

NEW CENTURY REIT INC
Form S-3/A
August 20, 2004
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As filed with the Securities and Exchange Commission on August 20, 2004

Registration No. 333-114707

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

AMENDMENT NO. 5
TO
FORM S-3
REGISTRATION STATEMENT
UNDER THE SECURITIES ACT OF 1933

NEW CENTURY REIT, INC.

(Exact name of registrant as specified in its charter)

Maryland
(State of other jurisdiction of
incorporation or organization)

56-2451763
(I.R.S. Employer
Identification No.)

18400 Von Karman Avenue, Suite 1000

Irvine, California 92612

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(949) 440-7030

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

Brad A. Morrice

President and Chief Operating Officer

New Century REIT, Inc.

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Approximate date of commencement of proposed sale to the public:

As soon as practicable after the effective date of this registration statement.

If the only securities being registered on this form are being offered pursuant to dividend or interest reinvestment plans, please check the following box. "

If any of the securities being registered on this form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box. "

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If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

If this form is a post effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. "

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the registration statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

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The information in this preliminary prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This preliminary prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

PRELIMINARY PROSPECTUS

Subject to completion

, 2004

Shares

Common Stock

New Century REIT, Inc. is a mortgage finance company that was recently formed to continue and expand the business of New Century Financial Corporation, or New Century Financial. We expect to qualify as a real estate investment trust, or REIT, for U.S. federal income tax purposes commencing with our taxable year ending December 31, 2004.

We are offering _____ shares of our common stock in this offering. No public market currently exists for our common stock.

We have applied to list the shares of our common stock on the New York Stock Exchange, or NYSE, under the symbol NEW. We currently expect the public offering price to be between \$ _____ and \$ _____ per share. The common stock of New Century Financial, our predecessor, is listed on the Nasdaq National Market under the symbol NCEN.

Investing in our common stock involves a high degree of risk. Before buying any shares of our common stock, you should carefully consider the risk factors described in Risk factors beginning on page 13, which include the following:

- Ø the current price of New Century Financial common stock may not be indicative of the price of our common stock following this offering;
- Ø we have no operating history as a REIT, and we cannot assure you that our management's past experience will be sufficient to manage our business as a REIT;
- Ø the loans we originate and hold are subprime, rather than prime, and generally have higher delinquency and default rates than prime loans, which could result in losses on our loans;

Ø

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interest rate fluctuations resulting in our interest expense exceeding our interest income would result in operating losses for us and may limit or eliminate our ability to make distributions to you; and

Ø we may not be successful in qualifying as a REIT or maintaining our qualification as a REIT for U.S. federal income tax purposes, in which case we would be subject to U.S. federal income tax on our taxable income at regular corporate rates, thereby reducing the amount of funds available for distribution to you.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

	Per Share	Total
Public offering price	\$	\$
Underwriting discount and commissions	\$	\$
Proceeds, before expenses, to us	\$	\$

The underwriters may also purchase up to an additional _____ shares of common stock from us at the public offering price, less underwriting discounts and commissions, within 30 days from the date of this prospectus. The underwriters may exercise the option to cover over-allotments, if any. If the underwriters exercise the option in full, the total underwriting discounts and commissions will be \$ _____ and the total proceeds, before expenses, to us will be \$ _____.

We expect the shares of common stock to be sold in this offering will be delivered on or around _____, 2004.

**UBS Investment Bank
Merrill Lynch & Co.**

**Friedman Billings Ramsey
Morgan Stanley**

The date of this prospectus is _____, 2004.

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You should rely only on the information contained in this document. We have not authorized anyone to provide you with information that is different. This document may be used only where it is legal to sell these securities. The information in this document may be accurate only on the date of this document.

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We have registered trademarks for FastQu[®] and New Century Mortgage, and we have a registered service mark for the New Century logo. All other brand names or trademarks appearing in this prospectus are the property of their respective holders.

Unless otherwise indicated, the statements in this prospectus assume that we have completed the merger and related transactions which are described in "The merger and related transactions" beginning on page 46.

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Prospectus summary

This is only a summary and does not contain all of the information that you should consider before investing in our common stock. You should also read the entire prospectus, including Risk factors and our financial statements and related notes appearing elsewhere in this prospectus, before deciding to invest in our common stock. In this prospectus, unless the context suggests otherwise, the terms our company, we, our and us refer to New Century REIT, Inc. and our predecessor, New Century Financial, which will be a subsidiary of New Century REIT after completion of the merger (as described below). New Century Financial refers to New Century TRS Holding, Inc., our wholly-owned taxable REIT subsidiary and successor to New Century Financial, and its subsidiaries. Unless otherwise indicated, the information contained in this prospectus assumes that the shares of our common stock offered pursuant to this prospectus are sold at a public offering price of \$ per share, which is the midpoint of the price range set forth on the cover page of this prospectus.

