FINAL TRANSCRIPT

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IMH - Q1 & Q2 2008 Impac Mortgage Holdings, Inc. Earnings Conference Call

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PRESENTATION

Operator

My name is Cassandra and I will with your conference operator today. At this time, I would like to welcome everyone to the first and second quarter 2008 earnings conference call. (OPERATOR INSTRUCTIONS).

And now, I would like to turn the call over to Justin Moisio of Investor Relations. You may begin.

Justin Moisio - *Impac Mortgage Holdings, Inc. - IR*

Thank you. Good morning, everyone, and thank you for joining Impac Mortgage Holdings first and second quarter 2008 earnings conference call. During this call we will make projections or other forward-looking statements in regards to but not limited to GAAP and taxable earnings, cash flows, interest rate, and market risk exposure and general market conditions. We would like to refer you to the business risk factors in our most recently filed Form 10Q and other reports filed under the Securities and Exchange Act of 1934. These documents contain and identify important factors that could cause the actual results to differ materially from those contained in our projections or forward-looking statements. This presentation, including outlook and any guidance, is effective as of the date given and we expressly disclaim any duty to update the information herein. I would like to get started by introducing Joseph Tomkinson, Chairman and CEO of Impac Mortgage Holdings.

Joseph Tomkinson - *Impac Mortgage Holdings, Inc. - Chairman, CEO*

Good morning. This morning I have on the line with us Bill Ashmore, President and Chief Operating Officer; Todd Taylor, our Chief Financial Officer; and Ron Morrison, our General Counsel. Before I review the summary of our first and second quarter financials, I wanted to thank our shareholders for their patience and understanding regarding our earnings delay. The company's reduction in personnel combined with the implementation of new accounting standards made it very difficult to file a first and second quarter Form 10-Q's within the prescribed time period.

Now I would like to give a brief overview of the first half results for 2008. During 2007, as everyone knows, the company along with most others in our industry recorded significant losses which is primarily due to the deterioration of the real estate market and the collapse of the secondary market. This deterioration continued through the first half of '08. As a result, in 2007, the company increased its allowance for loan losses by $1.4 billion, which reduced the book to value of its trust assets below the related financing resulting in a shareholder equity of a minus $1.1 billion at December 31, 2007.

Starting in '08, the company adopted FAS 157 and 159, which we believe provides a more clear representation of the financial condition of the company. The result of the adoption provided a positive adjustment to equity of $1.1 billion. Therefore, the shareholders equity was $54 million at March March 31, '08, and $24.5 million at June 30, '08 as compared to the negative equity of $1.1 billion at December 31, 2001. The reason for the decline in fair market value from March 31, '08 to June 30, '08 was primarily due to a change in our expectation of future borrowing rates. It should be noted the balance sheet does not include an estimated fair value of our agreement with the real estate marketing company as it is an advisory services contract. This contract is estimated to provide approximately $4 to $6 million in fees per quarter the remainder of this year and currently we believe has an estimated value of between $40 and $50 million.

For the six months ended June 30, '08, the company had a net loss of $31 million or $0.51 per diluted common share as compared with a net loss of $274 million or $3.70 per diluted common share for the six months ended June 30, '07. This is a positive turn around of approximately $244 million. A significant portion of loss in the prior year was due to the provision for loan losses. In '08, with the adoption of fair value accounting, the company no longer records a provision for loan losses as trust assets and liabilities are recorded at fair value.

The improvement in the net loss was also attributed to the follow following items, which are all included in the discontinued operations. We had an improvement of $31.6 million and a loss on the sale of the loans, an improvement of $39.2 million in the provision for repurchase reserves, and a savings in personnel expense of $30.6 million. The company also earned $8.5 million in real estate advisory fees for the first six months ending June 30, '08.

