

United States
Securities and Exchange Commission
Washington, D.C. 20549

Form 10-Q

Quarterly Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

For the quarterly period ended September 30, 1999

OR

Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

For the transition period from _____ to _____

Commission File Number: 0-19861

Impac Mortgage Holdings, Inc.
(Exact name of registrant as specified in its charter)

Maryland
(State or other jurisdiction of
incorporation or organization)

33-0675505
(I.R.S. Employer
Identification No.)

1401 Dove Street
Newport Beach, CA
(Address of Principal Executive Offices)

92660
(Zip Code)

Registrant's telephone number, including area code: (949) 475-3600

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
----- Common Stock \$0.01 par value	American Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

On November 8, 1999, the aggregate market value of the voting stock held by non-affiliates of the registrant was approximately \$87.4 million, based on the closing sales price of the Common Stock on the American Stock Exchange. For purposes of the calculation only, in addition to affiliated companies, all directors and executive officers of the registrant have been deemed affiliates. The number of shares of Common Stock outstanding as of November 8, 1999 was 21,742,506.

Documents incorporated by reference: None

IMPAC MORTGAGE HOLDINGS, INC.
1999 FORM 10-Q QUARTERLY REPORT
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PART I. FINANCIAL INFORMATION

ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS

IMPAC MORTGAGE HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(dollars in thousands, except per share data)

	September 30, 1999	December 31, 1998
	-----	-----
ASSETS		
Cash and cash equivalents.....	\$ 16,447	\$ 33,876
Investment securities available-for-sale.....	95,247	93,486
Loan Receivables:		
CMO collateral.....	1,053,463	1,161,220
Finance receivables.....	209,426	311,571
Mortgage loans held-for-investment.....	10,451	20,627
Allowance for loan losses.....	(3,624)	(6,959)
	-----	-----
Net loan receivables.....	1,269,716	1,486,459
Investment in Impac Funding Corporation.....	18,762	13,246
Due from affiliates.....	14,500	17,904
Other real estate owned.....	10,331	8,456
Accrued interest receivable.....	10,262	10,039
Other assets.....	1,950	2,038
	-----	-----
Total assets.....	\$ 1,437,215	\$ 1,665,504
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
CMO borrowings.....	\$ 953,847	\$ 1,072,316
Reverse repurchase agreements.....	220,858	323,625
Senior subordinated debentures.....	6,615	--
Due to affiliates.....	7,204	2,670
Accrued dividends payable.....	3,659	12,129
Other liabilities.....	1,645	3,158
	-----	-----
Total liabilities.....	1,193,828	1,413,898
	-----	-----
Stockholders' Equity:		
Preferred stock; \$.01 par value; 6,300,000 shares authorized; none issued or outstanding at September 30, 1999 and at December 31, 1998, respectively.....	--	--
Series A junior participating preferred stock, \$.01 par value; 2,500,000 shares authorized; none issued and outstanding at September 30, 1999 and December 31, 1998, respectively.....	--	--
Series B 10.5% cumulative convertible preferred stock, \$.01 par value; \$30,000 liquidation value; 1,200,000 shares authorized; 1,200,000 issued and outstanding at September 30, 1999 and December 31, 1998, respectively.....	12	12
Common stock; \$.01 par value; 50,000,000 shares authorized; 22,090,106 and 24,557,657 shares issued and outstanding at September 30, 1999 and December 31, 1998, respectively.....	221	246
Additional paid-in capital.....	330,664	342,945
Accumulated other comprehensive loss.....	(5,707)	(1,736)
Notes receivable from common stock sales.....	(906)	(918)
Accumulated deficit:		
Cumulative dividends declared.....	(89,510)	(79,176)
Retained earnings (accumulated deficit).....	8,613	(9,767)
	-----	-----
Net accumulated deficit.....	(80,897)	(88,943)
	-----	-----
Total stockholders' equity.....	243,387	251,606
	-----	-----
Total liabilities and stockholders' equity.....	\$ 1,437,215	\$ 1,665,504
	=====	=====

See accompanying notes to consolidated financial statements.

IMPAC MORTGAGE HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS
and COMPREHENSIVE EARNINGS (LOSS)

(in thousands, except per share data)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	1999	1998	1999	1998
INTEREST INCOME:				
Mortgage Assets.....	\$ 26,745	\$ 45,281	\$ 86,332	\$ 125,518
Other interest income.....	582	635	1,727	2,073
Total interest income.....	27,327	45,916	88,059	127,591
INTEREST EXPENSE:				
CMO borrowings.....	16,592	21,027	50,051	57,714
Reverse repurchase agreements.....	4,497	12,488	14,688	34,358
Senior subordinated debentures.....	358	--	636	--
Other borrowings.....	3	725	399	2,560
Total interest expense.....	21,450	34,240	65,774	94,632
Net interest income.....	5,877	11,676	22,285	32,959
Provision for loan losses.....	1,367	(292)	4,356	2,099
Net interest income after provision for loan losses.....	4,510	11,968	17,929	30,860
NON-INTEREST INCOME:				
Equity in net earnings (loss) of Impac Funding Corporation..	3,017	(7,860)	5,516	(3,912)
Equity in net loss of Impac Commercial Holdings, Inc.....	--	(1,840)	--	(998)
Mark-to-market loss on loans held-for-sale.....	--	(1,200)	--	(1,200)
Servicing fees.....	247	613	1,101	1,462
Other income.....	519	753	896	1,763
Total non-interest income.....	3,783	(9,534)	7,513	(2,885)
NON-INTEREST EXPENSE:				
Professional services.....	669	748	2,039	1,604
Loss on disposition of other real estate owned.....	557	610	1,668	120
Write-down on investment securities available-for-sale.....	358	11,584	2,037	12,825
General and administrative and other expense.....	336	893	965	1,811
Personnel expense.....	141	139	353	373
Loss on equity investment.....	--	9,076	--	9,076
Total non-interest expense.....	2,061	23,050	7,062	25,809
Net earnings (loss).....	6,232	(20,616)	18,380	2,166
Less: Cash dividends on Series B 10.5% cumulative convertible preferred stock.....	(788)	--	(2,463)	--
Net earnings (loss) available to common stockholders.....	5,444	(20,616)	15,917	2,166
Other comprehensive earnings (loss):				
Unrealized losses on securities:				
Unrealized holding (gain)/losses arising during period....	(1,965)	(915)	(3,666)	528
Less: Reclassification of realized (gain)/losses included in earnings.....	39	(4,718)	305	(4,290)
Net unrealized gain/(losses) arising during period....	(2,004)	5,633	(3,971)	3,762
Comprehensive earnings (loss).....	\$ 3,440	\$ (14,983)	\$ 11,946	\$ 5,928
Net earnings (loss) per share--basic.....	\$ 0.24	\$ (0.85)	\$ 0.69	\$ 0.09
Net earnings (loss) per share--diluted.....	\$ 0.22	\$ (0.85)	\$ 0.63	\$ 0.09

See accompanying notes to consolidated financial statements.

IMPAC MORTGAGE HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	For the Nine Months Ended September 30,	
	1999	1998
Cash flows from operating activities:		
Net earnings.....	\$ 18,380	\$ 2,166
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Equity in net (earnings) loss of Impac Funding Corporation.....	(5,516)	3,912
Equity in net loss of Impac Commercial Holdings, Inc.....	--	998
Loss on equity investment in Impac Commercial Holdings, Inc.....	--	9,076
Mark-to-market loss on mortgage loans held-for-sale.....	--	1,200
Provision for loan losses.....	4,356	2,099
Depreciation and amortization.....	--	458
Loss on disposition of other real estate owned.....	1,668	120
Write-down of investment securities available-for-sale.....	2,037	12,825
Net change in accrued interest receivable.....	(223)	3,742
Net change in other assets and liabilities.....	6,707	34,547
Net cash provided by operating activities.....	27,409	71,143
Cash flows from investing activities:		
Net change in CMO collateral.....	95,592	(501,650)
Net change in finance receivables.....	101,781	(29,570)
Net change in mortgage loans held-for-investment.....	1,749	225,410
Net change in mortgage loans held-for-sale.....	--	(62,381)
Proceeds from sale of other real estate owned, net.....	9,722	8,626
Purchase of investment securities available-for-sale.....	(18,295)	(64,589)
Sale of investment securities available-for-sale.....	3,803	5,303
Net principal reductions on investment securities available-for-sale.....	6,723	6,152
Dividends from Impac Commercial Holdings, Inc.....	--	1,184
Purchase of premises and equipment.....	--	(1,318)
Net cash provided by (used in) investing activities.....	201,075	(412,833)
Cash flows from financing activities:		
Net change in reverse repurchase agreements.....	(102,767)	(126,606)
Proceeds from CMO borrowings.....	298,076	767,355
Repayments of CMO borrowings.....	(416,545)	(311,188)
Dividends paid.....	(18,804)	(33,491)
Proceeds from exercise of stock options.....	--	108
Net proceeds from stock issued through structured equity shelf.....	--	3,289
Repurchase of common stock.....	(6,831)	--
Proceeds from dividend reinvestment and stock purchase plan.....	946	27,837
Advances to purchase common stock, net of principal reductions.....	12	376
Net cash provided by (used in) financing activities.....	(245,913)	327,680
Net change in cash and cash equivalents.....	(17,429)	(14,010)
Cash and cash equivalents at beginning of period.....	33,876	16,214
Cash and cash equivalents at end of period.....	\$ 16,447	\$ 2,204

See accompanying notes to consolidated financial statements.

IMPAC MORTGAGE HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)
(in thousands)

Supplementary information:			
Interest paid.....	\$	67,894	\$ 94,413
Non-cash transactions:			
Transfer of mortgage loans from held-for investment to held-for-sale.....	\$	--	\$ 62,381
Exchange of common stock for 11% senior subordinated debentures.....		6,448	--
Dividends declared and unpaid.....		3,659	12,033
Accumulated other comprehensive gain/(loss).....		(3,971)	3,762
Loans transferred to other real estate owned.....		13,265	8,541

See accompanying notes to consolidated financial statements.

IMPAC MORTGAGE HOLDINGS, INC. and SUBSIDIARIES
Notes to Consolidated Financial Statements
(unaudited)

Unless the context otherwise requires, references herein to the "Company" refer to Impac Mortgage Holdings, Inc. (IMH) and its subsidiaries, IMH Assets Corporation (IMH Assets), Impac Warehouse Lending Group, Inc. (IWLG), IMH/ICH Dove St., LLC (Dove), and Impac Funding Corporation (together with its wholly-owned subsidiary, Impac Secured Assets Corporation, IFC), collectively. References to IMH refer to Impac Mortgage Holdings, Inc. as a separate entity from IMH Assets, IWLG, Dove and IFC.

1. Basis of Financial Statement Presentation

The accompanying consolidated financial statements have been prepared in accordance with generally accepted accounting principles (GAAP) for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation have been included. Operating results for the three- and nine-month period ended September 30, 1999 are not necessarily indicative of the results that may be expected for the year ending December 31, 1999. The accompanying consolidated financial statements should be read in conjunction with the consolidated financial statements and related notes included in the Company's Annual Report on Form 10-K for the year ended December 31, 1998.

The operations of IMH have been presented in the consolidated financial statements for the three- and nine months ended September 30, 1999 and 1998 and include the financial results of IMH's equity interest in net earnings (loss) of IFC, IMH's equity interest in net loss of Impac Commercial Holdings, Inc. (ICH) and results of operations of IMH, IMH Assets, IWLG and Dove as stand-alone entities. The equity interest in net loss of Impac Commercial Holdings, Inc. and the financial results of Dove are included in three- and nine months ended September 30, 1998 only.

The results of operations of IFC, of which 99% of the economic interest is owned by IMH, are included in the results of operations of the Company as "Equity in net earnings (loss) of Impac Funding Corporation." The results of operations of ICH, of which 9.8% of ICH's common stock was owned by IMH prior to the sale of ICH common stock on October 21, 1998, are included in the results of operations of IMH as "Equity in net loss of Impac Commercial Holdings, Inc."

