NEW CENTURY FINANCIAL CORP
Form 10-Q
May 15, 2001

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

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

For the quarterly period ended March 31, 2001

OR

/ / **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 000-22633

NEW CENTURY FINANCIAL CORPORATION

(Exact name of registrant as specified in its charter)

Delaware	**33-0683629**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
18400 VON KARMAN, SUITE 1000, IRVINE, CALIFORNIA	**92612**
(Address of principal executive offices)	(Zip code)

Registrant's telephone number, including area code: **(949) 440-7030**

(Former name, former address and former fiscal year, if changed since last report)

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 twelve 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 /x/ No / /

As of April 30, 2001, 15,169,909 shares of common stock of New Century Financial Corporation were outstanding.

NEW CENTURY FINANCIAL CORPORATION AND SUBSIDIARIES
FORM 10-Q
QUARTER ENDED MARCH 31, 2001

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Certain information included in this Form 10-Q may include "forward-looking" statements under federal securities laws, and the Company intends that such forward-looking statements be subject to the safe-harbor created thereby. Such statements include (i) the assumptions used to value the Company's residual securities, including the assumptions related to prepayment rates, losses and delinquencies, and the discount rate, (ii) the expectation that the Company will be able to fulfill its forward sale commitments in the second quarter of 2001, (iii) the expectation that the Company will be able to negotiate a termination of its facility with PaineWebber Real Estate Securities, Inc., (iv) the expectation that cash flows from the financed residuals will be adequate to cover minimum monthly and quarterly pay-down obligations, (v) the expectation that the Company will close its servicing advance facility, sell the servicing platform to a third party of offer limited servicing activities upon transfer of servicing to Ocwen in the summer of 2001, (vi) the expectation that the Company's cash position and liquidity will improve as a result of the servicing rights sale to Ocwen, (vii) the expectation that the extension of the maturity of the U.S. Bank debt will allow the repayment of the subordinated debt to coincide with the anticipated cash flows from the Company's residual securities, (viii) the anticipation that the Company's liquidity, credit facilities and capital resources will be sufficient to fund its operations for the foreseeable future, (ix) the Company's intention to reduce all-in acquisition cost for loans, the number of loans that the Company must sell at a discount and the size of the average loss on sale for these loans, (x) the Company's intention to improve the gain on sale of loans sold at a premium, (xi) the expectation that the adoption of Financial Account Standards Nos. 133 and 140 will not have a material impact on the Company's consolidated balance sheet or results of operations, and (xii) the belief regarding the scope of the Company's potential legal exposure. There are many factors that could cause the Company's actual results to differ materially from expected results in the forward-looking statements. Such factors include, but are not limited to, (i) the Company's ability to sustain and manage its growth, (ii) the Company's continued ability to maintain its funding sources, (iii) the volatility in the market for whole loans, (vi) the condition of the market for mortgage-backed securities, (v) the ability of the Company to continue to implement cost savings plan for its business, (vi) the Company's ability to improve the gain on sale of loans, (vii) the effect of proposed legislation and regulations that could restrict the Company's business, (viii) the Company's ability to improve its cash flows and maintain adequate liquidity, (ix) the Company's ability to reduce the percentage of loans sold at a discount, (x) the Company's ability to enter into definitive agreements regarding its second quarter forward commitments, (xi) the Company's ability to negotiate a termination of its facility with PaineWebber Real Estate Securities, Inc., (xii) the realized cash flows from the Company's residuals, (xiii) the market for the Company's servicing platform or its servicing services, (xiv) the ability of the Company and Ocwen Federal Bank FSB to provide for a smooth transfer of servicing, (xv) the Company's ability to maintain the performance of its servicing platform pending the transfer to Ocwen, and (xvi) the other risks identified in the Company's Annual Report on Form 10-K for the year ended December 31, 2000 and its other filings with the Securities and Exchange Commission.

New Century Financial Corporation and Subsidiaries
Condensed Consolidated Balance Sheets
(Dollars in thousands, except share data)
(Unaudited)