In regards to the company's current cash position, we currently have three primary services of cash, cash flows from our long-term mortgage portfolio, our master servicing fees, and our long-term mortgage portfolio and real estate advisory fees. As of June 30, the company had $26 million cash compared to $33 million at the end of March '08, and $26.5 million at December 31, 2007. The decrease over the quarter is primarily related to cash flow from our residual interest of securitizations that have started to decline as a result of increased credit losses and the increases in the forward LIBOR rates. At June 30, 2008, the company had total assets of $12 billion as compared to $17.4 billion as of December 31, 2007.

By adopting the fair value accounting methods, we wrote down our assets by $4 billion to the estimated fair market value. As of June 30, 2008, non-performing assets, which we define as 90 days or more delinquent, and this includes mortgage loans and foreclosures, delinquent bankruptcies, REOs were $3.2 billion as compared to $2.5 billion as December 31, 2007. Of these non-performing assets, REOs represented $625 million in June of '08 as compared with $412 million at December 31, '07.

For the second quarter of '08, delinquencies remained relatively flat with an overall increase of only 1% for the first two quarters of 2008. Foreclosure volume continues to increase mainly as a result of new state-specific requirements that prolong the overall foreclosure process. The overall problem of workouts for the first half of '08 have trended down, a result in the lack of sufficient cash as evidenced by direct decrease in the number of payoffs restatements and repayment plans. Modifications continue to be a viable option and will likely be the primary objective in order to resolve a delinquent loan over the course of the remaining quarter in '08.

Since January '08, the services are averaging almost 1300 workouts a month, and nearly one-third of the loans set for sale each month are entering in to a workout opportunity. During '07, the company announced plans to exit substantially all of its commercial, residential and warehouse lending operations. The net loss impact to discontinue these operations was $126.6 million in the first half of '07 and $10.4 million in the first half of '08. This is an improvement of $116.2 million.

The company's most significant liabilities within its discontinued operations at June 30, '08 relate to its repurchase liabilities and lease liabilities. Our repurchase liabilities consist of a repurchase reserve and the reverse repurchase line amounts owed to our lenders which are collateralized by loans held for sale, restricted cash balances, and certain real estate owned in other assets. During the quarter ended June 30, '08, one of the last two remaining warehouse lines was paid off in full. As of today, we have resolved our last remaining reverse repurchase line and converted it to a long-term facility.

This accomplishment allows the company to manage the remain remaining loans on the line without risk of receiving margin calls. This reverse repurchase facility had an approximate balance of $200 million at June 30, '08 as compared with $300 million at December 31, '07, and $485 million in September of '07 net of restricted cash of approximately $18 million in our margin count.

As of September 12 this year, 2008, the reverse repurchase line balance had an approximate balance of $178 million net of the margin account. We are currently distributing all of the principal and interest received from the collateral securing the reverse purchase line to continue to pay down those balances. The primary reason for the $100 million-plus reduction in the balance of the line was through loan sales and refinances. The company will continue to aggressively work to pay down or pay off this facility over its remaining term.

Now let's talk about the status of the operations and the outlook for the company. In 2007 and 2008, management has been seriously challenged by the unprecedented turmoil in the financial markets. However, in response to increased foreclosure, the company strategically entered into an agreement with a real estate marketing company to generate advisory fees for the company. Further, we attempted to limit our liabilities and reduce expenses by discontinuing certain operations, paying off all reverse purchase lines except one remaining which is now a long-term facility, and selling a significant portion of our outstanding repurchase claims while reducing our operating costs and liabilities.

2007 was a disastrous year for all participates in the financial market , but impact moved very quickly to discontinue most of its costly operations, allowing the company to survive . However, we were forward looking and, therefore, remained the intellectual knowledge base, certain key personnel, and infrastructure to look to reorganize and refocus its business alternatives for the future. As I mentioned earlier this year in '08, 2008 would be a year of cleanup for everyone. With this in mind, the company continues to align its cost of operations to its current cash flows from our long-term mortgage portfolio, our master servicing portfolio, and our real estate advisory fees.