2. Organization

The Company is a mortgage real estate investment trust (Mortgage REIT) which, together with its subsidiaries and related companies, primarily operates three businesses: (1) the Long-Term Investment Operations, (2) the Conduit Operations, and (3) the Warehouse Lending Operations. The Long-Term Investment Operations invests primarily in non-conforming residential mortgage loans and securities backed by such loans. The Conduit Operations purchases and sells or securitizes primarily non-conforming mortgage loans. The Warehouse Lending Operations provides warehouse and repurchase financing to originators of mortgage loans. IMH is organized as a REIT for federal income tax purposes, which generally allows it to pass through qualified income to stockholders without federal income tax at the corporate level, provided that the Company distributes 95% of its taxable income to common stockholders.

Long-Term Investment Operations. The Long-Term Investment Operations, conducted by IMH and IMH Assets, invests primarily in non-conforming residential mortgage loans and mortgage-backed securities secured by or representing interests in such loans and, to a lesser extent, in second mortgage loans. Non-conforming residential mortgage loans are residential mortgages that do not qualify for purchase by government-sponsored agencies such as the Federal National Mortgage Association (FNMA) and the Federal Home Loan Mortgage Corporation (FHLMC). The principal differences between conforming loans and non-conforming loans include applicable loan-to-value ratios, credit and income histories of the mortgagors, documentation required for approval of the mortgagors, type of properties securing the mortgage loans, loan sizes, and the mortgagors' occupancy status with respect to the mortgaged properties. Second mortgage loans are mortgage loans secured by a second lien on the property and made to borrowers owning single-family homes for the purpose of debt consolidation, home improvements, education and a variety of other purposes.

Conduit Operations. The Conduit Operations, conducted by IFC, purchases primarily non-conforming mortgage loans and, to a lesser extent, second mortgage loans from its network of third party correspondents and other sellers. IFC subsequently securitizes or sells such loans to permanent investors, including the Long-Term Investment Operations. IMH owns 99% of the economic interest in IFC, while Joseph R. Tomkinson, Chairman and Chief Executive Officer, William S. Ashmore, President and Chief Operating Officer, and Richard J. Johnson, Executive Vice President and Chief Financial Officer, are the holders of all the outstanding voting stock of, and 1% of the economic interest in, IFC.

Warehouse Lending Operations. The Warehouse Lending Operations, conducted by IWLG, provides warehouse and repurchase financing to affiliated companies and to approved mortgage banks, most of which are correspondents of IFC, to finance mortgage loans during the time from the closing of the loans to their sale or other settlement with pre-approved investors.

3. Summary of Significant Accounting Policies

Method of Accounting

The consolidated financial statements are prepared on the accrual basis of accounting in accordance with GAAP. The preparation of financial statements in conformity with GAAP requires management to make significant estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ materially from those estimates.

Reclassifications

Certain amounts in the consolidated financial statements as of and for the three and nine months ended September 30, 1998 may have been reclassified to conform to the 1999 presentation.

New Accounting Statements

In October 1998, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 134, "Accounting for Mortgage-Backed Securities Retained after the Securitization of Mortgage Loans Held-for-Sale by a Mortgage Banking Enterprise" (SFAS 134). SFAS 134 is an amendment to SFAS No. 65, which required that after the securitization of a mortgage loan held-for-sale, an entity engaged in mortgage banking activities classify the resulting mortgage-backed security as a trading security. SFAS 134 further amends SFAS No. 65 and requires that after the securitization of mortgage loans held-for-sale, an entity engaged in mortgage banking activities classify the resulting mortgage-backed securities or other retained interests based on its ability and intent to sell or to hold those investments. SFAS 134 conforms the subsequent accounting for securities retained after the securitization of mortgage loans by a mortgage banking enterprise with the subsequent accounting for securities retained after the securitization of other types of assets by non-mortgage banking enterprises. SFAS 134 is effective for the first fiscal quarter beginning after December 15, 1998. The Company adopted SFAS 134 and determined it did not have a material impact on the Company's financial position or results of operations.

In June 1998, the FASB issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" (SFAS 133). SFAS 133 establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, (collectively referred to as derivatives) and for hedging activities. It requires that an entity recognize all derivatives as either assets or liabilities in the statement of financial position and measure those instruments at fair value. If certain conditions are met, a derivative may be specifically designated as (a) a hedge of the exposure to changes in the fair value of a recognized asset or liability or an unrecognized firm commitment, (b) a hedge of the exposure to variable cash flows of a forecasted transaction, or (c) a hedge of the foreign currency exposure of a net investment in a foreign operation, an unrecognized firm commitment, an available-for-sale security, or a foreign-currency-denominated forecasted transaction. This statement is effective for all fiscal quarters of fiscal years beginning after June 15, 1999. SFAS 133 was amended by SFAS No. 137, which allows deferral of SFAS 133 for all fiscal quarters of fiscal years beginning after July 15, 2000. The Company believes that the adoption of SFAS 133 will not have a material impact on the Company's financial position or results of operations.

4. Net Earnings per Share

Basic earnings per share is computed on the basis of the weighted average number of shares outstanding for the period. Diluted earnings per share is computed on the basis of the weighted average number of shares and dilutive common equivalent shares outstanding for the period. The following tables represent the computation of basic and diluted earnings per share for the three- and nine months ended September 30, 1999 and 1998 (in thousands, except per share data):

	For the Three Months Ended September 30,	
	1999	1998

Numerator:		
Numerator for basic earnings per share--		
Net earnings (loss)	\$ 6,232	\$ (20,616)
Less: Dividends paid to preferred stockholders	(788)	--
	=====	=====
Net earnings (loss) available to common stockholders	\$ 5,444	\$ (20,616)
	=====	=====
Denominator:		
Denominator for basic earnings per share--		
Weighted average number of common shares outstanding during the period	22,636	24,351
Impact of assumed conversion of series B cumulative convertible preferred stock	6,061	--
Net effect of dilutive stock options	19	--
	-----	-----
Weighted average common and common equivalent shares	28,716	24,351
	=====	=====
Net earnings (loss) per share--basic	\$ 0.24	\$ (0.85)
	=====	=====
Net earnings (loss) per share--diluted	\$ 0.22	\$ (0.85)
	=====	=====

	For the Nine Months Ended September 30,	
	1999	1998

Numerator:		
Numerator for basic earnings per share--		
Net earnings	\$ 18,380	\$ 2,166
Less: Dividends paid to preferred stockholders	(2,463)	--
	=====	=====
Net earnings available to common stockholders	\$ 15,917	\$ 2,166
	=====	=====
Denominator:		
Denominator for basic earnings per share--		
Weighted average number of common shares outstanding during the period	23,233	23,699
Impact of assumed conversion of series B cumulative convertible preferred stock	6,061	--
Net effect of dilutive stock options	24	172
	-----	-----
Weighted average common and common equivalent shares	29,318	23,871
	=====	=====
Net earnings (loss) per share--basic	\$ 0.69	\$ 0.09
	=====	=====
Net earnings (loss) per share--diluted	\$ 0.63	\$ 0.09
	=====	=====

5. Mortgage Assets

Mortgage Assets consist of investment securities available-for-sale, mortgage loans held-for-investment, CMO collateral and finance receivables. At September 30, 1999 and December 31, 1998, Mortgage Assets consisted of the following (in thousands):

	September 30, 1999	December 31, 1998
	-----	-----
Investment securities available-for-sale:		
Subordinated securities collateralized by mortgages	\$ 95,401	\$ 89,825
Subordinated securities collateralized by other loans	5,553	5,397
Net unrealized losses	(5,707)	(1,736)
	-----	-----
Carrying value	95,247	93,486
	-----	-----
Loan Receivables:		
CMO collateral--		
CMO collateral, unpaid principal balance	1,008,212	1,109,577
Unamortized net premiums on loans	32,289	39,369
Securitization expenses	12,962	12,274
	-----	-----
Carrying value of CMO collateral	1,053,463	1,161,220
Finance receivables--		
Due from affiliates	93,070	198,104
Due from other mortgage banking companies	116,356	113,467
	-----	-----
Carrying value of finance receivables	209,426	311,571
Mortgage loans held-for-investment--		
Mortgage loans held-for-investment, unpaid principal balance	14,271	20,145
Unamortized net premiums (discounts) on loans	(3,820)	482
	-----	-----
Carrying value of mortgage loans held-for-investment	10,451	20,627
	-----	-----
Carrying value of Gross Loan Receivables	1,273,340	1,493,418
Allowance for loan losses	(3,624)	(6,959)
	-----	-----
Carrying value of Net Loan Receivables	1,269,716	1,486,459
	-----	-----
Total carrying value of Mortgage Assets	\$ 1,364,963	\$ 1,579,945
	=====	=====

6. Segment Reporting

The Company's basis for segment reporting is to separate its entities into the following: segments that derive income from investment in long-term Mortgage Assets, segments that derive income by providing short-term financing, and segments that derive income from the purchase and sale or securitization of mortgage loans.

The Company internally reviews and analyzes its entities as follows: (1) the Long-Term Investment Operations, conducted by IMH and IMH Assets, invests primarily in non-conforming residential mortgage loans and mortgage-backed securities secured by or representing interests in such loans and in second mortgage loans, (2) the Warehouse Lending Operations, conducted by IWLG, provides warehouse and repurchase financing to affiliated companies and to approved mortgage banks, most of which are correspondents of IFC, to finance mortgage loans, and (3) the Conduit Operations, conducted by IFC, purchases non-conforming mortgage loans and second mortgage loans from its network of third party correspondents and other sellers.

The following tables shows the Company's reporting segments as of and for the three and nine months ended September 30, 1999 (in thousands):

For the three months ended September 30, 1999	Long-Term Investment Operations	Warehouse Lending Operations	Other (b)	Intercompany Elimination (c)	Consolidated
Statement of Operations Items:					
Interest income	\$ 21,932	\$ 5,901	\$ --	\$ (506)	\$ 27,327
Interest expense	17,715	4,241	--	(506)	21,450
Equity interest in net earnings of IFC (a)	--	--	--	3,017	3,017
Net earnings	1,710	1,505	--	3,017	6,232

As of and for nine months ended September 30, 1999	Long-Term Investment Operations	Warehouse Lending Operations	Other (b)	Intercompany Elimination (c)	Consolidated
Balance Sheet Items:					
CMO collateral	\$ 1,053,463	\$ --	\$ --	\$ --	\$ 1,053,463
Total assets	1,275,559	253,802	7,204	(99,350)	1,437,215
Total stockholders' equity	283,190	45,477	--	(85,280)	243,387
Statement of Operations Items:					
Interest income	\$ 71,139	\$ 20,938	\$ 21	\$ (4,039)	\$ 88,059
Interest expense	56,023	13,785	5	(4,039)	65,774
Equity interest in net earnings of IFC (a)	--	--	--	5,516	5,516
Net earnings	4,874	6,732	41	6,733	18,380

The following table shows the Company's reporting segments as of and for the three and nine months ended September 30, 1998 (in thousands):

For the three months ended September 30, 1998	Long-Term Investment Operations	Warehouse Lending Operations	Other (b)	Intercompany Elimination (c)	Consolidated
Statement of Operations Items:					
Interest income	\$ 30,751	\$ 17,147	\$ 96	\$ (2,078)	\$ 45,916
Interest expense	24,256	12,182	(120)	(2,078)	34,240
Depreciation and amortization	--	--	106	--	106
Equity interest in net loss of IFC (a)	--	--	--	(7,860)	(7,860)
Net earnings (loss)	(15,939)	4,732	581	(9,990)	(20,616)

As of and for nine months ended September 30, 1998	Long-Term Investment Operations	Warehouse Lending Operations	Other (b)	Intercompany Elimination (c)	Consolidated
Balance Sheet Items:					
CMO collateral	\$ 1,291,722	\$ --	\$ --	\$ --	\$ 1,291,722
Total assets	1,636,185	620,375	32,206	(173,018)	2,115,748
Total stockholders' equity	250,026	36,450	8,402	(63,463)	231,415

Statement of Operations Items :										
Interest income	\$	93,284	\$	47,508	\$	303	\$	(13,504)	\$	127,591
Interest expense		73,735		34,278		123		(13,504)		94,632
Depreciation and amortization		11		--		306		--		317
Equity interest in net loss of IFC (a)		--		--		--		(3,912)		(3,912)
Net earnings (loss)		(5,922)		12,762		525		(5,199)		2,166

- (a) The Conduit Operations is accounted for using the equity method and is an unconsolidated subsidiary of the Company.
(b) Primarily includes the operations of Dove, of which the Company owned a 50% interest and account reclassifications.
(c) Elimination of intersegment balance sheet and income statement items.

