IMPAC MORTGAGE HOLDINGS INC
Form 10-K
March 11, 2016

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

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ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2015 or

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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)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, $0.01 par value	NYSE MKT
Preferred Stock Purchase Rights	NYSE MKT

Securities registered pursuant to Section 12(g) of the Act: none

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act Yes o No ý

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes o No ý

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 ý 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 (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ý No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of the Form 10-K or any amendment to this Form 10-K. ý

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 o	Accelerated filer o	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company ý

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

As of June 30, 2015, the aggregate market value of the voting stock held by non-affiliates of the registrant was approximately $143.5 million, based on the closing sales price of common stock on the NYSE MKT on June 30, 2015. For purposes of the calculation only, all directors and executive officers and beneficial holders of more than 10% of the stock of the registrant have been deemed affiliates. There were 12,178,250 shares of common stock outstanding as of March 4, 2016.

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PART I

ITEM 1. BUSINESS

Impac Mortgage Holdings, Inc., sometimes referred to herein as the "Company," "we," "our" or "us," is a Maryland corporation incorporated in August 1995 and includes the following subsidiaries: Integrated Real Estate Service Corporation, or IRES, IMH Assets Corp. and Impac Funding Corporation. IRES subsidiary, Impac Mortgage Corp. (IMC), formerly known as Excel Mortgage Servicing, Inc., or Excel, conducts our mortgage lending and real estate services operations.

Forward-Looking Statements

This report on Form 10-K contains 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," "likely," "should," "could," "seem to," "anticipate," "plan," "intend," "project," "assume," or similar terms or variations on those terms or the negative of those terms. The forward-looking statements are based on current management expectations. Actual results may differ materially as a result of several factors, including, but not limited to the following: failure to achieve the benefits expected from the acquisition of the CCM operations, including an increase in origination volume generally, increase in each of our origination channels and ability to successfully use the marketing platform to expand volumes of our other loan products; successful development, marketing, sale and financing of new and existing financial products, including expansion of non-Qualified Mortgage originations and conventional and government loan programs; legal and other risks related to new financial products; ability to successfully diversify our financial products; volatility in the mortgage and consumer financial industry; unexpected interest rate fluctuations and margin compression; our ability to manage personnel expenses in relation to mortgage production levels; our ability to successfully use warehousing capacity; increased competition in the mortgage lending industry by larger or more efficient companies; issues and system risks related to our technology; ability to successfully create cost and product efficiencies through new technology; more than expected increases in default rates or loss severities and mortgage related losses; ability to obtain additional financing, through lending and repurchase facilities, debt or equity funding, strategic relationships or otherwise; the terms of any financing, whether debt or equity, that we do obtain and our expected use of proceeds from any financing; increase in loan repurchase requests and ability to adequately settle repurchase obligations; failure to create brand awareness; the outcome, including any settlements, of litigation or regulatory actions pending against us or other legal contingencies; and our compliance with applicable local, state and federal laws and regulations and other general market and economic conditions.

For a discussion of these and other risks and uncertainties that could cause actual results to differ from those contained in the forward-looking statements, see Item 1A. "Risk Factors" and Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations" in this report. This document speaks only as of its date and we do not undertake, and specifically disclaim any obligation, to release publicly 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.

The information contained throughout this document is presented on a continuing basis, unless otherwise stated.

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Available Information

Our internet website address is www.impaccompanies.com. We make available our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and proxy statements for our annual stockholders' meetings, as well as any amendments to those reports, free of charge through our website as soon as reasonably practicable after we electronically file such material with, or furnish it to, the Securities and Exchange Commission, or the SEC. You can learn more about us by reviewing our SEC filings on our website by clicking on "Investor Relations Stockholder Relations" located on our home page and proceeding to "SEC Filings." We also make available on our website, under "Corporate Governance," charters for the audit, compensation, and governance and nominating committees of our board of directors, our Code of Business Conduct and Ethics, our Corporate Governance Guidelines and other company information, including amendments to such documents and waivers, if any, to our Code of Business Conduct and Ethics. These documents will also be furnished, free of charge, upon written request to Impac Mortgage Holdings, Inc., Attention: Stockholder Relations, 19500 Jamboree Road, Irvine, California 92612. The SEC also maintains a website at www.sec.gov that contains reports, proxy statements and other information regarding SEC registrants, including our Company.

Our Company

We are an established nationwide independent residential mortgage lender. We were founded in 1995 by members of our current management team, who have extensive experience and an established track record of operating our Company through multiple market cycles. We originate, sell and service residential mortgage loans. We primarily originate conventional mortgage loans eligible for sale to U.S. government-sponsored enterprises, or GSEs, including Fannie Mae, Freddie Mac (conventional loans), and government-insured mortgage loans eligible for government securities issued through Ginnie Mae (government loans). We originate and acquire mortgage loans through our Retail, Correspondent and Wholesale origination channels. For the year ended December 31, 2015, we had $9.3 billion in origination volume, a 225% increase over 2014.

We primarily operate as a residential mortgage lender and are focused on expanding our mortgage lending platform providing conventional and government-insured mortgage loans as well as look to provide innovative products to meet the needs of borrowers not met by traditional conventional and government products. To a lesser extent, we provide real estate services and manage our long-term mortgage portfolio. The real estate service segment was created in 2008 to provide solutions to the distressed mortgage and real estate markets, including loan modifications, real estate disposition, monitoring and surveillance services and real estate brokerage. The long-term mortgage portfolio predominantly includes non-conforming mortgage loans originated between 2002 and 2007, and is decreasing in size from principal pay-downs and default liquidations. Since we are no longer adding new mortgage loans to the long-term mortgage portfolio, the real estate services and long-term mortgage portfolio segments are continuing to decrease and are a smaller component of our overall operating results.

In January 2015, we and our wholly-owned subsidiary, IMC, entered into an Asset Purchase Agreement with CashCall, Inc. (CashCall) pursuant to which IMC agreed to purchase certain assets and assume certain liabilities of CashCall's residential mortgage operations. CashCall Mortgage (CCM) operates as a centralized call center that utilizes a marketing platform to generate customer leads through the internet and call center loan agents. As a centralized retail call center, loan applications are received and taken by loan agents directly from consumers and through the internet. As a result of the acquisition of CCM, we had a significant increase in our retail direct origination volume. We intend to leverage this same marketing platform to expand volumes of our Nonqualified mortgage (NonQM) products.

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During 2014, we began originating NonQM loans and the predominant amount of the originations has come through our wholesale lending channel. However, we expect the CCM division to increase originations through the retail call center as well as correspondent customers to begin delivering loans that meet our NonQM program guidelines. In conjunction with launching these NonQM products, we established a strategic investor relationship with an institution that provides balance sheet capacity to fund these NonQM loans.

Our warehouse lending group offers funding facilities to approved lenders focusing on smaller mortgage bankers and credit unions. These facilities allow our customers the ability to fund mortgage loans and sell closed loans to their investors. Our funding facilities are repaid when our customer sells the loans to the investor. Offering warehouse lending provides added value for our correspondent customers, which we believe will increase the capture rate from our currently approved customers and increase volumes in our correspondent channel.

Our operating segments include Mortgage Lending, Real Estate Services and the Long-Term Mortgage Portfolio. A description of each operating segment is presented below with further details and discussions of each segments' results of operations presented in Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations Results of Operations."

Mortgage Lending As a nationwide mortgage lender, we are approved to originate and service Fannie Mae, Freddie Mac and Ginnie Mae eligible loans. We primarily originate, sell and service conventional, conforming agency and government insured residential mortgage loans originated or acquired through our three channels: Retail, Correspondent and Wholesale. Our mortgage lending operation generates origination and processing fees, net of origination costs, at the time of origination as well as gains or unexpected losses when the loans are sold to third party investors, including the GSEs and Ginnie Mae. We retain servicing rights from the mortgage originations and earn servicing fees, net of sub-servicer costs, from our mortgage servicing portfolio. From time to time we sell our servicing rights from our servicing portfolio.

Real Estate Services We provide loss mitigation and real estate services primarily on our own long-term mortgage portfolio, including default surveillance, loan modification services, short sale services (where a lender agrees to take less than the balance owed from the borrower), real estate owned (REO) surveillance and disposition services and monitoring, reconciling and reporting services for residential and multifamily mortgage portfolios. We provide services to investors, servicers and individual borrowers primarily focusing on loss mitigation and performance of our own long-term mortgage portfolio. These operations are conducted by IMC.

Long-Term Mortgage Portfolio We manage our long-term mortgage portfolio, which primarily consists of residual interests in the securitization trusts reflected as trust assets and liabilities in our consolidated balance sheets, to mitigate losses and maximize cash flows from our residual interests (net trust assets). We receive cash flows from our residual interests in securitizations to the extent excess cash remains in the trusts after required distributions to bondholders and maintaining required overcollateralization levels are met and other specified parameters within the trusts.

In addition to the segments listed above, we also have a corporate segment, which supports all of the operating segments. The corporate segment includes unallocated corporate and other administrative costs as described below.

Recent Developments

As previously announced, in January 2016, we decided to exercise the option to convert a portion of the convertible notes into common stock, eliminating debt and increasing book value by $20.0 million

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and saving $375 thousand ($1.5 million on an annualized basis) in quarterly interest payments beginning in April 2016.

Mortgage Lending Operations

Our mortgage lending activities primarily consist of the origination, sale and servicing of conventional loans eligible for sale to Fannie Mae and Freddie Mac, and government-insured loans eligible for Ginnie Mae securities issuance. We currently originate and fund mortgages through our wholly-owned indirect subsidiary, IMC. In order to originate mortgage loans we must be able to finance them and hold them on our balance sheet until such loans are sold, generally within 10 to 20 days. In order to do this we must have lines of credit with banks (called warehouse lines) that allow us the short term funding required.

The following table presents selected data from our mortgage lending operations for the year ended December 31, 2015 and 2014:

(in millions)	**2015**	**2014**	**% Change**
Originations	$ 9,259.0	$ 2,848.8	225%
Servicing Portfolio	3,570.7	2,267.1	58%
Mortgage servicing rights	36.4	24.4	49%

Our origination volumes increased 225% in 2015 to $9.3 billion as compared to $2.8 billion for the prior year. In 2015, our retail channel achieved the most significant growth as a percentage of total originations. Of the $9.3 billion in total originations, approximately $5.6 billion, or 60%, was originated through the CCM retail channel. In contrast, during 2014, our retail originations contributed only 3% to our total origination volume. However, in 2014, the Company purchased mortgage loans from CashCall, Inc. (prior to the acquisition of their mortgage operations by the Company), as a correspondent customer, contributing approximately $800.0 million in the fourth quarter of 2014.

Our mortgage servicing portfolio increased in 2015 primarily due to servicing-retained sales of conforming GSE-eligible loans and government-insured loans eligible for Ginnie Mae securities, net of bulk sales of servicing rights. In 2015, we had servicing retained loan sales of $7.2 billion of conforming GSE-eligible loans and issued $1.8 billion of government securities through Ginnie Mae on a servicing retained basis, partially offset by bulk sales of servicing rights totaling $7.3 billion in unpaid principal balance (UPB).

We have three origination channels to originate or acquire mortgage loans Retail, Wholesale and Correspondent. Each channel produces similar mortgage loan products and applies similar underwriting standards.

	For the year ended December 31,			
(in millions)	**2015**	**%**	**2014**	**%**
Originations by Channel:				
Retail	$ 5,571.8	60%	$ 80.3	3%
Correspondent	2,238.0	24%	2,169.6	76%
Wholesale	1,449.2	16%	598.9	21%
Total originations	$ 9,259.0	100%	$ 2,848.8	100%

Retail Beginning in January 2014, we originated retail loans using a centralized approach through our call center. As discussed previously, in January 2015, we acquired certain assets of CCM. CCM, a leading direct-to-consumer originator based in Orange, California, utilizes a high-volume, rapid turn time funding model with a focus on providing exceptional customer service. CCM has proven expertise in multifaceted and other mass media marketing and we believe will further diversify IMC's origination channels and capabilities. The acquisition of CCM's residential lending platform added a centralized retail call center to IMC's current business-to-business origination channels and provides additional capacity to process increased origination volumes of expanded products including our non-QM loan programs and government insured Ginnie Mae programs, while profitably creating servicing assets for IMC.

When loans are originated on a retail basis, the origination documentation is completed inclusive of customer disclosures and other aspects of the lending process and funding of the transaction is completed internally. Our call center representatives contact borrowers through either inbound or outbound marketing campaigns sourced from purchase-money and refinance mortgage leads, including leads sourced from customer referrals and retention of customers in the servicing portfolio that are seeking to refinance or purchase a property. For the year ended December 31, 2015, we closed $5.6 billion of loans in this origination channel, which equaled 60% of total originations, as compared to $80.3 million or 3% of total originations during 2014 prior to the acquisition of CCM.

Wholesale In a wholesale transaction, our account executives work directly with mortgage brokers who originate and document loans for delivery to our operational center where we underwrite and fund the mortgage loan. Each loan is underwritten to our underwriting standards and if approved, the borrower is sent new disclosures under our name and the loan is funded in the name of Impac Mortgage.

Prior to accepting loans from mortgage brokers, each mortgage broker is required to meet our guidelines for minimum experience, credit score and net worth. We also obtain a third-party due diligence report for each prospective broker that verifies licensing and provides information on any industry sanctions that might exist. In addition, each mortgage broker is required to sign our broker agreement that contains certain representations and warranties from the brokers. For the year ended December 31, 2015, we closed loans totaling $1.4 billion in this origination channel, which equaled 16% of total originations, as compared to $598.9 million or 21% of total originations during 2014.

Correspondent Our correspondent channel represents mortgage loans acquired from our correspondent sellers. Our correspondent channel has historically targeted a market of small banks, credit unions and small mortgage banking firms. Prior to accepting loans from correspondent sellers, each seller is underwritten to determine if it meets financial and other guidelines. Our review of each prospective seller includes obtaining a third party due diligence report that verifies licensing, insurance coverage, quality of recent Federal Housing Administration (FHA) originations and provides information on any industry sanctions that might exist. In addition, each seller is required to sign our correspondent seller agreement that contains certain representations and warranties from the seller allowing us to require the seller to repurchase a loan sold to us for various reasons including (i) ineligibility for sale to GSEs, (ii) early payment default, (iii) early pay-off or (iv) if the loan is uninsurable by a government agency.

In our correspondent channel, the correspondent seller originates and closes the loan. After the loan is originated, the correspondent seller provides the needed documentation and information to us to review and determine if it meets our underwriting guidelines. The loan is acquired by us only after we approve it for purchase. We focus on customer service for our clients by facilitating prompt review by our due diligence team, providing bid pricing on both newly originated and seasoned portfolios, enabling clients to deliver one loan at a time on a flow basis and providing clients with expedited funding timelines. We purchase conventional loans eligible for sale to the GSEs and government-insured loans eligible for Ginnie Mae securities. For the year ended December 31, 2015, we closed loans totaling $2.2 billion in the correspondent origination channel, which equaled 24% of total originations, compared to $2.2 billion or 76% of total originations during 2014. Although correspondent volume was virtually flat from 2014 to 2015, we were able to maintain the volume in our correspondent channel despite shifting

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the CCM volume from a correspondent customer in 2014, to retail originations in 2015, as a result of the acquisition. As previously discussed, Correspondent purchases from CashCall's mortgage division were approximately $800.0 million in the fourth quarter of 2014.

Since 2011, we have provided loans to customers predominantly in the Western U.S. with California, Washington and Arizona comprising 83% of originations in 2015. Currently, we provide nationwide lending with our retail call center and correspondent sellers and mortgage brokers.

Originations

Our loan products primarily include conventional loans eligible for sale to Fannie Mae and Freddie Mac and loans eligible for government insurance (government loans) by Federal Housing Administration (FHA), Veteran's Administration (VA) and U.S. Department of Agriculture (USDA) and also NonQM. We have enhanced our product offering to include more loan products less sensitive to changing interest rates, including FHA 203(k), a home improvement loan that provides the borrower funds to make renovations, intermediate Adjustable Rate Mortgages and GSE and government-insured loan programs such as Home Affordable Refinance Program (HARP) loans which help timely paying borrowers to refinance into a loan with a lower interest rate despite the loan balance being greater than the estimated fair value of their home. We believe that these loan products will prepay at a slower rate as compared to other products. By retaining these loan products in our servicing portfolio, we expect to maintain a less volatile mortgage servicing portfolio.

We believe there is an underserved mortgage market for borrowers with good credit who may not meet the new qualified mortgage (QM) guidelines set out by the Consumer Financial Protection Bureau (CFPB). During 2014, we rolled out and began originating NonQM loans. As the demand by consumers for the NonQM product grows we expect the investor appetite will increase for the NonQM mortgages. The predominant amount of the early originations came through our wholesale lending channel. Our correspondent customers began delivering loans that meet our NonQM program guidelines during the third quarter of 2015. We have established strict lending guidelines, including determining the prospective borrowers' ability to repay the mortgage, which we believe will keep delinquencies and foreclosures at acceptable levels. In conjunction with launching these NonQM products we established a strategic investor relationship which provides us with an exit strategy for these nonconforming loans.

The following table indicates the breakdown of our originations by loan type for the periods indicated:

	For the year ended December 31,			
(in millions)	**2015**	**%**	**2014**	**% Change**
Originations by Loan Type:				
Government	$ 1,805.5	19%	$ 817.8	121%
Conventional	7,270.8	79%	1,947.7	273%
Other (1)	182.7	2%	83.3	119%
Total originations	$ 9,259.0	100%	$ 2,848.8	225%

(1) Includes $132.4 million of NonQM mortgages originated during the year ended December 31, 2015.

Loan Sales Selling Loans to GSEs, Issuing Ginnie Mae Securities and Selling Loans on a Whole Loan Basis

We sell our mortgage loans to the secondary market, including sales to the GSEs and issuing securities through Ginnie Mae. We primarily sell loans on a servicing-retained basis where the loan is

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sold to an investor such as Fannie Mae, and we retain the right to service that loan, called mortgage servicing rights, or MSRs. We also "sell" loans to Ginnie Mae by issuing Ginnie Mae securities through a process whereby a pool of loans is transferred to Ginnie Mae as collateral for a government mortgage-backed security. To a lesser extent, we sell our residential mortgage loans on a whole loan basis where the investor also acquires the servicing rights.

The following table indicates the breakdown of our loan sales to GSEs, issuance of Ginnie Mae securities and loans sold to investors on a whole loan basis for the periods as indicated:

	For the year ended December 31,	
(in millions)	**2015**	**2014**
Fannie Mae	$ 5,434.3	$ 892.4
Freddie Mac	1,793.0	992.8
Ginnie Mae	1,770.6	790.0
Total servicing retained sales	8,997.9	2,675.2
Other (servicing released)	173.5	70.8
Total loan sales	$ 9,171.4	$ 2,746.0

Mortgage Servicing

Upon our sale of loans to GSEs or the issuance of securities through Ginnie Mae, we generally retain the servicing rights with respect to the mortgage loans. We also sell loans on a servicing-released basis to secondary market investors where we do not retain the servicing rights. When we retain servicing rights, we are entitled to receive a servicing fee which is collected from interest payments made by the borrower and paid to us on a monthly basis equal to a specified percentage, typically between 0.25% and 0.44% per annum of the outstanding principal balance of the loans. We may also be entitled to receive additional servicing compensation, such as late payment fees and earn additional income through the use of non-interest bearing escrows. As a mortgage servicer, we are required to advance certain amounts to meet the contractual loan servicing requirements for certain investors. We may advance principal, interest, property taxes and insurance for borrowers that have become delinquent, plus any other costs to preserve the property. Also, we will advance funds to maintain, repair and market foreclosed real estate properties. Such advances are typically repaid when the loan becomes current or repaid from the proceeds generated from the sale of the property subsequent to foreclosure.

We have hired a nationally recognized residential servicer to sub-service the servicing portfolio. Although we use a sub-servicer to provide primary servicing and certain default servicing functions, our servicing surveillance team, which is experienced in loss mitigation and real estate recovery, monitors and surveys the performance of the loans and sub-servicer. We generally earn a servicing fee on each loan, but we also incur the cost of the sub-servicer as well as the internal servicing surveillance team. Servicing fees are collected from interest payments made by the borrower. Incurring the cost of both a sub-servicer and an internal surveillance team reduces the net revenues we earn from the mortgage servicing portfolio, however, we believe it reduces our risk by minimizing delinquencies and repurchase risk.

During 2015, the mortgage servicing portfolio increased to $3.6 billion as of December 31, 2015 from $2.3 billion at the end of 2014, generating gross servicing fees of $10.1 million, and $6.7 million in 2015 and 2014, respectively. We also sell servicing rights to fund the expansion of origination volumes resulting in a decrease in our servicing portfolio. We may continue to monetize servicing rights as needed in the future. Furthermore, the value of mortgage servicing rights are affected by increases and decreases in mortgage interest rates. Therefore, volatility in mortgage rates generally causes volatility in the value of mortgage servicing rights.

Risk Management

Underwriting

We primarily originate residential first mortgage loans for sale that conform to the respective underwriting guidelines established by Fannie Mae, Freddie Mac, FHA, VA and USDA. Our mortgage loans are underwritten individually on a loan-by-loan basis. Each mortgage loan originated from our retail and wholesale channel are underwritten by one of our in-house loan underwriters or by a third party contract underwriter using our underwriting guidelines. Each mortgage loan originated from our correspondent channel is reviewed internally or by a third party underwriting company to determine if the borrower meets our underwriting guidelines.

Our criteria for underwriting generally include, but are not limited to, full documentation of borrower's income, assets, other relevant financial information, the specific agency's eligible loan-to-value ratios (LTV), borrower's debt-to-income ratio and full appraisals when required. Variances from any of these standards are permitted only to the extent allowable under the specific program requirements. Our underwriting procedures for all retail and wholesale loans require the use of a GSE automated underwriting systems (AUS). Our underwriting procedures for all correspondent loans that have been originated by a correspondent seller includes a third party file review including verification that the borrower's credit and the collateral meets our applicable program guidelines and an appropriate AUS report has been completed. They also verify the loan is compliant with regulatory guidelines, including the ability to repay. In addition, the third-party performs pre-funding quality control procedures prior to our acquisition of the loan. Management reviews the reports prior to the acquisition of any correspondent loan.

Quality Control

Our mortgage brokers, within our wholesale channel and our correspondent sellers are reviewed and approved prior to the acquisition or origination of any loans. Each seller is required to sign our correspondent seller agreement that contains certain representations and warranties from the seller requiring the seller to repurchase a loan sold to us for various reasons including loan ineligibility for sale to GSEs or if the loan is uninsurable by a government agency. Each broker is required to sign our broker agreement that contains certain representations and warranties from the broker requiring the broker to indemnify us for various reasons including early payment defaults or early pay-offs which may lead to repurchase requests and reimbursement of premiums to our investors.

Prior to funding, retail and wholesale loans are reviewed internally by our quality control department to verify the loan conforms to our program guidelines and meets state and federal compliance guidelines. Prior to the acquisition of a correspondent loan, we perform pre-funding quality control procedures. Management reviews the reports prior to the acquisition of any correspondent loan. We also perform post origination quality controls procedures on at least 10% of all mortgage loans funded or acquired. Additionally, we closely monitor the servicing performance of loans retained in our mortgage servicing portfolio to identify any opportunities to improve our underwriting process or procedures and identify any issues with mortgage brokers or correspondent sellers. Findings are summarized monthly and the appropriate changes are implemented.

Our risk management committee, comprised of senior management, meets monthly to identify, monitor, measure and mitigate key risks in the organization. The committee's responsibilities, sometimes delegated to subcommittees, include monitoring the hedging positions and its effectiveness in mitigating interest rate risk, status of aged unsold loans, status of loans on the warehouse lines, the review of quality control reports, review of servicing portfolio and loan performance and the adequacy of the repurchase reserve and methodology.

Hedging

We are exposed to interest rate risks relating to our mortgage lending operations. We use derivative instruments to manage some of our interest rate risk. However, we do not attempt to hedge interest rate risk completely. Our strategy is to mitigate the market and interest rate risk from loan originations by either selling newly originated loans to GSEs or issuing Ginnie Mae mortgage-backed securities. We typically attempt to sell our mortgage loans within 10 to 20 days from acquisition or origination.

We enter into interest rate lock commitments, or IRLCs, and commitments to sell mortgages to help mitigate some of the exposure to the effect of changing interest rates on our mortgage lending operation. We actively manage the IRLCs and uncommitted mortgage loans held for sale on a daily basis. To manage the risk, we utilize forward sold Fannie Mae and Ginnie Mae mortgage-backed securities, known as to-be-announced mortgage-backed securities (TBA MBS or Hedging Instruments), to hedge the fair value changes associated with changes in interest rates.

We are also exposed to interest rate risk associated with our mortgage servicing portfolio. Changes in interest rates affect the value of mortgage servicing rights on our consolidated balance sheets. To help manage the risk, in the fourth quarter of 2015, we began to use TBA MBS securities to hedge a portion of the fair value changes associated with changes in interest rates.

Data Security

Sensitive borrower information, such as name, address and social security number is included in nearly all mortgage loan files. We seek to keep this information secure for every borrower. To do so, our policy requires all sensitive borrower data to be transmitted to us through our secure website portal which allows all our customers, correspondent sellers, mortgage brokers and individual borrowers to send data to us securely in an encrypted manner.

Real Estate Services

We provide loss mitigation and recovery services primarily on our long-term mortgage portfolio. Our portfolio loss mitigation and real estate services operations include the following services:

- Default surveillance and loss recovery services for residential and multifamily mortgage portfolios (primarily our own long-term mortgage portfolio) for loan servicers and investors to assist them with overall portfolio performance and maximizing cash recovery;

- Loan modification solutions to individual borrowers. We interact with loan servicers and borrowers to assist them in lowering the monthly mortgage payments, which allows them to make their mortgage payments and possibly remain in their homes. We earn fees for these services once the modification is completed;

- Real Estate Owned (REO) surveillance and disposition services. We provide these services to portfolio managers and servicers to assist them with improving portfolio performance by maximizing liquidation proceeds from managing foreclosed real estate assets. We also provide short sale (where a lender agrees to take less than the balance owed from the borrower) services on pre-foreclosure properties for servicers, investors and institutions with distressed and delinquent residential and multifamily mortgage portfolios, these services also included real estate brokerage services; and

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Monitoring, reconciling and reporting services for residential and multifamily mortgage portfolios for investors and servicers.

We intend to continue to provide these services predominantly for our long-term mortgage portfolio. We expect these revenues to gradually decline over time as our long-term mortgage portfolio declines. To the extent that opportunities arise, we may expand our loss mitigation and real estate services to third parties.

Long-Term Mortgage Portfolio

Our long-term mortgage portfolio consists of our residual interests in securitizations represented on our consolidated balance sheet as the difference between total trust assets and total trust liabilities. Our long-term mortgage portfolio includes adjustable rate and, to a lesser extent, fixed rate Alt-A single-family residential mortgages and commercial (primarily multifamily residential loans) mortgages that were acquired and originated primarily by our discontinued, non-conforming mortgage lending operations and retained in our long-term portfolio before 2008. Alt-A mortgages are primarily first lien mortgages made to borrowers whose credit was generally within typical Fannie Mae and Freddie Mac guidelines but have loan characteristics that make them non-conforming under those guidelines.

In previous years, we securitized mortgage loans by transferring originated residential single-family mortgage loans and multifamily commercial loans (the "transferred assets") into non-recourse bankruptcy remote trusts which in turn issued tranches of bonds to investors supported only by the cash flows of the transferred assets. Because the assets and liabilities in the securitizations are nonrecourse to us, the bondholders cannot look to us for repayment of their bonds in the event of a shortfall. These securitizations were structured to include interest rate derivatives. We retained the residual interest in each trust, and in most cases would perform the master servicing. A trustee and servicer, unrelated to us, was named for each securitization. Cash flows from the loans (the loan payments and liquidation of foreclosed real estate properties) collected by the loan servicer are remitted to us, the master servicer. The master servicer remits payments to the trustee who remits payments to the bondholders (investors). The servicer collects loan payments and performs loss mitigation activities for defaulted loans. These activities include foreclosing on properties securing defaulted loans, which results in REO.

Commercial mortgages in our long-term mortgage portfolio are primarily adjustable rate mortgages with initial fixed interest rate periods of two, three, five, seven and ten years that subsequently convert to adjustable rate mortgages (hybrid ARMs), and are primarily secured with multi-family residential real estate. Commercial mortgages have provided greater asset diversification on our balance sheet as borrowers of commercial mortgages typically have higher credit scores and commercial mortgages typically have lower LTVs.

Historically, we securitized mortgage loans in the form of collateralized mortgage obligations, or CMOs, which were consolidated and accounted for as secured borrowings for financial statement purposes. Securitized mortgages in the form of real estate mortgage investment conduits, or REMICs, were either consolidated or unconsolidated depending on the design of the securitization structure. We consolidated the variable interest entity, or VIE, as the primary beneficiary of the sole residual interest in each securitization trust where we also performed the master servicing. Amounts consolidated were included in trust assets and liabilities as securitized mortgage collateral, real estate owned, derivative assets, securitized mortgage borrowings and derivative liabilities in the accompanying consolidated balance sheets. At December 31, 2015, our residual interests in securitizations (represented by the difference between total trust assets and total trust liabilities) decreased to $14.2 million, compared to $17.2 million at December 31, 2014.

Since 2007, we have not added any mortgage loans to our long-term mortgage portfolio.

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For additional information regarding the long-term mortgage portfolio refer to Item 7. "*Management's Discussion and Analysis of Financial Condition*," and Note 14. "*Securitized Mortgage Trusts*" in the notes to the consolidated financial statements.

Master Servicing

Until 2007, we were retaining master servicing rights on substantially all of our non-conforming single-family residential and commercial mortgage acquisitions and originations that were sold through securitizations. Since 2008, we have not retained any additional master servicing rights, but have continued to be the master servicer of previously retained master servicing rights.