Looking to the future, the company has been exploring raising additional capital to execute it's a new business plan. In order to accomplish this, several significant goals needed to be met in order for the company to move ahead. Our first goal, of course, was filing of our first and second quarter Form 10-Q's which was completed yesterday. The second goal was to restructure our agreement with our last remaining warehouse lender on the remaining loans in our last warehouse line facility. This was completed last week. This extends the Company's facility up to 30 months with no risk of margin calls and eliminates all technical or past defaults as long as certain triggers can be satisfied. The new agreement also requires monthly payments to reduce the underlying debt and additional curtailments if the company can raise capital.

The last two remaining goals to be completed are, first, in exchange of preferred stock and, two, modify the company's trust preferred securities to further reduce our cash outlay on interest payment, which is also currently being negotiated, and we hope to finalize these -- both of these initiatives no later than the end of October. First, the company intends to exchange their Series B and Series C preferred stock for shares of common stock. In connection with the possible exchange offer, our shareholders have approved a potential issuance of common shares in excess of 20% of our existing shares. Accomplishing this first task, this exchange offer will reduce our dividend obligations by as much as $14.9 million per year .

With regards to the trust preferred, we are currently opening negotiations to either significantly reduce the interest payment by a large reduction in the current interest rate or swap all or a portion of these instruments for common stock. The end result would be a further reduction of interest payments by as much as $8 million annually. To reiterate, the goal with the preferred and the trust preferred is to satisfy or substantially reduce the current interest and dividend payments which would be an annual savings of up to $22.8 million.

The remainder of my prepared remarks will address the strategic direction of the company. As everyone is aware, since the initial public offering of the company in 1995, IMH's primary business has been its long-term investment operations, investing primarily in non-conforming residential loans and to a lesser extent small balanced commercial and multi-family loans. In addition, up until August 2007, IMH had operating subsidiaries specializing in residential and multi- family loan originations as well as warehouse lending all of which were discontinued during the third quarter of 2007.

Due to the recent market conditions, we have been realigning our business strategy to meet the currently challenging lending and real estate environment with an alternative business model. Our redefined business strategy will be to provide real estate and mortgage services in addition to continuing our management of mortgage assets. Specifically, this will include the following new and current businesses, asset management, special and master servicing, real estate marketing and management, consulting, loan origination, and escrow services. An integral part of our new strategic direction was to acquire a special mortgage loan servicing platform.

On July 14, '08, the company announced that it executed a letter of intent to acquire a special servicing platform whereby this seller will contribute specified balances of loans to the platform in order to provide sufficient cash flows to maintain the business during its initial operations. I am happy to say we are in the final stages of negotiating a definitive agreement and expect to close by the end of October of this year. We believe this special servicing platform combined with our current and anticipated businesses, will create a fully integrated platform that will be utilized to take advantage of opportunities within the distressed mortgage investment market. Further, the company intends to raise additional capital in order to accomplish our strategic initiatives. We cannot provide any assurances that we will be successful in accomplishing this goal to raise the capital needs to fully implement our strategic initiatives.

In closing, I want to let all Impac shareholders understand that this management team has been working extremely hard and focused this last year to give the company the opportunity to redefine itself and return to profitability. This management team has worked together since 1986. It has managed successfully the bond crisis of 1987, the real estate recession of the early '90s, the liquidity crisis of 1998, and now the collapse of the financial and secondary markets of '07. As we finish cleaning up this year and redirecting ourselves, I am optimistically looking forward to 2009 as the year to rebuild and return to profitability. At this time, I guess we will

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QUESTIONS AND ANSWERS

Operator

(OPERATOR INSTRUCTIONS). Your first question comes from the line of Bruce Wilcox with Cumberland Associates.

Bruce Wilcox - *Cumberland Associates - Analyst*

Hey, Joe. Can you hear me?

Joseph Tomkinson - *Impac Mortgage Holdings, Inc. - Chairman, CEO*

Yes, I can hear you fine.