	March 31, 2001	December 31, 2000
ASSETS:		
Cash and cash equivalents	$ 9,109	$ 10,283
Loans receivable held for sale, net (notes 2 and 5)	472,766	400,089
Residual interests in securitizations (notes 3 and 5)	328,082	361,646
Mortgage servicing assets (note 4)	1,690	22,945
Accrued interest receivable	1,042	1,588
Office property and equipment	3,102	3,171
Prepaid expenses and other assets	16,958	37,439
TOTAL ASSETS	$ 832,749	$ 837,161
LIABILITIES AND STOCKHOLDERS' EQUITY:		
Warehouse and aggregation lines of credit (note 5)	$ 464,331	$ 404,446
Residual financing	138,332	176,806
Subordinated debt	40,000	40,000
Notes payable	1,458	24,340
Income taxes payable	5,866	7,498
Accounts payable and accrued liabilities	27,102	24,040
Deferred income taxes	7,882	7,882
Total liabilities	684,971	685,012
Stockholders' equity:		
Preferred stock, $.01 par value. Authorized 7,500,000 shares; 40,000 shares issued and outstanding; liquidation preference $40,000		
Common stock, $.01 par value. Authorized 45,000,000 shares; issued and outstanding 15,165,065 shares at March 31, 2001 and 14,852,931 shares at December 31, 2000	152	149
Additional paid-in capital	90,222	90,579
Retained earnings, restricted	58,850	61,426
	149,224	152,154
Deferred compensation costs	(1,446)	(5)
Total stockholders' equity	147,778	152,149
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 832,749	$ 837,161

See accompanying notes to unaudited condensed consolidated financial statements.

New Century Financial Corporation and Subsidiaries
Condensed Consolidated Statements of Operations
(Dollars in thousands, except per share amounts)
(Unaudited)

	Three Months Ended March 31, 2001	Three Months Ended March 31, 2000
Revenues:		
Gain on sale of loans	$ 20,550	$ 22,810
Interest income	9,258	18,441
Servicing income	6,506	7,809
Residual interest income	11,154	11,324
Other income	487	
Total revenues	47,955	60,384
Expenses:		
Personnel	18,100	13,244
Interest	16,095	18,087
General and administrative	13,165	11,488
Advertising and promotion	2,784	3,464
Professional services	1,006	1,384
Total expenses	51,150	47,667
Earnings (loss) before income taxes (benefit)	(3,195)	12,717
Income taxes (benefit)	(1,343)	5,444
Net earnings (loss)	$ (1,852)	$ 7,273
Dividends paid on preferred stock	(725)	(725)
Net earnings (loss) available to common stockholders	$ (2,577)	$ 6,548
Basic earnings (loss) per share (note 6)	$ (0.17)	$ 0.45
Diluted earnings (loss) per share (note 6)	$ (0.17)	$ 0.38

See accompanying notes to unaudited condensed consolidated financial statements.

New Century Financial Corporation and Subsidiaries
Condensed Consolidated Statements of Cash Flows
Three Months Ended March 31, 2001 and 2000
(In thousands)

(Unaudited)

	2001	2000
Cash flows from operating activities:		
Net earnings (loss)	$ (1,852)	$ 7,273
Adjustments to reconcile net earnings (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	2,369	2,220
NIR gains		(25,023)
Initial deposits to over-collateralization accounts		(14,104)
Deposits to over-collateralization accounts	(19,690)	(18,661)
Release of cash from over-collateralization accounts	12,740	14,311
Servicing gains	(1,383)	(2,062)
Amortization (accretion) of NIRs	8,105	6,385
Provision for losses	2,691	2,267
Loans originated or acquired for sale	(1,028,299)	(956,203)
Loan sales, net	953,829	926,456
Principal payments on loans receivable held for sale	3,235	6,709
Increase in warehouse and aggregation lines of credit	59,885	29,228
Net change in other assets and liabilities	15,445	(8,176)
Net cash provided by (used in) operating activities	7,075	(29,380)
Cash flows from investing activities:		
Purchase of office property and equipment	(467)	(304)
Stock issued in connection with acquisition of Primewest		(43)
Sale of residual interests in securitization	6,512	
Sale of mortgage servicing rights	21,257	
Net cash provided by (used in) investing activities	27,302	(347)
Cash flows from financing activities:		
Net proceeds from (repayments of) residual financing	(12,577)	30,304
Proceeds from issuance of subordinated debt		10,000
Proceeds from (net repayments of) notes payable	(22,882)	(469)
Payment of dividends on convertible preferred stock	(725)	(725)
Net proceeds from issuance of stock/purchase of treasury stock	633	305
Net cash provided by (used in) financing activities	(35,551)	39,415
Net increase (decrease) in cash and cash equivalents	(1,174)	9,688
Cash and cash equivalents, beginning of period	10,283	4,496
Cash and cash equivalents, end of period	$ 9,109	$ 14,184
Supplemental cash flow disclosure:		
Interest paid	$ 15,485	$ 18,156
Income taxes paid	$ 289	$ 115
Supplemental non-cash financing activity:		
Stock issued in connection with acquisition	$ 125	$ 43
Restricted stock issued	$ 1,520	$
Cancellation of warrants	$ 2,631	$

	2001	2000
Net assets acquired through acquisition of subsidiary	$	$ 553

See accompanying notes to unaudited condensed consolidated financial statements.

NEW CENTURY FINANCIAL CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
March 31, 2001 and 2000

1. Basis of Presentation

The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three months ended March 31, 2001 are not necessarily indicative of the results that may be expected for the year ended December 31, 2001.