The function of a master servicer includes collecting loan payments from loan servicers and remitting loan payments, less master servicing fees receivable and other fees, to a trustee or other purchaser for each series of mortgage-backed securities or mortgages master serviced. In addition, as master servicer, we monitor compliance with the servicing guidelines and perform or contract with third parties to perform all functions not adequately performed by any loan servicer. The master servicer is also required to advance funds, or cause the loan servicers to advance funds, to cover principal and interest payments not received from borrowers depending on the status of their mortgages, but only to the extent that it is determined that such advances are recoverable either from the borrower or from the liquidation of the property. Master servicing fees are generally 0.03% per annum on the collected unpaid principal balance of the mortgages serviced. As a master servicer, we also earn income or incur expense on principal and interest payments received from borrowers until those payments are remitted to the investors of those mortgages. Fees from the master servicing portfolio have declined significantly due to a decrease in principal balances since the end of 2008, which in turn affects the amount we earn on balances held in custodial accounts. At December 31, 2015, we were the master servicer for approximately 25,600 mortgages with an unpaid principal balance of approximately $6.7 billion of which $1.4 billion of those loans were 60 or more days delinquent. At December 31, 2015, we were also the master servicer for unconsolidated securitizations (included in the total master servicing portfolio above) totaling approximately $805 million in unpaid principal balance of which $306 million of those loans were 60 or more days delinquent. Fees earned from master servicing are separate from those earned from mortgage servicing which are generated from servicing rights from new originations since 2011.

Corporate

This segment includes all corporate services groups including information technology, human resources, legal, facilities, accounting, treasury and corporate administration. This corporate services group supports all operating segments. A portion of these costs are allocated to the operating segments based on certain allocation methods. These corporate services groups are centralized to be efficient and avoid any duplicate cost burdens. Specific costs associated with being a publicly traded company are not allocated and remain in this segment.

At our corporate headquarters in Irvine, California, we occupy office space under our lease agreement. In January 2016, an amendment to our lease became effective modifying certain terms as well as extending the lease to 2024. The modification of the lease effectively eliminates the shortfall we were recording as lease impairment attributable to the office space we were subletting associated with our previously discontinued operations.

The corporate segment also includes debt expense related to the Convertible Notes due in 2018 and 2020 as well as capital leases. Debt service expense is not allocated to the mortgage lending, real estate services or long-term mortgage portfolio segments. We have taken advantage of very low financing rates and entered into capital lease arrangements to finance the purchase of equipment,

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mostly computer equipment, used in all three segments. The interest expense associated with the capital leases is not allocated and remains in this segment.

Regulation

The U.S. mortgage industry is heavily regulated. Our mortgage lending operations, as well as our real estate services, are subject to federal, state and local laws that regulate and restrict the manner in which we operate in the residential mortgage industry. Plus, mortgage bankers and brokers in our wholesale production channel and correspondents from which we purchase loans are also subject to regulation, which may have an effect on our business and the mortgage loans we are able to fund or acquire. Compliance with regulations in the mortgage industry requires us to incur costs and expenses in our operations. To the extent we, or others with which we conduct business, do not comply with applicable laws and regulations, we may be subject to fines, reimbursements and other penalties. The laws and regulations that we are subject to include the following:

- the Federal Truth-in-Lending Act (known as TILA) and Regulation Z promulgated there under, which require certain disclosures to the borrowers regarding the terms of the loans and require substantial changes in compensation that can be paid to brokers and loan originators;

- the Equal Credit Opportunity Act and Regulation B promulgated there under, which prohibit discrimination on the basis of age, race, color, sex, religion, marital status, national origin, receipt of public assistance or the exercise of any right under the Consumer Credit Protection Act, in the extension of credit;

- the Fair Housing Act, which prohibits discrimination in housing on the basis of race, color, national origin, religion, sex, familial status, or handicap, in housing-related transactions;

- the Fair Credit Reporting Act, which regulates the use and reporting of information related to the borrower's credit experience;

- the Fair and Accurate Credit Transaction Act, which regulates credit reporting and use of credit information in making unsolicited offers of credit;

- the Gramm-Leach-Bliley Act, which imposes requirements on all lenders with respect to their collection and use of nonpublic financial information and requires them to maintain the security of that information;

- the Real Estate Settlement Procedures Act (known as RESPA) and Regulation X, promulgated thereunder, which requires that consumers receive disclosures at various times and outlaws kickbacks that increase the cost of settlement services;

- the Home Mortgage Disclosure Act, which requires the reporting of public loan data;

- the Telephone Consumer Protection Act and the Can Spam Act, which regulate commercial solicitations via telephone, fax, and the Internet;

- the Depository Institutions Deregulation and Monetary Control Act of 1980, which preempts certain state usury laws;

- the Alternative Mortgage Transaction Parity Act of 1982, which preempts certain state lending laws which regulate alternative mortgage transactions;

the Fair Debt Collection Practices Act, which prohibits unfair debt collection practices; and the Secure and Fair Enforcement for Mortgage Licensing Act of 2008, which establishes national minimum standards for mortgage licensees.

In addition, the Dodd-Frank Wall Street Reform and Consumer Protection Act is a sweeping overhaul of the financial regulatory system. The Dodd-Frank Act has increased, and will continue to increase, regulation of the mortgage industry, including: generally prohibiting lenders from making residential mortgage loans unless a good faith determination is made of a borrower's creditworthiness based on verified and documented information; requiring the CFPB to enact regulations to help assure that consumers are provided with timely and understandable information about residential mortgage loans that protect them against unfair, deceptive and abusive practices; and requiring federal regulators to establish minimum national underwriting guidelines for residential mortgages that lenders will be allowed to securitize without retaining any of the loans' default risk.

Our mortgage lending operations is an approved Housing and Urban Development (HUD) lender, a Ginnie Mae approved issuer and servicer and an approved seller/servicer of Fannie Mae and Freddie Mac. As such, we are required to submit annually to Fannie Mae, Freddie Mac, and HUD, as applicable, audited financial statements, or the equivalent, according to the financial reporting requirements of each regulatory entity for its sellers/servicers. The Company's affairs are also subject to examination by Fannie Mae, Ginnie Mae, Freddie Mac, HUD, CFPB and state regulatory agencies at any time to assure compliance with applicable regulations, policies and procedures. Also refer to "Regulatory Risks" under Item 1A. Risk Factors for a further discussion of regulations that may affect us.

Competition

We operate in a highly competitive industry that could become even more competitive as a result of legislative, regulatory, economic, and technological changes, as well as continued consolidation or expansion. Our competitors include banks, thrifts, credit unions, real estate brokerage firms, mortgage brokers and mortgage banking companies. Competition is based on a number of factors including, among others, customer service, quality and range of products and services offered, price, reputation, interest rates, lending limits and customer convenience. To compete effectively, we must have a very high level of operational, technological, and managerial expertise, as well as access to capital at a competitive cost. Many of our competitors are larger than we are and have access to greater financial resources than we do, which can place us at a competitive disadvantage. In addition, many of our largest competitors are banks or affiliated with banking institutions, the advantages of which include, but are not limited to, the ability to hold new mortgage loan originations in an investment portfolio and having access to financing with more favorable terms than we do, including lower funding costs with bank deposits as a source of liquidity.

Our real estate services segment competes with firms that provide similar services, including loan modification companies, real estate asset management and disposition companies and real estate brokerage firms. Our competitors include mega mortgage servicers, established subprime loan servicers, and newer entrants to the specialty servicing and recovery collections business. Efforts to market our ability to provide real estate services for others is more difficult than many of our competitors because we have not historically provided such services to unrelated third parties, and we are not a rated primary or special servicer of residential mortgage loans as designated by a rating agency.

Risk factors, as outlined below, provide additional information related to risks associated with competition in the mortgage industry.

Employees

As of December 31, 2015 and 2014, we had a total of 564 and 298 employees, respectively. The increase in employees was primarily due to the aforementioned acquisition of CCM during the first quarter of 2015. Management believes that relations with our employees are good. We are not a party to any collective bargaining agreements.

ITEM 1A. RISK FACTORS

Some of the following risk factors relate to a discussion of our assets. For additional information on our asset categories refer to Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations," as well as the accompanying notes to the consolidated financial statements.

Risks Related To Our Businesses

Our long-term success is primarily dependent on our ability to increase the profitability of our mortgage originations.

We believe that a key driver of growth of our profitability will be increasing the profitability of our mortgage originations. Our success is dependent on many factors, some of which we can control and others we cannot, such as the documentation and data capture technology, increasing our loan origination operational capacities, incorporating CashCall mortgage operations into our systems, increasing our mortgage origination efficiencies, attracting qualified employees, ability to maintain our approvals with Fannie Mae, Freddie Mac, Ginnie Mae and other investors, ability to increase our mortgage servicing portfolio, the ability to obtain adequate warehouse borrowing capacity, the ability to adequately maintain loan quality and manage the risk of losses from repurchases, the changing regulatory environment for mortgage lending and the ability to fund our originations.

If we are unable to generate net earnings from our mortgage lending operations and real estate services and cash flows from our mortgage portfolio, we may be unable to satisfy our future operating costs and liabilities, including repayment of our debt obligations.

Mortgage market conditions have had and may continue to have a material adverse effect on our earnings and financial condition.

Our results of operations are materially affected by conditions in the mortgage and real estate markets, the financial markets and the economy generally. Beginning in 2007, the mortgage industry and the single-family residential housing markets were adversely affected as home prices declined and delinquencies and defaults significantly increased. Borrowers found it difficult to refinance due to home price depreciation and lenders tightened their underwriting guidelines, which led to further increases in defaults and credit losses. During 2013, 2014 and into 2015, although housing prices rebounded in parts of the U.S., the Company continued to be negatively affected. As a result, non-conforming mortgage loans have not performed up to historical expectations, and the fair value of non-conforming mortgage loans deteriorated. This, in turn, previously resulted in declining revenues and increased expenses associated with the long-term mortgage portfolio, including increases in loan losses and impairment charges, losses sustained in the operation of real estate properties acquired in foreclosure proceedings and foreclosure related professional fees. These factors previously led to deterioration in the quality of the Company's long-term mortgage portfolio, as evidenced by the delinquencies, foreclosures and credit losses.

The disruption in the capital markets and secondary mortgage markets has also reduced liquidity and investor demand for mortgage loans and mortgage-backed securities, while yield requirements for these products have increased. Continuing concerns about the declining real estate market, as well as inflation, energy costs, mortgage compliance, geopolitical issues and the availability and cost of credit, have contributed to increased volatility and diminished expectations for the mortgage markets going forward. The mortgage market has been severely affected by changes in the lending landscape and there is no assurance that these conditions have stabilized or that they will not worsen. These unprecedented disruptions and deterioration of the mortgage market have had, and may continue to have, an adverse effect on the Company's results of operations and financial condition.

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As a result of tightening of credit guidelines in the overall mortgage market, a decline in financed real estate transactions, volatile interest rates, current economic conditions, the extremely difficult and complex mortgage and credit regulatory environment and other factors it is projected by some mortgage organizations that mortgage originations during 2016 may be at lower volumes than 2015. As a result we may experience reduced volumes, thereby reduced income unless we are able to garner a greater market share of originations or sufficiently reduce costs. In addition, volatility in mortgage interest rates could cause volatility in the value of our mortgage servicing rights, resulting in volatile or adverse financial results.

We may not be able to access financing sources on favorable terms, or at all, which could adversely affect our ability to implement and operate our business as planned.

Future financing sources may include borrowings in the form of credit facilities (including term loans and revolving facilities), repurchase agreements, warehouse facilities, structured financing arrangements, public and private equity and debt issuances and derivative instruments, in addition to transactions or asset specific funding arrangements. Our access to sources of financing depends upon a number of factors some of which we have little or no control, including general market conditions, resources and policies or lenders. Under current market conditions, many forms of structured financing arrangements are generally unavailable, which also in the past has limited our ability to borrow under short term warehouse and repurchase agreements that are intended to be refinanced by such financings. In addition, if regulatory capital requirements imposed on our private lenders change, they may be required to limit, or increase the cost of, financing they provide to us. In general, this could potentially increase our financing costs and reduce our liquidity. Consequently, the expansion of our mortgage lending operations may be dictated by the cost and availability of financing, specifically warehouse facilities. Depending on market conditions at the relevant time, we may have to rely more heavily on additional equity issuances, which may be dilutive to our shareholders, or on less efficient forms of debt financing that require a larger portion of our cash flow from operations, thereby reducing funds available for our operations and future business opportunities. We cannot assure you that we will have access to such equity or debt capital on favorable terms (including, without limitation, cost and term) at the desired times, or at all, which could negatively affect our results of operations. If our access to such funds are restricted or are on terms that are materially changed, we may not be able to continue those operations which may affect our income and loan origination volumes.

If we are unable to satisfy our debt obligations or to meet or maintain the necessary financial covenant requirements with lenders or satisfy, or obtain waivers from, the continuing covenants, this could have a material adverse effect on our financial condition and results of operations.

We have incurred a significant amount of debt and may in the future enter into additional debt obligations. We have issued $25.0 million Convertible Promissory Notes due May 2020, entered unto a Loan Agreement for a term loan in the aggregate principal amount of $30.0 million due December 2016 (which may be extended at the lender's discretion) and have Trust Preferred Securities with an outstanding balance of $8.5 million and Junior Subordinated Notes with an outstanding principal balance of $62.0 million at December 31, 2015. Furthermore, we primarily fund our mortgage originations through warehouse facilities with third-party lenders which are secured by and used to fund residential mortgage loans until such loans are sold. Our ability to make scheduled payments on our debt obligations depends on our future performance, which is subject to economic, financial, competitive and other factors beyond our control. Our business may not generate cash flow from operations in the future sufficient to service our debt. If we are unable to generate cash flow, we may be required to adopt one or more alternatives, such as selling assets, restructuring debt or obtaining additional equity capital on terms that may be unfavorable to us or highly dilutive, any of which may be material to the holders of our common stock. We may not be able to engage in any of these activities or engage in these activities on desirable terms, which could have a material adverse effect on our financial condition and results of operations.

Furthmore, our warehouse facilities contain covenants, including requirements to maintain a certain minimum net worth, liquidity, litigation judgment thresholds, debt ratios, profitability levels and other customary debt covenants. A breach of the covenants can result in an event of default under these facilities and as such allows the lender to pursue certain remedies, which may constitute a cross default under other agreements.

Our hedging strategies implemented by our mortgage lending operations may not be successful in mitigating our risks associated with the market movement of interest rates.

We use various derivative financial instruments to provide a level of protection against interest rate risks in our mortgage lending operations, but no hedging strategy can protect us completely. When interest rates change, we expect to record a gain or loss on derivatives which would be offset by an inverse change in the value of mortgage loans held for sale, our held mortgage servicing rights and interest rate lock commitments. We cannot assure you, however, that our use of derivatives will offset the risks related to changes in interest rates. There have been periods, and it is likely that there will be periods in the future, during which we will not have offsetting gains or losses in mortgage loans, mortgage servicing rights and interest rate lock commitment values after accounting for our derivative financial instruments. The derivative financial instruments we select may not have the effect of reducing our interest rate risk. In addition, the nature and timing of hedging transactions may influence the effectiveness of these strategies. Poorly designed strategies, improperly executed and recorded transactions or inaccurate assumptions could actually increase our risk and losses. In addition, hedging strategies involve transaction and other costs. We cannot assure you that our hedging strategy and the derivatives that we use will adequately offset the risk of interest rate volatility or that our hedging transactions will not result in losses.

If we are forced to liquidate, we may have few unpledged assets for distribution to unsecured creditors or equity holders.

In the event we are forced to liquidate, the majority of our assets is either collateral for specific borrowings or pledged as collateral for secured liabilities. We may have few remaining assets available for unsecured creditors and equity holders.

We may not realize all of the anticipated benefits of our acquisition, which could adversely affect our business, financial condition and results of operations.

In 2015, we expanded our business through the acquisition of CCM. Our ability to realize the anticipated benefits of this acquisition depends, in part, on our ability to integrate the CCM platform and business with our business. The process of integrating the platform may disrupt our business and may not result in the full benefits expected. The risks associated with acquisitions include, among others:

- unanticipated issues in integrating information, communications and other systems;
- unanticipated incompatibility of purchasing, logistics, marketing and administration methods;
- direct and indirect costs and liabilities;
- not retaining key employees;
- the diversion of management's attention from ongoing business concerns; and

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the inability to make contingent consideration payments to the seller due to lack of cash or the ability to borrow the needed cash, which could result in a default to the seller.

Moreover, the acquisition of the CCM platform may not contribute to our revenues or earnings to any material extent, and cost savings and synergies we expect at the time of an acquisition may not be realized once the acquisition has been completed. If we inappropriately value the assets we acquire or the value of the assets we acquire declines after we acquire them, the resulting charges may negatively affect the carrying value of the assets on our balance sheet and our earnings. Furthermore, if we incur additional indebtedness to finance the acquisition, the acquired business may not be able to generate sufficient cash flow to service that additional indebtedness. An unsuitable or unsuccessful acquisition could materially and adversely affect our business, financial condition and results of operations.

If our goodwill and other intangible assets become impaired, we may be required to record a significant charge to earnings.

We may be required to record a significant charge to earnings in our financial statements should we determine that our goodwill, other intangible assets are impaired. Such a charge might have a significant impact on our financial position and results of operations.

As required by accounting rules, we review our goodwill for impairment at least annually as of December 31 or more frequently if facts and circumstances indicate that it is more likely than not that the fair value of a reporting unit that has goodwill is less than its carrying value. Factors that may be considered a change in circumstances indicating that the carrying value of our goodwill might not be recoverable include declines in the Company's profitability, a significant decline in projections of future cash flows and lower future growth rates in our industry. As of December 31, 2015, the Company had approximately $104.9 million of goodwill and $30.0 million of intangible assets, which could be subject to impairment.

Issuances of additional shares of our common stock may adversely affect its market price and significantly dilute stockholders.

In order to support our business objectives, we may raise capital through the sale of equity or convertible securities. The issuance or sale, or the proposed sale, of substantial amounts of our common stock in the public market could materially adversely affect the market price of our common stock or other outstanding securities. We do not know the actual or perceived effect of these issuances, the timing of any offerings or issuances of securities, the potential dilution of the book value or earnings per share of our securities then outstanding and the effect on the market price of our securities then outstanding.

Our share prices have been and may continue to be volatile and the trading of our shares may be limited.

The market price of our securities has been volatile. We cannot guarantee that a consistently active trading market for our securities will continue. In addition, there can be no assurances that such markets will continue or that any shares which may be purchased may be sold without incurring a loss. Any such market price variation of our shares may not necessarily bear any relationship to our book value, assets, past operating results, financial condition or any other established criteria of value, and may not be indicative of the market price for the shares in the future. The market price of our securities is likely to continue to be highly volatile and could be significantly affected by factors including:

unanticipated fluctuations in our operating results;

general market and mortgage industry conditions;

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- mortgage and real estate fees;
- delinquencies and defaults on outstanding mortgages;
- loss severities on loans and REO;
- prepayments on mortgages;
- the regulatory environment and results of our mortgage originations;
- mark to market adjustments related to the fair value of loans held- for-sale, mortgage servicing rights, long-term debt and derivatives;
- interest rates; and
- litigation.

During 2015, our common stock reached an intra-day high sales price of $29.85 on May 5, 2015, and an intra-day low sales price of $6.18 on January 2, 2015. As of March 4, 2016, our stock price closed at $14.06 per share. In addition, significant price and volume fluctuations in the stock market have particularly affected the market prices for the securities of mortgage companies such as ours. Furthermore, general conditions in the mortgage industry may adversely affect the market price of our securities. These broad market fluctuations have adversely affected and may continue to adversely affect the market price of our securities. If our results of operations fail to meet the expectations of security analysts or investors in a future quarter, the market price of our securities could also be materially adversely affected and we may experience difficulty in raising capital.

We do not expect to pay dividends in the foreseeable future and we may be restricted in paying dividends on our common stock.

We do not anticipate paying any dividends on our common stock in the foreseeable future and we intend to retain any future earnings for funding growth. We may also be restricted in paying dividends on our common stock. For example, our existing and any future warehouse facilities may contain covenants prohibiting dividend payments upon an occurrence of a default or otherwise. Furthermore, if we receive an adverse judgment on the purposed class action relating to our preferred stock and the Company is required to pay dividends on the preferred stock, we will be prohibited from paying dividends on our common stock until such preferred stock dividends are paid. As a result, you should not rely on an investment in our stock if you require dividend income. Capital appreciation, if any, of our stock may be your sole source of gain for the foreseeable future.

Our principal stockholders beneficially own a large portion of our stock, and accordingly, may have control over stockholder matters and sales may adversely affect the market price of our common stock.

As of February 25, 2016, Todd M. Pickup and Richard H. Pickup and their respective affiliates beneficially owned approximately17.2% and 21.7%, respectively, of our outstanding common stock. Their beneficial ownership includes 465,116 shares and 639,535 shares of our Company's common stock that Todd Pickup and Richard Pickup, respectively, has the right to acquire at any time by converting the outstanding principal balance of Convertible Notes Due 2020, at the initial conversion price of $21.50 per share. These stockholders could exercise significant influence over our Company. Such ownership may have the effect of control over substantially all matters requiring stockholder approval, including the election of directors. Furthermore, such ownership and control may have the effect of delaying or preventing a change in control of our Company, impeding a merger, consolidation, takeover or other business combination involving our Company or discourage a potential acquirer from making a tender offer or otherwise attempting to obtain control of our Company. We do not expect that these stockholders will vote together as a group. In addition, sales of significant amounts of shares held by these stockholders, or the prospect of these sales, could adversely affect the market price of our common stock.

Growth may place significant demands on our management and our infrastructure.

For our operations to continue to grow in size, scope and complexity, we will need to improve and upgrade our systems and infrastructure to meet the demands and maintain efficiency of our business. Growth could strain our ability to maintain reliable service levels, develop and improve our operational, financial and management controls, enhance our reporting systems and procedures and recruit, train and retain highly skilled personnel. Managing our growth will require significant expenditures and allocation of valuable management resources. If we fail to achieve the necessary level of efficiency in our organization as it grows, our business would be harmed.

New regulatory laws affecting our operations may affect our ability to expand our mortgage lending operations.

Changes to the laws, regulations or regulatory policies can affect whether and to what extent we may be able to expand our mortgage lending activities. Many states and local governments and the Federal government have enacted, or may enact laws, or regulations that restrict or prohibit some provisions in some programs or businesses that we currently participate in or plan to participate in the future. As such, we cannot be sure that in the future we will be able to engage in activities that were similar to those we engaged or participated in the past thereby limiting our ability to commence new operations. As a result, we might be at a competitive disadvantage which would affect our operations and profitability.

The regulatory changes in loan originator compensation, qualified mortgages requirements and other regulatory restrictions may put us at a competitive disadvantage to our competitors. Since some banks and financial institutions are not subject to the same regulatory changes as mortgage lenders, they could have an advantage over independent mortgage lenders. As a result of the nature of our operations, our capital, costs, source of funds and other similar factors may affect our ability to maintain and grow lending.

For example, the Consumer Financial Protection Bureau has implemented rules with strict residential mortgage loan underwriting standards as called for in the Dodd-Frank Act. The Act imposes significant liability for violation of those underwriting standards, and offer certain protection from that liability only for loans that comply with tight limitations and that do not contain certain alternative features (like balloon payments or interest only provisions). Those requirements and subsequent changes may affect our ability to originate residential mortgage loans or the profitability of those operations.

We are subject to federal, state and local laws and regulations related to the mortgage industry that generally regulate interest rates and other charges, require certain disclosure, and require applicable licensing. In addition, other state and local laws, public policy and general principles of equity relating to the protection of consumers, unfair and deceptive practices and debt collection practices may apply to the origination, servicing and collection of our loans. Violations of certain provisions of these federal and state laws and regulations may limit our ability to collect all or part of the principal of or interest on the loans and in addition could subject us to damages, could result in the mortgagors rescinding the loans whether held by us or subsequent holders of the loans, or could cause us to repurchase the loan and thereby suffer a loss on the transaction. In addition, such violations could cause us to be in default under our credit and repurchase lines and could result in the loss of licenses held by us.

In addition to new rules and regulations involving areas such as loan officer compensation, servicing requirements, origination disclosures and various federal, state and local laws and regulations could pose substantial hardship on our ability to maintain our lending volumes and our compliance with such requirements could expose us to fines, penalties or licensing restrictions that could affect our operations.

New products that we may offer may expose us to liability.

We originate and acquire various types of residential mortgage products to consumers and our customers. During the third quarter of 2014, we began to offer non-Qualified Mortgage loan products being marketed as NonQM, which, unlike Qualified Mortgages, do not benefit from a presumption that the borrower has the ability to repay the loan. We understand that these types of products may be new in today's marketplace and while we have taken great steps to try and mitigate any exposure and insure that we have made a reasonable determination that the borrowers will have the ability to repay the loan, this type of product does have increased risk and exposure to litigation and claims of borrowers. If, however, we were to make a loan as to which we did not satisfy the regulatory standards for ascertaining the borrower's ability to repay the loan, the consequences could include giving the borrower a defense to repayment of the loan, which may prevent us from collecting interest and principal on that loan. If we have sold the loan or the servicing of the loan, this may violate the representations and warranties we made in such a sale and impose upon us an obligation to repurchase the loan. In addition, if we expand our products beyond residential mortgages to other types of consumer lending products we may run the risk of sharing greater risk both to consumers and regulators.

Our loss of approvals with, or the potential limitation or wind-down of, the role Ginnie Mae, Fannie Mae and Freddie Mac play in the residential mortgage-backed security (MBS) market could adversely affect our business, operations and financial condition.

We originate loans eligible for sale to Fannie Mae, Freddie Mac, government insured or guaranteed loans, such as FHA, VA and USDA loans, and loans eligible for Ginnie Mae securities issuance. We also service loans sold to the GSEs and other investors. We believe that having the ability to both sell loans directly to these agencies and issue Ginnie Mae securities gives us an advantage in the overall mortgage origination market. In 2008, the GSEs were placed in a conservatorship by the U.S. government. The government may eliminate over time the role of the GSEs in guaranteeing mortgages and purchasing mortgage loans, as well as proposals to implement reforms relating to borrowers, lenders, and investors in the mortgage market, including reducing the maximum size of a loan that the GSEs can purchase, phasing-in a minimum down payment requirement for borrowers, changing underwriting standards, and increasing accountability and transparency in the securitization process. There have been discussions concerning the ability or right of the GSEs to limit the amount of loans a company can sell to them based upon the company's net worth. This could negatively impact our growth.

We also service loans on behalf of Fannie Mae and Freddie Mac, as well as loans that have been delivered into securitization programs sponsored by Ginnie Mae in connection with the issuance of agency guaranteed mortgage-backed securities. These entities establish the base service fee to compensate us for servicing loans as well as the assessment of fines and penalties that may be imposed upon us for failing to meet servicing standards.

The extent and timing of any regulatory reform regarding the GSEs and the home mortgage market, as well as any effect on Impac's business operations and financial results, are uncertain. We expect such proposals to be the subject of significant discussion and it is not yet possible to determine whether such proposals will be enacted and, if so, when, what form any final legislation or policies might take or how proposals, legislation or policies may impact the MBS market and our business, operations and financial condition. Our inability to make the necessary changes to respond to these changing market conditions or loss of our approved seller/servicer status with the GSEs would have a material adverse effect on our mortgage lending operations and our financial condition, results of operations and cash flows. If those agencies cease to exist, wind down, or otherwise significantly change their business operations or if we lost approvals with those agencies, our ability to profitably sell the loans could be affected and our profitability, business, operations and financial condition may be adversely affected.

Violation of various federal, state and local laws may result in financial losses.

We are subject to federal, state and local laws and regulations related to the mortgage industry that generally regulate interest rates and other charges, require certain disclosure, and require applicable licensing. In addition, other state and local laws, public policy and general principles of equity relating to the protection of consumers, unfair and deceptive practices and debt collection practices may apply to the origination, servicing and collection of our loans. Violations of certain provisions of these federal and state laws and regulations may limit our ability to collect all or part of the principal of or interest on the loans and in addition could subject us to damages, could result in the mortgagors rescinding the loans whether held by us or subsequent holders of the loans, or could cause us to repurchase the loan and thereby suffer a loss on the transaction. In addition, such violations could cause us to be in default under our credit and repurchase lines and could result in the loss of licenses held by us.

Additionally, the Dodd-Frank Wall Street Reform and Consumer Protection Act contains the Mortgage Reform and Anti-Predatory Lending Act ("Mortgage Act"), which imposes a number of additional requirements on lenders and servicers of residential mortgage loans, including Impac, by amending certain existing provisions and adding new sections to TILA, RESPA, and other federal laws. This includes the TILA RESPA Integrated Disclosure (TRID) requirements which became effective on October 1, 2015 and imposes new disclosure requirements, fee limitations and timing requirements in most of our loan products. The Mortgage Act also broadly prohibits unfair, deceptive or abusive acts or practices, and knowingly or recklessly providing substantial assistance to a covered person in violation of that prohibition. The penalties for noncompliance with any of these laws are also significantly increased by the Mortgage Act, which could lead to an increase in lawsuits against mortgage lenders and servicers.

Non-conforming mortgage loans may expose us to a higher risk of delinquencies, regulatory risks, foreclosures and losses adversely affecting our earnings and financial condition.