7. Investment in Impac Funding Corporation

The Company is entitled to 99% of the earnings or losses of IFC through its ownership of all of the non-voting preferred stock of IFC. As such, the Company records its investment in IFC using the equity method. Under this method, original investments are recorded at cost and adjusted by the Company's share of earnings or losses. Gain or loss on the sale of loans or securities by IFC to IMH are deferred and amortized or accreted over the estimated life of the loans or securities using the interest method. The following is financial information for IFC for the periods presented (in thousands):

BALANCE SHEETS

	September 30, 1999	December 31, 1998
	-----	-----
ASSETS		
Cash	\$ 10,455	\$ 422
Investment securities available-for-sale	2,219	5,965
Investment securities available-for-trading	--	5,300
Mortgage loans held-for-sale	98,983	252,568
Mortgage servicing rights	14,189	14,062
Due from affiliates	8,148	9,152
Premises and equipment, net	2,531	1,978
Accrued interest receivable	191	1,896
Other assets	8,247	22,529
	-----	-----
Total assets	\$ 144,963	\$ 313,872
	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY		
Borrowings from IWLG	\$ 92,924	\$ 192,900
Other borrowings	182	67,058
Due to affiliates	14,648	24,382
Deferred revenue	8,878	10,605
Other liabilities	9,294	6,064
	-----	-----
Total liabilities	125,926	301,009
	-----	-----
Shareholders' Equity:		
Preferred stock	18,053	18,053
Common stock	182	182
Retained earnings (accumulated deficit)	720	(4,852)
Accumulated other comprehensive earnings (loss)	82	(520)
	-----	-----
Total shareholders' equity	19,037	12,863
	=====	=====
Total liabilities and shareholders' equity	\$ 144,963	\$ 313,872
	=====	=====

STATEMENTS OF OPERATIONS

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	1999	1998	1999	1998
Interest income	\$ 4,491	\$ 15,673	\$ 13,986	\$ 40,330
Interest expense	4,099	14,287	13,144	33,594
Net interest income	392	1,386	842	6,736
Gain on sale of loans	8,296	10,061	22,787	18,932
Loan servicing income	1,758	1,815	5,452	4,521
Other non-interest income	373	63	856	374
Total non-interest income	10,427	11,939	29,095	23,827
Personnel expense	2,048	2,582	5,399	7,363
General and administrative and other expense	1,936	1,658	5,384	3,943
Amortization of mortgage servicing rights	1,372	1,758	3,935	4,683
Provision for repurchases	188	26	366	366
Write-down on investment securities available-for-sale	--	--	4,223	--
Loss on sale of mortgage servicing rights	--	--	877	--
Mark to market loss on mortgage loans	--	21,041	--	21,041
Total non-interest expense	5,544	27,065	20,184	37,396
Net earnings (loss) before income taxes	5,275	(13,740)	9,753	(6,833)
Income taxes	2,227	(5,800)	4,181	(2,885)
Net earnings (loss)	\$ 3,048	\$ (7,940)	\$ 5,572	\$ (3,948)

8. Investment in Impac Commercial Holdings, Inc.

Subsequent to ICH's initial public offering on August 4, 1997, the Company was entitled to 17.4% of the earnings or losses of ICH through its ownership of 1,394,000 shares, or 9.8%, of the combined ICH voting common stock and ICH non-voting Class A Common Stock. The Company recorded its investment in ICH using the equity method. Under this method, original investments were recorded at cost and adjusted by the Company's share of earnings or losses. On October 21, 1998, ICH repurchased from IMH 937,084 shares of common stock and 456,916 shares of class A common stock at a price of \$4.375 per share for a total repurchase of \$6.1 million, representing a loss to IMH of \$9.1 million. The Company had no investment in ICH at September 30, 1999 or December 31, 1998.

On May 5, 1999, ICH executed a stock purchase agreement pursuant to which it issued to Fortress Partners LP (Fortress) \$12.0 million of series B convertible preferred stock. In addition, FIC Management Inc. (FIC), an affiliate of Fortress, entered into a definitive agreement with RAI Advisors, LLC (RAI) for the assignment of RAI's rights and interests in the management agreement with ICH. In connection with these transactions, the sub-management agreement among RAI, IMH and IFC was terminated and a new sub-management agreement was entered into among FIC, IMH and IFC and the right of first refusal agreement among RAI, ICH, ICCG, IMH and IFC was terminated. Under the new sub-management agreement, IMH and IFC provide various services including accounting, data processing and secondary marketing to ICH, as Fortress deems necessary, for an annual fee of \$250,000.

9. Stockholders' Equity

During the nine months ended September 30, 1999, the Company raised capital of \$946,000 from the sale of 216,156 shares of common stock issued through its Dividend Reinvestment and Stock Purchase Plan (DRSPP).

During the nine months ended September 30, 1999, the Company repurchased 1,324,200 shares of common stock for \$6.8 million pursuant to the Board of Directors approval to repurchase up to \$10.0 million of common stock.

During the nine months ended September 30, 1999, the Company exchanged 1,359,507 shares of its common stock, at an average price of \$5.70 per share, for 11% senior subordinated debentures due to mature on February 15, 2004.

On September 22, 1999, the Company declared a third quarter cash dividend of \$788,000 or \$0.66 per share to series B preferred stockholders. This dividend was paid on October 26, 1999.

On September 22, 1999, the Company declared a third quarter cash dividend on common stock of \$2.9 million, or \$0.13 per share. This dividend was paid on October 15, 1999 to common stockholders of record on September 30, 1999.

On June 22, 1999, the Company declared a second quarter cash dividend of \$788,000 or \$0.66 per share to series B preferred stockholders. This dividend was paid on July 27, 1999.

On June 22, 1999, the Company declared a second quarter cash dividend on common stock of \$2.7 million, or \$0.12 per share. This dividend was paid on July 15, 1999 to common stockholders of record on June 30, 1999.

On March 30, 1999, the Company declared a first quarter cash dividend on common stock of \$2.3 million, or \$0.10 per share. This dividend was paid on April 23, 1999 to common stockholders of record on April 9, 1999.

On March 23, 1999, the Company declared a first quarter cash dividend of \$888,000 or \$0.74 per share to series B preferred stockholders. This dividend was paid on April 27, 1999.

10. Subsequent Events

On October 21, 1999, the Company completed a re-securitization of its investment securities available-for-sale, which raised additional cash liquidity for the Company of approximately \$23.3 million after repaying reverse repurchase agreements collateralized by the investment securities available-for-sale. The cash proceeds can be used to grow the Company's balance sheet, repurchase common stock or for business expansion.

On December 22, 1998, the Company issued 1,200,000 shares of 10.5% Cumulative Convertible Preferred Stock, having a liquidation preference of \$25 per share. The shares were originally convertible into Common Stock at \$4.95 per share, or an aggregate of 6,606,606 shares. The terms of the acquisition provided for a downward adjustment of the conversion price if, among other things certain earning levels were not attained by the Company through June 30, 1999. Subsequent to September 30, 1999, the conversion rate was adjusted, by an agreement in principle, to \$4.72 per share or an aggregate of 6,355,932 shares of common stock.

ITEM 2: MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Certain information contained in the following Management's Discussion and Analysis of Financial Condition and Results of Operations constitute forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Exchange Act of 1934, as amended, which can be identified by the use of forward-looking terminology such as "may," "will," "expect," "intend," "should," "anticipate," "estimate," or "believe" or the negatives thereof or other variations thereon or comparable terminology. The Company's actual results may differ materially from those contained in the forward-looking statements. Factors which may cause a difference to occur include the growth and expansion of the Company's new divisions, any delays with respect to the acquisition of the thrift and loan, unanticipated interruptions related to Year 2000 compliance, the availability of suitable opportunities for the acquisition, ownership and disposition of Mortgage Assets (which depend on the type of Mortgage Asset involved) and yields available from time to time on such Mortgage Assets, interest rates, changes in estimates of book basis and tax basis earnings, fluctuations and increase in prepayment rates the availability of suitable financing and investments, and trends in the economy which affect confidence and demand on the Company's portfolio of Mortgage Assets and other factors referenced in this report and other reports filed by the Company with the SEC, including its Annual Report on Form 10-K.

SIGNIFICANT TRANSACTIONS

Exchange Offering

In March of 1999, the Company exchanged 1,359,507 shares of its common stock, at an average price of \$5.70 per share, for 11% senior subordinated debentures due to mature on February 15, 2004. The debentures are unsecured obligations of the Company subordinated to all indebtedness of the Company's subsidiaries. The debentures bear interest at 11% per annum from their date of issuance, payable quarterly, commencing May 15, 1999, until the debentures are paid in full. The debentures mature on February 15, 2004, at which the date may be extended once by the Company to a date not later than May 15, 2004, provided that the Company satisfies certain conditions. Commencing on February 15, 2001, the debentures are redeemable, at the Company's option, in whole at any time or in part from time to time, at the principal amount to be redeemed plus accrued and unpaid interest thereon to the redemption date.

Collateralized Mortgage Obligations ("CMOs")

The Company issued two CMOs during the first nine months of 1999. The first CMO was issued in February of 1999 for \$183.1 million and was collateralized by \$120.8 million of adjustable-rate mortgages and \$77.8 million of residential loans secured by second trust deeds. The second CMO was issued in June of 1999 for \$115.0 million and was collateralized by \$117.6 million of primarily adjustable-rate mortgages. The issuance of CMOs provides the Company with immediate liquidity, a locked-in net interest rate spread and eliminates the Company's exposure to margin calls on such loans.

Definitive Agreement to Acquire a California Thrift and Loan

During the first quarter of 1999, the Company completed a definitive agreement to acquire a California Thrift and Loan ("Bank"). As provided for in the agreement, the Company submitted its application in the second quarter of 1999 for a change of control to the state and federal regulatory agencies for their approval. During the process of reviewing the application, the federal regulator raised certain issues. The Company was not able to give the federal agency sufficient comfort with respect to those issues without modifying the proposal. Also, the state regulatory department requested significant additional information, which had the effect of delaying the approval process. At this time, the Company has decided to withdraw its state and federal applications for change of control and intends on resubmitting a new application at a later date that addresses the business concerns expressed by the regulators. However, there are no assurances that a new application for change of control will be received favorably by either of the state and federal regulators. Therefore, the Company is continuing to expand its wholesale and retail operations, which the Company intends to contribute to the Bank, within IFC. In the event that the Company is unsuccessful in its efforts to obtain the Bank charter, management believes that it will have no material effect on the future profitability of the Company.

During the second quarter of 1999, IMH advanced \$14.5 million in cash, in exchange for an interest only note in anticipation of the initial capitalization of the Bank.

