UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended June 30, 2011

or

o 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: 1-14100

IMPAC MORTGAGE HOLDINGS, INC.
(Exact name of registrant as specified in its charter)

Maryland	**33-0675505**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

19500 Jamboree Road, Irvine, California 92612
(Address of principal executive offices)

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

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 x No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes o No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act.

Large accelerated filer o	Accelerated filer o
Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company x

Indicate by check mark whether the registrant is a shell company (as defined in Exchange Act Rule 12b-2) Yes o No x

There were 7,810,946 shares of common stock outstanding as of August 10, 2011.

IMPAC MORTGAGE HOLDINGS, INC.

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 share data)

	June 30, 2011 (Unaudited)	December 31, 2010
ASSETS		
Cash and cash equivalents	$ 8,944	$ 11,507
Restricted cash	4,536	1,495
Trust assets		
Investment securities available-for-sale	447	645
Securitized mortgage collateral	5,641,957	6,011,675
Derivative assets	37	40
Real estate owned	72,490	92,708
Total trust assets	5,714,931	6,105,068
Mortgage loans held-for-sale	48,397	4,283
Assets of discontinued operations	196	373
Other assets	30,382	31,213
Total assets	$ 5,807,386	$ 6,153,939
LIABILITIES		
Trust liabilities		
Securitized mortgage borrowings	$ 5,651,842	$ 6,012,745
Derivative liabilities	38,141	65,916
Total trust liabilities	5,689,983	6,078,661
Warehouse borrowings	45,917	4,057

Long-term debt	12,148	11,728
Notes payable	8,040	6,874
Liabilities of discontinued operations	11,153	13,053
Other liabilities	12,969	11,869
Total liabilities	5,780,210	6,126,242
Commitments and contingencies		
STOCKHOLDERS' EQUITY		
Series A junior participating preferred stock, $0.01 par value; 2,500,000 shares authorized; none issued or outstanding	—	—
Series B 9.375% redeemable preferred stock, $0.01 par value; liquidation value $16,904; 2,000,000 shares authorized, 665,592 noncumulative shares issued and outstanding as of June 30, 2011 and December 31, 2010, respectively	7	7
Series C 9.125% redeemable preferred stock, $0.01 par value; liquidation value $35,389; 5,500,000 shares authorized; 1,405,086 noncumulative shares issued and outstanding as of June 30, 2011 and December 31, 2010, respectively	14	14
Common stock, $0.01 par value; 200,000,000 shares authorized; 7,810,946 and 7,787,546 shares issued and outstanding as of June 30, 2011 and December 31, 2010, respectively	78	78
Additional paid-in capital	1,076,535	1,076,375
Net accumulated deficit:		
Cumulative dividends declared	(822,520)	(822,520)
Retained deficit	(228,184)	(227,558)
Net accumulated deficit	(1,050,704)	(1,050,078)
Total Impac Mortgage Holdings, Inc. stockholders' equity	25,930	26,396
Noncontrolling interests	1,246	1,301
Total equity	27,176	27,697
Total liabilities and stockholders' equity	$ 5,807,386	$ 6,153,939

See accompanying notes to consolidated financial statements.

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IMPAC MORTGAGE HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share data)
(Unaudited)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2011	2010	2011	2010
INTEREST INCOME	$ 202,383	$ 248,213	$ 420,465	$ 528,090
INTEREST EXPENSE	201,073	246,658	417,620	525,765
Net interest income	1,310	1,555	2,845	2,325
NON-INTEREST INCOME:				
Change in fair value of net trust assets, excluding REO	2,403	(4,244)	7,299	3,128
(Losses) gains from REO	(739)	4,965	(4,988)	3,857
Non-interest income - net trust assets	1,664	721	2,311	6,985
Mortgage and real estate services fees	14,360	15,572	26,701	26,593
Other non-interest income	147	(3)	29	(285)
Total non-interest income	16,171	16,290	29,041	33,293
NON-INTEREST EXPENSE:				
General and administrative	5,005	4,630	9,584	9,409
Personnel expense	12,294	10,768	23,060	20,449
Total non-interest expense	17,299	15,398	32,644	29,858
Earnings (loss) from continuing operations before income taxes	182	2,447	(758)	5,760
Income tax expense from continuing operations	9	45	21	129
Earnings (loss) from continuing operations	173	2,402	(779)	5,631
Earnings (loss) from discontinued operations, net of tax	8	804	(342)	3,190
Net earnings (loss)	181	3,206	(1,121)	8,821
Net loss attributable to noncontrolling interests	180	80	495	383
Net earnings (loss) attributable to IMH	$ 361	$ 3,286	$ (626)	$ 9,204
Earnings (loss) per common share - basic:				
Earnings (loss) from continuing operations attributable to IMH	$ 0.05	$ 0.32	$ (0.04)	$ 0.78
Earnings (loss) from discontinued operations	0.00	0.11	(0.04)	0.41
Net earnings (loss) per share available to common stockholders	$ 0.05	$ 0.43	$ (0.08)	$ 1.19

Earnings (loss) per common share - diluted:				
Earnings (loss) from continuing operations attributable to IMH	$ 0.04	$ 0.30	$ (0.04)	$ 0.72
Earnings (loss) from discontinued operations	0.00	0.09	(0.04)	0.38
Net earnings (loss) per share available to common stockholders	$ 0.04	$ 0.39	$ (0.08)	$ 1.10

See accompanying notes to consolidated financial statements

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

	For the Six Months Ended June 30,	
	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net (loss) earnings	$ (1,121)	$ 8,821
Losses from real estate owned	4,988	(3,857)
Change in fair value of mortgage servicing rights	34	—
Extinguishment of debt	338	—
Gain on sale of loans	(2,070)	—
Origination of mortgage loans held-for-sale	(272,747)	—
Sale and principal reduction on mortgage loans held-for-sale	231,518	—
Change in fair value of net trust assets, excluding REO	(39,970)	(67,817)
Change in fair value of long-term debt	(643)	216
Accretion of interest income and expense	171,361	224,061
Change in REO impairment reserve	(15,861)	(12,481)
Stock-based compensation	148	472
Net change in restricted cash	(3,041)	—
Net change in other assets and liabilities	1,465	(1,864)
Net cash used in operating activities of discontinued operations	(1,824)	(3,339)
Net cash provided by operating activities	72,575	144,212
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net change in securitized mortgage collateral	371,190	392,211
Net change in mortgages held-for-investment	5	141
Maturity of short-term investments	—	5,000
Purchase of premises and equipment	(378)	(746)
Net principal change in investment securities available-for-sale	110	77
Proceeds from the sale of real estate owned	85,103	130,492
Net cash provided by investing activities of discontinued operations	—	1,693
Net cash provided by investing activities	456,030	528,868
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayment of warehouse borrowings	(227,759)	—
Borrowings under warehouse agreements	269,619	—
Repayment of securitized mortgage borrowings	(574,492)	(665,308)
Issuance of note payable	8,815	—
Principal payments on notes payable	(7,358)	(18,542)
Principal payments on capital lease	(106)	—
Proceeds from exercise of stock options	12	8
Net cash used in financing activities	(531,269)	(683,842)
Net change in cash and cash equivalents	(2,664)	(10,762)
Cash and cash equivalents at beginning of period	11,620	25,850
Cash and cash equivalents at end of period - Continuing Operations	8,944	14,912
Cash and cash equivalents at end of period - Discontinued Operations	12	176
Total cash and cash equivalents at end of period	$ 8,956	$ 15,088
NON-CASH TRANSACTIONS (Continuing and Discontinued Operations):		
Transfer of securitized mortgage collateral to real estate owned	$ 54,104	$ 80,569
Acquisition of equipment purchased through capital leases	530	—
Net effect of consolidation of net trust assets from adoption of accounting principle	—	119,631
Net effect of consolidation of net trust liabilities from adoption of accounting principle	—	(119,631)

See accompanying notes to consolidated financial statements.

IMPAC MORTGAGE HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
(dollars in thousands, except share and per share data or as otherwise indicated)

Note 1.—Summary of Business, Market Conditions, and Financial Statement Presentation

Business Summary

Impac Mortgage Holdings, Inc. (the Company or IMH) is a Maryland corporation incorporated in August 1995 and has the following subsidiaries: Integrated Real Estate Service Corporation (IRES), IMH Assets Corp. (IMH Assets), Impac Warehouse Lending Group, Inc. (IWLG) and Impac Funding Corporation (IFC).

The Company's continuing operations include the long-term mortgage portfolio (residual interests in securitizations determined as total trust assets minus total trust liabilities in the consolidated balance sheets) and the mortgage and real estate fee-based business activities conducted by IRES. In addition, in 2011 the Company, through IRES, continued its expansion into mortgage lending. The discontinued operations include the former non-conforming mortgage and retail operations conducted by IFC and subsidiaries, and warehouse lending operations conducted by IWLG.

The information contained throughout this document is presented on a continuing operations basis, unless otherwise stated.

Market Update and Liquidity

During the first half of 2011, we continue to see home price declines in many markets as housing prices remained under pressure due to elevated foreclosure levels. In addition, foreclosure delays among other market conditions may result in continued downward pressure on home prices for the foreseeable future.

Mortgage lending and credit market conditions remained weak through the first half of 2011 due primarily to the continued economic uncertainty and slower than expected recovery. Existing uncertainties surrounding the housing market, economy and regulatory environment will continue to present challenges for the Company. The ongoing economic stress or further deterioration of general economic conditions could prolong or increase borrower defaults leading to deteriorating performance of our long-term mortgage portfolio and hinder the growth and profitability of our mortgage lending operations.

A number of factors make it difficult to predict when a sustained recovery in the housing and credit markets will occur. Concerns about the future of the U.S. economy, including the pace and magnitude of recovery from the recent economic recession, consumer confidence, volatility in energy prices, credit market volatility and trends in corporate earnings will continue to influence the U.S. economic recovery and the capital markets. In particular, continued improvement in unemployment rates and a sustained recovery of the housing markets remain critical components of a broader U.S. economic recovery. U.S. unemployment rates, which have been a major factor in the deterioration of credit quality in the U.S., remained high through June 2011. While the unemployment rate marginally improved from December 2010, it actually increased during the second quarter. Also, a significant number of U.S. residents are no longer looking for work and, therefore, are not reflected in the U.S. unemployment rates. Unemployment rates in many states are at or above the U.S. national average. Unemployment rates in several states are at or above 10.0 percent, including California and Florida. California and Florida represent the states with the highest concentration in our long-term mortgage portfolio.

The Company's ability to meet its long-term liquidity requirements is subject to several factors, such as generating fees from the mortgage and real estate business activities and realizing cash flows from the long-term mortgage portfolio. The Company's future financial performance and success are dependent in large part upon the ability to grow the mortgage and real estate business activities, including providing services to third parties and expanding the mortgage lending operations. The Company believes that current cash balances, cash flows from mortgage lending operations and real estate services fees generated from the long-term mortgage portfolio, and residual interest cash flows from the long-term mortgage portfolio are adequate for the current operating needs. However, the mortgage and real estate services market is volatile, highly competitive and subject to increased regulation. The Company's ability to compete successfully in the mortgage and real estate services industry may be challenging as its business activities have been established in the last few years and many competitors have recently entered or have established businesses delivering similar services. Additionally, the mortgage lending environment is extremely competitive and highly regulated. The future success of the mortgage lending operations will depend on a number of factors, including the ability to procure adequate financing to fund loan production, maintaining associated financial covenants of lenders, housing market conditions, economic recovery and financial regulatory reform. If the Company is unsuccessful, the Company may be unable to satisfy the future operating costs and liabilities, including repayment of the note payable and long-term debt. To be successful in expanding the business and providing adequate returns to the shareholders, the Company may seek additional financing in the form of debt or equity capital.

Financial Statement Presentation

The accompanying unaudited consolidated financial statements of IMH and its subsidiaries (as defined above) have been prepared in accordance with Accounting Principles Generally Accepted in the United States of America (GAAP) for interim financial information and with the instructions to Form 10-Q and Rule 8-03 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 six months ended June 30, 2011 are not necessarily indicative of the results that may be expected for the year ending December 31, 2011. These interim period condensed consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements, which are included in the Company's Annual Report on Form 10-K for the year ended December 31, 2010, filed with the United States Securities and Exchange Commission (SEC).

All significant inter-company balances and transactions have been eliminated in consolidation. In addition, certain amounts in the prior periods' consolidated financial statements have been reclassified to conform to the current year presentation.

Management has made a number of estimates and assumptions relating to the reporting of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period to prepare these consolidated financial statements in conformity with GAAP. The items affected by such estimates and assumptions include the valuation of trust assets and trust liabilities, the estimated obligation of repurchase liabilities related to sold loans, the valuation of long-term debt and mortgage loans held-for-sale. Actual results could differ from those estimates and assumptions.

Recently Adopted Accounting Pronouncements

In January 2010, the FASB issued Accounting Standards Update (ASU) No. 2010-6 "Improving Disclosures About Fair Value Measurements" (ASU 2010-6). The ASU amends Codification Topic 820 "Fair Value Measurements and Disclosures" to add new disclosure requirements for transfers into and out of Levels 1 and 2 fair value measurements, as well as separate disclosures about purchases, sales, issuances, and settlements relating to Level 3 fair value measurements. ASU 2010-6 also clarifies existing fair value disclosures regarding the level of disaggregation and inputs and valuation techniques used to measure fair value. ASU 2010-6 is effective for the first reporting period (including interim periods) beginning after December 15, 2009, except for the requirement to provide the Level 3 activity of purchases, sales, issuances, and settlements on a gross basis, which will be effective for fiscal years beginning after December 15, 2010, and for interim periods within those fiscal years. ASU 2010-6 only adds new disclosure requirements and as a result, its adoption did not have an impact on the Company's consolidated financial statements.

Legal Proceedings

On May 25, 2011, the lawsuit filed in the United States District court, Central district of California as Case No. SACV11-00717 entitled Norma B. Power Trust, individually and on Behalf of All Others Similarly Situated v. Impac Mortgage Holdings, Inc., et al, regarding allegations of unauthorized false, invalid amendments to the Company's corporate charter with regards to its series B Preferred Stock and Series C Preferred Stock was voluntarily dismissed by the plaintiffs.

We are party to litigation and claims which are normal in the course of our operations. While the results of such other litigation and claims cannot be predicted with certainty, we believe the final outcome of such matters will not have a material adverse effect on our financial condition or results of operations.

Please refer to IMH's report on Form 10-K for the year ended December 31, 2010 and Form 10-Q for the quarter ended March, 31, 2011for a description of litigation and claims.

Note 2.—Fair Value of Financial Instruments

The use of fair value to measure the Company's financial instruments is fundamental to its consolidated financial statements and is a critical accounting estimate because a substantial portion of its assets and liabilities are recorded at estimated fair value.

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The following table presents the estimated fair value of financial instruments included in the consolidated financial statements as of the dates indicated:

	June 30, 2011		December 31, 2010	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Assets				
Cash and cash equivalents	$ 8,944	$ 8,944	$ 11,507	$ 11,507
Restricted cash	4,536	4,536	1,495	1,495
Investment securities available-for-sale	447	447	645	645
Securitized mortgage collateral	5,641,957	5,641,957	6,011,675	6,011,675
Derivative assets - securitized trusts	37	37	40	40
Derivative assets - lending	294	294	—	—
Mortgage servicing rights	1,405	1,405	1,439	1,439
Mortgage loans held-for-sale	48,397	48,397	4,283	4,283
Call option	454	454	706	706
Liabilities				
Securitized mortgage borrowings	5,651,842	5,651,842	6,012,745	6,012,745
Derivative liabilities - securitized trusts	38,141	38,141	65,916	65,916
Derivative liabilities - lending	131	131	—	—
Long-term debt	12,148	12,148	11,728	11,728
Warehouse borrowings	45,917	45,917	4,057	4,057
Notes payable	8,040	9,258	6,874	6,818
Put option	23	23	61	61

The fair value amounts above have been estimated by management using available market information and appropriate valuation methodologies. Considerable judgment is required to interpret market data to develop the estimates of fair value in both inactive and orderly markets. Accordingly, the estimates presented are not necessarily indicative of the amounts that could be realized in a current market exchange. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts.

For securitized mortgage collateral and securitized mortgage borrowings, the underlying Alt-A residential and commercial loans and mortgage-backed securities market have experienced significant declines in market activity, along with a lack of orderly transactions. The Company's methodology to estimate fair value of these assets and liabilities include the use of internal pricing techniques such as the net present value of future expected cash flows (with observable market participant assumptions, where available) discounted at a rate of return based on the Company's estimates of market participant

requirements. The significant assumptions utilized in these internal pricing techniques, which are based on the characteristics of the underlying collateral, include estimated credit losses, estimated prepayment speeds and appropriate discount rates.

The mortgage lending operations enters into interest rate lock commitments (IRLCs) and utilizes forward sold Fannie Mae and Ginnie Mae mortgage backed securities (Hedging Instruments) to hedge the fair value changes associated with changes in interest rates relating to its conforming mortgage loan origination operations. The fair value of IRLCs and Hedging Instruments are represented as derivative assets and liabilities – lending in the table above.

Refer to *Recurring Fair Value Measurements* below for a description of the valuation methods used to determine the fair value of investment securities available for sale, securitized mortgage collateral and borrowings, derivative assets and liabilities – securitized trusts, derivative assets and liabilities - lending, long-term debt, mortgage servicing rights, loans held-for-sale, and call and put options.

The carrying amount of cash and cash equivalents and restricted cash approximates fair value.

Warehouse borrowings fair value approximates carrying amounts due to the short-term nature of the liabilities at market rates and do not present unanticipated interest rate or credit concerns.

Notes payable includes notes with maturities ranging from less than a year to three years. Notes payable is recorded at amortized cost, net of any discounts. The estimated fair value is determined using a discounted cash flow model using estimated market rates.

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Fair Value Hierarchy

The application of fair value measurements may be on a recurring or nonrecurring basis depending on the accounting principles applicable to the specific asset or liability or whether management has elected to carry the item at its estimated fair value.

FASB ASC 820-10-35 specifies a hierarchy of valuation techniques based on whether the inputs to those techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Company's market assumptions. These two types of inputs create the following fair value hierarchy:

- Level 1—Quoted prices (unadjusted) in active markets for identical instruments or liabilities that an entity has the ability to assess at measurement date.

- Level 2—Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; inputs other than quoted prices that are observable for an asset or liability, including interest rates and yield curves observable at commonly quoted intervals, prepayment speeds, loss severities, credit risks and default rates; and market-corroborated inputs.

- Level 3—Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

This hierarchy requires the Company to use observable market data, when available, and to minimize the use of unobservable inputs when estimating fair value.

As a result of the lack of observable market data resulting from inactive markets, the Company has classified its investment securities available-for-sale, securitized mortgage collateral and borrowings, net derivative liabilities — securitized trusts, long-term debt, mortgage servicing rights, and call and put options as Level 3 fair value measurements. Level 3 assets and liabilities were 99% and 100%, respectively, of total assets and total liabilities measured at estimated fair value at June 30, 2011 and December 31, 2010.

Recurring Fair Value Measurements

We assess our financial instruments on a quarterly basis to determine the appropriate classification within the fair value hierarchy, as defined by ASC Topic 810. Transfers between fair value classifications occur when there are changes in pricing observability levels. Transfers of financial instruments among the levels occur at the beginning of the reporting period. There were no material transfers between our Level 1 and Level 2 classified instruments during the three and six months ended June 30, 2011.

The following tables present the Company's assets and liabilities that are measured at estimated fair value on a recurring basis, including financial instruments for which the Company has elected the fair value option at June 30, 2011 and December 31, 2010, based on the fair value hierarchy:

	Recurring Fair Value Measurements					
	June 30, 2011			December 31, 2010		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Assets						
Investment securities available-for-sale	$ —	$ —	$ 447	$ —	$ —	$ 645
Mortgage loans held-for-sale	—	48,397	—	—	4,283	—
Derivative assets, net - lending (1)	—	163	—	—	—	—
Mortgage servicing rights (2)	—	—	1,405	—	—	1,439
Call option (2)	—	—	454	—	—	706
Securitized mortgage collateral	—	—	5,641,957	—	—	6,011,675
Total assets at fair value	$ —	$ 48,560	$ 5,644,263	$ —	$ 4,283	$ 6,014,465
Liabilities						
Securitized mortgage borrowings	$ —	$ —	$ 5,651,842	$ —	$ —	$ 6,012,745
Derivative liabilities, net - securitized trusts (3)	—	—	38,104	—	—	65,876

Long-term debt	—	—	12,148	—	—	11,728
Put option (4)	—	—	23	—	—	61
Total liabilities at fair value	$ —	$ —	$ 5,702,117	$ —	$ —	$ 6,090,410

(1) At June 30, 2011, derivative assets, net — lending, included $294 thousand in IRLCs and $131 thousand in Hedging Instruments, respectively, associated with the Company's newly formed mortgage lending operations, and is included in other assets and liabilities in the accompanying consolidated balance sheets.
(2) Included in other assets in the accompanying consolidated balance sheets.
(3) At June 30, 2011, derivative liabilities, net — securitized trusts, included $37 thousand in derivative assets and $38.1 million in derivative liabilities, included within trust assets and trust liabilities, respectively. At December 31, 2010, derivative liabilities, net — securitized trusts, included $40 thousand in derivative assets and $65.9 million in derivative liabilities, included within trust assets and trust liabilities, respectively.
(4) Included in other liabilities in the accompanying consolidated balance sheets.

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The following tables present a reconciliation for all assets and liabilities measured at estimated fair value on a recurring basis using significant unobservable inputs (Level 3) for the three and six months ended June 30, 2011 and 2010:

	Level 3 Recurring Fair Value Measurements For the three months ended June 30, 2011							
	Investment securities available-for-sale	Securitized mortgage collateral	Securitized mortgage borrowings	Derivative liabilities, net	Mortgage servicing rights	Call option	Put option	Long-term debt
Fair value, March 31, 2011	$ 415	$ 6,053,766	$ (6,056,577)	$ (46,205)	$ 1,340	$ 483	$ (61)	$ (12,030)
Total gains (losses) included in earnings:								
Interest income (1)	30	95,476	—	—	—	—	—	—
Interest expense (1)	—	—	(179,186)	—	—	—	—	(523)
Change in fair value	56	(286,713)	296,261	(7,201)	65	(29)	38	405
Total gains (losses) included in earnings	86	(191,237)	117,075	(7,201)	65	(29)	38	(118)
Transfers in and/or out of Level 3	—	—	—	—	—	—	—	—
Purchases, issuances and settlements								
Purchases	—	—	—	—	—	—	—	—
Issuances	—	—	—	—	—	—	—	—
Settlements	(54)	(220,572)	287,660	15,302	—	—	—	—
Fair value, June 30, 2011	$ 447	$ 5,641,957	$ (5,651,842)	$ (38,104)	$ 1,405	$ 454	$ (23)	$ (12,148)
Unrealized gains (losses) still held (2)	$ 258	$ (4,415,570)	$ 6,339,646	$ (38,059)	$ —	$ —	$ —	$ 58,615

(1) Amounts primarily represent accretion to recognize interest income and interest expense using effective yields based on estimated fair values for trust assets and trust liabilities. The total net interest income, including cash received and paid, was $1.3 million for the three months ended June 30, 2011, as reflected in the accompanying consolidated statement of operations. The difference between accretion of interest income and expense and the amounts of interest income and expense recognized in the consolidated statements of operations is primarily from contractual interest on the securitized mortgage collateral and borrowings.
(2) Represents the amount of unrealized gains (losses) relating to assets and liabilities classified as Level 3 that are still held and reflected in the fair values at June 30, 2011.

	Level 3 Recurring Fair Value Measurements For the three months ended June 30, 2010				
	Investment securities available-for-sale	Securitized mortgage collateral	Securitized mortgage borrowings	Derivative liabilities, net	Long-term debt
Fair value, March 31, 2010	$ 670	$ 6,366,855	$ (6,351,890)	$ (117,876)	$ (10,732)
Total gains (losses) included in earnings:					
Interest income (1)	66	123,970	—	—	—
Interest expense (1)	—	—	(221,491)	—	(700)
Change in fair value	541	(30,644)	37,152	(11,293)	75
Total gains (losses) included in earnings	607	93,326	(184,339)	(11,293)	(625)
Transfers in and/or out of Level 3	—	—	—	—	—
Purchases, issuances and settlements					
Purchases	—	—	—	—	—
Issuances	—	—	—	—	—
Settlements	(8)	(244,968)	335,637	28,446	—
Fair value, June 30, 2010	$ 1,269	$ 6,215,213	$ (6,200,592)	$ (100,723)	$ (11,357)
Unrealized gains (losses) still held (2)	$ 969	$ (5,206,813)	$ 6,909,596	$ (101,937)	$ 59,406

(1) Amounts primarily represent accretion to recognize interest income and interest expense using effective yields based on estimated fair values for trust assets and trust liabilities. The total net interest income, including cash received and paid, was $1.6 million for the three months ended June 30, 2010, as reflected in the accompanying consolidated statement of operations. The difference between accretion of interest income and expense and the amounts of interest income and expense recognized in the consolidated statements of operations is primarily from contractual interest on the securitized mortgage collateral and borrowings.
(2) Represents the amount of unrealized gains (losses) relating to assets and liabilities classified as Level 3 that are still held and reflected in the fair values at June 30, 2010.

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Level 3 Recurring Fair Value Measurements For the six months ended June 30, 2011							
Investment securities available-	Securitized mortgage	Securitized mortgage	Derivative liabilities, net	Mortgage servicing rights	Call option	Put option	Long-term debt

	for-sale	collateral	borrowings					
Fair value, December 31, 2010	$ 645	$ 6,011,675	$ (6,012,745)	$ (65,876)	$ 1,439	$ 706	$ (61)	$ (11,728)
Total gains (losses) included in earnings:								
Interest income (1)	58	202,845	—	—	—	—	—	—
Interest expense (1)	—	—	(373,201)	—	—	—	—	(1,063)
Change in fair value of net trust assets, excluding REO	(146)	(147,268)	158,983	(4,271)	(34)	(252)	38	643
Total (losses) gains included in earnings	(88)	55,577	(214,218)	(4,271)	(34)	(252)	38	(420)
Transfers in and/or out of Level 3	—	—	—	—				—
Purchases, issuances and settlements								
Purchases	—	—	—	—	—	—	—	—
Issuances	—	—	—	—	—	—	—	—
Settlements	(110)	(425,295)	575,121	32,043	—	—	—	—
Fair value, June 30, 2011	$ 447	$ 5,641,957	$ (5,651,842)	$ (38,104)	$ 1,405	$ 454	$ (23)	$ (12,148)
Unrealized gains (losses) still held (2)	$ 258	$ (4,415,570)	$ 6,339,646	$ (38,059)	$ —	$ —	$ —	$ 58,615

(3) Amounts primarily represent accretion to recognize interest income and interest expense using effective yields based on estimated fair values for trust assets and trust liabilities. The total net interest income, including cash received and paid, was $2.8 million for the six months ended June 30, 2011, as reflected in the accompanying consolidated statement of operations. The difference between accretion of interest income and expense and the amounts of interest income and expense recognized in the consolidated statements of operations is primarily from contractual interest on the securitized mortgage collateral and borrowings.

	Level 3 Recurring Fair Value Measurements For the six months ended June 30, 2010				
	Investment securities available-for-sale	Securitized mortgage collateral	Securitized mortgage borrowings	Derivative liabilities, net	Long-term debt
Fair value, December 31, 2009	$ 813	$ 5,666,122	$ (5,659,865)	$ (126,457)	$ (9,773)
Total gains (losses) included in earnings:					
Interest income (1)	113	254,199	—	—	—
Interest expense (1)	—	—	(477,004)	—	(1,368)
Change in fair value of net trust assets, excluding REO	718	650,765	(619,047)	(29,308)	(216)
Total (losses) gains included in earnings	831	904,964	(1,096,051)	(29,308)	(1,584)
Adoption of ASU 2009-17 (2)	(298)	116,907	(110,618)	(9,013)	—
Transfers in and/or out of Level 3	—	—	—	—	—
Purchases, issuances and settlements					
Purchases	—	—	—	—	—
Issuances	—	—	—	—	—
Settlements	(77)	(472,780)	665,942	64,055	—
Fair value, June 30, 2010	$ 1,269	$ 6,215,213	$ (6,200,592)	$ (100,723)	$ (11,357)

(1) Amounts primarily represent accretion to recognize interest income and interest expense using effective yields based on estimated fair values for trust assets and trust liabilities. The total net interest income, including cash received and paid, was $2.3 million for the six months ended June 30, 2010, as reflected in the accompanying consolidated statement of operations. The difference between accretion of interest income and expense and the amounts of interest income and expense recognized in the consolidated statements of operations is primarily from contractual interest on the securitized mortgage collateral and borrowings.

(2) Amounts represent the consolidation and deconsolidation of trust assets and liabilities as a result of the adoption of ASU 2009-17 on January 1, 2010. See Note 1. — Summary of Market Conditions and Liquidity, Business and Financial Statement Presentation including Significant Accounting Policies in our Annual Report on Form 10-K for the year ended December 31, 2010 for the impact of the adoption of ASU 2009-17 on our consolidated financial statements.

The following tables present the changes in recurring fair value measurements included in net earnings (loss) for the three and six months ended June 30, 2011 and 2010:

	Recurring Fair Value Measurements Changes in Fair Value Included in Net Earnings For the three months ended June 30, 2011						
	Interest Income (1)	Interest Expense (1)	Change in Fair Value of Net Trust Assets	Change in Fair Value of Long-term Debt	Other Non-interest Income	Mortgage and real estate services fees	Total
Investment securities available-for-sale	$ 30	$ —	$ 56	$ —	$ —	$ —	$ 86
Securitized mortgage collateral	95,476	—	(286,713)	—	—	—	(191,237)
Securitized mortgage borrowings	—	(179,186)	296,261	—	—	—	117,075
Mortgage servicing rights	—	—	—	—	65	—	65
Call option	—	—	—	—	(29)	—	(29)
Put option	—	—	—	—	38	—	38
Derivative liabilities, net	—	—	(7,201)(2)	—	—	—	(7,201)
Long-term debt	—	(523)	—	405	—	—	(118)
Mortgage loans held-for-sale	—	—	—	—	—	531	531
Derivative assets - IRLCs	—	—	—	—	—	283	283
Derivative liabilities - Hedging Instruments	—	—	—	—	—	(169)	(169)
Total	**$ 95,506**	**$ (179,709)**	**$ 2,403**(3)	**$ 405**	**$ 74**	**$ 645**	**$ (80,676)**

(1) Amounts primarily represent accretion to recognize interest income and interest expense using effective yields based on estimated fair values for trust assets and trust liabilities.

(2) Included in this amount is $8.4 million in changes in the fair value of derivative instruments, offset by $15.6 million in cash payments from the securitization trusts for the three months ended June 30, 2011.

Recurring Fair Value Measurements Changes in Fair Value Included in Net Loss For the three months ended June 30, 2010		
Interest	Interest	Change in Fair Value of

	Income (1)	Expense (1)	Net Trust Assets	Long-term Debt	Total
Investment securities available-for-sale	$ 66	$ —	$ 541	$ —	$ 607
Securitized mortgage collateral	123,970	—	(30,644)	—	93,326
Securitized mortgage borrowings	—	(221,491)	37,152	—	(184,339)
Derivative liabilities, net	—	—	(11,293)(2)	—	(11,293)
Long-term debt	—	(700)	—	75	(625)
Total	**$ 124,036**	**$ (222,191)**	**$ (4,244)**(3)	**$ 75**	**$ (102,324)**

(1) Amounts primarily represent accretion to recognize interest income and interest expense using effective yields based on estimated fair values for trust assets and trust liabilities.

