IMPAC MORTGAGE HOLDINGS INC
Form 424B5
May 27, 2004

FILED PURSUANT TO

RULE 424(b)(5)

REGISTRATION NO. 333-111517

Prospectus Supplement
(To Prospectus Dated January 9, 2004)

2,000,000 Shares

Impac Mortgage Holdings, Inc.

9.375% Series B Cumulative Redeemable Preferred Stock

(Liquidation Preference $25.00 Per Share)

We are offering 2,000,000 shares of our 9.375% Series B Cumulative Redeemable Preferred Stock, par value $0.01 per share, which we refer to as our Series B Preferred Stock. We will pay to investors cumulative dividends on the Series B Preferred Stock from May 28, 2004 in the amount of $2.34375 per share each year, which is equivalent to 9.375% of the $25.00 liquidation preference per share. Dividends on the Series B Preferred Stock will be payable quarterly in arrears on or before March 31, June 30, September 30 and December 31 of each year, beginning on June 30, 2004. The shares of Series B Preferred Stock have no stated maturity, will not be subject to any sinking fund or mandatory redemption and will not be convertible into any other securities. Holders of shares of Series B Preferred Stock will generally have no voting rights, but will have limited voting rights if we fail to pay dividends for six or more quarters and in certain other events.

We may not redeem the Series B Preferred Stock until May 28, 2009 except in limited circumstances to preserve our status as a real estate investment trust. On or after May 28, 2009, we may, at our option, redeem the Series B Preferred Stock, in whole or in part, at any time and from time to time, for cash at $25.00 per share, plus accrued and unpaid dividends (whether or not declared), if any, to and including the redemption date. Any partial redemption will generally be on a pro rata basis.

No market currently exists for our Series B Preferred Stock. We have applied to list our Series B Preferred Stock on the New York Stock Exchange under the symbol IMH PrB. We expect that trading on the NYSE will commence within 30 days after the initial delivery of the Series B Preferred Stock. Our common stock currently trades on the NYSE under the symbol IMH.

See Risk Factors beginning on page S-7 of this prospectus supplement and page 2 of the accompanying prospectus for a discussion of the risks relevant to an investment in our Series B Preferred Stock.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus supplement and the accompanying prospectus. Any representation to the contrary is a criminal offense.

	Per Share	Total
Public offering price(1)	$ 25.0000	$ 50,000,000
Underwriting discounts and commissions	$ 0.7875	$ 1,575,000
Proceeds, before expenses, to us	$ 24.2125	$ 48,425,000

(1) Plus accrued dividends, if any, from (but excluding) the date of original issue.

The underwriters have an option to purchase up to an additional 300,000 shares of Series B Preferred Stock from us to cover over-allotments, if any.

The underwriters expect that the shares of Series B Preferred Stock will be ready for delivery in book-entry form through The Depository Trust Company on or about May 28, 2004.

Bear, Stearns & Co. Inc.

Stifel, Nicolaus & Company

Incorporated

JMP Securities

RBC Capital Markets

Advest, Inc.

Flagstone Securities

The date of this prospectus supplement is May 25, 2004.

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You should rely only on the information contained in, or incorporated by reference into, this prospectus supplement and the accompanying prospectus. We have not, and the underwriters have not, authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not, and the underwriters are not, making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information appearing in this prospectus supplement, the accompanying prospectus and the documents incorporated therein by reference is accurate only as of its respective date or dates or on the date or dates which are specified in these documents. Our business, financial condition, results of operations and prospects may have changed since those dates.