Bruce Wilcox - *Cumberland Associates - Analyst*

Yes. A few questions, I'm interested in the new presentation of the balance sheet. Okay. The -- there's a heading trust assets and total trust assets which includes all of your derivative assets and then on the liability side similarly. So does that mean that the derivatives really do not have recourse to IMH either way ?

Joseph Tomkinson - *Impac Mortgage Holdings, Inc. - Chairman, CEO*

Todd, do you want to take that.

Todd Taylor - *Impac Mortgage Holdings, Inc. - CFO*

Yes, Bruce, that's -- the derivatives do not have recourse to IMH, those are embedded in the trust --

Bruce Wilcox - *Cumberland Associates - Analyst*

In the trust. Okay. So basically everything that is included under total trust assets and total trust liabilities really don't have recourse to the company at all?

Todd Taylor - *Impac Mortgage Holdings, Inc. - CFO*

That is correct.

Bruce Wilcox - *Cumberland Associates - Analyst*

Okay.

Todd Taylor - *Impac Mortgage Holdings, Inc. - CFO*

That's why we switched to this more clear presentation.

Bruce Wilcox - *Cumberland Associates - Analyst*

Yes.

Todd Taylor - *Impac Mortgage Holdings, Inc. - CFO*

More transparent for all of the investors.

Bruce Wilcox - *Cumberland Associates - Analyst*

And within your reserve for repurchases, it's about -- I think round number is about $50 million. How much of that -- it's $55 million -- is about -- what is the breakdown between the repo line and others? I thought it was like 20, 30, something like that, 20 outside of the repo line.

Ron Morrison - *Impac Mortgage Holdings, Inc. - General Counsel and Corporate Secretary*

Yes. Bruce, this is Ron Morrison .

Bruce Wilcox - *Cumberland Associates - Analyst*

Yes.

Ron Morrison - *Impac Mortgage Holdings, Inc. - General Counsel and Corporate Secretary*

Yes, we have made an election not to specifically give a breakdown on that.

Bruce Wilcox - *Cumberland Associates - Analyst*

Okay.

Ron Morrison - *Impac Mortgage Holdings, Inc. - General Counsel and Corporate Secretary*

I think there are some various reasons that those are kind of combined.

Bruce Wilcox - *Cumberland Associates - Analyst*

So that detail is not in the Q?

Ron Morrison - *Impac Mortgage Holdings, Inc. - General Counsel and Corporate Secretary*

That's correct.

Bruce Wilcox - *Cumberland Associates - Analyst*

Okay. And then the last question I have is on page 25 of the second quarter Q, there is a sort of a condensed components of stockholder's equity and in there's a $46.3 million negative adjustment for the trust preferreds. Why is that in there since the trust preferreds are not a component of the equity accounts? Is that a reduction of the carrying value or that is the carrying value and why is it in the equity accounts?

Todd Taylor - *Impac Mortgage Holdings, Inc. - CFO*

Yes, Bruce, this is Todd again. That is the carrying value. That is our fair-value mark of the estimated fair value of the trust preferreds as of June 30 the 46.3.

Bruce Wilcox - *Cumberland Associates - Analyst*

Right. But why is it in the stockholder's equity reconciliation?

Todd Taylor - *Impac Mortgage Holdings, Inc. - CFO*

This table that you are looking at was a -- we put this together to give a more clear presentation to everybody to show them really what the components of the equity are, and so what we have done is we have condensed -- you previously mentioned the trust assets and trust liabilities --

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Bruce Wilcox - *Cumberland Associates - Analyst*

Yes.

Todd Taylor - *Impac Mortgage Holdings, Inc. - CFO*

We netted those together to show them basically as one line item of the $41.8 million on here.

Bruce Wilcox - *Cumberland Associates - Analyst*

Right.

Todd Taylor - *Impac Mortgage Holdings, Inc. - CFO*

Everything else is the remaining components of the balance sheet to add up to the $24.5 million in equity as of June 30.

Bruce Wilcox - *Cumberland Associates - Analyst*

Okay.