(2) Included in this amount is $17.5 million in changes in the fair value of derivative instruments, offset by $28.8 million in cash payments from the securitization trusts for the three months ended June 30, 2010.

	Recurring Fair Value Measurements Changes in Fair Value Included in Net Earnings For the six months ended June 30, 2011						
	Interest Income (1)	Interest Expense (1)	Change in Fair Value of		Other Non-interest Income	Mortgage and real estate services fees	Total
			Net Trust Assets	Long-term Debt			
Investment securities available-for-sale	$ 58	$ —	$ (146)	$ —	$ —	$ —	$ (88)
Securitized mortgage collateral	202,845	—	(147,268)	—	—	—	55,577
Securitized mortgage borrowings	—	(373,201)	158,983	—	—	—	(214,218)
Mortgage servicing rights	—	—	—	—	(34)	—	(34)
Call option	—	—	—	—	(252)	—	(252)
Put option	—	—	—	—	38	—	38
Derivative liabilities, net	—	—	(4,271)(2)	—	—	—	(4,271)
Long-term debt	—	(1,063)	—	643	—	—	(420)
Mortgage loans held-for-sale	—	—	—	—	—	815	815
Derivative assets - IRLCs	—	—	—	—	—	294	294
Derivative liabilities - Hedging Instruments	—	—	—	—	—	(127)	(127)
Total	**$ 202,903**	**$ (374,264)**	**$ 7,298**(3)	**$ 643**	**$ (248)**	**$ 982**	**$ (162,686)**

(1) Amounts primarily represent accretion to recognize interest income and interest expense using effective yields based on estimated fair values for trust assets and trust liabilities.

(2) Included in this amount is $28.4 million in changes in the fair value of derivative instruments, offset by $32.7 million in cash payments from the securitization trusts for the three months ended June 30, 2011.

(3) For the six months ended June 30, 2011, change in the fair value of trust assets, excluding REO was $7.3 million. Excluded from the $40.0 million change in fair value of net trust assets, excluding REO, in the accompanying consolidated statement of cash flows is $32.7 million in cash payments from the securitization trusts related to the Company's net derivative liabilities.

	Recurring Fair Value Measurements Changes in Fair Value Included in Net Loss For the six months ended June 30, 2010				
	Interest Income (1)	Interest Expense (1)	Change in Fair Value of		Total
			Net Trust Assets	Long-term Debt	
Investment securities available-for-sale	$ 113	$ —	$ 718	$ —	$ 831
Securitized mortgage collateral	254,199	—	650,765	—	904,964
Securitized mortgage borrowings	—	(477,004)	(619,047)	—	(1,096,051)
Derivative liabilities, net	—	—	(29,308)(2)	—	(29,308)
Long-term debt	—	(1,368)	—	(216)	(1,584)
Total	**$ 254,312**	**$ (478,372)**	**$ 3,128**(3)	**$ (216)**	**$ (221,148)**

(1) Amounts primarily represent accretion to recognize interest income and interest expense using effective yields based on estimated fair values for trust assets and trust liabilities.

(2) Included in this amount is $35.4 million in changes in the fair value of derivative instruments, offset by $64.7 million in cash payments from the securitization trusts for the six months ended June 30, 2010.

(3) For the six months ended June 30, 2010, change in the fair value of net trust assets, excluding REO was $3.1 million. Excluded from the $67.8 million change in fair value of net trust assets, excluding REO, in the accompanying consolidated statement of cash flows is $64.7 million in cash payments from the securitization trusts related to the Company's net derivative liabilities.

The following is a description of the measurement techniques for items recorded at estimated fair value on a recurring basis.

Investment securities available-for-sale—The Company elected to carry all of its investment securities available-for-sale at fair value. The investment securities consist primarily of non-investment grade mortgage-backed securities. The fair value of the investment securities is measured based upon the Company's expectation of inputs that other market participants would use. Such assumptions include judgments about the underlying collateral, prepayment speeds, future credit losses, forward interest rates and certain other factors. Given the market disruption and lack of observable market data as of June 30, 2011 and December 31, 2010, the estimated fair value of the investment securities available-for-sale was measured using significant internal expectations of market participants' assumptions. Investment securities available-for-sale are considered a Level 3 measurement at June 30, 2011.

Mortgage servicing rights—The Company elected to carry all of its mortgage servicing rights arising from its newly acquired mortgage lending operation at fair value. The fair value of mortgage servicing rights is based upon an internal discounted cash flow model. The valuation model incorporates assumptions that market participants would use in estimating the fair value of servicing. These assumptions include estimates of prepayment speeds, discount rate, cost to service, escrow account earnings, contractual servicing fee income, prepayment and late fees, among other considerations. Mortgage servicing rights are considered a Level 3 measurement at June 30, 2011.

Mortgage loans held-for-sale—The Company elected to carry its mortgage loans held-for-sale originated from its recently formed residential mortgage lending platform at fair value. Fair value is based on quoted market prices, where available, prices for other traded mortgage loans with similar characteristics, and purchase commitments and bid information received from market participants. Given the meaningful level of secondary market activity

for conforming mortgage loans, active pricing is available for similar assets and accordingly, the Company classifies its mortgage loans held-for-sale as a Level 2 measurement at June 30, 2011.

Call option—As part of the acquisition of AmeriHome Mortgage Corporation (AmeriHome) as more fully discussed in Note 18.—*Business Combinations* of our Annual Report on Form 10-K for the year ended December 31, 2010, the purchase agreement included a call option to purchase an additional 39% of AmeriHome. The estimated fair value is based on a multinomial model incorporating various assumptions including expected future book value of AmeriHome, the probability of the option being exercised, volatility, expected term and certain other factors. The call option is considered a Level 3 measurement at June 30, 2011.

Put option—As part of the acquisition of AmeriHome, a put option which allows the noncontrolling interest holder to sell his remaining 49% of AmeriHome to the Company in the event the Company does not exercise the call option discussed above. The estimated fair value is based on a multinomial model incorporating various assumptions including expected future book value of AmeriHome, the probability of the option being exercised, volatility, expected term and certain other factors. The put option is considered a Level 3 measurement at June 30, 2011.

Securitized mortgage collateral—The Company elected to carry all of its securitized mortgage collateral at fair value. These assets consist primarily of non-conforming mortgage loans securitized between 2002 and 2007. Fair value measurements are based on the Company's internal models used to compute the net present value of future expected cash flows with observable market participant assumptions where available. The Company's assumptions include its expectations of inputs that other market participants

would use in pricing these assets. These assumptions include judgments about the underlying collateral, prepayment speeds, estimated future credit losses, forward interest rates, investor yield requirements and certain other factors. As of June 30, 2011, securitized mortgage collateral had an unpaid principal balance of $10.1 billion, compared to an estimated fair value of $5.6 billion. The aggregate unpaid principal balance exceeds the fair value by $4.5 billion at June 30, 2011. As of June 30, 2011, the unpaid principal balance of loans 90 days or more past due was $1.7 billion compared to an estimated fair value of $0.5 billion. The aggregate unpaid principal balances of loans 90 days or more past due exceed the fair value by $1.2 billion at June 30, 2011. Securitized mortgage collateral is considered a level 3 measurement at June 30, 2011.

Securitized mortgage borrowings—The Company elected to carry all of its securitized mortgage borrowings at fair value. These borrowings consist of individual tranches of bonds issued by securitization trusts and are primarily backed by non-conforming mortgage loans. Fair value measurements include the Company's judgments about the underlying collateral and assumptions such as prepayment speeds, estimated future credit losses, forward interest rates, investor yield requirements and certain other factors. As of June 30, 2011, securitized mortgage borrowings had an outstanding principal balance of $10.2 billion compared to an estimated fair value of $5.7 billion. The aggregate outstanding principal balance exceeds the fair value by $4.5 billion at June 30, 2011. Securitized mortgage borrowings is considered a level 3 measurement at June 30, 2011.

Long-term debt—The Company elected to carry all of its long-term debt (consisting of trust preferred securities and junior subordinated notes) at fair value. These securities are measured based upon an analysis prepared by management, which considered the Company's own credit risk, including settlements with trust preferred debt holders and discounted cash flow analysis. As of June 30, 2011, long-term debt had an unpaid principal balance of $70.5 million compared to an estimated fair value of $12.1 million. The aggregate unpaid principal balance exceeds the fair value by $58.4 million at June 30, 2011. The long-term debt is considered a level 3 measurement at June 30, 2011.

Derivative assets and liabilities — Securitized trusts—For non-exchange traded contracts, fair value is based on the amounts that would be required to settle the positions with the related counterparties as of the valuation date. Valuations of derivative assets and liabilities are based on observable market inputs, if available. To the extent observable market inputs are not available, fair values measurements include the Company's judgments about future cash flows, forward interest rates and certain other factors, including counterparty risk. Additionally, these values also take into account the Company's own credit standing, to the extent applicable; thus, the valuation of the derivative instrument includes the estimated value of the net credit differential between the counterparties to the derivative contract. As of June 30, 2011, the notional balance of derivative assets and liabilities — securitized trusts was $2.7 billion. These derivatives are included in the consolidated securitization trusts, which are nonrecourse to the Company, and thus the economic risk from these derivatives is limited to the Company's residual interests in the securitization trusts.

Derivative assets and liabilities - Lending — The Company's derivative assets and liabilities are carried at fair value as required by GAAP and are accounted for as free standing derivatives. The derivative assets are IRLCs with prospective residential mortgage borrowers whereby the interest rate on the loan is determined prior to funding and the borrowers have locked in that interest rate. These commitments are determined to be derivative instruments. The derivative liabilities are Hedging Instruments used to hedge the fair value changes associated with changes in interest rates relating to its conforming mortgage loan origination operations. The Company hedges the period from the interest rate lock (assuming a fall-out factor) to the date of the loan sale. The estimated fair value is based on current market prices for similar instruments. Given the meaningful level of secondary market activity for derivative contracts, active pricing is available for similar assets and accordingly, the Company classifies its derivative assets and liabilities as a Level 2 measurement at June 30, 2011.

The following table includes information for the derivative assets and liabilities — lending for the periods presented:

		Total Gains (Losses)	
	Notional Balance June 30, 2011	**For the Three Months Ended June 30, 2011 (1)**	**For the Six Months Ended June 30, 2011 (1)**
Derivative assets - IRLC's	$ 54,043	$ 283	$ 294
Derivative liabilities - TBA/FNMA's	61,000	(2,051)	(2,045)

(1) Amounts included in mortgage and real estate services fees within the accompanying consolidated statements of operations.

Nonrecurring Fair Value Measurements

The Company is required to measure certain assets and liabilities at estimated fair value from time to time. These fair value measurements typically result from the application of specific accounting pronouncements under GAAP. The fair value measurements are considered nonrecurring fair value

measurements under FASB ASC 820-10.

The following tables present financial and non-financial assets and liabilities measured using nonrecurring fair value measurements at June 30, 2011 and 2010, respectively:

	Nonrecurring Fair Value Measurements June 30, 2011			Total Gains (Losses)	
	Level 1	Level 2	Level 3	For the Three Months Ended June 30, 2011 (5)	For the Six Months Ended June 30, 2011 (5)
REO (1)	$ —	$ 45,297	$ —	$ (739)	$ (4,986)
Lease liability (2)	—	—	(2,175)	(85)	(302)
Deferred charge (3)	—	—	13,144	—	—
Intangible assets (4)	—	—	1,479	—	—

(1) Balance represents REO at June 30, 2011 which have been impaired subsequent to foreclosure. Amounts are included in continuing operations. For the three and six months ended June 30, 2011, the $739 thousand and $5.0 million loss, respectively, represent additional impairment write-downs during the period.
(2) Amounts are included in discontinued operations. For the three and six months ended June 30, 2011, the Company recorded $85 thousand and $302 thousand in losses, respectively, resulting from changes in lease liabilities as a result of changes in our expected minimum future lease payments.
(3) Amounts are included in continuing operations. For the three and six months ended June 30, 2011, the Company recorded zero in income tax expense resulting from impairment write-downs based on changes in estimated cash flows and lives of the related mortgages retained in the securitized mortgage collateral.
(4) Amount is included in other assets in the accompanying consolidated balance sheets.
(5) Total gains (losses) reflect gains and losses from all nonrecurring measurements during the period.

	Non-recurring Fair Value Measurements June 30, 2010			Total Gains (Losses)	
	Level 1	Level 2	Level 3	For the Three Months Ended June 30, 2010 (5)	For the Six Months Ended June 30, 2010 (5)
Mortgage loans held-for-sale	$ —	$ —	$ —	$ (195)	$ (220)
REO (1)	—	70,326	—	(200)	828
Lease liability (2)	—	—	(2,776)	78	557
Deferred charge (3)	—	—	13,144	—	—
Intangible asset (4)	—	—	1,000	—	—

(1) The $70.3 million in REO is within continuing operations at June 30, 2010. Balance represents REO at June 30, 2010 which have been impaired subsequent to foreclosure. For the three months ended June 30, 2010, the $200 thousand loss related to additional impairment write-downs during the period was within continuing operations. For the six months ended June 30, 2010, the $828 thousand gains during the period included $473 thousand and $355 thousand within continuing and discontinued operations, respectively.
(2) Amounts are included in discontinued operations. For the three and six months ended June 30, 2010, the Company recorded $78 thousand and $557 thousand in recoveries resulting from reductions in lease liabilities as a result of changes in our expected minimum future lease payments, respectively.
(3) Amounts are included in continuing operations. For the three and six months ended June 30, 2010, the Company recorded zero in income tax expense resulting from impairment write-downs based on changes in estimated cash flows and lives of the related mortgages retained in the securitized mortgage collateral.
(4) Amount is included in other assets in the accompanying consolidated balance sheets.
(5) Total gains reflect gains and losses from all nonrecurring measurements during the period.

Mortgage loans held-for-sale—Mortgage loans held-for-sale (included in assets of discontinued operations) for which the fair value option was not elected are carried at the lower of cost or market (LOCOM). When available, such measurements are based upon what secondary markets offer for portfolios with similar characteristics, and are considered Level 2 measurements. If market pricing is not available, such measurements are significantly impacted by the Company's expectations of other market participants' assumptions, and are considered Level 3 measurements. The Company utilizes internal pricing processes to estimate the fair value of these loans, which is based on recent loan sales and estimates of the fair value of the underlying collateral. Loans held-for-sale from the discontinued non-conforming lending division is considered Level 3 fair value measurements at June 30, 2010.

Real estate owned—REO consists of residential real estate acquired in satisfaction of loans. Upon foreclosure, REO is adjusted to the estimated fair value of the residential real estate less estimated selling and holding costs, offset by expected contractual mortgage insurance proceeds to be received, if any. Subsequently, REO is recorded at the lower of carrying value or estimated fair value less costs to sell. Fair values of REO are generally based on observable market inputs, and considered Level 2 measurements at June 30, 2011.

Lease liability—In connection with the discontinuation of our non-conforming mortgage, retail mortgage, warehouse lending and commercial operations, a significant amount of office space that was previously occupied is no longer being used by the Company. The Company has subleased a significant amount of this office space. The Company has recorded a liability, included within discontinued operations, representing the present value of the minimum lease payments over the remaining life of the lease, offset by the expected proceeds from sublet revenue related to this office space. This liability is based on present value techniques that incorporate the Company's judgments about estimated sublet revenue and discount rates. Therefore, this liability is considered a Level 3 measurement at June 30, 2011.

Deferred charge—Deferred charge represents the deferral of income tax expense on inter-company profits that resulted from the sale of mortgages from taxable subsidiaries to IMH in prior years. The deferred charge is amortized as a component of income tax expense over the estimated life of the mortgages retained in the securitized mortgage collateral. The Company evaluates the deferred charge for impairment quarterly using internal estimates of estimated cash flows and lives of the related mortgages retained in the securitized mortgage collateral. If the deferred charge is determined to be impaired, it is amortized as a component of income tax expense. Deferred charge is considered a Level 3 measurement at June 30, 2011.

Intangible assets—Intangible assets deemed to have an indefinite life are tested annually for impairment, or more frequently if events or changes in circumstances indicate that the asset might be impaired. Impairment losses are recognized if carrying amount of an intangible asset exceeds its estimated fair value. Intangible asset, which is included in other assets of continuing operations, is considered a Level 3 measurement at June 30, 2011.

Note 3.—Stock Options

There were no options granted during the six months ended June 30, 2011 or 2010, respectively.

The following table summarizes activity, pricing and other information for the Company's stock options for the six months ended June 30, 2011:

	Number of Shares	Weighted-Average Exercise Price ($)
Options outstanding at January 1, 2011	1,476,704	$ 6.28
Options granted	—	—
Options exercised	(23,400)	0.53
Options forfeited / cancelled	(109,198)	26.60
Options outstanding at June 30, 2011	1,344,106	$ 4.73
Options exercisable at June 30, 2011	967,382	$ 5.50

As of June 30, 2011, there was approximately $750 thousand of total unrecognized compensation cost related to stock option compensation arrangements granted under the plan, net of estimated forfeitures. That cost is expected to be recognized over the remaining weighted average period of 2.39 years.

The following table summarizes activity, pricing and other information for the Company's restricted stock units (RSU's) for the six months ended June 30, 2011:

	Number of Shares	Weighted-Average Grant Date Fair Value
RSU's outstanding at January 1, 2011	24,000	$ 2.73
RSU's granted	—	—
RSU's exercised	—	—
RSU's forfeited / cancelled	—	—
RSU's outstanding at June 30, 2011	24,000	$ 2.73

As of June 30, 2011, there was approximately $53 thousand of total unrecognized compensation cost related to the RSU compensation arrangements granted under the plan. That cost is expected to be recognized over a weighted average period of 2.43 years.

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Note 4.—Reconciliation of Earnings Per Share

The following table presents the computation of basic and diluted earnings (loss) per common share, including the dilutive effect of stock options and cumulative redeemable preferred stock outstanding for the periods indicated:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2011	2010	2011	2010
Numerator for basic earnings (loss) per share:				
Earnings (loss) from continuing operations	$ 173	$ 2,402	$ (779)	$ 5,631
Net loss attributable to noncontrolling interest	180	80	495	383
Earnings (loss) from continuing operations attributable to IMH	353	2,482	(284)	6,014
Earnings (loss) from discontinued operations	8	804	(342)	3,190
Earnings (loss) per share available to common stockholders	$ 361	$ 3,286	$ (626)	$ 9,204
Denominator for basic earnings (loss) per share (1):				
Basic weighted average common shares outstanding during the year	7,792	7,723	7,790	7,711
Denominator for diluted earnings (loss) per share (1):				
Basic weighted average common shares outstanding during the year	7,792	7,723	7,790	7,711
Net effect of dilutive stock options	573	625	—	622
Diluted weighted average common shares	8,365	8,348	7,790	8,333
Earnings (loss) per common share - basic:				
Earnings (loss) from continuing operations attributable to IMH	$ 0.05	$ 0.32	$ (0.04)	$ 0.78

Earnings (loss) from discontinued operations		0.00		0.11		(0.04)		0.41
Net earnings (loss) per share available to common stockholders	$	0.05	$	0.43	$	(0.08)	$	1.19
Earnings (loss) per common share - diluted:								
Earnings (loss) from continuing operations attributable to IMH	$	0.04	$	0.30	$	(0.04)	$	0.72
Earnings (loss) from discontinued operations		0.00		0.09		(0.04)		0.38
Net earnings (loss) per share available to common stockholders	$	0.04	$	0.39	$	(0.08)	$	1.10

(1) Number of shares presented in thousands.

For the three and six months ended June 30, 2011, stock options to purchase 238 thousand and 1.3 million shares, respectively, were outstanding but not included in the above weighted average share calculations because they were anti-dilutive.

For the three and six months ended June 30, 2010, stock options to purchase 452 thousand shares were outstanding but not included in the above weighted average share calculations because they were anti-dilutive.

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Note 5.—Segment Reporting

The Company has three reporting segments, consisting of the long-term mortgage portfolio, mortgage and real estate services and discontinued operations. The following tables present the selected financial data and operating results by reporting segment for the periods indicated:

	Long-term Portfolio	Mortgage and Real Estate Services	Discontinued Operations	Reclassifications (1)	Consolidated
Balance sheet items as of June 30, 2011:					
Cash and cash equivalents	$ —	$ 9,035	$ 12	$ (103)	$ 8,944
Restricted cash	3,231	1,305	91	(91)	4,536
Trust assets	5,714,931	—	—	—	5,714,931
Mortgage loans held-for-sale	—	48,397	—	—	48,397
Other assets	19,843	10,539	93	103	30,578
Total assets	5,738,005	69,276	196	(91)	5,807,386
Total liabilities	5,714,615	54,533	11,153	(91)	5,780,210
Total stockholders' equity (deficit)	23,390	14,743	(10,957)	—	27,176
Balance sheet items as of December 31, 2010:					
Cash and cash equivalents	$ —	$ 12,259	$ 113	$ (865)	$ 11,507
Restricted cash	—	1,495	91	(91)	1,495
Trust assets	6,105,068	—	—	—	6,105,068
Mortgage loans held-for-sale	—	4,283	—	—	4,283
Other assets	18,526	12,687	169	204	31,586
Total assets	6,123,594	30,724	373	(752)	6,153,939
Total liabilities	6,101,157	12,784	13,053	(752)	6,126,242
Total stockholders' equity (deficit)	22,437	17,940	(12,680)	—	27,697

	Long-term Portfolio	Mortgage and Real Estate Services	Discontinued Operations	Reclassifications (1)	Consolidated
Statement of Operations Items for the three months ended June 30, 2011:					
Net interest income	$ 1,261	$ 49	$ —	$ —	$ 1,310
Non-interest income- net trust assets	1,664	—	—	—	1,664
Mortgage and real estate services fees	—	14,360	—	—	14,360
Other non-interest (expense) income	79	68	346	(346)	147
Non-interest expense and income taxes	(3,627)	(13,681)	(338)	338	(17,308)
(Loss) earnings from continuing operations	$ (623)	$ 796			173
Earnings from discontinued operations, net of tax			$ 8		8
Net earnings					$ 181
Statement of Operations Items for the six months ended June 30, 2011:					
Net interest income	$ 2,795	$ 50	$ —	$ —	$ 2,845
Non-interest income- net trust assets	2,311	—	—	—	2,311
Mortgage and real estate services fees	—	26,701	—	—	26,701
Other non-interest income	286	(257)	215	(215)	29
Non-interest expense and income taxes	(7,898)	(24,767)	(557)	557	(32,665)
(Loss) earnings from continuing operations	$ (2,506)	$ 1,727			(779)
Loss from discontinued operations, net of tax			$ (342)		(342)
Net loss					$ (1,121)

	Long-term Portfolio	Mortgage and Real Estate Services	Discontinued Operations	Reclassifications (1)	Consolidated
Statement of Operations Items for the three months ended June 30, 2010:					
Net interest income	$ 1,549	$ 6	$ 17	$ (17)	$ 1,555
Non-interest income- net trust assets	721	—	—	—	721
Mortgage and real estate services fees	—	15,572	—	—	15,572
Other non-interest (expense) income	(23)	20	48	(48)	(3)
Non-interest expense and income taxes	(4,574)	(10,869)	739	(739)	(15,443)
(Loss) earnings from continuing operations	$ (2,327)	$ 4,729			2,402
Earnings from discontinued operations, net of tax			$ 804		804
Net earnings					$ 3,206
Statement of Operations Items for the six months ended June 30, 2010:					
Net interest income (expense)	$ 2,314	$ 11	$ 44	$ (44)	$ 2,325
Non-interest income- net trust assets	6,985	—	—	—	6,985
Mortgage and real estate services fees	—	26,593	—	—	26,593
Other non-interest income (expense)	(313)	28	2,133	(2,133)	(285)
Non-interest expense and income taxes	(9,218)	(20,769)	1,013	(1,013)	(29,987)
(Loss) earnings from continuing operations	$ (232)	$ 5,863			5,631
Earnings from discontinued operations, net of tax			$ 3,190		3,190
Net earnings					$ 8,821

(1) Amounts represent reclassifications of activity in the discontinued operations segment into loss from discontinued operations, net of tax as presented in the accompanying consolidated statements of operations.

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Note 6.—Warehouse Borrowings

The Company, through IRES and its subsidiaries, enters into Master Repurchase Agreements with lenders providing warehouse facilities. The warehouse facilities are used to fund and are secured by residential mortgage loans that are held for sale.

At June 30, 2011, the Company was not in compliance with a financial covenant on repurchase agreement 4, however the Company received a waiver from the lender. With the waiver, the Company can continue to fund loans until the next measurement date.

The following table presents certain information on warehouse borrowings for the periods indicated:

	Maximum Borrowing Capacity	Balance Outstanding at June 30, 2011	Balance Outstanding at December 31, 2010
Short-term borrowings:			
Repurchase agreement 1 (1)	$ 25,000	$ —	$ 477
Repurchase agreement 2 (2)	—	—	1,800
Repurchase agreement 3 (3)	32,500	30,539	1,780
Repurchase agreement 4	20,000	15,378	—
Total short-term borrowings	$ 77,500	$ 45,917	$ 4,057

(1) In March 2011, the maturity was extended to April 2012.
(2) In May 2011 the agreement terminated. The Company elected not to enter into a new agreement.
(3) In June 2011, the maturity was extended to June 2012.

Note 7.—Notes Payable

Note payable—Debt Agreement

In May 2011, the Company entered into a $10.3 million structured debt agreement using seven of the Company's residual interests (net trust assets) as collateral with the same note holder as the previous debt agreement. The Company used a portion of the proceeds to pay off the $4.0 million balance owed on the previous debt agreement. The Company received proceeds of $4.8 million, net of the aforementioned payoff, $1.4 million discount and deal costs of approximately $50 thousand.

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The structured debt agreement is evidenced by an Indenture with Deutsche Bank National Trust Company, as trustee. It bears interest at a fixed rate of 10% per annum, with an effective yield of approximately 28% and is amortized in equal principal payments over 18 months with all distributions from the underlying residuals being used to make the monthly payments, and was recorded as a note payable in the accompanying consolidated balance sheets. If the cumulative cash flows received from the collateralized residual interests are not sufficient to pay the required monthly principal and interest the Company would be required to pay the difference to avoid the transfer of the residual interests and the rights to the associated future cash flows to the note holder. Any excess cash flows from the residual interests are included in a reserve account, which is available to cover future shortfalls. During the first six months of 2011, the Company received $3.2 million in excess cash flows from the residual interests collateralizing the note payable. The $3.2 million in excess cash flows is included in restricted cash on the consolidated balance sheets. The carrying value of the debt agreement at June 30, 2011 was $7.9 million, net of a $1.2 million discount, and was current as to principal and interest payments.

Note 8.—Line of Credit Agreement

In April 2011, the Company, through its subsidiaries, entered into a $2.0 million working capital line of credit agreement with a national bank with an interest rate of LIBOR plus 3.5%. The agreement expires in April 2012 and under the terms of the agreement the Company and its subsidiaries are required to maintain various financial and other covenants. There was no outstanding balance on the working capital line of credit as of June 30, 2011.

Note 9.—Subsequent Events

Subsequent events have been evaluated through the date of this filing.

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

(dollars in thousands, except per share data or as otherwise indicated)

Unless the context otherwise requires, the terms "Company," "we," "us," and "our" refer to Impac Mortgage Holdings, Inc. (the Company or IMH), a Maryland corporation incorporated in August 1995, and its subsidiaries, Integrated Real Estate Service Corporation (IRES), IMH Assets Corp. (IMH Assets), Impac Warehouse Lending Group, Inc. (IWLG) and Impac Funding Corporation (IFC).

Forward-Looking Statements

This report on Form 10-Q contains certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements, some of which are based on various assumptions and events that are beyond our control, may be identified by reference to a future period or periods or by the use of forward-looking terminology, such as "may," "will," "believe," "expect," "likely," "should," "could," "seem to," "anticipate," or similar terms or variations on those terms or the negative of those terms. The forward-looking statements are based on current management expectations. Actual results may differ materially as a result of several factors, including, but not limited to the following: the ongoing volatility in the mortgage industry; our ability to successfully manage through the current market environment; our ability to meet liquidity needs from current cash flows or generate new sources of revenue; management's ability to successfully manage and grow the Company's mortgage and real estate fee-based business activities; the ability to make interest payments; increases in default rates or loss severities and mortgage related losses; the ability to satisfy conditions (payment and covenants) in the note payable with a major creditor; our ability to obtain additional financing and the terms of any financing that we do obtain; inability to effectively liquidate properties to mitigate losses; increase in loan repurchase requests and ability to adequately settle repurchase obligations; decreases in value of our residual interests that differ from our assumptions; the ability of our common stock to continue trading in an active market; the outcome of litigation or regulatory actions pending against us or other legal contingencies; our compliance with applicable local, state and federal laws and regulations and other general market and economic conditions.

For a discussion of these and other risks and uncertainties that could cause actual results to differ from those contained in the forward-looking statements, see "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in the Company's Annual Report on Form 10-K for the period ended December 31, 2010, the other reports we file under the Securities and Exchange Act of 1934. This document speaks only as of its date and we do not undertake, and specifically disclaim any obligation, to release publicly the results of any revisions that may be made to any forward-looking statements to reflect the occurrence of anticipated or unanticipated events or circumstances after the date of such statements.

The Mortgage Industry and Discussion of Relevant Fiscal Periods

The mortgage industry is continually vulnerable to current events that occur in the financial services industry. These events include changes in economic indicators, government regulation, interest rates, price competition, geographic shifts, disposable income, housing prices, market liquidity, market anticipation, and customer perception, as well as others. The factors that affect the industry change rapidly and can be unforeseeable.

Current events can diminish the relevance of "quarter over quarter" and "year-to-date over year-to-date" comparisons of financial information. In such instances, the Company attempts to present financial information in its Management's Discussion and Analysis of Financial Condition and Results of Operations that is the most relevant to its financial information.

Status of Operations, Liquidity and Capital Resources

Mortgage and Real Estate Services

The mortgage and real estate services have been developed as part of a centralized platform to operate synergistically to maximize revenues and profits. The integrated services platform includes the mortgage lending operations, portfolio loss mitigation and real estate services and title and escrow.

Mortgage Lending Operations—In 2011, the Company continued its expansion into mortgage lending by increasing loan production through the opening of new regional production offices and increased warehouse funding capacity. As part of this expansion, in March 2011, the Company invested approximately $2.0 million in its mortgage lending operations infrastructure, consisting principally of additional personnel and occupancy costs (included in

total non-interest expense in the consolidated statement of operations). In addition, because the costs associated with our mortgage origination expansion must be expensed in accordance with GAAP, this investment was in part, a reason for the net loss incurred during the first six months of 2011.

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In March 2011, the Company opened regional production offices in the Pacific Northwest and Gulf Coast regions giving the Company origination capabilities throughout the entire West Coast and Gulf Coast regions. During the three months ended June 30, 2011, the new production offices originated approximately $125.6 million of primarily agency and government insured residential mortgage loans.

During the three and six months ended June 30, 2011, the Company originated $226.3 million and $282.4 million and sold $208.4 million and $231.5 million of loans, respectively, as compared to a minimal amount of loans brokered in the first six months of 2010.

During April 2011 the maximum borrowing capacity of Repurchase Agreement 3 increased to $32.5 million. During May 2011, the lender of Repurchase Agreement 2 offered the Company a $10 million line, however the terms were not favorable and the Company elected not to enter into a new agreement. As of June 30, 2011, the Company had increased its warehouse funding capacity to $77.5 million. In August 2011, the Company, through IRES and its subsidiaries, obtained approval from a lender for an additional $25.0 million warehouse facility, increasing the Company's warehouse funding capacity to $102.5 million.

Portfolio Loss Mitigation and Real Estate Services—The Company provides portfolio loss mitigation and real estate services including REO surveillance and disposition services, default surveillance and loss recovery services, short sale and real estate brokerage services, portfolio monitoring and reporting services.