Recent accounting developments In June 1998, the FASB issued Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Securities and Hedging Activities," as amended by SFAS No. 137 and SFAS No. 138 (collectively "SFAS No. 133"). SFAS No. 133 establishes accounting and reporting standards for derivative instruments, including certain derivative instruments imbedded in other contracts (collectively referred to as derivatives) and for hedging activities. It requires that an entity recognize all derivatives as either assets or liabilities in the statement of financial position and measure those instruments at fair value. If certain conditions are met, a derivative may be specifically designated as (i) a hedge of the exposure to changes in the fair value of a recognized asset or liability or an unrecognized firm commitment, (ii) a hedge of the exposure to variable cash flows of a forecasted transaction, or (iii) a hedge of the foreign currency exposure of a net investment in a foreign operation, an unrecognized firm commitment, an available for sale security, or a foreign currency-denominated forecasted transaction.

Under SFAS No. 133, an entity that elects to apply hedge accounting is required to establish at the inception of the hedge the method it will use for assessing the effectiveness of the hedging derivative and the measurement approach for determining the ineffective aspect of the hedge. Those methods must be consistent with the entity's approach to managing risk. This statement is effective for the Company on January 1, 2001.

On January 1, 2001, the Company adopted SFAS No. 133. All outstanding derivatives at December 31, 2000 had already been recognized at fair value with the offset through earnings, consequently, the adoption of SFAS No. 133 did not result in any adjustment to the recorded value of the Company's derivative hedging instruments.

In September 2000, FASB issued SFAS No. 140 to replace SFAS No. 125, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities" (SFAS No. 140). SFAS No. 140 provides the accounting and reporting guidance for transfers and servicing of financial assets and extinguishments of liabilities. SFAS No. 140 will be the authoritative accounting literature for: (1) securitization transactions involving financial assets; (2) sales of financial assets; (3) servicing assets and liabilities; (4) securities lending transactions; (5) repurchase agreements; and (6) extinguishments of liabilities. The accounting provisions are effective beginning after March 31, 2001. The reclassification and disclosure provisions are effective for fiscal years beginning after December 15, 2000. The Company adopted the disclosure provisions required by SFAS No. 140 and has included all appropriate and necessary disclosures required by SFAS No. 140 in its financial statements and footnotes. The adoption of the accounting provisions is not expected to have a material impact on the Company's consolidated balance sheet or results of operations.

Residual interests in securitizations Residual interests in securitizations (Residuals) are recorded as a result of the sale of loans through securitizations and the sale of residual interests in securitizations through what are sometimes referred to as net interest margin securities (NIMS).

The loan securitizations are generally structured as follows: First, the Company sells a portfolio of mortgage loans to a special purpose entity (SPE) which has been established for the limited purpose of buying and reselling mortgage loans. The SPE then transfers the same mortgage loans to a Real Estate Mortgage Investment Conduit or Owners Trust (the REMIC or Trust), and the Trust in turn issues interest-bearing asset-backed securities (the Certificates) generally in an amount equal to the aggregate principal balance of the mortgage loans. The Certificates are typically sold at face value and without recourse except that representations and warranties customary to the mortgage banking industry are provided by the Company to the Trust. One or more investors purchase these Certificates for cash. The Trust uses the cash proceeds to pay the Company the cash portion of the purchase price for the mortgage loans. The Trust also issues a certificate representing a residual interest in the payments on the securitized loans. In addition, the Company may provide a credit enhancement for the benefit of the investors in the form of additional collateral (over-collateralization account or OC Account) held by the Trust. The OC Account is required by the servicing agreement to be maintained at certain levels.

At the closing of each securitization, the Company removes from its consolidated balance sheet the mortgage loans held for sale and adds to its consolidated balance sheet (i) the cash received, (ii) the estimated fair value of the interest in the mortgage loans retained from the securitizations (Residuals), which consist of (a) the OC Account and (b) the net interest receivable (NIR) and (iii) the estimated fair value of the servicing asset. The NIR represents the discounted estimated cash flows to be received by the Company in the future. The excess of the cash received and the assets retained by the Company over the carrying value of the loans sold, less transaction costs, equals the net gain on sale of mortgage loans recorded by the Company.

The NIMS are generally structured as follows. First, the Company sells or contributes the Residuals to an SPE which has been established for the limited purpose of receiving and selling asset-backed residual interests in securitization certificates. Next, the SPE transfers the Residuals to an owner trust (the Trust) and the Trust in turn issues interest-bearing asset-backed securities (the bonds and certificates). The Company sells these Residuals without recourse except that normal representations and warranties are provided by the Company to the Trust. One or more investors purchase the bonds and certificates and the proceeds from the sale of the bonds and certificates, along with a residual interest certificate that is subordinate to the bonds and certificates, represent the consideration to the Company for the sale of the Residuals.