Our NonQM production and our long-term mortgage portfolio include non-conforming single-family and multifamily mortgage loans. These are mortgages that generally did not qualify for purchase by government-sponsored agencies such as Fannie Mae and Freddie Mac. The performance of the long-term mortgage portfolio has been negatively affected by the losses from these mortgages. Credit risks associated with all these mortgages may be greater than those associated with conforming mortgages. Mortgages made to these borrowers generally entail a higher risk of delinquency and higher losses than mortgages made to borrowers who utilize conventional mortgage sources. Delinquency, foreclosures and losses generally increase during economic slowdowns or recessions. The actual risk of delinquencies, foreclosures and losses on mortgages made to these borrowers are higher under current economic conditions than those in the past. Additionally, the combination of different underwriting criteria and higher rates of interest leads to greater risk, including higher prepayment rates and higher delinquency rates and /or credit losses. These also include loans that are interest only. If there is a decline in real estate values, as previously seen, borrowers may default on these types of loans since they have not reduced their principal balances, which, therefore, could exceed the value of their property. In addition, a reduction in property values would also cause an increase in the loan-to-value (LTV) ratio for that loan which could have the effect of reducing the value of the property collateralized by that loan, reducing the borrowers' equity in their homes to a level that would increase the risk of default.

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The Company has deferred tax assets that it may not be able to use under certain circumstances.

We recognize deferred tax assets and liabilities based on the differences between the financial statement carrying amounts and the tax basis of assets and liabilities. Our deferred tax assets, net of valuation allowances, totaled approximately $24.4 million at December 31, 2015. Significant judgment is required in determining our provision for income taxes. We regularly review our deferred tax assets for recoverability and establish a valuation allowance if it is more likely than not that some portion or all of a deferred tax asset will not be realized. If we are unable to generate sufficient future taxable income, if there is a material change in the actual effective tax rates, if there is a change to the time period within which the underlying temporary differences become taxable or deductible, then we could be required to increase our valuation allowance against our deferred tax assets, which could result in a material increase in our effective tax rate and an adverse impact on future operating results.

In addition, changes in tax laws or tax rulings could materially affect our financial position and results of operations. We are also subject to ongoing tax audits in various jurisdictions, the outcomes of which could result in the assessment of additional taxes. Our effective tax rate in the future could be adversely affected by changes in the mix of earnings in states with differing statutory tax rates, the changes in the valuation of deferred tax assets and liabilities and changes in tax laws and regulations.

Our ability to utilize our net operating losses and certain other tax attributes may be limited.

At the end of our 2015 taxable year, we had net operating loss (NOL) carry-forwards of approximately $462.0 million for federal income tax purposes and approximately $421.2 million for state income tax purposes. Although, under existing tax rules, we are generally allowed to use those NOL carry-forwards to offset taxable income in subsequent taxable years, our ability to use those NOL carry-forwards to offset income may be severely limited to the extent that we experience an ownership change within the meaning of Section 382 of the Internal Revenue Code. These provisions could also limit our ability to deduct certain losses (built-in losses) we recognize after an ownership change with respect to assets we own at the time of the ownership change. In general, an ownership change, as defined by Section 382, results from transactions increasing ownership of certain stockholders or public groups in our stock by more than 50% over a three-year period. In addition, the generation of taxable income from cancellation of debt may further reduce the NOL. Any limitation on our NOL carry-forwards that could be used to offset taxable income would adversely affect our liquidity and cash flow, as and when we become profitable. We may not generate sufficient taxable income in future periods to be able to realize fully the tax benefits of our NOL carry-forwards. In 2013, the Company enacted a NOL rights plan, approved by stockholders, which is designed to mitigate the risk of losing net operating loss carry-forwards and certain other tax attributes from being limited in reducing future income taxes. The NOL rights plan expires in September 2016. An NOL rights plan does not prevent a change of control transaction but instead strongly discourages it.

Competition in the residential mortgage industry is intense and may adversely affect our business operations and financial performance; the dominance of a limited number of companies may affect our ability to operate and compete effectively.

Competition in the residential mortgage industry is intense. Plus, the mortgage business has experienced substantial consolidation. Our competitors include banks, thrifts, credit unions, hedge funds, real estate brokerage firms, mortgage brokers, asset management companies, and mortgage banking companies. Several of our competitors enjoy advantages, including greater financial resources and access to capital, a wider geographic presence, more accessible branch office locations, more aggressive marketing campaigns, better brand recognition, the ability to offer a wider array of services or more favorable pricing alternatives, as well as lower origination and operating costs. To compete effectively, we must have a very high level of operational, technological, and managerial expertise, as well as access to capital at a competitive cost. As a result of reduced access to capital, general housing trends, rising delinquencies and defaults and other factors, many mortgage and real estate services firms have recently experienced severe financial difficulty, with some exiting the business or filing for bankruptcy protection, resulting in a consolidation of companies in such industries. The dominance of a limited number of companies have made it difficult to compete effectively, as such it may adversely affect our business operations and financial performance.

We may become, and in some cases are, a defendant in lawsuits, some of which may be class action matters, and we may not prevail in these matters.

Individual and class action lawsuits and regulatory actions alleging improper marketing practices, abusive loan terms and fees, disclosure violations and other matters are risks faced by all mortgage originators. We are a defendant in purported class actions pending in different states and could be named in other matters. Some of the actions allege generally that the loan originator (whether or not Impac) improperly charged fees in violation of various state lending or consumer protection laws in connection with mortgages that we acquired while others allege that our lending or servicing practice was a statutory violation, an unlawful business practice, an unfair business practice or a breach of a contract. They generally seek unspecified compensatory damages, punitive damages, pre- and post-judgment interest, costs and expenses and rescission of the mortgages, as well as a return of any improperly collected fees. We are subject to a purported class action lawsuit relating to the tender of our preferred stock that is seeking cumulative dividends, unpaid dividends, certain restrictions on our actions, including the ability to pay common stock dividends and the election of two directors by the preferred holders. We will incur defense costs and other expenses in connection with the lawsuits, and we cannot assure you that the ultimate outcome of these or other actions will not have a material adverse effect on our financial condition or results of operations. In addition to the expense and burden incurred in defending any of these actions and any damages that we may suffer, our management's efforts and attention may be diverted from the ordinary business operations in order to address these claims. We may also issue shares of common stock to settle outstanding obligations and liabilities which could also affect the market price of our common stock. Plus, we may be deemed in default of our warehouse lines if a judgment for money that exceeds specified thresholds is rendered against us. If the final resolution of this litigation is unfavorable to us in any of these actions, our financial condition, results of operations and cash flows might be materially adversely affected.

Representations and warranties made by us in our loan sales and securitizations may subject us to liability.

In connection with our loan sales to third parties and our prior securitizations, we transferred mortgages acquired and originated by us to third parties or, to a lesser extent, into a trust in exchange for cash and, in the case of a securitized mortgage, residual certificates issued by the trust. The trustee, purchaser, bondholder, guarantor or other entities involved in the issuance of the securities (which may include bond insurers) may have recourse to us with respect to the breach of the representations, and warranties made by us at the time such mortgages are transferred or when the securities are sold. Those representations and warranties may include, but are not limited to, issues such as the validity of the lien, the absence of liens or delinquent taxes, the validity of the appraisal obtained in conjunction with the loan, the truthfulness of information used in the loan approval process, the loans compliance with all local, state and federal laws, the delivery of all documents required to perfect title to the lien, the loan meeting all underwriting criteria and the selection process used to include the loans in any particular transaction. We attempt to limit the potential recourse from such purchasers by seeking remedies from correspondent sellers and wholesale brokers who originated the mortgages if we did not originate the loan. However, many of the entities we acquired loans from in the past are no longer in business or may not be able to financially cover the losses. Furthermore, if we discover, prior to the sale or transfer of a

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loan, that there is any fraud or misrepresentation with respect to the mortgage and the originator fails to repurchase the mortgage, then we may not be able to sell the mortgage or we may have to sell the mortgage at a discount. Changes in the timing, processes and procedures of our primary investors review of loans which they purchase from us may affect the number of loans that are rejected, the timing of our loan sales, or the frequency of repurchase demands issued to us. Also, similar changes by mortgage insurers who agree to insure loans may also affect the frequency and timing of our loan sales. As a result, the effectiveness of our loan sales, our repurchase reserves and our profitability may be affected as we may have to sell loans at a discount.

Litigation in the mortgage industry related to securitizations against issuers, sellers, servicers, originators, underwriters and others may adversely affect our business operations.

As defaults, delinquencies, foreclosures, and losses in the real estate market continue, there have been lawsuits by various investors, insurers, underwriters and others against various participants in securitizations, such as sponsors, depositors, underwriters, servicers and loan sellers. Some lawsuits have alleged that the mortgage loans had origination defects, that there were misrepresentations made about the mortgage loans and that the parties failed to properly disclose the quality of the mortgage loans or repurchase defective loans wherein servicing standards were not maintained or that there were other misrepresentations or false representations. There have been claims related to our securitizations contending errors or misrepresentations in the securitization documents or process itself. Historically, we both securitized and sold mortgage loans to third parties that may have been deposited or included in pools for securitizations. We have received notices of claims for indemnification relating to mortgage-backed security bond issues, originated or sold by the Company from Countrywide, UBS, Wilmington Trust, Deutsche Bank, Merrill Lynch, Bank of America and JP Morgan Chase Bank. The claims seek indemnification from claims asserted against them in various actions in which we are not parties. The notices each seek indemnification for all losses, liabilities, damages and legal fees and costs incurred in those actions. We also received demands to cover losses on the purchases of mortgage-backed securities. In connection with these potential claims, we may become subject to litigation related to the securitizations. As a result, we may incur significant legal and other expenses in defending against claims and litigation and we may be required to pay settlement costs, damages, penalties or other charges which could adversely affect our financial results.

A failure in or breach of our technology infrastructure, or the systems operated by our third-party service providers, to protect confidential information of borrowers could damage our reputation and substantially harm our business.

We, or our third party service providers, maintain certain confidential information relating to our borrowers for mortgage loans. If the information is maintained electronically, we rely on encryption and authentication technology licensed from third parties to effect secure transmission of confidential information, including personal information and credit card numbers. Advances in computer capabilities, new discoveries in the field of cryptography or other developments may result in a compromise or breach of the technology used by us to protect customer transaction data. We may also be vulnerable to computer viruses, break-ins and similar disruptions from unauthorized tampering with our computer systems, which could lead to loss of critical data or the unauthorized disclosure of confidential borrower data. The possession and use of personal information in conducting our business subjects us to legislative and regulatory burdens that may require notification to customers of a security breach, restrict our use of personal information and hinder our ability to operate our mortgage lending business. A failure in or breach of the security of our information systems, or those of our service providers, could result in damage to our reputation and harm our business.

If we fail to maintain effective systems of internal control over financial reporting and disclosure controls and procedures, we may not be able to report our financial results accurately or prevent fraud, which could cause current and potential stockholders to lose confidence in our financial reporting, adversely affect the trading price of our securities or harm our operating results.

Effective internal control over financial reporting and disclosure controls and procedures are necessary for us to provide reliable financial reports and effectively prevent fraud and operate successfully as a public company. Any failure to develop or maintain effective internal control over financial reporting and disclosure controls and procedures could harm our reputation or operating results, or cause us to fail to meet our reporting obligations. We cannot be certain that our efforts to improve or maintain our internal control over financial reporting and disclosure controls and procedures will be successful or that we will be able to maintain adequate controls over our financial processes and reporting in the future. Any failure to develop or maintain effective controls or difficulties encountered in their implementation or other effective improvement of our internal control over financial reporting and disclosure controls and procedures could harm our operating results, or cause us to fail to meet our reporting obligations. If we are unable to adequately establish or maintain our internal control over financial reporting, our external auditors will not be able to issue an unqualified opinion on the effectiveness of our internal control over financial reporting. In the past, we have reported, and may discover in the future, material weaknesses in our internal control over financial reporting.

Ineffective internal control over financial reporting and disclosure controls and procedures could cause investors to lose confidence in our reported financial information, which could have a negative effect on the trading price of our securities or affect our ability to access the capital markets and could result in regulatory proceedings against us by, among others, the SEC. In addition, a material weakness in internal control over financial reporting, which may lead to deficiencies in the preparation of financial statements, could lead to litigation claims against us. The defense of any such claims may cause the diversion of management's attention and resources, and we may be required to pay damages if any such claims or proceedings are not resolved in our favor. Any litigation, even if resolved in our favor, could cause us to incur significant legal and other expenses or cause delays in our public reporting. Such events could harm our business, affect our ability to raise capital and adversely affect the trading price of our securities.

We are subject to risks of operational failure that are beyond our control.

Substantially all of our operations are located in Orange County, California. Our systems and operations are vulnerable to damage and interruption from fire, flood, telecommunications failure, break-ins, earthquake and similar events. Our operations may also be interrupted by power disruptions. Furthermore, our security mechanisms may be inadequate to prevent security breaches to our computer systems, including from computer viruses, electronic break-ins and similar disruptions. Such security breaches or operational failures could expose us to liability, impair our operations, result in losses, and harm our reputation.

Our performance may be adversely affected by the performance of parties who service or sub-service our mortgage loans.

We contract with third parties for the servicing of our mortgage loans in our long-term mortgage portfolio, for which we are the master servicer, and the servicing portfolio in our mortgage lending operations, however we retain primary responsibility to insure the loans are serviced meeting contractual and regulatory requirements. Our operations, performance and liabilities are subject to risks associated with inadequate or untimely servicing. If a servicer defaults or fails to perform to certain standards then this can be deemed to be a default or failure by us to perform those duties or functions. If we, or our sub-servicers, commit a material breach of our obligations as a servicer or master servicer, we may be

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subject to damages or termination if the breach is not cured within a specified period of time following notice, causing us to lose servicing rights income. In addition, we may be required to indemnify the investor or securitization trustee against losses from any failure by us, as master servicer or on behalf of the sub-servicer, to perform the servicing obligations properly. If, as a result of a servicer or sub-servicer's failure to perform adequately, we were terminated as servicer by an investor, trustee or master servicer, the value of any servicing or master servicing rights held by us could be adversely affected. Also, this could affect the cash flow generated by our servicing rights portfolio.

Poor performance by a sub-servicer may result in greater than expected delinquencies and foreclosures and losses on our mortgage loans or, in the case of our long-term mortgage portfolio, in our resulting exposure to investors, bond holders, bond insurers or others to whom we are responsible for the performance of our loan sub-servicers. A substantial increase in our delinquency or foreclosure rate could adversely affect our ability to access the capital and secondary markets for our financing needs. With respect to our long-term mortgage portfolio, greater delinquencies would adversely affect the value of our cash flows and residual interests, if any, we hold in connection with that securitization.

Mortgage servicing rights are a material asset on our consolidated balance sheets. The value of these rights are dependent upon various factors, including, but not limited to, the adequate performance of the servicing function by our sub-servicer, the responsibilities imposed on us by the investors of our loans for which we hold the servicing rights, interest rates, the cost of our sub-servicers, loan prepayments and delinquencies. As these factors and others vary, the value of our mortgage servicing rights may fluctuate which may affect our ability to meet financial covenants, maintain credit facilities, expand our operations and generate income from our operations.

Our vendor relationships subject us to a variety of risks.

We have significant vendors that, among other things, provide us with financial, technology and other services to support our mortgage loan servicing and origination businesses. With respect to vendors engaged to perform activities required by servicing criteria, we have elected to take responsibility for assessing compliance with the applicable servicing criteria for the applicable vendor and are required to have procedures in place to provide reasonable assurance that the vendor's activities comply in all material respects with servicing criteria applicable to the vendor, including but not limited to, monitoring compliance with our predetermined policies and procedures and monitoring the status of payment processing operations. In the event that a vendor's activities do not comply with the servicing criteria, it could negatively impact our servicing agreements. In addition, if our current vendors were to stop providing services to us on acceptable terms, including as a result of one or more vendor bankruptcies due to poor economic conditions, we may be unable to procure alternatives from other vendors in a timely and efficient manner and on acceptable terms, or at all. Further, we may incur significant costs to resolve any such disruptions in service and this could adversely affect our business, financial condition and results of operations. Additionally, in April 2012 the CFPB issued CFPB Bulletin 2012-03 which states that supervised banks and non-banks could be held liable for actions of their service providers. As a result, we could be exposed to liability, CFPB enforcement actions or other administrative penalties if the vendors with whom we do business violate consumer protection laws.

The geographic concentration of our mortgages increases our exposure to risks in those areas.

We do not set limitations on the percentage of mortgages composed of properties located in any one area (whether by state, zip code or other geographic measure). Concentration in any one area increases our exposure to the economic and natural hazard risks associated with that area. A majority of our mortgage acquisitions and originations and mortgages held in our long-term mortgage portfolio are secured by properties in California and, to a lesser extent, Florida, Washington and Oregon. These states have experienced, and may experience in the future, an economic downturn and California and Florida

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have also suffered the effects of certain natural hazards. During past economic downturns, real estate values in California and Florida have decreased drastically, which could have a material adverse effect on our results of operations or financial condition. In addition, Florida is among several states with higher than average costs for investors in circumstances of mortgage default and foreclosure, since the foreclosure process takes significantly longer than average. Accordingly, to the extent the mortgages we originate or are held in our long-term mortgage portfolio experience defaults or foreclosures in that area, we may be exposed to higher losses.

Furthermore, if borrowers are not insured for natural disasters, which are typically not covered by standard hazard insurance policies, then they may not be able to repair the property or may stop paying their mortgages if the property is damaged. This would cause increased foreclosures and decrease our ability to recover losses on properties affected by such disasters. This would have a material adverse effect on our results of operations or financial condition.

Increases in LIBOR rates could significantly reduce the future cash flows we receive from the retained interests in securitization trusts.

The cash flows from residual interests in certain securitization trusts are contingent upon various factors including the interest income collected on the loans in the trusts in excess of the interest expense paid to respective bondholders. These cash flows are distributed to the residual interest holder after the required interest and principal payments are made to the bondholders. Interest rates on the bonds usually adjust monthly with changes primarily in one-month London Inter-bank Offering Rate (also known as LIBOR). Derivatives instruments (primarily interest rate swap agreements) inside the securitization trusts initially entered into were designed to offset the risk of movements in LIBOR that created the adverse effect of the interest income collected on the loans being less than interest expense paid to the respective bondholders. However, many of these derivatives agreements have maturities less than the maturities of the loans. Therefore, increases in LIBOR rates could significantly reduce the future cash flows we receive from the retained interests in these securitization trusts. The amount of the remaining derivatives instruments is not sufficient to fully protect the residual cash flows from increases in LIBOR. The Company does not have the ability to change the derivatives instruments inside the trusts and does not currently hedge this interest rate risk with derivatives instruments outside the securitization trusts. As a result of not fully hedging interest rate risks, the Company's future residual cash flows could be significantly affected by rising LIBOR rates.

A material difference between the assumptions used in the determination of the estimated fair value of our residual interests in our long-term mortgage portfolio and our actual experience could cause us to write down the value of these securities and could harm our liquidity and financial condition.

We receive cash flows from the residual interests in the securitization trusts within our long-term mortgage portfolio. Investments in residual interests and subordinated securities are much riskier than investments in senior mortgage-backed securities because these subordinated securities bear credit losses prior to the related senior securities. The risk associated with holding residual interests and subordinated securities is greater than holding the underlying mortgage loans directly due to the concentration of losses attributed to the subordinated securities. The value of residual interests represents the present value of future cash flows expected to be received by us from the excess cash flows created in the securitization transaction. In general, future cash flows are estimated by taking the coupon rate of the loans underlying the transaction less the interest rate paid to the bond holders, less contractually specified servicing and trustee fees, and after giving effect to estimated prepayments, credit losses and over-collateralization requirements. We estimate future cash flows from these securities and value them utilizing assumptions based in part on projected interest rates, delinquency, mortgage loan prepayment speeds and credit losses. It is extremely difficult to validate the assumptions we use in valuing our residual interests. Even if the general accuracy of the valuation model is validated, valuations are highly dependent upon the reasonableness of our assumptions and the predictability of the relationships which drive the results of the model. Such assumptions are complex as we must make judgments about the effect of matters that are inherently uncertain. If our actual experience differs from our assumptions, we could be required to reduce the value of these residual interests and securities. Furthermore, if our actual experience differs materially from these assumptions, our cash flow, financial condition, results of operations and liquidity may be harmed.

Losses from defaulted loans in our long term mortgage portfolio may be higher than anticipated because we did not obtain mortgage insurance or if the mortgage insurance company is insolvent.

Certain securitization trusts in the long term mortgage portfolio do not have credit enhancements such as mortgage pool insurance for all of the mortgages and mortgage investments. Generally, the Company required mortgage insurance on any first mortgage with an LTV ratio greater than 80%. During the time we hold mortgages for investment, we are subject to risks of borrower defaults and bankruptcies and special hazard losses that are not covered by standard hazard insurance. If a borrower defaults on a mortgage that we hold, we bear the risk of loss of principal to the extent there is any deficiency between the value of the related mortgaged property and the amount owing on the mortgage loan and any insurance proceeds available to us through the mortgage insurer. Also, to the extent we have mortgage insurance coverage, we may bear the risk of the insurance carriers rescinding such insurance under the terms of the policy, or not being able to make the required payments which will increase losses on foreclosures.

Loss of our current executive officers or other key management could significantly harm our business.

We depend on the diligence, skill and experience of our senior executives, including our chief executive officer and president. We believe that our future results will also depend in part upon our attracting and retaining highly skilled and qualified management. We seek to compensate our executive officers, as well as other employees, through competitive salaries, bonuses and other incentive plans, but there can be no assurance that these programs will allow us to retain key management executives or hire new key employees. The loss of our chief executive officer, president, or other senior executive officers and key management could have a material adverse effect on our operations because other officers may not have the experience and expertise to readily replace these individuals. Competition for such personnel is intense, and we cannot assure you that we will be successful in attracting or retaining such personnel. Furthermore, in light of our present financial condition, no assurance can be given that we will retain these and other executive officers and key management personnel. To the extent that one or more of our top executives or other key management personnel are no longer employed by us, our operations and business prospects may be adversely affected. The loss of, and changes in, key personnel and their responsibilities may be disruptive to our business and could have a material adverse effect on our business, financial condition and results of operations.

Our operations may be adversely affected if we are subject to the Investment Company Act.

We intend to conduct our business at all times so as not to become regulated as an investment company under the Investment Company Act. The Investment Company Act exempts entities that are primarily engaged in the business of purchasing or otherwise acquiring mortgages and other liens on and interests in real estate.

In order to qualify for this exemption we must maintain at least 55% of our assets directly in mortgages, qualifying pass-through certificates and certain other qualifying interests in real estate. Our ownership of certain mortgage assets may be limited by the provisions of the Investment Company Act, should we ever be subject to the Act. If the SEC adopts a contrary interpretation with respect to these securities or otherwise believes we do not satisfy the above exception, we could be required to restructure our activities or sell certain of our assets. To insure that we continue to qualify for the exemption we may be required at times to adopt less efficient methods of financing certain of our mortgage assets and we may be precluded from acquiring certain types of higher-yielding mortgage assets. The net effect of these factors will be to lower our net interest income. If we fail to qualify for exemption from registration as an investment company, our ability to use leverage would be substantially reduced, and we would not be able to conduct our business as described. Our business will be materially and adversely affected if we fail to qualify for this exemption.

Provisions in our charter documents and Maryland law, as well as our NOL Rights Plan, impose limitations that may delay or prevent our acquisition by a third party.

Our charter and bylaws contain provisions that may make it more difficult for a third party to acquire control of us without the approval of our board of directors. These provisions include, among other things, advance notice for raising business issues or making nominations at meetings and blank check preferred stock that allows our board of directors, without stockholder approval, to designate and issue additional series of preferred stock with rights and terms as our board of directors may determine, including rights to dividends and proceeds in a liquidation that are senior to our common stock.

We are also subject to certain provisions of the Maryland General Corporation Law, which could delay, prevent or deter a merger, acquisition, tender offer, proxy contest or other transaction that might otherwise result in our stockholders receiving a premium over the price for their common stock or may otherwise be in the best interests of our stockholders. This includes the "business combinations" statute that prohibits transactions between a Maryland corporation and "interested stockholders," which is any person who beneficially owns 10% or more of the voting power of our then-outstanding voting stock for a period of five years unless the board of directors approved the transaction prior to the party's becoming an interested stockholder. The five-year period runs from the most recent date on which the interested stockholder became an interested stockholder. The law also requires a super majority stockholder vote for such transactions after the end of the five-year period.

Maryland law also provides that "control shares" of a Maryland corporation acquired in a "control share acquisition" have no voting rights except to the extent approved by a vote of two-thirds of the shares eligible to vote. The control share acquisition statute would not apply to shares acquired in a merger, consolidation or share exchange if we were a party to the transaction. The control share acquisition statute could have the effect of discouraging offers to acquire us and of increasing the difficulty of consummating any such offers, even if our acquisition would be in our stockholders' best interests.

We have also adopted a Tax Benefits Preservations Rights Agreement, also known as an NOL rights plan, pursuant to which each share of common stock also has a "right" attached to it. Although the NOL rights plan was adopted to help preserve the value of certain deferred tax benefits, including those generated by net operating losses, it also has the effect of deterring or delaying an acquisition of the Company by a third party. The rights are not exercisable except upon the occurrence of certain takeover-related events most importantly, the acquisition by a third party (the "Acquiring Person") of more than 4.99% of our outstanding voting shares. Once triggered, the rights entitle the stockholders, other than the Acquiring Person, to certain "flip-in", "flip-over" and exchange rights. The effect of triggering the rights is to expose the Acquiring Person to severe dilution of its ownership interest, as the shares of common stock of our Company (or any surviving corporation) are offered to all of the stockholders other than the Acquiring Person at a steep discount to their market value. The NOL rights plan expires in September 2016.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Our primary executive and administrative offices are located at 19500 Jamboree Road, Irvine, California 92612 where we have a premises lease expiring in August 2024. The premises consist of four floors where the Company occupies approximately 210,000 square feet with an initial annual rental rate of $31.20 per square foot, which amount increases every 12 months. As of December 31, 2015, we have subleased approximately 90,000 square feet of our corporate headquarters. We also have an office in Orange, California consisting of approximately 57,200 square feet at an annual rate of $26.05 per square foot..

ITEM 3. LEGAL PROCEEDINGS

Legal Proceedings

The Company is a defendant in or a party to a number of legal actions or proceedings that arise in the ordinary course of business. In some of these actions and proceedings, claims for monetary damages are asserted against the Company. In view of the inherent difficulty of predicting the outcome of such legal actions and proceedings, the Company generally cannot predict what the eventual outcome of the pending matters will be, what the timing of the ultimate resolution of these matters will be, or what the eventual loss related to each pending matter may be, if any.

In accordance with applicable accounting guidance, the Company establishes an accrued liability for litigation when those matters present loss contingencies that are both probable and estimable. In any cases, there may be an exposure to losses in excess of any such amounts whether accrued or not. Any estimated loss is subject to significant judgment and is based upon currently available information, a variety of assumptions, and known and unknown uncertainties. The matters underlying the estimated loss will change from time to time, and actual results may vary significantly from the current estimate. Therefore, an estimate of possible loss represents what the Company believes to be an estimate of possible loss only for certain matters meeting these criteria. It does not represent the Company's maximum loss exposure.

Based on the Company's current understanding of these pending legal actions and proceedings, management does not believe that judgments or settlements arising from pending or threatened legal matters, individually or in the aggregate, will have a material adverse effect on the consolidated financial position, operating results or cash flows of the Company. However, in light of the inherent uncertainties involved in these matters, some of which are beyond the Company's control, and the very large or indeterminate damages sought in some of these matters, an adverse outcome in one or more of these matters could be material to the Company's results of operations or cash flows for any particular reporting period.

The legal matters summarized below are ongoing and may have an effect on the Company's business and future financial condition and results of operations:

On or about April 20, 2011, an action was filed entitled Federal Home Loan Bank of Boston v. Ally Financial Inc., et al., naming IMH Assets Corp, IFC, the Company, and ISAC as defendants. The

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complaint alleges misrepresentations in the materials used to market mortgage-backed securities that the plaintiff purchased. The complaint seeks damages and attorney's fees in an amount to be established at time of trial. The case was removed to the United States District Court for the District of Massachusetts and on September 30, 2013, the Court granted the Company's motion to dismiss claims against it arising under the Massachusetts Uniform Securities Act. The case remains pending as to other claims against the Company.

On December 7, 2011, a purported class action was filed in the Circuit Court of Baltimore City entitled Timm, v. Impac Mortgage Holdings, Inc, et al. alleging on behalf of holders of the Company's 9.375% Series B Cumulative Redeemable Preferred Stock (Preferred B) and 9.125% Series C Cumulative Redeemable Preferred Stock (Preferred C) who did not tender their stock in connection with the Company's 2009 completion of its Offer to Purchase and Consent Solicitation that the Company failed to achieve the required consent of the Preferred B and C holders, the consents to amend the Preferred stock were not effective because they were given on unissued stock (after redemption), the Company tied the tender offer with a consent requirement that constituted an improper "vote buying" scheme, and that the tender offer was a breach of a fiduciary duty. The action seeks the payment of two quarterly dividends for the Preferred B and C holders, the unwinding of the consents and reinstatement of the cumulative dividend on the Preferred B and C stock, and the election of two directors by the Preferred B and C holders. The action also seeks punitive damages and legal expenses. The court, on January 28, 2013, dismissed all individual director and officer defendants from the case and further dismissed three of the six causes of action. The remaining causes of action against the Company allege the Preferred B holders did not approve amendments to its Articles Supplementary and the holders thereof seek to recover two quarters of dividends and to elect two members to the Board of Directors of the Company. On November 27, 2013, the court denied the plaintiff's motion to reconsider the court's January 28, 2013 order. The Company and Plaintiffs have filed a motion for summary judgment on the remaining claims and motions are currently pending.

On April 30, 2012, a purported class action was filed entitled Marentes v. Impac Mortgage Holdings, Inc., alleging that certain loan modification activities of the Company constitute an unfair business practice, false advertising and marketing, and that the fees charged are improper. The complaint seeks unspecified damages, restitution, injunctive relief, attorney's fees and prejudgment interest. On August 22, 2012, the plaintiff filed an amended complaint adding Impac Funding Corporation as a defendant and on October 2, 2012, the plaintiff dismissed Impac Mortgage Holdings, Inc., without prejudice. Discovery is currently proceeding in this matter.

