howard Amster with Raymad (ph) Securities.

Howard Amster - *Raymad Security - Analyst*

Richard or Joe, could you comment on what the trend in CPR actually has been over the last few months or quarters, however you're able to comment on that, please?

Richard Johnson - *Impac Mortgage Holdings, Inc. - CFO*

The trend, as we mentioned in the press release, during the last part of year we've seen that migrate to levels that we wouldn't have expected. Generally speaking we have seen or expect our overall portfolio to runoff at around a 33 or 35 percent overall lifetime CPR. During the latter part of the year we've seen one month CPR spike up to the 40 to 45 range on product that maybe not more than a-year-old, or even brand-new product that was just put on the books that may have not been on the books for more than three to six-months, and has already had a 15 to 20 percent CPR.

What you are seeing in acceleration that we wouldn't have expected and I think Joe mentioned earlier on that we believe it's a result of people are just willing to pay pre-pays because they have much equity built up in their property. Again, we don't believe this is going to continue on to eternity but it is something we've seen. We have made adjustments in our amortization to accommodate for it and we will keep it at that level until such time as we see the trend reverse.

Howard Amster - *Raymad Security - Analyst*

Just a follow-up question. So your numbers allow for an amortization number that if it would slow down could improve your margins, is that correct?

Richard Johnson - *Impac Mortgage Holdings, Inc. - CFO*

Yes, that is pretty much self explanatory because if the CPR rates slow down, the product is on my books longer, I amortize less premium, clearly my (indiscernible) margin would improve.

Howard Amster - *Raymad Security - Analyst*

Given that your portfolio is relatively new, you added so much this year, what actually was your CPR through the whole portfolio during the last quarter, if you can discuss that?

Richard Johnson - *Impac Mortgage Holdings, Inc. - CFO*

Right now, we just don't have that figure.

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Unidentified Speaker

Thank you very much.

Operator

Mike McMahan with Sandler O'Neill.

Mike McMahon - ***Sandler O'Neill*** - ***Analyst***

First just to confirm my understanding, the losses in the quarter were about 1.8 million, were they not? Doesn't that come from the taxable GAAP reconciliation?

Richard Johnson - ***Impac Mortgage Holdings, Inc.*** - ***CFO***

Yes, Mike, it does. Thank you for pointing that out.

Mike McMahon - ***Sandler O'Neill*** - ***Analyst***

Just wanted to make sure I understood it. Joe, you mentioned, so we're not left with the wrong impression, you mentioned that you have (technical difficulty) of available capital, 120 million of restricted (technical difficulty). That adds up to 262. And you have 330 million in cash on your balance sheet. So there's another 68 million. So that we are not lead with the wrong impression about how much available liquidity you have, are those the right numbers?

Richard Johnson - - ***Impac Mortgage Holdings, Inc.*** - ***CFO***

I think what Joe is trying to explain is we meet every single Monday. We look at our cash and kind of bifurcate it into various buckets. So Joe has given you a picture of a more recent phenomenon that as of December 31st. Essentially we go through, when Joe says I've 140 million in capital, that is unrestricted, not reserved, not put away for any intent or purpose, but can clearly be used for investment purposes. Other capital is put away for anticipated dividend payments, generally speaking. Each month we will put away that month's taxable income for dividends, so that gets restricted.

Other things that we do in our securitizations, if in fact we structure a deal whereby the equity needs to build up overtime, we will actually put away the money outside today because that creates taxable income with no cash. We will have the money to pay the dividends. These are the kind of things that we do internally to make sure we manage liquidity and put us in a position that we feel very comfortable with our liquidity position.

Mike McMahon - ***Sandler O'Neill*** - ***Analyst***

Thank you for that clarification. The final one, is I'm having trouble figuring out what the margin was in the quarter. If I turn to your yield analysis (technical difficulty) assets, I see clearly that the net interest margin on mortgage assets was 161 (technical difficulty). And then you've got two major adjustments. You've got the effect of the swap payments which is 24 million and change. And I believe that would take the margin to about 118 basis points, give or take one or two for rounding purposes. Is that correct first of all?

Richard Johnson - ***Impac Mortgage Holdings, Inc.*** - ***CFO***

I'm sorry. I was trying to (indiscernible). I didn't know where you started. So could you please?

Mike McMahon - ***Sandler O'Neill*** - ***Analyst***

Yes. If I take the stated margin of 161 basis points for the fourth quarter, if you subtract from that the net swap payments of 24.7 million or whatever that number was, that's close enough. Then I believe you get down to an adjusted margin of around 118, is that correct?

Richard Johnson - ***Impac Mortgage Holdings, Inc.*** - ***CFO***

You take the 45 off the 61?

Mike McMahon - ***Sandler O'Neill*** - ***Analyst***

Yes. Is that what, 116?

Mike McMahon - ***Sandler O'Neill*** - ***Analyst***

That is close enough. And then you have some amortization of loan premiums and deferred bond issuance costs. That would take it how much?

Richard Johnson - ***Impac Mortgage Holdings, Inc.*** - ***CFO***

Difference between the 116 and the 80 is that accretion of that deferred income, or we call it the bond discount now, which previously was deferred revenue, which gets amortized and accreted as part of the yield.

Mike McMahon - ***Sandler O'Neill*** - ***Analyst***

(technical difficulty) margin?

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Richard Johnson - ***Impac Mortgage Holdings, Inc.*** - ***CFO***

Yes, it does because you're amortizing a credit.

Mike McMahon - ***Sandler O'Neill*** - ***Analyst***

Okay.

Richard Johnson - ***Impac Mortgage Holdings, Inc.*** - ***CFO***

You are seeing the raw number without that accretion of the credit.

Mike McMahon - ***Sandler O'Neill*** - ***Analyst***

That's it, thank you.

Operator

Ladies and gentlemen, we have reached the end of our allotted time for questions and answers. Mr. Tomkinson, are there any closing remarks?

Joseph Tomkinson - ***Impac Mortgage Holdings, Inc.*** - ***Chairman & CEO***

Not at this time, other than we appreciate everyone's attendance and we'll see everybody again at the close of the first quarter. Thank you.

Operator

This concludes today's 2004 earnings conference call. You may now disconnect.