

NEW CENTURY REIT INC  
Form S-3  
April 22, 2004  
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As filed with the Securities and Exchange Commission on April 22, 2004

Registration No. 333-

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

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**FORM S-3**  
**REGISTRATION STATEMENT**  
*UNDER THE SECURITIES ACT OF 1933*

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**NEW CENTURY REIT, INC.**

(Exact name of registrant as specified in its charter)

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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  
(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.**

**18400 Von Karman, Suite 1000**

**Irvine, California 92612**

**(949) 440-7030**

*Copies to:*

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**100 Maiden Lane**

**New York, New York 10038**

**(212) 504-6000**

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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.

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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. "

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. "

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**CALCULATION OF REGISTRATION FEE**

Title of each class of shares to be registered	Proposed maximum aggregate offering price (1)(2)	Amount of registration fee (3)
Common Stock, par value \$0.01 per share	\$862,500,000.00	\$109,278.75

- (1) Includes shares that may be purchased pursuant to an over-allotment option granted to the underwriters. Pursuant to Rule 416 of the Securities Act of 1933, as amended, this registration statement also registers such additional number of shares of common stock as may become issuable as a result of stock splits, stock dividends or similar transactions.
- (2) Estimated based on a bona fide estimate of the maximum aggregate offering price solely for the purpose of calculating the registration fee pursuant to Rule 457(o) of the Securities Act of 1933, as amended.
- (3) Calculated under Section 6(b) of the Securities Act of 1933, as amended, based upon a registration fee rate of \$126.70 per \$1.0 million of proposed maximum aggregate offering price.

**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

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## Shares

### Common Stock

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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. No public market currently exists for our common stock. The common stock of New Century Financial, our predecessor, is listed on the Nasdaq National Market under the symbol NCEN. On April 21, 2004, the last reported sale price of New Century Financial's common stock was \$45.38.

We anticipate that the shares of New Century REIT common stock will trade on the New York Stock Exchange, or NYSE, under the symbol \_\_\_\_\_ or on the Nasdaq National Market under New Century Financial's current 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 12, 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 non-prime loans we originate and hold generally have higher delinquency and default rates than prime loans, which could result in losses on our loans;

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Ø 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.

*Joint Book-Running Managers*

**UBS Investment Bank**

**Friedman Billings Ramsey**

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 FastQua<sup>®</sup> 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 forming a part of the REIT conversion.

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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 REIT conversion. New Century Financial refers to New Century TRS Holding, Inc., our wholly-owned taxable REIT subsidiary and successor to New Century Financial Corporation, and its subsidiaries.*

### OVERVIEW

We are one of the nation's largest mortgage finance companies that originates, purchases, retains, sells and services 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, which we refer to as non-prime 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 non-prime 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 securitizations. More recently, we have begun to retain a portion of our loan production to build a 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 the REIT conversion 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 by Fitch Ratings, Inc., or Fitch, which we believe will allow us to expand our servicing portfolio of loans serviced for third parties. After the REIT conversion, we expect to continue to conduct a majority of our mortgage banking operations through our taxable REIT subsidiaries and pay U.S. federal corporate income taxes on their income. We expect our taxable REIT subsidiaries will be able to retain some or all of the after-tax earnings generated by such taxable REIT subsidiaries 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 non-prime, which they refer to as subprime, loans in 2003. During that year, we originated in excess of \$27 billion of mortgage loans, \$8.3 billion of which were originated in the fourth quarter of 2003. We experienced a 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.

We had 3,995 full-time employees and 21 part-time employees as of March 31, 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](http://www.ncen.com). Information contained in our website does not constitute a part of this prospectus.





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### **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.** We plan to pursue expansion into new geographic markets. We intend to continue to expand our total loan production and increase market share and volume on the East Coast and in other metropolitan areas outside of California. We believe our Wholesale Division can expand quickly into new markets with limited additional investment in infrastructure by leveraging our proprietary FastQual® system. For retail expansion, we will continue our practice of reviewing demographic information about potential markets and opening branches in markets that we believe can support a retail branch. We also plan to continue to deploy new marketing and technology initiatives and expand our product line and sales personnel in an effort to increase our existing market penetration.
- Ø **Growing our portfolio of mortgage-related assets.** We intend to increase our portfolio by retaining self-originated loans through on-balance sheet securitizations. We believe this portfolio will continue to create an additional stream of net interest income which will diversify our earnings and reduce our reliance on our origination franchise to grow earnings. We expect that our capacity to originate loans will provide us with a significant volume of loans at a lower cost and with greater reliability than if we purchased our portfolio from a third party.
- Ø **Strengthening our balance sheet.** We will seek to actively strengthen our cash position and increase availability under our lines of credit in an effort to protect our franchise and provide the ability to respond to disruptions in the market or other adverse conditions and to meet the distribution and other REIT qualification requirements. We expect to retain some or all of our earnings in our taxable REIT subsidiaries and will seek to access the capital markets to help strengthen our balance sheet. A strong balance sheet allows us to hold loans for a longer period in the event that the secondary market for our loans weakens or becomes unstable due to temporary market disruption.
- Ø **Actively managing our mortgage loan portfolio.** We will seek to actively manage the interest rate and credit risks relating to holding a portfolio of mortgage-related assets in an effort to generate an attractive risk-adjusted return on our stockholders' equity. We will continue to use hedge instruments to attempt to reduce the interest rate exposure that results from financing fixed-rate assets with floating-rate liabilities. We will also actively monitor our portfolio to manage our credit exposure through early detection and management of probable delinquencies.
- Ø **Expanding our servicing platform.** We intend to grow our servicing portfolio, given our recent Fitch rating of RPS3. We expect to service loans owned by third parties to take advantage of our technical capabilities, capitalization and economies of scale. We believe our income from servicing will increase in a rising interest rate environment which will help to offset any decline in our origination volume.
- Ø **Exploring diversification strategies.** We intend to further diversify 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:

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Ø **Leading market presence.** We are the nation's second largest non-prime mortgage finance company by market share. We provide primarily first mortgage products to borrowers nationwide. We are authorized to lend in all 50 states and have a leading market presence through our wholesale network of 21,600 approved independent mortgage brokers and our retail network of 70 branch offices in 27 states.

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- Ø **Operational flexibility.** 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. We believe that this flexibility 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 **Strong institutional relationships.** We have developed strong relationships with a variety of institutional loan buyers, including Bear Stearns, Credit Suisse First Boston, Deutsche Bank, Goldman Sachs, Morgan Stanley and UBS Residential Funding, all of whom regularly bid on and/or buy large loan pools from us. In addition, we have developed strong relationships with a variety of institutional lenders, including Bank of America, Bear Stearns, CDC Mortgage Capital, Citigroup Global Markets (formerly Salomon Smith Barney), Greenwich Capital Financial Products, Morgan Stanley and UBS Residential Funding, all of whom have existing lending relationships with us.
- Ø **Lower-cost portfolio accumulation strategy.** Unlike mortgage REITs without origination capabilities, we intend to build our mortgage loan portfolio by relying on a strategy of originating loans through our qualified REIT subsidiaries and purchasing loans originated by our taxable REIT subsidiaries as opposed to purchasing such loans in the secondary mortgage market. We believe this strategy allows us to accumulate mortgage loans at a lower cost and with greater reliability than would be available through secondary market purchases.
- Ø **Automated credit grading capability.** 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. This automated credit grading system helps us construct a more consistent and predictable portfolio, which we believe enables us to generate attractive risk-adjusted returns.
- Ø **High quality customer service.** We strive to make the origination process easy for our borrowers and brokers by providing prompt responses, consistent and clear procedures, and an emphasis on ease of use through technology, including our FastQual® system.
- Ø **Management experience and depth.** 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 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 non-prime 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, an industry trade publication, the subprime, or non-prime, mortgage market volume was approximately \$332 billion in 2003, which represented approximately 9% of the overall residential mortgage market. In comparison, the non-prime 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 non-

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prime mortgage market has historically focused on home purchases and cash-out refinancings, rather than interest rate driven refinancings, which have caused it to be less interest rate sensitive, and therefore less volatile, than the prime mortgage market.

## **OUR REIT STATUS**

New Century REIT is a Maryland corporation that was formed 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 REIT CONVERSION**

We will effect certain structural changes upon the completion of the merger that will enable us to qualify as a REIT for U.S. federal income tax purposes. We refer to these changes, including the merger and the related restructuring transactions and this offering, as the REIT conversion. The REIT conversion consists of the following key components:

- ∅ reorganizing New Century Financial and New Century REIT through the merger of NC Merger Sub with and into New Century Financial, resulting in New Century REIT becoming the parent company of New Century Financial;
- ∅ having New Century REIT use a portion of the net proceeds from this offering and borrowings to purchase at fair market value from New Century Financial and its subsidiaries and third parties assets that will enable New Century REIT to satisfy the asset and income tests necessary to maintain its REIT status;
- ∅ having New Century REIT use a portion of the net proceeds from this offering to acquire all of the capital stock of Worth Funding Incorporated, or Worth Funding, currently an indirect wholly-owned subsidiary of New Century Financial, which is authorized to originate mortgage loans in a majority of states and will become a qualified REIT subsidiary following the REIT conversion; and
- ∅ having New Century REIT elect to be taxed as a REIT for U.S. federal income tax purposes, which we currently expect to occur commencing with its taxable year ending December 31, 2004.

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 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.

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We have structured the merger so that it is anticipated that the merger 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.

Immediately following the merger, we expect that we will continue to originate loans for sale and conduct all of our servicing activities through one or more taxable REIT subsidiaries. In addition, we expect to be able to originate mortgage loans in a majority of states ourselves or through one or more of our qualified REIT subsidiaries. We expect to use these loan originations, together with mortgage loans that we and our qualified REIT subsidiaries purchase at fair market value from our taxable REIT subsidiaries, to build our portfolio of mortgage loans. Over time, we expect that we will gradually increase the percentage of our mortgage loans held through on-balance sheet securitizations in order to increase the portion of our net income generated from this mortgage loan portfolio. In addition, we expect that New Century REIT and/or one or more of its qualified REIT subsidiaries will seek to become authorized to originate mortgage loans in the states in which they are not currently authorized.