Todd Taylor - *Impac Mortgage Holdings, Inc. - CFO*

So the trust preferred, which was a liability in par value it's on our books for about 100 million, I think it's 98 or something like that, we elected that for fair value under FAS 159 in which we marked that and came up with an estimated fair value of 46.3.

Bruce Wilcox - *Cumberland Associates - Analyst*

Right.

Todd Taylor - *Impac Mortgage Holdings, Inc. - CFO*

That's a liability on the balance sheet.

Bruce Wilcox - *Cumberland Associates - Analyst*

Okay. Theoretically then this $24.5 million equity number -- stockholder's equity assumes that sort of implies that that's what it would be in the trust preferreds were fully paid off as at their FAS 159 carrying value, ditto for the repurchase liabilities.

Todd Taylor - *Impac Mortgage Holdings, Inc. - CFO*

Yes.

Bruce Wilcox - *Cumberland Associates - Analyst*

All right. That will do it, thanks very much.

Todd Taylor - *Impac Mortgage Holdings, Inc. - CFO*

Sure.

Operator

Your next question comes from the line of [Rick Sherman] from Oppenheimer.

Rick Sherman - *Oppenheimer - Analyst*

Hi, gentlemen. A couple of quarters ago you predicted or I guess had hoped that some time around the, by the end of the first quarter you would have had expenses and revenues in line to put the company either at break even or profitability. What can you point to that basically made that not possible over the last quarter or so, and this was without necessarily exchanging the preferreds or anything else, so what areas can you, deteriorated or whatever that made that impossible and also I guess not possible going for forward without doing the changes that you are now referring to?

Bill Ashmore - *Impac Mortgage Holdings, Inc. - President*

Rick, this is Bill Ashmore. The main reduction in the revenues was the forecast in the residual cash flows as we kind of briefly mentioned in there. That was a combination of an increase in LIBOR in addition to a substantial increase in the losses that are running through. We're seeing the severities really every month they are going up. They have been flattening out here of late. But during the first half of the year was substantial amounts of loans running through much larger severities which were trapping the cash in the releases that were -- we had not necessarily predicted earlier in the year . That's the main focus in there. The other thing that is that our expenses we have kept them from a personnel standpoint, retaining certain personnel in order to -- when the redefinition of the company moving ahead with these other businesses, so those two components are the main reasons why we are not seeing the kind of results we had mentioned earlier in

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Joseph Tomkinson - *Impac Mortgage Holdings, Inc. - Chairman, CEO*

Just to rerate, though, we continue to reduce our expenses on a month-by-month basis. Most recently, we're in the final stages of lease negotiations on our current building which would give us a monthly savings of another $300,000. We're in the final stages of closing an escrow on our building in Orlando which is another savings of another 100,000 per month. And then reduced -- we expect once we have completed the acquisition of the servicing platform with -- we'll see further reduction through consolidation in personnel expense.

Rick Sherman - *Oppenheimer - Analyst*

Have you done anything -- now that you have experienced higher severity, do you stress test the portfolio at all and do you modify that as time is going on?

Joseph Tomkinson - *Impac Mortgage Holdings, Inc. - Chairman, CEO*

When you say stress test or modify it, we stress test it on a -- with the Alco stress test on a monthly basis. We have been trying to get our subservicers, and Bill has been working on this for nine months -- no, a year --

Bill Ashmore - *Impac Mortgage Holdings, Inc. - President*

Yes, over a year.

Joseph Tomkinson - *Impac Mortgage Holdings, Inc. - Chairman, CEO*

-- to be much more aggressive in the modifications, and it's the reason we want to take back a lot of our own special servicing is because a lot of these servicers, they are operating with a bureaucratic legacy and they can't seem to think outside of the box. And so we have given them numerous plans on how to aggressively modify a lot of these loans and turn these people around, everything -- everywhere from just getting blanket modifications to taking over the properties and leasing the properties, but it's been an uphill battle because for the most part these servicers they operate out of a manual, and if it's not in the manual, unless someone redirects it or redefines the manual, they refuse to do anything that is -- has any sort of real initiative. But we're slowly making progress on that.

