Impac Mortgage Holdings, Inc. Reports a 55% Increase in Earnings Per Share to $1.84 for 2002 as Compared to $1.19 for 2001

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NEWPORT BEACH, Calif., Jan. 29 /PRNewswire-FirstCall/ -- Impac Mortgage Holdings, Inc. (Amex: IMH) ("IMH" or the "Company"), a real estate investment trust ("REIT"), reports net earnings of $74.9 million, or $1.84 per diluted share, for 2002 as compared to net earnings of $33.2 million, or $1.19 per diluted share, for 2001. Net earnings for the fourth quarter were $22.1 million, or $0.50 per diluted share, as compared to net earnings of $15.0 million, or $0.48 per diluted share, for the fourth quarter of 2001 and $19.4 million, or $0.47 per diluted share, for the third quarter of 2002. For comparative purposes please refer to the accompanying financial statements for the calculation of core operating earnings and a reconciliation of core operating earnings to net earnings. Core operating earnings exclude certain non-core revenue and expense items that are included in net earnings.

Estimated taxable income was $85.6 million, or $2.10 per diluted share, for 2002 as compared to taxable income of $38.3 million, or $1.37 per diluted share, for 2001. Estimated taxable income for the fourth quarter was $25.9 million, or $0.58 per diluted share, as compared to estimated taxable income of $18.7 million, or $0.61 per diluted share, for the fourth quarter of 2001 and $25.5 million, or $0.61 per diluted share, for the third quarter of 2002. Please refer to the accompanying financial statements for the calculation of estimated taxable income and a reconciliation of estimated taxable income to net earnings.

Joseph R. Tomkinson, Chairman and Chief Executive Officer of Impac Mortgage Holdings, Inc., commented, "2002 was an exciting year for the company. We exceeded our initial goals of $1.60 per share in net earnings and total assets by year-end in excess of $5.0 billion as well as a return to paying consistent and reliable quarterly dividends to our shareholders. Underlying operating results was the success and growth of our core operating businesses, which all made positive earnings contributions during 2002. As a result of the growth of our core operating businesses, year-over-year earnings per share increased 55% and total assets at year-end increased 128% over the prior year."

Financial Highlights for 2002

- Earnings per share ("EPS") increased 55% to $1.84 as compared to $1.19 for 2001
- Estimated taxable income per share increased 53% to $2.10 as compared to taxable income of $1.37 for 2001
- Total cash dividends declared increased to $1.76 per share as compared to $0.69 per share for 2001

Total assets increased 128% to $6.6 billion as of December 31, 2002 from $2.9 billion for the prior year

- Book value per share increased to $6.70 as of December 31, 2002 as compared to $6.35 for the prior year
- Return on average assets and equity was 1.70% and 28.70%, respectively, as compared to 1.48% and 17.40%, respectively, for 2001
- Total market capitalization was $521.2 million as of December 31, 2002 as compared to $272.0 million for the prior year
- Dividend yield as of December 31, 2002 was 16.70%, based on an annualized fourth quarter dividend of $0.48 per share and a closing stock price of $11.50
- Total return to shareholders was 56%, based on common stock price appreciation of $3.00 per share and common stock dividends declared of $1.76 per share
- Net earnings from the long-term investment operations and warehouse lending operations was 77% of consolidated net earnings as compared to 67% for 2001
- Impac Funding Corporation ("IFC"), the Company's mortgage operations, acquired and originated $6.0 billion of primarily non-conforming Alt-A mortgages ("Alt-A mortgages") as compared to $3.2 billion for 2001
- Retained for long-term investment $3.9 billion in principal balance of primarily Alt-A adjustable and fixed rate mortgages which were acquired and originated by the mortgage operations
- Allowance for loan losses increased to $26.6 million, or 42 basis points of loans receivable, as of December 31, 2002 as compared to $11.7 million, or 43 basis points of loans receivable, for the prior year
- Average finance receivables to non-affiliates increased 66% to $341.5 million as compared to $205.5 million for 2001