After the REIT conversion, we expect that a significant source of our revenue will be interest income generated from our portfolio of mortgage loans held by our taxable REIT subsidiaries and, over time, a growing portion by New Century REIT and its qualified REIT subsidiaries. We also expect to generate revenues from the sale of loans, servicing income and loan origination fees, all of which we expect to be generated by our taxable REIT subsidiaries. The primary components of our expenses are expected to be interest expense on our warehouse lines and other borrowings and our securitizations, general and administrative expenses, and payroll and related expenses arising from our origination and servicing businesses.

## **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 12 contains a detailed discussion of our most important risks, including, but not limited to, the risks summarized below.

- 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 non-prime loans we originate and hold generally have higher delinquency and default rates than prime loans, which could result in losses on our loans;
- Ø the geographic concentration of our mortgage loan originations increases our exposure to risks in those areas, especially California;
- Ø adverse economic conditions or declining real estate values could harm our operations;
- Ø 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

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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 making distributions to you.

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**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 make regular quarterly distributions to our stockholders.

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. 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 REIT conversion, we may, if necessary, declare a small one-time special distribution of the current and accumulated earnings and profits of Worth Funding to our stockholders payable in cash, or the special E&P distribution, in December 2004 and, if required, make this one-time distribution in January 2005 to our stockholders on the record date for such distribution.

**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 <sup>(1)</sup>
Common stock to be outstanding after this offering	shares <sup>(1)(2)</sup>
Use of proceeds	<p>We intend to use the net proceeds of this offering, which are estimated to be approximately \$ , based on the last reported sale price of New Century Financial common stock of \$ per share on April 21, 2004, and after deducting the underwriting discount and estimated offering expenses payable by us, primarily:</p> <ul style="list-style-type: none"> <li>Ø to build a portfolio of self-originated mortgage loans;</li> <li>Ø to purchase a portion of our portfolio of mortgage loans and other assets from New Century Financial;</li> <li>Ø to purchase all of the capital stock of one of our wholly-owned subsidiaries, Worth Funding;</li> <li>Ø if required in order to qualify as a REIT, to pay in cash the one-time special cash E&amp;P distribution of the current and accumulated earnings and profits of Worth Funding to our stockholders; and</li> <li>Ø for general working capital purposes.</li> </ul>
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 intend to apply to have our common stock listed on the NYSE under the symbol or quoted on the Nasdaq National Market under the symbol NCEN.

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(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 33,881,673 shares of New Century Financial issuable in connection with the merger as of April 19, 2004 and excludes:

Ø a total of 5,135,447 shares of our common stock issuable upon the exercise of stock options outstanding on April 19, 2004 with a weighted-average exercise price of \$15.60 per share;

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- Ø a total of 977,636 shares of our common stock available for awards under our stock incentive plans as of April 19, 2004;
- Ø up to 6,034,686 shares of common stock issuable as of April 19, 2004 upon the conversion of our 3.50% convertible senior notes due 2008 (subject to adjustments under the terms of the notes); and
- Ø up to 6,034,668 shares of common stock issuable as of April 19, 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 completion of the REIT conversion. 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 auditors, whose report with respect thereto is included elsewhere in this prospectus.

Statement of operations data:	For the Years Ended December 31		
	2003	2002	2001
	(dollars in thousands, except per share data)		
Revenues:			
Gain on sales of loans	\$ 611,136	\$ 451,744	\$ 182,612
Interest income(1)	329,463	122,331	62,706
Residual interest income	24,228	31,723	36,356
Servicing income	11,139	432	10,616
Other income		16	1,046
Total revenues	975,966	606,246	293,336
Expenses(1)	552,714	299,910	209,852
Earnings before income taxes	423,252	306,336	83,484
Income taxes	177,769	126,636	35,464
Net earnings	\$ 245,483	\$ 179,700	\$ 48,020
Basic earnings per share	\$ 7.26	\$ 5.19	\$ 1.83
Diluted earnings per share	\$ 6.56	\$ 4.62	\$ 1.52

- (1) Interest income includes \$104.7 million in 2003 related to interest earned on mortgage loans receivable held for investment. Expenses include \$36.7 million in 2003 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.



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<b>Other data:</b>	<b>Years Ended December 31,</b>		
	<b>2003</b>	<b>2002</b>	<b>2001</b>
	<b>(dollars in thousands, unless otherwise stated)</b>		
Purchases	\$ 6,815,682	\$ 2,535,023	\$ 1,070,716
Refinances:			
Cash out refinances	17,622,898	9,397,259	4,144,835
Rate/term refinances	2,944,258	2,269,214	1,029,420
<b>Total originations</b>	<b>27,382,838</b>	<b>14,201,496</b>	<b>6,244,971</b>
Fixed-rate mortgages	8,197,321	3,708,938	1,143,188
Adjustable-rate mortgages	19,185,517	10,492,558	