BUSINESS OPERATIONS

Long-Term Investment Operations: During the first nine months of 1999, the Long-Term Investment Operations, conducted by IMH and IMH Assets, acquired \$283.0 million of mortgages from IFC as compared to \$841.6 million of mortgages acquired during the same period in 1998. Mortgages purchased by the Long-Term Investment Operations during the first nine months of 1999 consisted of \$196.1 million of adjustable-rate mortgages ("ARMs") secured by first liens on residential property and \$86.9 million of fixed-rate mortgages ("FRMs") primarily secured by second trust deeds on residential property. During the first nine months of 1999, IMH Assets issued CMOs totaling \$298.1 million as compared to CMOs totaling \$768.0 million during the same period in 1998. As of September 30, 1999, the Long-Term Investment Operations' portfolio of mortgage loans consisted of \$1.0 billion of mortgage loans held in trust as collateral for CMOs and \$10.5 million of mortgage loans held-for-investment, of which approximately 43% were FRMs and 57% were ARMs. The weighted average coupon of the Long-Term Investment Operations portfolio of mortgage loans was 9.41% at September 30, 1999 with a weighted average margin of 4.41%. The portfolio of mortgage loans included 78% of "A" credit quality, non-conforming mortgage loans and 22% of "B" and "C" credit quality, non-conforming mortgage loans, as defined by the Company. During the first nine months of 1999, the Long-Term Investment Operations acquired \$18.3 million of securities from IFC as compared to \$64.6 million during the same period in 1998. These securities were generated primarily from the periodic issuance of real estate mortgage investment conduits ("REMICs") by IFC. As of September 30, 1999, the Long-Term Investment Operations had \$95.2 million of investment securities available-for-sale.

Conduit Operations: The Conduit Operations, conducted by IFC, continues to support the Long-Term Investment Operations of the Company by supplying IMH and IMH Assets with mortgages for IMH's long-term investment portfolio. In acting as the mortgage conduit for the Company, IFC's mortgage acquisitions decreased 42% to \$1.1 billion during the first nine months of 1999 as compared to \$1.9 billion of mortgages acquired during the same period in 1998. IFC sold whole loans to third party investors or securitized \$1.0 billion, which contributed to the gain on sale of loans of \$22.8 million, during the first nine months of 1999. This compares to securitizations and whole loan sales to third party investors of \$1.2 billion, resulting in gain on sale of loans of \$18.9 million, during the same period in 1998. Of the \$1.0 billion of whole loan sales and securitizations during the first nine months of 1999, IFC issued one REMIC for \$133.2 million. IFC had deferred income of \$8.9 million at September 30, 1999 as compared to \$10.6 million at December 31, 1998. Deferred income results from the sale of mortgages to IMH which are deferred and amortized or accreted over the estimated life of the loans. During the first nine months of 1999, IFC sold \$287.6 million in principal balance of mortgages to IMH as compared to \$817.9 million during the first nine months of 1998. IFC's servicing portfolio decreased 35% to \$2.2 billion at September 30, 1999 as compared to \$3.4 billion at September 30, 1998. The loan delinquency rate of mortgages in IFC's servicing portfolio which were 60 or more days past due, inclusive of foreclosures and delinquent bankruptcies, was 5.28% at September 30, 1999 as compared to 6.18%, 5.66%, 4.82%, and 5.21% for the last four quarter-end periods.

Warehouse Lending Operations: At September 30, 1999, the Warehouse Lending Operations, conducted by IWL, had \$1.4 billion of warehouse lines of credit available to 52 borrowers, of which \$223.5 million was outstanding thereunder, including \$92.9 million outstanding to IFC, \$14.1 million outstanding to the Long-Term Investment Operations, and \$146,000 outstanding to Walsh Securities, Inc. ("WSI"). James Walsh, Executive Vice President of WSI, is also a Director of IMH.

RESULTS OF OPERATIONS--
IMPAC MORTGAGE HOLDINGS , INC.

For the Three Months Ended September 30, 1999 as compared to the Three Months Ended September 30, 1998

Results of Operations

The Company recorded net earnings of \$6.2 million, or \$0.22 per diluted common share, during the third quarter of 1999 as compared to net loss of \$(20.6) million, or \$(0.85) per diluted common share, during the third quarter of 1998. The increase in net earnings, during the third quarter of 1999 as compared to the third quarter of 1998, was primarily due to an increase in non-interest income of \$13.3 million and a decrease of \$21.0 million in non-interest expense. These increases to net earnings were partially offset by a decrease of \$5.8 million in net interest income.

Due to the deterioration of the mortgage-backed securitization market during the latter part of 1998, the Company sold Mortgage Assets during the fourth quarter of 1998 to increase liquidity. As a result of the sale of Mortgage Assets, total assets decreased 33% to \$1.4 billion at September 30, 1999 as compared to \$2.1 billion at September 30, 1998 while the Company's ratio of debt to equity ("Leverage Ratio") also decreased. The combination of decreased average Mortgage Assets and decreased leverage was primarily responsible for the reduction of net interest income during the third quarter of 1999 as compared to the third quarter of 1998. However, as the mortgage sector stabilized during the first nine months of 1999 and recovered from the volatility that occurred during the latter part of 1998, the Company returned to overall profitability and profitability on the sale of its mortgage loans during the third quarter of 1999.

The Company continued to maintain reduced leverage and strong liquidity levels during the third quarter of 1999. The Company's Leverage Ratio decreased to 4.85:1 at September 30, 1999 as compared to 5.55:1 at December 31, 1998 and 7.90:1 at September 30, 1998. The Company's and IFC's liquidity position at September 30, 1999 totaled \$26.9 million of cash and cash equivalents as compared to \$34.3 million at December 31, 1998. The Company continued to reduce its reliance on reverse repurchase agreements to finance its investment securities available-for-sale portfolio. The Company's reverse repurchase agreements were \$11.4 million at September 30, 1999 as compared to \$24.1 million at December 31, 1998. The Company completed a re-securitization of its investment securities available-for-sale on October 21, 1999, which raised additional cash liquidity for the Company of approximately \$23.3 million after repaying reverse repurchase agreements collateralized by the investment securities available-for-sale. The cash proceeds can be used to grow the Company's balance sheet, repurchase common stock or for business expansion. The following table summarizes the Company's liquidity position for the periods presented (in thousands):

	9/30/99	6/30/99	3/31/99	12/31/98	9/30/98	6/30/98	3/31/98
Cash and marketable securities (1)	47,454	49,421	58,416	76,468	49,173	47,698	35,960
Debt (2)	233,326	239,286	265,425	341,582	662,073	526,143	511,243
Liquidity ratio	20.34%	20.65%	22.01%	22.39%	7.43%	9.07%	7.03%

- (1) Calculated as cash and marketable securities rated AAA through BBB.
(2) Calculated as warehouse borrowings, reverse repurchase agreements, dividends payable, and other short-term liabilities.

The Company was also successful in increasing book value per common share, which increased to \$9.66 per common share (calculated after reduction of \$30.0 million liquidation value of series B cumulative convertible preferred stock) at September 30, 1999 as compared to \$9.02 per common share at December 31, 1998. The increase in book value was attributable to the retention of earnings, the exchange offer completed in the second quarter of 1999 and the repurchase of the Company's common stock in the open market during 1999. The Company anticipates that the retention of earnings in excess of dividend distributions for the remainder of 1999 and additional common stock repurchases will continue to improve the Company's book value per common share and increase capital levels.

Net Interest Income

Net interest income decreased 50% to \$5.9 million during the third quarter of 1999 as compared to \$11.7 million during the third quarter of 1998 primarily due to a decrease in average Mortgage Assets outstanding and reduced leverage on Mortgage Assets outstanding. Interest income is primarily interest earned on Mortgage Assets and includes interest earned on cash and cash equivalents and due from affiliates. Interest expense is primarily interest paid on borrowings on Mortgage Assets and includes interest paid on due to affiliates and senior subordinated debentures. The Company deleveraged its balance sheet and increased liquidity in response to the global liquidity crisis, which occurred during the latter part of 1998 and resulted in a deterioration of the mortgage-backed securitization market. In order to reduce leverage and increase liquidity to meet potential margin calls, the Company sold Mortgage Assets at significant losses during the fourth quarter of 1998. As a result, average Mortgage Assets decreased 32% to \$1.5 billion during the third quarter of 1999 as compared to \$2.2 billion during the third quarter of 1998. This decrease was also related to a decrease in finance receivables made to IFC as IFC's sold whole loans monthly to third parties instead of accumulating loans for sale to IMH for issuance of CMO's. The combination of lower average Mortgage Assets and decreased leverage was primarily responsible for the reduction of net interest income during the third quarter of 1999 as compared to the third quarter of 1998.

Net interest income also decreased as the net interest margin decreased to 1.52% during the third quarter of 1999 as compared to 2.09% during the third quarter of 1998. The net interest margin on Mortgage Assets decreased primarily due to a decrease in the net interest spread on CMO collateral, which decreased to (0.12)% during the third quarter of 1999 as compared to 0.77% during the third quarter of 1998. The margin decreased mainly due to increases in the one-month libor rate to which the borrowings are indexed and contractual increases in the pass-thru rate on certain of the bonds.

The following table summarizes average balance, interest and weighted average yield on Mortgage Assets and borrowings on Mortgage Assets for the third quarters of 1999 and 1998 and includes interest income on Mortgage Assets and interest expense related to borrowings on Mortgage Assets only (dollars in thousands):

	For the Three Months Ended September 30, 1999			For the Three Months Ended September 30, 1998		
	Average Balance	Interest	Weighted Avg Yield	Average Balance	Interest	Weighted Avg Yield
MORTGAGE ASSETS						
Investment securities available-for-sale:						
Securities collateralized by mortgages	\$ 79,435	\$ 3,015	15.18 %	\$ 102,662	\$ 3,234	12.60 %
Securities collateralized by other loans	5,495	193	14.05	5,379	153	11.38
Total investment securities available-for-sale	84,930	3,208	15.11	108,041	3,387	12.54
Loan receivables:						
CMO collateral	1,131,926	17,907	6.33	1,374,131	25,256	7.35
Mortgage loans held-for-investment	13,849	253	7.31	62,294	1,372	8.81
Finance receivables:						
Affiliated	183,856	3,597	7.83	610,378	13,041	8.55
Non-affiliated	77,743	1,780	9.16	93,581	2,225	9.51
Total finance receivables	261,599	5,377	8.22	703,959	15,266	8.67
Total Loan Receivables	1,407,374	23,537	6.69	2,140,384	41,894	7.83
Total Mortgage Assets	\$ 1,492,304	\$ 26,745	7.17 %	\$ 2,248,425	\$ 45,281	8.06 %
BORROWINGS						
CMO borrowings	\$ 1,028,494	\$ 16,592	6.45 %	\$ 1,277,826	\$ 21,027	6.58 %
Reverse repurchase agreements - mortgages	261,900	4,238	6.47	716,216	11,849	6.62
Reverse repurchase agreements - securities	15,545	259	6.66	38,150	639	6.70
Total borrowings on Mortgage Assets	\$ 1,305,939	\$ 21,089	6.46 %	\$ 2,032,192	\$ 33,515	6.60 %
Net Interest Spread			0.71 %			1.46 %
Net Interest Margin			1.52 %			2.09 %

Interest Income on Mortgage Assets

Interest income on CMO collateral decreased 29% to \$17.9 million during the third quarter of 1999 as compared to \$25.3 million during the third quarter of 1998 as average CMO collateral decreased 21% to \$1.1 billion as compared to \$1.4 billion, respectively. Average CMO borrowings decreased as the Long-Term Investment Operations issued CMOs totaling \$298.1 million since the end of the third quarter of 1998 while total principal prepayments on CMOs since the end of the third quarter of 1998 were \$525.4 million. An increase in mortgage rates during the third quarter of 1999 and IFC's increased control over flow acquisitions through agreements with certain correspondents providing right of first refusal on loan production has contributed to greater stability in prepayments. Additionally, approximately 40% of IFC's new loan production during the first nine months of 1999 include prepayment penalties as compared to approximately 14% during the same period of the prior year. Therefore, due to IFC's correspondent agreements and increased levels of prepayment penalties, subsequent CMO collateral acquired by the Long-Term Investment Operations from IFC should contribute to a reduction in prepayment rates and stability of earnings. Interest income on CMO collateral also decreased as the weighted average yield decreased to 6.33% during the third quarter of 1999 as compared to 7.35% during the third quarter of 1998. The weighted average yield on CMO collateral decreased due to an increase in the amortization of premiums and securitization costs due to prepayments.