Outlook for 2003

Mr. Tomkinson said, "Although the Mortgage Bankers Association ("MBA") estimates that nationwide mortgage originations may decline 28% from 2002 levels, primarily due to a decline in refinancing activity, we look to modestly increase our loan acquisition and origination levels over 2002 results. Our belief is that Alt-A mortgage originations as a percentage of the total mortgage origination market will continue to grow as mortgage borrowers seek alternatives to the traditional mortgage products offered by government sponsored agencies. We believe that we can increase our share of the Alt-A mortgage market as we have built a solid origination platform that focuses on product, price and service, along with people that work effectively together to profitably manage the acquisition, sale, finance and investment of our mortgage loans. We also believe that we will be less affected by a decline in refinance activity as we rely on purchase money transactions as evidenced by MBA estimates that 58% of nationwide residential mortgage originations during 2002 were from refinancing activity as compared to 45% of the Company's acquisitions and originations that were from refinances during the same period."

Mr. Tomkinson went on to say, "We expect a gradual rise in interest rates towards the latter part of 2003 from the historic lows experienced during 2002 which should lead to a gradual reduction in mortgage refinance activity along with slightly higher borrowing costs and decreased mortgage prepayment rates in our mortgage loan investment portfolio. We also expect a gradual change in the composition of our acquisitions and originations from adjustable rate to fixed rate mortgages, which started during the latter half of 2002 and which we expect will to continue throughout 2003. Fixed rate mortgages held for investment are financed through the issuance of CMOs, which provide fixed rate financing over the life of the mortgages with no interest rate risk or interest rate hedge related expenses. We plan to continue this strategy during 2003 as we believe we will create long-term shareholder value by retaining mortgage assets that have favorable credit profiles, prepayment penalty features and conservative loan-to-value ratios which should generate positive cash flows over a longer time horizon. Our 2003 business plan is also based on an interest rate hedging strategy that should help maintain relatively stable net interest margins, maintain adequate allowance for loan losses and acquire and originate both adjustable and fixed rate mortgages for long-term investment."

New Business Opportunities

Impac Multifamily Capital Corporation

In addition to acquiring mortgages from our mortgage operations during 2002, the long-term investment operations also originated multi-family mortgages through Impac Multifamily Capital Corporation ("IMCC"), a wholly- owned subsidiary of IMH that was formed during the third quarter of 2002. IMCC is located at our headquarters in Newport Beach, California, which allows us to maintain centralized operations and support. IMCC was formed to primarily originate small balance multi-family mortgages with high credit quality, conservative loan-to-value ratios and adjustable rate mortgages with balances ranging from $250,000 to $1.5 million. Multi-family mortgages provide greater asset diversification on our balance sheet as multi-family mortgages typically have higher interest rate spreads and longer lives than residential mortgages. IMCC originated $25.8 million of multi-family mortgages during the fourth quarter of 2002 with an average loan size of $737,000. We expect IMCC to originate in excess of $300.0 million multi- family mortgages during 2003, which will be retained for long-term investment and financed with CMO borrowings. Multi-family mortgages originated during the fourth quarter of 2002 were primarily secured by properties located in California and all multi-family mortgages had interest rate floors with prepayment penalty periods ranging from three to five years with the borrower's weighted average credit score of 731 and a weighted average loan-to-value ratio of 67%.

Novelle Financial Services, Inc.

Novelle Financial Services, Inc. ("Novelle") is a wholly-owned subsidiary of IFC that originates sub-prime residential mortgages through a network of wholesale brokers and subsequently sells its loans to third party investors for cash gains. Novelle began operations during September of 2001 in San Diego, California, where it is currently headquartered, with an initial capital contribution from IFC of $1.5 million. Subsequently in August of 2002, IFC contributed an additional $3.5 million to Novelle to provide the necessary capital for Novelle to continue its growth. Novelle exceeded origination and profitability goals for 2002 as it originated $404.9 million of sub-prime mortgages and contributed net earnings of $1.7 million to the mortgage operations, which reflected a return on average equity of 69%. We expect Novelle's sub-prime mortgage originations to grow to approximately $700.0 million in 2003.

