Impac Mortgage Holdings, Inc. Announces Results of Second Quarter 2011

08/15/11

IRVINE, CA, Aug 15, 2011 (MARKETWIRE via COMTEX) --

Impac Mortgage Holdings, Inc. (NYSE Amex: IMH), a Maryland corporation, along with its subsidiaries and affiliates, or the "Company," reports second quarter 2011 net earnings of $361 thousand or $0.04 per diluted common share, as compared to net earnings of $3.3 million or $0.39 per diluted common share for the second quarter of 2010.

In the first six months of 2011, the Company continued its expansion into mortgage lending by increasing loan production through the opening of new regional production offices and increased warehouse funding capacity. In March 2011, the Company opened regional production offices in the Pacific Northwest and Gulf Coast regions giving the Company origination capabilities throughout the entire West Coast and Gulf Coast regions. As part of this expansion, the Company invested approximately $2.0 million in its mortgage lending operations infrastructure, consisting principally of additional personnel and occupancy costs which was in part, the reason for the net loss incurred during the first six months of 2011. During the three months ended June 30, 2011, the new production offices originated approximately $125.6 million of primarily agency and government insured residential mortgage loans. During the three and six months ended June 30, 2011, the Company in total originated $226.3 million and $282.4 million and sold $208.4 million and $231.5 million, respectively, as compared to a minimal amount of loans brokered in the first six months of 2010.

As of June 30, 2011, the Company had increased its warehouse funding capacity to $77.5 million. In August 2011, the Company, through Integrated Real Estate Service Corp. (IRES) and its subsidiaries, obtained approval from a lender for an additional $25 million warehouse facility, increasing the Company's warehouse funding capacity to $102.5 million.

The Company is currently focusing on originating Fannie Mae, Freddie Mac, and FHA loans, and although it expects to sell the majority of the originations servicing released, it does intend to build a servicing portfolio of mainly Fannie Mae and Ginnie Mae loans through a best execution strategy. The Company believes having the ability to sell loans to Fannie Mae, Freddie Mac, and Ginnie Mae will help make it more competitive in the overall mortgage origination market. As part of the strategy to operate as a synergistic mortgage and real estate services platform, the marketing for mortgage lending includes obtaining leads for new loans from the Company's loss mitigation, short sale and REO disposition activities.

Geographically, the Company is focusing on building mortgage lending in 2011 in the Pacific Coast, Southwest and Gulf Coast regions, mainly in California, Oregon, Washington, Idaho and to a lesser extent Arizona, Nevada, Florida, Louisiana and Texas. The main origination channel will be wholesale lending, through an approved broker base which will represent the majority of the Company's lending volumes, while consumer or realtor direct retail originations will represent the remaining balance of projected production. In addition, recently the Company added a small wholesale division in the Southeast focusing on building wholesale originations in Florida, Georgia, Illinois, Maryland, North Carolina, Tennessee, Texas and Washington DC.

The Company's integrated mortgage and real estate service platform also provides portfolio loss mitigation and real estate services including REO surveillance and disposition services, default surveillance and loss recovery services, short sale and real estate brokerage services, portfolio monitoring and reporting services, as well as title and escrow services. The title insurance agency services primarily California and selected national markets providing title insurance, escrow and settlement services to residential mortgage lenders, real estate agents, asset managers and real estate owned (REO) companies in the residential real estate market. The title and escrow services are provided through a proprietary integrated technology platform. The development of these business activities focuses on vertical integration of a centralized platform to operate synergistically to maximize revenues and profits.

For the three and six months ended June 30, 2011, mortgage and real estate services fees were as follows:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2011	2010	2011	2010
Title and escrow	4,691	3,715	8,999	6,431
Real estate services and recovery fees	4,065	6,618	8,622	10,627
Mortgage lending	2,299	134	2,950	206
Loss mitigation fees	1,776	3,441	3,262	6,933
Portfolio service fees	1,529	1,664	2,868	2,396
Total mortgage and real estate services fees	$ 14,360	$ 15,572	$ 26,701	$ 26,593

To understand the financial position of the Company better, we believe it is important to understand the composition of the Company's stockholders' equity (deficit). At June 30, 2011, and December 31, 2010, the stockholders' equity (deficit) was comprised of the following:

Condensed Components of Stockholders' Equity

	Condensed Components of Stockholders' Equity (Deficit) June 30, 2011	December 31, 2010
Cash	$ 8,956	$ 11,619
Restricted cash	4,627	1,495
Residual interests in securitizations (1)	24,948	26,407
Loans held-for-sale	48,397	4,283
Warehouse borrowings	(45,917)	(4,057)
Notes payable	(8,040)	(6,874)
Long-term debt ($71,120 par)	(12,148)	(11,728)
Repurchase reserve	(6,639)	(7,987)
Lease liability	(2,174)	(2,226)
Deferred charge	13,144	13,144
Net other assets (liabilities)	2,022	3,621
Stockholders' equity (deficit)	$ 27,176	$ 27,697

1. Since our consolidated and unconsolidated securitization trusts are nonrecourse to us, we have netted trust assets and liabilities to present the Company's interests in these trusts more simply, which are considered our residual interests in securitizations.