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FORWARD-LOOKING INFORMATION

This prospectus supplement and the accompanying prospectus contain or incorporate by reference 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, plan, anticipate, continue or similar terms or on those terms or the negative of those terms. Actual results could differ materially from those set forth in forward-looking statements due to a number of factors, including, but not limited to, failure to achieve projected earnings levels, the ability to generate sufficient liquidity, the ability to access the capital markets, the size and frequency of our securitizations, the ability to generate taxable income and pay dividends, interest rate fluctuations on our assets that differ from those on our liabilities, increase in prepayment rates on our mortgage assets, changes in assumptions regarding estimated loan losses or fair value amounts, changes in expectations of future interest rates, the availability of financing and, if available, the terms of any financing, changes in origination and resale pricing of mortgages, changes in markets which we serve, and changes in general market and economic conditions. For a discussion of the risks and uncertainties that could cause actual results to differ from those contained in the forward-looking statements, see Risk Factors in the accompanying prospectus and under Business Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2003 and Management s Discussion and Analysis of Financial Condition and Results of Operations Risk Factors in our Quarterly Report on Form 10-Q for the quarter ended March 31, 2004. We do not undertake, and specifically disclaim any obligation, to publicly release 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.

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PROSPECTUS SUMMARY

The following information may not contain all of the information that is important to you. We encourage you to read this prospectus supplement and the accompanying prospectus, as well as the information which is incorporated by reference in the accompanying prospectus, in their entireties. You should carefully consider the factors set forth under Risk Factors beginning on page S-7 of this prospectus supplement and page 2 in the accompanying prospectus before making an investment decision to purchase shares of our Series B Preferred Stock. Unless the context otherwise requires, references to we, us, or the Company in this prospectus supplement mean Impac Mortgage Holdings, Inc. and its subsidiaries, IMH Assets Corp., Impac Warehouse Lending Group, Inc., Impac Multifamily Capital Corporation and Impac Funding Corporation (together with its wholly-owned subsidiaries, Impac Secured Assets Corp. and Novelle Financial Services, Inc.). Unless otherwise indicated, the information in this prospectus supplement assumes that the underwriters do not exercise the over-allotment option described in Underwriting.

IMPAC MORTGAGE HOLDINGS, INC.

General and Business Operations

We are a mortgage real estate investment trust, or REIT, that is a nationwide acquirer, originator, seller and investor of primarily non-conforming, Alt-A mortgages, or Alt-A mortgages, and, to a lesser extent, small-balance, multi-family mortgages, or multi-family mortgages , and sub-prime mortgages, or B/C mortgages. We also provide warehouse and repurchase financing to originators of mortgages.

We operate three core businesses:

- the long-term investment operations that are conducted by Impac Mortgage Holdings, Inc., IMH Assets Corp. and Impac Multifamily Capital Corporation;
- the mortgage operations that are conducted by Impac Funding Corporation, Novelle Financial Services, Inc. and Impac Secured Assets Corp.; and
- the warehouse lending operations that are conducted by Impac Warehouse Lending Group, Inc.

Our goal is to generate consistent reliable income for distribution to our stockholders primarily from earnings generated by our long-term investment operations.

Long-term Investment Operations

The long-term investment operations primarily invest in adjustable and fixed rate Alt-A mortgages that are acquired and originated by our mortgage operations. Alt-A mortgages are primarily first lien mortgages made to borrowers whose credit is generally within typical Fannie Mae and Freddie Mac guidelines, but have loan characteristics that make them non-conforming under those guidelines. Some of the principal differences between mortgages purchased by Fannie Mae and Freddie Mac and Alt-A mortgages are as follows:

credit and income histories of the mortagor; and

documentation required for approval of the mortgagor.

For instance, Alt-A mortgages may not have certain documentation or verifications that are required by Fannie Mae and Freddie Mac and, therefore, in making our credit decisions, we may be more reliant upon the borrower s credit score and the adequacy of the underlying collateral. We believe that Alt-A mortgages provide an attractive net earnings profile by producing higher yields without commensurately higher credit losses than other types of mortgages.

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The long-term investment operations also originate and invest in multi-family mortgages with initial fixed interest rate periods of three, five and seven years that subsequently adjust to adjustable rate mortgages with loan balances that generally range from $250,000 to $3.0 million. Multi-family mortgages have interest rate floors, which is the initial start rate, and prepayment penalty periods of three, five and seven years. Multi-family mortgages provide greater asset diversification on our balance sheet as borrowers of multi-family mortgages typically have higher credit scores and the mortgage loans have longer lives than Alt-A mortgages.