Rick Sherman - *Oppenheimer - Analyst*

Okay. And if you are successful in restructuring the company as you've, in a small way, outlined relative to the preferreds and the trust preferreds, the savings of the cash outlay of -- I think we mentioned, I might have the number wrong, it was $24 million or so --

Joseph Tomkinson - *Impac Mortgage Holdings, Inc. - Chairman, CEO*

It was $22.8 million, and I think where you are going, if we did nothing else, I believe -- I don't have anything in front of me and Todd will probably hit me upside of the head, but that savings alone puts the company in a cash-neutral position. I think that's the question you were going to ask.

Rick Sherman - *Oppenheimer - Analyst*

Yes, I just wanted to know where you would be and what kind of -- well, I guess also that cash savings, I would assume, would allow you to -- your intention is go acquire something else or acquire assets -- I mean, --

Joseph Tomkinson - *Impac Mortgage Holdings, Inc. - Chairman, CEO*

No, that's cash savings between what we have been negotiating on the our existing leases, which I mentioned would be about a savings of $300,000 a month, the consolidation of the servicing platform, which our rough estimate is almost another $100,000 a month, and what else, in the sale of the -- our last remaining building which is, what, in Orlando, right?

Todd Taylor - *Impac Mortgage Holdings, Inc. - CFO*

Right.

Joseph Tomkinson - *Impac Mortgage Holdings, Inc. - Chairman, CEO*

Yes, and that would be another savings of another $100,000 a month. So the combined savings between satisfying the trust preferred and the preferred would roughly be somewhere around $27 million on an annual basis. That would mean that the cash that -- current cash that we're generating and the current cash that we're outlaying, even though we're keeping an unusually high amount of employees relative to our business operations, that means that it essentially would stop the bleeding for 2009.

Now, what we have been doing, and I will be a little bit more specific, in -- we call it redefining the company, since last year we have maintained a small loan origination unit. We have been expanding our presence with your real estate advisory company, which disposes of certain REO assets and that generates, as I said, $4 to $6 million a quarter. We have just started real estate escrow services company. Although it's in its infancy stage, it will generate and has begun generating some pretty good fee income. We plan on and we begun modeling certain assets in the secondary market, looking at AAA bonds and also distressed assets that we will go ahead and we see significant returns on those assets.

We see significant opportunities, especially with the demise of firms such as Lehman and some of the other firms out there that are going to have to sell assets, so we put in place a complete integrated and lineal set of businesses that can handle a lot of the opportunities that are presenting themselves in the marketplace. Everything from acquiring them, managing them, servicing them, all the way down to liquidating them them. That's what is in place right now at the company.

Rick Sherman - *Oppenheimer - Analyst*

Okay. Thank you very much.

Operator

Your next t question comes from the line of Howard Amster.

Howard Amster - *Ramat Securities Ltd - Analyst*

Hi, Joe and Bill. I had a couple of questions. On the -- your remaining repo line, what is the face amount of assets of loans that you have against the $178 million liability, and what is the -- what percentage of those loans are in default or -- and what percentage are fully paid? That's one question.

Bill Ashmore - *Impac Mortgage Holdings, Inc. - President*

Yes, Howard, this is Bill. It's the face -- you are talk about the face value of the loans, right? The unpaid principal balance?

Howard Amster - *Ramat Securities Ltd - Analyst*

Yes, please.

Bill Ashmore - *Impac Mortgage Holdings, Inc. - President*

Okay. It's around $225 million, and the -- the -- let me just note something here. We have been hovering in the 15% to 20% delinquency rate and we're still -- even though it's a high range about 20%, we will still there even though we have been liquidating the performing properties in there so we have done a pretty decent job in lost mitigation keeping the delinquencies pretty constant while disposing of the refinances and sales of the performing loans, so right now it's about 20% that are delinquent. I don't have the exact REO total on top of my head. And the actual net balance, as Joe mentioned earlier, that's owed on the line, is about $178 million.

Howard Amster - *Ramat Securities Ltd - Analyst*

I see. Could you also talk about is there a positive -- what is the approximate positive interest cash flow per month on that?

Joseph Tomkinson - *Impac Mortgage Holdings, Inc. - Chairman, CEO*

Howard, we don't record that right now and that is part of our agreement, and one of the things that we want to do is pay that line down, so we're distributing all of the principal and interest back to our warehouse lender.

Howard Amster - *Ramat Securities Ltd - Analyst*

I see.

Joseph Tomkinson - *Impac Mortgage Holdings, Inc. - Chairman, CEO*

So every month that balance is paid down.

Howard Amster - *Ramat Securities Ltd - Analyst*

Okay.

Joseph Tomkinson - *Impac Mortgage Holdings, Inc. - Chairman, CEO*

And just to reiterate that, and it probably got lost in my comments, I don't know if you recall but a year ago we had somewhere around $1.6 billion on warehouse lines with, I think, five lenders. All of those lines, have been mutually satisfied and paid off.

Howard Amster - *Ramat Securities Ltd - Analyst*

Okay .

Joseph Tomkinson - *Impac Mortgage Holdings, Inc. - Chairman, CEO*

This particular line, was a year ago, was as high as $485 million, and so in the last year we've reduced that by some $300 million and we continue to work it each month . Now, the delinquencies, as we pay it off and we pay it down because we're dealing in percentages, the delinquencies will continue to rise as you pay down the number of loans because the delinquent loans remain on the warehouse line, and that's our main focus is to loss mitigate those particular loans, so that delinquency is a little

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Howard Amster - *Ramat Securities Ltd - Analyst*

Joe, I guess a couple of questions, you going to take over the servicer. When you do that, are you going to take all of the cases away from like the Country Wide or the GMACs that are difficult or --?

Joseph Tomkinson - *Impac Mortgage Holdings, Inc. - Chairman, CEO*

We are talking to them about it. If we can, that's our preference.

Howard Amster - *Ramat Securities Ltd - Analyst*

Just to take the real bad ones, right --

Joseph Tomkinson - *Impac Mortgage Holdings, Inc. - Chairman, CEO*

Exactly.

Howard Amster - *Ramat Securities Ltd - Analyst*

Okay . Okay. That's about it. Thank you very much -- when -- the last question would be, time

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Joseph Tomkinson - *Impac Mortgage Holdings, Inc. - Chairman, CEO*

Howard, you only get two questions.

Howard Amster - *Ramat Securities Ltd - Analyst*

Okay. I'm sorry.

Joseph Tomkinson - *Impac Mortgage Holdings, Inc. - Chairman, CEO*

No, I'm just kidding you. Come on Howard.

Howard Amster - *Ramat Securities Ltd - Analyst*

Oh. Okay. These preferred exchanges that you talked about, could you give us a sense of time frame?

Joseph Tomkinson - *Impac Mortgage Holdings, Inc. - Chairman, CEO*

Well, we -- let me see we have got -- we have got to get the proxy out.

Bill Ashmore - *Impac Mortgage Holdings, Inc. - President*

Yes, I think that with the preferred, we were talking about getting those proxies filed by the end of the week, I hope, is when it gets filed. Now, obviously, the actual tender is going to be subject to three weeks or so of SEC review and preparation, so I'm guessing in less than month, we will have completed everything, but our initial filing is expected to be at the end of the week .

Howard Amster - *Ramat Securities Ltd - Analyst*

Sure.

Joseph Tomkinson - *Impac Mortgage Holdings, Inc. - Chairman, CEO*

Once we file it, Howard, that doesn't preclude us from talking to them and working out, hopefully, a mutual satisfaction. My goal here for the company is to have a resolution with the preferreds and the trust preferreds by the end of October.

Howard Amster - *Ramat Securities Ltd - Analyst*

I see. So to paraphrase what you are saying, if you put out this proxy and offered the preferred to X it doesn't mean you can't negotiate to X plus something. Is that what I'm hearing you say?

