

IMPAC MORTGAGE HOLDINGS INC
Form 10-Q
May 10, 2006

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended March 31, 2006 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
(State or other jurisdiction of
incorporation or organization)

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

1401 Dove Street, Newport Beach, California 92660

(Address of principal executive offices)

(949) 475-3600

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(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 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

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

There were 76,112,963 shares of common stock outstanding as of April 28, 2006.

IMPAC MORTGAGE HOLDINGS, INC.

FORM 10-Q QUARTERLY REPORT

TABLE OF CONTENTS

PART I. FINANCIAL INFORMATION

<u>ITEM 1.</u>	<u>CONSOLIDATED FINANCIAL STATEMENTS</u> <u>Consolidated Balance Sheets as of March 31, 2006 and December 31, 2005</u> <u>Consolidated Statements of Operations and Comprehensive Earnings for the Three Months Ended March 31, 2006 and 2005</u> <u>Consolidated Statements of Cash Flows for the Three Months Ended March 31, 2006 and 2005</u> <u>Notes to Consolidated Financial Statements</u>
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<u>ITEM 2.</u>	<u>MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS</u> <u>Forward-Looking Statements</u> <u>General Overview</u> <u>Critical Accounting Policies</u> <u>Financial Highlights for the First Quarter of 2006</u> <u>First Quarter 2006 Taxable Income</u> <u>Financial Condition and Results of Operations</u> <u>Liquidity and Capital Resources</u>
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<u>ITEM 3.</u>	<u>QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK</u>
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<u>ITEM 4.</u>	<u>CONTROLS AND PROCEDURES</u>
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PART II. OTHER INFORMATION

<u>ITEM 1.</u>	<u>LEGAL PROCEEDINGS</u>
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<u>ITEM 1A.</u>	<u>RISK FACTORS</u>
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<u>ITEM 2.</u>	<u>UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS</u>
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<u>ITEM 3.</u>	<u>DEFAULTS UPON SENIOR SECURITIES</u>
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<u>ITEM 4.</u>	<u>SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS</u>
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<u>ITEM 5.</u>	<u>OTHER INFORMATION</u>
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<u>ITEM 6.</u>	<u>EXHIBITS</u>
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	<u>SIGNATURES</u>
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CERTIFICATIONS

PART I. FINANCIAL INFORMATION**ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS****IMPAC MORTGAGE HOLDINGS, INC. AND SUBSIDIARIES****CONSOLIDATED BALANCE SHEETS**

(dollar amounts in thousands, except share data)

	March 31, 2006 (Unaudited)	December 31, 2005
ASSETS		
Cash and cash equivalents	\$ 234,777	\$ 146,621
Restricted cash	943	698
Securitized mortgage collateral	22,957,394	24,494,290
Finance receivables	291,950	350,217
Mortgages held-for-investment	20,932	160,070
Allowance for loan losses	(74,258)	(78,514)
Mortgages held-for-sale	801,098	2,052,694
Accrued interest receivable	111,519	123,565
Derivatives	300,090	250,368
Other assets	197,853	220,370
Total assets	\$ 24,842,298	\$ 27,720,379
LIABILITIES		
Securitized mortgage borrowings	\$ 22,488,155	\$ 23,990,430
Reverse repurchase agreements	992,528	2,430,075
Trust preferred securities	96,992	96,750
Other liabilities	49,702	36,177
Total liabilities	23,627,377	26,553,432
Commitments and contingencies		
STOCKHOLDERS EQUITY		
Series-A junior participating preferred stock, \$0.01 par value; 2,500,000 shares authorized; none issued and outstanding as of March 31, 2006 and December 31, 2005, respectively		
Series-B 9.375% cumulative redeemable preferred stock, \$0.01 par value; liquidation value \$50,000; 2,000,000 shares authorized, 2,000,000 shares issued and outstanding as of March 31, 2006 and December 31, 2005, respectively	20	20
Series-C 9.125% cumulative redeemable preferred stock, \$0.01 par value; liquidation value \$109,280; 5,500,000 shares authorized; 4,383,900 shares and 4,371,200 issued and outstanding as of March 31, 2006 and December 31, 2005, respectively	44	44
Common stock, \$0.01 par value; 200,000,000 shares authorized; 76,112,963 shares issued and outstanding as of March 31, 2006 and December 31, 2005, respectively	761	761
Additional paid-in capital	1,167,978	1,167,059
Accumulated other comprehensive income	717	1,305
Net accumulated deficit:		

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Cumulative dividends declared	(713,296)	(675,373)
Retained earnings	758,697	673,131
Net accumulated earnings (deficit)	45,401	(2,242)
Total stockholders' equity	1,214,921	1,166,947
Total liabilities and stockholders' equity	\$ 24,842,298	\$ 27,720,379

See accompanying notes to consolidated financial statements.