OVERVIEW

We are the nation's second largest subprime mortgage finance company in terms of loan volume. We originate, purchase, retain, sell and service primarily first mortgage products to borrowers nationwide. We focus on lending to individuals whose borrowing needs are generally not fulfilled by traditional financial institutions because they do not satisfy the customary credit, documentation or other underwriting standards prescribed by conventional mortgage lenders and loan buyers, such as Fannie Mae and Freddie Mac. We originate and purchase these loans on the basis of the borrower's ability to repay the mortgage loan, the borrower's historical pattern of debt repayment and the amount of equity in the borrower's property (as measured by the borrower's loan-to-value ratio, or LTV). We have been originating and purchasing subprime loans since 1996 and believe we have developed a comprehensive and sophisticated process of credit evaluation and risk-based pricing that allows us to effectively manage the potentially higher credit risks associated with this segment of the mortgage industry.

Historically, we have sold our loans through both whole loan sales and, beginning in 1997, securitizations structured as sales, whereby we continue to manage the portfolio of mortgage loans because we retain a residual interest in the loans. In January 2003, we began to structure our securitization transactions as financings and, as a result, we have begun to retain a portion of our loan production on our balance sheet to build a loan portfolio to generate interest income. As we continue to accumulate mortgage assets in our portfolio, we expect that the proportion of our earnings generated by our portfolio will increase relative to earnings generated by our mortgage banking operations. We believe that after we qualify as a REIT, this strategy will provide us with a more diversified earnings stream in a tax-efficient manner while allowing us to continue to operate a growing mortgage origination franchise. In addition, our servicing platform was recently rated RPS3, or average, by Fitch Ratings, Inc., or Fitch, and rated average by Standard & Poor's, or S&P, which we believe will allow us to expand our servicing portfolio of loans serviced for third parties. For the first full quarter after the consummation of the merger, we expect that approximately 80% of our pretax earnings will be generated by our taxable REIT subsidiaries and will be subject to taxation at regular corporate rates. We expect that this percentage will decrease over time as we continue to build our portfolio of mortgage loans held for investment. We expect that our taxable REIT subsidiaries will be able to retain some or all of the after-tax earnings they generate to provide for our future growth and may, from time to time, distribute a portion of these earnings to us and, subsequently, to our stockholders, depending on, among other factors, then-current market conditions and our reinvestment opportunities.

According to Inside B&C Lending, an industry trade publication, we were the second largest originator of subprime loans in 2003. During that year, we originated over \$27 billion of mortgage loans, \$8.3 billion of which were originated in the fourth quarter of 2003. We experienced a

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compounded annual growth rate in our origination volume of 87.6% from 2000 to 2003, and had a market share of 8.3% for the year ended December 31, 2003 compared to 3.0% for the year ended December 31, 2000. In the first half of 2004, we originated \$20.7 billion of mortgage loans. Approximately 62% of our mortgage production for the first half of the year consisted of cash-out refinancings, where the borrowers refinanced their existing mortgages and received cash representing a portion of the equity in their homes. For the same period, approximately 32% of our mortgage production was represented by home purchase finance loans. The remainder of our mortgage production was represented by transactions in which borrowers refinance their existing mortgages to obtain a better interest rate or loan maturity, or rate and term refinance transactions.

We seek to manage the risks associated with the subprime segment of the mortgage industry in a number of ways, including: (i) periodic updating of our underwriting criteria and processes using the latest technology available and investor feedback; (ii) a comprehensive quality assurance program; and (iii) a team of financial analysts who take into account our database of loan performance data and the current economic and interest rate environment to seek to predict the future performance of like pools of loans.

As of June 30, 2004 and December 31, 2003, the delinquency rates on outstanding mortgage loans that were 60 days or more past due and that we previously securitized in either on-balance sheet or off-balance sheet transactions were 3.27% and 6.18%, respectively. As the loans to which these delinquency rates relate continue to age, we expect that the delinquency rate will approach our historical average range of approximately 10% to 20%. Ultimately, we expect that approximately two-thirds of these loans will result in losses with a severity of approximately 40%. Loss severity represents the percentage shortfall of the expected collections on a mortgage loan versus the amount we actually recovered. As a result, we expect the cumulative pool loss rate on the loans we have securitized in on- or off-balance sheet securitizations to range from approximately 3% to 5%. Cumulative pool loss rates are defined as the total losses over the life of a securitization pool divided by the aggregate original principal balance of the mortgage loans in the pool.

