

IMPAC MORTGAGE HOLDINGS INC
Form 10-Q
May 14, 2015
[Table of Contents](#)

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended March 31, 2015

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)

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

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 10,189,293 shares of common stock outstanding as of May 5, 2015.

Table of Contents

IMPAC MORTGAGE HOLDINGS, INC.

FORM 10-Q QUARTERLY REPORT

TABLE OF CONTENTS

	Page
<u>PART I. FINANCIAL INFORMATION</u>	
<u>ITEM 1.</u>	<u>CONSOLIDATED FINANCIAL STATEMENTS</u>
	<u>Consolidated Balance Sheets as of March 31, 2015 (unaudited) and December 31, 2014</u> 2
	<u>Consolidated Statements of Operations for the Three Months Ended March 31, 2015 and 2014 (unaudited)</u> 3
	<u>Consolidated Statements of Cash Flows for the Three Months Ended March 31, 2015 and 2014 (unaudited)</u> 4
	<u>Notes to Unaudited Consolidated Financial Statements</u> 5
<u>ITEM 2.</u>	<u>MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS</u> 26
	<u>Forward-Looking Statements</u> 26
	<u>The Mortgage Industry and Discussion of Relevant Fiscal Periods</u> 26
	<u>Selected Financial Results</u> 27
	<u>Status of Operations</u> 27
	<u>Liquidity and Capital Resources</u> 31
	<u>Critical Accounting Policies</u> 32
	<u>Financial Condition and Results of Operations</u> 34
<u>ITEM 3.</u>	<u>QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK</u> 48
<u>ITEM 4.</u>	<u>CONTROLS AND PROCEDURES</u> 48
<u>PART II. OTHER INFORMATION</u>	
<u>ITEM 1.</u>	<u>LEGAL PROCEEDINGS</u> 49
<u>ITEM 1A.</u>	<u>RISK FACTORS</u> 50
<u>ITEM 2.</u>	<u>UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS</u> 51
<u>ITEM 3.</u>	<u>DEFAULTS UPON SENIOR SECURITIES</u> 51
<u>ITEM 4.</u>	<u>MINE SAFETY DISCLOSURES</u> 51
<u>ITEM 5.</u>	<u>OTHER INFORMATION</u> 51
<u>ITEM 6.</u>	<u>EXHIBITS</u> 52
	<u>SIGNATURES</u> 53

CERTIFICATIONS

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

(in thousands, except share data)

	March 31, 2015 (Unaudited)	December 31, 2014
ASSETS		
Cash and cash equivalents	\$ 5,635	\$ 10,073
Restricted cash	4,932	2,420
Mortgage loans held-for-sale	531,586	239,391
Finance receivables	53,340	8,358
Mortgage servicing rights	26,656	24,418
Securitized mortgage trust assets	5,130,193	5,268,531
Goodwill	104,938	352
Intangible assets, net	33,122	
Deferred tax asset	24,420	
Other assets	41,846	25,029
Total assets	\$ 5,956,668	\$ 5,578,572
LIABILITIES		
Warehouse borrowings	\$ 552,493	\$ 226,718
Short-term structured debt	4,156	6,000
Convertible notes	20,000	20,000
Contingent consideration	124,592	
Long-term debt	29,646	22,122
Securitized mortgage trust liabilities	5,113,632	5,251,307
Other liabilities	52,906	27,469
Total liabilities	5,897,425	5,553,616
Commitments and contingencies (See Note 15)		
STOCKHOLDERS EQUITY		
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, 2015 and December 31, 2014, 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, 2015 and December 31, 2014, respectively	14	14
Common stock, \$0.01 par value; 200,000,000 shares authorized; 9,690,415 and 9,588,532 shares issued and outstanding as of March 31, 2015 and December 31, 2014, respectively	97	96

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

Additional paid-in capital	1,089,888	1,089,574
Net accumulated deficit:		
Cumulative dividends declared	(822,520)	(822,520)
Retained deficit	(208,243)	(242,215)
Net accumulated deficit	(1,030,763)	(1,064,735)
Total stockholders' equity	59,243	24,956
Total liabilities and stockholders' equity	\$ 5,956,668	\$ 5,578,572