IMPAC MORTGAGE HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

AND COMPREHENSIVE EARNINGS

(in thousands, except per share data)

(unaudited)

	For the Three Months Ended March 31,	
	2006	2005
INTEREST INCOME:		
Mortgage assets	\$ 333,376	\$ 276,021
Other	1,828	1,359
Total interest income	335,204	277,380
INTEREST EXPENSE:		
Securitized mortgage borrowings	295,475	179,467
Reverse repurchase agreements	25,873	16,762
Other borrowings	2,382	45
Total interest expense	323,730	196,274
Net interest income	11,474	81,106
Provision for loan losses	150	6,074
Net interest income after provision for loan losses	11,324	75,032
NON-INTEREST INCOME:		
Realized gain (loss) from derivative instruments	40,136	(13,727)
Change in fair value of derivative instruments	51,429	131,318
Gain on sale of loans	7,353	9,137
Other income	8,821	5,078
Total non-interest income	107,739	131,806
NON-INTEREST EXPENSE:		
Personnel expense	18,621	18,880
General and administrative and other expense	5,073	4,913
Amortization of deferred charge	5,096	5,803
Professional services	2,317	3,419
Equipment expense	1,510	1,147
Occupancy expense	1,368	1,145
Data processing expense	1,366	943
Amortization and impairment of mortgage servicing rights	351	289
Gain on sale of other real estate owned	(354)	(848)
Total non-interest expense	35,348	35,691
Net earnings before income taxes	83,715	171,147
Income tax benefit	(1,851)	(2,463)
Net earnings	85,566	173,610
Cash dividends on cumulative redeemable preferred stock	(3,672)	(3,624)
Net earnings available to common stockholders	\$ 81,894	\$ 169,986
Net earnings	\$ 85,566	\$ 173,610
Net unrealized gains (losses) on securities :		
Unrealized holding gains arising during year	264	264
Reclassification of gains (losses) included in net earnings	(853)	

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Net unrealized (losses) gains		(589)		264
Comprehensive earnings	\$	84,977	\$	173,874
Net earnings per share:				
Basic	\$	1.08	\$	2.26
Diluted	\$	1.07	\$	2.23
Dividends declared per common share	\$	0.25	\$	0.75

See accompanying notes to consolidated financial statements.

IMPAC MORTGAGE HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

(unaudited)

	For the Three Months Ended March 31,	
	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net earnings	\$ 85,566	\$ 173,610
Adjustments to reconcile net earnings to net cash provided by (used in) operating activities:		
Provision for loan losses	150	6,074
Amortization of deferred charge, net	5,096	(1,958)
Amortization of premiums, securitization costs and debt issuance costs	58,371	65,062
Gain on sale of other real estate owned	(354)	(848)
Gain on sale of loans	(7,353)	(9,137)
Change in fair value of derivative instruments	(51,429)	(131,318)
Purchase of mortgages held-for-sale	(2,104,134)	(4,664,116)
Sale and principal reductions on mortgages held-for-sale	3,362,930	4,188,867
Net change in deferred taxes	84	(1,990)
Share based compensation	666	
Depreciation and amortization	1,319	1,053
Amortization and impairment of mortgage servicing rights	351	289
Net change in accrued interest receivable	12,046	(6,949)
Net change in restricted cash	(245)	251,581
Net change in other assets and liabilities	20,924	26,293
Net cash provided by (used in) operating activities	1,383,988	(103,487)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net change in securitized mortgage collateral	1,458,964	(1,138,912)
Net change in finance receivables	58,267	35,936
Purchase of premises and equipment	(980)	(2,324)
Net change in mortgages held-for-investment	137,607	(572,795)
Purchase of investment securities available-for-sale	5,022	
Net change in mortgage servicing rights		(1,161)
Purchase of investments for deferred compensation plan		(207)
Net principal reductions on investment securities available-for-sale	(638)	446
Proceeds from the sale of other real estate owned	16,838	9,904
Net cash provided by (used in) investing activities	1,675,080	(1,669,113)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net change in reverse repurchase agreements	(1,437,547)	905,996
Proceeds from securitized mortgage borrowings	905,942	2,557,477
Repayment of securitized mortgage borrowings	(2,420,682)	(1,784,370)
Common stock dividends paid	(15,225)	
Preferred stock dividends paid	(3,672)	(3,624)
Proceeds from sale of cumulative redeemable preferred stock	272	
Proceeds from exercise of stock options		1,231
Net cash (used in) provided by financing activities	(2,970,912)	1,676,710