We had approximately 4,600 employees as of June 30, 2004. New Century Financial common stock has been quoted on the Nasdaq National Market under the symbol **NCEN** since its initial public offering in June 1997. Our principal executive offices are located at 18400 Von Karman Avenue, Suite 1000, Irvine, California 92612, our telephone number at that location is (949) 440-7030 and our website is www.ncen.com. Information contained on our website does not constitute a part of this prospectus.

BUSINESS STRATEGY

Our business objective is to pursue growth while also seeking to provide more stable, predictable earnings even when the origination environment becomes less favorable. We intend to execute this strategy by:

- Ø strengthening our production franchise by expanding our total loan production and increasing market share and volume on the East Coast and in other metropolitan areas outside of California;
- Ø growing our portfolio of mortgage-related assets by retaining self-originated loans through on-balance sheet securitizations, which we believe will increase net interest income and reduce our reliance on our origination franchise to grow earnings;
- Ø strengthening our balance sheet by increasing our liquidity and capital position with the net proceeds from this offering and future offerings and by increasing available capacity under our lines of credit. We believe these efforts will better protect our franchise and provide the ability to respond to disruptions in the market or other adverse conditions and allow us to meet the distribution and other REIT qualification requirements;

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- Ø actively managing the interest rate and credit risks relating to our portfolio of mortgage-related assets in an effort to generate an attractive risk-adjusted return on our stockholders' equity;
- Ø expanding our servicing platform by taking advantage of our technical capabilities, capitalization and economies of scale; and
- Ø diversifying our revenues by evaluating and executing strategic acquisitions and new business opportunities.

COMPETITIVE ADVANTAGES

We believe that the following competitive strengths distinguish our business model from other residential mortgage lenders and REITs and will enable us to implement our business strategy:

- Ø we are the nation's second largest subprime mortgage finance company when measured by loan production volume, with a wholesale network of approximately 31,200 approved independent mortgage brokers and a retail network of 74 branch offices in 29 states;
- Ø our structure and business strategy provide us with the flexibility to both securitize a portion of our loan originations for our portfolio and sell the balance for cash, which we believe allows us to provide a broader product offering, better manage our cash flows and respond to the secondary market environment, thus enhancing the return on our stockholders' equity;
- Ø we have developed long-standing relationships with a variety of institutional loan buyers, including Bear Stearns, Credit Suisse First Boston, Deutsche Bank, Goldman Sachs, Morgan Stanley and UBS Real Estate Securities, Inc., or UBS Real Estate Securities. These loan buyers regularly bid on and purchase large loan pools from us and we frequently enter into committed forward loan sale agreements with them. We also have lending relationships with a variety of institutional lenders, including Bank of America, Bear Stearns, CDC Mortgage Capital, Citigroup Global Markets (formerly Salomon Brothers), Morgan Stanley and UBS Real Estate Securities;
- Ø unlike mortgage REITs without origination capabilities, we believe our ability to originate loans through our qualified REIT subsidiaries and purchase loans originated by our taxable REIT subsidiaries will allow us to accumulate mortgage loans at a lower cost and with greater reliability than would be available through secondary market purchases;
- Ø we have created a proprietary automated credit grading and pricing methodology that we believe, as evidenced by our historical loan performance, gives us the ability to more effectively evaluate credit risk and more efficiently price our products and which we believe enables us to generate attractive risk-adjusted returns as a result;
- Ø we believe our origination process is easier for our borrowers and brokers to use because of our ability to provide prompt responses and consistent and clear procedures, with an emphasis on ease of use through technology, including our FastQual® system, a Web-based underwriting engine; and
- Ø the members of our senior management team have, on average, over 20 years of experience in the mortgage finance sector, with substantial experience addressing the challenges posed by a variety of interest rate environments, including growing an origination franchise, managing credit risk and developing strong capital market relationships.