Other Operating Business Segments

Long-Term Investment Operations

We exceeded our growth targets for 2002 as the long-term investment operations acquired $3.9 billion in principal balance of primarily Alt-A adjustable and fixed rate mortgages from the mortgage operations and retained $25.8 million of multi-family mortgages originated by IMCC, which increased CMO collateral and loans held for investment to $5.2 billion at December 31, 2002 from $2.2 billion for the prior year. Mortgages acquired for long-term investment were primarily financed through the issuance of CMOs and sale of common stock. We issued CMOs totaling $3.9 billion of which $3.3 billion were adjustable rate CMOs and $597.0 million were fixed rate CMOs. We also raised $116.0 million from the issuance of 13.3 million new shares of common stock. By issuing new shares periodically throughout the year we were able to utilize new capital more efficiently and profitably, which was important in last year's market as yields on high investment grade alternatives for cash were extremely low. Issuing new shares of common stock was accretive to pro forma book value per common share, which increased to $7.80 at December 31, 2002 as compared to $7.23 for the prior year. Pro forma book value excludes $50.2 million of unrealized mark-to-market losses on derivative instruments that is reflected on the financial statements as a reduction to stockholder's equity.

Warehouse Lending Operations

The warehouse lending operations were a significant contributor to overall earnings during 2002 which we expect to continue throughout 2003. Advances on warehouse lines were $1.1 billion as of December 31, 2002 as compared to $466.6 million for the prior year. Average outstanding advances to non-affiliates increased 66% to $341.5 million in 2002 as compared to $205.5 million during 2001 as new clients were added and mortgage activity with existing clients reflected the overall increase in mortgage demand during 2002. With our expectation that nationwide mortgage demand will gradually decline in 2003, we project growth in average outstanding advances to non- affiliates will remain relatively flat during 2003.

Mortgage Operations

William S. Ashmore, President and Chief Operating Officer, commented, "Net earnings rose 56% to $17.2 million in 2002 as compared to $11.0 million during 2001 as total mortgage acquisitions and originations increased 88% to $6.0 billion from $3.2 billion, respectively. The mortgage operations sold $3.9 billion in principal balance of mortgages to the long-term investment operations, which included $600.0 million of fixed rate mortgages that were retained and financed through the issuance of fixed rate CMOs. By selling fixed rate loans to the long-term investment operations, the Company as a whole is less reliant on revenue generated from gain on sale of loans and is more reliant on revenue generated from its balance sheet. We believe that this strategy will provide more earnings over time than would be received on earnings generated strictly from loan sales."

New Reporting Schedule

In an effort to comply with new reporting guidelines set forth by the Sarbanes-Oxley Act of 2002 and the Securities and Exchange Commission ("SEC"), we anticipate accelerating the reporting timeframes that Form 10-Qs and 10-Ks are available to the public and in the process eliminating our quarterly earnings releases (with the exception of the fourth quarter earnings release). Therefore, beginning with the first quarter of 2003, we expect to file our quarterly Form 10-Q approximately 35 days after quarter-end. This will bring us into compliance with Form 10-Q filing deadlines as mandated by the SEC two years before required. Upon filing our quarterly Form 10-Q, we intend to publish a brief press release that summarizes our quarterly results. We plan to continue quarterly conference calls to discuss results of operations and publish a monthly fact sheet, which can be viewed on our website at www.impaccompanies.com , which provides selected unaudited financial information and results on a monthly basis. We plan to file our Form 10-K according to the accelerated schedule as mandated by the SEC that requires a 75-day filing period beginning with the 2003 annual Form 10-K and a 60-day filing period beginning with the 2004 annual Form 10-K. For year-end and fourth quarter results of operations we expect to publish an earnings release approximately 30 days after year-end.

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 Thursday, January 30, 2003 at 9:30 a.m. Pacific Time (12:30 p.m. Eastern Time). Mr. William S. Ashmore, President and Chief Operating Officer, will discuss 2002 and the fourth quarter of 2002 results of operations and provide a general update followed by a question and answer session. The conference call will be limited for discussion to certain buyside and sellside analysts and will be open for listen only to all interested parties. If you would like to participate in the conference call, you may listen by dialing (800) 350-9149, conference ID number 7941006, or access the web cast via our web site at http://www.impaccompanies.com/IMH/IMH_main.asp . 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, which will be available on January 31, 2003, by using our e-mail alert feature located at the web site under Impac Mortgage Holdings, Inc./Investor Relations/Email Alerts.

Note: