Edgar Filing: IMPAC MORTGAGE HOLDINGS INC - Form 10-Q

IMPAC MORTGAGE HOLDINGS INC Form 10-Q November 09, 2009

Use these links to rapidly review the document FORM 10-Q QUARTERLY REPORT TABLE OF CONTENTS

Table of Contents

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 September 30, 2009

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 \circ 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.

Edgar Filing: IMPAC MORTGAGE HOLDINGS INC - Form 10-Q

Large accelerated filer o

Accelerated filer ý

Non-accelerated filer o

Smaller reporting company o

(Do not check if a smaller reporting company)

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

There were 7,698,146 shares of common stock outstanding as of November 6, 2009.

Table of Contents

IMPAC MORTGAGE HOLDINGS, INC.

FORM 10-Q QUARTERLY REPORT

TABLE OF CONTENTS

		Page
	PART I. FINANCIAL INFORMATION	
<u>ITEM 1.</u>	CONSOLIDATED FINANCIAL STATEMENTS	
	Consolidated Balance Sheets as of September 30, 2009 (unaudited) and December 31, 2008	<u>1</u>
	Consolidated Statements of Operations for the Three and Nine Months Ended September 30, 2009 and 2008 (unaudited)	2
	Consolidated Statements of Cash Flows for the Nine Months Ended September 30, 2009 and 2008 (unaudited)	2 3 4
	Notes to Unaudited Consolidated Financial Statements	4
ITEM 2.	MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF	<u> </u>
	<u>OPERATIONS</u>	
	Forward-Looking Statements	<u>32</u>
	The Mortgage Banking Industry and Discussion of Relevant Fiscal Periods	32 32 33 38 40 40 43 43 44 44
	Status of Operations, Liquidity and Capital Resources	<u>33</u>
	Market Conditions	<u>38</u>
	Critical Accounting Policies	<u>40</u>
	Fair Value of Financial Instruments	<u>40</u>
	Interest Income and Expense Selected Financial Results for the Three Months Ended September 30, 2009	43 43
	Selected Financial Results for the Nine Months Ended September 30, 2009	<u>43</u> 44
	Income Taxes	44
	Financial Condition and Results of Operations	<u>45</u>
ITEM 3.	QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK	_
		<u>63</u>
<u>ITEM 4.</u>	CONTROLS AND PROCEDURES	
	DADELY OFFICE AND ON A STORY	<u>63</u>
ITEM 1	PART II. OTHER INFORMATION LECAL PROCEEDINGS	
<u>ITEM 1.</u>	LEGAL PROCEEDINGS	<u>64</u>
ITEM 1A.	RISK FACTORS	<u>04</u>
TTENT TIX.	MON 1/1C TONO	64
ITEM 2.	UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS	
		<u>64</u>
<u>ITEM 3.</u>	<u>DEFAULTS UPON SENIOR SECURITIES</u>	
		<u>64</u>
<u>ITEM 4.</u>	SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS	ć 4
ITEM 5	OTHER INFORMATION	<u>64</u>
<u>ITEM 5.</u>	OTHER INFORMATION	65
ITEM 6.	EXHIBITS	<u>05</u>
TTENT O.	<u>EXHIBITO</u>	65
	<u>SIGNATURES</u>	<u>50</u>
		<u>66</u>
	CERTIFICATIONS	

PART I. FINANCIAL INFORMATION

ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS

IMPAC MORTGAGE HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(in thousands, except share data)

	September 30, 2009		December 31, 2008		
	J)	Unaudited)			
ASSETS					
Cash and cash equivalents	\$	37,893	\$	46,215	
Restricted cash		1,252		1,243	
Short-term investments		5,014			
Trust assets					
Investment securities available-for-sale		1,049		2,068	
Securitized mortgage collateral		5,767,379		5,894,424	
Derivative assets		222		37	
Real estate owned		170,153		599,084	
Total trust assets		5,938,803		6,495,613	
Assets of discontinued operations		98,257		141,053	
Other assets		27,544		31,393	
Total assets	\$	6,108,763	\$	6,715,517	
1000 0000	Ψ	0,100,702	Ψ	0,710,017	
LIABILITIES					
Trust liabilities					
Securitized mortgage borrowings	\$	5,744,725	\$	6,193,984	
Derivative liabilities	Ψ	164,835	Ψ	273,584	
Derivative habilities		104,033		273,304	
T-4-1 44 1:-1:1:4:		5 000 560		6 467 569	
Total trust liabilities		5,909,560		6,467,568	
I and town daht		0.200		15 402	
Long-term debt Liabilities of discontinued operations		9,399 170,973		15,403 217,241	
Other liabilities		9,141		6,053	
Other habilities		9,141		0,033	
T . 11 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1		6 000 073		6.506.065	
Total liabilities		6,099,073		6,706,265	
Commitments and contingencies					
STOCKHOLDERS' EQUITY					
Series A junior participating preferred					
stock, \$0.01 par value; 2,500,000 shares					
authorized; none issued and outstanding		7		20	
Series B 9.375% redeemable preferred		/		20	
stock, \$0.01 par value; liquidation value					
\$16,904; 2,000,000 shares authorized,					
676,156 noncumulative and 2,000,000					
cumulative shares issued and outstanding					