THE RESIDENTIAL MORTGAGE MARKET

The residential mortgage market is the largest consumer finance market in the United States. According to the Mortgage Bankers Association of America, or the MBA, lenders in the United States originated over \$3.8 trillion of single-family mortgage loans in 2003 and the MBA is predicting originations of \$2.5

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trillion in 2004. The residential mortgage market can generally be bifurcated into conforming and non-conforming mortgage loans. Non-conforming mortgage loans are those mortgage loans generally not eligible for sale to Fannie Mae or Freddie Mac due to size and/or credit characteristics. Our loan production focuses on the subprime mortgage segment of the non-conforming market, which consists of loans that generally do not satisfy the credit characteristics of the conforming market.

According to Inside B&C Lending, the subprime mortgage market volume was approximately \$332 billion in 2003, which represented approximately 9% of the overall residential mortgage market. In comparison, the subprime mortgage market has grown from \$34 billion in 1994 to \$332 billion in 2003, representing a 29% compounded annual growth rate, while the overall single-family residential mortgage market has grown from \$769 billion in 1994 to \$3.8 trillion, implying a lesser compounded annual growth rate of 19%.

In addition to faster growth, the subprime mortgage market has historically focused on home purchases and cash-out refinancings, rather than interest rate driven refinancings, which have caused this market segment to be less interest rate sensitive, and therefore less volatile, than the prime mortgage market. For example, for the nine quarters ended March 31, 2004, the prime loan origination market experienced substantial volatility with a peak quarterly growth rate of approximately 52% in the second quarter of 2003, and a peak quarterly decline of approximately 51% in the fourth quarter of 2003. In contrast, during the same period the subprime loan origination market has experienced a peak growth rate of approximately 30.1% in the third quarter of 2003, has not declined at all during that period and experienced the lowest increase of approximately 1.6% in the first quarter of 2003. In addition, the subprime market has shown an ability to grow during volatile interest rate environments, as indicated by the subprime market's growth by over 7.4% and 3.5%, respectively, in each of the two most recent quarters ending March 31, 2004, in contrast to the prime market's decline by approximately 52.0% and 7.0% over these same periods.

OUR REIT STATUS

New Century REIT is a Maryland corporation formed by New Century Financial on April 12, 2004 to succeed to and continue the business of New Century Financial upon completion of the merger of NC Merger Sub, Inc., a wholly-owned subsidiary of New Century REIT, with and into New Century Financial. To date, New Century REIT has not conducted any activities other than those incident to its formation, the execution of the merger agreement and the preparation of this prospectus. Following completion of the merger, New Century REIT will be renamed New Century Financial Corporation. New Century REIT expects to qualify as a REIT for U.S. federal income tax purposes commencing with its taxable year ending December 31, 2004.

THE MERGER AND RELATED TRANSACTIONS

On _____, 2004, New Century Financial stockholders approved and adopted the merger agreement. Upon completion of the merger of NC Merger Sub with and into New Century Financial, each outstanding share of New Century Financial common stock will be converted into one share of our common stock. The rights of our stockholders will be governed by the Maryland General Corporation Law, or MGCL, as well as our charter and bylaws. New Century REIT will be renamed New Century Financial Corporation, will become the parent company of New Century Financial and will succeed to and continue to operate, directly or indirectly, substantially all of the existing businesses of New Century Financial. New Century Financial will be renamed New Century TRS Holdings, Inc. and will become a wholly-owned taxable REIT subsidiary of New Century REIT. The board of directors, committees of the board of directors and management of New Century Financial immediately prior to the merger will

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become our board of directors, committees of the board of directors and management. We will also assume all of New Century Financial's stock incentive plans and all rights to acquire shares of New Century Financial common stock under any New Century Financial stock incentive plan will be converted into rights to acquire shares of our common stock pursuant to the terms of the stock incentive plans and the other related documents, if any.

We have structured the merger in order that it will qualify as a tax-free reorganization for U.S. federal income tax purposes. If the merger so qualifies, no gain or loss will be recognized by New Century Financial, New Century REIT or NC Merger Sub as a result of the merger.

SUMMARY RISK FACTORS

An investment in our common stock involves a high degree of risk. The Risk factors section of this prospectus which begins on page 13 contains a detailed discussion of our most important risks, including, but not limited to, the risks summarized below.

- ∅ the current price of New Century Financial common stock may not be indicative of the price of our common stock following this offering;
- ∅ we have no operating history as a REIT, and we cannot assure you that our management's past experience will be sufficient to manage our business as a REIT;
- ∅ the loans we originate and hold are subprime, rather than prime, and generally have higher delinquency and default rates than prime loans, which could result in losses on our loans;
- ∅ the geographic concentration of our mortgage loan originations increases our exposure to risks in those areas, especially California, where approximately 41.3% of the aggregate principal amount of our mortgage loans were secured by property located in that state;
- ∅ adverse economic conditions or declining real estate values could harm our operations;
- ∅ interest rate fluctuations resulting in our interest expense exceeding our interest income would result in operating losses for us and may limit or eliminate our ability to make distributions to you; and
- ∅ we may not be successful in qualifying as a REIT or maintaining our qualification as a REIT for U.S. federal income tax purposes, in which case we would be subject to U.S. federal income tax on our taxable income at regular corporate rates, thereby reducing the amount of funds available for making distributions to you.

