

IMPAC MORTGAGE HOLDINGS INC  
Form 10-Q  
May 09, 2016  
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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 March 31, 2016

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 12,322,522 shares of common stock outstanding as of May 2, 2016.

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**IMPAC MORTGAGE HOLDINGS, INC.**

**FORM 10-Q QUARTERLY REPORT**

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(in thousands, except share data)

	March 31, 2016 (Unaudited)	December 31, 2015
<b>ASSETS</b>		
Cash and cash equivalents	\$ 18,452	\$ 32,409
Restricted cash	4,778	3,474
Mortgage loans held-for-sale	612,777	310,191
Finance receivables	42,179	36,368
Mortgage servicing rights	44,327	36,425
Securitized mortgage trust assets	4,383,334	4,594,534
Goodwill	104,938	104,938
Intangible assets, net	28,926	29,975
Deferred tax asset, net	24,420	24,420
Other assets	40,593	38,118
Total assets	\$ 5,304,724	\$ 5,210,852
<b>LIABILITIES</b>		
Warehouse borrowings	\$ 624,128	\$ 325,616
Term financing	29,787	29,716
Convertible notes	24,959	44,819
Contingent consideration	48,772	48,079
Long-term debt	32,141	31,898
Securitized mortgage trust liabilities	4,369,325	4,580,326
Other liabilities	37,614	35,908
Total liabilities	5,166,726	5,096,362
Commitments and contingencies (See Note 14)		
<b>STOCKHOLDERS EQUITY</b>		
Series A-1 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 \$16,640; 2,000,000 shares authorized, 665,592 noncumulative shares issued and outstanding as of March 31, 2016 and December 31, 2015, respectively	7	7
Series C 9.125% redeemable preferred stock, \$0.01 par value; liquidation value \$35,127; 5,500,000 shares authorized; 1,405,086 noncumulative shares issued and outstanding as of March 31, 2016 and December 31, 2015, respectively	14	14
Common stock, \$0.01 par value; 200,000,000 shares authorized; 12,321,170 and 10,326,520 shares issued and outstanding as of March 31, 2016 and December 31, 2015, respectively	123	103

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Additional paid-in capital	1,120,809	1,098,302
Net accumulated deficit:		
Cumulative dividends declared	(822,520)	(822,520)
Retained deficit	(160,435)	(161,416)
Net accumulated deficit	(982,955)	(983,936)
Total stockholders' equity	137,998	114,490
Total liabilities and stockholders' equity	\$ 5,304,724	\$ 5,210,852

See accompanying notes to unaudited 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 March 31,	
	2016	2015
<b>Revenues:</b>		
Gain on sale of loans, net	\$ 53,869	\$ 37,398
Real estate services fees, net	2,100	2,742
Servicing income, net	2,088	635
Loss on mortgage servicing rights	(10,910)	(6,568)
Other	152	136
Total revenues	47,299	34,343
<b>Expenses:</b>		
Personnel expense	23,965	11,490
Business promotion	9,191	215
General, administrative and other	7,162	5,436
Accretion of contingent consideration	1,895	
Change in fair value of contingent consideration	2,942	
Total expenses	45,155	17,141
<b>Operating income (loss):</b>	2,144	17,202
<b>Other income (expense):</b>		
Interest income	69,327	72,608
Interest expense	(69,428)	(71,550)
Change in fair value of long-term debt		(7,116)
Change in fair value of net trust assets, including trust REO losses	(627)	(876)
Total other (expense) income	(728)	(6,934)
Earnings before income taxes	1,416	10,268
Income tax expense (benefit)	435	(23,704)
Net earnings	\$ 981	\$ 33,972
<b>Earnings per common share :</b>		
Basic	\$ 0.09	\$ 3.54
Diluted	\$ 0.08	\$ 2.94

See accompanying notes to unaudited consolidated financial statements

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## IMPAC MORTGAGE HOLDINGS, INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS EQUITY

(in thousands, except share amounts)

	Preferred Shares Outstanding	Preferred Stock	Common Shares Outstanding	Common Stock	Additional Paid- In Capital	Cumulative Dividends Declared	Retained Deficit	Total Stockholders Equity
Balance, December 31, 2015 (Unaudited)	2,070,678	\$ 21	10,326,520	\$ 103	\$ 1,098,302	\$ (822,520)	\$ (161,416)	\$ 114,490
Proceeds and tax benefit from exercise of stock options			150					
Stock based compensation					448			448
Common stock issuance			155,420	2	2,077			2,079
Convertible note share issuance			1,839,080	18	19,982			20,000
Net earnings							981	981
Balance, March 31, 2016	2,070,678	\$ 21	12,321,170	\$ 123	\$ 1,120,809	\$ (822,520)	\$ (160,435)	\$ 137,998

See accompanying notes to unaudited consolidated financial statements

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## IMPAC MORTGAGE HOLDINGS, INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

(Unaudited)

	For the Three Months Ended	
	2016	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net earnings	\$ 981	\$ 33,972
Loss on sale of mortgage servicing rights	620	3,474
Change in fair value of mortgage servicing rights	10,920	3,094
Gain on sale of mortgage loans	(38,118)	(19,192)
Change in fair value of mortgage loans held-for-sale	(11,185)	(10,911)
Change in fair value of derivatives lending, net	(5,176)	(7,868)
Provision for repurchases	379	871
Origination of mortgage loans held-for-sale	(2,349,246)	(2,412,206)
Sale and principal reduction on mortgage loans held-for-sale	2,077,141	2,127,743
Losses from REO	1,140	2,670
Change in fair value of net trust assets, excluding REO	(1,256)	(2,932)
Change in fair value of long-term debt		7,116
Accretion of interest income and expense	33,646	39,051
Amortization of intangible and other assets	1,192	
Accretion of contingent consideration	1,895	
Change in fair value of contingent consideration	2,942	
Amortization of debt issuance costs and discount on note payable	211	80
Stock-based compensation	448	244
Impairment of deferred charge	424	309
Change in deferred tax assets		(24,420)
Net change in restricted cash	(1,304)	(2,512)
Net change in other assets and liabilities	3,629	7,880
Net cash used in operating activities	(270,717)	(253,537)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Net change in securitized mortgage collateral	131,109	144,792
(Repayments of) proceeds from the sale of mortgage servicing rights	(620)	13,565
Finance receivable advances to customers	(151,404)	