Title and Escrow—The title insurance company services primarily California and selected national markets providing title insurance, escrow and settlement services to residential mortgage lenders, real estate agents, asset managers REO companies in the residential real estate market. The services are provided through a proprietary integrated technology platform.

For the three and six months ended June 30, 2011 and 2010, mortgage and real estate services fees were as follows:

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

Although the Company seeks to expand its portfolio loss mitigation and real estate services to more third parties in the marketplace, the revenues from these business activities have historically been generated from the Company's long-term mortgage portfolio. Furthermore, as the distressed mortgage and real estate markets remain unstable and uncertain due to the significant number of foreclosure properties that need to be sold, there remains uncertainty about the ongoing need and delivery of these services in the future.

Long-Term Mortgage Portfolio

At June 30, 2011, our residual interest in securitizations (represented by the difference between trust assets and trust liabilities) decreased to $24.9 million, compared to $26.4 million at December 31, 2010. The decrease in residual fair value for the six months ended June 30, 2011 was primarily due to cash received partially offset by changes in the forward LIBOR curve.

To estimate fair value of the assets and liabilities within the securitization trusts each reporting period, management uses an industry standard valuation and analytical model that is updated monthly with current collateral, real estate, derivative, bond and cost (servicer, trustee, etc.) information for each securitization trust. The Company employs an internal process to validate the accuracy of the model as well as the data within this model. Forecasted assumptions, sometimes referred to as "curves," for defaults, loss severity, interest rates (LIBOR) and prepayments are input into the valuation model for each securitization trust. The Company hires third party experts to provide forecasted curves for the aforementioned assumptions for each of the securitizations. Before inputting this information into the model, management employs a process to qualitatively and quantitatively review the assumption curves for reasonableness using other information gathered from the mortgage and real estate market (*i.e.*, third party home price indices, published industry reports discussing regional mortgage and commercial loan performance and delinquency) as well as actual default and foreclosure information for each trust from the respective trustees.

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The Company uses the valuation model to generate the expected cash flows to be collected from the trust assets and the expected required bondholder distribution (trust liabilities). To the extent that the trusts are overcollateralized and certain performance measures are met, the Company receives the excess interest as the holder of the residual interest. The information above provides us with the future expected cash flows for the securitized mortgage collateral, real estate owned, securitized mortgage borrowings, derivative assets/liabilities, and the residual interests.

To determine the discount rates to apply to these cash flows, the Company gathers information from the bond pricing services and other market participants regarding estimated investor required yields for each bond tranche. Based on that information and the collateral type and vintage, the Company determines an acceptable range of expected yields an investor would require including an appropriate risk premium for each bond tranche. The Company uses

the blended yield of the bond tranches together with the residual interests to determine an appropriate yield for the securitized mortgage collateral in each securitization (after taking into consideration any derivatives in the securitization).

The following table presents changes in the Company's trust assets and trust liabilities for the six months ended June 30, 2011:

	TRUST ASSETS					TRUST LIABILITIES			
	Level 3 Recurring Fair Value Measurements			NRV (2)		Level 3 Recurring Fair Value Measurements			
	Investment securities available-for-sale	Securitized mortgage collateral	Derivative assets	Real estate owned	Total trust assets	Securitized mortgage borrowings	Derivative liabilities	Total trust liabilities	Net trust assets and trust liabilities
Recorded book value at December 31, 2010	**645**	**6,011,675**	**40**	**92,708**	**6,105,068**	**(6,012,745)**	**(65,916)**	**(6,078,661)**	**26,407**
Total gains/(losses) included in earnings:									
Interest income	58	202,845	—	—	202,903	—	—	—	202,903
Interest expense	—	—	—	—	—	(373,201)	—	(373,201)	(373,201)
Change in FV of net trust assets, excluding REO	(146)	(147,268)	(3)		(147,417)(1)	158,983	(4,267)	154,716(1)	7,299
Change in FV of long-term debt	—	—	—	—	—	—	—	—	—
Losses from REO (2)	—	—	—	(4,988)	(4,988)(1)	—	—	—	(4,988)
Total gains (losses) included in earnings	(88)	55,577	(3)	(4,988)	50,498	(214,218)	(4,267)	(218,485)	(167,987)
Purchases issuances and settlements	(110)	(425,295)	—	(15,230)	(440,635)	575,121	32,042	607,163	166,528
Recorded book value at June 30, 2011	**$ 447**	**$ 5,641,957**	**$ 37**	**$ 72,490**	**$ 5,714,931**	**$ (5,651,842)**	**$ (38,141)**	**$ (5,689,983)**	**$ 24,948**

(1) Represents non-interest income-net trust assets on the Company's consolidated statements of operations for the six months ended June 30, 2011.
(2) Accounted for at net realizable value.

The decrease in fair value of securitized mortgage borrowings resulted in gains of $159.0 million, offset by losses from the $147.3 million decrease in the fair value of securitized mortgage collateral within the Level 3 recurring fair value measurements table for the six months ended June 30, 2011. For the six months ended June 30, 2011, the change in the net realizable value (NRV) of REO resulted in a loss of $5.0 million. Inclusive of losses from REO, trust assets reflect a net loss of $152.4 million as a result of losses from the decrease in fair value of securitized mortgage collateral of $147.3 million, losses from REO of $5.0 million and losses from other trust assets of $149 thousand. Net gains on trust liabilities were $154.7 million as a result of $159.0 million in gains from the decrease in fair value of securitized mortgage borrowings partially offset by losses from derivative liabilities of $4.3 million. As a result non-interest income—net trust assets increased by $2.3 million during the six months ended June 30, 2011.

Liquidity and capital resources

During the first six months of 2011, the Company continued to fund its operations primarily from income generated from its long-term mortgage portfolio, which included mortgage and real estate services fees and cash flows from our residual interests in securitizations. In addition, the Company funded mortgage loan production using warehouse facilities which are repaid once the loan is sold.

The Company's ability to meet its long-term liquidity requirements is subject to several factors, such as generating fees from our mortgage and real estate fee-based business activities and realizing cash flows from our long-term mortgage portfolio. Our future financial performance and success are dependent in large part upon our ability to grow our mortgage and real estate fee-based business activities, including providing services to third parties and expanding our mortgage lending operations. We believe that current cash balances, cash flows from mortgage and real estate services fees generated from our long-term mortgage portfolio, and residual

interest cash flows from our long-term mortgage portfolio are adequate for our current operating needs. However, the mortgage and real estate services market is volatile, highly competitive and subject to increased regulation. The Company's ability to compete successfully in the mortgage and real estate services industry is challenging as many competitors have recently entered or have established businesses delivering similar services. Additionally, the mortgage lending environment is extremely competitive and highly regulated. The future success of the mortgage lending operations will depend on a number of factors, including the profitability and growth of our retail and wholesale origination channels, housing market conditions, economic recovery and financial regulatory reform. If we are unsuccessful, we may be unable to satisfy our future operating costs and liabilities, including repayment of the notes payable and long-term debt.

To understand the financial position of the Company better, we believe it is important to understand the composition of the Company's stockholders' equity (deficit) and to which component of the business it relates. At June 30, 2011, the equity (deficit) within our continuing and discontinued operations was comprised of the following significant assets and liabilities:

	Condensed Components of Stockholders' Equity (Deficit) As of June 30, 2011		
	Continuing Operations	Discontinued Operations	Total
Cash	$ 8,944	$ 12	$ 8,956
Restricted cash	4,536	91	4,627
Residual interests in securitizations	24,948	—	24,948
Loans held-for-sale	48,397	—	48,397
Warehouse borrowings	(45,917)	—	(45,917)
Notes payable	(8,040)	—	(8,040)
Long-term debt ($71,120 par)	(12,148)	—	(12,148)
Repurchase reserve	(409)	(6,230)	(6,639)
Lease liability (1)	—	(2,174)	(2,174)
Deferred charge	13,144	—	13,144
Net other assets (liabilities)	4,678	(2,656)	2,022
Stockholders' equity (deficit)	$ 38,133	$ (10,957)	$ 27,176

(1) Guaranteed by IMH.

Continuing operations

At June 30, 2011, cash within our continuing operations decreased to $8.9 million from $11.5 million at December 31, 2010. The primary sources of cash between periods were $26.7 million in fees generated from the mortgage and real estate fee-based businesses, $6.0 million from residual interests in securitizations (net of the restricted excess cash in the reserve account) and $8.8 million from the issuance of the note payable. Offsetting the sources of cash were operating expenses totaling $32.6 million and payments on the notes payable of $7.4 million.

Since our consolidated and unconsolidated securitization trusts are nonrecourse to us, we have netted trust assets and liabilities to present the Company's interest in these trusts more simply, which are considered our residual interests in securitizations. For unconsolidated securitizations our residual interests represent the fair value of investment securities available-for-sale. For consolidated securitizations, our residual interests are represented by the fair value of securitized mortgage collateral and real estate owned, offset by the fair value of securitized mortgage borrowings and net derivative liabilities. We receive cash flows from our residual interests in securitizations to the extent they are available after required distributions to bondholders and maintaining specified overcollateralization levels and other specified parameters (such as maximum delinquency and cumulative default) within the trusts. The estimated fair value of the residual interests, represented by the difference in the fair value of trust assets and trust liabilities, was $24.9 million at June 30, 2011, compared to $26.4 million at December 31, 2010.

At June 30, 2011, our notes payable increased $1.1 million from December 31, 2010, as a result of the Company entering into a new structured debt agreement and used a portion of the proceeds to pay off the $4.0 million balance owed on the previous debt agreement. The Company received proceeds of $4.8 million, net of the aforementioned payoff, $1.4 million discount and deal costs of approximately $50 thousand. Additionally, during the first six months of 2011, the Company received $3.2 million in excess cash flows from the residuals collateralizing the note payable. The $3.2 million, included in restricted cash on the consolidated balance sheets, is available to cover any future shortfalls of scheduled principal and interest payments due on the note payable. As of June 30, 2011, the carrying value of the note was $7.9 million, net of a $1.2 million discount. The note will mature in October 2012.

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At June 30, 2011, we had deferred charges of $13.1 million, which is amortized as a component of income tax expense in the consolidated statements of operations over the estimated life of the mortgages retained in the securitized mortgage collateral and assessed for impairment periodically which could result in amortization with future decreases in the estimated fair value of securitized mortgage collateral. The deferred charges represent the deferral of income tax expense on inter-company profits that resulted from the sale of mortgages from taxable subsidiaries to IMH in prior years. This balance is recorded as required by GAAP and does not have any realizable cash value.

Net other assets (liabilities) primarily includes $3.6 million in premises and equipment, $2.6 million in accounts receivable, $1.7 million in prepaid expenses and $1.4 million in mortgage servicing rights.

Discontinued operations

The Company's most significant liabilities within discontinued liabilities at June 30, 2011 relate to its repurchase reserve and a lease liability associated with the former non-conforming mortgage operations.

In previous years when our discontinued operations sold loans to investors, we were required to make normal and customary representations and warranties about the loans we had previously sold to investors. Our whole loan sale agreements generally required us to repurchase loans if we breached a representation or warranty given to the loan purchaser. In addition, we also could be required to repurchase loans as a result of borrower fraud or if a payment default occurs on a mortgage loan shortly after its sale. The repurchase reserve is an estimate of losses from expected repurchases, and is based, in part, on the recent settlement of claims. At June 30, 2011, the repurchase reserve was $6.2 million as compared to $8.0 million at December 31, 2010.

In connection with the discontinuation of our non-conforming mortgage, warehouse lending and commercial operations, a significant amount of office space that was previously occupied is no longer being used by the Company. The Company has subleased a significant amount of this office space. At June 30, 2011, the Company had a liability of $2.2 million included within discontinued operations, representing the present value of the minimum lease payments over the remaining life of the lease, offset by the expected proceeds from sublet revenue related to this office space.

Market Update

During the first half of 2011, we continue to see home price declines in many markets as housing prices remained under pressure due to elevated foreclosure levels. In addition, foreclosure delays among other market conditions may result in continued downward pressure on home prices for the foreseeable future.

Mortgage lending and credit market conditions remained weak through the first half of 2011 due primarily to the continued economic uncertainty and slower than expected recovery. Existing uncertainties surrounding the housing market, economy and regulatory environment will continue to present challenges for the Company. The ongoing economic stress or further deterioration of general economic conditions could prolong or increase borrower defaults leading to deteriorating performance of our long-term mortgage portfolio and hinder the growth and profitability of our mortgage lending operations.

A number of factors make it difficult to predict when a sustained recovery in the housing and credit markets will occur. Concerns about the future of the U.S. economy, including the pace and magnitude of recovery from the recent economic recession, consumer confidence, volatility in energy prices, credit market volatility and trends in corporate earnings will continue to influence the U.S. economic recovery and the capital markets. In particular, continued improvement in unemployment rates and a sustained recovery of the housing markets remain critical components of a broader U.S. economic recovery. U.S. unemployment rates, which have been a major factor in the deterioration of credit quality in the U.S., remained high at 9.2 percent in June 2011. While the unemployment rate marginally improved from a rate of 9.4 percent at December 2010, it actually increased 40 basis points during the second quarter. Also, a significant number of U.S. residents are no longer looking for work and, therefore, are not reflected in the U.S. unemployment rates. Unemployment rates in 18 states are at or above the U.S. national average. Unemployment rates in seven states are at or above 10.0 percent, including California and Florida.

Further weakening in these components as well as in consumer confidence may result in additional deterioration in consumer payment patterns and credit quality. Weak consumer fundamentals including consumer spending, declines in wage income and wealth, as well as a difficult job market continue to depress consumer confidence. Additionally, there is uncertainty as to the future course of monetary policy and uncertainty as to the impact on the economy and consumer confidence when the remaining actions taken by the government to restore faith in the capital markets and stimulate consumer spending end, including the recent extension of unemployment insurance benefits and the prior presidential administration's tax cuts. These conditions in combination with general economic weakness and the effect of recent regulatory changes will continue to impact our results throughout 2011, the degree of which is largely dependent upon the nature and extent of the economic recovery. In addition, given the recent significant downturn in the financial markets in early August of 2011, there remains uncertainty as to the effect this may have on the future fair values of the assets and liabilities on the Company's consolidated balance sheet which may have a bearing on the Company's financial position and results of operations.

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The Company's ability to meet its long-term liquidity requirements is subject to several factors, such as generating fees from the mortgage and real estate business activities and realizing cash flows from the long-term mortgage portfolio. The Company's future financial performance and success are dependent in large part upon the ability to grow the mortgage and real estate business activities, including providing services to third parties and expanding the mortgage lending operations. The Company believes that current cash balances, cash flows from mortgage and real estate services fees generated from the long-term mortgage portfolio, and residual interest cash flows from the long-term mortgage portfolio are adequate for the current operating needs. However, the mortgage and real estate services market is volatile, highly competitive and subject to increased regulation. The Company's ability to successfully compete in the mortgage and real estate services industry is challenging as its business activities have been established in the last few years and many competitors have recently entered or have established businesses delivering similar services. Additionally, the mortgage lending environment is extremely competitive and highly regulated. The future success of the mortgage lending operations will depend on a number of factors, including the ability to procure adequate financing to fund loan production, maintaining associated financial covenants of lenders, the profitability and growth of our retail and wholesale lending channels, housing market conditions, economic recovery and financial regulatory reform. If the Company is unsuccessful, the Company may be unable to satisfy the future operating costs and liabilities, including repayment of the note payable and long-term debt. To be successful in expanding the business and providing adequate returns to the shareholders, the Company may seek financing in the form of debt or equity capital.

Financial Regulatory Reform

On July 21, 2010, the "Dodd-Frank Wall Street Reform and Consumer Protection Act" was signed into law. This legislation is a sweeping overhaul of the financial regulatory system.

The legislation provides for new regulation on financial institutions, creates new supervisory and advisory bodies, including the new Consumer Financial Protection Bureau, and contains many consumer related provisions including provisions addressing mortgage reform. In the area of mortgage origination, it appears there is an effective elimination of stated income loans and low document loans along with a requirement to apply a net tangible benefit test for all refinancing transactions. There are also numerous revised servicing requirements for mortgage loans.

The legislation will have a significant effect on the operations of many financial institutions in the U.S. As the legislation calls for extensive regulations to be promulgated to interpret and implement the legislation, it is not possible to precisely determine the impact to operations and financial results at this time. The Company will continue to assess the effect of the legislation on the Company's business as the associated regulations are adopted.

Effects of Recent Market Activity

During the first half of 2011, the Company's investment in securitized non-conforming loans (residual interests) continued to be affected by the aforementioned economic and housing market conditions resulting in increased estimated defaults and severities.

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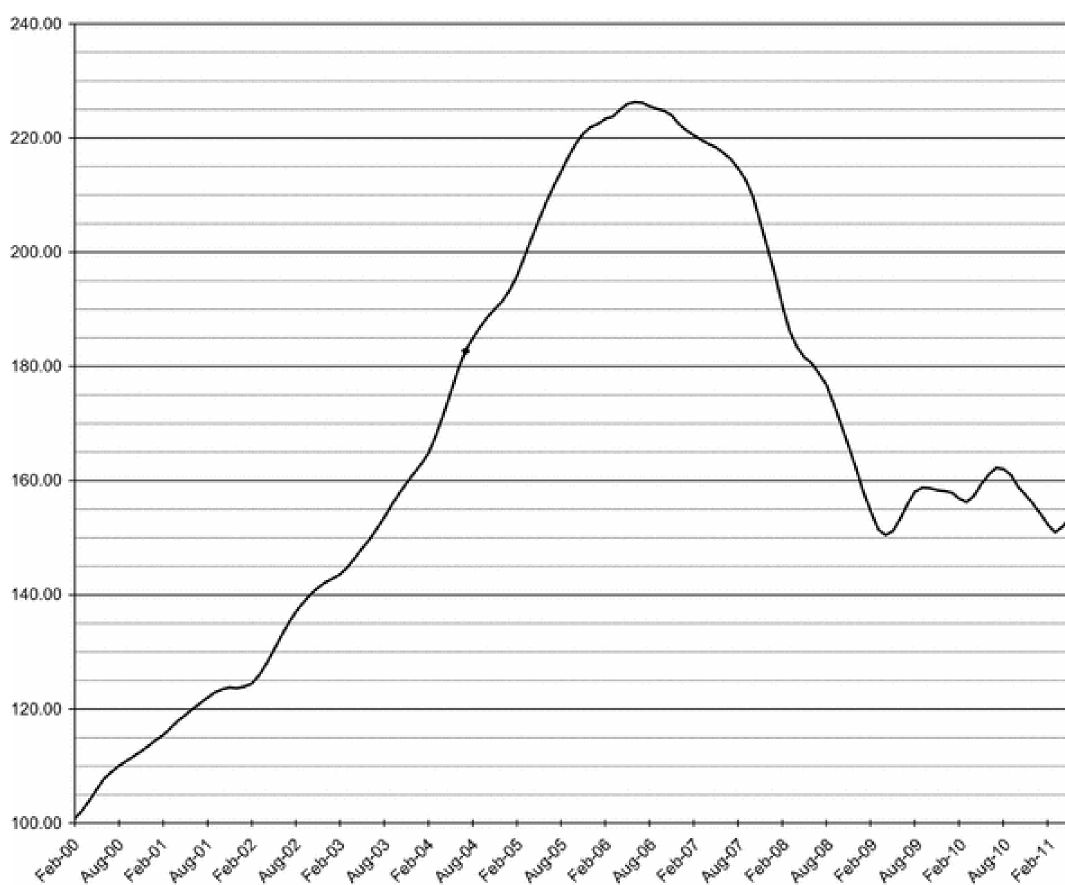
Case-Shiller (Composite-10)



As depicted in the chart above, average home prices peaked in June 2006 at 226.29 and continued their dramatic decline through much of the first half of 2009, while increasing slightly over the remaining half of the year. The Standard & Poor's Case-Shiller 10-City Composite Home Price Index (the Index) for May 2011 was 153.6 (with the base of 100.00 for January 2000.) Beginning in the third quarter of 2007, the Company began to believe that there was a correlation between the borrowers' perceived equity in their homes and defaults. The original loan-to-value (defined as loan amount as a percentage of collateral value, LTV) and original combined loan-to-value (defined as first lien plus total subordinate liens to collateral value, CLTV) ratios of single-family mortgages remaining in the Company's securitized mortgage collateral as of June 30, 2011 was 73% and 82%, respectively. The current LTV and CLTV ratios likely increased from origination date as a result of the deterioration in the real estate market. We believe that home prices that have declined below the borrower's original purchase price have a higher risk of default within our portfolio. Based on the Index, home prices have declined 32% through May 2011 from the 2006 peak. Further, we believe the home prices in general within California and Florida, the states with the highest concentration of our mortgages, have declined even further than the Index. We have considered the deterioration in home prices and its impact on our loss severities, which are a primary assumption used in the valuation of securitized mortgage collateral and borrowings.

Critical Accounting Policies

We define critical accounting policies as those that are important to the portrayal of our financial condition and results of operations. Our critical accounting policies require management to make difficult and complex judgments that rely on estimates about the effect of matters that are inherently uncertain due to the effect of changing market conditions and/or consumer behavior. In determining which accounting policies meet this definition, we considered our policies with respect to the valuation of our assets and liabilities and estimates and assumptions used in determining those valuations. We believe the most critical accounting issues that require the most complex and difficult judgments and that are particularly susceptible to significant change to our financial condition and results of operations include those issues included in IMH's report on Form 10-K on pages 27 through 29 of Management's Discussion and Analysis of Results of Operations for the year ended December 31, 2010. Such policies have not changed during 2011.

Selected Financial Results for the Three Months Ended June 30, 2011

Continuing Operations

- Earnings from continuing operations of $173 thousand for the second quarter of 2011, compared to earnings of $2.4 million for the comparable 2010 period.
- Net interest income of $1.3 million for the second quarter of 2011, primarily from our long-term mortgage portfolio, compared to $1.6 million for the comparable 2010 period.
- Non-interest income - net trust assets of $1.7 million for the second quarter of 2011, compared to $721 thousand for the comparable 2010 period.
- Mortgage and real estate services fees of $14.4 million for the second quarter of 2011, compared to $15.6 million for the comparable 2010 period.
- The mortgage lending operations originated $226.3 million and sold $208.4 million of loans during the second quarter as compared to a minimal amount of loans brokered for the comparable period in 2010.

Discontinued Operations

- Earnings from discontinued operations of $8 thousand for the second quarter of 2011, compared to earnings of $804 thousand for the comparable 2010 period.

- Repurchase reserve was $6.2 million at June 30, 2011, compared to $8.0 million at December 31, 2010.

Selected Financial Results for the Six Months Ended June 30, 2011

Continuing Operations

- Loss from continuing operations of $779 thousand for the six months ended June 30, 2011, compared to earnings of $5.6 million for the comparable 2010 period.

- Net interest income of $2.8 million for the six months ended June 30, 2011, primarily from our long-term mortgage portfolio, compared to $2.3 million for the comparable 2010 period.

- Non-interest income - net trust assets of $2.3 million for the six months ended June 30, 2011, compared to $7.0 million for the comparable 2010 period.

- Mortgage and real estate services fees of $26.7 million for the six months ended June 30, 2011, compared to $26.6 million for the comparable 2010 period.

- The mortgage lending operations originated $282.4 million and sold $231.5 million of loans during the six months ended June 30, 2011 as compared to a minimal amount of loans brokered for the comparable period in 2010.

Discontinued Operations

- Loss from discontinued operations of $342 thousand for the six months ended June 30, 2011, compared to earnings of $3.2 million for the comparable 2010 period.

Financial Condition and Results of Operations

Financial Condition

Condensed Balance Sheet Data

	June 30, 2011	December 31, 2010	Increase (Decrease)	% Change
Investment securities available-for-sale	$ 447	$ 645	$ (198)	(31)%
Securitized mortgage collateral	5,641,957	6,011,675	(369,718)	(6)
Derivative assets	37	40	(3)	(8)
Real estate owned	72,490	92,708	(20,218)	(22)
Total trust assets	5,714,931	6,105,068	(390,137)	(6)
Assets of discontinued operations	196	373	(177)	(47)
Other assets	92,259	48,498	43,761	90
Total assets	$ 5,807,386	$ 6,153,939	$ (346,553)	(6)%
Securitized mortgage borrowings	$ 5,651,842	$ 6,012,745	$ (360,903)	(6)%
Derivative liabilities	38,141	65,916	(27,775)	(42)
Total trust liabilities	$ 5,689,983	$ 6,078,661	$ (388,678)	(6)
Liabilities of discontinued operations	11,153	13,053	(1,900)	(15)
Other liabilities	79,074	34,528	44,546	129
Total liabilities	5,780,210	6,126,242	(346,032)	(6)
Total IMH stockholders’ equity	25,930	26,396	(466)	(2)
Noncontrolling interest	1,246	1,301	(55)	(4)
Total equity	27,176	27,697	(521)	(2)
Total liabilities and stockholders’ equity	$ 5,807,386	$ 6,153,939	$ (346,553)	(6)%

Total assets and total liabilities were $5.8 billion at June 30, 2011 as compared to $6.2 billion and $6.1 billion, respectively, at December 31, 2010. The changes in total assets and liabilities are primarily attributable to decreases in the Company’s trust assets and trust liabilities as summarized below.

- Securitized mortgage collateral decreased $369.7 million during the six months ended June 30, 2011. The decrease in securitized mortgage collateral from $6.0 billion at December 31, 2010 to $5.6 billion at June 30, 2011 was primarily due to reductions in principal from borrower payments, transfers of loans to REO and an increase in net loss assumptions for single-family and multifamily collateral.

- REO within the Company’s securitization trusts decreased $20.2 million to $72.5 million at June 30, 2011. Decreases in REO were due to liquidations of $69.3 million and $5.0 million in additional impairment write-downs. Partially offsetting the decrease from liquidations were increases in REO from foreclosures of $54.1 million.

- Securitized mortgage borrowings decreased $360.9 million to $5.7 billion at June 30, 2011. The decrease in securitized mortgage borrowings was primarily due to reductions in principal balances from principal payments during the period and an increase net loss assumptions for single-family and multifamily collateral.

- Derivative liabilities, net decreased $27.8 million to $38.1 million at June 30, 2011. The decrease is the result of $32.0 million in derivative cash payments from the securitization trusts, partially offset by a $4.2 million increase in fair value resulting from changes in forward LIBOR interest rates.

Since our consolidated and unconsolidated securitization trusts are nonrecourse to the Company, our economic risk is limited to our residual interests in these securitization trusts. Therefore, in the following table we have netted trust assets and trust liabilities to present these residual interests more simply. Our residual interests in securitizations are segregated between our single-family (SF) residential and multifamily (MF) residential portfolios and are represented by the difference between trust assets and trust liabilities.

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The following tables present the estimated fair value of our residual interests, including investment securities available for sale, by securitization vintage year and other related assumptions used to derive these values at June 30, 2011:

Origination Year		Estimated Fair Value of Residual Interests by Vintage Year		
		SF	MF	Total
2002-2003	(1)	$ 10,885	$ 4,443	$ 15,328
2004		3,315	6,186	9,501
2005	(2)	—	119	119
2006	(2)	—	—	—
2007	(2)	—	—	—
Total		**$ 14,200**	**$ 10,748**	**$ 24,948**
Weighted avg. prepayment rate		4.5%	5.4%	4.7%
Weighted avg. discount rate		30%	20%	26%

(1) 2002-2003 vintage year includes CMO 2007-A, since the majority of the mortgages collateralized in this securitization were originated during this period.
(2) The estimated fair values of residual interests in vintage years 2005 through 2007 is reflective of higher estimated future losses and investor yield requirements compared to earlier vintage years.

The Company utilizes a number of assumptions to value securitized mortgage collateral, securitized mortgage borrowings and residual interests. These assumptions include estimated collateral default rates and loss severities (credit losses), collateral prepayment rates, forward interest rates and investor yields (discount rates). The Company uses the same collateral assumptions for securitized mortgage collateral and securitized mortgage borrowings as the collateral assumptions determine collateral cash flows which are used to pay interest and principal for securitized mortgage borrowings and excess spread, if any, to the residual interests. However, the Company uses different investor yield (discount rate) assumptions for securitized mortgage collateral and securitized mortgage borrowings and the discount rate used for residual interests based on underlying collateral characteristics, vintage year, assumed risk and market participant assumptions. The table below reflects the estimated future credit losses and investor yield requirements for trust assets by product (SF and MF) and securitization vintage:

	Estimated Future Losses (1)		Investor Yield Requirement (2)	
	SF	MF	SF	MF
2002-2003	7%	0%	10%	11%
2004	17%	2%	11%	9%
2005	32%	6%	13%	9%
2006	43%	14%	19%	12%
2007	33%	9%	21%	15%

(1) Estimated future losses derived by dividing future projected losses by unpaid principal balances at June 30, 2011.
(2) Investor yield requirements represent the Company's estimate of the yield third-party market participants would require to price our trust assets and liabilities given our prepayment, credit loss and forward interest rate assumptions.

As illustrated in S&Ps Case Shiller 10-City Composite Home Price Index, from 2002 through 2006, home price appreciation escalated to historic levels. During 2005 through 2007, the company originated or acquired mortgages supported by these elevated real estate values. Beginning in 2007, deterioration in the economy resulting in high unemployment and a dramatic drop in home prices resulted in significant negative equity for borrowers. These factors have led to significant increases in loss severities resulting from deterioration in the credit quality of borrowers, as well as strategic defaults, whereby borrowers with the ability to pay are defaulting on their mortgages based on the belief that home prices will not recover in a reasonable amount of time. Home prices have deteriorated back to December 2003 levels which has significantly reduced or eliminated equity for loans originated after 2003. Future loss estimates are significantly higher for mortgage loans included in securitization vintages after 2004 which reflect severe home price deterioration and defaults experienced with mortgages originated during these periods.

Cash flows from the Company's long-term mortgage portfolio are affected by the following market and operational risks:

- interest rate risk;

- credit risk; and

· prepayment risk.

Interest Rate Risk. The Company's earnings from the long-term mortgage portfolio depend largely on our interest rate spread, represented by the relationship between the yield on our interest- earning assets (primarily investment securities available-for-sale and securitized mortgage collateral) and the cost of our interest-bearing liabilities (primarily securitized mortgage borrowings, long-term debt and note payable). Our interest rate spread is impacted by several factors, including general economic factors, forward interest rates and the credit quality of mortgage loans in the long-term mortgage portfolio.

The residual interests in our long-term mortgage portfolio are sensitive to changes in interest rates on securitized mortgage collateral and the related securitized mortgage borrowings. Changes in interest rates can significantly affect the cash flows and fair values of the Company's assets and liabilities, as well as our earnings and stockholders' equity.

The Company uses derivative instruments to manage some of its interest rate risk. However, the Company does not attempt to hedge interest rate risk completely. To help mitigate some of the exposure to the effect of changing interest rates on cash flows on securitized mortgage borrowings, the Company utilized derivative instruments primarily in the form of interest rate swap agreements (swaps) and, to a lesser extent, interest rate cap agreements (caps) and interest rate floor agreements (floors). These derivative instruments are recorded at fair value in the consolidated balance sheets. For non-exchange traded contracts, fair value is based on the amounts that would be required to settle the positions with the related counterparties as of the valuation date. Valuations of derivative assets and liabilities are based on observable market inputs, if available. To the extent observable market inputs are not available, fair values measurements include the Company's judgments about future cash flows, forward interest rates and certain other factors, including counterparty risk. Additionally, these values also take into account the Company's own credit standing, to the extent applicable; thus, the valuation of the derivative instrument includes the estimated value of the net credit differential between the counterparties to the derivative contract.