At the closing of each NIMS, the Company removes from its consolidated balance sheet the carrying value of the Residuals sold and adds to its consolidated balance sheet (i) the cash received, and (ii) the estimated fair value of the portion of the Residuals retained, which consists of the net interest receivable (NIR) and the OC account. The excess of the cash received and assets retained over the carrying value of the Residuals sold, less transaction costs, equals the net gain or loss on the sale of Residuals recorded by the Company.

The Company allocates its basis in the mortgage loans and residual interests between the portion of the mortgage loans and residual interests sold through the Certificates and the portion retained (the Residuals and servicing assets) based on the relative fair values of those portions on the date of sale. The Company may recognize gains or losses attributable to the changes in the fair value of the Residuals, which are recorded at estimated fair value and accounted for as "held-for-trading" securities. The Company is not aware of an active market for the purchase or sale of Residuals and, accordingly, the Company determines the estimated fair value of the Residuals by discounting the expected cash flows released from the OC Account (the cash out method) using a discount rate commensurate with the risks involved. The Company utilizes an effective discount rate of approximately 13% on the

estimated cash flows released from the OC Account to value the Residuals through securitization and approximately 15% on the estimated cash flows released from the Trust to value Residuals through NIMS transactions.

In securitization transactions, generally the Company has the right to collect periodic servicing fees for the servicing and collection of the mortgage loans as master servicer of the securitized loans. In addition, the Company is entitled to the cash flows from the Residuals that represent collections on the mortgage loans in excess of the amounts required to pay the Certificate principal and interest, the servicing fees and certain other fees such as trustee and custodial fees. At the end of each collection period, the aggregate cash collections from the mortgage loans are allocated first to the base servicing fees and certain other fees such as trustee and custodial fees for the period, then to the Certificateholders for interest at the pass-through rate on the Certificates plus principal as defined in the servicing agreements. If the amount of cash required for the above allocations exceeds the amount collected during the collection period, the shortfall is drawn from the OC Account. If the cash collected during the period exceeds the amount necessary for the above allocations, and there is no shortfall in the related OC Account, the excess is released to the Company. If the OC Account balance is not at the required credit enhancement level, the excess cash collected is retained in the OC Account until the specified level is achieved. The cash and collateral in the OC Account is restricted from use by the Company. Pursuant to certain servicing agreements, cash held in the OC Accounts may be used to make accelerated principal paydowns on the Certificates to create additional excess collateral in the OC Account which is held by the Trusts on behalf of the Company as the Residual holder. The specified credit enhancement levels are defined in the servicing agreements as the OC Account balance expressed generally as a percentage of the current collateral principal balance.

For NIMS transactions, the Company will receive cash flows once the holders of the senior bonds and certificates created in the NIMS transaction are fully repaid.

The Annual Percentage Rate (APR) on the mortgage loans is relatively high in comparison to the pass-through rate on the Certificates. Accordingly, the Residuals described above are a significant asset of the Company. In determining the value of the Residuals, the Company must estimate the future rates of prepayments, prepayment penalties to be received by the Company, delinquencies, defaults and default loss severity as they affect the amount and timing of the estimated cash flows. The Company uses an average annual default rate estimate of 0.60% to 2.25% for adjustable rate first trust deeds, 0.25% to 0.75% annual default rate estimate for fixed rate first trust deeds, and a range of 0.75% to 1.50% for second trust deeds. The Company's default rate estimates result in average cumulative loss estimates as a percentage of the original principal balance of the mortgage loans of 1.52% to 4.99% for adjustable rate first trust deeds, 2.01% to 2.99% for fixed rate first trust deeds, and a range of 2.41% to 3.43% for second trust deeds. These estimates are based on historical loss data for comparable loans and the specific characteristics of the loans originated by the Company. The Company estimates prepayments by evaluating historical prepayment performance of comparable mortgage loans and the impact of trends in the industry. The Company has used a prepayment curve to estimate the prepayment characteristics of the mortgage loans. The rate of increase, duration, severity and decrease of the curve depends on the age and nature of the mortgage loans, primarily whether the mortgage loans are fixed or adjustable and the interest rate adjustment characteristics of the mortgage loans (6 month, 1 year, 2 year, 3 year or 5 year adjustment periods). The Company's prepayment curve and default estimates have resulted in weighted average lives of between 1.37 to 4.49 years for its adjustable mortgage loans and 4.11 to 4.79 for its fixed rate mortgage loans, and for its second trust deeds a range of 2.57 to 2.86.

Historically, the Company performs an evaluation of its Residuals quarterly, which takes into consideration trends in actual cash flow performance, industry and economic developments, as well as other relevant factors. The Company's evaluation of the Residuals during the three months ended

March 31, 2001 and 2000 indicated that the carrying value of the Residuals approximated their fair market value at the respective periods.

The Bond and Certificate holders and their securitization trusts have no recourse to the Company for failure of mortgage loan borrowers to pay when due. The Company's Residuals are subordinate to the Bonds and Certificates until the Bond and Certificate holders are fully paid.

2. Loans Receivable Held for Sale, Net

A summary of loans receivable held for sale, at the lower of cost or market at March 31, 2001 and December 31, 2000 follows (dollars in thousands):

	March 31, 2001	December 31, 2000
Mortgage loans receivable	$ 472,906	$ 401,139
Net deferred origination fees	(140)	(1,050)
	$ 472,766	$ 400,089

3. Residual Interests in Securitizations

Residual interests in securitizations consist of the following components at March 31, 2001 and December 31, 2000 (dollars in thousands):

	March 31, 2001	December 31, 2000
Over-collateralization account	$ 209,294	$ 242,636
Net interest receivable (NIR)	118,788	119,010
	$ 328,082	$ 361,646

The following table summarizes activity in the NIR amounts for the three months ended March 31, 2001 and 2000 (dollars in thousands):

	2001	2000

	2001	2000
Balance, beginning of period	$ 119,010	$ 185,144
NIR gains		25,023
Call transaction	7,883	
NIR accretion (amortization)	(8,105)	(6,385)
Balance, end of period	$ 118,788	$ 203,782

The call transaction represents the effect of the Salomon Smith Barney exercise of the call option for the Company's 1998-NC5 securitization transaction. Salomon Smith Barney notified the Company in the fourth quarter of 2000 that it intended to exercise the call option and the call transaction occurred in January 2001.

The following table summarizes activity in the OC accounts for the three months ended March 31, 2001 and 2000 (dollars in thousands):

	2001	2000
Balance, beginning of period	$ 242,636	$ 184,545
Initial deposits to OC accounts		14,104
Call transaction	(40,292)	
Additional deposits to OC accounts	19,690	18,661
Release of cash from OC accounts	(12,740)	(14,311)
Balance, end of period	$ 209,294	$ 202,999

The following table summarizes activity in the allowance for NIR losses for the three months ended March 31, 2001 and 2000 (dollars in thousands):

	2001	2000
Balance, beginning of period	$	$ 5,000
Provision for NIR losses		
Charge-offs of NIR		
Balance, end of period	$	$ 5,000

4. Mortgage Servicing Assets

Mortgage servicing assets represent the carrying value of the Company's servicing portfolio. The following table summarizes activity in mortgage servicing assets for the three months ended March 31, 2001 and 2000 (dollars in thousands):

	2001	2000
Balance, beginning of period	$ 22,945	$ 22,145
Additions	1,383	2,062
Sales of servicing rights	(21,257)	
Amortization	(1,381)	(1,405)
Balance, end of period	$ 1,690	$ 22,802

The table below summarizes activity in the Company's mortgage loan servicing portfolio for the three months ended March 31, 2001 and 2000 (dollars in millions):

	2001	2000
Balance, beginning of period	$ 6,080	$ 5,950
Loans funded	1,027	956
Bulk sale of servicing rights	(5,272)	
Payoffs/servicing-released sales	(996)	(839)
Balance, end of period	$ 839	$ 6,067

During the quarter ended March 31, 2001, the Company sold servicing rights in two separate transactions. The first transaction was the sale of servicing rights to $4.8 billion in loans, for which the Company will perform subservicing until third quarter of 2001. The second transaction was the sale of servicing rights to $520 million in loans, for which the servicing transferred to the purchaser prior to the end of the first quarter of 2001.

5. Warehouse and Aggregation Lines of Credit

Warehouse and aggregation lines of credit consist of the following at March 31, 2001 and December 31, 2000 (dollars in thousands):

	March 31, 2001	December 31, 2000
A $265 million line of credit expiring in May 2001 secured by loans receivable held for sale, bearing interest based on one month LIBOR (5.08% at March 31, 2001)	$ 273,725	$ 201,705
A $500 million master repurchase agreement bearing interest based on one month LIBOR (5.08% at March 31, 2001), secured by loans receivable held for sale. The agreement may be terminated by the lender after giving 28 days written notice and expires in May 2001	59,296	167,522
A $400 million loan and security agreement bearing interest based on one-month LIBOR (5.08% at March 31, 2001), secured by loans receivable held for sale, expiring in November 2001	129,778	29,071
A $300 million loan and security agreement bearing interest based on one-month LIBOR (5.08% at March 31, 2001), secured by loans receivable held for sale, cancelled in February 2001 by the Company		639
A $25 million master loan and security agreement bearing interest based on one month LIBOR (5.08% at March 31, 2001), secured by delinquent loans and REO properties, expiring in May 2001	1,532	3,952
A $296 million loan and security agreement bearing interest based on one month LIBOR (5.08% at March 31, 2001) secured by loans receivable held for sale, renewing automatically for successive 12-month periods starting in August 2000, but is uncommitted		1,557
	$ 464,331	$ 404,446