The long-term investment operations generate earnings primarily from net interest income earned on mortgages held for long-term investment, which consists of mortgages held as CMO collateral and mortgages held for investment on our balance sheet. Investment in Alt-A mortgages and multi-family mortgages are initially financed with short-term borrowings under reverse repurchase agreements which are subsequently converted to long-term financing in the form of collateralized mortgage obligations, or CMO, financing. Cash flow from the mortgage loan investment portfolio and proceeds form the sale of capital stock also finance new Alt-A and multi-family mortgage acquisitions and originations.

Mortgage Operations

The mortgage operations acquire and originate primarily adjustable and fixed rate Alt-A mortgages and, to a lesser extent, B/C mortgages as follows:

- correspondent acquisitions;
- bulk acquisitions;
- wholesale originations; and
- B/C originations.

The mortgage operations generate income by securitizing and selling mortgages to permanent investors, including the long-term investment operations. This business also earns revenue from interest income on mortgages held-for-sale and fees associated with mortgage acquisitions and originations, mortgage servicing rights and master servicing agreements. The mortgage operations use warehouse facilities provided by the warehouse lending operations to finance the acquisition and origination of mortgages.

Warehouse Lending Operations

The warehouse lending operations provide short-term financing to mortgage loan originators, including the mortgage operations, by funding mortgages from their closing date until sale to pre-approved investors. This business earns net interest income from the difference between its cost of borrowings and the interest earned on warehouse advances as well as fees from warehouse transactions.

Financing Highlights for the First Quarter of 2004

Our net earnings for the first quarter of 2004 were $46.0 million, or $0.76 per diluted share, compared to $25.5 million, or $0.53 per diluted share, for the first quarter of 2003. Our results of operations for the three months ended March 31, 2004 may not be indicative of results to be expected for any future period.

During the first quarter of 2004, we accomplished the following:

- Earnings per diluted share increased to $0.76 compared to $0.70 for the fourth quarter of 2003 and $0.53 for the first quarter of 2003;

- Cash dividends declared per share increased to $0.65 compared to $0.55 for the fourth quarter of 2003 and $0.50 for the first quarter of 2003;

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Total assets increased to $13.0 billion as of March 31, 2004 from $10.7 billion as of December 31, 2003 and $7.4 billion as of March 31, 2003;

Book value per share increased to $9.72 as of March 31, 2004 compared to $9.02 as of December 31, 2003 and $7.13 as of March 31, 2003;

Return on average assets and equity was 1.57% and 33.22% as compared to 1.58% and 36.79% for the fourth quarter of 2003 and 1.48% and 31.69% for the first quarter of 2003;

The mortgage operations acquired and originated $3.5 billion of primarily Alt-A mortgages compared to $3.1 billion for the fourth quarter of 2003 and $1.8 billion for the first quarter of 2003;

The long-term investment operations retained $2.9 billion of primarily Alt-A mortgages compared to $2.3 billion for the fourth quarter of 2003 and $1.4 billion for the first quarter of 2003; and

IMCC originated $94.5 million of multi-family mortgages compared to $84.3 million for the fourth quarter of 2003 and $42.1 million for the first quarter of 2003.

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THE OFFERING

The following is a brief summary of certain terms of this offering. For a more complete description of the terms of the Series B Preferred Stock, see Description of the Series B Preferred Stock in this prospectus supplement.