At June 30, 2011, derivative liabilities, net were $38.1 million and reflect the securitization trust's liability to pay third-party counterparties based on the estimated value to settle the derivative instruments. Cash payments on these derivative instruments are based on notional amounts that are decreasing over time. Excluding the effects of other factors such as portfolio delinquency and loss severities within the securitization trusts, as the notional amount of these derivative instruments decrease over time, payments to counterparties in the current interest rate environment are reduced, thereby potentially increasing cash flows on our residual interests in securitizations. Conversely, increases in interest rates from current levels could potentially reduce overall cash flows on our residual interests in securitizations. Since our consolidated and unconsolidated securitization trusts are nonrecourse to the Company, our economic risk is limited to our residual interests in these securitization trusts.

The Company is also subject to interest rate risk on its long-term debt (consisting of trust preferred securities and junior subordinated notes) and notes payable. These interest bearing liabilities include adjustable rate periods based on one-month LIBOR (note payable) and three-month LIBOR (trust preferred securities and junior subordinated notes). The Company does not currently hedge its exposure to the effect of changing interest rates related to these interest-bearing liabilities. Significant fluctuations in interest rates could have a material adverse effect on the Company's business, financial condition, results of operations or liquidity.

Credit risk. We manage credit risk by actively managing delinquencies and defaults through our servicers. Starting with the second half of 2007 we have not retained any additional Alt-A mortgages in our long-term mortgage portfolio. Our securitized mortgage collateral primarily consists of Alt-A mortgages which are generally within typical Fannie Mae and Freddie Mac guidelines but have loan characteristics, which may include higher loan balances, higher loan-to-value ratios or lower documentation requirements (including stated-income loans), that make them non-conforming under those guidelines.

Using historical losses, current portfolio statistics and market conditions and available market data, the Company has estimated future loan losses, which are included in the fair value adjustment to our securitized mortgage collateral. While the credit performance for the loans has been clearly far worse than the Company's initial expectations when the loans were originated, the ultimate level of realized losses will largely be influenced by events that will likely unfold over the next several years, including the severity of housing price declines and overall strength of the economy. If market conditions continue to deteriorate in excess of our expectations, the Company may need to recognize additional fair value reductions to our securitized mortgage collateral, which may also affect the value of the related securitized mortgage borrowings and residual interests.

We monitor our servicers to attempt to ensure that they perform loss mitigation, foreclosure and collection functions according to their servicing practices and each securitization trust's pooling and servicing agreement. We have met with the management of our servicers to assess our borrowers' current ability to pay their mortgages and to make arrangements with selected delinquent borrowers which will result in the best interest of the trust and borrower, in an effort to minimize the number of mortgages which become seriously delinquent. When resolving delinquent mortgages, servicers are required to take timely action. The servicer is required to determine payment collection under various circumstances, which will result in the maximum financial benefit. This is

accomplished by either working with the borrower to bring the mortgage current by modifying the loan with terms that will maximize the recovery or by foreclosing and liquidating the property. At a foreclosure sale, the trusts consolidated on our balance sheet generally acquire title to the property.

We use the Mortgage Bankers Association (MBA) method to define delinquency as a contractually required payment being 30 or more days past due. We measure delinquencies from the date of the last payment due date in which a payment was received. Delinquencies for loans 60 days late or greater, foreclosures and delinquent bankruptcies were $2.2 billion or 20.5% as of June 30, 2011.

The following table summarizes the unpaid principal balances of loans in our mortgage portfolio, included in securitized mortgage collateral, mortgage loans held-for-investment and mortgage loans held-for-sale for continuing and discontinued operations combined, that were 60 or more days delinquent (utilizing the MBA method) as of the periods indicated:

	Total		Total

	June 30, 2011	Collateral %	December 31, 2010	Collateral %
Mortgage loans held-for-sale and investment				
60 - 89 days delinquent	$ —	0.0%	$ —	0.0%
90 or more days delinquent	529	0.0%	1,121	0.0%
Foreclosures (1)	1,127	0.0%	1,020	0.0%
Total 60+ days delinquent mortgage loans held-for-sale and investment (2)	1,656	0.0%	2,141	0.0%
Securitized mortgage collateral				
60 - 89 days delinquent	$ 202,292	1.9%	$ 260,106	2.3%
90 or more days delinquent	623,968	5.9%	734,459	6.5%
Foreclosures (1)	941,161	8.9%	1,062,362	9.4%
Delinquent bankruptcies (3)	383,285	3.6%	337,976	3.0%
Total 60+ days delinquent long-term mortgage portfolio	2,150,706	20.4%	2,394,903	21.3%
Total 60 or more days delinquent	$ 2,152,362	20.5%	$ 2,397,044	21.3%
Total collateral	$ 10,518,169		$ 11,256,312	

(1) Represents properties in the process of foreclosure.
(2) Represents legacy mortgage loans held-for-sale included in discontinued operations in the consolidated balance sheets.
(3) Represents bankruptcies that are 30 days or more delinquent.

The following table summarizes securitized mortgage collateral, mortgage loans held-for-investment, mortgage loans held-for-sale and real estate owned, that were non-performing for continuing and discontinued operations combined as of the dates indicated (excludes 60-89 days delinquent):

	June 30, 2011	Total Collateral %	December 31, 2010	Total Collateral %
90 or more days delinquent, foreclosures and delinquent bankruptcies	$ 1,950,070	18.5%	$ 2,136,938	19.0%
Real estate owned	72,653	0.7%	92,780	0.8%
Total non-performing assets	$ 2,022,723	19.2%	$ 2,229,718	19.8%

Non-performing assets consist of non-performing loans (mortgages that are 90 or more days delinquent, including loans in foreclosure and delinquent bankruptcies) plus REO. It is our policy to place a mortgage on non-accrual status when it becomes 90 days delinquent and to reverse from revenue any accrued interest, except for interest income on securitized mortgage collateral when the scheduled payment is received from the servicer. The servicers are required to advance principal and interest on loans within the securitization trusts to the extent the advances are considered recoverable. As of June 30, 2011, non-performing assets (unpaid principal balance of loans 90 or more days delinquent, foreclosures and delinquent bankruptcies plus REO) as a percentage of the total collateral was 19.2%. At December 31, 2010, non-performing assets to total collateral was 19.8%. As of June 30, 2011, the estimated fair value of non-performing assets (representing the fair value of loans 90 or more days delinquent, foreclosures and delinquent bankruptcies plus REO) was $623.4 million or 10.7% of total assets. At December 31, 2010, the estimated fair value of non-performing assets was $657.5 million or 10.7% of total assets.

REO, which consists of residential real estate acquired in satisfaction of loans, is carried at the lower of cost or net realizable value less estimated selling costs. Adjustments to the loan carrying value required at the time of foreclosure are included in the change in the fair value of net trust assets. Changes in the Company's estimates of net realizable value subsequent to the time of foreclosure and through the time of ultimate disposition are recorded as gains or losses from real estate owned in the consolidated statements of operations. REO, for continuing and discontinued operations, at June 30, 2011 decreased $20.0 million or 21.7% from December 31, 2010, as a result of liquidations and a decrease in foreclosures associated with foreclosure delays as a result of reviews into foreclosure practices of some prominent loan servicers.

We realized losses on the sale of real estate owned in the amount $6 thousand and $10 thousand for the three and six months ended June 30, 2011, respectively, compared to a loss of $5.2 million and $3.4 million for the comparable 2010 period. Additionally, during the three and six months ended June 30, 2011, the Company recorded write-downs of the net realizable value of the REO in the amount of $740 thousand and $5.0 million, respectively, compared to a write-down and recovery of $200 thousand and $473 thousand, respectively, for the comparable 2010 period. These write-downs of the net realizable value reflect declines in value of the REO subsequent to foreclosure date.

The following table presents the balances of REO for continuing operations:

	June 30, 2011	December 31, 2010
REO	$ 91,379	$ 122,279
Impairment (1)	(18,726)	(29,499)
Ending balance	$ 72,653	$ 92,780
REO inside trusts	$ 72,490	$ 92,708
REO outside trusts	163	72
Total	$ 72,653	$ 92,780

(1) Impairment represents the cumulative write-downs of net realizable value subsequent to foreclosure.

In calculating the cash flows to assess the fair value of the securitized mortgage collateral, the Company estimates the future losses embedded in our loan portfolio. In evaluating the adequacy of these losses, management takes many factors into consideration. For instance, a detailed analysis of historical

loan performance data is accumulated and reviewed. This data is analyzed for loss performance and prepayment performance by product type, origination year and securitization issuance. The data is also broken down by collection status. Our estimate of losses for these loans is developed by estimating both the rate of default of the loans and the amount of loss severity in the event of default. The rate of default is assigned to the loans based on their attributes (*e.g.*, original loan-to-value, borrower credit score, documentation type, geographic location, etc.) and collection status. The rate of default is based on analysis of migration of loans from each aging category. The loss severity is determined by estimating the net proceeds from the ultimate sale of the foreclosed property. The results of that analysis are then applied to the current mortgage portfolio and an estimate is created. We believe that pooling of mortgages with similar characteristics is an appropriate methodology in which to evaluate the future loan losses.

Management recognizes that there are qualitative factors that must be taken into consideration when evaluating and measuring losses in the loan portfolios. These items include, but are not limited to, economic indicators that may affect the borrower's ability to pay, changes in value of collateral, political factors, employment and market conditions, competitor's performance, market perception, historical losses, and industry statistics. The assessment for losses, is based on delinquency trends and prior loss experience and management's judgment and assumptions regarding various matters, including general economic conditions and loan portfolio composition. Management continually evaluates these assumptions and various relevant factors affecting credit quality and inherent losses.

Prepayment Risk. The Company historically used prepayment penalties as a method of partially mitigating prepayment risk for those borrowers that have the ability to refinance. The recent economic downturn, lack of available credit and declines in property values have limited borrowers' ability to refinance. These factors have significantly reduced prepayment risk within our long-term mortgage portfolio. With the seasoning of the long-term mortgage portfolio, a significant portion of prepayment penalties terms have expired, thereby further reducing prepayment penalty income.

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Results of Operations

For the Three and Six Months Ended June 30, 2011 compared to the Three and Six Months Ended June 30, 2010

	For the Three Months Ended June 30,			
	2011	2010	Increase (Decrease)	% Change
Interest income	$ 202,383	$ 248,213	$ (45,830)	(18)%
Interest expense	201,073	246,658	(45,585)	(18)
Net interest income	1,310	1,555	(245)	(16)
Total non-interest income	16,171	16,290	(119)	(1)
Total non-interest expense	17,299	15,398	1,901	12
Income tax expense	9	45	(36)	(80)
Net earnings from continuing operations	173	2,402	(2,229)	(93)
Earnings from discontinued operations, net	8	804	(796)	(99)
Net earnings	181	3,206	(3,025)	(94)
Net loss attributable to noncontrolling interest (1)	180	80	100	125
Net earnings attributable to IMH	$ 361	$ 3,286	$ (2,925)	(89)%
Earnings per share available to common stockholders - basic	$ 0.05	$ 0.43	$ (0.38)	(89)
Earnings per share available to common stockholders - diluted	$ 0.04	$ 0.39	$ (0.35)	(89)

	For the Six Months Ended June 30,			
	2011	2010	Increase (Decrease)	% Change
Interest income	$ 420,465	$ 528,090	$ (107,625)	(20)%
Interest expense	417,620	525,765	(108,145)	(21)
Net interest income	2,845	2,325	520	22
Total non-interest income	29,041	33,293	(4,252)	(13)
Total non-interest expense	32,644	29,858	2,786	9
Income tax expense	21	129	(108)	(84)
Net (loss) earnings from continuing operations	(779)	5,631	(6,410)	(114)
(Loss) earnings from discontinued operations, net	(342)	3,190	(3,532)	(111)
Net (loss) earnings	(1,121)	8,821	(9,942)	(113)
Net loss attributable to noncontrolling interest (1)	495	383	112	29
Net (loss) earnings attributable to IMH	$ (626)	$ 9,204	$ (9,830)	(107)%
(Loss) earnings per share available to common stockholders - basic	$ (0.08)	$ 1.19	$ (1.27)	(107)%
(Loss) earnings per share available to common stockholders - diluted	$ (0.08)	$ 1.10	$ (1.18)	(107)%

(1) Net loss attributable to noncontrolling interest represents the portion of the losses of Experience 1, Inc. and AmeriHome Mortgage Corporation (both subsidiaries of IRES) that the Company does not own.

Net Interest Income

We earn net interest income primarily from mortgage assets which include securitized mortgage collateral, loans held-for-sale and investment securities available-for-sale, or collectively, "mortgage assets," and, to a lesser extent, interest income earned on cash and cash equivalents. Interest expense is primarily interest paid on borrowings secured by mortgage assets, which include securitized mortgage borrowings and to a lesser extent, interest expense paid on long-term debt and notes payable. Interest income and interest expense during the period primarily represents the effective yield, based on the fair value of the trust assets and liabilities.

The following tables summarize average balance, interest and weighted average yield on mortgage assets and borrowings, included within continuing operations, for the periods indicated. Cash receipts and payments on derivative instruments hedging interest rate risk related to our securitized mortgage borrowings are not included in the results below. These cash receipts and payments are included as a component of the change in fair value of net trust assets.

	For the three months ended June 30,					
	2011			2010		
	Average Balance	Interest	Yield	Average Balance	Interest	Yield
ASSETS						
Securitized mortgage collateral	$ 5,847,862	$ 201,663	13.79%	$ 6,291,034	$ 248,064	15.77%
Loans held-for-sale	42,085	617	5.86%	—	—	0.00%
Other	4,500	103	9.16%	7,487	149	7.96%
Total interest-earning assets	$ 5,894,447	$ 202,383	13.73%	$ 6,298,521	$ 248,213	15.76%
LIABILITIES						
Securitized mortgage borrowings	$ 5,854,209	$ 198,955	13.59%	$ 6,276,241	$ 245,280	15.63%
Long-term debt	12,089	924	30.57%	11,625	1,197	41.19%
Notes payable	6,401	625	39.06%	19,677	181	3.68%
Warehouse borrowings	40,583	569	5.61%	—	—	—
Total interest-bearing liabilities	$ 5,913,282	$ 201,073	13.60%	$ 6,307,543	$ 246,658	15.64%
Net Interest Spread (1)		$ 1,310	0.13%		$ 1,555	0.12%
Net Interest Margin (2)			0.09%			0.10%

(1) Net interest spread is calculated by subtracting the weighted average yield on interest-bearing liabilities from the weighted average yield on interest-earning assets.
(2) Net interest margin is calculated by dividing net interest spread by total average interest-earning assets.

Net interest income spread decreased $245 thousand for the three months ended June 30, 2011 to $1.3 million from $1.6 million for the comparable 2010 period. The decrease in net interest spread was primarily attributable to an increase in interest expense on notes payable and warehouse borrowings, partially offset by an increase in interest income on loans held-for-sale for the quarter ended June 30, 2011. As a result, net interest margin decreased from 0.10% for the three months ended June 30, 2010 to 0.09% for the three months ended June 30, 2011.

During the three months ended June 30, 2011, the yield on interest-earning assets decreased to 13.73% from 15.76% in the comparable 2010 period. The yield on interest-bearing liabilities decreased to 13.60% for the three months ended June 30, 2011 from 15.64% for the comparable 2010 period. In connection with the fair value accounting for investment securities available-for-sale and securitized mortgage collateral and borrowings, interest income and interest expense is recognized using effective yields based on estimated fair values for these instruments. The decrease in yield for securitized mortgage collateral and securitized mortgage borrowings is primarily related to increased prices on mortgage-backed bonds which resulted in a decrease in yield. Bond prices received from pricing services and other market participants have increased over the past few quarters as investor's demand for mortgage-backed securities has increased. This has resulted in an increase in fair value for both securitized mortgage collateral and securitized mortgage borrowings. These increases in fair value have decreased the effective yields used for purposes of recognizing interest income and interest expense on these instruments.

	For the six months ended June 30,					
	2011			2010		
	Average Balance	Interest	Yield	Average Balance	Interest	Yield
ASSETS						
Securitized mortgage collateral	$ 5,902,466	$ 419,410	14.21%	$ 6,122,707	$ 527,830	17.24%
Loans held-for-sale	24,822	703	5.66%	—	—	0.00%
Other	4,723	352	14.91%	12,261	260	4.24%
Total interest-earning assets	$ 5,932,011	$ 420,465	14.18%	$ 6,134,968	$ 528,090	17.22%
LIABILITIES						
Securitized mortgage borrowings	$ 5,907,055	$ 413,922	14.01%	$ 6,107,655	$ 522,945	17.12%
Long-term debt	11,969	1,861	31.10%	11,008	2,362	42.91%
Notes payable	6,559	1,180	35.98%	23,471	458	3.90%
Warehouse borrowings	23,982	657	5.48%	—	—	—
Total interest-bearing liabilities	$ 5,949,565	$ 417,620	14.04%	$ 6,142,134	$ 525,765	17.12%
Net Interest Spread (1)		$ 2,845	0.14%		$ 2,325	0.10%
Net Interest Margin (2)			0.10%			0.08%

(1) Net interest spread is calculated by subtracting the weighted average yield on interest-bearing liabilities from the weighted average yield on interest-earning assets.
(2) Net interest margin is calculated by dividing net interest spread by total average interest-earning assets.

Net interest income spread increased $520 thousand for the six months ended June 30, 2011 to $2.8 million from $2.3 million for the comparable 2010 period. The increase in net interest spread was primarily attributable to overall increases in pricing and the corresponding reduction in investor yield requirements between periods on securitized mortgage collateral and securitized mortgage borrowings, a decrease in interest expense on the long-term debt, partially offset by an increase in interest expense incurred on the notes payable for the six months ended June 30, 2011. As a result, net interest margin increased from 0.08% for the six months ended June 30, 2010 to 0.10% for the six months ended June 30, 2011.

During the six months ended June 30, 2011, the yield on interest-earning assets decreased to 14.18% from 17.22% in the comparable 2010 period. The yield on interest-bearing liabilities decreased to 14.04% for the six months ended June 30, 2011 from 17.12% for the comparable 2010 period. In connection with the fair value accounting for investment securities available-for-sale and securitized mortgage collateral and borrowings, interest income and interest expense is recognized using effective yields based on estimated fair values for these instruments. The decrease in yield for securitized mortgage collateral and securitized mortgage borrowings is primarily related to increased prices on mortgage-backed bonds which resulted in a decrease in yield. Bond prices received from pricing services and other market participants have increased over the past few quarters as investor's demand for mortgage-backed securities has increased. This has resulted in an increase in fair value for both securitized mortgage collateral and securitized mortgage borrowings. These increases in fair value have decreased the effective yields used for purposes of recognizing interest income and interest expense on these instruments.

Non-Interest Income

Changes in Non-Interest Income

	For the Three Months Ended June 30,			
	2011	**2010**	**Increase (Decrease)**	**% Change**
Change in fair value of net trust assets, excluding REO	$ 2,403	$ (4,244)	$ 6,647	157%
(Losses) gains from REO	(739)	4,965	(5,704)	(115)
Non-interest income - net trust assets	1,664	721	943	131
Mortgage and real estate services fees	14,360	15,572	(1,212)	(8)
Other non-interest income	147	(3)	150	(5,000)
Total non-interest income	$ 16,171	$ 16,290	$ (119)	(1)%

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Non-interest income—net trust assets. Since our consolidated and unconsolidated securitization trusts are nonrecourse to the Company, our economic risk is limited to our residual interests in these securitization trusts. To understand the economics on our residual interests in securitizations better, it is necessary to consider the net effect of changes in fair value of net trust assets and losses from REO. All estimated future losses are included in the estimate of the fair value of securitized mortgage collateral and REO. Losses on REO are reported separately in the consolidated statement of operations as REO is a nonfinancial asset which is the only component of trust assets and liabilities that is not recorded at fair value. Therefore, REO value at the time of sale or losses from further write-downs are recorded separately in the Company's consolidated statement of operations. The net effect of changes in value related to our investment in all trust assets and liabilities is shown as non-interest income—net trust assets, which includes losses from REO. Non-interest income related to our net trust assets (residual interests in securitizations) was $1.7 million for the three months ended June 30, 2011, compared to $721 thousand in the comparable 2010 period. The individual components of the non-interest income from net trust assets are discussed below:

Change in fair value of net trust assets, excluding REO. For the quarter ended June 30, 2011, the Company recognized a $2.4 million gain from the change in fair value of net trust assets, excluding REO. The net gain recognized during the period was comprised of gains resulting from the decrease in fair value of securitized mortgage borrowings and increase in fair value of investment securities available-for-sale of $296.3 million and $56 thousand, respectively. Offsetting these gains were losses resulting from decreases in the fair value of securitized mortgage collateral and an increase in fair value of net derivative liabilities of $286.7 million and $7.2 million, respectively.

For the quarter ended June 30, 2010, the Company recognized a $4.2 million loss from the change in fair value of net trust assets, excluding REO. The net loss recognized during the period was comprised of losses resulting from the decrease in the fair value of securitized mortgage collateral and an increase in the fair value of net derivative liabilities of $30.6 million and $11.3 million, respectively. Offsetting these losses were gains resulting from the increase in fair value of investment securities-for-sale and a decrease in the fair value of securitized mortgage borrowings of $541 thousand and $37.2 million, respectively.

Losses from REO. Losses from REO were $739 thousand for the three months ended June 30, 2011. This loss was comprised of $733 thousand in additional impairment write-downs during the period and $6 thousand in loss on sale of REO. During the three months ended June 30, 2011, additional impairment write-downs were attributable to higher expected loss severities on properties held during the period as compared to previously reserved.

Gains (losses) from REO were $5.0 million for the three months ended June 30, 2010. This gain was comprised of a $5.2 million gain on sale of REO, coupled with $200 thousand in additional impairment write-downs during the period. During the three months ended June 30, 2010, the gain on sale of REO was attributable to mortgage insurance recoveries collected in the period as a result of our increased loss mitigation efforts of our portfolio. Additionally, loss severities decreased on properties liquidated during the period as compared to previously reserved.

Mortgage and real estate services fees. Revenues generated from these businesses are primarily from the Company's long-term mortgage portfolio. For the three months ended June 30, 2011, mortgage and real estate services fees were $14.4 million compared to $15.6 million in fees in the comparable 2010 period. The mortgage and real estate services fees of $14.4 million for the three months ended June 30, 2011, was primarily comprised of $4.7 million in title and escrow fees, $4.1 million in real estate services and recovery fees, $2.3 million in mortgage lending, $1.8 million in loss mitigation fees, and $1.5 million in portfolio service fees. The $1.2 million decrease in mortgage and real estate services fees was comprised of decreases in monitoring, surveillance and recovery fees, loss mitigation fees and portfolio service fees of approximately $2.5 million, $1.7 million, and $200 thousand, respectively. Offsetting these decreases was an increase in mortgage lending and title and escrow fees of approximately $2.2 million and $1.0 million, respectively.

	For the Six Months Ended June 30,			
	2011	2010	Increase (Decrease)	% Change
Change in fair value of net trust assets, excluding REO	$ 7,299	$ 3,128	$ 4,171	133%
(Losses) gains from REO	(4,988)	3,857	(8,845)	(229)
Non-interest income - net trust assets	2,311	6,985	(4,674)	(67)
Mortgage and real estate services fees	26,701	26,593	108	0
Other non-interest income	29	(285)	314	110
Total non-interest income	$ 29,041	$ 33,293	$ (4,252)	(13)%

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Non-interest income—net trust assets. Since our consolidated and unconsolidated securitization trusts are nonrecourse to the Company, our economic risk is limited to our residual interests in these securitization trusts. To understand the economics on our residual interests in securitizations better, it is necessary to consider the net effect of changes in fair value of net trust assets and losses from REO. All estimated future losses are included in the estimate of the fair value of securitized mortgage collateral and REO. Losses on REO are reported separately in the consolidated statement of operations as REO is a nonfinancial asset which is the only component of trust assets and liabilities that is not recorded at fair value. Therefore, REO value at the time of sale or losses from further write-downs are recorded separately in the Company's consolidated statement of operations. The net effect of changes in value related to our investment in all trust assets and liabilities is shown as non-interest income—net trust assets, which includes losses from REO. Non-interest income related to our net trust assets (residual interests in securitizations) was $2.3 million for the six months ended June 30, 2011, compared to $7.0 million in the comparable 2010 period. The individual components of the non-interest income from net trust assets are discussed below:

Change in fair value of net trust assets, excluding REO. For the six months ended June 30, 2011, the Company recognized a $7.3 million gain from the change in fair value of net trust assets, excluding REO. The net gain recognized during the period was comprised of gains resulting from the decrease in fair value of securitized mortgage borrowings of $159.0 million. Offsetting these gains were losses resulting from decreases in the fair value of securitized mortgage collateral and investment securities available-for-sale and an increase in fair value of net derivative liabilities of $147.3 million, $146 thousand and $4.3 million, respectively.

For the six months ended June 30, 2010, the Company recognized a $3.1 million gain from the change in fair value of net trust assets, excluding REO. The net gain recognized during the period was comprised of gains resulting from the increase in fair value of investment securities-for-sale and securitized mortgage collateral of $718 thousand and $650.8 million, respectively. Offsetting these gains were losses resulting from increases in the fair value of securitized mortgage borrowings and net derivative liabilities of $619.0 million and $29.3 million, respectively.

Losses from REO. Losses from REO were $5.0 million for the six months ended June 30, 2011. This loss was comprised of $5.0 million in additional impairment write-downs during the period and $10 thousand in loss on sale of REO. During the six months ended June 30, 2011, additional impairment write-downs were attributable to higher expected loss severities on properties held during the period as compared to previously reserved.

Gains from REO were $3.9 million for the six months ended June 30, 2010. This gain was comprised of a $3.4 million gain on sale of REO, coupled with $473 thousand in recoveries of the net realizable value during the period. During the six months ended June 30, 2010, the gain on sale of REO was attributable to mortgage insurance recovery collected in the period as a result of our increased loss mitigation efforts of our portfolio. Additionally, loss severities decreased on properties liquidated during the period as compared to previously reserved.

Mortgage and real estate services fees. Revenues generated from these businesses are primarily from the Company's long-term mortgage portfolio. For the six months ended June 30, 2011, mortgage and real estate services fees were $26.7 million compared to $26.6 million in fees in the comparable 2010 period. The mortgage and real estate services fees of $26.7 million for the six months ended June 30, 2011, was primarily comprised of $9.0 million in title and escrow fees, $8.6 million in real estate services and recovery fees, $3.2 million in loss mitigation fees, $3.0 million in mortgage lending and $2.9 million in portfolio service fees. The $0.1 million increase in mortgage and real estate services fees was comprised of an increase in mortgage lending, title and escrow fees and portfolio service fees of approximately $2.7 million, $2.5 million and $500 thousand, respectively. Offsetting these increases were decreases in loss mitigation fees and real estate services and recovery fees of approximately $3.6 million and $2.0 million, respectively.

Non-Interest Expense

Changes in Non-Interest Expense

	For the Three Months Ended June 30,			
	2011	2010	Increase (Decrease)	% Change
General and administrative	$ 5,005	$ 4,630	$ 375	8%
Personnel expense	12,294	10,768	1,526	14
Total operating expense	$ 17,299	$ 15,398	$ 1,901	12%

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Total non-interest expense was $17.3 million for the three months ended June 30, 2011, compared to $15.4 million for the comparable period of 2010. The $1.9 million increase in non-interest expense was primarily attributable to a $1.5 million increase in personnel and related costs associated with the expansion of the mortgage lending platform into the Pacific Northwest and Gulf Coast Regions.

	For the Six Months Ended June 30,			
	2011	2010	Increase (Decrease)	% Change

General and administrative	$	9,584	$	9,409	$	175	2%
Personnel expense		23,060		20,449		2,611	13
Total operating expense	$	32,644	$	29,858	$	2,786	9%

Total non-interest expense was $32.6 million for the six months ended June 30, 2011, compared to $29.9 million for the comparable period of 2010. The $2.8 million increase in non-interest expense was primarily attributable to a $2.6 million increase in personnel and related costs associated with the expansion of the mortgage lending platform into the Pacific Northwest and Gulf Coast Regions.

Income Taxes

The Company recorded income tax expense of $9 thousand and $21 thousand for the three and six months ended June 30, 2011, respectively. The Company recorded income tax expense of $45 thousand and $129 thousand for the three and six months ended June 30, 2010, respectively. The income tax expense for 2011 and 2010 is the result of state income taxes primarily from states where the Company does not have net operating loss carryforwards.

As of December 31, 2010, the Company had estimated federal and California net operating loss carryforwards of approximately $490.6 million and $492.1 million, respectively, of which $271.7 million (federal) relate to discontinued operations. During the year ended December 31, 2010, estimated net operating loss carryforwards were reduced as a result of the Company generating taxable income from cancellation of debt for approximately $426.2 million of securitized mortgage borrowings. Federal and state net operating loss (NOL) carryforwards begin to expire in 2020 and 2017, respectively. California net operating loss carryforwards have been suspended by the state until 2012, thus the expiration begins in 2017. The Company recorded a full valuation allowance against the deferred tax assets as it believes that as of June 30, 2011 it is more likely than not that the deferred tax assets will not be recoverable.

During the fourth quarter of 2009, the Company received a federal income tax refund in the amount of $8.9 million as a result of an election to carryback NOLs five years pursuant to 2009 federal legislation, *The Worker, Homeownership, and Business Assistance Act of 2009*. The Company files income tax returns in the U.S. federal and various state jurisdictions. The Company is subject to routine income tax audits in the various jurisdictions. A subsidiary of the Company is currently under examination by the Internal Revenue Service for tax year 2008. Management believes that there are no unresolved issues or claims likely to be material to our financial position. As of June 30, 2011, the Company has no material uncertain tax positions.

Results of Operations by Business Segment

Mortgage and Real Estate Services

Condensed Statements of Operations Data

	For the Three Months Ended June 30,						
		2011		2010		Increase (Decrease)	% Change
Net interest income	$	49	$	6	$	43	717%
Mortgage and real estate services fees		14,360		15,572		(1,212)	(8)
Other non-interest income		68		20		48	240
Total non-interest income		14,428		15,592		(1,164)	(7)
Personnel expense		10,887		8,830		2,057	23
Non-interest expense and income taxes		2,794		2,039		755	37
Net earnings	$	796	$	4,729	$	(3,933)	(83)%

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For the three months ended June 30, 2011, mortgage and real estate services fees were $14.4 million compared to $15.6 million in fees in the comparable 2010 period. The mortgage and real estate services fees of $14.4 million for the three months ended June 30, 2011, was primarily comprised of $4.7 million in title and escrow fees, $4.1 million in real estate services and recovery fees, $2.3 million in mortgage lending, $1.8 million in loss mitigation fees, and $1.5 million in portfolio service fees. The $1.2 million decrease in mortgage and real estate services fees was comprised of decreases in real estate services and recovery fees, loss mitigation fees and portfolio service fees of approximately $2.5 million, $1.7 million, and $200 thousand, respectively, primarily the result of a reduction in loan modifications and foreclosures. Offsetting these decreases was an increase in mortgage lending and title and escrow fees of approximately $2.0 million and $1.0 million, respectively.

The $2.0 million increase in mortgage lending during the three months ended June 30, 2011 was primarily the result of an increase in net gain on sale of loans slightly offset by an increase in provision for repurchases as compared to the same period in 2010. For the three months ended June 30, 2011, net gain on sale of loans was $2.2 million as compared to $84 thousand in the second quarter of 2010. Provision for repurchases increased to $105 thousand for the three months ended June 30, 2011 as compared to $4 thousand for the same period in 2010. For the three months ended June 30, 2011, the increase in net gain on sale of loans and provision for repurchase was the result of $208.4 million in loan sales during the period as compared to a minimal amount of loans brokered for the comparable 2010 period.

