

IMPAC MORTGAGE HOLDINGS INC
Form 10-Q
August 15, 2011
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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended June 30, 2011

or

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

For the transition period from to .

Commission File Number: 1-14100

IMPAC MORTGAGE HOLDINGS, INC.

(Exact name of registrant as specified in its charter)

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Maryland
(State or other jurisdiction of
incorporation or organization)

33-0675505
(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 No

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 No

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

Accelerated filer

Non-accelerated filer
(Do not check if a smaller reporting company)

Smaller reporting company

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

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

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FORM 10-Q QUARTERLY REPORT

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CERTIFICATIONS

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	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

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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

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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