Interest income on mortgage loans held-for-investment decreased 82% to \$253,000 during the third quarter of 1999 as compared to \$1.4 million during the third quarter of 1998 as average mortgage loans held-for-investment decreased 78% to \$13.8 million as compared to \$62.3 million, respectively. Average mortgage loans held-for-investment decreased primarily as mortgage loans acquired by the Long-Term Investment Operations decreased to none during the third quarter of 1999 as compared to \$47.7 million during the third quarter of 1998. The weighted average yield on mortgage loans held-for-investment decreased to 7.31% during the third quarter of 1999 as compared to 8.81% during the third quarter of 1998. The decrease in the weighted average yield was primarily due to the sale of high-yielding second trust deeds throughout 1998 and the securitization of high yielding second trust deeds during the first quarter of 1999.

Interest income on finance receivables decreased 65% to \$5.4 million during the third quarter of 1999 as compared to \$15.3 million during the third quarter of 1998 as average finance receivables decreased 63% to \$261.6 million as compared to \$704.0 million, respectively. The decrease in interest income on finance receivables was primarily the result of a 70% decrease in average finance receivables to affiliated companies, primarily IFC. Average finance receivables to affiliated companies decreased to \$183.9 million during the third quarter of 1999 as compared to \$610.4 million during the third quarter of 1998. IFC's mortgage loan acquisitions decreased to \$440.0 million during the third quarter of 1999 as compared to \$604.7 million during the third quarter of 1998. As such, interest income on finance receivables to affiliates decreased 72% to \$3.6 million during the third quarter of 1999 as compared to \$13.0 million during the third quarter of 1998. The weighted average yield on affiliated finance receivables decreased to 7.83% during the third quarter of 1999 as compared to 8.55% during the third quarter of 1998 primarily due to a decrease in the prime rate which is the index used to determine interest rates on finance receivables.

Interest income on finance receivables to non-affiliated mortgage banking companies decreased 18% to \$1.8 million during the third quarter of 1999 as compared to \$2.2 million during the third quarter of 1998 as average finance receivables outstanding to non-affiliated mortgage banking companies decreased 17% to \$77.7 million as compared to \$93.6 million, respectively. Average finance receivables decreased, during the third quarter of 1999 as compared to the third quarter of 1998, primarily due to an overall market decrease in mortgage loan originations. The weighted average yield on non-affiliated finance receivables decreased to 9.16% during the third quarter of 1999 as compared to 9.51% during the third quarter of 1998 primarily due to a decrease in the prime rate from 8.50% to 8.00%.

Interest income on investment securities available-for-sale decreased 6% to \$3.2 million during the third quarter of 1999 as compared to \$3.4 million during the third quarter of 1998 as average investment securities available-for-sale, net of securities valuation allowance, decreased 21% to \$84.9 million as compared to \$108.0 million, respectively. The decrease in average securities available-for-sale was the result of the Long-Term Investment Operations purchasing and retaining mortgage-backed securities of \$18.3 million during the first nine months of 1999 as compared to \$64.6 million during the first nine months of 1998. The weighted average yield on investment securities available-for-sale increased to 15.11% during the third quarter of 1999 as compared to 12.54% during the third quarter of 1998.

Interest Expense on Mortgage Assets

Interest expense on CMO borrowings decreased 21% to \$16.6 million during the third quarter of 1999 as compared to \$21.0 million during the third quarter of 1998 as average borrowings on CMO collateral decreased 23% to \$1.0 billion as compared to \$1.3 billion, respectively. Average CMO borrowings decreased as the Long-Term Investment Operations issued CMOs totaling \$298.1 million since the end of the third quarter of 1998 as compared to CMOs totaling \$768.0 million since the end of the third quarter of 1997. In addition, total principal prepayments on CMO collateral, which passes through to bondholders and reduces CMO borrowings, was \$525.4 million since the end of the third quarter of 1998. The weighted average yield of CMO borrowings decreased to 6.45% during the third quarter of 1999 as compared to 6.58% during the third quarter of 1998.

Interest expense on reverse repurchase agreements used to fund the acquisition of mortgage loans and finance receivables decreased 64% to \$4.2 million during the third quarter of 1999 as compared to \$11.8 million during the third quarter of 1998 as average reverse repurchase agreements decreased 63% to \$261.9 million as compared to \$716.2 million, respectively. This decrease was primarily related to a decrease in finance receivables made to IFC as IFC sold whole loans monthly to third parties instead of accumulating loans for sale to IMH for issuance of CMO's. The weighted average yield on reverse repurchase agreements decreased to 6.47% during the third quarter of 1999 as compared 6.62% during the third quarter of 1998. The decrease in the weighted average yield on reverse repurchase agreements was due to the decrease in six-month LIBOR, which is the primary interest rate index of these instruments.

The Company also uses mortgage-backed securities as collateral to borrow under reverse repurchase agreements to fund the purchase of mortgage-backed securities and to act as an additional source of liquidity for the Company's operations. Interest expense on these reverse repurchase agreements decreased 59% to \$259,000 during the third quarter of 1999 as compared to \$639,000 during the third quarter of 1998. The average balance on these reverse repurchase agreements decreased 59% to \$15.5 million during the third quarter of 1999 as compared to \$38.2 million during the third quarter of 1998 primarily due to improved liquidity. The weighted average yield of these reverse repurchase agreements decreased to 6.66% during the third quarter of 1999 as compared 6.70% during the third quarter of 1998.

Provision for Loan Losses

The Company recorded loan loss provisions of \$1.4 million during the third quarter of 1999 as compared to \$(292,000) during the third quarter of 1998. The provision for loan losses is determined primarily on the basis of management's judgment of net loss potential including specific allowances for known impaired loans, changes in the nature and volume of the portfolio, value of the collateral and current economic conditions that may affect the borrowers' ability to pay.

The Company's total allowance for loan losses expressed as a percentage of Gross Loan Receivables which includes loans held-for-investment, CMO collateral and finance receivables was 0.28% at September 30, 1999 as compared to 0.47% at December 31, 1998. The decrease in the allowance as a percentage of Gross Loan Receivables was due to the sale of delinquent loans and the reduction in delinquent loan balances in mortgage loans held-for-investment and CMO collateral, as well as an improved cure rate on delinquent loans.

Non-Interest Income

Non-interest income increased to \$3.8 million during the third quarter of 1999 as compared to \$(9.5) million during the third quarter of 1998 primarily due to an increase in equity in net earnings of IFC, a reduction in equity in net loss of ICH, and a reduction in mark-to-market loss on loans held-for-sale.

Equity in Net Earnings of IFC

Equity in net earnings of IFC increased to \$3.0 million during the third quarter of 1999 as compared to \$(7.9) million during the third quarter of 1998. IFC's net earnings increased during the third quarter of 1999 primarily due to a \$21.0 million mark to market loss on mortgage loans recorded during the third quarter of 1998 as a result of the deterioration of the mortgage-backed securitization market during the latter part of 1998. The Company records 99% of the earnings or losses from IFC as the Company owns 100% of IFC's preferred stock, which represents 99% of the economic interest in IFC.

IFC's net interest income decreased to \$392,000 during the third quarter of 1999 as compared to \$1.4 million during the third quarter of 1998 as average mortgage loans held-for-sale decreased 70% to \$198.5 million as compared to \$655.6 million, respectively. Average mortgage loans held-for-sale decreased as mortgage loan acquisitions decreased 27% to \$440.0 million during the third quarter of 1999 as compared to mortgage loan acquisitions of \$604.7 million during the third quarter of 1998 and IFC sold whole loans monthly to third parties instead of accumulating loans for sale to IMH for issuance of CMO's. Mortgage loan acquisitions decreased during the third quarter of 1999 as compared to the third quarter of 1998 due to the residual effects of the liquidity crisis, which occurred during the latter half of 1998. In response to the liquidity crisis, IFC raised interest rates on its loan programs and decreased the amount of premiums paid on its loan acquisitions, which caused some of IFC's correspondent sellers to use other sources for the funding of their mortgage loans. During the first nine months of 1999, IFC continued to rebuild its mortgage loan acquisitions to previous levels by offering its sellers competitive and flexible mortgage products. Mortgage loan acquisitions increased 16% to \$440.0 million during the third quarter of 1999 as compared to \$604.7 million during the third quarter of 1998.

IFC's gain on sale of loans decreased to \$8.3 million during the third quarter of 1999 as compared to \$10.1 million during the third quarter of 1998. In line with the Company's overall strategy to improve liquidity, IFC sold mortgage loans on a whole loan basis for cash, as opposed to sales through asset-backed securitizations for non-cash gains. During the third quarter of 1999, IFC sold mortgages totaling \$380.6 million, on a servicing released basis, to third party investors as compared to loan sales of \$459.3 million during the third quarter of 1998. The sale of these loans on a servicing released basis reduced IFC's exposure to prepayment risk. IFC also sold no mortgages to IMH during the third quarter of 1999 as compared to \$47.7 million during the third quarter of 1998.

During the third quarter of 1999, IFC's net earnings were positively affected by a reduction in personnel expense to \$2.0 million as compared to \$2.6 million during the third quarter of 1998 primarily due to a reduction in staff. During the fourth quarter of 1998, IFC reduced staff in anticipation of decreased loan acquisitions, due to the deterioration of the mortgage-backed securitization market, and to increase liquidity from operating activities. Net earnings were also positively affected by a reduction in amortization of mortgage servicing rights during the third quarter of 1999 as compared to the third quarter of 1998. Amortization of mortgage servicing rights decreased to \$1.4 million during the third quarter of 1999 as compared to \$1.8 million during the third quarter of 1998 as IFC sold mortgage servicing rights during the first nine months of 1999. These increases to net earnings, during the third quarter of 1999, were partially offset by an increase in general and administrative and other expense. General and administrative and other expense increased to \$1.9 million during the third quarter of 1999 as compared to \$1.7 million during the third quarter of 1998 primarily due to non-reimbursable start-up costs and expenses from the retail and wholesale lending divisions that began operations in early 1999.

Equity in Net Earnings of ICH

Equity in net earnings of ICH decreased to none during the third quarter of 1999 as compared to equity in net loss of ICH of \$1.8 million during the third quarter of 1998, as the Company sold its investment in ICH during the fourth quarter of 1998. As such, the Company no longer records earnings or losses of ICH.

Non-Interest Expense

Non-interest expense decreased to \$2.1 million during the third quarter of 1999 as compared to \$23.1 million during the third quarter of 1998. Non-interest expense during the third quarter of 1998 consisted of write-down of investment securities available-for-sale of \$11.6 million and loss on equity investment of \$9.1 million, which were caused by the deterioration of the mortgage-backed securitization market during the latter part of 1998. Excluding the affect of write-down of investment securities available-for-sale and loss on equity investment, non-interest expense decreased 29% to \$1.7 million during the third quarter of 1999 as compared to \$2.4 million during the third quarter of 1998.

RESULTS OF OPERATIONS--
IMPAC MORTGAGE HOLDINGS , INC.