Issuer	Impac Mortgage Holdings, Inc.
Securities Offered	2,000,000 shares of 9.375% Series B Cumulative Redeemable Preferred Stock (2,300,000 shares if the underwriters over-allotment option is exercised in full).
Dividends	Investors will be entitled to receive cumulative cash dividends on the Series B Preferred Stock at a rate of 9.375% per year of the $25.00 liquidation preference (equivalent to $2.34375 per year per share). Beginning on June 30, 2004, dividends on the Series B Preferred Stock will be payable quarterly in arrears on March 31, June 30, September 30 and December 31 of each year, or if not a business day, the prior preceding business day. Dividends paid to investors on the Series B Preferred Stock will be cumulative from May 28, 2004. The first dividend we pay on June 30, 2004 will be for less than a full quarter.
Liquidation Distribution	If we liquidate, dissolve or wind up, holders of the Series B Preferred Stock will have the right to receive the sum of (a) $25.00 per share, (b) the premium described under Description of the Series B Preferred Stock Liquidation Distribution and (c) accrued and unpaid dividends (whether or not declared) to the date of payment, before any payments are made to the holders of our common stock and any other series of our preferred stock that we may issue ranking junior to the Series B Preferred Stock as to liquidation rights. The rights of the holders of the Series B Preferred Stock to receive their liquidation distribution will be subject to the proportionate rights of each other series or class of our preferred stock ranking on parity with the Series B Preferred Stock that we may issue.
Maturity	The Series B Preferred Stock has no maturity date and we are not required to redeem the Series B Preferred Stock. Accordingly, the Series B Preferred Stock will remain outstanding indefinitely, unless we decide to redeem it.
Optional Redemption	We may not redeem the Series B Preferred Stock prior to May 28, 2009, except in limited circumstances to preserve our status as a REIT. On or after May 28, 2009, we may, at our option, redeem the Series B Preferred Stock, in whole or in part, at any time and from time to time, for cash at $25.00 per share, plus accrued and unpaid dividends, if any, to and including the redemption date.
Ranking	The Series B Preferred Stock will rank senior to our common stock with respect to the payment of distributions and amounts upon liquidation, dissolution or winding up.

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Voting Rights	Holders of the Series B Preferred Stock will generally have no voting rights. However, if dividends on any outstanding Series B Preferred Stock have not been paid for six or more quarterly periods (whether or not consecutive), holders of the Series B Preferred Stock, voting separately as a class with the holders of any other classes or series of our preferred stock ranking on a parity with the Series B Preferred Stock which are entitled to similar voting rights, will be entitled to elect two additional directors to the Company s board of directors to serve until all unpaid dividends have been paid or declared and set apart for payment, provided that any such directors, if elected, must not cause us to violate the corporate governance requirement of the New York Stock Exchange that listed companies must have a majority of independent directors. In addition, the affirmative vote of holders of at least two-thirds of the outstanding shares of Series B Preferred Stock will be required to (a) authorize or create, or increase the authorized or issued amount of, any class or series of capital stock ranking prior to the Series B Preferred Stock with respect to the payment of distributions and the distribution of assets upon liquidation, dissolution or winding up or reclassify any of our authorized capital stock into such shares, or create, authorize or issue any obligation or security convertible into or evidencing the right to purchase any such shares; or (b) amend, alter or repeal any of the provisions of our charter so as to materially and adversely affect the Series B Preferred Stock, provided that any increase or decrease in the amount of the authorized preferred stock, including the Series B Preferred Stock, or the creation or issuance of any additional Series B Preferred Stock or other series of preferred stock that we may issue, or any increase in the amount of authorized shares of such series, in each case ranking on a parity with or junior to the Series B Preferred Stock that we may issue with respect to the payment of distributions and the distribution of assets upon liquidation, dissolution or winding up, shall be deemed to not materially and adversely affect such terms of the Series B Preferred Stock; or (c) enter into, approve, or otherwise facilitate a binding share exchange or reclassification involving the Series B Preferred Stock that materially and adversely affects the Series B Preferred Stock or a consolidation, merger or similar transaction unless in the case of a binding share exchange, reclassification, consolidation, merger or other similar transactions the shares of Series B Preferred Stock remain outstanding and materially unchanged or, in the case of any such merger or consolidation with respect to which we are not the surviving or resulting entity, the shares are converted into or exchanged for preference securities of the surviving or resulting entity or its ultimate parent, in each case with preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends or other distributions, qualifications, and terms or conditions of redemption of the Series B Preferred Stock that are not individually or in the aggregate materially less favorable to the holders of the Series B Preferred Stock.