For the three months ended June 30, 2011, personnel expense increased $2.1 million to $10.9 million as a result of increases in personnel and related costs associated with the expansion of our mortgage lending platform into the Pacific Northwest and Gulf Coast Regions during the first quarter of 2011.

	For the Six Months Ended June 30,						
		2011		2010		Increase (Decrease)	% Change
Net interest income	$	50	$	11	$	39	355%
Mortgage and real estate services fees		26,701		26,593		108	0
Other non-interest income		(257)		28		(285)	(1,018)
Total non-interest income		26,444		26,621		(177)	(1)

Personnel expense		19,926		16,440		3,486	21
Non-interest expense and income taxes		4,841		4,329		512	12
Net earnings	$	1,727	$	5,863	$	(4,136)	(71)%

For the six months ended June 30, 2011, mortgage and real estate services fees were $26.7 million compared to $26.6 million in fees in the comparable 2010 period. The mortgage and real estate services fees of $26.7 million for the six months ended June 30, 2011, was primarily comprised of $9.0 million in title and escrow fees, $8.6 million in real estate services and recovery fees, $3.2 million in loss mitigation fees, $3.0 million in mortgage lending and $2.9 million in portfolio service fees. The $0.1 million increase in mortgage and real estate services fees was comprised of an increase in mortgage lending, title and escrow fees and portfolio service fees of approximately $2.7 million, $2.5 million and $500 thousand, respectively. Offsetting these increases were decreases in loss mitigation fees and real estate services and recovery fees of approximately $3.6 million and $2.0 million, respectively, primarily the result of a reduction in loan modifications and foreclosures.

The $2.5 million increase in other non-interest income during the six months ended June 30, 2011 was primarily the result of an increase in net gain on sale of loans slightly offset by an increase in provision for repurchases as compared to the same period in 2010. For the six months ended June 30, 2011, net gain on sale of loans was $2.9 million as compared to $214 thousand for the same period in 2010. Provision for repurchases increased to $222 thousand for the six months ended June 30, 2011 as compared to $8 thousand for the same period in 2010. For the six months ended June 30, 2011, the increase in net gain on sale of loans and provision for repurchase was the result of $231.5 million in loan sales during the period as compared to a minimal amount of loans brokered for the comparable 2010 period.

For the six months ended June 30, 2011, personnel and non-interest expense and income taxes increased as a result of startup costs of approximately $2.0 million the Company invested in its mortgage lending operation infrastructure and personnel costs associated with the expansion into the Pacific Northwest and Gulf Coast Regions during the first quarter of 2011.

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Long-term Portfolio

Condensed Statements of Operations Data

	For the Three Months Ended June 30,						
		2011		2010		Increase (Decrease)	% Change
Net interest income	$	1,261	$	1,549	$	(288)	(19)%
Change in fair value of net trust assets, excluding REO		2,403		(4,244)		6,647	157
(Losses) gains from REO		(739)		4,965		(5,704)	(115)
Non-interest (loss) income- net trust assets		1,664		721		943	131
Other non-interest income		79		(23)		102	443
Total non-interest income		1,743		698		1,045	150
Personnel expense		1,408		1,938		(530)	(27)
Non-interest expense and income taxes		2,219		2,636		(417)	(16)
Net loss	$	(623)	$	(2,327)	$	1,704	73%

Net loss for the long-term portfolio was $623 thousand for the three months ended June 30, 2011, compared to a loss of $2.3 million for the comparable period of 2010. The decrease in net loss is primarily attributable to a $943 thousand increase in non-interest income-net trust assets, $530 thousand decrease in personnel expense and a $417 thousand reduction in non-interest expense and income taxes.

For the three months ended June 30, 2011, the Company recognized a $2.4 million gain from the change in fair value of net trust assets, excluding REO. The net gain recognized during the period was comprised of gains resulting from the decrease in fair value of securitized mortgage borrowings and increase in fair value of investment securities available-for-sale of $296.3 million and $56 thousand, respectively. Offsetting these gains were losses resulting from decreases in the fair value of securitized mortgage collateral and increase in fair value of net derivative liabilities of $286.7 million and $7.2 million, respectively. Losses from REO were $739 thousand for the three months ended June 30, 2011. This loss was comprised of $733 thousand in additional impairment write-downs during the period and $6 thousand in loss on sale of REO. During the three months ended June 30, 2011, additional impairment write-downs were attributable to higher expected loss severities on properties held during the period as compared to previously reserved.

Personnel expense and non-interest expense and income taxes decreased $530 thousand and $417 thousand, respectively, during the three months ended June 30, 2011 primarily as a result of reduced personnel associated with the long-term portfolio segment of the Company.

	For the Six Months Ended June 30,						
		2011		2010		Increase (Decrease)	% Change
Net interest income	$	2,795	$	2,314	$	481	21%
Change in fair value of net trust assets, excluding REO		7,299		3,128		4,171	133
(Losses) gains from REO		(4,988)		3,857		(8,845)	(229)
Non-interest income- net trust assets		2,311		6,985		(4,674)	(67)
Other non-interest income		286		(313)		599	191
Total non-interest income		2,597		6,672		(4,075)	(61)
Personnel expense		3,134		4,009		(875)	(22)
Non-interest expense and income taxes		4,764		5,209		(445)	(9)
Net loss	$	(2,506)	$	(232)	$	(2,274)	(980)%

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Net loss for the long-term portfolio was $2.5 million for the six months ended June 30, 2011, compared to a loss of $232 thousand for the comparable period of 2010. The increase in net loss is primarily attributable to a $4.7 million decrease in non-interest income-net trust assets partially offset by an $875 thousand reduction in personnel expense and a $445 thousand decrease in non-interest expense and income taxes.

For the six months ended June 30, 2011, the Company recognized a $7.3 million gain from the change in fair value of net trust assets, excluding REO. The net gain recognized during the period was comprised of gains resulting from the decrease in fair value of securitized mortgage borrowings of $159.0 million. Offsetting these gains were losses resulting from decreases in the fair value of securitized mortgage collateral and investment securities available-for-sale and an increase in fair value of net derivative liabilities of $147.3 million, $146 thousand and $4.3 million, respectively. Losses from REO were $5.0 million for the six months ended June 30, 2011. This loss was comprised of $5.0 million in additional impairment write-downs during the period and $10 thousand in loss on sale of REO. During the six months ended June 30, 2011, additional impairment write-downs were attributable to higher expected loss severities on properties held during the period as compared to previously reserved.

Personnel expense and non-interest expense and income taxes decreased $875 thousand and $445 thousand, respectively, during the six months ended June 30, 2011 primarily as a result of reduced personnel associated with the long-term portfolio segment of the Company.

Discontinued Operations

Condensed Statements of Operations Data

	For the Three Months Ended June 30,			
	2011	2010	Increase (Decrease)	% Change
Net interest income	$ —	$ 17	$ (17)	(100)%
Gain (loss) loans held-for-sale	120	(111)	231	208
Provision for repurchases	(740)	(416)	(324)	(78)
Other non-interest income	966	575	391	68
Total non-interest income	346	48	298	621
Non-interest expense and income taxes	338	(739)	1,077	146
Net earnings	$ 8	$ 804	$ (796)	(99)%

Provision for repurchases increased $324 thousand to a provision of $740 thousand for the three months ended June 30, 2011, compared to a provision of $416 thousand for the same period in 2010. The $324 thousand increase is the result of increases in estimated repurchase obligations during the second quarter of 2011.

The $391 thousand increase in other non-interest income during the three months ended June 30, 2011, is primarily the result of a $775 thousand settlement on loans previously purchased by our discontinued mortgage operations.

Non-interest income and income taxes decreased $1.1 million between periods primarily due to a gain in the second quarter of 2010 related to lease impairment adjustments as a result of changes in our expected minimum future lease payments.

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	For the Six Months Ended June 30,			
	2011	2010	Increase (Decrease)	% Change
Net interest income	$ —	$ 44	$ (44)	(100)%
Gain on loans held-for-sale	98	85	13	15
Provision for repurchases	(993)	(363)	(630)	(174)
Other non-interest income	1,110	2,411	(1,301)	(54)
Total non-interest income	215	2,133	(1,918)	(90)
Non-interest expense and income taxes	557	(1,013)	1,570	155
Net (loss) earnings	$ (342)	$ 3,190	$ (3,532)	(111)%

Provision for repurchases increased $630 thousand to $993 thousand for the six months ended June 30, 2011, compared to $363 thousand for the same period in 2010. The $630 thousand increase is the result of increases in estimated repurchase obligations during the first half of 2011.

The $1.3 million decrease in other non-interest income is primarily the result of gains of $304 thousand on sales of REO properties not in trusts and recovery of REO write-downs during the six months ended June 30, 2011 as compared to $1.7 million for the same period in 2010. Additionally during the six months ended June 30, 2011, the Company received a $775 thousand settlement on loans previously purchased by our discontinued mortgage operations.

Non-interest expense and income taxes decreased $1.6 million between periods primarily due to a gain in the second quarter of 2010 related to lease impairment adjustments as a result of changes in our expected minimum future lease payments.

ITEM 3: QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

As a smaller reporting company, we are not required to provide the information required by this Item.

ITEM 4: CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

The Company maintains disclosure controls and procedures (as defined in the Securities Exchange Act of 1934 Rules 13a-15(e) or 15d-15(e)) designed to ensure that information required to be disclosed in reports filed or submitted under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by the Company in its reports that it files or submits under the Exchange Act is accumulated and communicated to the Company's management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

As required by Rules 13a-15 and 15d-15 under the Exchange Act, in connection with the filing of this Quarterly Report on Form 10-Q, our management, under the supervision and with the participation of our CEO and CFO, conducted an evaluation of our disclosure controls and procedures, as such term is defined under Rule 13a-15(e). Based on that evaluation, the Company's chief executive officer and chief financial officer concluded that, as of that date, the Company's disclosure controls and procedures were effective at a reasonable assurance level.

Changes in Internal Control Over Financial Reporting

There has been no change in the Company's internal control over financial reporting during the Company's quarter ended June 30, 2011, that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

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PART II. OTHER INFORMATION

ITEM 1: LEGAL PROCEEDINGS

On May 25, 2011, the lawsuit filed in the United States District court, Central district of California as Case No. SACV11-00717 entitled Norma B. Power Trust, individually and on Behalf of All Others Similarly Situated v. Impac Mortgage Holdings, Inc., et al, regarding allegations of unauthorized false, invalid amendments to the Company's corporate charter with regards to its of series B Preferred Stock and Series C Preferred Stock was voluntarily dismissed by the plaintiffs.

The Company is party to litigation and claims which arise in the ordinary course of business.

Please refer to IMH's reports on Form 10-K for the year ended December 31, 2010 and Form 10-Q for the quarter ended March 31, 2011 for a description of other litigation and claims.

ITEM 1A: RISK FACTORS

Our Annual Report on Form 10-K for the year ended December 31, 2010 and our quarterly reports on Form 10-Q for the period ended March 31, 2011, include a detailed discussion of our risk factors. The information presented below updates and should be read in conjunction with the risk factors and information disclosed in that Form 10-K.

ITEM 2: UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None

ITEM 3: DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4: RESERVED

None.

ITEM 5: OTHER INFORMATION

On April 4, 2011, the master repurchase agreement with New Century Bank was amended to increase the borrowing capacity from $25.0 million to $32.5 million.

On June 30, 2011, the maturity date of the master repurchase agreement with New Century Bank was extended from June 29, 2011 to June 29, 2012.

On March 28, 2011, the maturity date of the master repurchase agreement with East West Bank was extended from June 30, 2011 to April 2012.

On April 1, 2011, the Company, through its subsidiaries, entered into a $2.0 million working capital line of credit agreement with Wells Fargo Bank with a floating interest rate of LIBOR plus 3.5% and an expiration date of April 2012. Under the terms of the working capital line of credit agreement, the subsidiary is required to maintain various financial and other covenants such as minimum liquidity and profitability.

ITEM 6: EXHIBITS

(a) Exhibits:

10.1	Amendment dated April 4, 2011 to Master Repurchase Agreement with New Century Bank.
10.2	Amendment dated June 30, 2011 to Master Repurchase Agreement with New Century Bank.
10.3	Amendment dated March 28, 2011 to Master Repurchase Agreement with East West Bank.
10.4	Line of Credit Agreement dated April 1, 2011 among Excel Mortgage Servicing, Inc. and Wells Fargo
10.5	Supplemental Indenture No. 1 dated May 17, 2011 between LVII 2010-R1, Deuschte Bank National Trust Company
31.1	Certification of Chief Executive Officer pursuant to Item 601(b)(31) of Regulation S-K, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer pursuant to Item 601(b)(31) of Regulation S-K, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1*	Certifications of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101*	The following materials from Impac Mortgage Holdings, Inc.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2011, formatted in XBRL (Extensible Business Reporting Language): (1) the Condensed Consolidated Balance Sheets, (2) the Condensed Consolidated Statements of Operations, (3) the Condensed Consolidated Statements of Cash Flows, and (4) Notes to Consolidated Financial Statements, tagged as blocks of text.

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* This exhibit shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934 or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934, whether made before or after the date hereof and irrespective of any general incorporation language in any filings.

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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.

/s/ TODD R. TAYLOR
Todd R. Taylor
Chief Financial Officer
(authorized officer of registrant and principal financial officer)

August 15, 2011

FIRST AMENDMENT
TO
MASTER REPURCHASE AGREEMENT

FIRST AMENDMENT, dated as of April 4, 2011 (the "Amendment"), to the Master Repurchase Agreement dated as of December 3, 2010 (the "Existing Master Repurchase Agreement"), by and among **Excel Mortgage Servicing, Inc.**, a California corporation, with an address at 19500 Jamboree Road #400, Irvine, California 92612, as a seller ("Excel"), **AmeriHome Mortgage Corporation**, a Michigan corporation, with an address at 2141 W. Bristol Road, Flint, Michigan 48507, as a seller ("AmeriHome") (Excel and AmeriHome are individually and collectively referred to herein as "Seller"), and **New Century Bank d/b/a Customers Bank**, a Pennsylvania state-chartered bank, with an address at 99 Bridge Street, Phoenixville, Pennsylvania (the "Buyer").

RECITALS

The Seller has requested the Buyer to agree to amend the Existing Master Repurchase Agreement as set forth in this Amendment. The Buyer is willing to agree to such amendment, but only on the terms and subject to the conditions set forth in this Amendment.

NOW, THEREFORE, in consideration of the premises and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Seller and the Buyer hereby agree as follows:

ARTICLE I
DEFINITIONS

Definitions. Unless otherwise indicated, capitalized terms that are used but not defined herein shall have the meanings ascribed to them in the Existing Master Repurchase Agreement.

ARTICLE II
AMENDMENT

1. The definition of "Maximum Aggregate Purchase Price" contained in Section 1 (Definitions) of the Existing Master Repurchase Agreement is hereby deleted and replaced in its entirety by the following:

(jj) "Maximum Aggregate Purchase Price" means Thirty Two Million Five Hundred Thousand and 00/100 Dollars ($32,500,000.00).

ARTICLE III
REPRESENTATIONS AND WARRANTIES

All representations and warranties contained in the Existing Master Repurchase Agreement are true and correct as of the date of this Amendment (except to the extent that any of such representations and warranties expressly relate to an earlier date).

ARTICLE IV
MISCELLANEOUS

1. Ratification. Except as expressly affected by the provisions hereof, the Existing Master Repurchase Agreement, as amended, shall remain in full force and effect in accordance with its terms and ratified and confirmed by the parties hereto. On and after the date hereof, each reference in the Existing Master Repurchase Agreement to "the Agreement", "hereunder", "herein" or words of like import shall mean and be a reference to the Agreement as amended by this Amendment.

2. Limited Scope. This Amendment is specific to the circumstances described above and does not imply any future amendment or waiver of rights of the Buyer and the Seller under the Existing Master Repurchase Agreement.

3. Severability. Any provisions of this Amendment which are prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

4. Caption. The captions in the Amendment are for convenience of reference only and shall not define or limit any of the terms or provisions hereof.

5. Counterparts. This Amendment may be executed in any number of counterparts, each of which counterparts shall be deemed to be an original, and such counterparts shall constitute but one and the same instrument.

6. Applicable Law. THIS AMENDMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAW OF THE COMMONWEALTH OF PENNSYLVANIA.

[SIGNATURES COMMENCE ON THE FOLLOWING PAGE]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed as of the day and year first above written.

ATTEST:		NEW CENTURY BANK d/b/a CUSTOMERS BANK	
By:	______________________	By:	______________________
Name:	J. Christopher Black	Name:	Glenn Hedde
Title:	Vice President	Title:	President, Warehouse Lending
ATTEST:		EXCEL MORTGAGE SERVICING, INC.	
By:	______________________	By:	______________________
Name:		Name:	
Title:	Secretary	Title:	
ATTEST:		AMERIHOME MORTGAGE CORPORATION	
By:	______________________	By:	______________________
Name:		Name:	
Title:	Secretary	Title:	

Signature Page to First Amendment to Master Repurchase Agreement

Exhibit 10.2

EXECUTION COPY

SECOND AMENDMENT
TO
MASTER REPURCHASE AGREEMENT

SECOND AMENDMENT, dated as of June 30, 2011 (the "Amendment"), to the Master Repurchase Agreement dated as of December 3, 2010, as amended by that certain First Amendment to Master Repurchase Agreement dated as of April 8, 2011 (the "Existing Master Repurchase Agreement"), by and among **Excel Mortgage Servicing, Inc.**, a California corporation, with an address at 19500 Jamboree Road #400, Irvine, California 92612, as a seller ("Excel"), **AmeriHome Mortgage Corporation**, a Michigan corporation, with an address at 2141 W. Bristol Road, Flint, Michigan 48507, as a seller ("AmeriHome") (Excel and AmeriHome are individually and collectively referred to herein as "Seller"), and **Customers Bank**, a Pennsylvania state-chartered bank, with an address at 99 Bridge Street, Phoenixville, Pennsylvania 19460 (the "Buyer").

RECITALS

The Seller has requested the Buyer to agree to amend the Existing Master Repurchase Agreement as set forth in this Amendment. The Buyer is willing to agree to such amendment, but only on the terms and subject to the conditions set forth in this Amendment.

NOW, THEREFORE, in consideration of the premises and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Seller and the Buyer hereby agree as follows:

ARTICLE I
DEFINITIONS

Definitions. Unless otherwise indicated, capitalized terms that are used but not defined herein shall have the meanings ascribed to them in the Existing Master Repurchase Agreement.

ARTICLE II
AMENDMENT

1. The following definitions contained in Section 1 (Definitions) of the Existing Master Repurchase Agreement are hereby deleted and replaced in their entirety by the following:

"LIBOR" means, as of any day, the rate per annum (rounded upward, if necessary to the nearest 1/16th of 1%) obtained by dividing (1) one-month interest period London Interbank Offered Rate fixed by the British Bankers Association for United States dollar deposits in the London interbank market at approximately 11:00 a.m. London, England time (or as soon thereafter as practicable) on such day as determined by the Buyer for such day from any broker, quoting service or commonly available source utilized by the Buyer by (2) a percentage equal to 100% minus the stated maximum rate of all reserves required to be maintained against

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"Eurocurrency Liabilities" as specified in Regulation D (or against any other applicable category of liabilities) on such date to any member bank of the Federal Reserve System. Notwithstanding any provision above, the practice of rounding to determine LIBOR may be discontinued at any time in the Lender's sole discretion.

"Pricing Rate" means LIBOR plus:

(1) 3.5% with respect to Transactions from the Purchase Date to thirty (30) days from the Purchase Date;

(2) 4.5% with respect to Transactions from the thirty-first (31st) day to the forty-fifth (45th) day from the Purchase Date;

(3) 5.5% with respect to Transactions from the forty-sixth (46th) day to the seventy-fifth (75th) day from the Purchase Date;

(4) 6.5% with respect to Transactions from the seventy-sixth (76th) day to the ninetieth (90th) day from the Purchase Date;

(5) the rate determined in the sole discretion of Buyer with respect to any other Transactions so identified by Buyer in agreeing to enter into such Transaction.

The Pricing Rate shall change in accordance with LIBOR.

"Purchase Price" means on each Purchase Date, the price at which Mortgage Loans are transferred by Seller to Buyer. The Purchase Price Percentage shall be applied against the lesser of the Note amount or the Take-out Purchase Price (if applicable) of the Mortgage Loan to determine the Purchase Price.

"Repurchase Date" means the date on which Seller is to repurchase the Mortgage Loans from Buyer provided that in no event shall the Repurchase Date be in excess of ninety (90) days after the Purchase Date.

"Termination Date" means June 29, 2012 or such earlier date on which this Agreement shall terminate in accordance with the provisions hereof or by operation of law.

2. The following definitions are hereby added to Section 1 (Definitions) of the Existing Master Repurchase Agreement:

"Average Outstanding Balance" has the meaning provided in Section 3(o) hereof.

"Current Assets" means the sum of the following items from the Seller's balance sheet: cash, cash equivalent, accounts receivable, inventory, marketable securities, prepaid expenses, and other assets that can be converted to cash in less than one year.

"Current Liabilities" means the sum of all money owed by Seller and due within one year as listed on the Seller's balance sheet.

"Current Ratio" means the Current Assets divided by the Current Liabilities.

"Take-out Purchase Price" means the amount the Take-out Investor will pay the Seller for a Mortgage Loan.

3. Section 3(g) of the Existing Master Repurchase Agreement is hereby deleted and replaced in its entirety by the following:

(g) On the Repurchase Date, Seller shall pay to Buyer a fee of One Hundred and 00/100 Dollars ($100.00) per loan for the first fifty (50) Mortgage Loans purchased pursuant to this Agreement in any calendar month. Such fee shall be reduced to Ninety and 00/100 Dollars ($90.00) starting with the fifty-first (51st) Mortgage Loan purchased pursuant to this Agreement in any calendar year.

4. Section 3(l) of the Existing Master Repurchase Agreement is hereby deleted and replaced in its entirety by the following:

(l) If the Repurchase Date for a Mortgage Loan occurs later than forty-five (45) days from the Purchase Date, Seller shall pay Buyer an administrative fee of Two Hundred and 00/100 Dollars ($200.00) for such Mortgage Loan, and an additional administrative fee of Two Hundred and 00/100 Dollars ($200.00) if such Mortgage Loan is not repurchased by Seller during each additional thirty (30) day period. Such payment shall be immediately due upon reaching the end of each period. In the event the Repurchase Price is paid down to One Hundred and 00/100 Dollars ($100.00) or less remaining on the balance due, the administration fee shall, thereafter, cease.

5. Section 3(o) of the Existing Master Repurchase Agreement is hereby deleted and replaced in its entirety by the following:

(o) On a monthly basis and on the Termination Date, Buyer shall determine the average monthly utilization during the preceding month (or with respect to the Termination Date, during the period from the date through which the last non-utilization fee calculation has been made to the Termination Date by Seller) by dividing (a) the sum of the Purchase Prices, outstanding on each day during such period, by (b) the number of days in such period (the "Average Outstanding Balance"). If

the Average Outstanding Balance determined for any period as a percentage of the Maximum Aggregate Purchase Price (the "Utilization Percentage") is less than fifty percent (50%), Seller shall pay to Buyer, within one (1) Business Day after receiving notice from Buyer of the amount thereof, a non-utilization fee equal to the product of (i) 0.50%, times (ii) the Maximum Aggregate Purchase Price minus the Average Outstanding Balance, (iii) divided by 360, (iv) multiplied by the number of days in the applicable month (the "Non-Utilization Fee"). The fee shall be prorated for the month of the Termination Date, if the Termination Date does not occur on the last day of such month. If the Utilization Percentage in any period is greater than or equal to fifty percent (50%) or the funding volume is greater than two and one quarter (2.25) times the Maximum Aggregate Purchase Price in any period, Buyer shall not be paid a Non-Utilization Fee for that period. All payments shall be made to Buyer in dollars, in immediately available funds, without deduction, setoff or counterclaim by the twentieth (20th) day of such month. Buyer may not net such Non-Utilization Fee from the proceeds of any Purchase Price due to Seller.

6. Section 3(p) of the Existing Master Repurchase Agreement is hereby deleted and replaced in its entirety by the following:

(p) In the event the Repurchase Date does not occur within forty-five (45) days of the Purchase Date for any Mortgage Loan, Seller must immediately pay Buyer an amount equal to not less than ten percent (10%) of the Repurchase Price. In the event the Repurchase Date does not occur within sixty (60) days of the Purchase Date, Seller must immediately pay Buyer an additional amount equal to not less than ten percent (10%) of the Repurchase Price. In the event the Repurchase Date does not occur within seventy-five (75) days of the Purchase Date, Seller must immediately pay Buyer an additional amount equal to not less than ten percent (10%) of the Repurchase Price. In the event the Repurchase Date does not occur within ninety (90) days of the Purchase Date, Seller must immediately pay Buyer the amount necessary to reduce the Repurchase Price to One Hundred and 00/100 Dollars.

7. The following is hereby added as new Section 3(r) to the Existing Master Repurchase Agreement:

(r) On a monthly basis the Buyer shall determine the Average Outstanding Balance during the preceding month. If the Average Outstanding Balance is greater than Twenty Million and 00/100 Dollars ($20,000,000) but less than or equal to Thirty Million and 00/100 Dollars ($30,000,000), Buyer shall pay Seller a Price Differential rebate equal to the product of (i) such Average Outstanding Balance, times (ii) 25 basis points (0.25%), divided by (iii) twelve (12). If the Average Outstanding Balance is greater than Thirty Million and 00/100 Dollars ($30,000,000), Buyer shall pay Seller a Price Differential rebate equal to the product of (i) such Average Outstanding Balance, times (ii) 37.5 basis points (0.375%), divided by (iii) twelve (12). Such rebate shall be paid by Buyer to Seller by the twentieth (20th) day of the month of such calculation.

8. Section 6(k) of the Existing Master Repurchase Agreement is hereby deleted and replaced in its entirety by the following:

(k) Minimum Maintenance Account Balance. Collectively, Seller shall maintain at Buyer at all times during the term of this Agreement a Minimum Maintenance Account Balance of one percent (1%) of the Maximum Average Purchase Price. In the event Seller maintains a balance of two percent (2%) of the Maximum Average Purchase Price in the account, the Purchase Price Percentage shall be increased to one hundred percent (100%) during such time the increased balance is maintained.

9. Section 7(a)(1) of the Existing Master Repurchase Agreement is hereby deleted and replaced in its entirety by the following:

(a)(1) Minimum Adjusted Tangible Net Worth of Seller. Permit Excel's Adjusted Tangible Net Worth as of the last day of any fiscal quarter to be less than Six Million Five Hundred Thousand and 00/100 Dollars ($6,500,000) or the highest amount required to maintain a mortgage license in any jurisdiction where Seller is licensed to originate mortgage loans, whichever is higher. Permit AmeriHome's Adjusted Tangible Net Worth as of the last day of any fiscal quarter to be less than Two Million Four Hundred Thousand and 00/100 Dollars ($2,400,000) or the highest amount required to maintain a mortgage license in any jurisdiction where Seller is licensed to originate mortgage loans, whichever is higher.

10. Section 7(a)(4) of the Existing Master Repurchase Agreement is hereby deleted and replaced in its entirety by the following:

(a)(4) Maximum Funding Capacity to Adjusted Tangible Net Worth Ratio. Permit the aggregate (Excel and AmeriHome combined) Maximum Funding Capacity to aggregate (Excel and AmeriHome combined) Adjusted Tangible Net Worth ratio to be greater than 18 to 1 at any time.

11. The following is hereby added as new Section 7(a)(5) to the Existing Master Repurchase Agreement:

(a)(5) Minimum Current Ratio. Permit its Current Ratio as of the last day of any fiscal quarter to be less than 1 to 1.

12. Section 10(l) of the Existing Master Repurchase Agreement is hereby deleted and replaced in its entirety by the following:

(l) Reimbursement. Seller shall reimburse Buyer for attorneys' fees and expenses incurred by Buyer to prepare and negotiate the terms of the Purchase Documents. In addition, all sums reasonably expended by Buyer in connection with the exercise of any right or remedy provided for herein shall be and remain Seller's obligation (unless and to the extent that Seller is the prevailing party in any dispute, claim or action relating thereto). Seller agrees to pay, with interest at the Default Rate to the extent that an Event of Default has occurred, the reasonable out-of-pocket expenses and reasonable attorneys' fees incurred by Buyer in connection with the preparation, negotiation, enforcement (including any waivers), administration and amendment of the Purchase Documents (regardless of whether a Transaction is entered into hereunder), the taking of any action, including legal action, required or permitted to be taken by Buyer pursuant thereto, any "due diligence" or loan agent reviews conducted by Buyer or on its behalf or by refinancing or restructuring in the nature of a "workout." Seller shall reimburse Buyer for all third party expenses, including overnight delivery charges, Buyer incurs to send mortgage loan documents, including the Note, to Take-Out Investors.

ARTICLE III
REPRESENTATIONS AND WARRANTIES

All representations and warranties contained in the Existing Master Repurchase Agreement are true and correct as of the date of this Amendment (except to the extent that any of such representations and warranties expressly relate to an earlier date).

ARTICLE IV
MISCELLANEOUS

1. Ratification. Except as expressly affected by the provisions hereof, the Existing Master Repurchase Agreement, as amended, shall remain in full force and effect in accordance with its terms and ratified and confirmed by the parties hereto. On and after the date hereof, each reference in the Existing Master Repurchase Agreement to "the Agreement", "hereunder", "herein" or words of like import shall mean and be a reference to the Agreement as amended by this Amendment.

2. Limited Scope. This Amendment is specific to the circumstances described above and does not imply any future amendment or waiver of rights of the Buyer and the Seller under the Existing Master Repurchase Agreement.

3. Severability. Any provisions of this Amendment which are prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

4. Caption. The captions in the Amendment are for convenience of reference only and shall not define or limit any of the terms or provisions hereof.

5. Counterparts. This Amendment may be executed in any number of counterparts, each of which counterparts shall be deemed to be an original, and such counterparts shall constitute but one and the same instrument.

6. Applicable Law. THIS AMENDMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAW OF THE STATE OF NEW YORK.

[SIGNATURES COMMENCE ON THE FOLLOWING PAGE]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed as of the day and year first above written.

ATTEST:		CUSTOMERS BANK	
By:	______________________	By:	______________________
Name:	J. Christopher Black	Name:	Glenn Hedde
Title:	Senior Vice President	Title:	President, Warehouse Lending

ATTEST:		EXCEL MORTGAGE SERVICING, INC.	
By:	______________________	By:	______________________
Name:		Name:	
Title:	Secretary	Title:	

ATTEST:		AMERIHOME MORTGAGE CORPORATION	
By:	______________________	By:	______________________
Name:		Name:	
Title:	Secretary	Title:	

Exhibit 10.3

AMENDMENT NUMBER ONE TO MASTER REPURCHASE AGREEMENT AND PLEDGE AGREEMENT, AND JOINDER AGREEMENT

THIS AMENDMENT NUMBER ONE TO MASTER REPURCHASE AGREEMENT AND PLEDGE AGREEMENT, AND JOINDER AGREEMENT (this "**Amendment**") is entered into as of March 28, 2011 (the "**Effective Date**"), by and among SYNERGY CAPITAL MORTGAGE CORP., a California corporation ("**Synergy**"), EXCEL MORTGAGE SERVICING, INC., a California corporation ("**Excel**"), AMERIHOME MORTGAGE CORPORATION, a Michigan corporation ("**AmeriHome**"), and EAST WEST BANK, a California banking corporation ("**Buyer**").