For the Nine Months Ended September 30, 1999 as compared to the Nine Months Ended September 30, 1998

Results of Operations

The Company recorded net earnings of \$18.4 million, or \$0.63 per diluted common share, during the first nine months of 1999 as compared to net earnings of \$2.2 million, or \$0.09 per diluted common share, during the first nine months of 1998. The increase in net earnings, during the first nine months of 1999 as compared to the first nine months of 1998, was primarily due to an increase in non-interest income of \$10.4 million and a decrease of \$18.7 million in non-interest expense. These increases to net earnings were partially offset by a decrease of \$10.7 million in net interest income. As stated earlier, as the mortgage sector stabilized during the first nine months of 1999 and recovered from the volatility that occurred during the latter part of 1998, the Company returned to overall profitability and profitability on the sale of its mortgage loans during the first nine months of 1999.

The retention of earnings in excess of dividend distributions will continue to improve the Company's book value per common share and increase capital levels. During the first nine months of 1999, the Company recorded net earnings of \$0.69 per basic common share, which was \$0.34 per basic common share in excess of declared common stock dividends of \$0.35 per common share. The Company's current common stock dividend policy is to partly base quarterly dividends upon the Company's best estimate of taxable earnings for the year ending December 31, 1999. However, the Board of Directors reserves the right to make adjustments to this policy as actual results may differ from earnings projections. The most significant adjustments to GAAP earnings for the first nine months of 1999 were as follows: (1) amortization of the termination of the management agreement with Imperial Credit Advisors, Inc. in December of 1997, which resulted in a deduction of approximately \$8.1 million, (2) exclusion of \$5.5 million of equity in net earnings of IFC, (3) actual loan charge-offs in excess of loan loss provisions, which resulted in a deduction of approximately \$3.3 million, and (4) deduction of Preferred Stock dividends of \$2.5 million. As such, the Company's best estimate of taxable earnings for the first nine months of 1999 was \$1.0 million, or \$0.04 per basic common share. Therefore, during the first nine months of 1999 the Company declared common stock dividends of \$0.35 per common share, of which approximately \$0.31 per basic common share is in excess of estimated taxable earnings.

Net Interest Income

Net interest income decreased 32% to \$22.3 million during the first nine months of 1999 as compared to \$33.0 million during the first nine months of 1998 primarily due to a decrease in average Mortgage Assets. Average Mortgage Assets decreased 24% to \$1.6 billion during the first nine months of 1999 as compared to \$2.1 billion during the first nine months of 1998 due to the following: (1) sale of Mortgage Assets during the fourth quarter of 1998, (2) reduction in mortgage loan production at IFC, which decreased average outstanding finance receivables, and (3) the Company's concentration on strengthening book value and conserving capital by reducing leverage.

Net interest income also decreased as the net interest margin decreased to 1.84% during the first nine months of 1999 as compared to 2.17% during the first nine months of 1998. The net interest margin on Mortgage Assets decreased primarily due to a decrease in the net interest spread on CMO collateral, which decreased to 0.28% during the first nine months of 1999 as compared to 0.78% during the first nine months of 1998. The margin decreased mainly due to increases in the one-month labor rate to which the borrowings are indexed and contractual increases in the pass-thru rate on certain of the bonds

The following table summarizes average balance, interest and weighted average yield on Mortgage Assets and borrowings on Mortgage Assets for the nine months ended September 30, 1999 and 1998 and includes interest income on Mortgage Assets and interest expense related to borrowings on Mortgage Assets only (dollars in thousands):

	For the Nine Months Ended September 30, 1999			For the Nine Months Ended September 30, 1998		
	Average Balance	Interest	Weighted Avg Yield	Average Balance	Interest	Weighted Avg Yield
MORTGAGE ASSETS						
Investment securities available-for-sale:						
Securities collateralized by mortgages	\$ 86,700	\$ 9,330	14.35 %	\$ 86,944	\$ 7,986	12.25 %
Securities collateralized by other loans	8,052	629	10.42	5,356	533	13.27
Total investment securities available-for-sale	94,752	9,959	14.01	92,300	8,519	12.31
Loan receivables:						
CMO collateral	1,155,877	57,404	6.62	1,245,516	69,446	7.43
Mortgage loans held-for-investment	41,626	2,160	6.92	188,799	13,089	9.24
Finance receivables:						
Affiliated	197,408	11,920	8.05	445,504	28,520	8.54
Non-affiliated	72,015	4,889	9.05	83,188	5,944	9.53
Total finance receivables	269,423	16,809	8.32	528,692	34,464	8.69
Total Loan Receivables	1,466,926	76,373	6.94	1,963,007	116,999	7.95
Total Mortgage Assets	\$ 1,561,678	\$ 86,332	7.37 %	\$ 2,055,307	\$ 125,518	8.14 %
BORROWINGS						
CMO borrowings	\$ 1,053,314	\$ 50,051	6.34 %	\$ 1,156,748	\$ 57,714	6.65 %
Reverse repurchase agreements - mortgages	290,542	13,718	6.30	668,176	33,109	6.61
Reverse repurchase agreements - securities	19,727	970	6.56	25,687	1,249	6.48
Total borrowings on Mortgage Assets	\$ 1,363,583	\$ 64,739	6.33 %	\$ 1,850,611	\$ 92,072	6.63 %
Net Interest Spread			1.04 %			1.51 %
Net Interest Margin			1.84 %			2.17 %

Interest Income on Mortgage Assets

Interest income on CMO collateral decreased 17% to \$57.4 million during the first nine months of 1999 as compared to \$69.4 million during the first nine months of 1998 as the weighted average yield decreased to 6.62% as compared to 7.43%, respectively. The weighted average yield on CMO collateral decreased due to increases in the amortization of premiums and securitization costs due to high fluctuations in prepayments. Average CMO collateral during the first nine months of 1999 decreased slightly to \$1.16 billion as compared to \$1.25 billion during the first nine months of 1998. Constant prepayment rates on CMO collateral decreased to 38% during the last twelve months ended September 30, 1999 as compared to 43% during the same period ended September 30, 1998. As stated previously, the Company expects that right of first refusal agreements with IFC's correspondent sellers and increased prepayment penalties on IFC's loan acquisitions should contribute to a reduction in prepayment rates and stability of earnings on subsequent CMO collateral acquired by the Long-Term Investment Operations from IFC.

Interest income on mortgage loans held-for-investment decreased 83% to \$2.2 million during the first nine months of 1999 as compared to \$13.1 million during the first nine months of 1998 as average mortgage loans held-for-investment decreased 78% to \$41.6 million as compared to \$188.8 million, respectively. Average mortgage loans held-for-investment decreased due to reduced loan acquisitions by IMH, which were \$283.0 million during the first nine months of 1999 as compared to \$841.6 million during the first nine months of 1998. The weighted average yield on mortgage loans held-for-investment decreased to 6.92% during the first nine months of 1999 as compared to 9.24% during the first nine months of 1998. The decrease in the weighted average yield was primarily due to the sale of high-yielding second trust deeds throughout 1998 and the securitization of high yielding second trust deeds during the first quarter of 1999.

Interest income on finance receivables decreased 51% to \$16.8 million during the first nine months of 1999 as compared to \$34.5 million during the first nine months of 1998 as average finance receivables decreased 49% to \$269.4 million as compared to \$528.7 million, respectively. The decrease in interest income on finance receivables was primarily the result of a 56% decrease in average finance receivables to affiliated companies, primarily IFC. Average finance receivable to affiliated companies decreased to \$197.4 million during the first nine months of 1999 as compared to \$445.5 million during the first nine months of 1998. IFC's mortgage loan acquisitions decreased to \$1.1 billion during the first nine months of 1999 as compared to \$1.9 billion during the first nine months of 1998. As such, interest income on finance receivables to affiliates decreased 58% to \$11.9 million during the first nine months of 1999 as compared to \$28.5 million during the first nine months of 1998. The weighted average yield on affiliated finance receivables decreased to 8.05% during the first nine months of 1999 as compared to 8.54% during the first nine months of 1998 primarily due to a decrease in the prime rate which is the index used to determine interest rates on finance receivables.

Interest income on finance receivables to non-affiliated mortgage banking companies decreased 17% to \$4.9 million during the first nine months of 1999 as compared to \$5.9 million during the first nine months of 1998 as average finance receivables outstanding to non-affiliated mortgage banking companies decreased 13% to \$72.0 million as compared to \$83.2 million, respectively. Average finance receivables decreased, during the first nine months of 1999 as compared to the first nine months of 1998, primarily due to an overall market decrease in mortgage loan originations. The weighted average yield on non-affiliated finance receivables decreased to 9.05% during the first nine months of 1999 as compared to 9.53% during the first nine months of 1998 primarily due to a decrease in the prime rate.

Interest income on investment securities available-for-sale increased 18% to \$10.0 million during the first nine months of 1999 as compared to \$8.5 million during the first nine months of 1998 as average investment securities available-for-sale, net of securities valuation allowance, increased 3% to \$94.8 million as compared to \$92.3 million, respectively. The increase in average securities available-for-sale was the result of the Long-Term Investment Operations purchasing and retaining mortgage-backed securities of \$18.3 million, which were issued by IFC, since the end of the third quarter of 1998. The weighted average yield on investment securities available-for-sale increased to 14.01% during the first nine months of 1999 as compared to 12.31% during the first nine months of 1998.

Interest expense on Mortgage Assets

Interest expense on CMO borrowings decreased 13% to \$50.1 million during the first nine months of 1999 as compared to \$57.7 million during the first nine months of 1998 as the weighted average yield on CMO borrowings decreased to 6.34% as compared to 6.65%, respectively. Average CMO borrowings decreased to \$1.1 billion during the first nine months of 1999 as compared to \$1.2 billion during the first nine months of 1998.

Interest expense on reverse repurchase borrowings used to fund the acquisition of mortgage loans and finance receivables decreased 59% to \$13.7 million during the first nine months of 1999 as compared to \$33.1 million during the first nine months of 1998. The average balance of these reverse repurchase agreements decreased 57% to \$290.5 million during the first nine months of 1999 as compared to \$668.2 million during the first nine months of 1998. This decrease was primarily related to a decrease in finance receivables made to IFC as IFC's acquisition of mortgage loans were lower during the first nine months of 1999 as compared the first nine months of 1998. The weighted average yield of these reverse repurchase agreements decreased to 6.30% during the first nine months of 1999 as compared 6.61% during the first nine months of 1998. The decrease in the weighted average yield on reverse repurchase agreements was due to the decrease in six-month LIBOR, which is the primary interest rate index of these instruments.

The Company also uses mortgage-backed securities as collateral to borrow under reverse repurchase agreements to fund the purchase of mortgage-backed securities and to act as an additional source of liquidity for the Company's operations. Interest expense on these reverse repurchase agreements decreased 17% to \$1.0 million during the first nine months of 1999 as compared to \$1.2 million during the first nine months of 1998. The average balance on these reverse repurchase agreements decreased 23% to \$19.7 million during the first nine months of 1999 as compared to \$25.7 million during the first nine months of 1998 primarily due to improved liquidity. The weighted average yield of these reverse repurchase agreements increased to 6.56% during the first nine months of 1999 as compared 6.48% during the first nine months of 1998.

Provision for Loan Losses

The Company recorded loan loss provisions of \$4.4 million during the first nine months of 1999 as compared to \$2.1 million during the first nine months of 1998. The provision for loan losses is determined primarily on the basis of management's judgment of net loss potential including specific allowances for known impaired loans, changes in the nature and volume of the portfolio, value of the collateral and current economic conditions that may affect the borrowers' ability to pay.

Non-Interest Income

Non-interest income increased to \$7.5 million during the first nine months of 1999 as compared to \$(2.9) million during the first nine months of 1998 primarily due to an increase in equity in net earnings of IFC, a reduction in equity in net loss of ICH, and a reduction in mark-to-market loss on loans held-for-sale.

Equity in Net Earnings of IFC

Equity in net earnings of IFC increased to \$5.5 million during the first nine months of 1999 as compared to \$(3.9) million during the first nine months of 1998. IFC's net earnings increased to \$5.6 million during the first nine months of 1999 as compared to \$(3.9) million during the first nine months of 1998 primarily due to a \$21.0 million mark to market loss on mortgage loans recorded during the third quarter of 1998 as a result of the deterioration of the mortgage-backed securitization market during the latter part of 1998. The Company records 99% of the earnings or losses from IFC as the Company owns 100% of IFC's preferred stock, which represents 99% of the economic interest in IFC.