Edgar Filing: IMPAC MORTGAGE HOLDINGS INC - Form 10-Q

as of September 30, 2009 and							
December 31, 2008, respectively							
Series C 9.125% redeemable preferred							
stock, \$0.01 par value; liquidation value							
\$35,389; 5,500,000 shares authorized;							
1,415,564 noncumulative and 4,470,600							
cumulative shares issued and outstanding							
as of September 30, 2009 and							
December 31, 2008, respectively		14		45			
Common stock, \$0.01 par value;							
200,000,000 shares authorized; 7,618,146							
shares issued and outstanding as of							
September 30, 2009 and December 31,							
2008, respectively		76		76			
Additional paid-in capital		1,179,879		1,177,697			
Net accumulated deficit:							
Cumulative dividends declared		(822,520)		(815,077)			
Retained deficit		(347,766)		(353,509)			
Net accumulated deficit		(1,170,286)		(1,168,586)			
Total stockholders' equity		9,690		9,252			
Total Stockholders equity		7,070		>,232			
Total liabilities and stockholders' equity	\$	6,108,763	\$	6,715,517			
Total habilities and stockholders equity	Ψ	0,100,703	Ψ	0,713,317			

See accompanying notes to consolidated financial statements.

Table of Contents

IMPAC MORTGAGE HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except per share data)

(Unaudited)

		For the Three Months Ended September 30,				For the Nin Ended Sep		
		2009 2008		2008		2009		2008
INTEREST INCOME	\$	341,323	\$	397,445	\$	1,508,230	\$	1,077,256
INTEREST EXPENSE		339,417		394,431		1,499,729		1,062,637
Net interest income		1,906		3,014		8,501		14,619
NON-INTEREST INCOME:								
Change in fair value of net trust assets, excluding REO		46,325		7,778		234,167		145
Losses from real estate owned		(43,160)		(15,685)		(218,083)		(24,771)
Non-interest income net trust assets		3,165		(7,907)		16,084		(24,626)
Change in fair value of long-term debt		341		10,494		682		5,473
Real estate advisory fees				7,039				15,581
Mortgage and real estate services fees		13,514		2,923		32,296		7,078
Other		(107)		(1,076)		(333)		(1,791)
		, ,						, , ,
Total non-interest income		16,913		11,473		48,729		1,715
NON-INTEREST EXPENSE:		10,713		11,473		40,727		1,713
General and administrative		4,603		4,951		15,053		13,864
Personnel expense		9,413		2,382		26,050		7,531
Total non-interest expense		14,016		7,333		41,103		21,395
Earnings (loss) from continuing operations before income taxes		4,803		7,154		16,127		(5,061)
Income tax expense from continuing operations		,		5,253		2,018		13,980
Earnings (loss) from continuing operations		4,803		1,901		14,109		(19,041)
Loss from discontinued operations, net of tax		(1,776)		(18,121)		(8,366)		(28,481)
Net earnings (loss)		3,027		(16,220)		5,743		(47,522)
Cash dividends on preferred stock		.,.		(3,722)		(7,443)		(11,165)
Net earnings (loss) attributable to common stockholders	\$	3,027	\$	(19,942)	\$	(1,700)	\$	(58,687)
Earnings (loss) per common share basic and diluted:								
- · · · ·		0.60	\$	(0.24)	\$	0.88	\$	(3.97)
Loss from discontinued operations	\$	(0.22)	7	(2.38)	7	(1.10)	7	(3.74)
Earnings (loss) per share attributable to common stockholders	\$	0.38	\$	(2.62)	\$	(0.22)	\$	(7.71)

See accompanying notes to consolidated financial statements

Table of Contents

IMPAC MORTGAGE HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

(Unaudited)

For the Nine Months Ended September 30,

	2009	2008
CASH FLOWS FROM		
OPERATING		
ACTIVITIES:		
Earnings (loss) from		
continuing operations	\$ 14,109	\$ (19,041)
Losses from real		
estate owned	218,083	24,771
Amortization and		
impairment of		
deferred charge, net	1,998	13,980
Amortization and		
impairment of		
mortgage servicing		
rights		1,363
Change in fair value		
of net trust assets,		
excluding REO	(392,962)	(113,000)
Change in fair value		
of long-term debt	(682	