The warehouse and aggregation line of credit agreements contain certain restrictive financial and other covenants which require the Company to, among other things, restrict dividends, maintain certain net worth and liquidity levels, remain below specified debt-to-net-worth ratios and comply with regulatory and investor requirements. At March 31, 2001, the Company was in compliance with all material financial and other covenants in its warehouse and aggregation facilities, with the exception of the profitability covenant in the Morgan Stanley aggregation facility, for which the Company received a waiver.

6. Earnings per Share

The following table illustrates the computation of basic and diluted earnings per share for the periods indicated (dollars in thousands, except per share amounts):

	Three Months Ended March 31, 2001	Three Months Ended March 31, 2000
Basic:		
Net earnings (loss)	$ (1,852)	$ 7,273
Less: dividends declared on preferred stock	(725)	(725)
Earnings (loss) available to common stockholders	(2,577)	6,548
Weighted average common shares outstanding	14,914	14,594
Earnings (loss) per share	$ (0.17)	$ 0.45
Diluted:		
Net earnings (loss), as adjusted	$ (2,577)	$ 7,273
Weighted average number of common and common equivalent shares outstanding	14,914	14,594
Dilutive effect of convertible preferred stock, stock options and warrants		4,720
	14,914	19,314
Earnings (loss) per share	$ (0.17)	$ 0.38

For the three months ended March 31, 2001, 1,880,779 stock options, 40,000 shares of convertible preferred stock (convertible into 4,124,400 shares of common stock) and 50,000 warrants are excluded from the calculation of diluted earnings per share because their effect is anti-dilutive in periods where losses are reported. In addition, for the three months ended March 31, 2000, 1,134,672 stock options and warrants were excluded from the calculation of diluted earnings per share because their effect would have been anti-dilutive.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

General

New Century Financial Corporation (the Company) is a specialty finance company that, through its subsidiaries, originates, purchases, sells and services sub-prime mortgage loans secured primarily by first mortgages on single family residences. The Company was incorporated in Delaware in November 1995 and commenced lending operations in February 1996.

Loan Originations and Purchases

As of March 31, 2001, the Company's Wholesale Division was operating through five regional operating centers and 21 additional sales offices. The Wholesale Division and the Company's Worth Funding subsidiary funded $807.9 million in loans during the three months ended March 31, 2001. As of March 31, 2001, the Company's Retail Branch Operations Division was operating through 65 sales offices. The Retail Branch Operations Division and the Company's Centralized Retail Division funded $218.6 million in loans during the three months ended March 31, 2001.

Loan Sales and Securitizations

Loan Sale Strategy. The Company's loan sale strategy has historically included both securitizations and whole loan sales in order to achieve the Company's goal of enhancing profits while managing cash flows. Loan sales through securitizations permit the Company to enhance operating profits and to benefit from future cash flows generated by the residual interests retained by the Company. Whole loan sale transactions enable the Company to generate current cash flow, protect against the potential volatility of the securitization market and reduce the risks inherent in retaining residual interests in securitizations. During the quarter ended March 31, 2001, the Company sold 100% of total loan sales through whole loan transactions.

One of the Company's primary sources of revenue is the recognition of gains from the sale of its loans through whole loan sales and securitizations. In a whole loan sale, the Company recognizes and receives a cash gain upon sale. In a securitization, the Company recognizes a gain on sale at the time the loans are sold, but receives corresponding cash flows, represented by the over-collateralization amount (OC) and the Net Interest Receivable (NIR) (combined, the Residuals), over the actual life of the loans. As a result of timing differences in receiving cash from whole loan sales versus securitizations, the relative percentage of whole loan sales to securitizations will affect the Company's operating cash flow.

The Company has, to date, elected to fund the required OC at the closing of most of its securitizations. The over-collateralization requirement ranges from two to five percent of the initial securitization bond debt principal balance or four to nine percent of the remaining principal balance after thirty to thirty-six months of principal amortization. When funding all of the OC Account up front, the Company begins to receive cash flow from the Residual immediately. In those cases where only a portion of the OC Account is funded up front, the Company will begin to receive cash flow from the Residual more quickly than in cases where no initial funding is undertaken. Cash flows from the Residuals are subject to certain delinquency or credit loss tests, as defined by the rating agencies or the bond insurance companies. Over time, the Company will also receive the OC, subject to the performance of the mortgage loans in each securitization.