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 March 31,	
	2015	2014
Revenues:		
Gain on sale of loans, net	\$ 37,398	\$ 4,573
Real estate services fees, net	2,742	3,679
Servicing income, net	635	1,569
Loss on mortgage servicing rights	(6,568)	(977)
Other	136	1,385
Total revenues	34,343	10,229
Expenses:		
Personnel expense	11,490	9,460
General, administrative and other	5,651	5,468
Total expenses	17,141	14,928
Operating income (loss):	17,202	(4,699)
Other income (expense):		
Interest income	72,608	72,021
Interest expense	(71,550)	(72,334)
Change in fair value of long-term debt	(7,116)	(650)
Change in fair value of net trust assets, including trust REO (losses) gains	(876)	3,038
Total other (expense) income	(6,934)	2,075
Earnings (loss) before income taxes	10,268	(2,624)
Income tax (benefit) expense	(23,704)	342
Net earnings (loss)	\$ 33,972	\$ (2,966)
Earnings (loss) per common share :		
Basic	\$ 3.54	\$ (0.33)
Diluted	\$ 2.94	\$ (0.33)

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 Three Months Ended March 31,	
	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net earnings (loss)	\$ 33,972	\$ (2,966)
Loss on sale of mortgage servicing rights	3,474	16
Change in fair value of mortgage servicing rights	3,094	961
Gain on sale of AmeriHome		(1,208)
Gain on sale of mortgage loans	(19,192)	(4,433)
Change in fair value of mortgage loans held-for-sale	(10,911)	(539)
Change in fair value of derivatives lending, net	(7,868)	338
Provision for repurchases	871	259
Origination of mortgage loans held-for-sale	(2,412,206)	(348,623)
Sale and principal reduction on mortgage loans held-for-sale	2,127,743	379,189
Losses (gains) from REO	2,670	(6,081)
Change in fair value of net trust assets, excluding REO	(2,932)	1,852
Change in fair value of long-term debt	7,116	650
Accretion of interest income and expense	39,051	49,066
Change in REO impairment reserve	565	3,849
Amortization of debt issuance costs and discount on note payable	80	12
Stock-based compensation	244	390
Impairment of deferred charge	309	
Change in deferred tax assets	(24,420)	
Net change in restricted cash	(2,512)	9
Net change in other assets and liabilities	7,315	(2,774)
Net cash (used in) provided by operating activities	(253,537)	69,967
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net change in securitized mortgage collateral	144,792	144,312
Proceeds from the sale of mortgage servicing rights	13,565	5,783
Finance receivable advances to customers	(124,206)	(2,148)
Repayments of finance receivables	79,224	1,300
Net change in mortgages held-for-investment	43	2
Purchase of premises and equipment		(22)
Net principal change on investment securities available-for-sale	41	11
Acquisition of CashCall Mortgage	(5,000)	
Proceeds from the sale of REO	6,173	9,011
Proceeds from the sale of AmeriHome		10,200
Net cash provided by investing activities	114,632	168,449
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayment of warehouse borrowings	(2,021,096)	(358,079)
Borrowings under warehouse agreement	2,346,871	330,179
Repayment of line of credit	(7,000)	(6,000)
Borrowings under line of credit	7,000	7,000

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

Repayment of short-term borrowing	(5,000)	
Short-term borrowing	5,000	
Repayment of securitized mortgage borrowings	(189,288)	(202,294)
Principal payments on short-term debt	(1,844)	
Principal payments on capital lease	(197)	(188)
Capitalized debt issuance costs	(50)	
Proceeds from exercise of stock options	71	18
Net cash provided by (used in) financing activities	134,467	(229,364)
Net change in cash and cash equivalents	(4,438)	9,052
Cash and cash equivalents at beginning of period	10,073	9,969
Cash and cash equivalents at end of period	\$ 5,635	\$ 19,021
NON-CASH TRANSACTIONS:		
Transfer of securitized mortgage collateral to real estate owned	\$ 9,729	\$ 9,025
Mortgage servicing rights retained from loan sales and issuance of mortgage backed securities	22,371	3,763
Common stock issued upon legal settlement		1,012
Acquisition of equipment purchased through capital leases	413	

See accompanying notes to consolidated financial statements

Table of Contents