IFC's net interest income decreased as average mortgage loans held-for-sale decreased 61% to \$206.5 million during the first nine months of 1999 as compared to \$528.8 million during the first nine months of 1998. Average mortgage loans held-for-sale decreased as mortgage loan acquisitions decreased 42% to \$1.1 billion during the first nine months of 1999 as compared to mortgage loan acquisitions of \$1.9 billion during the first nine months of 1998. Mortgage loan acquisitions decreased during the first nine months of 1999 as compared to the first nine months of 1998 due to the residual effects of the liquidity crisis, which occurred during the latter half of 1998. In response to the liquidity crisis, IFC raised interest rates on its loan programs and decreased the amount of premiums paid on its loan acquisitions, which caused some of IFC's correspondent sellers to use other sources for the funding of their mortgage loans. During the first nine months of 1999, IFC continued to rebuild its mortgage loan acquisitions to previous levels by offering its sellers competitive and flexible mortgage products. IFC's net interest income also decreased during the first nine months of 1999 as the weighted average yield on mortgage loans held-for-sale decreased to 8.57% as compared to a weighted average yield of 9.55% during the first nine months of 1998. IFC's yield on mortgage loans held-for-sale during the first nine months of 1998 included the acquisition of high-yielding second trust deeds, which IFC acquired from Preferred Credit Corporation during the fourth quarter of 1997. The majority of these second trust deeds were sold to third party investors during 1998 or sold to the Long-Term Investment Operations for CMO collateral during the first quarter of 1999.

IFC's gain on sale of loans increased to \$22.8 million during the first nine months of 1999 as compared to \$18.9 million during the first nine months of 1998. However, gain on sale of loans during the first nine months of 1999 included a reduction of mark-to-market allowances of \$4.1 million. Excluding the reduction of mark-to-market allowances, gain on sale for the first nine months of 1999 was \$18.7 million as compared to \$18.9 million during the first nine months of 1998, as IFC was profitable on the sale of its mortgage loans as the mortgage-backed securitization market recovered from the volatility that occurred during 1998. In line with the Company's overall strategy to improve liquidity, IFC sold mortgage loans on a whole loan basis for cash, as opposed to sales through asset-backed securitizations for non-cash gains. During the first nine months of 1999, IFC sold mortgages totaling \$1.0 billion, on a servicing released basis, to third party investors as compared to loan sales and securitizations of \$1.2 billion during the first nine months of 1998. The sale of these loans on a servicing released basis reduced IFC's exposure to prepayment risk. IFC also sold \$287.6 million in principal balance of mortgages to IMH during the first nine months of 1999 as compared to \$817.9 million during the first nine months of 1998.

During the first nine months of 1999 IFC's net earnings were positively affected by a reduction in personnel expense to \$5.4 million as compared to \$7.4 million during the first nine months of 1998 primarily due to a reduction in staff. During the fourth quarter of 1998, IFC reduced staff in anticipation of decreased loan acquisitions, due to the deterioration of the mortgage-backed securitization market, and to increase liquidity from operating activities. Net earnings were also positively affected by a reduction in amortization of mortgage servicing rights during the first nine months of 1999 as compared to the first nine months of 1998. Amortization of mortgage servicing rights decreased to \$3.9 million during the first nine months of 1999 as compared to \$4.7 million during the first nine months of 1998 as IFC sold mortgage servicing rights during the first six months of 1999. These increases to net earnings, during the first nine months of 1999, were partially offset by an increase in general and administrative and other expense. General and administrative and other expense increased to \$5.4 million during the first nine months of 1999 as compared to \$3.9 million during the first nine months of 1998 primarily due to non-reimbursable start-up costs and expenses from the retail and wholesale lending divisions that began operations in early 1999.

Equity in Net Earnings of ICH

Equity in net earnings of ICH decreased to none during the first nine months of 1999 as compared to equity in net loss of ICH of \$(1.0) million during the first nine months of 1998, as the Company sold its investment in ICH during the fourth quarter of 1998. As such, the Company no longer records earnings or losses of ICH.

Non-Interest Expense

Non-interest expense decreased to \$7.1 million during the first nine months of 1999 as compared to \$25.8 million during the first nine months of 1998. Non-interest expense during the first nine months of 1998 consisted of write-down of investment securities available-for-sale of \$12.8 million and loss on equity investment of \$9.1 million, which was caused by the deterioration of the mortgage-backed securitization market during the latter part of 1998. Excluding the affect of write-down of investment securities available-for-sale and loss on equity investment, non-interest expense increased to \$5.0 million during the first nine months of 1999 as compared to \$3.9 million during the first nine months of 1998. This increase was primarily due to a \$1.5 million increase in loss on disposition of other real estate owned.

LIQUIDITY AND CAPITAL RESOURCES

Overview. The Company's business operations are primarily funded from monthly interest and principal payments from its mortgage loan and investment securities portfolios, reverse repurchase agreements secured by mortgage loans and mortgage-backed securities, adjustable- and fixed-rate CMO financing, proceeds from the sale of mortgage loans and the issuance of REMICs, and proceeds from the issuance of common stock through secondary stock offerings, DRSSP, and its structured equity shelf. In July of 1999, the Company decided to suspend its DRSSP. The acquisition of mortgage loans and mortgage-backed securities by the Long-Term Investment Operations are primarily funded from monthly principal and interest payments, reverse repurchase agreements, CMO financing, and proceeds from the sale of common stock. The acquisition of mortgage loans by the Conduit Operations are primarily funded from reverse repurchase agreements, the sale of mortgage loans and mortgage-backed securities, and the issuance of REMICs. Short-term warehouse financing, or finance receivables, provided by the Warehouse Lending Operations to affiliated companies and to IFC's correspondent sellers are funded from reverse repurchase agreements and proceeds from the sale of common stock.

The Company's ability to meet its long-term liquidity requirements is subject to the renewal of its credit and repurchase facilities and/or obtaining other sources of financing, including additional debt or equity from time to time. Any decision by the Company's lenders and/or investors to make additional funds available to the Company in the future will depend upon a number of factors, such as the Company's compliance with the terms of its existing credit arrangements, the Company's financial performance, industry and market trends in the Company's various businesses, the general availability of and rates applicable to financing and investments, such lenders' and/or investors' own resources and policies concerning loans and investments, and the relative attractiveness of alternative investment or lending opportunities.

During the latter half of 1998, a global liquidity crisis resulted in a deterioration of the mortgage-backed securitization market and created liquidity problems for the Company as the Company's lenders made margin calls on their warehouse and reverse repurchase lines. Margin calls result from the Company's lenders evaluating the market value of underlying collateral securing the borrowings and requiring additional equity or collateral. The Company sold Mortgage Assets at significant losses during the fourth quarter of 1998 to meet potential margin calls. The sale of Mortgage Assets and the issuance of Preferred Stock during the fourth quarter of 1998 provided the Company with much needed liquidity at the time. In addition, the Company decreased its Leverage Ratio at September 30, 1999 as compared to September 30, 1998 and, as a result, the Company had no margin calls on its reverse repurchase agreements during the first nine months of 1999. Furthermore, the mortgage-backed securitization market stabilized during the first nine months of 1999 and allowed the Company to complete two CMOs. The issuance of CMOs provides the Company with immediate liquidity, a locked-in interest rate spread and eliminates the Company's exposure to margin calls on such loans. A decrease in loan acquisitions during the first nine months of 1999 along with a return to profitability has provided additional liquidity from operating activities. However, the Company expects loan acquisitions and originations from its two new divisions will increase on a go-forward basis, along with a corresponding increase in staff, which will require additional cash.

The Company continues to explore alternatives for increasing liquidity through additional asset sales and capital raising efforts. However, no assurances can be given that such alternatives will be available, or if available, under comparable rates and terms as currently exist. During the first quarter of 1999, the Company completed a definitive agreement to acquire a bank. As provided for in the agreement, the Company submitted its application in the second quarter of 1999 for a change of control to the state and federal regulatory agencies for their approval. During the process of reviewing the application, the federal regulator raised certain issues. The Company was not able to give the federal agency sufficient comfort with respect to those issues without modifying our proposal. Also, the state regulatory department requested significant additional information which had the effect of delaying the approval process. At this time, the Company has decided to withdraw its state and federal applications for change of control and intends on resubmitting a new application at a later date that addresses the business concerns expressed by the regulators. However, there are no assurances that new applications for change of control will be received favorably by either of the state and federal regulators. Therefore, the Company is continuing to expand its wholesale and retail operations, which was intended to be contributed to the Bank, within IFC. In the event that the Company is unsuccessful in its efforts to obtain the Bank charter, management believes that it will have no effect on the future profitability of the Company.

Long-Term Investment Operations

Primary Source of Funds

The Long-Term Investment Operations uses CMO borrowings to finance substantially its entire mortgage loan portfolio. Terms of the CMO borrowings require that an independent third party custodian hold the mortgages. The maturity of each class is directly affected by the rate of principal prepayments on the related collateral. Equity in the CMOs is established at the time the CMOs are issued at levels sufficient to achieve desired credit ratings on the securities from rating agencies. The amount of equity invested in CMOs by the Long-Term Investment Operations is also determined by the Company based upon the anticipated return on equity as compared to the estimated proceeds from additional debt issuance. Total credit loss exposure is limited to the equity invested in the CMOs at any point in time. For the first nine months of 1999, the Company issued CMOs totaling \$298.1 million that were collateralized by \$316.2 million of residential mortgages. At September 30, 1999, the Long-Term Investment Operations had \$1.0 billion of CMO borrowings used to finance \$1.1 billion of CMO collateral. During the first nine months of 1999, total principal reductions on CMO collateral provided liquidity of \$378.6 million.

The Long-Term Investment Operations may pledge mortgage-backed securities as collateral to borrow funds under reverse repurchase agreements. The terms under these reverse repurchase agreements are generally for 30 days with interest rates ranging from the one-month London Interbank Offered Rate ("LIBOR") plus 56% to 200% depending on the type of collateral provided. As of September 30, 1999, the Long-Term Investment Operations had \$11.4 million outstanding under these reverse repurchase agreements which were secured by \$29.2 million in fair market value of mortgage-backed securities.

During the first nine months of 1999, the Company raised capital of \$946,000 from the sale of 216,156 shares of common stock issued through its DRSP. The DRSP was suspended in July 1999.

Primary Use of Funds

During the first nine months of 1999, IMH acquired \$287.6 million in principal balance of mortgage loans from IFC.

During the first nine months of 1999, IMH repurchased 1,324,200 shares of Common Stock for \$6.8 million and paid common and preferred stock dividends of \$18.8 million.

IMH has a reverse repurchase arrangement with a commercial bank. IMH borrowed \$10.0 million for general working capital needs. The reverse repurchase arrangement expires on December 31, 1999. The interest rate on the reverse repurchase arrangement is LIBOR plus 2.0%. Additional funds cannot be advanced under the reverse repurchase arrangement with terms that require monthly principal payments of \$833,000 plus accrued interest. As of September 30, 1999, IMH's outstanding borrowings under the reverse repurchase arrangement was \$4.2 million. This was subsequently paid in full from the proceeds of the Company's re-securitization.

Warehouse Lending Operations

Primary Source of Funds

The Warehouse Lending Operations finances the acquisition of mortgage loans by the Long-Term Investment Operations and Conduit Operations primarily through borrowings on reverse repurchase agreements with third party lenders. IWL has obtained reverse repurchase facilities from major investment banks to provide financing as needed. Terms of the reverse repurchase agreements require that the mortgages be held by an independent third party custodian giving the Warehouse Lending Operations the ability to borrow against the collateral as a percentage of the outstanding principal balance. The borrowing rates vary from 85 basis points to 200 basis points over one-month LIBOR, depending on the type of collateral provided. The advance rate on the reverse repurchase agreements are based on the type of mortgage collateral used and generally range from 75% to 101% of the fair market value of the collateral.