R E C I T A L S :

A. Synergy and Excel, as Sellers, and Buyer are parties to that certain Master Repurchase Agreement, dated as of June 24, 2010 (the "**Repurchase Agreement**"). The Repurchase Agreement relates to the purchase and sale of certain Eligible Loans by Synergy and Excel to Buyer, and the agreement of Buyer to transfer to Synergy or Excel, as the relevant Seller, such Eligible Loans at a date certain or demand, against the transfer of funds by Synergy or Excel, all as more particularly described in the Repurchase Agreement.

B. In connection with the Repurchase Agreement, Synergy, Excel and Buyer entered into that certain Pledge Agreement, dated June 24, 2010 (the "**Pledge Agreement**"), pursuant to which Synergy and Excel assigned and pledged as collateral, and granted a security interest in, certain Accounts (as defined in the Pledge Agreement) to Buyer.

C. The timely payment and performance of the covenants, agreements, undertakings and obligations of Synergy and Excel under the Repurchase Agreement is guaranteed to Buyer by Integrated Real Estate Service Corp., a California corporation ("**IRES**"), pursuant to that certain Guaranty Agreement, dated June 24, 2010, executed by IRES Guarantor in favor of Buyer (the "**IRES Guaranty**").

D. Synergy and Excel have requested that (i) Buyer permit Amerihome to be added as an additional "Seller" and "Obligor" under the Transaction Documents, (ii) Buyer terminate Synergy's option to sell additional Eligible Loans to Buyer, and (iii) Buyer make certain other changes to the Transaction Documents. Subject to the terms and conditions set forth herein, Buyer has agreed with such requests.

E. The parties hereto desire to enter into this Amendment to document the foregoing.

NOW, THEREFORE, in consideration of the mutual covenants and agreements hereinafter set forth and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereby agree as follows:

1. Defined Terms. All initially capitalized terms used but not defined in this Amendment shall have meanings ascribed to such terms in the Repurchase Agreement.

2. Joinder of Amerihome. Effective as of the Effective Date, Amerihome hereby agrees to become a Seller under the Repurchase Agreement and the Pledge Agreement, and an Obligor under the Guaranty, and to bind itself to the Repurchase Agreement and each other Repurchase Document to which Sellers are bound. Without limitation of the foregoing, Amerihome hereby agrees that it is bound by all of the terms and conditions of the Repurchase Agreement and the Transaction Documents applicable to Sellers as if Amerihome was an original party thereto (including without limitation the payment and performance of all indebtedness, liabilities and obligations of Sellers to Buyer as and when due). All references to "**Seller(s)**" or "**Obligor(s)**" under the Repurchase Agreement, the Pledge Agreement, the Guaranty and any other Transaction Documents shall mean and refer to Excel, Synergy and AmeriHome, individually or collectively, as the context requires.

3. Security Interest. Although Amerihome intends that all Transactions under the Repurchase Agreement be sales and purchases and not loans, in the event any such Transactions are deemed to be loans, Amerihome shall be deemed to have pledged, and hereby does pledge, to Buyer as security for the performance by Amerihome of its obligations under each such Transaction, and all of Amerihome payment and performance obligations under the Transaction Documents, and shall be deemed to have granted, and hereby does grant, to Buyer a security interest in, all of Amerihome's now existing or hereafter acquired or arising right, title and interest in, to and under the Purchased Eligible Loans with respect to all Transactions under the Repurchase Agreement and all related (i) loan documents, files and records of the mortgagee for such Mortgage Loan, (ii) Income, any prepayments, insurance and other proceeds, (iii) Servicing Rights and other rights to service or subservice such Mortgage Loan and the proceeds thereof, and (iv) other rights, interests, benefits, security, proceeds, remedies, claims and covenants of the lender or mortgagee arising from or in connection with such Mortgage Loan. In connection with such security interest, Amerihome hereby authorizes Buyer to file any financing or continuation statement under the applicable Uniform Commercial Code (without the signature of Amerihome) as Buyer may deem appropriate, and appoints Buyer as Amerihome's attorney-in-fact in accordance with Paragraph 17 of the Repurchase Agreement to (a) authenticate any such financing statement or statements in Amerihome name and (b) take such other actions as Buyer deems necessary or appropriate to perfect and continue the security interest granted hereby and to protect, preserve and realize upon the same (provided that Buyer will provide Amerihome with notice of Buyer's exercise of this power of attorney within five (5) Business Days after the exercise thereof). Amerihome hereby covenants, jointly and severally, to pay all customary fees and expenses associated with perfecting such security interest including, without limitation, the cost of filing financing and continuation statements under the Uniform Commercial Code and recording assignments of mortgage as and when required by Buyer in its sole discretion. This Paragraph shall constitute a security agreement, and Buyer shall have all of the rights of a secured party under applicable law, and Amerihome represents and warrants as to itself that each remittance of amounts by Amerihome to Buyer under the Repurchase Agreement will have been (x) in payment of a debt incurred by Amerihome in the ordinary course of business or financial affairs of Amerihome and (y) made in the ordinary course of business or financial affairs of Amerihome.

4. Amendments to Section 2 of the Repurchase Agreement.

4.1. The following new defined term is hereby added to Section 2 of the Repurchase Agreement in alphabetical order (and all other defined terms in Section 2 of the Repurchase Agreement are re-lettered accordingly):

(lll) "Third Party Mortgage Loan" shall mean an Eligible Mortgage Loan which was originated by an Approved Originator other than a Seller and for which the documents described in Exhibit A-2 hereto have been delivered to Buyer prior to the Purchase Date in conjunction with a Transaction Request as described in Exhibit A-1 hereto.

4.2. The following defined terms set forth in Section 2 of the Repurchase Agreement are hereby amended in their entirety as follows:

(f) "Approved Originator" shall mean each Seller or any other originator (approved in writing by Buyer, which approval shall not be unreasonably withheld) from which a Seller purchases Mortgage Loans from time to time for the purchase and sale of Eligible Loans hereunder. Buyer shall respond to requests for approval of any originator within five (5) Business Days after Sellers provide all required information to Buyer;

(bb) "Guaranty" shall mean each Guaranty Agreement now or hereafter executed and delivered by a Guarantor in favor of Buyer, pursuant to which such Guarantor fully and unconditionally guarantees the obligations of each Seller hereunder, as the same may be amended or restated from time to time, in the form of Exhibit D hereto;

(kkk) "Termination Date" shall mean the earliest to occur of (i) April 1, 2012, (ii) 15 Business Days following Sellers' written notice to Buyer of their request to terminate this Agreement, or (iii) such date on which this Agreement shall terminate or be terminated in accordance with the provisions hereof (including without limitation the provisions of Paragraph 10 hereof) or by operation of law;

5. Amendment to Section 3 of the Repurchase Agreement. The following new clauses (iii), (iv) and (v) are hereby added to Section 3(a) of the Repurchase Agreement, immediately following clause (ii) thereof, as follows:

(iii) With respect to any Third Party Mortgage Loan, the relevant Seller has delivered to the Custodian the Documents identified in part III of Exhibit A-2 hereto with respect to such Eligible Loan and (if a third-party custodian is then in place) the Custodian has issued a trust receipt with respect thereto.

(iv) Buyer shall have no obligation to fund any proposed Transaction or purchase any Eligible Loan owned by Synergy after March 28, 2011. All of Synergy's other obligations, liabilities and indebtedness to Buyer under the Transaction Documents shall remain in full force and effect.

(v) Buyer shall have no obligation to purchase any Third Party Mortgage Loan owned by any Seller, or fund any proposed Transaction with respect thereto, after June 28, 2011.

6. Amendment to Section 10(a) of the Repurchase Agreement. Clause (xii) of Section 10(a) of the Repurchase Agreement is hereby amended in its entirety as follows:

(xii) The consolidated Tangible Net Worth of Integrated Real Estate Service Corp., a Maryland corporation ("IRES"), shall be less than $10,000,000, or IRES shall fail to maintain the ratio of its consolidated total warehouse or reverse repurchase liability to consolidated Tangible Net Worth at less than 10.0 to 1.0;

7. Amendment to Section 20 of the Repurchase Agreement. A new clause (d) is hereby added to Section 20 of the Repurchase Agreement immediately following clause (c) thereof as follows:

(d) Following the Termination Date, provided each Seller has fulfilled all of its obligations under this Agreement and the Transaction Documents, including, without limitation, all of its repurchase obligations under Section 3 of this Agreement, Buyer shall release the Cash Collateral Account to the applicable Seller(s).

8. Amendment to Exhibit A-2 of the Repurchase Agreement. The following part III is hereby added to Exhibit A-1 of the Repurchase Agreement immediately following part II thereof, as follows:

III. Documents Required to Purchase Third Party Mortgage Loans

- Application from the Mortgagor (1003)
- Loan Approval and Purchase Commitment from an Approved Takeout Investor
- Credit Report for Mortgagor
- Pages 1, 2, 3 & 4 of Appraisal
- Copy of Note
- Completed Wire Request Form/Wiring Instructions
- Transaction Request Form (Exhibit A-1)
- Funding Request Form
- Copy of Title Commitment
- Closing Protection Letter from Closing Agent
- Copy of hazard insurance policy or binder of coverage
- Flood certification
- Uniform Underwriting and Transmittal Summary (conventional only)
- Mortgage Credit Analysis Worksheet (FHA only)
- VA Loan Analysis (VA only)
- Copy of Mortgage Insurance Certificate (conventional over 80% LTV — only when indicated on investor approval as an outstanding condition)
- Approved Takeout Investor Shipping Instructions

· Documents evidencing the transfer and assignment of the Loan from the Approved Originator to the applicable Seller (including all necessary UCC-1s and endorsements to existing lenders policy of title insurance, if available)

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9. Amendments to Exhibit B of the Repurchase Agreement.

9.1. The second paragraph of Exhibit B to the Repurchase Agreement is hereby amended in its entirety as follows:

Documents to Custodian. All documentation required to be delivered to the Custodian under the Custodial Agreement has been so delivered; and the purchase by Buyer of each Purchased Eligible Loan constitutes a secondary market transaction under the Real Estate Settlement Procedures Act ("RESPA"). With respect to a Wet Funded Mortgage Loan or a Third Party Mortgage Loan, all documentation required for a Dry Funded Mortgage Loan shall have been delivered to the Buyer within four (4) Business Days after the Transaction closes;

9.2. The fifth paragraph of Exhibit B to the Repurchase Agreement is hereby amended in its entirety as follows:

Minimum FICO. Each Purchased Eligible Loan has a minimum FICO of at least 620, except with respect to those Purchased Eligible Loans that are either FHA or VA guaranteed.

10. Replacement Term Sheet. The Term Sheet attached as Annex I to the Repurchase Agreement is hereby replaced with the Term Sheet attached as Annex I to this Amendment.

11. Amendment to Pledge Agreement. The fifth paragraph of the Pledge Agreement is hereby amended in its entirety as follows:

Each Seller does hereby assign and pledge as collateral for the purpose of securing the performance by Sellers of all of Seller's obligations under the Agreement all right, title and interest of Sellers in and to the following deposit accounts maintained with Buyer: (a) an interest bearing account to satisfy Sellers' obligation to maintain on deposit with Buyer certain amounts required under the Agreement (the "Cash Collateral Account"), and (b) three non interest bearing accounts to receive the proceeds of any funds to which a Seller is entitled upon the sale by Seller of repurchased Eligible Loans to Approved Takeout Investors or otherwise to receive payments or other amounts due from any Seller to Buyer (the "Settlement Accounts") (hereinafter collectively called the "Accounts"), which are more particularly described as follows:

(a) Cash Collateral Account — Bank account number:
(b) Excel Settlement Account — Bank account number:
(c) Synergy Settlement Account — Bank account number:
(d) Amerihome Settlement Account — Bank account number

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12. Representations and Warranties. Amerihome hereby represents and warrants that: (i) the representations and warranties of Sellers set forth in the Repurchase Agreement and the Transaction Documents are true and correct in all material respects on and as of the date hereof, and (ii) it has heretofore received true and correct copies of the Repurchase Agreement and the Transaction Documents (including any modifications thereof or supplements or waivers thereto) as in effect on the date hereof.

13. Ratification and Estoppel. Each Seller hereby ratifies and reaffirms (a) each covenant and obligation in the Repurchase Agreement, including the covenant and obligation to pay the Repurchase Prices under the Repurchase Agreement, all in accordance with the terms of the Repurchase Agreement, (b) the pledge, assignment, grant of a security interest in (and AmeriHome hereby grants, pledges, assigns and conveys to Buyer, a lien on, pledge of, and security interest in) the Cash Collateral Account and the AmeriHome Settlement Account (as hereinafter defined in this Amendment) pursuant to the terms of the Pledge Agreement, including all rights, interests and property hereafter acquired, and all products and proceeds thereof and additions and accessions thereto, and (c) that as of the Effective Date of this Amendment, all of the terms, representations, warranties, covenants and provisions of the Transaction Documents, as amended hereby, are in full force and effect.

14. Termination of Synergy's Right to Sell Eligible Loans. At Sellers' request, Buyer hereby terminates Synergy's right to sell any further Eligible Loans to Buyer after the Effective Date. All of Synergy's other obligations, liabilities and indebtedness to Buyer under the Transaction Documents remain unchanged by the foregoing sentence, and Synergy hereby reaffirms all such other obligations, liabilities and indebtedness to Buyer, and agrees that all such other obligations, liabilities and indebtedness to Buyer remain in full force and effect.

15. Release of Buyer.

15.1. Release by Synergy and Excel. Except as set forth in the last sentence of this paragraph 15.1, effective upon the Effective Date, each of Synergy, Excel, AmeriHome and each Guarantor each hereby remises, releases and forever discharges Buyer and all of Buyer's officers, directors, agents, loan servicing agents, special servicing agents, employees, attorneys, subsidiaries, affiliates, successors, assigns and any other person or entity acting for or on behalf of Buyer (collectively, the "**Released Buyer Parties**"), of and from any and all actions, causes of action, damages, demands, costs, expenses, claims, indebtedness, liabilities and obligations, and further waives any and all defenses and setoffs, whether such claims, defenses and setoffs are known or unknown, disclosed or undisclosed, whether in law or in equity, and relating, in any manner whatsoever, to any of the transactions contemplated by the Transaction Documents and arising prior to the Effective Date of this Amendment. Each of Synergy, Excel, AmeriHome and each Guarantor acknowledges that, subsequent to the execution of this Amendment, Synergy,

Excel, AmeriHome and each Guarantor may discover claims that are unknown or unanticipated at the time this Amendment was executed, including unknown or unanticipated claims that arose from, are based upon, or relate to matters for which the release is given the Released Buyer Parties in this Section 5.1, and that, if known on the date Synergy, Excel, AmeriHome and each Guarantor executed this Amendment, may have materially affected Synergy's, Excel's, AmeriHome's or such Guarantor's decision to execute this Amendment. Each of Synergy, Excel, AmeriHome and each Guarantor acknowledges that it is assuming the risk of such unknown or unanticipated claims and agrees that this Section applies thereto. Each of Synergy, Excel, AmeriHome and each Guarantor expressly waives the benefits of any applicable statutory provision prohibiting, conditioning or restricting the release of unknown or future claims or any of the claims being released pursuant to this Amendment. Notwithstanding anything contained herein to the contrary, in no event shall the Released Buyer Parties be released from their obligations or liabilities as custodian under the Transaction Documents as set forth in paragraph 3(e)(i) of the Repurchase Agreement.

15.2. Section 1542 Matters. SUBJECT TO THE LAST SENTENCE OF PARAGRAPH 15.1, THE ABOVE RELEASE IS INTENDED TO BE A FULL RELEASE OF ALL CLAIMS KNOWN AND UNKNOWN. EACH OF SYNERGY, EXCEL, AMERIHOME AND EACH GUARANTOR HEREBY ACKNOWLEDGES THAT IT HAS READ AND IS FAMILIAR WITH THE PROVISIONS OF CALIFORNIA CIVIL CODE SECTION 1542 ("**SECTION 1542**"), WHICH IS SET FORTH BELOW:

> "A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR."

EACH OF SYNERGY, EXCEL, AMERIHOME AND EACH GUARANTOR HEREBY WAIVES THE PROVISIONS OF SECTION 1542 IN CONNECTION WITH THE MATTERS WHICH ARE THE SUBJECT OF THE FOREGOING WAIVERS AND RELEASES.

15.3. Material Inducement. Synergy, Excel, AmeriHome and each Guarantor acknowledge and agree that all waivers, discharges and releases of Buyer contained in this Amendment are a material inducement for Buyer entering into this Amendment, and constitute an essential part of the consideration bargained for and received by Buyer under this Amendment.

16. Conditions to Effectiveness. This Amendment, and the waiver set forth in Section 11 hereof, shall be effective when Buyer shall have received an executed original hereof, together with each of the following, each in substance and form acceptable to Buyer in its sole discretion:

16.1. The Guaranty of Impac Mortgage Holdings, Inc. ("**Impac**"), duly executed.

16.2. The Acknowledgment and Agreement of Guarantor set forth at the end of this Amendment, duly executed by IRES.

17. Sellers' Representations and Warranties. Each Seller represents and warrants to Buyer as of the Effective Date of this Amendment that this Amendment has been duly executed and delivered by Sellers, constitutes the legal and binding obligations of Sellers, and the execution, delivery and performance by Sellers of this Amendment (a) have been duly authorized by all necessary limited liability company, partnership, corporate, trust or other action, (b) are within its legal powers, (c) do not violate, or cause Sellers to be in default under, any provision of law, rule, regulation, order, writ, judgment, injunction, decree, determination, or award in effect having applicability to Sellers, and (d) do not contravene, or constitute a default under any loan or credit agreement, indenture, or any other agreement, lease or instrument to which any Seller is a party or by which its property may be bound or affected.

18. AmeriHome Representations, Warranties and Covenants. In addition to the foregoing, AmeriHome represents and warrants to Buyer as of the Effective Date of this Amendment that: (a) AmeriHome is duly organized, validly existing and in good standing under the laws of the State of Michigan; (b) AmeriHome has full power and authority to enter into, execute, deliver and carry out this Amendment and the other Transaction Documents to which it is a party, by assumption or otherwise, and to perform AmeriHome's obligations, as applicable, hereunder and thereunder and all such actions have been duly authorized by all necessary corporate, trust or other action on AmeriHome's part; (c) this Amendment and the other documents executed in connection herewith have been duly executed and delivered by AmeriHome; (d) no consent, which has not been obtained, is required to the assumption and the undertaking by AmeriHome of all of the covenants, conditions, agreements, representations, warranties, waivers, consents, acknowledgements, duties, obligations and liabilities under the Transaction Documents under any agreement to which AmeriHome is a party; (e) the execution, delivery and performance by AmeriHome of this Amendment and the assumption of and performance by AmeriHome under the Transaction Documents (i) are within AmeriHome's legal powers, (ii) do not violate, or cause AmeriHome to be in default under, any provision of law, rule, regulation, order, writ, judgment, injunction, decree, determination, or award in effect having applicability to AmeriHome, and (iii) do not contravene, or constitute a default under any loan or credit agreement, indenture, or any other agreement, lease or instrument to which AmeriHome is a party or by which its property may be bound or affected; (f) this Amendment and all of the other Transaction Documents assumed hereby or executed concurrently herewith constitute the valid and legally binding obligations of AmeriHome, enforceable against AmeriHome in accordance with their terms, subject to bankruptcy, insolvency, reorganization, fraudulent conveyance or transfer, moratorium or similar laws affecting creditors' rights generally and to general principles of equity (regardless of whether enforceability is considered a proceeding at law or in equity); (g) all information and materials regarding AmeriHome provided by or on behalf of AmeriHome to Buyer were true and correct in all respects as of the date provided to Buyer or the applicable stated date (e.g., in the case of financial statements) and remain true and correct as of the Effective Date of this Amendment; and (h) AmeriHome understands and intends that Buyer will rely on the representations and warranties contained herein.

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19. No Reliance. Each Seller acknowledges that in the consummation of this Amendment, Sellers have not relied on any representation or warranty by Buyer.

20. Further Documents. Each Seller hereby agrees to execute and deliver to Buyer, and authorize the filing and/or recording by Buyer of, any and all further documents and instruments required by Buyer to effectuate the transaction contemplated by this Amendment.

21. Ratification. The Transaction Documents as amended hereby are hereby ratified and confirmed, and remain in full force and effect.

22. Counterparts. This Amendment may be executed in any number of counterparts, each of which shall be deemed an original, but all of which when taken together will constitute one and the same instrument. The signature page of any counterpart may be detached therefrom without impairing the legal effect of the signature(s) thereon provided such signature page is attached to any other counterpart identical thereto except having additional signature pages executed by other parties to this Amendment attached thereto.

23. Electronic Signatures. Each of the parties to this Amendment (i) has agreed to permit the use from time to time, where appropriate, of telecopy or other electronic signatures in order to expedite the transaction contemplated by this Amendment, (ii) intends to be bound by its respective telecopy or other electronic signature, (iii) is aware that the other will rely on the telecopied or other electronically transmitted signature, and (iv) acknowledges such reliance and waives any defenses to the enforcement of this Amendment and the documents affecting the transaction contemplated by this Amendment based on the fact that a signature was sent by telecopy or electronic transmission only.

[SIGNATURES APPEAR ON FOLLOWING PAGE]

IN WITNESS WHEREOF, the parties have executed this Amendment as of the date first written above.

BUYER:

EAST WEST BANK

By: ____________________

Title: ____________________

Date: ____________________

SELLERS:

EXCEL MORTGAGE SERVICING, INC.

By: ____________________

Title: ____________________

Date: ____________________

SYNERGY CAPITAL MORTGAGE CORP.

By: ____________________

Title: ____________________

Date: ____________________

AMERIHOME MORTGAGE CORPORATION

By: ____________________

Title: ____________________

Date: ____________________

ANNEX I

TERM SHEET

Date: March 28, 2011

This term sheet ("Term Sheet") is made and entered into as of the date set forth above by and between East West Bank ("Buyer"), and Synergy Capital Mortgage Corp., Excel Mortgage Servicing, Inc., and Amerihome Mortgage Corporation, a Michigan corporation (each a "Seller" and, collectively, the "Sellers") with respect to that certain Master Repurchase Agreement dated as of June 24, 2010, as amended by that certain Amendment

Number One to Master Repurchase Agreement, Pledge Agreement and Other Transaction Documents and Joinder Agreement (as so amended, and as may be further amended or restated from time to time, the "Agreement"). Capitalized terms used but not defined herein shall have the meanings set forth in the Agreement. This Term Sheet supplements and forms a part of the Agreement and the execution and delivery hereof is a condition to the effectiveness of the Agreement. In the event of any conflict between the terms hereof and the terms of the Agreement, this Term Sheet shall prevail.

Buyer:	East West Bank	Sellers:	Synergy Capital Corp. Excel Mortgage Servicing, Inc. Amerihome Mortgage Corporation
Address:	135 N. Los Robles Avenue Suite 600 Pasadena, California 91101	Address:	19500 Jamboree Road Irvine, California 92612
Attention:	Robert Lo Senior Vice President	Attention:	Kathy Hancock Vice President Treasury
Telephone:	626-768-6689	Telephone:	949-475-3822
Facsimile:	626-817-8899	Facsimile:	949-475-3969
Email:	robert.lo@eastwestbank.com	Email:	kathy.hancock@impaccompanies.com

Maximum Aggregate Purchase Price: $25,000,000

Sublimits: Transactions for which the dry funding documents have not been received in accordance with Section 3(d) of the Agreement shall not at any time exceed 40% of the Maximum Aggregate Purchase Price

Initial Pricing Rate: LIBOR + 4.00%, but not less than 5.00%

Repurchase Date: 60 calendar days after Purchase Date (or the next Business Day if such day is not a Business Day), subject to curtailment as set forth below for Aged Loans

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Transaction Fees: $75.00 for each Purchased Eligible Loan

Wire Transfer Fee: $12.50

Guarantors: Integrated Real Estate Service Corp.
Impac Mortgage Holdings, Inc.

Aged Loans:

· Purchased Eligible Loans are considered stale/aged at thirty-one (31) calendar days after the Purchase Date, at which point:

1. Each Seller shall, no later than five (5) Business Days after request from Buyer, pay Buyer ten percent (10%) of the Purchase Price paid by Buyer to such Seller to purchase such Purchased Eligible Loan; and

2. To the extent such Seller has not Repurchased a Purchased Eligible Loan on or before the date which is forty-one (41) days after the Purchase Date, such Seller shall, no later than five (5) Business Days after request from Buyer, pay Buyer an additional ten percent (10%) of the Purchase Price paid by Buyer to such Seller to purchase such Purchased Eligible Loan, which ten percent (10%) of the Purchase Price shall be in addition to the ten percent (10%) of the Purchase Price described in clause 1 immediately above (for an aggregate of twenty percent (20%) of the Purchase Price); and

3. To the extent a Seller has not repurchased a Purchased Eligible Loan on or before the date which is sixty (60) days after the Purchase Date, such Seller shall on the succeeding Business Day following the expiration of such sixty (60) day period repurchase the Purchased Eligible Loan from Buyer.

· Buyer shall apply any such payments from a Seller to reduce the Purchase Price paid for the applicable Purchased Eligible Loan.

· Notwithstanding anything contained in the Agreement or this Term Sheet to the contrary, each Seller hereby acknowledges and agrees that such Seller shall in no event have the right to use funds constituting that certain certificate of deposit held as account number CD #178038725 in the amount of $750,000 at East West Bank, which is the subject of the Pledge Agreement (the "Cash Collateral Account"), to pay any such payment to Buyer. The Cash Collateral Account shall be maintained at not less than $750,000. The Cash Collateral Account shall be a blocked account. Sellers shall not have any right to withdraw or direct payment of funds from the Cash Collateral Account while any Transaction is unpaid or outstanding or any commitment or obligation under this Agreement by the Buyer to purchase Eligible Loans is available or outstanding.

Sellers' Wire Instructions:

Beneficiary Name: (Required)	[See Below]
Beneficiary Account Number: (Required)	[See Below]
Bank Routing Number: (Domestic Wires)	
Bank Routing/Swift Code: (Intl Wires)	
Receiving Bank Name:	East West Bank

Receiving Bank Address: (Branch Address) 135 N. Los Robles Ave., Suite 600
Receiving Bank Address (Branch City, State, Zip) Pasadena, CA 91101

Funds due to a Seller shall be deposited in the appropriate account at East West Bank:

Account Name: Excel Mortgage Servicing, Inc.]
Account No.: (the "Excel Operating Account")

Account Name: Synergy Capital Mortgage Corp.
Account No.: (the "Synergy Operating Account")

Account Name: AmeriHome Mortgage Corporation
Account Number: (the "Amerihome Operating Account")

The Excel Operating Account, the Synergy Operating Account and the Amerihome Operating Account are sometimes referred to individually as an "Operating Account" and, collectively, as the "Operating Accounts".

Buyer's Wire Instructions:

Any amounts to be transferred by a Seller to Buyer hereunder, as well as all payments by Approved Takeout Investors, shall be sent by wire transfer in immediately available funds to the appropriate account of Buyer at East West Bank:

Account Name: East West Bank in Trust for Excel Mortgage Servicing, Inc.
Account No.: (the "Excel Settlement Account")

Account Name: East West Bank in Trust for Synergy Capital Mortgage Corp.
Account No.: (the "Synergy Settlement Account")

Account Name: AmeriHome Mortgage Corporation
Account Number: (the "AmeriHome Settlement Account")

The Excel Settlement Account, the Synergy Settlement Account and the Amerihome Settlement Account are sometimes referred to individually as a "Settlement Account" and, collectively, as the "Settlement Accounts".

The Settlement Accounts shall be blocked accounts.

Funds received in a Settlement Account by Buyer from an Approved Takeout Investor shall be applied to the Repurchase Price and any fees and charges due to East West Bank for the Purchased Eligible Loans to which the funds apply. Buyer shall transfer all amounts received from the Approved Takeout Investor in excess of the Repurchase Price for the Purchased Eligible Loans to which the funds apply to the appropriate Operating Account. If the funds are received by 12:00 noon on a Business Day, the transfer to the Operating Account shall occur on the same Business Day. If the funds are received after 12:00 noon, the transfer shall occur on the following Business Day.

Financial Covenants:

1. At all times during the term of the Agreement, the aggregate Tangible Net Worth of Sellers and Guarantors shall equal to or greater than Ten Million Dollars ($10,000,000).

2. At all times during the term of the Agreement, the aggregate amount of cash or cash equivalents (inclusive of the funds on deposit in the Cash Collateral Account and the Operating Accounts) maintained or held on deposit by Sellers and Guarantors shall be equal to or greater than Five Million Dollars ($5,000,000).

3. At all times during the term of the Agreement, IRES shall maintain the ratio of its consolidated total warehouse or reverse purchase liability to consolidated Tangible Net Worth at not more than 10.0 to 1.0.

Other Covenants:

1. Each Seller shall immediately notify Buyer prior to entering into a new warehouse relationship or an increase in existing facilities with other parties.

2. Each Seller shall, with respect to any Seller, Guarantor and any of their respective affiliates, immediately notify Buyer of any Material Adverse Effect.

3. Each Seller shall immediately notify Buyer if such Seller becomes aware of any circumstances constituting an occurrence of fraud in the origination of any Purchased Eligible Loan.

4. Each Seller shall maintain fidelity bond and errors and omissions insurance policies, each with a minimum coverage of $1,000,000. Such policies shall include right of action loss payee and warehouse lender endorsements in favor of Buyer.

5. At all times during the term of the Agreement, each Seller and their respective affiliates shall maintain accounts at East West Bank (which accounts shall at all times during the term of the Agreement have a minimum balance of not less than Ten Million Dollars ($10,000,000), inclusive of the funds on deposit in the Cash Collateral Account and the Operating Accounts).

6. Each Seller shall (a) not later than forty five (45) days after the end of each calendar quarter (except the last calendar quarter of the fiscal year), deliver to Buyer Sellers' financial statements certified by an officer of each Seller, and (b) not later than ninety (90) days after the end of each calendar year, deliver to Buyer Sellers' audited (by auditors acceptable to Buyer in Buyer's sole but reasonable discretion) consolidated financial statements.

7. Each Seller shall (a) not later than forty five (45) days after the end of each calendar quarter (except the last calendar quarter of the fiscal year), deliver to Buyer copies of each Guarantor's financial statements certified by an officer of Guarantor, and

(b) not later than ten (10) days after filing, deliver to Buyer each Guarantor's tax returns for the previous calendar year.

8. Each Seller shall permit Buyer, at any time and from time to time and during regular business hours unless an Event of Default has occurred and is continuing (in which event, at any time), to inspect, audit and examine such Seller's books and records, and to make copies of the same. Buyer (through any of its officers, employees, or agents) shall have the right, from time to time hereafter, to conduct audits of each Seller's business operations. In connection therewith, Sellers shall reimburse Buyer for all of its out-of-pocket expenses for each audit, payable upon demand. If the results of any such audit are unsatisfactory to Buyer in any respect, the applicable Seller shall have 30 days from notice from Buyer to remedy or cure the unsatisfactory circumstance identified by Buyer. If at the end of such 30 day cure period, such unsatisfactory circumstance has not been remedied or cured to Buyer's complete satisfaction, such circumstance shall constitute an Event of Default under the Repurchase Agreement.