DISTRIBUTION POLICY

We intend to distribute each year all, or substantially all, of the REIT taxable income generated by us in order to qualify for the tax benefits accorded to REITs under the Internal Revenue Code. From time to time, we may also distribute some or all of the after-tax earnings retained in our taxable REIT subsidiaries to our stockholders, depending on, among other factors, then-current market conditions and our reinvestment opportunities. We expect to declare regular quarterly distributions to our stockholders beginning in the fourth quarter of 2004.

In order to qualify as a REIT, we must distribute to our stockholders at least 90% of our REIT taxable income (determined without regard to the dividends paid deduction and by excluding net capital gain) each year. After-tax earnings generated by our taxable REIT subsidiaries and not distributed to us are not subject to these distribution requirements and may be retained by such subsidiaries to provide for future growth, subject to the limitations imposed by REIT tax rules. To the extent that we distribute at least 90%, but less than 100% of our REIT taxable income in a taxable year, we will be subject to U.S.

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federal corporate income tax on our undistributed income. In addition, if we fail to distribute an amount during each year equal to the sum of 85% of our REIT ordinary income and 95% of our capital gain net income for that year and any undistributed income from prior periods, we will be subject to a 4% nondeductible excise tax on the excess of the required distribution over the amount we actually distributed. See Material U.S. federal income tax consequences.

In addition, in connection with the merger and the other restructuring activities necessary for us to qualify as a REIT, we may, if necessary, declare an immaterial one-time special distribution of the current and accumulated earnings and profits of New Century Credit Corporation, or New Century Credit, and New Century Mortgage Securities, Inc., or NCMSI, both of which are currently indirect wholly-owned subsidiaries of New Century Financial, to our stockholders payable in cash, or the special E&P distribution, in December 2004. If required, we will make this one-time distribution in January 2005 to our stockholders on the record date for such distribution. The investors in this offering will be eligible to receive the special E&P distribution if those investors hold our common stock on the applicable record date.

RESTRICTIONS ON OWNERSHIP OF OUR COMMON STOCK

In order to assist us in maintaining our qualification as a REIT under the Internal Revenue Code, our charter contains restrictions on the number of shares of our capital stock that a person may own. No person may acquire or hold, directly or indirectly, in excess of 9.8% in value or in number of shares, whichever is more restrictive, of the aggregate of the outstanding shares of any class or series of our capital stock. These ownership limits could delay, defer or prevent a transaction or a change in control that might involve a premium price for our common stock or otherwise be in your best interest. Our board of directors may, in its sole discretion, waive the ownership limit with respect to a particular stockholder if it is presented with evidence satisfactory to it that the ownership of that stockholder will not then or in the future jeopardize our status as a REIT. See Description of our capital stock Transfer restrictions.

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The offering

Common stock offered by us	shares ⁽¹⁾
Common stock to be outstanding after this offering	shares ⁽¹⁾⁽²⁾
Use of proceeds	We intend to use the net proceeds of this offering, which are estimated to be approximately \$, based on an assumed public offering price of \$ per share, which is the midpoint of the price range set forth on the cover page of this prospectus, and after deducting the underwriting discount and estimated offering expenses of approximately \$3.5 million payable by us, primarily for general working capital purposes, including to build a portfolio of self-originated mortgage loans and, if necessary to maintain our REIT status, to purchase mortgage-related assets from third parties.
Risk factors	See Risk factors and other information included in this prospectus for a discussion of some of the factors you should carefully consider before deciding whether to purchase our common stock.
Trading symbol	We have applied to have our common stock listed on the NYSE under the symbol NEW.