The following table presents information on available reverse repurchase agreements as of September 30, 1999 (dollars in thousands):

	Amount Outstanding	Interest rate
Lender A (1)	\$ 207,943	Libor + 0.85% to 2.00%
Lender B (1)	304	Libor + 1.00%

	\$ 208,247	
	=====	

Total

(1) Uncommitted reverse repurchase agreement.

Conduit Operations

Primary Source of Funds

The Conduit Operations has entered into reverse repurchase agreements to obtain financing of up to \$1.1 billion from the Warehouse Lending Operations to provide IFC mortgage loan financing during the period that IFC accumulates mortgage loans and until the mortgage loans are securitized and sold. The margins on the reverse repurchase agreements are based on the type of collateral provided and generally range from 95% to 100% of the fair market value of the collateral. The interest rates on the borrowings are indexed to Prime, which was 8.25% at September 30, 1999. At September 30, 1999, the Conduit Operations had \$92.9 million outstanding under the reverse repurchase agreement.

During the first nine months of 1999, the Conduit Operations sold \$1.0 billion in principal balance of mortgage loans to third-party investors. In addition, IFC sold \$287.6 million in principal balance of mortgage loans to the Long-Term Investment Operations during the first nine months of 1999. By securitizing and selling loans on a periodic and consistent basis the reverse repurchase agreements were sufficient to handle IFC's liquidity needs during the first nine months of 1999.

Primary Use of Funds

During the first nine months of 1999, the Conduit Operations acquired \$1.1 billion of mortgage loans.

Cash Flows

Operating Activities - During the first nine months of 1999 net cash provided by operating activities was \$27.4 million. Cash provided by operating activities was primarily due to net earnings of \$18.4 million and \$6.7 million in net change in other assets and liabilities.

Investing Activities - During the first nine months of 1999 net cash provided by investing activities was \$201.1 million. Cash provided by investing activities was primarily due to a decrease in finance receivables of \$101.8 million as loan acquisitions at IFC decreased during the first nine months of 1999 and a decrease \$95.6 million in CMO collateral.

Financing Activities - During the first nine months of 1999 net cash used in financing activities was \$245.9 million. Cash used in financing activities was primarily due to repayment of CMO borrowings of \$416.5 million and reverse repurchase agreements of \$102.8 million. This use of funds was partially offset by proceeds from the issuance of CMOs of \$298.1 million.

Inflation

The Financial Statements and Notes thereto presented herein have been prepared in accordance with GAAP, which require the measurement of financial position and operating results in terms of historical dollars without considering the changes in the relative purchasing power of money over time due to inflation. The impact of inflation is reflected in the increased costs of the Company's operations. Unlike industrial companies, nearly all of the assets and liabilities of the Company's operations are monetary in nature. As a result, interest rates have a greater impact on the Company's operations' performance than do the effects of general levels of inflation. Inflation affects the Company's operations primarily through its effect on interest rates, since interest rates normally increase during periods of high inflation and decrease during periods of low inflation. During periods of increasing interest rates, demand for mortgage loans and a borrower's ability to qualify for mortgage financing in a purchase transaction may be adversely affected. During periods of decreasing interest rates, borrowers may prepay their mortgages, which in turn may adversely affect the Company's yield and subsequently the value of its portfolio of Mortgage Assets.

Year 2000 Compliance

Project Status

The Company's Year 2000 project was approximately 100% complete as of September 30, 1999. The Company contracted with an outside vendor to provide coordination, support, testing and implementation in regards to Year 2000 compliance of hardware and software systems, both on an information technology ("IT") and non-IT level.

The Company's in-house IT department took over the project from its outside vendors during the second quarter of 1999. The Company's primary IT systems include loan servicing, loan tracking, master servicing and accounting and reporting. The Company has obtained information and the published plan in regards of Year 2000 compliance from the loan servicing systems' outside vendor. The Company's IT department will continue to monitor our vendor's progress on Year 2000 compliance. The loan tracking system is currently in compliance with Year 2000. The master servicing system was tested and Year 2000 compliant. The accounting and reporting system is currently Year 2000 compliant. The Company's non-IT systems include its file servers, network systems, workstations and communication systems are Year 2000 compliant. As of June 30, 1999, the upgrade of the Company's communication systems was completed. Testing on all other in-house hardware was completed as of June 30, 1999.

The Year 2000 project is divided into two primary phases as follows: (1) define scope of project and identify all IT and non-IT systems, and (2) testing of existing systems and implementation of new systems, if required. The outside contractor on the Year 2000 project submits monthly status reports to the Company's IT manager and communicates with the IT department on a daily basis. The Company's executive committee which includes the CEO and Chairman, President, and Chief Financial Officer reviews the progress of the Company's Year 2000 project through monthly status reports and reviews with the Company's IT manager. In August 1999 the Vice President of Information Technology presented the Company's Y2K compliance update to the board members.

Phase I - Define Scope of Project

This phase primarily included the inventorying of Year 2000 items, contacting outside vendors, including reviewing contractual terms and conditions, reviewing internal software for compliance and determining costs to complete the project. As of the end of October 1998, Phase I of the project had been completed. Phase I of the project also included the testing and implementation or upgrade of non-IT systems.

Phase II - Testing of Systems

This phase of the Year 2000 project can be divided into four separate processes as follows: (1) Compliance Questionnaires, (2) Hardware Certification Information, (3) Software/Data Testing, and (4) Hardware Testing.

Compliance Questionnaires and Hardware Certification Information. As of July 31, 1999, these portions of Phase II were complete.

Software/Data Testing. The remaining tasks within this process included analyzing a list of software being used, testing all software programs, testing all data from incoming sources, and testing all outgoing data processes and reporting. As of July 31, 1999, this portion of Phase II was completed.

Hardware Testing. The Company has completed all testing and is compliant with all internal Year 2000 hardware issues.

Costs

The total cost associated with required modifications or installations to become Year 2000 compliant was not material to the Company's financial condition. The cost to upgrade the Company's communications system was \$140,000. As of October 31, 1999, the Company had paid \$273,000 to the outside vendor for completed work on the project. The Company does not anticipate any additional cost for the project. The majority of the Company's estimated cost for the Year 2000 compliance was spent on software upgrades and writing new program code on existing proprietary software. Since the Company's hardware had been purchased within the last two years, the cost of replacing hardware was minimal.

Risks

The Company does not anticipate any material disruption of its operations as a result of any failure by the Company to be compliant. However, there can be no assurance that there will not be a delay in, or increased costs associated with, the need to address the Year 2000 issue. The Company also relies, directly and indirectly, on other businesses such as third party service providers, creditors and financial organizations and governmental entities. Even if the Company's computer systems are not materially adversely affected by the Year 2000 issue, the Company's business and operations could be materially adversely affected by disruptions in the operations of the enterprises with which the Company interacts.

Contingency Plans

The Company believes its Year 2000 compliance process should enable it to be successful in modifying its computer systems to be Year 2000 compliant. Acceptance testing and sign-off is 100% complete with respect to the Company's in-house systems. In addition to Year 2000 compliance system modification plans, the Company has also developed contingency plans for all other systems classified as critical and high risk. These contingency plans provide timetables to pursue various alternatives based upon the failure of a system to be adequately modified and/or sufficiently tested and validated to ensure Year 2000 compliance. The IT department will be working on January 1st and 2nd, 2000 to test to ensure that all systems are operational and functioning properly. However, there can be no assurance that either the compliance process or contingency plans will avoid partial or total system interruptions or the costs necessary to update hardware and software would not have a material adverse effect upon the Company's financial condition, results of operation, business or business prospects.

Transactions with Related Parties

During the second quarter of 1999, IMH advanced \$14.5 million in cash, in the form of an interest-only note payable, to IFC as part of the initial capitalization of the Bank. During the third quarter of 1999, the Company received interest income of \$344,000 on this note.

In January 1999, IWLG extended a \$50.0 million warehouse line to WSI, which James Walsh, a Director of the Company, is Executive Vice President. Advances under the warehouse line bear interest at a rate of Prime + 0.50%. As of September 30, 1999, there was \$146,000 outstanding under the warehouse line agreement.

ITEM 3: QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Securitized/Sales - Hedging Interest Rate Risk. The most significant variable in the determination of gain on sale in a securitization is the spread between the weighted average coupon on the securitized loans and the pass-through interest rate. In the interim period between loan origination or purchase and securitization or sale of such loans, the Company is exposed to interest rate risk. The majority of loans are securitized or sold within 90 days of origination or purchase. However, a portion of the loans are held-for-sale or securitization for as long as 12 months (or longer, in very limited circumstances) prior to securitization or sale. If interest rates rise during the period that the mortgage loans are held, in the case of a securitization, the spread between the weighted average interest rate on the loans to be securitized and the pass-through interest rates on the securities to be sold (the latter having increased as a result of market rate movements) would narrow. Upon securitization or sale, this would result in a reduction of the Company's related gain or loss on sale.

Interest- and Principal-Only Strips. The Company had interest- and principal-only strips of \$35.8 million and \$43.1 million outstanding at September 30, 1999 and December 31, 1998, respectively. These instruments are carried at market value at September 30, 1999 and December 31, 1998. The Company values these assets based on the present value of future cash flow streams net of expenses using various assumptions.

These assets are subject to risk of accelerated mortgage prepayment or losses in excess of assumptions used in valuation. Ultimate cash flows realized from these assets would be reduced should prepayments or losses exceed assumptions used in the valuation. Conversely, cash flows realized would be greater should prepayments or losses be below expectations.

PART II. OTHER INFORMATION

ITEM 1: LEGAL PROCEEDINGS

Not applicable.

ITEM 2: CHANGES IN SECURITIES AND USE OF PROCEEDS

Not applicable.

ITEM 3: DEFAULTS UPON SENIOR SECURITIES

Not applicable.

ITEM 4: SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

On July 27, 1999, the Company held its annual meeting of stockholders. Of the total number of shares eligible to vote (22,725,770), 21,769,111 votes were returned, or 96%, formulating a quorum. At the stockholders meeting, the following matters were submitted to stockholders for vote: Proposal I - Election of Directors, Proposal II - Ratify appointment of Company's independent auditors, KPMG LLP.

The results of voting on these proposals are as follows:

Proposal I - Election of Directors

Director	For	Against	Elected
Joseph R. Tomkinson	21,224,792	544,319	Yes
William S. Ashmore	21,237,541	531,570	Yes
James Walsh	21,226,612	542,499	Yes
Frank P. Philipps	21,248,237	520,874	Yes
Stephan R. Peers	21,248,187	520,924	Yes

All directors are elected annually at the Company's annual stockholders meeting.

Proposal II - Appointment of independent auditors

Proposal II was approved with 21,503,228 shares voted for, 146,909 voted against, and 118,974 abstained from voting thereby ratifying the appointment of KPMG LLP as the Company's independent auditors.

ITEM 5: OTHER INFORMATION

None.

ITEM 6: EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits:

27 Financial Data Schedule.

(b) Reports on Form 8-K:

None.

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, thereunto duly authorized.

IMPAC MORTGAGE HOLDINGS, INC.

By: /s/ Richard J. Johnson
Richard J. Johnson
Executive Vice President
and Chief Financial Officer

Date: November 11, 1999

	9-MOS	
	DEC-31-1998	
	JAN-01-1999	
	SEP-30-1999	
		16,447
		95,247
		1,273,340
		(3,624)
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		250,635
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		0
		0
		12
		221
		243,154
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		95,572
		0
		0
		7,062
		4,356
		65,774
		18,380
		0
		18,380
		0
		0
		0
		18,380
		0.69
		0.63