On December 14, 2013, a matter was filed in the US District Court, District of Minnesota, entitled Residential Funding Company, LLC v. Impac Funding Corp. alleging the defendant is responsible for unspecific debts of Pinnacle Direct Funding Corp., as its successor in interest. On April 3, 2014, the plaintiff filed a First Amended Complaint alleging the defendant is responsible for breaches of representations and warranties in connection with certain loan sales from Pinnacle to plaintiff. The plaintiff seeks declaratory relief and unspecified damages. The Company filed a motion for summary judgment, which remains pending.

On October 28, 2014, an action was filed in the Superior Court of the State of California in Orange County entitled Mallory Hill v. Impac Mortgage Holdings, Inc., Impac Mortgage Corporation et al. In the action Mr. Hill seeks compensatory damages, general damages, treble damages, exemplary damages, an accounting, injunctive relief, attorney's fees and costs for claims based upon a consulting agreement entered into with Mr. Hill, a purported employment relationship entered into with Mr. Hill and other purported claims. The Company filed a motion for summary judgment, which remains pending.

In October 2011 and November 2012, the Company received letters from Countrywide Securities Corporation (Countrywide), Merrill Lynch, Pierce, Fenner & Smith Incorporated (Merrill Lynch), and UBS

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Securities LLC (UBS) claiming indemnification relating to mortgage-backed securities bonds issued, originated or sold by ISAC, IFC, IMH Assets Corp. and the Company. The claims seek indemnification from claims asserted against Countrywide, Merrill Lynch, and UBS in specified legal actions entitled American International Group Inc. v. Bank of America Corp., et al., in the United States District Court for the Southern District of New York and Federal Home Loan Bank of Boston v. Ally Financial, Inc., et al., in the United States District Court for the District of Massachusetts. The notices each seek indemnification for all losses, liabilities, damages and legal fees and costs incurred in those actions. Further related to these claims, the Company received a demand from American International Group (AIG) for claims it purports to have based upon 12 residential mortgage-backed securities it purchased in which the Company was depositor, sponsor, seller and/or originator. AIG contends it has suffered almost $800 million in losses on the securities and contends there were misrepresentations and breaches of representations and warranties regarding the securities. In October 2012, January 2013, and December 2014, Deutsche Bank issued indemnification demands for claims asserted against them in the Superior Court of New York in cases entitled Royal Park Investments SA/NV v. Merrill Lynch, et al. and Dealink Funding Ltd. v. Deutsche Bank and in the Circuit Court for the City of Richmond, Virginia, in a case entitled Commonwealth of VA, et al. v. Barclays Capital Inc, et al. In February of 2013 the Company also received a notice of intent to seek indemnification on behalf of Deutsche Bank AG, Deutsche Bank Securities, Inc., DB Structured Products, Inc., ACE Securities Corp and Deutsche Alt-A Securities, Inc. The claims relates to an action filed against those entities in the Superior Court of New York.

The Company is a party to other litigation and claims which are normal in the course of our operations. While the results of such other litigation and claims cannot be predicted with certainty, we believe the final outcome of such matters will not have a material adverse effect on our financial condition or results of operations. The Company believes that it has meritorious defenses to the above claims and intends to defend these claims vigorously and as such the Company believes the final outcome of such matters will not have a material adverse effect on its financial condition or results of operations. Nevertheless, litigation is uncertain and the Company may not prevail in the lawsuits and can express no opinion as to their ultimate resolution. An adverse judgment in any of these matters could have a material adverse effect on the Company's financial position and results of operations.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND PURCHASES OF EQUITY SECURITIES

Our common stock is currently listed on the NYSE MKT under the symbol "IMH".

The following table summarizes the high and low sales prices for our common stock for the periods indicated:

	2015			2014		
	High	**Low**	**Close**	**High**	**Low**	**Close**
First Quarter	12.75	6.18	12.45	7.40	5.71	5.99
Second Quarter	29.85	12.33	19.14	6.14	4.80	4.80
Third Quarter	24.44	13.51	16.35	6.88	4.75	6.32
Fourth Quarter	24.22	15.80	18.00	6.50	4.81	6.20

On March 4, 2016, the last quoted price of our common stock on the NYSE MKT was $14.06 per share. As of March 4, 2016, there were 204 holders of record, including holders who are nominees for an undetermined number of beneficial owners, of our common stock.

The Board of Directors of the Company authorizes in its discretion the payment of cash dividends on its common stock, subject to an ongoing review of our profitability, liquidity and future operating cash requirements. We and some of our subsidiaries are subject to restrictions under our warehouse borrowings and long-term debt agreements on our ability to pay dividends if there is an event of default or otherwise. Plus, certain debt arrangements require the maintenance of ratios and contain restrictive financial covenants that could limit our ability, and the ability of our subsidiaries, to pay dividends. The Board of Directors did not declare cash dividends on our common stock during the years ended December 31, 2015 and 2014. We do not expect to declare or pay any cash dividends on our common stock in the foreseeable future.

ITEM 6. SELECTED FINANCIAL DATA

The following selected consolidated statements of operations data for each of the years in the five-year period ended December 31, 2015 and the consolidated balance sheet data as of the year-end for each of the years in the five-year period ended December 31, 2015 were derived from the audited consolidated financial statements. Such selected financial data should be read in conjunction with the consolidated financial statements and the notes to the consolidated financial statements starting on

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page F-1 and with Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations."

	For the year ended December 31,				
Statement of Operations Data (1): **(in thousands, except per share data)**	**2015**	**2014**	**2013**	**2012**	**2011**
Gain on sale of loans, net	$ 169,206	$ 28,217	$ 55,854	$ 66,981	$ 10,989
Real estate services fees, net	9,850	14,729	19,370	21,218	44,093
Servicing income, net and loss on MSRs	(12,496)	(530)	10,807	233	40
Personnel expense	(77,821)	(37,398)	(64,769)	(56,915)	(46,357)
Business promotion	(27,650)	(1,182)	(2,737)	(1,662)	(761)
Accretion of contingent consideration	(8,142)	-	-	-	-
Change in fair value of contingent consideration	45,920	-	-	-	-
Other	(39,944)	(8,853)	(27,604)	(31,111)	(4,312)
Earnings (loss) before income taxes	58,923	(5,017)	(9,079)	(1,256)	3,692
Income tax benefit (expense)	21,876	(1,305)	1,031	(1,248)	(1,041)
Net earnings (loss)	80,799	(6,322)	(8,048)	(2,504)	2,651
Net (loss) earnings attributable to noncontrolling interest	-	-	(136)	(871)	573
Net earnings (loss) attributable to common stockholders	$ 80,799	$ (6,322)	$ (8,184)	$ (3,375)	$ 3,224
Earnings (loss) per common share :					
Basic	$ 8.00	$ (0.68)	$ (0.94)	$ (0.42)	$ 0.41
Diluted	$ 6.40	$ (0.68)	$ (0.94)	$ (0.42)	$ 0.39

(1) Prior to 2015, the statement of operations data and earnings (loss) per common share were reported on a continuing/discontinued basis which have been combined in the table and may not reflect what was previously reported.

Balance Sheet Data (1): (in thousands)	As of December 31, 2015	2014	2013	2012	2011
Cash and cash equivalents	$ 32,409	$ 10,073	$ 9,969	$ 12,755	$ 7,665
Mortgage loans held-for-sale	310,191	239,391	129,191	118,781	61,761
Finance receivables	36,368	8,358	-	-	-
Mortgage servicing rights	36,425	24,418	35,981	10,703	4,141
Securitized mortgage trust assets	4,594,534	5,268,531	5,513,166	5,810,506	5,506,193
Goodwill	104,938	-	-	-	-
Intangible assets, net	29,975	-	-	-	-
Total assets	5,211,317	5,578,572	5,718,325	5,986,588	5,612,040
Warehouse borrowings	$ 325,616	$ 226,718	$ 119,634	$ 107,604	$ 58,691
Term financing	30,000	-	-	-	-
Convertible notes	45,000	20,000	20,000	-	-
Contingent consideration	48,079	-	-	-	-
Long-term debt	31,898	22,122	15,871	12,731	11,561
Securitized mortgage trust liabilities	4,580,326	5,251,307	5,502,585	5,794,656	5,479,687
Total liabilities	5,096,827	5,553,616	5,692,454	5,956,745	5,580,943
Total stockholders' equity	114,490	24,956	25,871	29,843	31,097

Operating Data: (in millions)	For the year ended December 31, 2015	2014	2013	2012	2011
Originations	$ 9,259.0	$ 2,848.8	$ 2,548.4	$ 2,419.7	$ 883.2
Servicing Portfolio (2)	3,570.7	2,267.1	3,128.6	1,492.1	605.4
Warehouse Capacity	675.0	415.0	265.0	217.5	87.5

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(1) Prior to 2015, the balance sheet data was reported on a continuing/discontinued basis and may not reflect what was previously reported.

(2) Represents the unpaid principal balance of loans serviced (UPB).

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ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Management's discussion and analysis of financial condition and results of operations contain 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. Refer to Item 1. "Business Forward- Looking Statements" for a complete description of forward-looking statements. Refer to Item 1. "Business" for information on our businesses and operating segments.

Amounts are presented in thousands, except per share data or as otherwise indicated.

Market Conditions

The U.S. economy continued its gradual recovery during 2015. Consumer sentiment reached its highest level in over 10 years, despite volatility associated with the impact of falling oil prices and a slowdown in key economies such as China. Labor market conditions, household and business spending continue their modest improvement. The U.S. economy has recovered all the jobs lost during the recession, adding almost 2.73 million jobs in 2015, while total unemployment fell to 5.0 percent in December 2015. Despite stronger economic data in various regions, wage growth, energy prices, credit market volatility, emerging market and geopolitical concerns continue to weigh on investor sentiment. These conditions in combination with fiscal policy and the impact of recent regulatory changes including the on-going implementation of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 and the heightened regulatory and government scrutiny of financial institutions will continue to impact our results in 2016 and beyond.

The residential mortgage banking market experienced an interesting year in 2015. Industry loan origination volumes increased by approximately 16% from 2014 levels driven by a surge in refinance activity during the first quarter of 2015 spurred by a drop in mortgage interest rates. During the remainder of 2015, mortgage interest rates fluctuated ending slightly above December 2014 levels with purchase money dominating the origination activity. The mortgage origination market in 2016 is projected to be more challenging than 2015, based on industry forecasts for a rising interest rate environment, smaller origination market, and with still some remaining uncertainty in mortgage servicing market. Additionally, the heightened regulatory environment and on-going implementation of regulatory changes will continue to saddle the mortgage origination market in 2016 with additional compliance costs.

In the U.S., both economic data and corporate results have been mixed. The U.S. labor market resumed significant job growth during the fourth quarter after experiencing a slow down during the third quarter. In December 2015, the Federal Reserve Board increased short-term interest rates by 25 basis points, the first increase in interest rates since June 2006. Before raising interest rates further, the Federal Reserve Board has indicated that they will continue to evaluate progress toward their objectives of maximum employment and 2% inflation.

Recent Developments

As previously announced, in January 2016, we decided to exercise the option to convert a portion of the convertible notes into common stock, eliminating debt and increasing book value by $20.0 million and saving $375 thousand ($1.5 million on an annualized basis) in quarterly interest payments beginning in April 2016.

As part of our efforts to be a market leader in the financial products and services sector, in 2016, we plan to aggressively expand our Non-Qualified Mortgage (NonQM) originations as well as enhance our technology platform. Technology enhancements include our proprietary system called the Impac

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Direct Access System for Lending (iDASL). We launched iDASL in 2015 as a NonQM prequalification engine and expect to roll out another version in the near future to provide a fully automated approval process for our NonQM loan products. We are committed to providing technologies in all of our origination platforms with the objective to not only increase customer satisfaction, but also enhance our efficiencies to reduce overall costs and time to close and fund loans.

Selected Financial Results for 2015 and 2014

	For the Three Months Ended			For the Year Ended	
	December 31, 2015	September 30, 2015	December 31, 2014	December 31, 2015	December 31, 2014
Revenues:					
Gain on sale of loans, net	$ 36,188	$ 47,274	$ 8,749	$ 169,206	$ 28,217
Real estate services fees, net	1,978	2,775	3,447	9,850	14,729
Servicing income, net	2,019	2,432	813	6,102	4,586
Loss on mortgage servicing rights	(4,422)	(4,818)	(1,576)	(18,598)	(5,116)
Other	113	(11)	20	397	1,723
Total revenues	35,876	47,652	11,453	166,957	44,139
Expenses:					
Personnel expense	20,939	21,315	9,557	77,821	37,398
Business promotion	8,021	10,735	162	27,650	1,182
General, administrative and other	7,509	7,100	4,500	27,988	18,760
Accretion of contingent consideration	2,671	2,424	-	8,142	-
Change in fair value of contingent consideration	(17,697)	(16,897)	-	(45,920)	-
Total expenses	21,443	24,677	14,219	95,681	57,340
Operating income (loss):	14,433	22,975	(2,766)	71,276	(13,201)
Other income (expense):					
Net interest income (expense)	(189)	119	797	1,946	1,135
Change in fair value of long-term debt	-	-	(3,590)	(8,661)	(4,014)
Change in fair value of net trust assets	(2,560)	(3,004)	3,222	(5,638)	11,063
Total other income (expense)	(2,749)	(2,885)	429	(12,353)	8,184
Net earnings (loss) before income taxes	11,684	20,090	(2,337)	58,923	(5,017)
Income tax expense (benefit)	975	781	(100)	(21,876)	1,305
Net earnings (loss)	$ 10,709	$ 19,309	$ (2,237)	$ 80,799	$ (6,322)

Diluted earnings (loss) per share	$	0.85	$	1.48	$	(0.23)	$	6.40	$	(0.68)

Status of Operations

As a result of the first quarter 2015 acquisition of the CashCall Mortgage (CCM) operations, 2015 origination volumes increased 225% resulting in a significant increase in gain on sale revenue and a 278% increase in total revenues over 2014. Consequently, operating income, excluding change to the contingent consideration, increased to $33.5 million in 2015 as compared to an operating loss of $13.2 million in 2014. In addition, because of the expected improvements in taxable income in future years, we recognized a $24.4 million deferred tax asset in 2015. Operating income, excluding changes in the contingent consideration (shown below) and the deferred tax benefit, contributed $57.9 million to net earnings in 2015. Our results also included certain fair value adjustments. These included: (i) changes to the contingent consideration adding $37.8 million to net earnings, partially offset by (ii) reductions in fair

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value of the net assets in the long term mortgage portfolio and long-term debt of $14.3 million. These items are the major components contributing to the $80.8 million in net earnings in 2015.

Net earnings in 2015 increased to $80.8 million or $6.40 per diluted common share, as compared to a net loss of $(6.3) million or $(0.68) per diluted common share for the year ended 2014. For the quarter ended December 31, 2015, we had net earnings of $10.7 million or $0.85 per diluted common share, as compared to a net loss of $(2.2) million or $(0.23) per diluted common share for the quarter ended December 31, 2014.

Net earnings (loss) includes fair value adjustments for changes in the contingent consideration, long-term debt and net trust assets. The contingent consideration is related to the CCM acquisition transaction, while the other fair value adjustments are related to our legacy portfolio. These fair value adjustments are non-cash items and are not related to current operating results. Management believes operating income excluding contingent consideration changes and the related accretion is more useful to discuss the ongoing and future operations. The table below shows operating income (loss) excluding these items:

Operating income (loss) (in thousands)	For the Three Months Ended			For the Year Ended	
	December 31, 2015	September 30, 2015	December 31, 2014	December 31, 2015	December 31, 2014
Operating income (loss):	$ 14,433	$ 22,975	$ (2,766)	$ 71,276	$ (13,201)
Accretion of contingent consideration	2,671	2,424	-	8,142	-
Change in fair value of contingent consideration	(17,697)	(16,897)	-	(45,920)	-
Operating (loss) income excluding changes in contingent consideration	$ (593)	$ 8,502	$ (2,766)	$ 33,498	$ (13,201)

Operating income, excluding the changes in contingent consideration, increased to $33.5 million for 2015 as compared to a loss of $(13.2) million for 2014. In the first quarter of 2015, we completed the acquisition of the CCM operations. The increase in operating income in 2015 was primarily due to higher origination volumes and higher margins associated with CCM.

During the fourth quarter of 2015, which is usually our weakest quarter due to seasonality, operating income, excluding the changes in contingent consideration, improved by $2.2 million over the fourth quarter of 2014, primarily due to an improvement in gain on sale margins. Gain on sale margins increased in 2015, due to the increase in retail volume which earns higher margins than the other origination channels. The increase in retail originations were a result of the CCM acquisition.

Operating income (loss), excluding the changes in the contingent consideration, decreased to a loss of $(593) thousand in the fourth quarter of 2015 compared to operating income of $8.5 million in the third quarter. This decline was primarily due to a decrease in gain on sale of loans due to a 16% decline in volume combined with an 18 bps decrease in gain on sale margins to 187 bps in the quarter. Offsetting this decline in gain on sale revenue was a $2.7 million decline in marketing expenses in the fourth quarter. With the decline in demand in the fourth quarter for refinance loans associated with normal seasonal declines combined with an increase in mortgage rates, we reduced the amount of television and radio advertising in the fourth quarter.

The contingent consideration liability represents the estimated fair value of the expected future earn-out payments to be paid to the seller of the CCM operations which was acquired in the first quarter of 2015. In the fourth quarter, similar to the third quarter, we updated assumptions based on current market conditions, resulting in a decline in projected volumes and in turn a lower estimated value of the contingent consideration. As a result, we recorded a change in the fair value of the contingent consideration in the third quarter reducing the contingent consideration liability by $17.7 million over the remaining earn-out period of two years. The reduction in projected volumes is consistent with the recent forecasted declines of the overall market by the Mortgage Bankers Association. Despite the decrease in the contingent consideration, the CCM division remained profitable during 2015 and the long term outlook continues to be positive.

Summary Highlights

- Mortgage lending volumes increase to $9.3 billion in 2015 as compared to $2.8 billion in 2014.

- Mortgage lending volumes decreased in the fourth quarter of 2015 to $1.9 billion from $2.3 billion in the third quarter of 2015 but increased as compared to $1.1 billion in the fourth quarter of 2014.

- Gain on sale of loans, net decreased in the fourth quarter of 2015 to $36.2 million, or 187 basis points (bps) as compared to $47.3 million, or 205 bps, in the third quarter of 2015, and $8.7 million, or 79 bps in the fourth quarter of 2014.

- Mortgage servicing portfolio decreased to $3.6 billion at December 31, 2015 as compared to $6.1 billion at September 30, 2015 and $2.3 billion at December 31, 2014.

- Mortgage servicing rights decreased to $36.4 million at December 31, 2015 as compared to $63.3 million at September 30, 2015 and $24.4 million at December 31, 2014.

- In our long-term mortgage portfolio, the residual interests generated cash flows of $1.0 million in the fourth quarter of 2015 and $5.6 million in 2015, as compared to $1.1 million in the third quarter of 2015 and $9.9 million in 2014.

Mortgage Lending

As a result of the acquisition of the CCM consumer direct channel in 2015, total originations increased 225% to $9.3 billion as compared to $2.8 billion in 2014. During the fourth quarter of 2015, and consistent with the rest of the market, total originations decreased to $1.9 billion, from $2.3 billion in the third quarter of 2015. However, total originations increased approximately 75% from $1.1 billion in the fourth quarter of 2014.

Fourth quarter origination volumes declined due to the normal seasonal decline, and implementation of the new TILA-RESPA Integrated Disclosures ("TRID") requirements. Beginning in October 2015, lenders were required to start using new integrated disclosure forms, Loan Estimate and Closing Disclosure, as required by TRID. The new forms and disclosure rules were a significant change to the mortgage lending process. Although the Company was prepared for the implementation of TRID in its consumer direct channel, the Company's business to business customers, who were equipped with lesser resources, experienced longer turn times in closing loans as a result of these new closing demands from TRID.

During 2015, the mortgage servicing portfolio increased to $3.6 billion as of December 31, 2015, produced net servicing fees of $6.1 million in 2015 as compared to $4.6 million in 2014. The estimated

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fair value of mortgage servicing rights increased to $36.4 million at December 31, 2015, as compared to $24.4 million at December 31, 2014.

(in millions)		2015		2014	% Change
Originations	$	9,259.0	$	2,848.8	225%
Servicing Portfolio		3,570.7		2,267.1	58%
Mortgage servicing rights		36.4		24.4	49%

During 2015, our warehouse borrowing capacity increased from $415.0 million to $675.0 million. At December 31, 2015, we had five warehouse lender relationships. In addition to funding our mortgage loan originations, we also use a portion of our warehouse borrowing capacity to provide re-warehouse facilities to our customers, correspondent sellers and other small mortgage banking companies. During 2015, we increased our outstanding commitments to customers to $119.5 million. The average outstanding balance related to such commitments of the re-warehouse facilities increased to $51.7 million in 2015 as compared to $2.8 million in 2014. By leveraging our re-warehousing division, we hope to increase the capture rate of our approved correspondent sellers business as well as expand our active customer base to include new customers seeking warehouse lines.

Our loan products primarily include conventional loans for Fannie Mae and Freddie Mac and government loans insured by FHA, VA and USDA.

Originations by Loan Type:

	For the year ended December 31,				
(in millions)		2015		2014	% Change
Government (1)	$	1,805.5	$	817.8	121%
Conventional		7,270.8		1,947.7	273%
Other (2)		182.7		83.3	119%
Total originations		9,259.0		2,848.8	225%
Weighted average FICO (3)		736		722	
Weighted average LTV (4)		69.4%		78.1%	
Weighted average Coupon		3.87%		4.29%	
Avg. Loan size (in thousands)	$	293.0	$	258.2	

(1) Includes government-insured loans including FHA, VA and USDA.

(2) Includes $132.4 million of NonQM mortgages originated during 2015.

(3) FICO Fair Isaac Company credit score.

(4) LTV loan to value measures ratio of loan balance to estimated property value based upon third party appraisal.

We expect to continue originating conventional and government-insured loans as we believe that having the ability to sell loans direct to GSEs and issue Ginnie Mae securities gives us a competitive advantage with regard to products, pricing, operational efficiencies and overall recruitment of high quality loan originators.

To mitigate against any reduced refinance volumes with the eventual expected increase in mortgage rates, we are focusing on opportunities that will create diversity in our revenue streams. Our efforts to expand our NonQM volumes as well as increase our geographic footprint of our originations are part of this strategy. We also believe that there is an opportunity to provide servicing retention services to other third party servicers using our CCM platform to create an additional source of revenue.

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Furthermore, we expect to expand lead generation through our internet channel and monetizing our current mortgage leads to diversify our loan product offering. We are moving forward on all of these initiatives in creating growing revenue streams.

	For the year ended December 31,			
(in millions)	**2015**	**%**	**2014**	**%**
Originations by Channel:				
Retail	$ 5,571.8	60%	$ 80.3	3%
Correspondent	2,238.0	24%	2,169.6	76%
Wholesale	1,449.2	16%	598.9	21%
Total originations	$ 9,259.0	100%	$ 2,848.8	100%

During the year ended December 31, 2015, purchase money transactions increased $784.3 million or 82% as compared to the same period in 2014, despite decreasing as a percentage of total originations. This was primarily the result of a continued increase in purchase money transactions in our business to business channels.

	For the year ended December 31,			
(in millions)	**2015**	**%**	**2014**	**%**
Originations by Purpose:				
Refinance	$ 7,520.2	81%	$ 1,894.3	66%
Purchase	1,738.8	19%	954.5	34%
Total originations	$ 9,259.0	100%	$ 2,848.8	100%

As of December 31, 2015, we have approximately 1,099 approved wholesale relationships with mortgage brokerage companies and are approved to lend in 46 states. We have approximately 354 approved correspondent relationships with banks, credit unions and mortgage companies and are approved to lend in 50 states, however currently approximately 83% of our mortgage originations are generated from California, Arizona and Washington.

Mortgage Servicing

During 2015, the mortgage servicing portfolio increased to $3.6 billion as compared to $2.3 billion at the end of 2014. We earn servicing fees, net of sub-servicer costs from our mortgage servicing portfolio. The servicing portfolio generated gross servicing fees of $10.1 million, and $6.7 million in 2015 and 2014, respectively.

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The following table includes information about our mortgage servicing portfolio:

(in millions)	At December 31, 2015	% 60+ days delinquent (1)	At December 31, 2014	% 60+ days delinquent (1)
Fannie Mae	$ 1,970.4	0.27%	$ 496.1	0.83%
Freddie Mac	829.4	0.21%	837.8	0.18%
Ginnie Mae	675.7	1.06%	926.5	1.43%
Other	95.2	0.00%	6.7	0.00%
Total servicing portfolio	$ 3,570.7	0.43%	$ 2,267.1	0.92%
Number of loans	12,709		9,387	
Weighted average FICO	731		716	
Weighted average LTV	69.1%		79.8%	
Avg. Portfolio balance (in millions)	3,516.9		2,253.9	
Avg. Loan size (in thousands)	$ 281.0		$ 241.5	

(1) Based on loan count.

Real Estate Services

We provide portfolio loss mitigation and real estate services including real estate owned (REO) surveillance and disposition services, default surveillance and loss recovery services, short sale and real estate brokerage services, portfolio monitoring and reporting services. The source of revenue for this segment is primarily from the long-term mortgage portfolio, along with a small number of third party clients as well.

The real estate services segment continues to be profitable and posted net earnings of $3.9 million for the year ended December 31, 2015, as compared to $8.7 million for the same period in 2014. As the long-term mortgage portfolio continues to decline, we expect real estate services and the related revenues to decline.

Long-Term Mortgage Portfolio

The long-term mortgage portfolio primarily includes a) the residual interests in securitizations, b) master servicing rights from the securitizations and c) long-term debt.

Although we have seen some stabilization and improvement in defaults, the portfolio continues to suffer losses and may continue for the foreseeable future until we see a significant prolonged decline in the number of foreclosure properties in the market.

At December 31, 2015, our residual interest in securitizations (represented by the difference between total trust assets and total trust liabilities) decreased to $14.2 million, compared to $17.2 million at December 31, 2014. The decrease in residual fair value in 2015 was primarily due to residual cash flows received as well as an increase in losses and loss assumptions which was partially offset by a decrease in investor yield assumptions as well as decreased discount rates on certain residual interest vintages.

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For additional information regarding the long-term mortgage portfolio refer to *Financial Condition and Results of Operations* below.

Corporate

The corporate segment includes all corporate services groups, public company costs, unused office space for future growth as well as debt expense related to the Convertible Notes and capital leases. This corporate services group supports all operating segments. A portion of the corporate services costs are allocated to the operating segments. The costs associated with being a public company, unused space for growth as well as the interest expense related to the Convertible Notes and capital leases is not allocated to our operating segments and remains in this segment.

For additional information regarding the corporate segment refer to *Results of Operations by Business Segment* below.

Critical Accounting Policies

We define critical accounting policies as those that are important to the portrayal of our financial condition and results of operations. Our critical accounting policies require management to make difficult and complex judgments that rely on estimates about the effect of matters that are inherently uncertain due to the effect of changing market conditions and/or consumer behavior. In determining which accounting policies meet this definition, we considered our policies with respect to the valuation of our assets and liabilities and estimates and assumptions used in determining those valuations. We believe the most critical accounting issues that require the most complex and difficult judgments and that are particularly susceptible to significant change to our financial condition and results of operations include the following:

- business combinations;
- fair value of financial instruments;
- variable interest entities and transfers of financial assets and liabilities;
- goodwill and intangible assets;
- net realizable value of REO;
- repurchase reserve;
- interest income and interest expense; and
- income taxes.

Business Combinations

Business combinations are accounted for under the acquisition method of accounting in accordance with ASC Topic 805, "Business Combinations." Under the acquisition method, the acquiring entity in a business combination recognizes 100 percent of the acquired assets and assumed liabilities, regardless of the percentage owned, at their estimated fair values as of the date of acquisition. Any excess of the purchase price over the fair value of net assets and other identifiable intangible assets acquired is recorded as goodwill. To the extent the fair value of net assets acquired, including other identifiable assets, exceeds the purchase price, a bargain purchase gain is recognized. Assets acquired and liabilities assumed which involve contingencies must also be recognized at their estimated fair value, provided such fair value can be determined during the measurement period. Acquisition-related costs, including severance, conversion and other restructuring charges, such as abandoned space accruals, are expensed at the time of the acquisition. Results of operations of an acquired business are included in the statement of operations from the date of acquisition.

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Fair Value of Financial Instruments

Financial Accounting Standards Board Accounting Standards Codification FASB ASC 820-10-35 defines fair value, establishes a framework for measuring fair value and outlines a fair value hierarchy based on the inputs to valuation techniques used to measure fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (also referred to as an exit price). Fair value measurements are categorized into a three-level hierarchy based on the extent to which the measurement relies on observable market inputs in measuring fair value. Level 1, which is the highest priority in the fair value hierarchy, is based on unadjusted quoted prices in active markets for identical assets or liabilities. Level 2 is based on observable market-based inputs, other than quoted prices, in active markets for similar assets or liabilities. Level 3, which is the lowest priority in the fair value hierarchy, is based on unobservable inputs. Assets and liabilities are classified within this hierarchy in their entirety based on the lowest level of any input that is significant to the fair value measurement.

The use of fair value to measure our financial instruments is fundamental to our financial statements and is a critical accounting estimate because a substantial portion of our assets and liabilities are recorded at estimated fair value. Financial instruments classified as Level 3 are generally based on unobservable inputs, and the process to determine fair value is generally more subjective and involves a high degree of management judgment and assumptions. These assumptions may have a significant effect on our estimates of fair value, and the use of different assumptions, as well as changes in market conditions and interest rates, could have a material effect on our results of operations or financial condition.

Mortgage loans held-for-sale We elected to carry our mortgage loans held-for-sale originated or acquired from the mortgage lending operation at fair value. Fair value is based on quoted market prices, where available, prices for other traded mortgage loans with similar characteristics, and purchase commitments and bid information received from market participants.

Mortgage servicing rights We elected to carry all of our mortgage servicing rights arising from our mortgage lending operation at fair value. The fair value of mortgage servicing rights is based upon a discounted cash flow model. The valuation model incorporates assumptions that market participants would use in estimating the fair value of servicing. These assumptions include estimates of prepayment speeds, discount rate, cost to service, escrow account earnings, contractual servicing fee income, prepayment and late fees, among other considerations.

Derivative financial instruments We utilize certain derivative instruments in the ordinary course of our business to manage our exposure to changes in interest rates. These derivative instruments include forward sales of MBS and forward loan sale commitments (Hedging Instruments). We also issue IRLCs to borrowers in connection with single family mortgage loan originations. We recognize all derivative instruments at fair value. The estimated fair value of IRLCs are based on underlying loan types with similar characteristics using the TBA MBS market, which is actively quoted and easily validated through external sources. The data inputs used in this valuation include, but are not limited to, loan type, underlying loan amount, note rate, loan program, and expected sale date of the loan, adjusted for current market conditions. These valuations are adjusted at the loan level to consider the servicing release premium and loan pricing adjustments specific to each loan. For all IRLCs, the base value is then adjusted for the anticipated Pull-through Rate. The fair value of the Hedging Instruments is based on the actively quoted TBA MBS market using observable inputs related to characteristics of the underlying MBS stratified by product, coupon and settlement date and are recorded in other liabilities in the consolidated balance sheet. The initial and subsequent changes in value of IRLCs and forward sale commitments are a component of gain on sale of loans, net in the consolidated statements of operations.

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Long-term debt Long-term debt (consisting of trust preferred securities and junior subordinated notes) is reported at fair value within the long-term mortgage portfolio. These securities are measured based upon an analysis prepared by management, which considers the Company's own credit risk, including settlements with trust preferred debt holders and discounted cash flow analysis. Unrealized gains and losses are recognized in earnings in the accompanying consolidated statements of operations as change in fair value of long-term debt. Our estimate of the fair value of the long-term debt requires us to exercise significant judgment as to the timing and amount of the future obligation. Changes in assumptions resulting from changes in the Company's own credit risk profile will affect the estimated fair value of the long-term debt and those changes are recorded as a component of net earnings. A change in assumptions associated with the improvement in the Company's own credit risk profile could result in a significant increase in the estimated fair value of the long-term debt which would result in a significant charge to net earnings.

Variable Interest Entities and Transfers of Financial Assets and Liabilities

Historically, we securitized mortgages in the form of collateralized mortgage obligations (CMO), which were consolidated and accounted for as secured borrowings for financial statement purposes. We also securitized mortgages in the form of real estate mortgage investment conduits (REMICs), which were either consolidated or unconsolidated depending on the design of the securitization structure. CMO and certain REMIC securitizations contained structural terms that resulted in the transferee (securitization trust) to not be a qualifying special purpose entity (QSPE), therefore we consolidated the variable interest entity (VIE) as it was the primary beneficiary of the sole residual interest in each securitization trust. Generally, this was achieved by including terms in the securitization agreements that gave us the ability to unilaterally cause the securitization trust to return specific mortgages, other than through a clean-up call. Amounts consolidated are included in trust assets and liabilities as securitized mortgage collateral, real estate owned, derivative assets, securitized mortgage borrowings and derivative liabilities in the accompanying consolidated balance sheets.

Our estimate of the fair value of our net retained residual interests in unconsolidated securitizations, which are included in investment securities available-for-sale in the consolidated balance sheets, requires us to exercise significant judgment as to the timing and amount of future cash flows from the residual interests. We are exposed to credit risk from the underlying mortgage loans in unconsolidated securitizations to the extent we retain subordinated interests. Changes in expected cash flows resulting from changes in expected net credit losses will impact the value of our subordinated retained interests and those changes are recorded as a component of change in fair value of net trust assets.

In contrast, for securitizations that are structured as secured borrowing, we recognize interest income over the life of the securitized mortgage collateral and interest expense incurred for the securitized mortgage borrowings. We refer to these transactions as consolidated securitizations. The mortgage loans collateralizing the debt securities for these financings are included in securitized mortgage collateral and the debt securities payable to investors in these securitizations are included in securitized mortgage borrowings in our consolidated balance sheet.

Whether a securitization is consolidated or unconsolidated, investors in the securities issued by the securitization trust have no recourse to our non-securitized assets or to us and have no ability to require us to provide additional assets, but rather have recourse only to the assets transferred to the trust. Whereas the accounting differences are significant, the underlying economic impact to us, over time, will be the same regardless of whether the securitization trust is consolidated or unconsolidated.

These securitizations are evaluated for consolidation based on the provisions of FASB ASC 810-10-25, which eliminated the concept of a QSPE and changed the approach to determine a securitization trust's primary beneficiary. Amounts consolidated are included in trust assets and liabilities as securitized mortgage collateral, real estate owned, derivative assets, securitized mortgage borrowings and derivative liabilities in the accompanying consolidated balance sheets.

Goodwill and Intangible Assets

We account for business combinations using the acquisition method, under which the total consideration transferred (including contingent consideration) is allocated to the fair value of the assets acquired (including identifiable intangible assets) and liabilities assumed. The excess of the consideration transferred over the fair value of the assets acquired and liabilities assumed results in goodwill.

We evaluate our reporting units on an annual or on as needed basis and, if necessary, reassign goodwill using a relative fair value allocation approach. Goodwill and other intangible assets with an indefinite useful life are not subject to amortization but are reviewed for impairment annually or more frequently whenever events or changes in circumstances indicate that the carrying amount of an intangible asset may not be recoverable. These events or circumstances could include a significant change in the business climate, legal factors, operating performance indicators, competition, or sale or disposition of a significant portion of a reporting unit. Application of the goodwill impairment test requires judgment, including the identification of reporting units, assignment of assets and liabilities to reporting units, assignment of goodwill to reporting units, and determination of the fair value of each reporting unit. The fair value of each reporting unit is estimated primarily through the use of a discounted cash flow methodology. This analysis requires significant judgments, including estimation of future cash flows, which is dependent on internal forecasts, estimation of the long-term rate of growth for our business, estimation of the useful life over which cash flows will occur, and determination of our weighted average cost of capital. If we determine that it is more likely than not that the intangible assets are impaired, a quantitative impairment test is performed. For the quantitative impairment test, we estimate and compare the fair value of indefinite-lived intangible asset with its carrying amount. If the carrying amount of the indefinite-lived intangible asset exceeds its fair value, the amount of the impairment is measured as the difference between the carrying amount of the asset and its fair value. Impairment is permanently recognized by writing down the asset to the extent that the carrying value exceeds the estimated fair value.

Intangible assets with finite lives are amortized over their estimated lives using an amortization method that reflects the pattern in which the economic benefits of the asset are consumed. We review intangible assets for impairment whenever events or changes in circumstances indicate their carrying amounts may not be recoverable, in which case any impairment charge would be recorded to earnings.

Net Realizable Value (NRV) of REO

The Company considers the NRV of its REO properties in evaluating REO losses. When real estate is acquired in settlement of mortgage loans, or other real estate owned, the mortgage is written-down to a percentage of the property's appraised value, broker's price opinion or list price less estimated selling costs and including mortgage insurance proceeds expected to be received. Subsequent changes in the NRV of the REO is reflected as a write-down of REO and results in additional losses.

Repurchase Reserve

When we sell loans through whole loan sales we are required to make normal and customary representations and warranties about the loans to the purchaser. Our whole loan sale agreements generally require us to repurchase loans if we breach a representation or warranty given to the loan

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purchaser. In addition, we may be required to repurchase loans as a result of borrower fraud or if a payment default occurs on a mortgage loan shortly after its sale.

Investors may request us to repurchase loans or to indemnify them against losses on certain loans which the investors believe either do not comply with applicable representations or warranties or defaulted shortly after its purchase. Upon completion of its own investigation regarding the investor claims, we repurchase or provide indemnification on certain loans, as appropriate. We maintain a liability reserve for expected losses on dispositions of loans expected to be repurchased or on which indemnification is expected to be provided. We regularly evaluate the adequacy of this repurchase liability reserve based on trends in repurchase and indemnification requests, actual loss experience, settlement negotiations, and other relevant factors including economic conditions.

We record a provision for losses relating to such representations and warranties as part of each loan sale transactions. The method used to estimate the liability for representations and warranties is a function of the representations and warranties given and considers a combination of factors, including, but not limited to, estimated future defaults and loan repurchase rates and the potential severity of loss in the event of defaults and the probability of reimbursement by the correspondent loan seller. We establish a liability at the time loans are sold and continually update our estimated repurchase liability. The level of the repurchase liability for representations and warranties is difficult to estimate and requires considerable management judgment. The level of mortgage loan repurchase losses is dependent on economic factors, investor demand strategies, and other external conditions that may change over the lives of the underlying loans.

Interest Income and Interest Expense

Interest income on securitized mortgage collateral and interest expense on securitized mortgage borrowings are recorded using the effective interest method for the period based on the previous quarter-end's estimated fair value. Interest expense on long-term debt is recorded using the effective interest method based on estimated future interest rates and cash flows.

Income Taxes

Provision for income taxes is calculated using the asset and liability method, which requires the recognition of deferred income taxes. Deferred tax assets and liabilities are recognized and reflect the net tax effect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes and certain changes in the valuation allowance. Deferred tax assets are recognized subject to management's judgment that realization is more likely than not. A valuation allowance is recognized for a deferred tax asset if, based on the weight of the available evidence, it is more likely than not that some portion of the deferred tax asset will not be realized. In making such judgments, significant weight is given to evidence that can be objectively verified. We provide a valuation allowance against deferred tax assets if, based on available evidence, it is more likely than not that some portion or all of the deferred tax assets will not be realized. In determining the adequacy of the valuation allowance, we consider all forms of evidence, including: (1) historic earnings or losses; (2) the ability to realize deferred tax assets through carry back to prior periods; (3) anticipated taxable income resulting from the reversal of taxable temporary differences; (4) tax planning strategies; and (5) anticipated future earnings exclusive of the reversal of taxable temporary differences.

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Financial Condition and Results of Operations

Financial Condition

As of December 31, 2015 compared to December 31, 2014

The following table shows the condensed consolidated balance sheets for the following periods:

	December 31, 2015 (Unaudited)	December 31, 2014	Increase (Decrease)	% Change
ASSETS				
Cash	$ 32,409	$ 10,073	$ 22,336	222%
Restricted cash	3,474	2,420	1,054	44
Mortgage loans held-for-sale	310,191	239,391	70,800	30
Finance receivables	36,368	8,358	28,010	335
Mortgage servicing rights	36,425	24,418	12,007	49
Securitized mortgage trust assets	4,594,534	5,268,531	(673,997)	(13)
Goodwill	104,938	352	104,586	29,712
Intangibles	29,975	-	29,975	n/a
Deferred tax asset	24,420	-	24,420	n/a
Other assets	38,583	25,029	13,554	54
Total assets	$ 5,211,317	$ 5,578,572	$ (367,255)	(7)%

	December 31, 2015 (Unaudited)	December 31, 2014	Increase (Decrease)	% Change
LIABILITIES & EQUITY				
Warehouse borrowings	$ 325,616	$ 226,718	$ 98,898	44%
Short-term debt	-	6,000	(6,000)	(100)
Term financing	30,000	-	30,000	n/a
Convertible notes	45,000	20,000	25,000	125
Long-term debt ($71,120 par)	31,898	22,122	9,776	44
Repurchase reserve	5,236	5,714	(478)	(8)
Securitized mortgage trust liabilities	4,580,326	5,251,307	(670,981)	(13)
Contingent consideration	48,079	-	48,079	n/a
Other liabilities	30,672	21,755	8,917	41
Total liabilities	5,096,827	5,553,616	(456,789)	(8)
Total equity	114,490	24,956	89,534	359
Total liabilities and stockholders' equity	$ 5,211,317	$ 5,578,572	$ (367,255)	(7)%

At December 31, 2015, cash increased to $32.4 million from $10.1 million at December 31, 2014. The primary sources of cash between periods were approximately $70.0 million from the sale of mortgage servicing rights, $30.0 million issuance of Term Financing, $25.0 million from the issuance of the Convertible Notes, $64.7 million from the gain on sale of mortgage loans (net of non-cash premiums, mark-to-market adjustments, unrealized gains from derivatives instruments and provision for repurchases) and $5.6 million from residual interests in securitizations. Offsetting the sources of cash were operating expenses totaling $127.0 million (net of non-cash depreciation expense, amortization of intangible assets and stock compensation expense), $38.1 million in earn out payments to CashCall Inc., $7.5 million payment as part of the consideration for the acquisition of CCM, $6.0 million payoff of the short-term borrowings and $4.0 million payoff of the line of credit.

Mortgage loans held-for-sale increased $70.8 million to $310.2 million at December 31, 2015 as compared to $239.4 million at December 31, 2014. The increase was due to $9.3 billion in originations offset by $9.2 billion in loan sales related to growth in our mortgage lending division including the acquisition of CCM. As a normal course of our origination and sales cycle, loans held-for-sale at the end of any period are generally sold within one or two subsequent months.

Finance receivables increased $28.0 million to $36.4 million at December 31, 2015 as compared to $8.4 million at December 31, 2014. The increase was due to $664.6 million in fundings offset by $636.5 million in settlements.

Mortgage servicing rights increased $12.0 million to $36.4 million at December 31, 2015 as compared to $24.4 million at December 31, 2014. The increase was due to servicing retained loan sales of $9.0 billion. Partially offsetting the increase were bulk sales of MSRs totaling $7.3 billion in UPB and a mark-to-market reduction in fair value of $10.9 million. At December 31, 2015, we serviced $3.6 billion in UPB for others as compared to $2.3 billion at December 31, 2014.

As part of the CCM acquisition in the first quarter of 2015, we recorded $104.6 million of goodwill and $33.1 million of intangible assets. At December 31, 2015, goodwill was $104.9 million and intangible assets were $30.0 million, net of $3.1 million of accumulated amortization.

Warehouse borrowings increased $98.9 million to $325.6 million at December 31, 2015 as compared to $226.7 million at December 31, 2014. The increase was due to an increase in mortgage loans held-for-sale attributable to the increased loan volume from the growth in our mortgage lending division including the acquisition of CCM and increased finance receivables at December 31, 2015. During 2015, we increased our total borrowing capacity to $675.0 million as compared to $415.0 million at December 31, 2014.

In the fourth quarter of 2014, we entered into a $6.0 million short-term structured debt agreement collateralized by the residual interests in securitizations. The agreement had an interest rate of LIBOR plus 5.75% per annum and had a maturity date of June 29, 2015. The holder received monthly principal and interest payments which were equal to the distributions from the residual interest underlying collateral with a minimum payment of $500,000. In June, we used approximately $3.2 million of the proceeds from the Term Financing to pay off the short-term structured debt

In June 2015, we entered into a term loan in the aggregate principal amount of $30.0 million (Term Financing) due and payable on December 19, 2016, which may be extended up to December 18, 2017 at the Lender's discretion. The Term Financing is payable monthly and accrues interest at the rate per annum equal to LIBOR plus 8.5%

Convertible notes increase $25.0 million to $45.0 million at December 31, 2015 as compared to $20.0 million at December 31, 2014. The increase was due to the issuance of $25.0 million in original aggregate principal amount of Convertible Promissory Notes in May 2015. The Convertible Notes mature on or before May 9, 2020 and accrue interest at a rate of 7.5% per annum, to be paid quarterly. Subsequent to December 31, 2015, we elected to exercise our option to convert the original $20.0 million in convertible notes to common stock. The conversion resulted in converting $20.0 million of debt into equity by issuing an aggregate of 1,839,080 shares of common stock.

Long-term debt increased $9.8 million to $31.9 million at December 31, 2015 as compared to $22.1 million at December 31, 2014. The increase was primarily due to a mark-to-market adjustment of $8.6 million as a result of the increase in the estimated fair value of long-term debt. The increase in the estimated fair value of long-term debt was primarily the result of a decrease in the discount rate attributable to an improvement in our own credit risk profile, an improvement in our financial condition and results of operations as well as an increase in the forward LIBOR curve.

As part of the CCM acquisition in the first quarter of 2015, we recorded $124.6 million of contingent consideration associated with the three year earn-out provision for CCM. During 2015, we

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recorded $45.9 million change in fair value associated with a reduction in the contingent consideration liability and made $38.1 million in earn out payments to CashCall Inc. reducing the liability. Partially offsetting the reduction was $8.1 million in accretion of the contingent consideration. As of December 31, 2015 the contingent consideration was $48.1 million.

Repurchase reserve liability decreased to $5.2 million at December 31, 2015 as compared to $5.7 million at December 31, 2014. As previously reported, in the first quarter of 2015, we settled our repurchase liability with FNMA related to our legacy non-conforming mortgage operations. As part of the agreement, we paid FNMA $1.0 million during the first quarter with a final payment of $228 thousand paid in April 2015. We have received a minimal amount of repurchase requests by IMC's mortgage lending operation for loans sold since early 2011. During the third quarter of 2015, the general repurchase reserve was reduced by $1.2 million as a result of a review of our historical loss experience on originations since 2011.

As a result of the net earnings during the year ended December 31, 2015, including $24.4 million from changes in the deferred tax asset valuation allowance and $37.8 million from changes in contingent consideration liability, book value per share increased 327% to $11.09 at December 31, 2015 as compared to $2.60 at December 31, 2014. Book value per common share was $6.07 as of December 31, 2015, as compared to $(2.80) as of December 31, 2014 (inclusive of the remaining $51.8 million of liquidation preference on our preferred stock).

The changes in total assets and liabilities are primarily attributable to decreases in our trust assets and trust liabilities as summarized below.

	December 31, 2015	December 31, 2014	Increase (Decrease)	% Change
Securitized mortgage collateral	$ 4,574,919	$ 5,249,639	$ (674,720)	(13)%
Other trust assets	19,615	18,892	723	4
Total trust assets	4,594,534	5,268,531	(673,997)	(13)
Securitized mortgage borrowings	$ 4,578,657	$ 5,245,860	$ (667,203)	(13)%
Other trust liabilities	1,669	5,447	(3,778)	(69)
Total trust liabilities	4,580,326	5,251,307	(670,981)	(13)
Residual interests in securitizations	$ 14,208	$ 17,224	$ (3,016)	(18)%

Since the consolidated and unconsolidated securitization trusts are nonrecourse to the Company, trust assets and liabilities have been netted in the table above to present our interest in these trusts more simply, which are considered the residual interests in securitizations. For unconsolidated securitizations the residual interests represent the fair value of investment securities available-for-sale. For consolidated securitizations, the residual interests are represented by the fair value of securitized mortgage collateral and real estate owned, offset by the fair value of securitized mortgage borrowings and net derivative liabilities. We receive cash flows from our residual interests in securitizations to the extent they are available after required distributions to bondholders and maintaining specified overcollateralization levels and other specified parameters (such as maximum delinquency and cumulative default) within the trusts. The estimated fair value of the residual interests, represented by the difference in the fair value of total trust assets and total trust liabilities, was $14.2 million at December 31, 2015, compared to $17.2 million at December 31, 2014.

We update our collateral assumptions quarterly based on recent delinquency, default, prepayment and loss experience. Additionally, we update the forward interest rates and investor yield

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(discount rate) assumptions based on information derived from market participants. During the year ended December 31, 2015, we decreased the investor yield requirements for certain securitized mortgage borrowings as estimated bond prices continued to improve and corresponding yields have decreased. Additionally, during the second and third quarters of 2015, we lowered the discount rate on certain residual interest vintages. The decrease in discount rates resulted in an increase in the value of these trust assets and liabilities resulting in an increase in the value of our residual interests during 2015. However, offsetting the increase was principal payments and liquidations of securitized mortgage collateral and securitized mortgage borrowings.

The estimated fair value of securitized mortgage collateral decreased $674.7 million during 2015, primarily due to reductions in principal from borrower payments and transfers of loans to REO for single-family and multi-family collateral. Additionally, other trust assets increased $723 thousand during 2015, primarily due to an increase of $40.4 million in REO from foreclosures. Partially offsetting the increase was liquidations of $33.1 million and a $6.6 million decrease in the net realizable value (NRV) of REO.

The estimated fair value of securitized mortgage borrowings decreased $667.2 million during 2015, primarily due to reductions in principal balances from principal payments during the period for single-family and multi-family collateral as well as a decrease in loss assumptions. The $3.8 million reduction in other trust liabilities during 2015, was primarily due to $4.1 million in derivative cash payments from the securitization trusts, and a $487 thousand increase in derivative fair value resulting from changes in forward LIBOR interest rates.

Prior to 2008, we securitized mortgage loans by transferring originated and acquired residential single-family mortgage loans and multi-family commercial loans (the "transferred assets") into non-recourse bankruptcy remote trusts which in turn issued tranches of bonds to investors supported only by the cash flows of the transferred assets. Because the assets and liabilities in the securitizations are nonrecourse to us, the bondholders cannot look to us for repayment of their bonds in the event of a shortfall. These securitizations were structured to include interest rate derivatives. We retained the residual interest in each trust, and in most cases would perform the master servicing function. A trustee and sub-servicer, unrelated to us, was utilized for each securitization. Cash flows from the loans (the loan payments as well as liquidation of foreclosed real estate properties) collected by the loan sub-servicer are remitted to us, the master servicer. The master servicer remits payments to the trustee who remits payments to the bondholders (investors). The sub-servicer collects loan payments and performs loss mitigation activities for defaulted loans. These activities include foreclosing on properties securing defaulted loans, which results in REO. Our real estate services segment also performs mitigation activities for loans within the portfolio.

In accordance with accounting principles generally accepted in the United States of America (GAAP), we are required to consolidate all but one of these trusts (as we are not the master servicer on this one trust) on our statement of financial condition and results of operations. For the one trust we did not consolidate, the residual interest is reported as investment securities available-for-sale. For the trusts we do consolidate, the loans are included in the statement of financial condition as "securitized mortgage collateral", the foreclosed loans are included in the statement of financial condition as "real estate owned" and the various bond tranches owned by investors are included in the statement of financial condition as "securitized mortgage borrowings." Any interest rate derivatives remaining in the trusts are included in our statement of financial condition as "derivative assets" or "derivative liabilities," respectively. To the extent there is excess overcollateralization (as defined in the securitization agreements) in these securitization trusts, we receive cash flows from the excess interest collected monthly from the residual interest we own. Because (i) we elected the fair value option on the securitized mortgage collateral, securitized mortgage borrowings, (ii) derivative assets/liabilities are carried at fair value as required by GAAP, and (iii) real estate owned is reflected at net realizable value (NRV), which closely approximates fair market value, the net of the trust assets and trust liabilities represents the estimated fair value of the residual interests we own.

To estimate fair value of the assets and liabilities within the securitization trusts each reporting period, management uses an industry standard valuation and analytical model that is updated monthly with current collateral, real estate, derivative, bond and cost (servicer, trustee, etc.) information for each securitization trust. We employ an internal process to validate the accuracy of the model as well as the data within this model. Forecasted assumptions sometimes referred to as "curves," for defaults, loss severity, interest rates (LIBOR) and prepayments are inputted into the valuation model for each securitization trust. We hire third-party market participants to provide forecasted curves for the aforementioned assumptions for each of the securitizations. Before inputting this information into the model, management employs a process to qualitatively and quantitatively review the assumption curves for reasonableness using other information gathered from the mortgage and real estate market (*i.e.*, third party home price indices, published industry reports discussing regional mortgage and commercial loan performance and delinquency) as well as actual default and foreclosure information for each trust from the respective trustees.

We use the valuation model to generate the expected cash flows to be collected from the trust assets and the expected required bondholder distribution (trust liabilities). To the extent that the trusts are over collateralized, we may receive the excess interest as the holder of the residual interest. The information above provides us with the future expected cash flows for the securitized mortgage collateral, real estate owned, securitized mortgage borrowings, derivative assets/liabilities, and the residual interests.

To determine the discount rates to apply to these cash flows, we gather information from the bond pricing services and other market participants regarding estimated investor required yields for each bond tranche. Based on that information and the collateral type and vintage, we determine an acceptable range of expected yields an investor would require including an appropriate risk premium for each bond tranche. We use the blended yield of the bond tranches together with the residual interests to determine an appropriate yield for the securitized mortgage collateral in each securitization (after taking into consideration any derivatives in the securitization). As previously discussed, during the second and third quarters of 2015, we adjusted the acceptable range of expected yields and discount rates for some of our earlier vintage securitizations. Based on improving bond prices and declining yields in some of our securitization trusts, we lowered certain residual discount rates during the second and third quarters of 2015.

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The following table presents changes in the trust assets and trust liabilities for the year ended December 31, 2015:

	TRUST ASSETS				TRUST LIABILITIES			
	Level 3 Recurring Fair Value Measurements				Level 3 Recurring Fair Value Measurements			
	Investment securities available-for-sale	Securitized mortgage collateral	NRV (1) Real estate owned	Total trust assets	Securitized mortgage borrowings	Derivative liabilities	Total trust liabilities	Net trust assets
Recorded book value at December 31, 2014	**$ 92**	**$ 5,249,639**	**$ 18,800**	**$ 5,268,531**	**$ (5,245,860)**	**$ (5,447)**	**$ (5,251,307)**	**$ 17,224**
Total gains/(losses) included in earnings:								
Interest income	10	64,256	-	64,266	-	-	-	64,266
Interest expense	-	-	-	-	(211,272)	-	(211,272)	(211,272)
Change in FV of net trust assets, excluding REO (2)	15	(49,052)	-	(49,037)	50,481	(487)	49,994	957
Losses from REO not at FV but at NRV (2)	-	-	(6,595)	(6,595)	-	-	-	(6,595)
Total gains (losses) included in earnings	25	15,204	(6,595)	8,634	(160,791)	(487)	(161,278)	(152,644)
Transfers in and/or out of level 3	-	-	-	-	-	-	-	-
Purchases, issuances and settlements	(91)	(689,924)	7,384	(682,631)	827,994	4,265	832,259	149,628
Recorded book value at December 31, 2015	**$ 26**	**$ 4,574,919**	**$ 19,589**	**$ 4,594,534**	**$ (4,578,657)**	**$ (1,669)**	**$ (4,580,326)**	**$ 14,208**

(1) Accounted for at net realizable value.

(2) Represents other income (expense) in the consolidated statements of operations for the year ended December 31, 2015.

Inclusive of gains from REO, total trust assets above reflect a net loss of $55.6 million as a result of a decrease in fair value of securitized mortgage collateral of $49.1 million, losses from REO of $6.6 million and increases from other trust assets of $15 thousand. Net gains on trust liabilities were $50.0 million as a result of $50.5 million in gains from the decrease in fair value of securitized mortgage borrowings and losses from derivative liabilities of $487 thousand. As a result, change in fair value of net trust assets, including trust REO (losses) gains totaled a loss of $5.6 million for the year ended December 31, 2015.

The table below reflects the net trust assets as a percentage of total trust assets (residual interests in securitizations):

	December 31,	
	2015	**2014**
Net trust assets	$ 14,208	$ 17,224
Total trust assets	4,594,534	5,268,531
Net trust assets as a percentage of total trust assets	0.31%	0.33%

For the year ended December 31, 2015, the estimated fair value of the net trust assets decreased as a percentage of total trust assets. The decrease was primarily due to cash received partially offset by the decrease in discount rate assumptions for residual interests as discussed above.

Since the consolidated and unconsolidated securitization trusts are nonrecourse to us, our economic risk is limited to our residual interests in these securitization trusts. Therefore, in the following table we have netted trust assets and trust liabilities to present these residual interests more simply. Our residual interests in securitizations are segregated between our single-family (SF) residential and

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multi-family (MF) residential portfolios and are represented by the difference between trust assets and trust liabilities.

The following tables present the estimated fair value of our residual interests, including investment securities available for sale, by securitization vintage year and other related assumptions used to derive these values at December 31, 2015 and December 31, 2014:

	Estimated Fair Value of Residual Interests by Vintage Year at December 31, 2015			Estimated Fair Value of Residual Interests by Vintage Year at December 31, 2014		
Origination Year	**SF**	**MF**	**Total**	**SF**	**MF**	**Total**
2002-2003 (1)	$ 9,410	$ 1,401	$ 10,811	$ 10,826	$ 1,975	$ 12,801
2004	1,198	805	2,003	1,846	1,506	3,352
2005 (2)	213	29	242	11	209	220
2006 (2)	-	1,152	1,152	-	851	851
2007 (2)	-	-	-	-	-	-
Total	**$ 10,821**	**$ 3,387**	**$ 14,208**	**$ 12,683**	**$ 4,541**	**$ 17,224**
Weighted avg. prepayment rate	5.6%	8.1%	5.8%	4.3%	12.4%	4.9%
Weighted avg. discount rate	16.3%	14.7%	15.9%	19.0%	16.2%	18.3%

(1) 2002-2003 vintage year includes CMO 2007-A, since the majority of the mortgages collateralized in this securitization were originated during this period.

(2) The estimated fair values of residual interests in vintage years 2005 through 2007 is reflective of higher estimated future losses and investor yield requirements compared to earlier vintage years.

We utilize a number of assumptions to value securitized mortgage collateral, securitized mortgage borrowings and residual interests. These assumptions include estimated collateral default rates and loss severities (credit losses), collateral prepayment rates, forward interest rates and investor yields (discount rates). We use the same collateral assumptions for securitized mortgage collateral and securitized mortgage borrowings as the collateral assumptions determine collateral cash flows which are used to pay interest and principal for securitized mortgage borrowings and excess spread, if any, to the residual interests. However, we use different investor yield (discount rate) assumptions for securitized mortgage collateral and securitized mortgage borrowings and the discount rate used for residual interests based on underlying collateral characteristics, vintage year, assumed risk and market participant assumptions.