ACKNOWLEDGMENT AND AGREEMENT OF GUARANTOR

The undersigned, a guarantor of the indebtedness of SYNERGY CAPITAL MORTGAGE CORP., a California corporation, and EXCEL MORTGAGE SERVICING, INC., a California corporation, to East West Bank, a California banking corporation ("**Bank**"), pursuant to the Guaranty Agreement, dated as of June 24, 2010 (the "**Guaranty**"), by the undersigned in favor of Bank, hereby (i) acknowledges receipt of the foregoing Amendment; (ii) consents to the terms (including without limitation the release set forth in Section 13 of the Amendment, and the joinder of AMERIHOME MORTGAGE CORPORATION, a Michigan corporation ("**AmeriHome**"), as an additional Seller) and execution thereof; (iii) agrees that the term "Obligor" under the Guaranty shall include Amerihome, (iv) reaffirms all obligations to Bank pursuant to the terms of the Guaranty; and (v) acknowledges that Bank may amend, restate, extend, renew or otherwise modify the Agreement (as defined in the Guaranty) or any of the Transaction Documents (as defined in the Agreement) and any indebtedness or agreement of Sellers, or enter into any agreement or extend additional or other credit accommodations, without notifying or obtaining the consent of the undersigned and without impairing the liability of the undersigned under the Guaranty for all of Sellers' present and future indebtedness to Bank.

INTEGRATED REAL ESTATE SERVICE CORP.

By: ______________________________

Name:

Title:

Exhibit 10.4

CREDIT AGREEMENT

THIS CREDIT AGREEMENT (this "Agreement") is entered into as of April 1, 2011, by and between EXCEL MORTGAGE SERVICING, INC., a California corporation ("Borrower"), and WELLS FARGO BANK, NATIONAL ASSOCIATION ("Bank").

RECITALS

Borrower has requested that Bank extend or continue credit to Borrower as described below, and Bank has agreed to provide such credit to Borrower on the terms and conditions contained herein.

NOW, THEREFORE, for valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Bank and Borrower hereby agree as follows:

ARTICLE I
CREDIT TERMS

SECTION 1.1. LINE OF CREDIT.

(a) Line of Credit. Subject to the terms and conditions of this Agreement, Bank hereby agrees to make advances to Borrower from time to time up to and including April 1, 2012, not to exceed at any time the aggregate principal amount of Two Million Dollars ($2,000,000.00) ("Line of Credit"), the proceeds of which shall be used to finance Borrower's working capital requirements. Borrower's obligation to repay advances under the Line of Credit shall be evidenced by a promissory note dated as of April 1, 2011 ("Line of Credit Note"), all terms of which are incorporated herein by this reference.

(b) Borrowing and Repayment. Borrower may from time to time during the term of the Line of Credit borrow, partially or wholly repay its outstanding borrowings, and reborrow, subject to all of the limitations, terms and conditions contained herein or in the Line of Credit Note; provided however, that the total outstanding borrowings under the Line of Credit shall not at any time exceed the maximum principal amount available thereunder, as set forth above.

SECTION 1.2. STANDBY LETTER OF CREDIT.

(a) Standby Letter of Credit. Bank has issued or caused an affiliate to issue a standby letter of credit for the account of Borrower and for the benefit of LIBERTY MUTAL INSURANCE COMPANY (the "Standby Letter of Credit") in the principal amount of One Million One Hundred Fifty Thousand Dollars ($1,150,000.00). The Standby Letter of Credit has an expiration date of November 15, 2011, and is subject to the additional terms of the Letter of Credit agreement, application and any related documents required by Bank in connection with the issuance thereof (the "Letter of Credit Agreement"). Subject to the terms and conditions of this Agreement, Bank hereby confirms that the Standby Letter of Credit remains in full force and effect.

(b) Repayment of Drafts. Each drawing paid under the Standby Letter of Credit shall be repaid by Borrower in accordance with the provisions of the Letter of Credit Agreement.

SECTION 1.3. INTEREST/FEES.

(a) Interest. The outstanding principal balance of each credit subject hereto shall bear interest, and the amount of each drawing paid under the Standby Letter of Credit shall bear interest from the date such drawing is paid to the date such amount is fully repaid by Borrower, at the rate of interest set forth in each promissory note or other instrument or document executed in connection therewith.

(b) Computation and Payment. Interest shall be computed on the basis of a 360-day year, actual days elapsed. Interest shall be payable at the times and place set forth in each promissory note or other instrument or document required hereby.

(c) Commitment Fee. Borrower shall pay to Bank a non-refundable commitment fee for the Line of Credit equal to Ten Thousand Dollars ($10,000.00), which fee shall be due and payable in full on the date this Agreement is executed by Borrower and delivered to Bank.

(d) Letter of Credit Fees. Borrower shall pay to Bank fees upon the issuance of each Letter of Credit, upon the payment or negotiation of each drawing under any Letter of Credit and upon the occurrence of any other activity with respect to any Letter of Credit (including without limitation, the transfer, amendment or cancellation of any Letter of Credit) determined in accordance with Bank's standard fees and charges then in effect for such activity.

SECTION 1.4. COLLECTION OF PAYMENTS. Borrower authorizes Bank to collect all principal, interest and fees due under each credit subject hereto by charging Borrower's deposit account number 4121758262 with Bank, or any other deposit account maintained by Borrower with Bank, for the full amount thereof. Should there be insufficient funds in any such deposit account to pay all such sums when due, the full amount of such deficiency shall be immediately due and payable by Borrower.

SECTION 1.5. GUARANTIES. The payment and performance of all indebtedness and other obligations of Borrower to Bank shall be guaranteed, jointly and severally, by Integrated Real Estate Service Corp. ("Integrated"), in the principal amount of Two Million Dollars ($2,000,000.00), and Impac Mortgage Holdings, Inc. ("Impac"), in the principal amount of One Million One Hundred Fifty Thousand Dollars ($1,150,000.00), as evidenced by and subject to the terms of guaranties in form and substance satisfactory to Bank.

ARTICLE II
REPRESENTATIONS AND WARRANTIES

Borrower makes the following representations and warranties to Bank, which representations and warranties shall survive the execution of this Agreement and shall continue in full force and effect until the full and final payment, and satisfaction and discharge, of all obligations of Borrower to Bank

subject to this Agreement.

SECTION 2.1. LEGAL STATUS. Borrower is a corporation, duly organized and existing and in good standing under the laws of California, and is qualified or licensed to do business (and is in good standing as a foreign corporation, if applicable) in all jurisdictions in which such qualification or licensing is required or in which the failure to so qualify or to be so licensed could have a material adverse effect on Borrower.

SECTION 2.2. AUTHORIZATION AND VALIDITY. This Agreement and each promissory note, contract, instrument and other document required hereby or at any time hereafter delivered to Bank in connection herewith (collectively, the "Loan Documents") have been duly authorized, and upon their execution and delivery in accordance with the provisions hereof will constitute legal, valid and binding agreements and obligations of Borrower or the party which executes the same, enforceable in accordance with their respective terms.

SECTION 2.3. NO VIOLATION. The execution, delivery and performance by Borrower of each of the Loan Documents do not violate any provision of any law or regulation, or contravene any provision of the Articles of Incorporation or By-Laws of Borrower, or result in any breach of or default under any contract, obligation, indenture or other instrument to which Borrower is a party or by which Borrower may be bound.

SECTION 2.4. LITIGATION. There are no pending, or to the best of Borrower's knowledge threatened, actions, claims, investigations, suits or proceedings by or before any governmental authority, arbitrator, court or administrative agency which could have a material adverse effect on the financial condition or operation of Borrower other than those disclosed by Borrower to Bank in writing prior to the date hereof.

SECTION 2.5. CORRECTNESS OF FINANCIAL STATEMENT. The annual financial statement of Borrower dated March 31, 2010, and all interim financial statements delivered to Bank since said date, true copies of which have been delivered by Borrower to Bank prior to the date hereof, (a) are complete and correct and present fairly the financial condition of Borrower, (b) disclose all liabilities of Borrower that are required to be reflected or reserved against under generally accepted accounting principles, whether liquidated or unliquidated, fixed or contingent, and (c) have been prepared in accordance with generally accepted accounting principles consistently applied. Since the dates of such financial statements there has been no material adverse change in the financial condition of Borrower, nor has Borrower mortgaged, pledged, granted a security interest in or otherwise encumbered any of its assets or properties except in favor of Bank or as otherwise permitted by Bank in writing.

SECTION 2.6. INCOME TAX RETURNS. Borrower has no knowledge of any pending assessments or adjustments of its income tax payable with respect to any year.

SECTION 2.7. NO SUBORDINATION. There is no agreement, indenture, contract or instrument to which Borrower is a party or by which Borrower may be bound that requires the subordination in right of payment of any of Borrower's obligations subject to this Agreement to any other obligation of Borrower.

SECTION 2.8. PERMITS, FRANCHISES. Borrower possesses, and will hereafter possess, all permits, consents, approvals, franchises and licenses required and rights to all trademarks, trade names, patents, and fictitious names, if any, necessary to enable it to conduct the business in which it is now engaged in compliance with applicable law.

SECTION 2.9. ERISA. Borrower is in compliance in all material respects with all applicable provisions of the Employee Retirement Income Security Act of 1974, as amended or recodified from time to time ("ERISA"); Borrower has not violated any provision of any defined employee pension benefit plan (as defined in ERISA) maintained or contributed to by Borrower (each, a "Plan"); no Reportable Event as defined in ERISA has occurred and is continuing with respect to any Plan initiated by Borrower; Borrower has met its minimum funding requirements under ERISA with respect to each Plan; and each Plan will be able to fulfill its benefit obligations as they come due in accordance with the Plan documents and under generally accepted accounting principles.

SECTION 2.10. OTHER OBLIGATIONS. Borrower is not in default on any obligation for borrowed money, any purchase money obligation or any other material lease, commitment, contract, instrument or obligation.

SECTION 2.11. ENVIRONMENTAL MATTERS. Except as disclosed by Borrower to Bank in writing prior to the date hereof, Borrower is in compliance in all material respects with all applicable federal or state environmental, hazardous waste, health and safety statutes, and any rules or regulations adopted pursuant thereto, which govern or affect any of Borrower's operations and/or properties, including without limitation, the Comprehensive Environmental Response, Compensation and Liability Act of 1980, the Superfund Amendments and Reauthorization Act of 1986, the Federal Resource Conservation and Recovery Act of 1976, and the Federal Toxic Substances Control Act, as any of the same may be amended, modified or supplemented from time to time. None of the operations of Borrower is the subject of any federal or state investigation evaluating whether any remedial action involving a material expenditure is needed to respond to a release of any toxic or hazardous waste or substance into the environment. Borrower has no material contingent liability in connection with any release of any toxic or hazardous waste or substance into the environment.

SECTION 2.12. COMPLIANCE WITH FINANCE LAWS. Borrower is in compliance, in all material respects, with all laws, regulations and directives with respect to credit and finance, including the California Unruh Act, California Civil code Sections 1799.90 et seq., the Federal Truth in Lending Act and the Federal Equal Credit Act, all as may be amended from time to time.

ARTICLE III
CONDITIONS

SECTION 3.1. CONDITIONS OF INITIAL EXTENSION OF CREDIT. The obligation of Bank to extend any credit contemplated by this Agreement is subject to the fulfillment to Bank's satisfaction of all of the following conditions:

(a) Approval of Bank Counsel. All legal matters incidental to the extension of credit by Bank shall be satisfactory to Bank's counsel.

(b) Documentation. Bank shall have received, in form and substance satisfactory to Bank, each of the following, duly executed:

(i) This Agreement and each promissory note or other instrument or document required hereby.
(ii) Certificates of Incumbency (3).
(iii) Corporate Resolution: Continuing Guaranty.
(iv) Corporate Resolution: Guaranty.
(v) Corporate Resolution: Borrowing.
(vi) Continuing Guaranty from Impac listed in Section 1.5. hereof.
(vii) Guaranty from Integrated listed in Section 1.5. hereof.
(viii) Disbursement Order.
(ix) Name Affidavit.
(x) Such other documents as Bank may require under any other Section of this Agreement.

(c) Financial Condition. There shall have been no material adverse change, as determined by Bank, in the financial condition or business of Borrower or any guarantor hereunder, nor any material decline, as determined by Bank, in the market value of any collateral required hereunder or a substantial or material portion of the assets of Borrower or any such guarantor.

(d) Insurance. Borrower shall have delivered to Bank evidence of insurance coverage on all Borrower's property, in form, substance, amounts, covering risks and issued by companies satisfactory to Bank, and where required by Bank, with loss payable endorsements in favor of Bank.

(e) Compliance Certificate. Borrower's chief financial officer shall have delivered to Bank such compliance certificate as Bank may require.

SECTION 3.2. CONDITIONS OF EACH EXTENSION OF CREDIT. The obligation of Bank to make each extension of credit requested by Borrower hereunder shall be subject to the fulfillment to Bank's satisfaction of each of the following conditions:

(a) Compliance. The representations and warranties contained herein and in each of the other Loan Documents shall be true on and as of the date of the signing of this Agreement and on the date of each extension of credit by Bank pursuant hereto, with the same effect as though such representations and warranties had been made on and as of each such date, and on each such date, no Event of Default as defined herein, and no condition, event or act which with the giving of notice or the passage of time or both would constitute such an Event of Default, shall have occurred and be continuing or shall exist.

(b) Documentation. Bank shall have received all additional documents which may be required in connection with such extension of credit.

(c) Additional Letter of Credit Documentation. Prior to the issuance of each Letter of Credit, Bank shall have received a Letter of Credit Agreement, properly completed and duly executed by Borrower.

ARTICLE IV
AFFIRMATIVE COVENANTS

Borrower covenants that so long as Bank remains committed to extend credit to Borrower pursuant hereto, or any liabilities (whether direct or contingent, liquidated or unliquidated) of Borrower to Bank under any of the Loan Documents remain outstanding, and until payment in full of all obligations of Borrower subject hereto, Borrower shall, unless Bank otherwise consents in writing:

SECTION 4.1. PUNCTUAL PAYMENTS. Punctually pay all principal, interest, fees or other liabilities due under any of the Loan Documents at the times and place and in the manner specified therein.

SECTION 4.2. ACCOUNTING RECORDS. Maintain adequate books and records in accordance with generally accepted accounting principles consistently applied, and permit any representative of Bank, at any reasonable time, to inspect, audit and examine such books and records, to make copies of the same, and to inspect the properties of Borrower.

SECTION 4.3. FINANCIAL STATEMENTS. Provide to Bank all of the following, in form and detail satisfactory to Bank:

(a) not later than 90 days after and as of the end of each fiscal year, an audited financial statement of Borrower, prepared by Borrower, to include balance sheet, income statement and statement of cash flow, and within 15 days after filing, but in no event later than each November 15, copies of Borrower's filed federal income tax returns for such year;

(b) not later than 45 days after and as of the end of each fiscal quarter, a financial statement of Borrower, prepared by Borrower, to include balance sheet and income statement;

(c) not later than 15 days after and as of the end of each fiscal quarter, copies of current account statements for deposit, brokerage and other accounts containing unencumbered liquid assets of Integrated and its subsidiaries as necessary for Bank to calculate compliance with the liquidity covenant set forth below;

(d) within 30 days after filing, but in no event later than November 15 of each year, copies of each guarantor's filed federal income tax returns for the prior year;

(e) contemporaneously with each annual financial statement of Borrower required hereby, a certificate of the chief financial officer of Borrower that (i) there exists no Event of Default, nor any condition, act or event which with the giving of notice or the passage of time or both would constitute an Event of Default, and (ii) Borrower is in material compliance with, and has appropriate internal control processes, policies and procedures in place to remain in material compliance with, all federal, state and local laws, rules and regulations applicable to Borrower's business; and

(f) from time to time such other information as Bank may reasonably request.

SECTION 4.4. COMPLIANCE. Preserve and maintain all licenses, permits, governmental approvals, rights, privileges and franchises necessary for the conduct of its business; and comply with the provisions of all documents pursuant to which Borrower is organized and/or which govern Borrower's continued existence and with the requirements of all laws, rules, regulations and orders of any governmental authority applicable to Borrower and/or its business.

SECTION 4.5. INSURANCE. Maintain and keep in force, for each business in which Borrower is engaged, insurance of the types and in amounts customarily carried in similar lines of business, including but not limited to fire, extended coverage, public liability, flood, property damage and workers' compensation, with all such insurance carried with companies and in amounts satisfactory to Bank, and deliver to Bank from time to time at Bank's request schedules setting forth all insurance then in effect.

SECTION 4.6. FACILITIES. Keep all properties useful or necessary to Borrower's business in good repair and condition, and from time to time make necessary repairs, renewals and replacements thereto so that such properties shall be fully and efficiently preserved and maintained.

SECTION 4.7. TAXES AND OTHER LIABILITIES. Pay and discharge when due any and all indebtedness, obligations, assessments and taxes, both real or personal, including without limitation federal and state income taxes and state and local property taxes and assessments, except (a) such as Borrower may in good faith contest or as to which a bona fide dispute may arise, and (b) for which Borrower has made provision, to Bank's satisfaction, for eventual payment thereof in the event Borrower is obligated to make such payment.

SECTION 4.8. LITIGATION. Promptly give notice in writing to Bank of any litigation pending or threatened against Borrower with a claim in excess of $500,000.00.

SECTION 4.9. FINANCIAL CONDITION. Maintain Borrower's financial condition as follows using generally accepted accounting principles consistently applied and used consistently with prior practices (except to the extent modified by the definitions herein and except for the fact that, for the purposes of this Section 4.9, Borrower's financial condition shall not be consolidated with Integrated, Impac or any other entity):

Net income after taxes not less than $1.00 on an annual basis, determined as of each fiscal year end, commencing with the fiscal year ending December 31, 2011, and pre-tax profit not less than $1.00 on a quarterly basis, determined as of each fiscal quarter end, commencing with the fiscal quarter ending June 30, 2011.

SECTION 4.10. NOTICE TO BANK. Promptly (but in no event more than five (5) days after the occurrence of each such event or matter) give written notice to Bank in reasonable detail of: (a) the occurrence of any Event of Default, or any condition, event or act which with the giving of notice or the passage of time or both would constitute an Event of Default; (b) any change in the name or the organizational structure of Borrower; (c) the occurrence and nature of any Reportable Event or Prohibited Transaction, each as defined in ERISA, or any funding deficiency with respect to any Plan; or (d) any termination or cancellation of any insurance policy which Borrower is required to maintain, or any uninsured or partially uninsured loss through liability or property damage, or through fire, theft or any other cause affecting Borrower's property.

SECTION 4.11. LIQUIDITY. Cause Integrated and its wholly-owned subsidiaries to maintain, on a combined basis, unencumbered liquid assets (with "liquid assets" defined as cash, cash equivalents and/or publicly traded/quoted marketable securities acceptable to Bank in its sole discretion) with Bank and/or an affiliate of Bank, with an aggregate fair market value not at any time less than Three Million Two Hundred Thousand Dollars ($3,200,000.00).

SECTION 4.11. FINANCE REGULATIONS. Comply, in all material respects, with all laws, regulations and directives with respect to finance, including the California Unruh Act, California Civil Code Sections 1799.90 et seq., the Federal Trust in Lending Act and the Federal Equal Credit Act, all may be amended from time to time.

ARTICLE V
NEGATIVE COVENANTS

Borrower further covenants that so long as Bank remains committed to extend credit to Borrower pursuant hereto, or any liabilities (whether direct or contingent, liquidated or unliquidated) of Borrower to Bank under any of the Loan Documents remain outstanding, and until payment in full of all obligations of Borrower subject hereto, Borrower will not without Bank's prior written consent:

SECTION 5.1. USE OF FUNDS. Use any of the proceeds of any credit extended hereunder except for the purposes stated in Article I hereof.

SECTION 5.2. CAPITAL EXPENDITURES. Make any additional investment in fixed assets in any fiscal year in excess of an aggregate of $100,000.00.

SECTION 5.3. LEASE EXPENDITURES. Incur operating lease expense in any fiscal year in excess of an aggregate of $1,000,000.00.

SECTION 5.4. SECTION 5.4. OTHER INDEBTEDNESS. Create, incur, assume or permit to exist any indebtedness or liabilities resulting from borrowings, loans or advances, whether secured or unsecured, matured or unmatured, liquidated or unliquidated, joint or several, except (a) the liabilities of Borrower to Bank, (b) any other liabilities of Borrower existing as of, and disclosed to Bank prior to, the date hereof, and (c) borrowings hereafter by

Borrower from Alliance Bank, East West Bank, New Century Bank, MetLife Bank and ViewPoint Bank (collectively, the "Existing Mortgage Lenders") under the mortgage-warehouse lines which are in place between Borrower and each of the Existing Mortgage Lenders as of the date hereof (the "Mortgage Credit Lines").

SECTION 5.5. MERGER, CONSOLIDATION, TRANSFER OF ASSETS. Merge into or consolidate with any other entity; make any substantial change in the nature of Borrower's business as conducted as of the date hereof; acquire all or substantially all of the assets of any other entity; nor sell, lease, transfer or otherwise dispose of all or a substantial or material portion of Borrower's assets except in the ordinary course of its business.

SECTION 5.6. GUARANTIES. Guarantee or become liable in any way as surety, endorser (other than as endorser of negotiable instruments for deposit or collection in the ordinary course of business), accommodation endorser or otherwise for, nor pledge or hypothecate any assets of Borrower as security for, any liabilities or obligations of any other person or entity, except any of the foregoing in favor of Bank.

SECTION 5.7. LOANS, ADVANCES, INVESTMENTS. Make any loans or advances to or investments in any person or entity, except (a) any of the foregoing existing as of, and disclosed to Bank prior to, the date hereof, and (b) loans made hereafter by Borrower to its affiliates in the ordinary course of business, so long as the outstanding principal balance of loans made by Borrower to its affiliates does not exceed $7,000,000.00 in the aggregate at any time.

SECTION 5.8. DIVIDENDS, DISTRIBUTIONS. Declare or pay any dividend or distribution either in cash, stock or any other property on Borrower's stock now or hereafter outstanding, nor redeem, retire, repurchase or otherwise acquire any shares of any class of Borrower's stock now or hereafter outstanding.

SECTION 5.9 SECTION 5.9 PLEDGE OF ASSETS. Mortgage, pledge, grant or permit to exist a security interest in, or lien upon, all or any portion of Borrower's assets now owned or hereafter acquired, except any of the foregoing in favor of Bank or which is existing as of, and disclosed to Bank in writing prior to, the date hereof, including without limitation the security interests granted by Borrower to the Existing Mortgage Lenders to secure the Mortgage Credit Lines. Nothing herein is intended to obligate Bank to (i) subordinate any rights of Bank to any rights of any of the Existing Mortgage Lenders with respect to any deposit account or other type of account maintained by Borrower with Bank, or (ii) enter into any control agreement with any of the Existing Mortgage Lenders with respect to any such account.

ARTICLE VI
EVENTS OF DEFAULT

SECTION 6.1. The occurrence of any of the following shall constitute an "Event of Default" under this Agreement:

(a) Borrower shall fail to pay when due any principal, interest, fees or other amounts payable under any of the Loan Documents.

(b) Any financial statement or certificate furnished to Bank in connection with, or any representation or warranty made by Borrower or any other party under this Agreement or any other Loan Document shall prove to be incorrect, false or misleading in any material respect when furnished or made.

(c) Any default in the performance of or compliance with any obligation, agreement or other provision contained herein or in any other Loan Document (other than those specifically described as an "Event of Default" in this section 6.1), and with respect to any such default that by its nature can be cured, such default shall continue for a period of twenty (20) days from its occurrence.

(d) Any default in the payment or performance of any obligation, or any defined event of default, under the terms of any contract, instrument or document (other than any of the Loan Documents) pursuant to which Borrower, any guarantor hereunder or any general partner or joint venturer in Borrower if a partnership or joint venture (with each such guarantor, general partner and/or joint venturer referred to herein as a "Third Party Obligor") has incurred any debt or other liability to any person or entity, including Bank.

(e) Borrower or any Third Party Obligor shall become insolvent, or shall suffer or consent to or apply for the appointment of a receiver, trustee, custodian or liquidator of itself or any of its property, or shall generally fail to pay its debts as they become due, or shall make a general assignment for the benefit of creditors; Borrower or any Third Party Obligor shall file a voluntary petition in bankruptcy, or seeking reorganization, in order to effect a plan or other arrangement with creditors or any other relief under the Bankruptcy Reform Act, Title 11 of the United States Code, as amended or recodified from time to time ("Bankruptcy Code"), or under any state or federal law granting relief to debtors, whether now or hereafter in effect; or Borrower or any Third Party Obligor shall file an answer admitting the jurisdiction of the court and the material allegations of any involuntary petition; or Borrower or any Third Party Obligor shall be adjudicated a bankrupt, or an order for relief shall be entered against Borrower or any Third Party Obligor by any court of competent jurisdiction under the Bankruptcy Code or any other applicable state or federal law relating to bankruptcy, reorganization or other relief for debtors.

(f) The filing of a notice of judgment lien against Borrower or any Third Party Obligor; or the recording of any abstract of judgment against Borrower or any Third Party Obligor in any county in which Borrower or such Third Party Obligor has an interest in real property; or the service of a notice of levy and/or of a writ of attachment or execution, or other like process, against the assets of Borrower or any Third Party Obligor; or the entry of a judgment against Borrower or any Third Party Obligor; or any involuntary petition or proceeding pursuant to the Bankruptcy Code or any other applicable state or federal law relating to bankruptcy, reorganization or other relief for debtors is filed or commenced against Borrower or any Third Party Obligor.

(g) There shall exist or occur any event or condition that Bank in good faith believes impairs, or is substantially likely to impair, the prospect of payment or performance by Borrower, any Third Party Obligor, or the general partner of either if such entity is a partnership, of its obligations under any of the Loan Documents.

(h) The death or incapacity of Borrower or any Third Party Obligor if an individual. The dissolution or liquidation of Borrower or any Third Party Obligor if a corporation, partnership, joint venture or other type of entity; or Borrower or any such Third Party Obligor, or any of its directors, stockholders or

members, shall take action seeking to effect the dissolution or liquidation of Borrower or such Third Party Obligor.

(i) Any change in control of Borrower or any entity or combination of entities that directly or indirectly control Borrower, with "control" defined as ownership of an aggregate of twenty-five percent (25%) or more of the common stock, members' equity or other ownership interest (other than a limited partnership interest).

SECTION 6.2. REMEDIES. Upon the occurrence of any Event of Default: (a) all indebtedness of Borrower under each of the Loan Documents, any term thereof to the contrary notwithstanding, shall at Bank's option and without notice become immediately due and payable without presentment, demand, protest or notice of dishonor, all of which are hereby expressly waived by Borrower; (b) the obligation, if any, of Bank to extend any further credit under any of the Loan Documents shall immediately cease and terminate; and (c) Bank shall have all rights, powers and remedies available under each of the Loan Documents, or accorded by law, including without limitation the right to resort to any or all security for any credit subject hereto and to exercise any or all of the rights of a beneficiary or secured party pursuant to applicable law. All rights, powers and remedies of Bank may be exercised at any time by Bank and from time to time after the occurrence of an Event of Default, are cumulative and not exclusive, and shall be in addition to any other rights, powers or remedies provided by law or equity.

ARTICLE VII
MISCELLANEOUS

SECTION 7.1. NO WAIVER. No delay, failure or discontinuance of Bank in exercising any right, power or remedy under any of the Loan Documents shall affect or operate as a waiver of such right, power or remedy; nor shall any single or partial exercise of any such right, power or remedy preclude, waive or otherwise affect any other or further exercise thereof or the exercise of any other right, power or remedy. Any waiver, permit, consent or approval of any kind by Bank of any breach of or default under any of the Loan Documents must be in writing and shall be effective only to the extent set forth in such writing.

SECTION 7.2. NOTICES. All notices, requests and demands which any party is required or may desire to give to any other party under any provision of this Agreement must be in writing delivered to each party at the following address:

BORROWER: EXCEL MORTGAGE SERVICING, INC.
19500 Jamboree Road
Irvine, CA 92612

BANK: WELLS FARGO BANK, NATIONAL ASSOCIATION
2030 Main Street, Suite 900
Irvine, CA 92614

or to such other address as any party may designate by written notice to all other parties. Each such notice, request and demand shall be deemed given or made as follows: (a) if sent by hand delivery, upon delivery; (b) if sent by mail, upon the earlier of the date of receipt or three (3) days after deposit in the U.S. mail, first class and postage prepaid; and (c) if sent by telecopy, upon receipt.

SECTION 7.3. COSTS, EXPENSES AND ATTORNEYS' FEES. Borrower shall pay to Bank immediately upon demand the full amount of all payments, advances, charges, costs and expenses, including reasonable attorneys' fees (to include outside counsel fees and all allocated costs of Bank's in-house counsel), expended or incurred by Bank in connection with (a) the negotiation and preparation of this Agreement and the other Loan Documents, Bank's continued administration hereof and thereof, and the preparation of any amendments and waivers hereto and thereto, (b) the enforcement of Bank's rights and/or the collection of any amounts which become due to Bank under any of the Loan Documents, and (c) the prosecution or defense of any action in any way related to any of the Loan Documents, including without limitation, any action for declaratory relief, whether incurred at the trial or appellate level, in an arbitration proceeding or otherwise, and including any of the foregoing incurred in connection with any bankruptcy proceeding (including without limitation, any adversary proceeding, contested matter or motion brought by Bank or any other person) relating to Borrower or any other person or entity.

SECTION 7.4. SUCCESSORS, ASSIGNMENT. This Agreement shall be binding upon and inure to the benefit of the heirs, executors, administrators, legal representatives, successors and assigns of the parties; provided however, that Borrower may not assign or transfer its interests or rights hereunder without Bank's prior written consent. Bank reserves the right to sell, assign, transfer, negotiate or grant participations in all or any part of, or any interest in, Bank's rights and benefits under each of the Loan Documents. In connection therewith, Bank may disclose all documents and information which Bank now has or may hereafter acquire relating to any credit subject hereto, Borrower or its business, any guarantor hereunder or the business of such guarantor, or any collateral required hereunder.

SECTION 7.5. ENTIRE AGREEMENT; AMENDMENT. This Agreement and the other Loan Documents constitute the entire agreement between Borrower and Bank with respect to each credit subject hereto and supersede all prior negotiations, communications, discussions and correspondence concerning the subject matter hereof. This Agreement may be amended or modified only in writing signed by each party hereto.

SECTION 7.6. NO THIRD PARTY BENEFICIARIES. This Agreement is made and entered into for the sole protection and benefit of the parties hereto and their respective permitted successors and assigns, and no other person or entity shall be a third party beneficiary of, or have any direct or indirect cause of action or claim in connection with, this Agreement or any other of the Loan Documents to which it is not a party.

SECTION 7.7. TIME. Time is of the essence of each and every provision of this Agreement and each other of the Loan Documents.

SECTION 7.8. SEVERABILITY OF PROVISIONS. If any provision of this Agreement shall be prohibited by or invalid under applicable law, such provision shall be ineffective only to the extent of such prohibition or invalidity without invalidating the remainder of such provision or any remaining

provisions of this Agreement.

SECTION 7.9. INDEMNITY. In addition to the payment of costs and expenses pursuant to Section 7.3 above, Borrower hereby agrees to indemnify and hold harmless Bank and the directors, officers, employees and agents of and counsel to Bank (collectively "Indemnitees" and individually "Indemnitee") from and against any liabilities, obligations, losses, damages, penalties, actions, causes of action, judgments, suits, claims, costs and expenses of any kind or nature whatsoever, including without limitation the reasonable fees, costs and expenses of counsel to Indemnitees (including without limitation allocated fees, costs and expenses of in-house counsel of Bank), in connection with any administrative, investigative or judicial proceeding, irrespective of whether such Indemnitee shall be designated a party thereto, which may be imposed on, incurred by or asserted against such Indemnitee, in any manner relating to or arising out of this Agreement, any borrowings hereunder, the use or intended use of the proceeds of any borrowings hereunder or Borrower's lending activities (collectively, "Indemnified Liabilities"); provided, however, that Borrower's obligations to Indemnitees under this paragraph shall not extend to any losses, damages, liabilities, actions or claims against any Indemnitee arising as a result of the gross negligence or willful misconduct of such Indemnitee. Borrower shall make all payments required to be made under this section 7.9 promptly upon demand by Bank. The obligations of Borrower under this Section 7.9 shall survive the termination of this Agreement and the discharge of Borrower's other obligations hereunder.