In connection with the origination and purchase of loans, the Company may either receive or pay origination fees. These fees, referred to as "points" or "premiums" in the mortgage industry, are dependent on the source of loan production. Typically, they correspond to the amount of further processing required for a loan to be funded and are determined as a percentage of the loan amount.

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The points received from the origination of loans and the premiums paid to originate and acquire loans are included in the gain recognized from the sale of loans in the income statement.

The following table sets forth loan sales for the periods indicated (dollars in thousands):

	Three Months Ended March 31,	
	2001	**2000**
Whole loan sales	$ 953,829	$ 496,776
Securitizations		429,680
	$ 953,829	$ 926,456

In recent quarters, whole loan buyers have tended to confine their purchases to loans with very specific attributes rather than merely purchasing a full cross section of a seller's production. Likewise, buyers in recent quarters have tended to perform more rigorous due diligence reviews of loan pools, and have typically elected to exclude a significant percentage of loans from a pool on various bases.

During the third quarter of 2000, the Company revised its underwriting guidelines to originate the types of loans that are more closely aligned to the guidelines of its whole loan investors. These guideline adjustments have reduced the number of loans that investors are not willing to purchase.

During the first quarter of 2001, the Company sold approximately $114.2 million in loans at a discount to their outstanding principal balance. Almost all of these loans were originated in prior quarters. These loans consisted of delinquent loans, loans with documentation defects or loans that were rejected by whole loan buyers because of certain characteristics. Although the weighted-average gain on sale on the Company's loans sold at a premium during the first quarter was 3.69%, when one includes discounted loan sales in the calculation, the net gain on sale was only 2.40%. The Company has devoted significant efforts during the first quarter to reduce the number of loans sold at a discount and reduce the severity of the loss on such sales.

Second quarter strategy. Based on current liquidity and profit projections and current market conditions, the Company may sell loans through securitization in the second quarter of 2001. In addition, the Company has entered into forward sales commitments for the second quarter at prices well in excess of 103%. The commitments are subject to customary contingencies, including the Company's ability to deliver loans having the characteristics specified by the buyers.

Results of Operations

As of March 31, 2001, the Company's Wholesale Division operated through 21 sales offices and five regional operating centers located in 20 states. The Company's Retail Division operates through 65 sales offices located in 26 states.

Three Months Ended March 31, 2001 Compared to Three Months Ended March 31, 2000

The Company originated and purchased $1.0 billion in loans for the three months ended March 31, 2001, compared to $956.5 million for the three months ended March 31, 2000. Wholesale loan originations and purchases were $807.9 million, or 78.8%, of total originations and purchases for the three months ended March 31, 2001. Retail loan originations and purchases were $218.6 million, or 21.2%, of total originations and purchases for the three-month period. For the same period in 2000, Wholesale and Retail originations and purchases totaled $709.4 million, or 74.2% and $247.1 million, or 25.8%, respectively, of total originations and purchases.

Total revenues for the three months ended March 31, 2001 decreased to $48.0 million, from $60.4 million for the three months ended March 31, 2000. This decrease was due to a decrease in loans

sold through securitization versus whole loan sales in 2001, as well as a decrease in interest income on loans receivable held for sale.

The components of the gain on sale of loans are illustrated in the following table (dollars in thousands):

	Three Months Ended March 31,	
	2001	**2000**
Gain from whole loan sale transactions	$ 24,346	$ 12,711
Non-cash gain from securitizations		25,023
Non-cash gain from servicing asset	1,383	2,062
Cash gain on sale of servicing rights	62	
Securitization expenses		(2,163)
Accrued interest		(2,814)
Provision for losses	(2,691)	(2,267)
Non-refundable loan fees	13,293	13,572
Premiums paid	(4,227)	(7,814)
Origination costs	(11,250)	(15,500)
Hedging losses	(366)	
Gain on sale of loans	$ 20,550	$ 22,810

Whole loan sales increased to $953.8 million for the three months ended March 31, 2001, from $496.8 million for the corresponding period in 2000. This increase is the result of a change in the Company's mix of whole loan sales versus securitizations. Loans sold through whole loan sales represented 100% of total loan sales in the three months ended March 31, 2001, compared to 53.6% for the corresponding period in 2000.

Interest income decreased to $9.3 million for the three months ended March 31, 2001, compared to $18.4 million for the same period in 2000, primarily due to a decrease in the average inventory of loans receivable held for sale that resulted from the Company closing loan sale transactions throughout the quarter in 2001, compared to sales predominantly at the end of the quarter in 2000.

Servicing income decreased to $6.5 million for the three months ended March 31, 2001, from $7.8 million for the three months ended March 31, 2000. This decrease resulted from the sale of $4.8 billion in mortgage loan servicing rights to Ocwen Federal Bank FSB as of March 1, 2001.