Joseph Tomkinson - *Impac Mortgage Holdings, Inc. - Chairman, CEO*

I don't know about that . Everybody is taking their hands and crossing it underneath their throats, which means I am not supposed to

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Ron Morrison - *Impac Mortgage Holdings, Inc. - General Counsel and Corporate Secretary*

Howard, this is Ron, we expect to file a preliminary proxy this week. The final proxy would be some time after that subject to SEC review. We think we can make a proposal in there that's fair to everybody and works to everybody's advantage, and we can come up some suggestions and a proposal that we think would be acceptable to the preferreds by on then.

Howard Amster - *Ramat Securities Ltd - Analyst*

Okay. So when you use the term proxy, we're not talking like a proxy for an annual meeting, we're talking like an exchange document. Is that correct?

Ron Morrison - *Impac Mortgage Holdings, Inc. - General Counsel and Corporate Secretary*

There's really two documents that come out. A proxy for a vote and then a tender for an exchange and we think they will be coming out concurrently.

Howard Amster - *Ramat Securities Ltd - Analyst*

I see. Thank you so much, guys.

Todd Taylor - *Impac Mortgage Holdings, Inc. - CFO*

Thanks, Howard.

Operator

(OPERATOR INSTRUCTIONS). Your next question comes from the line of [Mark Falisiano] from [Reef].

Mark Falisiano - - *Analyst*

Hi, guys.

Joseph Tomkinson - *Impac Mortgage Holdings, Inc. - Chairman, CEO*

Hi, Mark.

Mark Falisiano - - *Analyst*

Hey. Just some follow-up p questions on Howard . At what point do you start slowing down the sales of the performing loans given now that you termed out your warehouse line and just solely focus on loss mitigation? And I guess part of the answer may be where you selling some of those performing

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Joseph Tomkinson - *Impac Mortgage Holdings, Inc. - Chairman, CEO*

Well, I mean, in this market you don't slow down on the selling of the performing loans. It's not a difficult -- that's not something that's difficult to do . Our main focus is on the loss mitigation

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Mark Falisiano - - *Analyst*

Okay. Well, so where are the prices relative to par then on those sales?

Joseph Tomkinson - *Impac Mortgage Holdings, Inc. - Chairman, CEO*

They are somewhere around in the low 70s.

Mark Falisiano - - *Analyst*

Low 70s.

Todd Taylor - *Impac Mortgage Holdings, Inc. - CFO*

Low to high 70s.

Joseph Tomkinson - *Impac Mortgage Holdings, Inc. - Chairman, CEO*

Low to high 70s.

Mark Falisiano - - *Analyst*

So if you were to project it out, let's say 18 months from now when your first term is over, what kind of of -- just based on your projections, what kind of deficit do you think that creates relative to your outstanding line at that point?

Bill Ashmore - *Impac Mortgage Holdings, Inc. - President*

Hi, Mark, this is Bill.

Mark Falisiano - - *Analyst*

Yes.

Bill Ashmore - *Impac Mortgage Holdings, Inc. - President*

Really, we don't want to get in do that . That has been something between us and our warehouse lender that we wanted to basically keep

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Mark Falisiano - - *Analyst*

Okay.

Bill Ashmore - *Impac Mortgage Holdings, Inc. - President*

Right now we're showing it on the balance sheet is relative to encapsulating all of the loans and the reserves are properly recorded on the balance sheet.

Mark Falisiano - - *Analyst*

Okay . Okay. Fair enough. All right.

Operator

There are no further questions. Do you have any closing remarks?

Joseph Tomkinson - *Impac Mortgage Holdings, Inc. - Chairman, CEO*

No, I have no closing remarks, other than, again, I want to reiterate to everyone that we appreciate your patience. I really believe that in the fourth quarter we will have the remaining issues resolved, and we look forward to getting back in to business. So with that said, thank you very much.

Operator

This concludes today's conference call. You may now disconnect.