SECTION 7.10. NON-LIABILITY OF BANK. The relationship between Borrower and Bank is, and shall at all times remain, solely that of Borrower and lender. Bank shall not under any circumstance be construed to be a partner or joint venturer of Borrower. Bank shall not under any circumstance be deemed to be in a fiduciary relationship with Borrower or to owe any fiduciary duty to Borrower. Bank does not undertake or assume any responsibility or duty to Borrower to review, inspect, supervise, pass judgment upon or inform Borrower of any matter in connection with Borrower's loan agreements with its customers, Borrower's other property or the operations of Borrower. Any review, inspection, supervision, exercise of judgment or supply of information undertaken by Bank in connection with any such matter is solely for the protection of Bank, and Borrower is not entitled to rely thereon. Nothing contained herein shall be deemed an assumption by Bank of any obligations of Borrower to any of its customers.

SECTION 7.11. COUNTERPARTS. This Agreement may be executed in any number of counterparts, each of which when executed and delivered shall be deemed to be an original, and all of which when taken together shall constitute one and the same Agreement.

SECTION 7.12. GOVERNING LAW. This Agreement shall be governed by and construed in accordance with the laws of the State of California.

SECTION 7.13 . ARBITRATION.

(a) Arbitration. The parties hereto agree, upon demand by any party, to submit to binding arbitration all claims, disputes and controversies between or among them (and their respective employees, officers, directors, attorneys, and other agents), whether in tort, contract or otherwise in any way arising out of or relating to (i) any credit subject hereto, or any of the Loan Documents, and their negotiation, execution, collateralization, administration, repayment, modification, extension, substitution, formation, inducement, enforcement, default or termination; or (ii) requests for additional credit.

(b) Governing Rules. Any arbitration proceeding will (i) proceed in a location in California selected by the American Arbitration Association ("AAA"); (ii) be governed by the Federal Arbitration Act (Title 9 of the United States Code), notwithstanding any conflicting choice of law provision in any of the documents between the parties; and (iii) be conducted by the AAA, or such other administrator as the parties shall mutually agree upon, in accordance with the AAA's commercial dispute resolution procedures, unless the claim or counterclaim is at least $1,000,000.00 exclusive of claimed interest, arbitration fees and costs in which case the arbitration shall be conducted in accordance with the AAA's optional procedures for large, complex commercial disputes (the commercial dispute resolution procedures or the optional procedures for large, complex commercial disputes to be referred to herein, as applicable, as the "Rules"). If there is any inconsistency between the terms hereof and the Rules, the terms and procedures set forth herein shall control. Any party who fails or refuses to submit to arbitration following a demand by any other party shall bear all costs and expenses incurred by such other party in compelling arbitration of any dispute. Nothing contained herein shall be deemed to be a waiver by any party that is a bank of the protections afforded to it under 12 U.S.C. §91 or any similar applicable state law.

(c) No Waiver of Provisional Remedies, Self-Help and Foreclosure. The arbitration requirement does not limit the right of any party to (i) foreclose against real or personal property collateral; (ii) exercise self-help remedies relating to collateral or proceeds of collateral such as setoff or repossession; or (iii) obtain provisional or ancillary remedies such as replevin, injunctive relief, attachment or the appointment of a receiver, before during or after the pendency of any arbitration proceeding. This exclusion does not constitute a waiver of the right or obligation of any party to submit any dispute to arbitration or reference hereunder, including those arising from the exercise of the actions detailed in sections (i), (ii) and (iii) of this paragraph.

(d) Arbitrator Qualifications and Powers. Any arbitration proceeding in which the amount in controversy is $5,000,000.00 or less will be decided by a single arbitrator selected according to the Rules, and who shall not render an award of greater than $5,000,000.00. Any dispute in which the amount in controversy exceeds $5,000,000.00 shall be decided by majority vote of a panel of three arbitrators; provided however, that all three arbitrators must actively participate in all hearings and deliberations. The arbitrator will be a neutral attorney licensed in the State of California or a neutral retired judge of the state or federal judiciary of California, in either case with a minimum of ten years experience in the substantive law applicable to the subject matter of the dispute to be arbitrated. The arbitrator will determine whether or not an issue is arbitratable and will give effect to the statutes of limitation in determining any claim. In any arbitration proceeding the arbitrator will decide (by documents only or with a hearing at the arbitrator's discretion) any pre-hearing motions which are similar to motions to dismiss for failure to state a claim or motions for summary adjudication. The arbitrator shall resolve all disputes in accordance with the substantive law of California and may grant any remedy or relief that a court of such state could order or grant within the scope hereof and such ancillary relief as is necessary to make effective any award. The arbitrator shall also have the power to award recovery of all costs and fees, to impose sanctions and to take such other action as the arbitrator deems necessary to the same extent a judge could pursuant to the Federal Rules of Civil Procedure, the California Rules of Civil Procedure or other applicable law. Judgment upon the award rendered by the arbitrator may be entered in any court having jurisdiction. The institution and maintenance of an action for judicial relief or pursuit of a provisional or ancillary remedy shall not constitute a waiver of the right of any party, including the plaintiff, to submit the controversy or claim to arbitration if any other party contests such action for judicial relief.

(e) Discovery. In any arbitration proceeding, discovery will be permitted in accordance with the Rules. All discovery shall be expressly limited to matters directly relevant to the dispute being arbitrated and must be completed no later than 20 days before the hearing date. Any requests for an extension of

the discovery periods, or any discovery disputes, will be subject to final determination by the arbitrator upon a showing that the request for discovery is essential for the party's presentation and that no alternative means for obtaining information is available.

(f) Class Proceedings and Consolidations. No party hereto shall be entitled to join or consolidate disputes by or against others in any arbitration, except parties who have executed any Loan Document, or to include in any arbitration any dispute as a representative or member of a class, or to act in any arbitration in the interest of the general public or in a private attorney general capacity.

(g) Payment Of Arbitration Costs And Fees. The arbitrator shall award all costs and expenses of the arbitration proceeding.

(h) Real Property Collateral; Judicial Reference. Notwithstanding anything herein to the contrary, no dispute shall be submitted to arbitration if the dispute concerns indebtedness secured directly or indirectly, in whole or in part, by any real property unless (i) the holder of the mortgage, lien or security interest specifically elects in writing to proceed with the arbitration, or (ii) all parties to the arbitration waive any rights or benefits that might accrue to them by virtue of the single action rule statute of California, thereby agreeing that all indebtedness and obligations of the parties, and all mortgages, liens and security interests securing such indebtedness and obligations, shall remain fully valid and enforceable. If any such dispute is not submitted to arbitration, the dispute shall be referred to a referee in accordance with California Code of Civil Procedure Section 638 et seq., and this general reference agreement is intended to be specifically enforceable in accordance with said Section 638. A referee with the qualifications required herein for arbitrators shall be selected pursuant to the AAA's selection procedures. Judgment upon the decision rendered by a referee shall be entered in the court in which such proceeding was commenced in accordance with California Code of Civil Procedure Sections 644 and 645.

(i) Miscellaneous. To the maximum extent practicable, the AAA, the arbitrators and the parties shall take all action required to conclude any arbitration proceeding within 180 days of the filing of the dispute with the AAA. No arbitrator or other party to an arbitration proceeding may disclose the existence, content or results thereof, except for disclosures of information by a party required in the ordinary course of its business or by applicable law or regulation. If more than one agreement for arbitration by or between the parties potentially applies to a dispute, the arbitration provision most directly related to the Loan Documents or the subject matter of the dispute shall control. This arbitration provision shall survive termination, amendment or expiration of any of the Loan Documents or any relationship between the parties.

(j) Small Claims Court. Notwithstanding anything herein to the contrary, each party retains the right to pursue in Small Claims Court any dispute within that court's jurisdiction. Further, this arbitration provision shall apply only to disputes in which either party seeks to recover an amount of money (excluding attorneys' fees and costs) that exceeds the jurisdictional limit of the Small Claims Court.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the day and year first written above.

EXCEL MORTGAGE SERVICING, INC.	WELLS FARGO BANK, NATIONAL ASSOCIATION
By: ______________________	By: ______________________
Todd Taylor, Secretary/Treasurer	Erin Boyl, Assistant Vice President

Exhibit 10.5

Supplemental Indenture No. 1
to
Indenture
dated as of November 26, 2010
between
LVII 2010-R1, as Issuer
and
Deutsche Bank National Trust Company, as Indenture Trustee

Supplemental Indenture No. 1 (this "Amendment"), dated as of May 17, 2011, which shall be its effective date ("Effective Date"), between LVII 2010-R1, as issuer (the "Issuer") and Deutsche Bank National Trust Company, as indenture trustee (the "Indenture Trustee") in connection with the Indenture, dated as of November 26, 2010 (the "Indenture"), between the Issuer and the Indenture Trustee. Capitalized terms not defined herein have the meanings assigned to them in the Indenture.

1. This Amendment is effected pursuant to Section 8.02(1) of the Indenture.

2. The definition of Accrual Period in Section 1.01 of the Indenture is hereby deleted and replaced with the following:

"Accrual Period": With respect to each Payment Date and each Class of Notes, the period from the previous Payment Date (or, in the case of the first Accrual Period, from the Closing Date) to the day prior to the current Payment Date. All payments of interest on the Notes for any Payment Date shall be calculated on the basis of a 360-day year consisting of twelve 30-day months. Notwithstanding the foregoing, each Accrual Period shall be deemed to consist of 30 days; provided that, the Accrual Period for the first Payment Date after the Closing Date shall be deemed to be five days; provided further, that the Accrual Period for the second Payment Date after the Closing Date shall be deemed to be 26 days; and provided further that, the Accrual Period for the first Payment Date after the Supplemental Deposit Date shall be deemed to be ten days.

3. The definition of Initial Reserve Account Balance is hereby added to Section 1.01 of the Indenture:

"Initial Reserve Account Balance": $1,438,746.07.

4. The definition of Payment Date is hereby deleted and replaced with the following:

"Payment Date": Payments on the Securities shall be made (i) on any date during which the Notes are outstanding, the second Business Day immediately following the Underlying Distribution Date, and (ii) after the Note Balance on the Notes has been reduced to zero, the same day as the Underlying Distribution Date.

5. The definition of Scheduled Interest Payment Amount is hereby deleted and replaced with the following:

"Scheduled Interest Payment Amount": With respect to any Payment Date, as set forth in the chart below.

Payment Date	Note Balance ($)	Scheduled Interest Payment Amount ($)
May 27, 2011	9,680,555.55	28,472.22
June 27, 2011	9,111,111.10	80,671.30
July 27, 2011	8,541,666.65	75,925.93
August 27, 2011	7,972,222.20	71,180.56
September 27, 2011	7,402,777.75	66,435.18
October 27, 2011	6,833,333.30	61,689.81
November 27, 2011	6,263,888.85	56,944.44
December 27, 2011	5,694,444.40	52,199.07
January 27, 2012	5,124,999.95	47,453.70
February 27, 2012	4,555,555.50	42,708.33
March 27, 2012	3,986,111.05	37,962.96
April 27, 2012	3,416,666.60	33,217.59
May 27, 2012	2,847,222.15	28,472.22
June 27, 2012	2,277,777.70	23,726.85
July 27, 2012	1,708,333.25	18,981.48
August 27, 2012	1,138,888.80	14,236.11
September 27, 2012	569,444.35	9,490.74
October 27, 2012	0.00	4,745.37

6. The definition of Scheduled Principal Payment Amount is hereby deleted and replaced with the following:

"Scheduled Principal Payment Amount": With respect to any Payment Date, as set forth in the chart below.

Payment Date	Note Balance ($)	Scheduled Principal Payment Amount ($)
Supplemental Deposit Date	10,250,000.00	
May 27, 2011	9,680,555.55	569,444.45
June 27, 2011	9,111,111.10	569,444.45
July 27, 2011	8,541,666.65	569,444.45
August 27, 2011	7,972,222.20	569,444.45

September 27, 2011	7,402,777.75	569,444.45
October 27, 2011	6,833,333.30	569,444.45
November 27, 2011	6,263,888.85	569,444.45
December 27, 2011	5,694,444.40	569,444.45
January 27, 2012	5,124,999.95	569,444.45
February 27, 2012	4,555,555.50	569,444.45
March 27, 2012	3,986,111.05	569,444.45
April 27, 2012	3,416,666.60	569,444.45
May 27, 2012	2,847,222.15	569,444.45
June 27, 2012	2,277,777.70	569,444.45
July 27, 2012	1,708,333.25	569,444.45
August 27, 2012	1,138,888.80	569,444.45
September 27, 2012	569,444.35	569,444.45
October 27, 2012	0.00	569,444.35

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7. The definition of Supplemental Deposit Date is hereby added to Section 1.01 of the Indenture:

"Supplemental Deposit Date": May 17, 2011.

8. Section 2.03(a) of the Indenture is hereby deleted and replaced with the following:

The Aggregate Note Balance of the Class A Notes that may be authenticated and delivered under this Indenture (except for Notes authenticated and delivered upon registration of transfer of, or in exchange for, or in lieu of, other Notes pursuant to Sections 2.04 and 2.05 below) is $10,250,000. The Final Maturity Date for the Notes is the Payment Date in October 2012.

9. Section 2.15(a) of the Indenture is hereby deleted and replaced with the following:

No later than the Closing Date, the Indenture Trustee shall establish and maintain with itself a separate, segregated trust account titled, "Reserve Account, Deutsche Bank National Trust Company, as Indenture Trustee, in trust for the Indenture Trustee, the Owner Trustee and the Noteholders of LVII 2010-R1, Resecuritization Trust Securities, Series 2010-R1". Upon written instruction by the Depositor, amounts on deposit in the Reserve Account shall be invested and reinvested in Permitted Investments, for the benefit of the Reserve Account. If such amounts are invested in Permitted Investments, any and all investment earnings from any such Permitted Investments shall be for the benefit of the Trust, and the risk of loss of moneys on deposit in the Note Account resulting from such investments shall be borne by the Trust. The Indenture Trustee shall not be liable for the selection of investments that are Permitted Investments or for investment losses incurred thereon and shall have no obligation to invest any funds held in any accounts under the Indenture in the absence of timely written direction. On the Supplemental Deposit Date, the Indenture Trustee shall pay $200,000 from the Reserve Fund to the holders of the Owner Trust Certificates and subsequent to such payment, the amount in the Reserve Fund shall equal the Initial Reserve Account Balance.

10. Section 2.16 is here added to the Indenture:

Section 2.16. Supplemental Deposit Date.

On the Supplemental Deposit Date, any proceeds to which the Issuer is entitled shall be paid directly to the holder of the Owner Trust Certificates on behalf of the Issuer. These proceeds will be deemed to have been included in the Trust and used in connection with the cancellation of the existing Note and the issuance of a new Note.

11. Exhibit A of the Exhibits to the Indenture is hereby deleted in its entirety and replaced with the following:

EXHIBIT A

FORM OF NOTE

LVII 2010-R1

CLASS A NOTES
RESECURITIZATION TRUST NOTES, SERIES 2010-R1

Note Rate: 10.00% per annum

Date of Indenture: As of November 26, 2010

First Payment Date: May 27, 2011

Indenture Trustee: Deutsche Bank National Trust Company

Issuer: LVII 2010-R1

Aggregate Note Balance as of the Supplemental Deposit Date: $10,250,000

Initial Note Balance of this Note as of the Supplemental Deposit Date: $[ ]

Final Maturity Date: October 2012

CUSIP: 31681P AB1

Owner Trustee: Wilmington Savings Fund Society, FSB

Note No. 1

THIS NOTE HAS NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT") OR THE SECURITIES LAWS OF ANY STATE. ANY RESALE, PLEDGE, TRANSFER OR OTHER DISPOSITION OF THIS NOTE OR ANY INTEREST HEREIN WITHOUT SUCH REGISTRATION OR QUALIFICATION MAY BE MADE ONLY IN A TRANSACTION WHICH DOES NOT REQUIRE SUCH REGISTRATION OR QUALIFICATION AND WHICH IS IN ACCORDANCE WITH THE PROVISIONS OF SECTION 2.04 OF THE INDENTURE REFERRED TO HEREIN.

NO TRANSFER OF THIS NOTE OR ANY INTEREST HEREIN MAY BE MADE (A) TO ANY EMPLOYEE BENEFIT PLAN OR OTHER RETIREMENT ARRANGEMENT ("PLAN") THAT IS SUBJECT TO THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA"), OR THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE"), OR (B) TO ANY PERSON WHO IS DIRECTLY OR INDIRECTLY PURCHASING THIS NOTE OR SUCH INTEREST HEREIN ON BEHALF OF, AS NAMED FIDUCIARY OF, AS TRUSTEE OF, OR WITH ASSETS OF ANY SUCH EMPLOYEE BENEFIT PLAN OR OTHER RETIREMENT ARRANGEMENT.

THIS NOTE REPRESENTS A NON-RECOURSE OBLIGATION OF THE ISSUER AND WILL BE PAID SOLELY FROM THE COLLATERAL SECURING THIS NOTE. NEITHER THIS NOTE NOR THE COLLATERAL THEREFOR IS INSURED OR GUARANTEED BY ANY GOVERNMENTAL AGENCY OR INSTRUMENTALITY OR BY ANY OTHER PERSON.

PAYMENTS IN REDUCTION OF THE NOTE BALANCE OF THIS NOTE MAY BE MADE MONTHLY AS SET FORTH IN THE INDENTURE REFERRED TO HEREIN. ACCORDINGLY, THE OUTSTANDING NOTE BALANCE HEREOF AT ANY TIME MAYBE LESS THAN THE AMOUNT SHOWN ABOVE.

UNLESS THIS NOTE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC"), TO ISSUER OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE, OR PAYMENT, AND ANY NOTE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

This certifies that Cede & Co. is the registered owner (the "Holder") of this Note which is one of the Notes (collectively, the "Notes") issued by the Issuer referred to above pursuant to the Indenture, dated as of November 26, 2010, as amended by the Supplemental Indenture No. 1, dated as of May 17, 2011 (together, the "Indenture"), each among the Issuer referred to above and the Indenture Trustee referred to above, on behalf of the holders of the Notes (the "Noteholders"), a summary of certain of the pertinent provisions of which is set forth hereafter. To the extent not defined herein, capitalized terms used herein have the respective meanings assigned in the Indenture. This Note is issued under and is subject to the terms, provisions and conditions of the Indenture, to which Indenture the Holder of this Note by virtue of the acceptance hereof assents and by which such Holder is bound.

Pursuant to the terms of the Indenture, payments on the Notes shall be made (1) on any date during which the Notes are outstanding, the second Business Day immediately following the Underlying Distribution Date, and (ii) after the Note Balance on the Notes has been reduced to zero, the same day as the Underlying Distribution Date. All payments made under the Indenture on this Note will be made by the Indenture Trustee by check mailed on or before the Payment Date to the Person entitled thereto at such Person's address appearing on the Note Register, by wire transfer to such account as such Noteholder shall designate by written instruction received by the Indenture Trustee not later than five business days prior to the Record Date related to the applicable Payment Date). Notwithstanding the foregoing, the final payment on this Note will be made in like manner, but only upon presentation and surrender of this Note at the offices of the Indenture Trustee. Notwithstanding anything herein to the contrary, no payments will be made with respect to a Note that has previously been surrendered as contemplated by the preceding sentence or, with limited exception, that should have been surrendered as contemplated by the preceding sentence.

The Notes are limited in right of payment to certain distributions on the Underlying Certificates, all as more specifically set forth herein and in the Indenture. As provided in the Indenture, withdrawals from the Note Account may be made from time to time for purposes other than, and, in certain cases, prior to, payments to Noteholders, such purposes including the reimbursement of certain expenses incurred by the Indenture Trustee under the Indenture.

Any payment to the Holder of this Note in reduction of the Note Balance hereof is binding on such Holder and all future Holders of this Note and any Note issued upon the transfer hereof or in exchange herefor or in lieu hereof whether or not notation of such payment is made upon this Note.

The Notes are issuable in fully registered form only without coupons in minimum denominations specified in the Indenture. As provided in the Indenture and subject to certain limitations therein set forth, this Note is exchangeable for new Notes in authorized denominations evidencing the same aggregate Note Balance, as requested by the Holder surrendering the same.

No transfer, sale, pledge or other disposition of this Note or interest therein shall be made unless that transfer, sale, pledge or other disposition is exempt from the registration and/or qualification requirements of the Securities Act and any applicable state securities laws, or is otherwise made in accordance with the Securities Act and such state securities laws. If a transfer of this Note is to be made without registration under the Securities Act (other than in connection with the initial issuance thereof), then the Note Registrar shall refuse to register such transfer unless it receives (and upon receipt, may conclusively rely upon) a certificate from the Noteholder desiring to effect such transfer substantially in the form attached as Exhibit C-1 to the Indenture and a certificate from such Noteholder's prospective transferee in the form attached as Exhibit C-2 to the Indenture (which in the case of the Book-Entry Notes, the Noteholder and the Noteholder's prospective transferee will be deemed to have represented such certification) to the effect that, among other things, the transfer is being made to a transferee that is a QIB in accordance with Rule 144A. None of the Issuer, the Depositor, the Indenture Trustee, the Owner Trustee, the Administrators or the Note Registrar is obligated to register or qualify any Notes under the Securities Act or any other securities law or to

take any action not otherwise required under the Indenture to permit the transfer of this Note or interest therein without registration or qualification. Any Noteholder desiring to effect a transfer of this Note or interest therein shall, and does hereby agree to, indemnify the Issuer, the Depositor, the Indenture Trustee, the Owner Trustee, the Administrators and the Note Registrar against any liability that may result if the transfer is not so exempt or is not made in accordance with such federal and state laws.

No transfer of this Note or any interest herein to a Plan subject to ERISA or Section 4975 of the Code, any Person acting directly or indirectly, on behalf of any such Plan or any Person using Plan Assets to acquire this Note shall be made.

As provided in the Indenture and subject to certain limitations therein set forth, the transfer of this Note is registrable in the Note Register upon surrender of this Note for registration of transfer at the offices of the Note Registrar, duly endorsed by, or accompanied by a written instrument of transfer in the form satisfactory to the Note Registrar duly executed by, the Holder hereof or his attorney duly authorized in writing, and thereupon one or more new Notes in authorized denominations evidencing the same aggregate Note Balance will be issued to the designated transferee or transferees.

No service charge will be imposed for any registration of transfer or exchange of this Note, but the Owner Trustee, the Indenture Trustee or the Note Registrar may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any transfer or exchange of this Note.

The Depositor, the Issuer, the Owner Trustee, the Indenture Trustee, the Note Registrar and any agent thereof may treat the Person in whose name this Note is registered as the owner hereof for all purposes, and none of the Depositor, the Issuer, the Owner Trustee, the Indenture Trustee, the Note Registrar or any such agent shall be affected by notice to the contrary.

The Indenture will be discharged (except with respect to certain continuing rights specified in the Indenture) (a)(l) upon the delivery to the Note Registrar for cancellation of all of the Notes other than Notes which have been mutilated, lost or stolen and have been replaced or paid and Notes for which money has been deposited in trust for the full payment thereof (and

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thereafter repaid to the Issuer and discharged from such trust) as provided in the Indenture or (2) at such time as all Notes not previously canceled by the Note Registrar have become, or, on the next Payment Date, will become, due and payable and the Issuer shall have deposited with the Indenture Trustee an amount sufficient to repay all of the Notes and (b) the Issuer shall have paid all other amounts payable under the Indenture.

Modifications of and amendments to the Indenture may be made by the Owner Trustee on behalf of the Issuer and the Indenture Trustee with the consent of the Noteholders of not less than 66-2/3% in aggregate Note Balance (not including any Notes known by the Indenture Trustee to be held by the Issuer or any affiliates thereof); provided that no such modification or amendment may, without the consent of the Noteholder of each outstanding Note affected thereby, among other things, (i) change the Final Maturity Date or the Payment Date of any principal, interest or other amount on any Note, or reduce the Note Balance thereof or the Note Rate thereon, or authorize the Indenture Trustee to agree to delay the timing of, or reduce the payments to be made on, the Underlying Certificates except as provided herein, or change the coin or currency in which the principal of any Note or interest thereon is payable, or impair the right to institute suit for the enforcement of any such payment on or after the Final Maturity Date thereof; (ii) reduce the percentage of the then Aggregate Note Balance of the Outstanding Notes, the consent of whose Noteholders is required for any such supplemental indenture, or the consent of whose Noteholders is required for any waiver of defaults hereunder and their consequences provided for in this Indenture, or for any other reason under this Indenture (including for actions taken by the Indenture Trustee pursuant to Section 5.01 (a) of the Indenture); (iii) change any obligation of the Issuer to maintain an office or agency in the places and for the purposes specified in Section 9.01 of the Indenture; (iv) except as otherwise expressly provided in this Indenture, deprive any Noteholder of the benefit of a first priority security interest in the Trust Estate as provided in this Indenture; (v) modify Section 2.09 or Section 9.06 of the Indenture; or (vi) release from the lien of the Indenture (except as specifically permitted hereby on the date of execution hereof) all or any part of any Trust Estate.

Unless the certificate of authentication hereon has been executed by the Note Registrar, by manual signature, this Note shall not be entitled to any benefit under the Indenture or be valid for any purpose.

The registered Holder hereof, by its acceptance hereof, agrees that it will look solely to the Trust Estate (to the extent of its rights therein) for payments hereunder.

This Note shall be construed in accordance with the internal laws of the State of New York applicable to agreements made and to be performed in said State, and the obligations, rights and remedies of the Holder hereof shall be determined in accordance with such laws.

IN WITNESS WHEREOF, the Issuer has caused this instrument to be duly executed by Wilmington Savings Fund Society, FSB, not in its individual capacity but solely as Owner Trustee.

Dated: May , 2011

LVII 2010-R1

By: Wilmington Savings Fund Society, FSB, not in its individual capacity but solely in its capacity as Owner Trustee

By: ____________________________
Authorized Signatory

CERTIFICATE OF AUTHENTICATION

This is one of the Notes referred to in the within-mentioned Indenture.

Dated: May , 2011

DEUTSCHE BANK NATIONAL TRUST COMPANY
as Note Registrar

By: ______________________________
Authorized Officer

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12. Conditions Precedent to this Amendment. The following conditions precedent to the effectiveness of this Amendment have been fulfilled:

(a) This Amendment shall also constitute the Issuer Request therefor required by Section 5.01 of the Indenture, the receipt of which is hereby acknowledged by the Indenture Trustee**,** and the Issuer reaffirms its representations in Section 9.04(a) with respect to the new Notes being issued pursuant to this Amendment.

(b) This Amendment shall also constitute the written instruction from the Certificateholders required by Section 4.03 (a) of the Trust Agreement, the receipt of which is hereby acknowledged by the Owner Trustee.

(c) The opinions of counsel required by Section 8.04 of the Indenture have been received by the Indenture Trustee.

(d) On or prior to the Supplemental Deposit Date, the existing Class A Note, dated November 26, 2010 (CUSIP 31681P AA3) has been delivered to the Note Registrar and cancelled by the Note Registrar pursuant to Section 2.12 of the Indenture.

13. This Amendment is subject to the terms of the indenture as modified and supplemented herein. The indenture continues in full force and effect as modified herein and provided therein.

14. The statements contained in this Amendment are to be taken as that of the Issuer and the Initial Purchaser, and the Indenture Trustee assumes no responsibility for their correctness. The Indenture Trustee makes no representation as to the validity or sufficiency of this Amendment (except as may be made with respect to the validity of the Indenture Trustee's obligations hereunder) and in entering into this Amendment, the Indenture Trustee shall be entitled to the benefit of every provision of the Indenture relating to the conduct of or affecting the liability of or affording protection to the Indenture Trustee.

15. It is expressly understood and agreed by the parties hereto that (a) this Amendment is executed and delivered by Wilmington Savings Fund Society, FSB, not individually or personally, but solely as Owner Trustee of LVII 2010-R1, in the exercise of the powers and authority conferred and vested in it, (b) each of the representations, undertakings and agreements herein made on the part of the Issuer is made and intended not as personal representations, undertakings and agreements by Wilmington Savings Fund Society, FSB but is made and intended for the purpose for binding only the Issuer, (c) nothing herein contained shall be construed as creating any liability on Wilmington Savings Fund Society, FSB, individually or personally, to perform any covenant either expressed or implied contained herein, all such liability, if any, being expressly waived by the parties hereto and by any Person claiming by, through or under the parties hereto and (d) under no circumstances shall Wilmington Savings Fund Society, FSB be personally liable for the payment of any indebtedness or expenses of the Issuer or be liable for the breach or failure of any obligation, representation, warranty or covenant made or undertaken by the Issuer under this Amendment or any other related documents.

The undersigned have executed this Amendment as of the date hereof.

LVII 2010-R1,

By: Wilmington Savings Fund Society, FSB, not in its individual capacity but solely as Owner Trustee

By: /s/ Raye D. Goldsborough
Name: Raye D. Goldsborough
Title: Assistant Vice President

DEUTSCHE BANK NATIONAL TRUST COMPANY, not in its individual capacity but solely as Indenture Trustee

By: /s/ Karlene Benvenuto
Name: Karlene Benvenuto
Title: Authorized Signer

By: /s/ Mei Nghia
Name: Mei Nghia
Title: Authorized Signer

CERTIFICATION AND CONSENT

The undersigned, Impac Mortgage Holdings, Inc. and Guggenheim Securities, LLC, as 100% Certificateholder and as Noteholder of 100% of the beneficial interest in the Aggregate Note Balance of the Outstanding Notes, respectively, each hereby represents and warrants that prior to the Effective Date and as of the Effective Date (i) it is the sole Certificateholder or sole Noteholder, as applicable, of the Notes or Certificates, as applicable, described below, (ii) it is duly authorized to deliver this Certification and Consent to the Indenture Trustee, (iii) that such power has not been granted or assigned to any other Person, (iv) each of them consents to the entering into this Amendment by the Issuer and Indenture Trustee and hereby directs the Issuer and the Indenture Trustee to execute and deliver this Amendment, and (v) the Indenture Trustee may conclusively rely upon this Certification and Consent for all such purposes.

IMPAC MORTGAGE HOLDINGS, INC.,
as 100% Certificateholder

By: /s/ [ILLEGIBLE]
Name:
Title:

GUGGENHEIM SECURITIES, LLC,
as Noteholder of 100% of the beneficial interest in the Aggregate Note Balance of the Outstanding Notes (including the existing Note and the new Note)

By: /s/ Kevin Richmond
Name: Kevin Richmond
Title: Vice President

Exhibit 31.1

CERTIFICATION

I, Joseph R. Tomkinson, certify that:

1. I have reviewed this report on Form 10-Q of Impac Mortgage Holdings, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation;

   d. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

   a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ JOSEPH R. TOMKINSON

Joseph R. Tomkinson
Chief Executive Officer
August 15, 2011

Exhibit 31.2

CERTIFICATION

I, Todd R. Taylor, certify that:

1. I have reviewed this report on Form 10-Q of Impac Mortgage Holdings, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation;

   d. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

   a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ TODD R. TAYLOR

Todd R. Taylor
Chief Financial Officer
August 15, 2011

Exhibit 32.1

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the report of Impac Mortgage Holdings, Inc. (the "Company") on Form 10-Q for the period ending June 30, 2011 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned, in the capacities and on the dates indicated below, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to his knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ JOSEPH R. TOMKINSON
Joseph R. Tomkinson
Chief Executive Officer
August 15, 2011

/s/ TODD R. TAYLOR
Todd R. Taylor
Chief Financial Officer
August 15, 2011