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Listing	We have applied to list the Series B Preferred Stock on the New York Stock Exchange (or NYSE) under the symbol IMH PrB. We expect that trading on the NYSE will commence within 30 days after the initial delivery of the Series B Preferred Stock on the settlement date.
Settlement Date	Delivery of the shares of Series B Preferred Stock will be made against payment therefor on or about May 28, 2004.
Form	The Series B Preferred Stock will be maintained in book-entry form registered in the name of the nominee of The Depository Trust Company, except under limited circumstances.
No Conversion	The Series B Preferred Stock is not convertible into or exchangeable for any other of our property or securities.
Further Issuances	We may from time to time, without the consent of the holders of the Series B Preferred Stock, issue additional shares of preferred stock having the same liquidation preference and other terms as the Series B Preferred Stock except for the issue price and issue date. See Description of the Series B Preferred Stock Further Issuances on page S-11 of this prospectus supplement.
Restrictions on Ownership	In order to ensure that we remain a qualified REIT for federal income tax purposes, no person may own more than 9.5% of the number or value of our outstanding shares of capital stock, with some exceptions. See Description of Capital Stock Repurchase of Shares and Restrictions on Transfer in the accompanying prospectus.
Use of Proceeds	The net proceeds from the offering will be approximately $48,285,000 (approximately $55,548,750 if the underwriters over-allotment option is exercised in full). We intend to use the net proceeds for general corporate purposes.
Risk Factors	See Risk Factors below and on page 2 of the accompanying prospectus, and the other information contained herein for a discussion of factors you should carefully consider before deciding to invest in the Series B Preferred Stock.
Ratio of Earnings to Combined Fixed Charges and Preferred Stock Dividends	See Ratios of Earnings to Combined Fixed Charges and Preferred Stock Dividends on page S-8 of this prospectus supplement.

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RISK FACTORS

An investment in our Series B Preferred Stock involves a number of risks. Before making an investment decision to purchase our Series B Preferred Stock, you should carefully consider all of the risks described in this prospectus supplement and the risks described under Risk Factors beginning on page 2 of the accompanying prospectus, as well as the other information contained in, or incorporated by reference into, this prospectus supplement or the accompanying prospectus. If any of these risks actually occurs, our business, financial condition and results of operations could be materially adversely affected. If this were to occur, the value of our Series B Preferred Stock could decline significantly and you may lose all or part of your investment.

The Series B Preferred Stock is a new issuance and does not have an established trading market, which may negatively affect its market value and your ability to transfer or sell your shares; the Series B Preferred Stock has no stated maturity date.

The shares of Series B Preferred Stock are a new issue of securities with no established trading market. Since the securities have no stated maturity date, investors seeking liquidity will be limited to selling their shares in the secondary market. We have applied to list the Series B Preferred Stock on the NYSE under the symbol IMH PrB. We expect that trading on the NYSE will commence within 30 days after the initial delivery of the Series B Preferred Stock. An active trading market on the NYSE for the shares of Series B Preferred Stock, however, may not develop or, even if it develops, may not last, in which case the trading price of the shares of Series B Preferred Stock could be adversely affected and your ability to transfer your shares of Series B Preferred Stock will be limited. We have been advised by the underwriters that they intend to make a market in the Series B Preferred Stock, but they are not obligated to do so and may discontinue market-making at any time without notice.

Numerous factors affect the trading price of the Series B Preferred Stock.

If an active trading market does develop on the NYSE, the shares of Series B Preferred Stock may trade at prices higher or lower than their initial offering price. The trading price of our Series B Preferred Stock may depend on many factors, including:

- prevailing interest rates;
- the market for similar securities;
- additional issuances of other series or classes of preferred stock;
- general economic conditions; and
- our financial condition, performance and prospects.

The Series B Preferred Stock is subordinated to existing and future debt.

As of March 31, 2004, our total indebtedness was approximately $12.3 billion, and we may incur additional debt through the issuance of CMO borrowings or borrowings under our reverse repurchase agreements to acquire additional mortgages. Payment of amounts due on our Series B Preferred Stock will be subordinated to all of our existing and future debt and will be structurally subordinated to the payment of dividends on preferred stock, if any, issued by our subsidiaries. In addition, we may issue additional Series B Preferred Stock and/or shares of another class or series of preferred stock ranking on parity with the Series B Preferred Stock with respect to the payment of dividends and the distribution of assets upon liquidation, dissolution or winding up. These factors may affect the trading price of the Series B Preferred Stock.