- (1) Assumes that the underwriters' over-allotment option to purchase up to an additional shares will not be exercised.
- (2) The common stock to be outstanding after this offering is based on 34,045,201 shares of New Century Financial issuable in connection with the merger as of July 30, 2004 and excludes:
- ∅ a total of 5,405,903 shares of our common stock issuable upon the exercise of stock options outstanding on July 30, 2004 with a weighted-average exercise price of \$18.24 per share;
 - ∅ a total of 587,725 shares of our common stock available for awards under our stock incentive plans as of July 30, 2004;
 - ∅ up to 6,034,686 shares of common stock issuable as of July 30, 2004 upon the conversion of our 3.50% convertible senior notes due 2008 (subject to adjustments under the terms of the notes); and
 - ∅ up to 6,034,668 shares of common stock issuable as of July 30, 2004 upon the exercise of a warrant issued in connection with the issuance of the notes.

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Summary historical financial data of New Century Financial

You should read the following summary of historical financial data in conjunction with New Century Financial's historical consolidated financial statements and related notes thereto and Management's discussion and analysis of financial condition and results of operations, which are included elsewhere or incorporated by reference in this prospectus.

The historical financial data set forth below reflects our business strategy before the merger and the other restructuring activities necessary for us to qualify as a REIT. Accordingly, our historical financial results will not be indicative of our future performance (in part due to our expected strategy of increasing our portfolio of mortgage loans originated by one or more of our taxable REIT subsidiaries, which will proportionately reduce the number of loans we sell to third-party investors and which may cause our total gains on sale under generally accepted accounting principles to be lower than we have historically recognized). We have not presented historical financial information for New Century REIT because we were formed on April 12, 2004 and, consequently, had no operations through the period ended December 31, 2003.

The summary historical balance sheet and statement of operations data for the years ended December 31, 2003, 2002 and 2001 of New Century Financial have been derived from the historical financial statements of New Century Financial audited by KPMG LLP, our Independent Registered Public Accounting Firm, whose report with respect thereto is included elsewhere or incorporated by reference in this prospectus. The financial data for the six months ended June 30, 2004 and 2003 were derived from our unaudited consolidated financial statements and include, in the opinion of management, all normal and recurring adjustments necessary to present the data fairly for such periods. Such selected financial data should be read in conjunction with those financial statements and the notes thereto and with Management's discussion and analysis of financial condition and results of operations also included elsewhere herein.

Statement of operations data:	For the Six Months Ended June 30,		For the Years Ended December 31,		
	2004	2003	2003	2002	2001
	(dollars in thousands, except per share data)				
Revenues:					
Gain on sales of loans	\$ 417,027	\$ 272,084	\$ 611,136	\$ 451,744	\$ 182,612
Interest income(1)	334,905	105,863	329,463	122,331	62,706
Residual interest income	9,358	12,684	24,228	31,723	36,356
Servicing income	13,649	5,821	11,139	432	10,616
Other income	829			16	1,046
Total revenues	775,768	396,452	975,966	606,246	293,336
Expenses(1)	456,915	214,261	552,714	299,910	209,852
Earnings before income taxes	318,853	182,191	423,252	306,336	83,484
Income taxes	129,231	75,637	177,769	126,636	35,464
Net earnings	\$ 189,622	\$ 106,554	\$ 245,483	\$ 179,700	\$ 48,020
Basic earnings per share	\$ 5.72	\$ 3.11	\$ 7.26	\$ 5.19	\$ 1.83
Diluted earnings per share	\$ 4.46	\$ 2.83	\$ 6.56	\$ 4.62	\$ 1.52

(1) Interest income for the six months ended June 30, 2004 and 2003 includes \$176.8 million and \$15.9 million, respectively, related to interest earned on mortgage loans receivable held for investment. Expenses for the six months ended June 30, 2004 and 2003 include

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\$66.4 million and \$4.5 million, respectively, related to interest expense on financing of mortgage loans held for investment and \$37.0 million and \$7.7 million, respectively, related to the provision for loan losses

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on mortgage loans held for investment. Interest income for the year ended December 31, 2003 includes \$104.7 million related to interest earned on mortgage loans receivable held for investment. Expenses for that period include \$36.7 million related to interest expense on financing of mortgage loans held for investment and \$26.3 million related to the provision for loan losses on mortgage loans held for investment.

	For the Six Months Ended June 30,		For the Years Ended December 31,		
	2004	2003(1) (dollars in thousands, unless otherwise stated)	2003(1)	2002	2001
Other data:					
Purchases	\$6,703,353	\$2,200,161	\$ 6,858,645	\$ 2,535,675	\$ 1,071,150
Refinances:					
Cash out refinances	12,850,155	6,636,318	17,587,036	9,397,259	4,144,887
Rate/term refinances	1,138,715	1,655,989	2,937,157	2,268,562	1,028,934
Total originations	20,692,223	10,492,468			