In May 2011, the Company entered into a $10.3 million structured debt agreement with the same note holder as the previous debt agreement, using seven of the Company's residual interests (net trust assets) as collateral. The Company received net proceeds of $4.8 million, net of the following: (i) $4.0 million used to pay off the remaining balance owed on the previous debt agreement, (ii) a $1.4 million discount and (iii) deal costs of approximately $50 thousand. The new debt agreement requires equal principal payments over 18 months with all distributions from the underlying residuals being used to make the monthly payments until the balance is repaid. If the cumulative residual payments are not sufficient to pay the required monthly principal and interest the Company would be required to pay the difference to avoid the transfer of the residuals and the rights to the associated future cash flows to the note holder. Any excess cash flows from the residuals are included in a reserve account, which is available to cover future shortfalls. During the first six months of 2011, the Company received $3.2 million in excess cash flows from the residuals collateralizing the debt agreement. The $3.2 million in excess cash flows is included in restricted cash.

For the six months ended June 30, 2011, the primary sources of cash were $26.7 million in fees generated from the mortgage and real estate fee-based businesses, $6.0 million from residual interests in securitizations (net of the aforementioned excess cash deposited into the reserve account) and $4.8 million in net proceeds from the issuance of the new debt agreement. Offsetting the sources of cash were primarily operating expenses.

Outlook

Mr. Joseph Tomkinson, Chairman and CEO of Impac Mortgage Holdings, Inc., stated, "Through the remainder of 2011, the Company will continue to focus on expanding the residential mortgage lending operations profitability, increasing volumes through retail and wholesale channels, and selling loans to Ginnie Mae, Freddie Mac and Fannie Mae thereby expanding the servicing portfolio. As the real estate market continues to struggle, the Company seeks to expand its high margin portfolio loss mitigation and real estate services to third parties. We are pleased with our accomplishments and performance in 2010, as well as what we have achieved in the first half of 2011. We look forward to continued growth in the remainder of 2011."

Second Quarter 2011 Earnings Conference Call

The Company has announced a conference call and live web cast on Tuesday, August 16, 2011 at 10:00 a.m. Pacific Time (1:00 p.m. Eastern Time). We will discuss our second quarter 2011 financial results, followed by a question and answer session. If you would like to participate in the conference call, you may listen by dialing (866) 838 - 8084, conference ID number 90609437, or access the web cast via our web site at http://ir.impaccompanies.com. To participate in the conference call, dial in fifteen minutes prior to the scheduled start time. The call will also be archived through August 23, 2011. To listen to the archived call dial (855) 859-2056 or (404) 537-3406, conference call ID number 90609437. The conference call will also be archived on the Company's web site at http://ir.impaccompanies.com. You can subscribe to receive instant notification of news releases, events, presentations, and daily stock quotes by using our e-mail alert feature located at the web site under 'Receive Email Alerts.'

Forward-Looking Statements

This press release contains certain forward looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. 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," "could," "seem to," "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, but not limited to the following: the ongoing volatility in the mortgage industry; our ability to successfully manage through the current market environment; our compliance with applicable local, state and federal laws and regulations and other general market and economic conditions; our ability to meet liquidity needs from current cash flows or generate new sources of revenue; management's ability to successfully manage and grow the Company's mortgage and real estate fee-based business activities and mortgage lending operations; the ability to make interest payments; increases in default rates or loss severities and mortgage related losses; our ability to obtain additional financing and the terms of any financing that we do obtain; inability to effectively liquidate properties to mitigate losses; increase in loan repurchase requests and ability to adequately settle repurchase obligations; decreases in value of our residual interests that differ from our assumptions; the ability of our common stock to continue trading in an active market; the outcome of litigation or regulatory actions pending against us or other legal contingencies.

For a discussion of these and other risks and uncertainties that could cause actual results to differ from those contained in the forward looking statements, see Item 1A. "Risk Factors" and Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations" in the Company's Annual Report on Form 10-K for the period ended December 31, 2010. This document speaks only as of its date and we do not undertake, and specifically disclaim any obligation, to publicly release the results of any revisions that may be made to any forward looking statements to reflect the occurrence of anticipated or unanticipated events or circumstances after the date of such statements.

About the Company Impac Mortgage Holdings, Inc. (IMH) is a publicly traded company and through its subsidiaries, provides mortgage and real estate services, including mortgage lending, portfolio loss mitigation and real estate services, and title and escrow services. The Company's operations include the management of the long-term mortgage portfolio, including the residual interest in securitizations, to mitigate losses and maximize cash flows and the mortgage and real estate related fee-based business activities. The development of these business activities focuses on vertical integration of a centralized platform which can operate synergistically to maximize revenues and profits.

For additional information, questions or comments, please call
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