The table below reflects the estimated future credit losses and investor yield requirements for trust assets by product (SF and MF) and securitization vintage at December 31, 2015:

	Estimated Future Losses (1)		Investor Yield Requirement (2)	
	SF	**MF**	**SF**	**MF**
2002-2003	8%	* **(3)**	5%	6%
2004	8%	* **(3)**	5%	5%
2005	10%	4%	5%	3%
2006	19%	5%	6%	5%
2007	20%	2%	6%	4%

(1) Estimated future losses derived by dividing future projected losses by unpaid principal balances at December 31, 2015.

(2)

Investor yield requirements represent our estimate of the yield third-party market participants would require to price our trust assets and liabilities given our prepayment, credit loss and forward interest rate assumptions.

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(3) Represents less than 1%.

Despite the increase in housing prices through December 2015, housing prices in many parts of the country are still at levels which has significantly reduced or eliminated equity for loans originated after 2003. Future loss estimates are significantly higher for mortgage loans included in securitization vintages after 2004 which reflect severe home price deterioration and defaults experienced with mortgages originated during these periods.

Operational and Market Risks

We are exposed to a variety of market risks which include interest rate risk, credit risk, real estate risk, prepayment risk and liquidity risk.

Interest Rate Risk

Interest Rate Risk Mortgage Lending. We are exposed to interest rate risks relating to our ongoing mortgage lending operations. We use derivative instruments to manage some of our interest rate risk. However, we do not attempt to hedge interest rate risk completely.

Interest rate lock commitments, mortgage loans held-for-sale and mortgage servicing rights expose us to interest rate risk. The mortgage lending operations currently utilizes forward sold Fannie Mae and Ginnie Mae mortgage-backed securities to help mitigate changes in interest rates relating to its interest rate lock commitments, mortgage loans held-for-sale and mortgage servicing rights. Interest rate lock commitments and mortgage loans held-for-sale are inversely correlated with changes in interest rates while mortgage servicing rights are positively correlated with changes in interest rates. During the fourth quarter we began to hedge a portion of the interest rate risk associated with mortgage servicing rights.

Interest Rate Risk Securitized Trusts, Term Financing and Long-term Debt. Our earnings from the long-term mortgage portfolio depend largely on our interest rate spread, represented by the relationship between the yield on our interest-earning assets (primarily investment securities available-for- sale and securitized mortgage collateral) and the cost of our interest-bearing liabilities (primarily securitized mortgage borrowings and long-term debt). Our interest rate spread is impacted by several factors, including general economic factors, forward interest rates and the credit quality of mortgage loans in the long-term mortgage portfolio.

The residual interests in our long-term mortgage portfolio are sensitive to changes in interest rates on securitized mortgage collateral and the related securitized mortgage borrowings. Changes in interest rates can significantly affect the cash flows and fair values of the Company's assets and liabilities, as well as our earnings and stockholders' equity.

We use derivative instruments to manage some of our interest rate risk in our long-term mortgage portfolio. However, we do not attempt to hedge interest rate risk completely. To help mitigate some of the exposure to the effect of changing interest rates on cash flows on securitized mortgage borrowings, we utilize derivative instruments primarily in the form of interest rate swap agreements (swaps) and, to a lesser extent, interest rate cap agreements (caps) and interest rate floor agreements (floors). These derivative instruments are recorded at fair value in the consolidated balance sheets. For non-exchange traded contracts, fair value is based on the amounts that would be required to settle the positions with the related counterparties as of the valuation date. Valuations of derivative assets and liabilities are based on observable market inputs, if available. To the extent observable market inputs are not available, fair value measurements include our judgment about future cash flows, forward interest rates and certain other factors, including counterparty risk. Additionally, these values also take into account

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our own credit standing, to the extent applicable; thus, the valuation of the derivative instrument includes the estimated value of the net credit differential between the counterparties to the derivative contract.

At December 31, 2015, derivative liabilities were $1.7 million and reflect the securitization trust's liability to pay third-party counterparties based on the estimated value to settle the derivative instruments. Cash payments on these derivative instruments are based on notional amounts that are decreasing over time. Excluding the effects of other factors such as portfolio delinquency and loss severities within the securitization trusts, as the notional amount of these derivative instruments decrease over time, payments to counterparties in the current interest rate environment are reduced, thereby potentially increasing cash flows on our residual interests in securitizations. Conversely, increases in interest rates from current levels could potentially reduce overall cash flows on our residual interests in securitizations. Since our consolidated and unconsolidated securitization trusts are nonrecourse to us, our economic risk is limited to our residual interests in these securitization trusts.

We are also subject to interest rate risk on our term financing and long-term debt (consisting of trust preferred securities and junior subordinated notes). These interest bearing liabilities include adjustable rate periods based on one-month LIBOR (term financing) and three-month LIBOR (trust preferred securities and junior subordinated notes). We do not currently hedge our exposure to the effect of changing interest rates related to these interest-bearing liabilities. Significant fluctuations in interest rates could have a material adverse effect on our business, financial condition, results of operations or liquidity.

Credit Risk

We provide representations and warranties to purchasers and insurers of the loans sold that typically are in place for the life of the loan. In the event of a breach of these representations and warranties, we may be required to repurchase a mortgage loan or indemnify the purchaser, and any subsequent loss on the mortgage loan may be borne by us unless we have recourse to our correspondent seller.

We maintain a reserve for losses on loans repurchased or indemnified as a result of breaches of representations and warranties on our sold loans. Our estimate is based on our most recent data regarding loan repurchases and indemnity payments, actual losses on repurchased loans, and recovery history, among other factors. Our assumptions are affected by factors both internal and external in nature. Internal factors include, among other things, level of loan sales, the expectation of credit loss on repurchases and indemnifications, our success rate at appealing repurchase demands and our ability to recover any losses from third parties. External factors that may affect our estimate includes, among other things, the overall economic condition in the housing market, the economic condition of borrowers, the political environment at investor agencies and the overall U.S. and world economy. Many of the factors are beyond our control and may lead to judgments that are susceptible to change.

Counterparty Credit Risk. We are exposed to counterparty credit risk in the event of non-performance by counterparties to various agreements. We monitor our counterparties and currently do not anticipate losses due to counterparty non-performance.

Credit Risk-Securitized Trusts. We manage credit risk by actively managing delinquencies and defaults through our servicers. Starting with the second half of 2007 we have not retained any additional mortgages in our long-term mortgage portfolio. Our securitized mortgage collateral primarily consists of non-conforming mortgages which when originated were generally within typical Fannie Mae and Freddie Mac guidelines but had loan characteristics, which may have included higher loan balances, higher loan-

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to-value ratios or lower documentation requirements (including stated-income loans), that made them non-conforming under those guidelines.

Using historical losses, current portfolio statistics and market conditions and available market data, we have estimated future loan losses on the long- term mortgage portfolio, which are included in the fair value adjustment to our securitized mortgage collateral. The credit performance for the loans has been clearly far worse than our initial expectations when the loans were originated. We have seen some restoration of real estate values, however the ultimate level of realized losses will largely be influenced by local real estate conditions in areas where underlying properties are located, including the recovery of the housing market and overall strength of the economy. If market conditions continue to deteriorate in excess of our expectations, we may need to recognize additional fair value reductions to our securitized mortgage collateral, which may also affect the value of the related securitized mortgage borrowings and residual interests.

We monitor our servicers to attempt to ensure that they perform loss mitigation, foreclosure and collection functions according to their servicing practices and each securitization trust's pooling and servicing agreement. We have met with the management of our servicers to assess our borrowers' current ability to pay their mortgages and to make arrangements with selected delinquent borrowers which will result in the best interest of the trust and borrower, in an effort to minimize the number of mortgages which become seriously delinquent. When resolving delinquent mortgages, servicers are required to take timely action. The servicer is required to determine payment collection under various circumstances, which will result in the maximum financial benefit. This is accomplished by either working with the borrower to bring the mortgage current by modifying the loan with terms that will maximize the recovery or by foreclosing and liquidating the property. At a foreclosure sale, the trusts consolidated on our balance sheet generally acquire title to the property.

Real Estate Risk

Residential property values are subject to volatility and may be negatively affected by numerous factors, including, but not limited to, national, regional and local economic conditions such as unemployment and interest rate environment; local real estate conditions including housing inventory and foreclosures; and demographic factors. Decreases in property values reduce the value of the collateral and the potential proceeds available to a borrower to repay our loans, which could cause us to suffer losses.

Prepayment Risk

We historically used prepayment penalties as a method of partially mitigating prepayment risk for those borrowers that have the ability to refinance. The economic downturn, lack of available credit and declines in property values in certain parts of the country have limited some borrowers' ability to refinance. These factors have reduced prepayment risk within our long-term mortgage portfolio. With the seasoning of the long-term mortgage portfolio, a significant portion of prepayment penalties terms have expired, thereby further reducing prepayment penalty income.

Prepayment speed is a measurement of how quickly UPB is reduced. Items reducing UPB include normal monthly loan principal payments, loan refinancings, voluntary property sales and involuntary property sales such as foreclosures or short sales. Prepayment speed impacts future servicing fees, fair value of mortgage servicing rights and float income. When prepayment speed increases, our servicing fees decrease faster than projected due to the shortened life of a portfolio. Faster prepayment speeds will cause our mortgage servicing rights fair value to decrease.

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Liquidity Risk

We are exposed to liquidity risks relating to our ongoing mortgage lending operations. We primarily fund our mortgage lending originations through warehouse facilities with third-party lenders. We primarily use facilities with national and regional banks. The warehouse facilities are secured by and used to fund single-family residential mortgage loans. In addition, the warehouse lenders require cash to be posted as additional collateral to secure the borrowings. In order to mitigate the liquidity risk associated with warehouse borrowings, we attempt to sell our mortgage loans within 10-15 days from acquisition or origination.

Long-Term Mortgage Portfolio Credit Quality

We use the Mortgage Bankers Association (MBA) method to define delinquency as a contractually required payment being 30 or more days past due. We measure delinquencies from the date of the last payment due date in which a payment was received. Delinquencies for loans 60 days late or greater, foreclosures and delinquent bankruptcies were $1.1 billion or 19.0% of the long-term mortgage portfolio as of December 31, 2015, as compared to $1.4 billion or 20.3% as of December 31, 2014.

The following table summarizes the unpaid principal balances of loans in our mortgage portfolio, included in securitized mortgage collateral and mortgage loans held-for-investment that were 60 or more days delinquent (utilizing the MBA method) as of the periods indicated:

	December 31, 2015	Total Collateral %	December 31, 2014	Total Collateral %
Securitized mortgage collateral				
60 - 89 days delinquent	$ 125,937	2.1%	$ 137,913	2.0%
90 or more days delinquent	394,129	6.7%	503,849	7.5%
Foreclosures (1)	351,276	6.0%	443,751	6.6%
Delinquent bankruptcies (2)	249,225	4.2%	281,936	4.2%
Total 60 or more days delinquent	$ 1,120,567	19.0%	$ 1,367,449	20.3%
Total collateral	$ 5,900,239	100%	$ 6,745,411	100%

(1) Represents properties in the process of foreclosure.

(2) Represents bankruptcies that are 30 days or more delinquent.

The following table summarizes securitized mortgage collateral, mortgage loans held-for-investment, mortgage loans held-for-sale and real estate owned, that were non-performing as of the dates indicated (excludes 60-89 days delinquent):

	December 31, 2015	Total Collateral %	December 31, 2014	Total Collateral %
90 or more days delinquent, foreclosures and delinquent bankruptcies	$ 994,630	16.9%	$ 1,229,536	18.2%
Real estate owned	19,589	0.3%	18,800	0.3%
Total non-performing assets	$ 1,014,219	17.2%	$ 1,248,336	18.5%

Non-performing assets consist of non-performing loans (mortgages that are 90 or more days delinquent, including loans in foreclosure and delinquent bankruptcies) plus REO. It is the Company's

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policy to place a mortgage on nonaccrual status when it becomes 90 days delinquent and to reverse from revenue any accrued interest, except for interest income on securitized mortgage collateral when the scheduled payment is received from the servicer. The servicers are required to advance principal and interest on loans within the securitization trusts to the extent the advances are considered recoverable. IFC, a subsidiary of IMH and master servicer, may be required to advance funds, or in most cases cause the loan servicers to advance funds, to cover principal and interest payments not received from borrowers depending on the status of their mortgages. As of December 31, 2015, non-performing assets (unpaid principal balance of loans 90 or more days delinquent, foreclosures and delinquent bankruptcies plus REO) as a percentage of the total collateral was 17.2%. At December 31, 2014, non-performing assets to total collateral was 18.5%. Non-performing assets decreased by approximately $234.1 million at December 31, 2015 as compared to December 31, 2014. At December 31, 2015, the estimated fair value of non-performing assets (representing the fair value of loans 90 or more days delinquent, foreclosures and delinquent bankruptcies plus REO) was $388.6 million or 7.5% of total assets. At December 31, 2014, the estimated fair value of non-performing assets was $410.3 million or 7.4% of total assets.

REO, which consists of residential real estate acquired in satisfaction of loans, is carried at the lower of cost or net realizable value less estimated selling costs. Adjustments to the loan carrying value required at the time of foreclosure are included in the change in the fair value of net trust assets. Changes in our estimates of net realizable value subsequent to the time of foreclosure and through the time of ultimate disposition are recorded as gains or losses from real estate owned in the consolidated statements of operations.

The increase in REO at December 31, 2015 was the result of a decrease in REO liquidations during the fourth quarter of 2015. For the year ended December 31, 2015, we recorded a decrease in net realizable value of the REO in the amount of $6.6 million compared to an increase of $7.6 million for the comparable 2014 period. Increases and write- downs of the net realizable value reflect increases or declines in value of the REO subsequent to foreclosure date, but prior to the date of sale.

The following table presents the balances of the REO for continuing operations:

	December 31,	
	2015	**2014**
REO	$ 28,058	$ 20,674
Impairment (1)	(8,469)	(1,874)
Ending balance	$ 19,589	$ 18,800
REO inside trusts	$ 19,589	$ 18,800
REO outside trusts	-	-
Total	$ 19,589	$ 18,800

(1) Impairment represents the cumulative write-downs of net realizable value subsequent to foreclosure.

In calculating the cash flows to assess the fair value of the securitized mortgage collateral, we estimate the future losses embedded in our loan portfolio. In evaluating the adequacy of these losses, management takes many factors into consideration. For instance, a detailed analysis of historical loan performance data is accumulated and reviewed. This data is analyzed for loss performance and prepayment performance by product type, origination year and securitization issuance. The data is also broken down by collection status. Our estimate of losses for these loans is developed by estimating both the rate of default of the loans and the amount of loss severity in the event of default. The rate of default is

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assigned to the loans based on their attributes (*e.g.*, original loan-to-value, borrower credit score, documentation type, geographic location, etc.) and collection status. The rate of default is based on analysis of migration of loans from each aging category. The loss severity is determined by estimating the net proceeds from the ultimate sale of the foreclosed property. The results of that analysis are then applied to the current mortgage portfolio and an estimate is created. We believe that pooling of mortgages with similar characteristics is an appropriate methodology in which to evaluate the future loan losses.

Management recognizes that there are qualitative factors that must be taken into consideration when evaluating and measuring losses in the loan portfolios. These items include, but are not limited to, economic indicators that may affect the borrower's ability to pay, changes in value of collateral, political factors, employment and market conditions, competitor's performance, market perception, historical losses, and industry statistics. The assessment for losses is based on delinquency trends and prior loss experience and management's judgment and assumptions regarding various matters, including general economic conditions and loan portfolio composition. Management continually evaluates these assumptions and various relevant factors affecting credit quality and inherent losses.

Results of Operations

For the year ended December 31, 2015 compared to the year ended December 31, 2014

	For the Year Ended December 31,			
	2015	2014	Increase (Decrease)	% Change
Revenues	$ 166,957	$ 44,139	$ 122,818	278%
Expenses (1)	(95,681)	(57,340)	38,341	67
Net interest income	1,946	1,135	811	71
Change in fair value of long-term debt	(8,661)	(4,014)	(4,647)	(116)
Change in fair value of net trust assets, including trust REO (losses) gains	(5,638)	11,063	(16,701)	(151)
Income tax benefit (expense)	21,876	(1,305)	23,181	1,776
Net earnings (loss)	80,799	(6,322)	87,121	1,378
Earnings (loss) per share available to common stockholders basic	$ 8.00	$ (0.68)	$ 8.68	1,276%
Earnings (loss) per share available to common stockholders diluted	$ 6.40	$ (0.68)	$ 7.08	1,041%

(1) Offsetting and included are changes in contingent consideration liability of approximately $37.8 million for the year ended December 31, 2015.

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Revenues

	For the Year Ended December 31,			
	2015	2014	Increase (Decrease)	% Change
Gain on sale of loans, net	$ 169,206	$ 28,217	$ 140,989	500%
Real estate services fees, net	9,850	14,729	(4,879)	(33)
Servicing income, net	6,102	4,586	1,516	33
Loss on mortgage servicing rights	(18,598)	(5,116)	(13,482)	(264)
Other revenues	397	1,723	(1,326)	(77)
Total revenues	$ 166,957	$ 44,139	$ 122,818	278%

Gain on sale of loans, net. For the year ended December 31, 2015, gain on sale of loans, net were $169.2 million compared to $28.2 million in the comparable 2014 period. The $141.0 million increase is primarily related to a $132.2 million increase in premiums received from the sale of mortgage loans, a $68.7 million increase in premiums from servicing retained loan sales, a $15.2 million increase in realized and unrealized net gains on derivative financial instruments and a $1.2 million decrease in provision for repurchases, partially offset by $69.9 million increase in net direct loan origination expenses and a $6.5 million decrease in mark-to-market gains on LHFS.

The overall increase in gain on sale of loans, net was due to increased volumes and gain on sale margins predominantly due to the growth in our mortgage lending division including the first quarter acquisition of CCM. For the year ended December 31, 2015, we originated and sold $9.3 billion and $9.2 billion of loans, respectively, as compared to $2.8 billion and $2.7 billion of loans originated and sold, respectively, during the same period in 2014. Margins increased to approximately 183 bps for the year ended December 31, 2015 as compared to 99 bps for the same period in 2014 due to an increase in concentration of retail loans which have higher margins. In the first quarter of 2015, gain on sale of loans, net included loan origination costs related to the acquisition of CCM. Beginning in the second quarter of 2015, the operations of CCM were consolidated with our mortgage lending segment, therefore, the operating expenses of CCM were included in personnel and general, administrative, and other expense.

Real estate services fees, net. For the year ended December 31, 2015, real estate services fees, net were $9.9 million compared to $14.7 million in the comparable 2014 period. The $4.9 million decrease was primarily the result of a decrease in transactions related to the decline in the number of loans and the UPB of the long-term mortgage portfolio. As the long-term mortgage portfolio continues to decline, we expect real estate services and the related revenues to decline.

Servicing income, net. For the year ended December 31, 2015, servicing income, net was $6.1 million compared to $4.6 million in the comparable 2014 period. The increase in servicing income, net was the result of the servicing portfolio increasing 56% to an average balance of $3.5 billion for the year ended December 31, 2015 as compared to an average balance of $2.3 billion for the year ended December 31, 2014. The increase in the average balance of the servicing portfolio is a result of servicing retained loan sales of $9.0 billion partially offset by $7.3 billion in mortgage servicing sales for the year ended December 31, 2015 as compared to $2.7 billion of servicing retained loan sales and $2.6 billion in mortgage servicing rights sales for the same period in 2014.

Loss on mortgage servicing rights. For the year ended December 31, 2015, loss on mortgage servicing rights was $18.6 million compared to a loss of $5.1 million in the comparable 2014 period. The loss on mortgage servicing rights was primarily the result of an $8.0 million loss on sale of servicing rights due to refunds of premiums to investors for loan payoffs associated with sales of servicing rights in previous periods. Losses were also associated with the reduction in interest rates from FHA dropping its

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required mortgage insurance premium by 0.50% in January 2015. Additionally, we recorded a $10.9 million loss from change in fair value of mortgage servicing rights related to a decrease in interest rates and prepayments experienced during the year ended December 31, 2015. Additionally, during the fourth quarter of 2015, we began hedging mortgage servicing rights with TBA MBS resulting in $387 thousand in realized and unrealized gains. For the year ended December 31, 2014, loss on mortgage servicing rights was primarily the result of a ($6.2) million change in fair value of MSRs due to an increase in prepayment speed assumptions as a result of a decrease in interest rates during the period, partially offset by a $1.1 million gain on the sale of mortgage servicing rights. Because mortgage servicing rights are recorded on the consolidated balance sheet at estimated fair value, we normally experience mark-to-market gains or losses due to changes in the value of servicing between the initial recording and the fair value estimate at the balance sheet date when there is volatility in interest rates.

Other revenues. For the year ended December 31, 2015, other revenues were $397 thousand compared to $1.7 million in the comparable 2014 period. The decrease in other revenue was due to the sale of AmeriHome during the first quarter of 2014 resulting in a $1.2 million gain.

Expenses

	For the Year Ended December 31,			
	2015	2014	Increase (Decrease)	% Change
Personnel expense	$ 77,821	$ 37,398	$ 40,423	108%
Business promotion	27,650	1,182	26,468	2239
General, administrative and other	27,988	18,760	9,228	49
Accretion of contingent consideration	8,142	-	8,142	n/a
Change in fair value of contingent consideration	(45,920)	-	(45,920)	n/a
Total expenses	$ 95,681	$ 57,340	$ 38,341	67%

Total expenses for the year ended December 31, 2015 include CCM expenses from April 1, 2015 to December 31, 2015, as the transaction closed March 31, 2015. In accordance with GAAP, expenses of the CCM division were presented as a reduction to gain on sale of loans, net during the first quarter of 2015.

Total expenses were $95.7 million for the year ended December 31, 2015, compared to $57.3 million for the comparable period in 2014. Personnel expenses increased $40.4 million to $77.8 million during 2015. The increase is primarily due to the acquisition of CCM during the first quarter of 2015 which contributed an additional $31.2 million in personnel expense for the year ended December 31, 2015 as well as the addition of new sales personnel in the wholesale and correspondent division as compared to the same period in 2014.

Business promotion was $27.7 million for the year ended December 31, 2015, compared to $1.2 million for the same period in 2014. The increase is due to the operations of CCM which were acquired during the first quarter of 2015. This division operates as a centralized call center that utilizes a marketing platform to generate customer leads through the internet and call center loan agents. Our centralized call center purchases leads and promotes its business through radio and television advertisements. This increase is part of our strategic goal to leverage the marketing platform to expand the national footprint of our retail call center volumes as well as volumes of our new NonQM products.

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General, administrative and other expenses increased to $28.0 million for the year ended December 31, 2015, compared to $18.8 million for the same period in 2014. The increase was primarily related to a $3.6 million increase in amortization of intangible and other assets, a $2.3 million increase in legal and professional fees, a $1.3 million increase in data processing and information technology support and a $3.5 million increase in other general and administrative expenses related to the acquisition of CCM during the first quarter of 2015. In accordance with GAAP, there was no amortization of intangibles related to CCM in the first quarter of 2015.

Throughout 2015, we updated assumptions to value the contingent consideration liability which included reductions in gain on sale margins based on current market conditions and estimates of loan originations and operating expenses for CCM. Based on updated assumptions, we recorded a $45.9 million change in fair value associated with a reduction in the contingent consideration liability for the year ended December 31, 2015. The change in fair value of contingent consideration was related to the estimated reduction in future pre-tax earnings of CCM over the expected earn-out period. The fair value of contingent consideration may change from quarter to quarter based upon actual experience and updated assumptions used to forecast pre-tax earnings for CCM.

Beginning in the second quarter of 2015, as part of the acquisition of CCM, we record accretion of the contingent consideration liability from the close of the transaction in March 2015 through the end of the earn-out period in 2017, which increases the contingent consideration liability. The estimated contingent consideration liability is based on discounted cash flows which represent the time value of money of the liability during the earn-out period. For the year ended December 31, 2015, accretion increased the contingent consideration liability by $8.1 million. We did not record accretion in the first quarter of 2015 as the acquisition transaction did not close until March 31, 2015, however the accretion will continue to be a charge against earnings in future quarters until the end of the earn-out period.

Other Income (Expense)

	For the Year Ended December 31,			
	2015	2014	Increase (Decrease)	% Change
Interest income	$ 276,799	$ 295,656	$ (18,857)	(6)%
Interest expense	(274,853)	(294,521)	19,668	7
Change in fair value of long-term debt	(8,661)	(4,014)	(4,647)	(116)
Change in fair value of net trust assets, including trust REO (losses) gains	(5,638)	11,063	(16,701)	(151)
Total other (expense) income	$ (12,353)	$ 8,184	$ (20,537)	(251)%

Net Interest Income (Expense)

We earn net interest income primarily from mortgage assets which include securitized mortgage collateral, mortgage loans held-for-sale and investment securities available-for-sale, or collectively, "mortgage assets," and, to a lesser extent, interest income earned on cash and cash equivalents. Interest expense is primarily interest paid on borrowings secured by mortgage assets, which include securitized mortgage borrowings and warehouse borrowings and to a lesser extent, interest expense paid on long-term debt, Convertible Notes, notes payable and line of credit. Interest income and interest expense during the period primarily represents the effective yield, based on the fair value of the trust assets and liabilities.

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The following tables summarize average balance, interest and weighted average yield on interest-earning assets and interest-bearing liabilities, included within continuing operations, for the periods indicated. Cash receipts and payments on derivative instruments hedging interest rate risk related to our securitized mortgage borrowings are not included in the results below. These cash receipts and payments are included as a component of the change in fair value of net trust assets.

	For the Year Ended December 31,					
	2015			2014		
	Average Balance	Interest	Yield	Average Balance	Interest	Yield
ASSETS						
Securitized mortgage collateral	$ 4,942,276	$ 262,902	5.32%	$ 5,413,104	$ 289,603	5.35%
Mortgage loans held-for-sale	320,917	11,737	3.66%	136,651	5,875	4.30%
Finance receivables	52,707	2,120	4.02%	3,013	139	4.61%
Other	20,547	40	0.19%	11,076	39	0.35%
Total interest-earning assets	$ 5,336,447	$ 276,799	5.19%	$ 5,563,844	$ 295,656	5.31%
LIABILITIES						
Securitized mortgage borrowings	$ 4,941,440	$ 254,626	5.15%	$ 5,410,742	$ 283,951	5.25%
Warehouse borrowings (1)	353,750	11,574	3.27%	136,789	4,616	3.37%
Long-term debt	28,872	3,773	13.07%	17,386	4,270	24.56%
Convertible notes	36,301	2,777	7.65%	20,000	1,548	7.74%
Term financing	15,123	1,587	10.49%	-	-	0.00%
Short-term borrowings	3,491	398	11.40%	33	2	6.06%
Other	3,923	118	3.01%	3,453	134	3.88%
Total interest-bearing liabilities	$ 5,382,900	$ 274,853	5.11%	$ 5,588,403	$ 294,521	5.27%
Net Interest Spread (2)		$ 1,946	0.08%		$ 1,135	0.04%
Net Interest Margin (3)			0.04%			0.02%

(1) Warehouse borrowings include the borrowings from mortgage loans held-for-sale and finance receivables.

(2) Net interest spread is calculated by subtracting the weighted average yield on interest-bearing liabilities from the weighted average yield on interest-earning assets.

(3) Net interest margin is calculated by dividing net interest spread by total average interest-earning assets.

Net interest spread increased $811 thousand for the year ended December 31, 2015 primarily attributable to an increase in the net interest spread on securitized mortgage collateral and securitized mortgage borrowings, an increase in the net interest spread between loans held-for-sale and finance receivables and their related warehouse borrowings and a decrease in interest expense on the long-term debt. Offsetting the increase in net spread was an increase in interest expense from the issuance of the additional Convertible Note, short-term structured debt and short-term borrowing. As a result, net interest margin increased to 0.04% for the year ended December 31, 2015 from 0.02% for the year ended December 31, 2014.

During the year ended December 31, 2015, the yield on interest-earning assets decreased to 5.19% from 5.31% in the comparable 2014 period. The yield on interest-bearing liabilities decreased to

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5.11% for the year ended December 31, 2015 from 5.27% for the comparable 2014 period. In connection with the fair value accounting for investment securities available-for-sale, securitized mortgage collateral and borrowings and long-term debt, interest income and interest expense is recognized using effective yields based on estimated fair values for these instruments. The decrease in yield for securitized mortgage collateral and securitized mortgage borrowings is primarily related to increased prices on mortgage-backed bonds which resulted in a decrease in yield as compared to the previous period. This has resulted in an increase in fair value for both securitized mortgage collateral and securitized mortgage borrowings.

Change in the fair value of long-term debt

Long-term debt (consisting of trust preferred securities and junior subordinated notes) is measured based upon an analysis prepared by the Company, which considers the Company's own credit risk and discounted cash flow analyses. Improvements in financial results and financial condition of the Company in the future could result in additional increases in the estimated fair value of the long-term debt, while deterioration in financial results and financial condition could result in a decrease in the estimated fair value of the long-term debt.

Change in the fair value of long-term debt resulted in a loss of $8.7 million for the year ended December 31, 2015, compared to a loss of $4.0 million for the comparable 2014 period as a result of the increase in the estimated fair value of long-term debt. The increase in the estimated fair value of long-term debt was primarily the result of a decrease in the discount rate attributable to an improvement in our own credit risk profile, improvement in our financial condition and results of operations from the mortgage lending segment including the acquisition of CCM during the first quarter of 2015 as well as an increase in forward LIBOR interest rates during 2015 as compared to 2014.

Change in fair value of net trust assets, including trust REO gains (losses)

	For the year ended December 31,	
	2015	**2014**
Change in fair value of net trust assets, excluding REO	$ 957	$ 3,482
(Losses) gains from REO	(6,595)	7,581
Change in fair value of net trust assets, including trust REO (losses) gains	$ (5,638)	$ 11,063

The change in fair value related to our net trust assets (residual interests in securitizations) was a loss of $5.6 million for the year ended December 31, 2015, compared to a gain of $11.1 million in the comparable 2014 period. The change in fair value of net trust assets, excluding REO was due to $957 thousand in gains from changes in fair value of securitized mortgage borrowings, securitized mortgage collateral and investment securities available-for-sale primarily associated with lower interest rates during 2015 and updated assumptions of decreased collateral losses during 2015. Additionally, the NRV of REO decreased $6.6 million during the period attributed to higher expected loss severities on properties held in the long-term mortgage portfolio primarily during the period.