The Series B Preferred Stock has not been rated.

We have not sought to obtain a rating for the Series B Preferred Stock. No assurance can be given, however, that one or more rating agencies might not independently determine to issue such a rating or that such a rating, if

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issued, would not adversely affect the market price of our Series B Preferred Stock. In addition, we may elect in the future to obtain a rating of our Series B Preferred Stock, which could adversely impact the market price of our Series B Preferred Stock. Ratings only reflect the views of the rating agency or agencies issuing the ratings and such ratings could be revised downward or withdrawn entirely at the discretion of the issuing rating agency if in its judgment circumstances so warrant. Any such downward revision or withdrawal of a rating could have an adverse effect on the market price of our Series B Preferred Stock.

USE OF PROCEEDS

The net proceeds from the offering will be approximately $48,285,000 (approximately $55,548,750 if the underwriters over-allotment option is exercised in full) after deducting underwriting discounts and commissions and the estimated expenses of this offering payable by us. We intend to use the net proceeds of this offering for general corporate purposes.

RATIOS OF EARNINGS TO COMBINED FIXED CHARGES AND PREFERRED STOCK DIVIDENDS

The following table displays our ratio of earnings to combined fixed charges and preferred stock dividends for the periods shown (1):

	Three months ended March 31,	Year ended December 31				
	2004	2003	2002	2001	2000	1999
Ratio of earnings to combined fixed charges and preferred stock dividends	1.82x(2)	1.63x(2)	1.51x(2)	1.28x	(3)	1.20x

(1) Earnings used in computing the ratio of earnings to combined fixed charges and preferred stock dividends consist of net earnings before income taxes plus fixed charges. Fixed charges include interest expense on debt and the portion of rental expense deemed to represent the interest factor.
(2) We did not have any preferred stock outstanding during this period.
(3) Earnings were insufficient to cover fixed charges. The amount of the coverage deficiency for the year ended December 31, 2000 was $54.2 million, which represented our net loss.

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SELECTED FINANCIAL DATA

The selected financial data set forth below is derived from our audited financial statements for the fiscal years ended December 31, 2003, 2002, 2001, 2000 and 1999. The financial data for the three months ended March 31, 2004 and 2003 is derived from our unaudited consolidated financial statements. The results of operations for the three months ended March 31, 2004 may not be indicative of results to be expected for any future period. The following selected financial data should be read in conjunction with the more detailed information contained in the financial statements and notes thereto and Management s Discussion and Analysis of Financial Condition and Results of Operations for the three year period ended December 31, 2003 included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2003 and for the three months ended March 31, 2004 and 2003 included in our Quarterly Report on Form 10-Q for the quarter ended March 31, 2004, which are incorporated by reference into the accompanying prospectus.

	For the three months ended March 31,		For the year ended December 31,				
	2004	**2003**	**2003(1)**	**2002**	**2001**	**2000**	**1999**
Statement of Operations Data							
Net interest income:							
Interest income	$ 116,273	$ 76,159	$ 340,827	$ 226,416	$ 156,615	$ 147,079	$ 119,458
Interest expense	63,680	49,357	220,931	144,807	112,012	124,096	89,795
Net interest income	52,593	26,802	119,896	81,609	44,603	22,983	29,663
Provision for loan losses	9,725	6,484	24,853	19,848	16,813	18,839	5,547
Net interest income after loan loss provision	42,868	20,318	95,043	61,761	27,790	4,144	24,116
Non-interest income:							
Gain on sale of loans	31,138	1,616	66,053				
Equity in net earnings (loss) of IFC		5,167	16,698	17,073	10,912	(1,762)	4,292
Gain on sale of securities			9,078		312		93
Other income	315	1,027	1,845	4,509	6,155	4,275	2,517
Total non-interest income	31,453	7,810	93,674	21,582	17,379	2,513	6,902
Non-interest expense:							
Personnel expense							