The change in fair value related to our net trust assets (residual interests in securitizations) was a gain of $11.1 million for the year ended December 31, 2014. The change in fair value of net trust assets, including REO was due to a $7.6 million increase in NRV of REO during the period attributed to lower

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expected loss severities on properties held in the long-term mortgage portfolio during the period. Partially offsetting the gain was $3.5 million in gains from changes in fair value of securitized mortgage borrowings, securitized mortgage collateral and investment securities available-for-sale primarily associated with updating assumptions of increased collateral losses in the future and higher interest rates.

Income Taxes

In accordance with FASB ASC 810-10-45-8, we record a deferred charge representing income tax expense on inter-company profits that resulted from the sale of mortgages from taxable subsidiaries to IMH in prior years. The deferred charge represents the deferral of income tax expense on inter-company profits that resulted from the sale of mortgages from taxable subsidiaries to IMH prior to 2008. The deferred charge is amortized and/or impaired, which does not result in any tax liability to be paid. The deferred charge is included in other assets in the accompanying consolidated balance sheets and is amortized as a component of income tax expense in the accompanying consolidated statement of operations. We recorded a tax expense in the amount of $1.6 million and $453 thousand for the years ended December 31, 2015 and 2014, respectively, related to the deferred charge impairment, which did not result in any tax liability to be paid.

We recorded income tax (benefit) expense of $(21.9) million and $1.3 million for the years ended December 31, 2015 and 2014, respectively. The income tax benefit for 2015 is primarily the result of the reversal of a previously recorded valuation allowance of $24.4 million, partially offset by federal alternative minimum tax (AMT), amortization of the deferred charge and state income taxes from states where we do not have net operating loss carryforwards or state minimum states, including AMT. For the year ended December 31, 2014, we recorded an expense of $1.3 million primarily related to alternative minimum taxes associated with taxable income generated from the sale of AmeriHome and mortgage servicing rights.

As of December 31, 2015, we had estimated federal and California net operating loss (NOL) carryforwards of approximately $462.0 million and $421.2 million, respectively. Federal and state net operating loss carryforwards begin to expire in 2027 and 2018, respectively.

Based on pretax income of $58.9 million for the year ended December 31, 2015, the expected tax expense would be $23.6 million at an effective rate of 40%. However, we utilized $22.6 million in available NOL's by offsetting tax expense for the period with a reversal of the valuation allowance. Additionally, based on the weight of available evidence at December 31, 2015, we determined that it was more likely than not that we would generate sufficient taxable income in future periods to utilize all of our recorded net deferred tax asset.

As of December 31, 2014, we had deferred tax assets of $295.2 million which we recorded a full valuation allowance against. During the first quarter of 2015, with the aforementioned acquisition of CCM, we significantly expanded our mortgage lending operations and profitability. As of December 31, 2015, in part because of the earnings recognition during 2015, future projected earnings as well as the historical earnings of CCM, management determined that sufficient positive evidence exists to conclude that it is more likely than not that deferred taxes of $24.4 million are realizable, therefore reducing the valuation allowance accordingly. Although realization is not assured, we believe that the realization of the recognized deferred tax asset of $24.4 million at December 31, 2015 is more likely than not based on future forecasted net earnings. We estimate that we would need to generate approximately $61.0 million of taxable income during the applicable carryforward periods to fully realize the federal and state deferred tax assets. However, to the extent we are unable to generate sufficient taxable income, the ability to realize the deferred tax asset may become uncertain and an additional charge to increase the valuation allowance may be recorded.

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We are subject to federal income taxes as a regular (Subchapter C) corporation and file a consolidated U.S. federal income tax return for qualifying subsidiaries.

A valuation allowance is recognized for a deferred tax asset if, based on the weight of the available evidence, it is more likely than not that some portion of the deferred tax asset will not be realized. In making such judgments, significant weight is given to evidence that can be objectively verified. In determining the adequacy of the valuation allowance, we consider all forms of evidence, including: (1) historic earnings or losses; (2) the ability to realize deferred tax assets through carry back to prior periods; (3) anticipated taxable income resulting from the reversal of taxable temporary differences; (4) tax planning strategies; and (5) anticipated future earnings exclusive of the reversal of taxable temporary differences.

Results of Operations by Business Segment

We have three primary operating segments: Mortgage Lending, Real Estate Services and Long-Term Mortgage Portfolio. Unallocated corporate and other administrative costs, including the cost associated with being a public company, are presented in Corporate. Segment operating results are as follows:

Mortgage Lending

Condensed Statements of Operations Data

	For the Year Ended December 31,			
	2015	**2014**	**Increase (Decrease)**	**% Change**
Gain on sale of loans, net	$ 169,206	$ 28,217	$ 140,989	500%
Servicing income, net	6,102	4,586	1,516	33
Loss on mortgage servicing rights	(18,598)	(5,116)	(13,482)	(264)
Other	25	1,310	(1,285)	(98)
Total revenues	156,735	28,997	127,738	441
Other income	2,037	1,353	684	51
Personnel expense	(75,925)	(27,729)	48,196	174
Business promotion	(27,494)	(1,073)	26,421	2,462
General, administrative and other	(15,842)	(6,508)	9,334	143
Accretion of contingent consideration	(8,142)	-	8,142	n/a
Change in fair value of contingent consideration	45,920	-	(45,920)	n/a
Net earnings (loss) before income taxes	$ 77,289	$ (4,960)	$ 82,249	1,658%

For the year ended December 31, 2015, gain on sale of loans, net were $169.2 million or 183 bps compared to $28.2 million or 99 bps in the comparable 2014 period. The $141.0 million increase is primarily related to a $132.2 million increase in premiums received from the sale of mortgage loans, a $68.7 million increase in premiums from servicing retained loan sales, a $15.2 million increase in realized and unrealized net gains on derivative financial instruments and a $1.2 million decrease in provision for repurchases, partially offset by $69.9 million increase in net direct loan origination expenses and a $6.5 million decrease in mark-to-market gains on LHFS.

The overall increase in gain on sale of loans, net was due to increased volumes and gain on sale margins predominantly due to the first quarter acquisition of CCM. For the year ended December 31, 2015, we originated and sold $9.3 billion and $9.2 billion of loans, respectively, as compared to $1.7 billion and $1.6 billion of loans originated and sold, respectively, during the same period in 2014. Margins increased to approximately 183 bps for the year ended December 31, 2015 as compared to 99 bps for the same period in 2014 due to an increase in concentration of retail loans which have higher margins.

For the year ended December 31, 2015, servicing income, net was $6.1 million compared to $4.6 million in the comparable 2014 period. The increase in servicing income, net was the result of the servicing portfolio increasing 56% to an average balance of $3.5 billion for the year ended December 31, 2015 as compared to an average balance of $2.3 billion for the year ended December 31, 2014. The increase in the average balance of the servicing portfolio is a result of servicing retained loan sales of $9.0 billion partially offset by $7.3 billion in mortgage servicing sales for the year ended December 31, 2015 as compared to $2.7 billion of servicing retained loan sales and $2.6 billion in mortgage servicing rights sales for the same period in 2014.

For the year ended December 31, 2015, loss on mortgage servicing rights was $18.6 million compared to a loss of $5.1 million in the comparable 2014 period. The loss on mortgage servicing rights was primarily the result of an $8.0 million loss on sale of servicing rights due to refunds of premiums to investors for loan payoffs associated with sales of servicing rights in previous periods. Losses were also associated with the reduction in interest rates from FHA dropping its required mortgage insurance premium by 0.50% in January 2015. Additionally, we recorded a $10.9 million loss from change in fair value of mortgage servicing rights related to a decrease in interest rates and prepayments experienced during the year ended December 31, 2015. Additionally, during the fourth quarter of 2015, we began hedging mortgage servicing rights with TBA MBS resulting in $387 thousand in realized and unrealized gains. For the year ended December 31, 2014, loss on mortgage servicing rights was primarily the result of a ($6.2) million change in fair value of MSRs due to an increase in prepayment speed assumptions as a result of a decrease in interest rates during the period, partially offset by a $1.1 million gain on the sale of mortgage servicing rights. Because mortgage servicing rights are recorded on the consolidated balance sheet at estimated fair value, we normally experience mark-to-market gains or losses due to changes in the value of servicing between the initial recording and the fair value estimate at the balance sheet date when there is volatility in interest rates.

For the year ended December 31, 2015, other revenues were $397 thousand compared to $1.7 million in the comparable 2014 period. The decrease in other revenue was due to the sale of AmeriHome during the first quarter of 2014 resulting in a $1.2 million gain.

Personnel expense increased $48.2 million to $75.9 million for the year ended December 31, 2015. The increase is primarily due to the acquisition of CCM during the first quarter of 2015 which contributed an additional $31.2 million in personnel expense for the year ended December 31, 2015 as well as the addition of new sales personnel in the wholesale and correspondent division as compared to the same period in 2014. Additionally, the growth of the mortgage lending division resulted in increased allocations of certain corporate costs.

Business promotion was $27.5 million for the year ended December 31, 2015, compared to $1.1 million for the same period of 2014. The increase is due to the operations of CCM which were acquired during the first quarter of 2015. This division operates as a centralized call center that utilizes a marketing platform to generate customer leads through the internet and call center loan agents. Our centralized call center purchases leads and promotes its business through radio and television advertisements. This increase is part of our strategic goal to leverage the marketing platform to expand the national footprint of our retail call center volumes as well as volumes of our new NonQM products.

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General, administrative and other expenses increased to $15.8 million for the year ended December 31, 2015, compared to $6.5 million for the same period in 2014. The increase in general administrative and other expense was primarily related to the acquisition of CCM which contributed $7.8 million of the $9.3 million increase. The $9.3 million increase was primarily related to a $3.6 million increase in amortization of intangible and other assets, a $2.3 million increase in general administrative expense related to the increase in mortgage loan origination volume, $1.0 million increase in legal and professional fees, an $1.1 million increase in data processing and information technology support and an $1.3 million increase in additional occupancy expense, of which $1.1 million was related to the acquisition of CCM.

Throughout 2015, we updated assumptions to value the contingent consideration liability which included reductions in gain on sale margins based on current market conditions and estimates of loan originations and operating expenses for CCM. Based on updated assumptions, we recorded a $45.9 million change in fair value associated with a reduction in the contingent consideration liability for the year ended December 31, 2015. The change in fair value of contingent consideration was related to the estimated reduction in future pre-tax earnings of CCM over the expected earn-out period. The fair value of contingent consideration may change from quarter to quarter based upon actual experience and updated assumptions used to forecast pre-tax earnings for CCM.

Beginning in the second quarter of 2015, as part of the acquisition of CCM, we record accretion of the contingent consideration liability from the close of the transaction in March 2015 through the end of the earn-out period in 2017, which increases the contingent consideration liability. The estimated contingent consideration liability is based on discounted cash flows which represent the time value of money of the liability during the earn-out period. For the year ended December 31, 2015, accretion increased the contingent consideration liability by $8.1 million. We did not record accretion in the first quarter of 2015 as the acquisition transaction did not close until March 31, 2015, however the accretion will continue to be a charge against earnings in future quarters until the end of the earn-out period.

Real Estate Services

	For the Year Ended December 31,			
	2015	2014	Increase (Decrease)	% Change
Real estate services fees, net	$ 9,850	$ 14,729	$ (4,879)	(33)%
Other income (expense)	-	(5)	5	n/a
Personnel expense	(5,052)	(5,250)	198	4
General, administrative and other	(899)	(802)	(97)	(12)
Net earnings before income taxes	$ 3,899	$ 8,672	$ (4,773)	(55)%

For the year ended December 31, 2015, real estate services fees, net were $9.9 million compared to $14.7 million in the comparable 2014 period. The $4.9 million decrease in real estate services fees, net was the result of a $2.2 million decrease in loss mitigation fees, $2.0 million decrease in real estate and recovery fees and a $636 thousand decrease in real estate services. These reductions are primarily due to the expected decline in the outstanding balance of the long-term mortgage portfolio. As the long-term mortgage portfolio continues to decline, we expect real estate services and the related revenues to decline.

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For the year ended December 31, 2015, personnel expense and general, administrative and other expenses were relatively flat only decreasing slightly from the prior year despite the reduction in transactions and the decline in loans and balance of the long-term mortgage portfolio.

Long-Term Mortgage Portfolio

	For the Year Ended December 31,			
	2015	2014	Increase (Decrease)	% Change
Other revenue	$ 263	$ 371	(108)	(29)%
Personnel expense	(244)	(342)	(98)	(29)
General, administrative and other	(433)	(582)	(149)	(26)
Total expenses	(677)	(924)	247	27
Net interest income	4,513	1,407	3,106	221
Change in fair value of long-term debt	(8,661)	(4,014)	(4,647)	(116)
Change in fair value of net trust assets, including trust REO gains (losses)	(5,638)	11,063	(16,701)	(151)
Total other (expense) income	(9,786)	8,456	(18,242)	(216)
Net (loss) earnings before income taxes	$ (10,200)	$ 7,903	$ (18,103)	(229)%

For the year ended December 31, 2015, other revenue totaled $263 thousand as compared to $371 thousand for the comparable 2014 period. The $108 thousand decrease is primarily due to a $79 thousand decrease in master servicing revenue earned on the long-term mortgage portfolio.

For the year ended December 31, 2015, net interest income totaled $4.5 million as compared to $1.4 million for the comparable 2014 period. Net interest income increased $3.1 million for the year ended December 31, 2015 primarily attributable to a $2.6 million increase in performance of the portfolio. Additionally, net interest income increased $497 thousand due to a decrease in interest expense on the long-term debt.

Change in the fair value of long-term debt resulted in a loss of $8.7 million for the year ended December 31, 2015, compared to a loss of $4.0 million for the comparable 2014 period as a result of the increase in the estimated fair value of long-term debt. The increase in the estimated fair value of long-term debt was primarily the result of a decrease in the discount rate attributable to an improvement in our own credit risk profile, improvement in our financial condition and results of operations from the mortgage lending segment including the acquisition of CCM during the first quarter of 2015 as well as an increase in forward LIBOR interest rates during 2015 as compared to 2014.

The change in fair value related to our net trust assets (residual interests in securitizations) was a loss of $5.6 million for the year ended December 31, 2015, compared to a gain of $11.1 million in the comparable 2014 period. The change in fair value of net trust assets, excluding REO was due to $957 thousand in gains from changes in fair value of securitized mortgage borrowings, securitized mortgage collateral and investment securities available-for-sale primarily associated with lower interest rates during 2015 and updated assumptions of decreased collateral losses during 2015. Additionally, the NRV of REO decreased $6.6 million during the period attributed to higher expected loss severities on properties held in the long-term mortgage portfolio primarily during the period.

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Corporate

	For the Year Ended December 31,			
	2015	2014	Increase (Decrease)	% Change
Interest expense	$ (4,604)	$ (1,620)	(2,984)	(184)%
Other expenses	(7,461)	(15,012)	7,551	50
Net loss before income taxes	$ (12,065)	$ (16,632)	$ 4,567	27%

For the year ended December 31, 2015, interest expense totaled $4.6 million as compared to $1.6 million for the comparable 2014 period. Interest expense increased $3.0 million for the year ended December 31, 2015 primarily attributable to the $30.0 million term financing entered into in June of 2015, the issuance of an additional $25.0 million Convertible Notes in May 2015, the $6.0 million short-term structured debt agreement entered into in December 2014 (which was repaid in June 2015) and the $10.0 million short-term promissory note entered into in April 2015 and repaid in May 2015.

For the year ended December 31, 2015, other expenses decreased to $7.6 million as compared to $15.0 million for the comparable 2014 period. The decrease was primarily due to an $8.3 million increase in allocated corporate expenses as well as a $2.8 million decrease in occupancy expense. The growth of the mortgage lending division resulted in increased allocations of certain corporate costs due to increased headcount. Partially offsetting the decrease was a $1.7 million increase in legal and professional fees.

Liquidity and Capital Resources

During the year ended December 31, 2015, we funded our operations primarily from mortgage lending revenues and real estate services fees, net, which include gains on sale of loans, net, and other mortgage related income, portfolio loss mitigation and real estate services fees, net, primarily generated from our long-term mortgage portfolio, and cash flows from our residual interests in securitizations. Additionally, we funded mortgage loan originations using warehouse facilities which are typically repaid once the loan is sold. During the second quarter of 2015, we raised approximately $55.0 million of debt to provide the liquidity needed to fund warehouse facility haircuts, retain mortgage servicing rights and working capital to fund the growth of origination volumes. Furthermore, we used the proceeds of approximately $70.0 million from the sale of mortgage servicing rights as an additional source of liquidity, as well as borrowings under the $4.0 million line of credit, $6.0 million short-term structured debt and $10.0 million short-term Promissory Note. All of which have been repaid. In order to support the continued growth of our mortgage lending platform, we intend to continue to manage our capital through the sale of mortgage servicing rights. We may also seek to raise capital by issuing debt or equity.

The CCM acquisition contingent consideration payments for the first three earn-out periods were approximately $38.0 million and was paid during the second, third and fourth quarters of 2015. These contingent consideration payments are based on the performance of the CCM division and over time are expected to decline for the remaining earn-out periods since the earn-out percentage decreases to 55% beginning in 2016 and to 45% beginning in 2017. Additionally, the quarterly contingent consideration payment due in February 2016 for the fourth earn-out period is expected to be approximately $4.1 million.

In January 2016, pursuant to the terms of the $20.0 million Convertible Promissory Notes issued in April 2013 (the "Notes"), we elected to exercise our option to convert the Notes to common stock. The conversion resulted in the issuance of 1,839,080 shares of common stock. As of March 4, 2016, there

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are now 12,178,250 shares of our common stock outstanding. As a result of the transaction, we converted $20.0 million of debt into equity and are required to pay interest through April 2016, as part of the original agreement. We entered into an agreement with the noteholders to delay the interest payment until it was originally due, in March and April 2016.

In October and November 2015, we sold $4.5 billion of conventional and Ginne Mae mortgage servicing rights for approximately $46.0 million.

In June 2015, the Company and certain subsidiaries, (IRES, IMC and Impac Warehouse Lending, Inc. (IWLI), collectively, the (Borrowers)) entered into a Loan Agreement (Loan Agreement) with a lender (Lender) pursuant to which the Lender provided to the Borrowers a term loan in the aggregate principal amount of $30.0 million (Term Financing) due and payable on December 19, 2016, which may be extended up to December 18, 2017 at the Lender's discretion. In connection with the Term Financing, the Borrowers issued to the Lender a Term Note dated June 19, 2015. The Lender may in its discretion make additional advances in an aggregate amount not to exceed $50.0 million (including amounts then outstanding). The proceeds from the Term Financing were used to pay off the working capital line of credit with a national bank (approximately $4.0 million) and amounts under an existing master repurchase agreement with the Lender (approximately $3.2 million). The Borrowers also paid the Lender an origination fee of $300 thousand. The Term Financing is payable monthly and accrues interest at the per annum rate equal to LIBOR plus 8.5%. Amounts under the Term Financing may be prepaid at any time without penalty or premium, provided, however, that any prepayments made within nine months of the closing date will be subject to, with certain exceptions, a prepayment premium equal to 50% of the then applicable interest rate multiplied by the amount of the prepayment that would be payable until the end of the nine months. Such prepayment premium is no longer applicable since the nine month period has expired as of the filing date of this Form 10-K. The Borrowers are subject to mandatory prepayment on the Term Financing based on a borrowing base formula that includes amounts under outstanding warehouse facilities, market value of mortgage servicing rights and residual securities and certain mortgage loans.

In May 2015, we issued $25.0 million in original aggregate principal amount of Convertible Promissory Notes (Convertible Notes). The Convertible Notes mature on or before May 9, 2020 and accrue interest at a rate of 7.5% per annum, to be paid quarterly. Note holders may convert all or a portion of the outstanding principal amount of the Convertible Notes to shares of IMH common stock at a rate of $21.50 per share, subject to adjustment for stock splits and dividends. The Company has the right to force a conversion if the stock price of IMH common stock reaches $30.10 for 20 trading days in a 30 day consecutive period.

In April 2015, we issued a $10.0 million short term Promissory Note, to a related party, with an interest rate of 15%. The balance was repaid in May 2015.

Our results of operations and liquidity are materially affected by conditions in the markets for mortgages and mortgage-related assets, as well as the broader financial markets and the general economy. Concerns over economic recession, geopolitical issues, unemployment, the availability and cost of financing, the mortgage market and real estate market conditions contribute to increased volatility and diminished expectations for the economy and markets. Volatility and uncertainty in the marketplace may make it more difficult for us to obtain financing on favorable terms or at all. Our operations and profitability may be adversely affected if we are unable to obtain cost-effective financing.

We believe that current cash balances, cash flows from our mortgage lending operations, the sale of mortgage servicing rights, real estate services fees generated from our long-term mortgage portfolio, and residual interest cash flows from our long-term mortgage portfolio are adequate for our current operating needs. We believe the mortgage and real estate services market is volatile, highly competitive and subject to increased regulation. Competition in mortgage lending comes primarily from mortgage bankers, commercial banks, credit unions and other finance companies which have offices in our market area as well as operations throughout the United States. We compete for loans principally on the basis of the interest rates and loan fees we charge, the types of loans we originate and the quality of services we provide to borrowers, brokers and sellers. Additionally, performance of the long-term mortgage portfolio is subject to the current real estate market and economic conditions. Cash flows from our residual interests in securitizations are sensitive to delinquencies, defaults and credit losses associated with the securitized loans. Losses in excess of current estimates will reduce the residual interest cash receipts from our long-term mortgage portfolio.

While we continue to pay our obligations as they become due, the ability to continue to meet our current and long-term obligations is dependent upon many factors, particularly our ability to successfully operate our mortgage lending segment, real estate services segment and realizing cash flows from the long-term mortgage portfolio. Our future financial performance and profitability are dependent in large part upon the ability to expand our mortgage lending platform successfully.

Sources of Liquidity

Cash flows from our mortgage lending operations. We receive loan fees from loan originations. Fee income consists of application and underwriting fees and fees on cancelled loans. These loan fees are offset by the related direct loan origination costs including broker fees related to our wholesale and correspondent channels. In addition, we generally recognize net interest income on loans held for sale from the date of origination through the date of disposition. We sell or securitize substantially all of the loans we originate in the secondary mortgage market, with servicing rights released or retained. Loans are sold on a whole loan basis by entering into sales transactions with third-party investors in which we receive a premium for the loan and related servicing rights, if applicable. The mortgage lending operations sold $9.2 billion of mortgages through whole loan sales and securitizations during 2015. Additionally, the mortgage lending operations enter into IRLCs and utilize Hedging Instruments to hedge interest rate risk. We may be subject to pair-off gains and losses associated with these Hedging Instruments. Since we rely significantly upon loan sales to generate cash proceeds to repay warehouse borrowings and to create credit availability, any disruption in our ability to complete sales may require us to utilize other sources of financing, which, if available at all, may be on less favorable terms. In addition, delays in the disposition of our mortgage loans increase our risk by exposing us to credit and interest rate risk for this extended period of time.

We receive servicing income net of subservicing cost and other related servicing expenses from our mortgage servicing portfolio. Additionally, we strategically sell MSRs to generate liquidity, keep the amount of capital invested in MSRs at acceptable levels and provide capital needed for further growth. During 2015, our mortgage servicing portfolio increased to $3.6 billion at December 31, 2015, as compared to $2.3 billion at December 31, 2014. The increase was due to servicing retained loan sales of $9.0 billion partially offset by bulk sales of MSRs totaling $7.3 billion in UPB generating approximately $70.0 million in sale proceeds. The increase in servicing income, net was the result of the servicing portfolio increasing 56% to an average balance of $3.5 billion for the year ended December 31, 2015 as compared to an average balance of $2.3 billion for the year ended December 31, 2014.

Fees from our real estate service business activities. We earn fees from various real estate business activities, including loss mitigation, real estate disposition, monitoring and surveillance services and real estate brokerage. We provide services to investors, servicers and individual borrowers primarily by focusing on loss mitigation and performance of our long-term mortgage portfolio.

Cash flows from our long-term mortgage portfolio (residual interests in securitizations). We receive residual cash flows on mortgages held as securitized mortgage collateral after distributions are

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made to investors on securitized mortgage borrowings to the extent required credit enhancements are maintained and performance covenants are complied with for credit ratings on the securitized mortgage borrowings. These cash flows represent the difference between principal and interest payments on the underlying mortgages, affected by the following:

- servicing and master servicing fees paid;
- premiums paid to mortgage insurers;
- cash payments / receipts on derivatives;
- interest paid on securitized mortgage borrowings;
- principal payments and prepayments paid on securitized mortgage borrowings;
- overcollateralization requirements;
- actual losses, net of any gains incurred upon disposition of other real estate owned or acquired in settlement of defaulted mortgages;
- unpaid interest shortfall;
- basis risk shortfall; and
- bond write-downs reinstated.

In December 2014, certain residuals were pledged as collateral for short-term structured debt. Until the debt was repaid in June 2015, the residual cash flows were being used to make principal and interest payments for such debt payments (See further details below under *Financing Activities*.)

Additionally, we act as the master servicer for mortgages included in our long-term mortgage portfolio, which consists of CMO and REMIC securitizations. The master servicing fees we earn are generally 0.03% per annum (3 basis points) on the declining principal balances of these mortgages plus interest income on cash held in custodial accounts until remitted to investors, less any interest shortfall. However, due to the decline in interest rates, the interest income earned on cash held in custodial accounts has declined significantly.

Uses of Liquidity

Acquisition and origination of mortgage loans. During 2015, the mortgage lending operations originated or acquired $9.3 billion of mortgage loans. Capital invested in mortgages is outstanding until we sell the loans, which is one of the reasons we attempt to sell within 10-15 days of acquisition or origination. Initial capital invested in mortgage loans includes premiums paid when mortgages are acquired and originated and our capital investment, or "haircut," required upon financing, which is generally determined by the type of collateral provided and the warehouse facility terms. The mortgage lending operations acquired and originated $9.3 billion of residential mortgages, which were financed with warehouse borrowings at a haircut generally between 2% to 10% of the outstanding principal balance of the mortgage loans. The haircuts are normally recovered from sales proceeds. With the expected future increase in origination volumes we will be required to use additional capital for haircuts and increase our restricted cash balances with our warehouse lenders. At December 31, 2015, we had $2.2 million in restricted cash posted as additional collateral as compared to $1.8 million at December 31, 2014.

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Investment in mortgage servicing rights. As part of our business plan, we invest in mortgage servicing rights through the sale of mortgage loans on a servicing retained basis. During 2015, we capitalized $98.1 million in mortgage servicing rights from selling $9.0 billion in loans with servicing retained. Partially offsetting this investment was the sale of approximately $75.0 million in servicing rights ($7.3 billion of mortgage loans) from the servicing portfolio.

Cash flows from financing facilities and other lending relationships. We primarily fund our mortgage originations through warehouse facilities with third-party lenders which are primarily with national and regional banks. During 2015, the warehouse facilities borrowing capacity amounted to $675.0 million, of which $325.6 million was outstanding at December 31, 2015. The warehouse facilities are secured by and used to fund single-family residential mortgage loans until such loans are sold. The warehouse facilities agreements contain certain covenants which we are required to satisfy. In order to mitigate the liquidity risk associated with warehouse borrowings, we attempt to sell our mortgage loans within 10-15 days from acquisition or origination. In December 2014, we entered into a $6.0 million short-term structured debt agreement to finance our residual interests, which was repaid in June 2015. In May 2015, we raised additional capital with the issuance of $25.0 million in Convertible Notes.

Our ability to meet liquidity requirements and the financing needs of our customers is subject to the renewal of our warehouse facilities or obtaining other sources of financing, if required, including additional debt or equity from time to time. Any decision our lenders or investors make to provide available financing to us in the future will depend upon a number of factors, including:

- our compliance with the terms of existing warehouse lines and credit arrangements, including any financial covenants;
- the ability to obtain waivers upon any noncompliance;
- our financial performance;
- industry and market trends in our various businesses;
- the general availability of, and rates applicable to, financing and investments;
- our lenders or investors resources and policies concerning loans and investments; and
- the relative attractiveness of alternative investment or lending opportunities.

Repurchase Reserve. When we sell loans through whole loan sales we are required to make normal and customary representations and warranties about the loans to the purchaser. Our whole loan sale agreements generally require us to repurchase loans if we breach a representation or warranty given to the loan purchaser. In addition, we may be required to repurchase loans as a result of borrower fraud or if a payment default occurs on a mortgage loan shortly after its sale.

From time to time, investors have requested us to repurchase loans or to indemnify them against losses on certain loans which the investors believe either do not comply with applicable representations or warranties or defaulted shortly after its purchase. We record an estimated reserve for these losses at the time the loan is sold, and adjust the reserve to reflect the estimated loss.

Financing Activities

Short-Term Structured Debt. In December 2014, we entered into a $6.0 million short-term structured debt agreement using eight of our residual interests (net trust assets) as collateral. We received proceeds of $6.0 million and had transaction costs of approximately $60 thousand. The debt

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was repaid in June 2015. Prior to the repayment, the debt bore interest at LIBOR + 5.75% per annum and had a final repurchase date of June 29, 2015. The holder received monthly principal and interest payments which were equal to the distributions from the residual interest underlying collateral with a minimum payment of $500,000. If the cash flows received from the collateralized residual interests were less than $500,000, we were required to pay the difference to avoid the transfer of the residual interests and the rights to the associated future cash flows to the note holder.

Convertible Notes. In April 2013, we raised $20.0 million from the issuance of Convertible Notes. The Convertible Notes accrue interest at a rate of 7.5% per annum to be paid quarterly and mature in April 2018. Note holders may convert all or a portion of the outstanding principal amount of the Convertible Notes to shares of IMH common stock at a rate of $10.875 per share, subject to adjustment for stock splits and dividends. We have the right to force a conversion if the stock price of IMH common stock reaches $16.3125 for 20 trading days during any period of 30 consecutive trading days. In January 2016, we elected to exercise our option to convert the Notes to common stock. The conversion resulted in the issuance of 1,839,080 shares of common stock.

In May 2015, we issued an additional $25.0 million Convertible Promissory Notes (2015 Convertible Notes). The 2015 Convertible Notes mature on or before May 9, 2020 and accrue interest at a rate of 7.5% per annum, to be paid quarterly. Note holders may convert all or a portion of the outstanding principal amount of the 2015 Convertible Notes to shares of IMH common stock at a rate of $21.50 per share, subject to adjustment for stock splits and dividends. We have the right to force a conversion if the stock price of IMH common stock reaches $30.10 for 20 trading days in a 30 day consecutive period.

Term Financing. In June 2015, we entered into a Loan Agreement with a Lender pursuant to which the Lender provided to the Borrowers a term loan in the aggregate principal amount of $30.0 million due and payable on December 19, 2016, which may extend to December 18, 2017 at the Lender's discretion. Interest on the Term Financing is payable monthly and accrues at a rate of LIBOR plus 8.5% per annum. In connection with the Term Financing, the Borrowers issued to the Lender a Term Note dated June 19, 2015. At December 31, 2015, the interest rate was 8.9% on the term financing.

Working Capital Line of Credit (Line of Credit). In June 2014, we amended the $4.0 million working capital line of credit agreement with a national bank at an interest rate of one-month LIBOR plus 3.50% extending the expiration to June 2015. Prior to repayment, we made monthly interest payments based on the unpaid balance of the Line of Credit. Under the terms of the agreement we were required to maintain various financial and other covenants. In June 2015, we used approximately $4.0 million of the proceeds from the Term Financing to fully satisfy the remaining amount due on the line of credit agreement and terminated the line. At December 31, 2014, the outstanding balance under the line of credit was $4.0 million and was included in other liabilities on the consolidated balance sheets.

Long-term Debt (Trust Preferred Securities and Junior Subordinated Notes). Trust Preferred Securities had an outstanding principal balance of $8.5 million at December 31, 2015 with a stated maturity of July 30, 2035. The Trust Preferred Securities requires quarterly distributions at a variable rate of three-month LIBOR plus 3.75% per annum. At December 31, 2015, the interest rate was 4.1%. The Junior Subordinated Notes are redeemable at par at any time after July 30, 2010 and requires quarterly distributions initially at a fixed rate of 2.00% per annum through December 2013 with increases of 1.00% per year through 2017. Starting in 2018, the interest rates become variable at 3-month LIBOR plus 3.75% per annum. At December 31, 2015, the interest rate was 4.0%. The Junior Subordinated Notes had an outstanding principal balance of $62.0 million at December 31, 2015 with a stated maturity of March 2034. We are current on all interest payments. At December 31, 2015, Long-term Debt had an outstanding principal balance of $70.5 million with an estimated fair value of $31.9 million and is reflected on our consolidated balance sheets as long-term debt.

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Short-Term Promissory Note. In April 2015, we issued a $10.0 million short term Promissory Note with an interest rate of 15%. The balance was repaid in May 2015.

Operating activities. Net cash provided by operating activities was $30.7 million for 2015 as compared to $30.0 million for 2014 primarily due to the timing of originations and sales of loans held-for-sale between 2015 and 2014. During 2015 and 2014, the primary sources of cash in operating activities were cash received from fees generated by our mortgage and real estate service business activities, cash received from mortgage lending and excess cash flows from our residual interests in securitizations offset by operating expenses.

Investing activities. Net cash provided by investing activities was $676.3 million for 2015 as compared to $701.3 million for 2014. For 2015 and 2014, the primary source of cash from investing activities was provided by principal repayments on our securitized mortgage collateral, the sale of mortgage servicing rights, proceeds from the liquidation of REO and proceeds from the sale of AmeriHome.

Financing activities. Net cash used in financing activities was $684.6 million for 2015 as compared to $731.2 million for 2014. For 2015 and 2014, net cash used in financing activities was primarily for principal repayments on securitized mortgage borrowings, partially offset by net borrowings under warehouse agreements, borrowings under the line of credit and issuance of the term financing and convertible notes.

Inflation. The consolidated financial statements and corresponding notes to the consolidated financial statements have been prepared in accordance with GAAP, which require the measurement of financial position and operating results in terms of historical dollars without considering the changes in the relative purchasing power of money over time due to inflation. For the years ended December 31, 2015 and 2014, inflation had no significant impact on our revenues or net income. Unlike industrial companies, nearly all of our assets and liabilities are monetary in nature. As a result, interest rates have a greater effect on our performance than do the effects of general levels of inflation. Inflation affects our operations primarily through its effect on interest rates, since interest rates normally increase during periods of high inflation and decrease during periods of low inflation.

Off Balance Sheet Arrangements

When we sell or broker loans through whole-loan sales, we are required to make normal and customary representations and warranties to the loan originators or purchasers, including guarantees against early payment defaults typically 90 days, and fraudulent misrepresentations by the borrowers. Our agreements generally require us to repurchase loans if we breach a representation or warranty given to the loan purchaser. In addition, we may be required to repurchase loans as a result of borrower fraud or if a payment default occurs on a mortgage loan shortly after its sale. Because the loans are no longer on our balance sheet, the representations and warranties are considered a guarantee. During 2015, we sold $9.2 billion of loans subject to representations and warranties compared to $2.7 billion sold and $2.5 million brokered in 2014. At December 31, 2015, we had $5.2 million in repurchase reserve related to the loans sold since early 2011 by the continuing mortgage lending operation as compared to a reserve of $5.7 million as December 31, 2014. As previously reported, in the first quarter of 2015, we settled our repurchase liability with FNMA related to our legacy non-conforming mortgage operations. As part of the agreement, we paid FNMA $1.0 million during the first quarter with a final payment of $228 thousand paid in April 2015. In addition to the $1.2 million paid to FNMA in 2015, we paid approximately $262 thousand to settle repurchase demands on loans previously sold to third parties. During 2014, we paid approximately $5.3 million to settle or repurchase mortgage loans sold to FNMA related to our legacy non-conforming mortgage operations.

See disclosures in the notes to the consolidated financial statements under "Commitments and Contingencies" for other arrangements that qualify as off balance sheet arrangements.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

As a smaller reporting company, we are not required to provide the information required by this Item.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The information required by this Item 8 is incorporated by reference to Impac Mortgage Holdings, Inc.'s Consolidated Financial Statements and Independent Auditors' Report beginning at page F-1 of this Form 10-K.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

The Company maintains disclosure controls and procedures (as defined in the Securities Exchange Act of 1934 Rules 13a-15(e) or 15d-15(e)) designed to ensure that information required to be disclosed in reports filed or submitted under the Securities Exchange Act of 1934, as amended (Exchange Act), is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the Company's management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

The Company's management, with the participation of its chief executive officer (CEO) and its chief financial officer (CFO), evaluated the effectiveness of our disclosure controls and procedures as of December 31, 2015. Based on that evaluation, the Company's chief executive officer and chief financial officer concluded that, as of that date, the Company's disclosure controls and procedures were effective at a reasonable assurance level.

Management's Report on Internal Control over Financial Reporting

Management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Section 13a-15(f) of the Exchange Act). Internal control over financial reporting is a process designed by, or under the supervision of, the Company's CEO and CFO to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Company's financial statements for reporting purposes in conformity with U.S. generally accepted accounting principles and include those policies and procedures that (i) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (iii) provide reasonable assurance

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regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

As of December 31, 2015, management conducted an assessment of the effectiveness of the Company's internal control over financial reporting based on the framework established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 Framework) (COSO). Based on the criteria established by COSO, management concluded that the Company's internal control over financial reporting was effective as of December 31, 2015.

Our management, including our chief executive officer and chief financial officer, does not expect that our disclosure controls and procedures or our internal control over financial reporting will prevent or detect all errors and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Controls can also be circumvented by the individual acts of some persons, by collusion of two or more people, or by improper management override of the controls. Over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with associated policies or procedures. Because of the inherent limitations in a cost-effective control system, there is a risk that material misstatements due to error or fraud may occur and will not be detected on a timely basis.

Squar Milner LLP, the independent registered public accounting firm that audited the consolidated financial statements included in this Annual Report on Form 10-K, has issued an attestation report on the Company's internal control over financial reporting, a copy of which is included herein.

Changes in Internal Control Over Financial Reporting

During the quarter ended December 31, 2015, there were no changes in our internal control over financial reporting that materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

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Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders
Impac Mortgage Holdings, Inc.

We have audited Impac Mortgage Holdings, Inc.'s (the Company) internal control over financial reporting as of December 31, 2015 based on criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 Framework) (the COSO criteria). Impac Mortgage Holdings, Inc.'s management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Impac Mortgage Holdings, Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2015 based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Impac Mortgage Holdings, Inc. and subsidiaries as of December 31, 2015 and 2014 and the related consolidated statements of operations, changes in stockholders' equity and cash flows for the years then ended, and our report dated March 11, 2016 expressed an unqualified opinion on these financial statements.

/s/ SQUAR MILNER LLP

Newport Beach, California
March 11, 2016

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ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required by this Item 10 is hereby incorporated by reference to Impac Mortgage Holdings, Inc.'s definitive proxy statement, to be filed pursuant to Regulation 14A within 120 days after the end of Impac Mortgage Holdings, Inc.'s fiscal year.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this Item 11 is hereby incorporated by reference to Impac Mortgage Holdings, Inc.'s definitive proxy statement, to be filed pursuant to Regulation 14A within 120 days after the end of Impac Mortgage Holdings, Inc.'s fiscal year.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required by this Item 12 including Equity Compensation Plan Information is hereby incorporated by reference to Impac Mortgage Holdings, Inc.'s definitive proxy statement, to be filed pursuant to Regulation 14A within 120 days after the end of Impac Mortgage Holdings, Inc.'s fiscal year.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by this Item 13 is hereby incorporated by reference to Impac Mortgage Holdings, Inc.'s definitive proxy statement, to be filed pursuant to Regulation 14A within 120 days after the end of Impac Mortgage Holdings, Inc.'s fiscal year.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by this Item 14 is hereby incorporated by reference to Impac Mortgage Holdings, Inc.'s definitive proxy statement, to be filed pursuant to Regulation 14A within 120 days after the end of Impac Mortgage Holdings, Inc.'s fiscal year.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a)(3) Exhibits

The exhibits listed on the accompanying Exhibit Index are incorporated by reference into this Item 15 of this Annual Report on Form 10-K.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Irvine, State of California, on the 11th day of March 2016.

IMPAC MORTGAGE HOLDINGS, INC.

by /s/ JOSEPH R. TOMKINSON

Joseph R. Tomkinson
Chairman of the Board
and Chief Executive Officer

Pursuant to the requirements of the Securities Act of 1934, this report has been signed by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ JOSEPH R. TOMKINSON Joseph R. Tomkinson	Chairman of the Board, Chief Executive Officer and Director (Principal Executive Officer)	March 11, 2016
/s/ WILLIAM S. ASHMORE William S. Ashmore	President and Director	March 11, 2016
/s/ TODD R. TAYLOR Todd R. Taylor	Chief Financial Officer (Principal Financial and Accounting Officer)	March 11, 2016
/s/ JAMES WALSH James Walsh	Director	March 11, 2016
/s/ FRANK P. FILIPPS Frank P. Filipps	Director	March 11, 2016
/s/ STEPHAN R. PEERS Stephan R. Peers	Director	March 11, 2016
/s/ LEIGH J. ABRAMS Leigh J. Abrams	Director	March 11, 2016

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Exhibit Index

Exhibit Number	Description
2.1	Equity Purchase Agreement dated December 3, 2013 among Aris Mortgage Holding Company, LLC, Excel Mortgage Servicing, Inc. and Integrated Real Estate Service Corporation (incorporated by reference from the Registrant's Annual Report on Form 10-K for the year ended December 31, 2014).
2.2	Amended and Restated Asset Purchase Agreement dated as of May 11, 2015 and effective as of March 31, 2015 among Impac Mortgage Holdings, Inc, Impac Mortgage Corp and CashCall, Inc. Schedules and exhibits are omitted pursuant to Item 601(b)(2) of Regulation S-K. The Company agrees to furnish a supplemental copy of any omitted schedules or exhibits to the SEC upon request (incorporated by reference to exhibit 2.1 of the Registrant's Form 10-Q filed with the Securities and Exchange Commission on May 14, 2015).
2.2(a)	Amendment No. 1 to Amended and Restated Asset Purchase Agreement
2.2(b)	Amendment No. 2 to Amended and Restated Asset Purchase Agreement
3.1	Charter of the Registrant (incorporated by reference to the corresponding exhibit number to the Registrant's Registration Statement on Form S-11, as amended (File No. 33-96670), filed with the Securities and Exchange Commission on November 8, 1995).
3.1(a)	Certificate of Correction of the Registrant (incorporated by reference to exhibit 3.1(a) of the Registrant's 10-K for the year-ended December 31, 1998).
3.1(b)	Articles of Amendment of the Registrant (incorporated by reference to exhibit 3.1(b) of the Registrant's 10-K for the year-ended December 31, 1998).
3.1(c)	Articles of Amendment for change of name to Charter of the Registrant (incorporated by reference to exhibit number 3.1(a) of the Registrant's Current Report on Form 8-K/A Amendment No. 1, filed February 12, 1998).
3.1(d)	Articles of Amendment, filed with the State Department of Assessments and Taxation of Maryland on July 16, 2002, increasing authorized shares of Common Stock of the Registrant (incorporated by reference to exhibit 10 of the Registrant's Form 8-A/A, Amendment No. 2, filed July 30, 2002).
3.1(e)	Articles of Amendment, filed with the State Department of Assessments and Taxation of Maryland on June 22, 2004, amending and restating Article VII of the Registrant's Charter (incorporated by reference to exhibit 7 of the Registrant's Form 8-A/A, Amendment No. 1, filed June 30, 2004).
3.1(f)	Articles Supplementary designating the Company's 9.375 percent Series B Cumulative Redeemable Preferred Stock, liquidation preference $25.00 per share, par value $0.01 per share, filed with the State Department of Assessments and Taxation of Maryland on May 26, 2004 (incorporated by reference to exhibit 3.8 of the Registrant's Form 8-A/A, Amendment No. 1, filed June 30, 2004).

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Exhibit Number	Description
3.1(g)	Articles Supplementary designating the Company's 9.125 percent Series C Cumulative Redeemable Preferred Stock, liquidation preference $25.00 per share, par value $0.01 per share, filed with the State Department of Assessments and Taxation of Maryland on November 18, 2004 (incorporated by reference to exhibit 3.10 of the Registrant's Form 8-A filed November 19, 2004).
3.1(h)	Articles of Amendment of the Company, effective as of December 30, 2008, effecting 1-for-10 reverse stock split (incorporated by reference to exhibit 3.1 of the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on December 30, 2008).
3.1(i)	Articles of Amendment of the Company, effective as of December 30, 2008, amending par value (incorporated by reference to exhibit 3.2 of the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on December 30, 2008).
3.1(j)	Articles of Amendment of Series B Preferred Stock (incorporated by reference to exhibit 3.1 of the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on June 30, 2009).
3.1(k)	Articles of Amendment of Series C Preferred Stock (incorporated by reference to exhibit 3.2 of the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on June 30, 2009).
3.1(l)	Articles Supplementary of Series A-1 Junior Participating Preferred Stock (incorporated by reference to Exhibit 3.1 of the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on September 4, 2013).
3.2	Bylaws, as amended and restated (incorporated by reference to the corresponding exhibit number of the Registrant's Quarterly Report on Form 10-Q for the period ending March 31, 1998).
3.2(a)	Amendment to Bylaws (incorporated by reference to exhibit 3.2(a) of the Registrant's Registration Statement on Form S-3 (File No. 333-111517) filed with the Securities and Exchange Commission on December 23, 2003).
3.2(b)	Second Amendment to Bylaws (incorporated by reference to Exhibit 3.2(b) of the Registrant's Form 8-K, filed with the Securities and Exchange Commission on April 1, 2005).
3.2(c)	Third Amendment to Bylaws of the Company (incorporated by reference to Exhibit 3.2(c) of the Registrant's Form 8-K, filed with the Securities and Exchange Commission on March 29, 2006).
3.2(d)	Fourth Amendment to Bylaws of the Company (incorporated by reference to Exhibit 3.2 of the Registrant's Quarterly Report on Form 10-Q, filed with the Securities and Exchange Commission on December 20, 2007).
3.2(e)	Fifth Amendment to Bylaws of the Company (incorporated by reference to Exhibit 3.2(e) of the Registrant's Form 8-K, filed with the Securities and Exchange Commission on February 13, 2008).
3.2(f)	Amendment No. 6 to Bylaws of the Company (incorporated by reference to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on June 5, 2008).

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Exhibit Number	Description
4.1	Form of Stock Certificate of the Company (incorporated by reference to the corresponding exhibit number to the Registrant's Registration Statement on Form S-11, as amended (File No. 33-96670), filed with the Securities and Exchange Commission on September 7, 1995).
4.2	Indenture between Impac Mortgage Holdings, Inc. and Wilmington Trust Company, as trustee, dated October 18, 2005 (incorporated by reference to Exhibit 4.8 of the Registrant's Annual Report on Form 10-K for the year ended December 31, 2005).
4.2(a)	First Supplemental Indenture dated as of July 14, 2009 between Wilmington Trust Company and Impac Mortgage Holdings, Inc. to Indenture dated October 18, 2005 (incorporated by reference to Exhibit 4.1 of the Registrant's Quarterly Report on Form 10-Q for the period ended June 30, 2009).
4.3	Junior Subordinated Indenture dated May 8, 2009 between Impac Mortgage Holdings, Inc. and The Bank of New York Mellon Trust Company, National Association, as trustee, related to Junior Subordinated Note due 2034 in the principal amount of $30,244,000 (incorporated by reference to exhibit 10.3 of the Registrant's Quarterly Report on Form 10-Q for the period ended June 30, 2009).
4.4	Junior Subordinated Indenture dated May 8, 2009 between Impac Mortgage Holdings, Inc. and The Bank of New York Mellon Trust Company, National Association, as trustee, related to Junior Subordinated Note due 2034 in the principal amount of $31,756,000 (incorporated by reference to exhibit 10.4 of the Registrant's Quarterly Report on Form 10-Q for the period ended June 30, 2009).
4.5	Tax Benefits Preservation Rights Agreement, dated as of September 3, 2013, by and between Impac Mortgage Holdings, Inc. and American Stock Transfer & Trust Company, LLC, as rights agent (incorporated by reference to Exhibit 4.1 of the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on September 4, 2013).
4.5(a)	First Amendment to Tax Benefits Preservation Rights Agreement, dated as of September 24, 2013, by and between Impac Mortgage Holdings, Inc. and American Stock Transfer & Trust Company, LLC, as rights agent (incorporated by reference to Exhibit 4.1 of the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on September 25, 2013).
10.1(a)	Form of 2002 Indemnification Agreement between the Registrant and its Directors and Officers (incorporated by reference to exhibit 10.1(a) of the Registrant's Quarterly Report on Form 10-Q for the period ended September 30, 2004).
10.1(b)	Schedule of each officer and director that is a party to an Indemnification Agreement (incorporated by reference to exhibit 10.2(b) of the Registrant's Annual Report on Form 10-K for the year-ended December 31, 2007).
10.2	Form of Loan Purchase and Administrative Services Agreement between the Registrant and Impac Funding Corporation (incorporated by reference to exhibit 10.9 to the Registrant's Registration Statement on Form S-11, as amended (File No. 33-96670), filed with the Securities and Exchange Commission on September 7,1995).

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Exhibit Number	Description
10.3	Servicing Agreement effective November 11, 1995 between the Registrant and Impac Funding Corporation (incorporated by reference to exhibit 10.14 to the Registrant's Registration Statement on Form S-11, as amended (File No. 333-04011), filed with the Securities and Exchange Commission on May 17, 1996).
10.4	Lease dated March 4, 2005 regarding 19500 Jamboree Road, Newport Beach California (incorporated by reference to exhibit 10.8 of the Registrant's Annual Report on Form 10-K for the year-ended December 31, 2004).
10.4(a)	Amendment to Office Lease (incorporated by reference to Exhibit 10.2 of the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on January 28, 2016).
10.5*	Impac Mortgage Holdings, Inc. 2010 Omnibus Incentive Plan (as amended) (incorporated by reference to Exhibit 10.1 of the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on July 27, 2015).
10.5(a)*	Form of Stock Option Agreement for 2010 Omnibus Incentive Plan (incorporated by reference to exhibit 99.6 of the Registrant's Registration Statement on Form S-8 filed with the Securities and Exchange Commission on September 10, 2010).
10.5(b)*	Form of Restricted Stock Agreement for 2010 Omnibus Incentive Plan (incorporated by reference to exhibit 99.7 of the Registrant's Registration Statement on Form S-8 filed with the Securities and Exchange Commission on September 10, 2010).
10.5(c)*	Form of Stock Option Agreement for 2001 Stock Option, Deferred Stock and Restricted Stock Plan (incorporated by reference to exhibit 10.2 of the Registrant's Quarterly Report on Form 10-Q for the period ended September 30, 2004).
10.6*	Non-Employee Director Deferred Stock Unit Award Program (incorporated by reference to Exhibit 10.6 of the Registrant's Annual Report on Form 10-K for the year ended December 31, 2010).
10.6(a)*	Form of Notice of Grant Under Non-Employee Director Deferred Stock Unit Award Program (incorporated by reference to Exhibit 10.6(a) of the Registrant's Annual Report on Form 10-K for the year ended December 31, 2010).
10.7*	Employment Agreement effective as of January 1, 2013 between Impac Mortgage Holdings, Inc. and Joseph Tomkinson (incorporated by reference to Exhibit 10.1 of the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on May 9, 2013).
10.7(a)*	First amendment to Employment Contract dated as of March 17, 2014 between Joseph Tomkinson and Impac Mortgage Holdings, Inc. (incorporated by reference to Exhibit 10.7(a) of the Registrant's Annual Report on Form 10-K for the year ended December 31, 2013).
10.7(b)*	First Amendment dated November 5, 2015 to Employment Agreement between Impac Mortgage Holdings, Inc. and Joseph R. Tomkinson (incorporated by reference to Exhibit 10.2 of the Registrant's Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on November 11, 2015)

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Exhibit Number	Description
10.8*	Employment Agreement effective as of January 1, 2013 between Impac Mortgage Holdings, Inc. and William Ashmore (incorporated by reference to Exhibit 10.2 of the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on May 9, 2013).
10.8(a)*	First Amendment dated November 5, 2015 to Employment Agreement between Impac Mortgage Holdings, Inc. and William S. Ashmore (incorporated by reference to Exhibit 10.3 of the Registrant's Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on November 11, 2015)
10.9*	Employment Agreement effective as of January 1, 2014 between Impac Mortgage Holdings, Inc. and Todd Taylor (incorporated by reference to Exhibit 10.9 of the Registrant's Annual Report on Form 10-K for the year ended December 31, 2013).
10.9(a)	Amendment dated November 10, 2104 to Employment Agreement with Todd Taylor (incorporated by reference to Exhibit 10.9(a) of the Registrant's Annual Report on Form 10-K for the year ended December 31, 2014).
10.10*	Employment Agreement effective as of January 1, 2014 between Impac Mortgage Holdings, Inc and Ron Morrison (incorporated by reference to Exhibit 10.10 of the Registrant's Annual Report on Form 10-K for the year ended December 31, 2013).
10.10(a)	Amendment dated November 10, 2104 to Employment Agreement with Ron Morrison (incorporated by reference to Exhibit 10.10(a) of the Registrant's Annual Report on Form 10-K for the year ended December 31, 2014).
10.11	Amended and Restated Declaration of Trust among Impac Mortgage Holdings, Inc., Wilmington Trust Company, as Delaware and Institutional Trustee, and the Administrative Trustees named therein, dated October 18, 2005 (incorporated by reference to Exhibit 10.29 of the Registrant's Annual Report on Form 10-K for the year ended December 31, 2005).
10.11(a)	Amendment No. 1 dated as of July 14, 2009 among Wilmington Trust Company, Impac Mortgage Holdings, Inc. and holders of Capital Securities to Amended and Restated Declaration of Trust dated October 18, 2005 (incorporated by reference to Exhibit 10.1 of the Registrant's Quarterly Report on Form 10-Q for the period ended June 30, 2009).
10.12	Exchange Agreement dated May 8, 2009 between Impac Mortgage Holdings, Inc., Taberna Preferred Funding I, Ltd., and Taberna Preferred Funding II, Ltd. (incorporated by reference to exhibit 10.2 of the Registrant's Quarterly Report on Form 10-Q for the period ended June 30, 2009).
10.13	Note Purchase Agreement dated as of April 29, 2013 by and among Impac Mortgage Holdings, Inc. and the Purchasers (incorporated by reference to Exhibit 10.1 of the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on April 30, 2013).
10.13(a)	Registration Rights Agreement dated as of April 29, 2013 by and among Impac Mortgage Holdings, Inc. and the Purchasers (incorporated by reference to Exhibit 10.3 of the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on April 30, 2013).

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Exhibit Number	Description
10.13(b)	Consent and Waiver dated January 25, 2016 to Note Purchase Agreement dated as of April 29, 2013 (incorporated by reference to Exhibit 10.1 of the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on January 28, 2016).
10.14	Master Repurchase Agreement dated January 22, 2015 with Richard H. Pickup, as Trustee of the RHP Trust dated May 31,2011, as amended and restated (incorporated by reference to Exhibit 10.1 of the Registrant's Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on May 15, 2015).
10.15	Loan Agreement dated as of June 19, 2015 among Impac Mortgage Holdings, Inc., Impac Mortgage Corp, Impac Warehouse Lending, Inc., Integrated Real Estate Service Corp. and Macquarie Alpine Inc. (incorporated by reference to Exhibit 10.1 of the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on June 25, 2015).
10.15(a)	Term Note dated as of June 19, 2015 issued by Impac Mortgage Holdings, Inc., Impac Mortgage Corp, Impac Warehouse Lending, Inc., and Integrated Real Estate Service Corp. to Macquarie Alpine Inc. (incorporated by reference to Exhibit 10.2 of the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on June 25, 2015).
10.15(b)	Security Agreement dated as of June 19, 2015 among Impac Mortgage Holdings, Inc., Impac Mortgage Corp, Impac Warehouse Lending, Inc., Integrated Real Estate Service Corp. and Macquarie Alpine Inc. (incorporated by reference to Exhibit 10.3 of the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on June 25, 2015).
10.16	Note Purchase Agreement dated as of May 8, 2015 by and among Impac Mortgage Holdings, Inc. and the Purchasers, and Registration Rights Agreement (included as Exhibit B thereto) (incorporated by reference to Exhibit 10.1 of the Registrant's Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on August 12, 2015).
10.16(a)	Form of Convertible Promissory Note Due 2020 (incorporated by reference to Exhibit 10.1(a) of the Registrant's Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on August 12, 2015).
10.17	Equity Distribution Agreement, dated December 3, 2015, between Impac Mortgage Holdings, Inc. and JMP Securities LLC (incorporated by reference to Exhibit 1.1 of the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on December 3, 2015).
10.18	Controlled Equity Offering[SM] Sales Agreement, dated December 3, 2015, between Impac Mortgage Holdings, Inc. and Cantor Fitzgerald & Co. (incorporated by reference to Exhibit 1.2 of the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on December 3, 2015).
21.1	Subsidiaries of the Registrant (incorporated by reference from the Registrant's Annual Report on Form 10-K for the year ended December 31, 2013).
23.1	Consent of Squar Milner LLP.

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Exhibit Number	Description
31.1	Certification of Chief Executive Officer pursuant to Item 601(b)(31) of Regulation S-K, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer pursuant to Item 601(b)(31) of Regulation S-K, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1**	Certifications of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101	The following financial information from our Annual Report on Form 10-K for the year ended December 31, 2015, formatted in XBRL (Extensible Business Reporting Language): (1) the Condensed Consolidated Balance Sheets, (2) the Condensed Consolidated Statements of Operations, (3) the Condensed Consolidated Statements of Stockholders' Equity, (4) the Condensed Consolidated Statements of Cash Flows, and (5) Notes to Consolidated Financial Statements, tagged as blocks of text.

* Denotes a management or compensatory plan or arrangement required to be filed as an exhibit pursuant to Item 601 of Regulation S-K

** This exhibit shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934 or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934, whether made before or after the date hereof and irrespective of any general incorporation language in any filings.

NOTE: Filings on Form 10-K, 10-Q and 8-K are under SEC File No. 001-14100.

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CONSOLIDATED FINANCIAL STATEMENTS

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Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders
Impac Mortgage Holdings, Inc.

We have audited the accompanying consolidated balance sheets of Impac Mortgage Holdings, Inc. and subsidiaries (the Company) as of December 31, 2015 and 2014, and the related consolidated statements of operations, changes in stockholders' equity, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Impac Mortgage Holdings, Inc. and subsidiaries at December 31, 2015 and 2014, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2015, based on criteria established in Internal Control Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 11, 2016, expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

/s/ SQUAR MILNER LLP

Newport Beach, California
March 11, 2016

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IMPAC MORTGAGE HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(in thousands, except share data)

	December 31, 2015	December 31, 2014
ASSETS		
Cash and cash equivalents	$ 32,409	$ 10,073
Restricted cash	3,474	2,420
Mortgage loans held-for-sale	310,191	239,391
Finance receivables	36,368	8,358
Mortgage servicing rights	36,425	24,418
Securitized mortgage trust assets	4,594,534	5,268,531
Goodwill	104,938	352
Intangible assets, net	29,975	-
Deferred tax asset, net	24,420	-
Other assets	38,583	25,029
Total assets	$ 5,211,317	$ 5,578,572