Residual interest income represents income earned on the Company's portfolio of residual interests in securitizations. Residual interest income decreased slightly from $11.3 million for the quarter ended March 31, 2000 to $11.2 million for the corresponding period in 2001, as a result of the decrease in the average balance of residual interests in securitizations, partially offset by an increase of 1% in the discount rate.

Total expenses increased to $51.2 million for the three months ended March 31, 2001, from $47.7 million for the three months ended March 31, 2000. While total interest expense decreased, interest on subordinated debt and short-term financing was higher for the three months ended March 31, 2001, due to a higher average balance of outstanding debt. Other factors include legal and restructuring costs associated with the Ocwen transaction.

Residual Securities

The carrying value of the Company's residual securities decreased from $361.6 million at December 31, 2000 to $328.1 million at March 31, 2001, as a result of the January 2001 call of the

NC98-5 security. Residual financing associated with NC98-5 in the amount of $25.9 million was paid off in January 2001.

In establishing the net book value of the residual securities, management reviews on a quarterly basis the underlying assumptions used to value each residual security and adjusts the carrying value of the securities based on actual experience and trends in the industry.

Liquidity and Capital Resources

THE WAREHOUSE CREDIT AGREEMENT. The Company requires access to short-term warehouse and aggregation credit facilities in order to fund loan originations and purchases pending the securitization and sale of such loans. As of March 31, 2001, the Company had a $265.0 million warehouse line of credit led by U.S. Bank National Association ("U.S. Bank") which expires in May 2001 and bears interest at a rate equal to the one month LIBOR plus 1.25%. At March 31, 2001, the balance outstanding under the warehouse line of credit was $273.7 million, including $9.2 million in loans closed through draft checks, for which the Company receives an advance under the warehouse line of credit facility when the draft is presented for payment. The Company expects to renew this facility in late May 2001.

Borrowings under the warehouse line are generally secured by first mortgages funded through the facility. Within seven business days of funding, the Company is required to deposit the mortgage note and file with U.S. Bank to be held as collateral. If the file is incomplete, U.S. Bank ceases to count the loan in calculating the Company's available borrowing capacity. As a consequence, the Company is essentially forced to use its own cash to carry the loan until the file defect can be cured and the loan can be resubmitted under the warehouse line. As of March 31, 2001, the Company's "zero-collateral" balance was not material and did not affect the Company's liquidity.

The warehouse line is contingent upon having a committed "take-out" generally a committed aggregation facility or a forward sale commitment for the financed loans. The advance rate for a loan on the warehouse line is generally calculated as the lesser of (i) the outstanding principal balance of the loan and (ii) the take-out commitment level minus three percent. In the first and second quarters of 2001, the Company has had qualifying take-outs in the form of forward sale commitments at prices in excess of 103% of the outstanding principal balance of the financed loans. Accordingly, the Company's advance rate under the warehouse facility has been 100% of the outstanding principal balance of the loans financed. If the Company is unable to maintain forward commitments at a price of 103% or higher, then the Company may be required to rely on its committed aggregation facilities as its qualifying "take-outs" under the warehouse line of credit. This would most likely cause the advance rate on the warehouse line to fall from 100% of the outstanding principal balance to approximately 98% of the outstanding principal balance. The negative cash impact of such an occurrence could have a material adverse impact on the Company's results of operations, business and financial condition.

AGGREGATION AND RESIDUAL FINANCING FACILITIES. As of March 31, 2001, the Company also had a $500 million aggregation facility with Salomon Smith Barney ("Salomon"), which bears interest at a rate generally equal to the one month LIBOR plus 1.25%. This facility expires in May 2001, but can be terminated by Salomon upon 28 days written notice. The Company also has a $25.0 million Master Loan and Security Agreement with Salomon secured by delinquent or problem loans and REO properties. The facility also expires in May 2001 and bears interest at a rate equal to the one month LIBOR plus 2.00%. The outstanding balance of the combined Salomon facilities as of March 31, 2001 was $60.8 million. Additionally, in November 2000, the Company negotiated a $400 million aggregation facility with Morgan Stanley Dean Witter Mortgage Capital Inc., which is subject to renewal in November 2001 and bears interest at a rate generally equal to the one month LIBOR plus 1.05%. As of March 31, 2001, the balance outstanding under this facility was $129.8 million. In February 2001, the Company cancelled its $300 million aggregation facility with

Greenwich Capital Markets. In addition, the Company has a $300 million aggregation and residual financing facility with PaineWebber Real Estate Securities, Inc. that the Company does not utilize. The Company expects to negotiate a termination of the facility during 2001 as well.

At present, the Company utilizes the U.S. Bank warehouse line to finance the actual funding of its loan originations and purchases. After loans are funded by the Company using the warehouse line and all loan documentation is complete, the loans are generally transferred to the Salomon or Morgan Stanley aggregation facilities. The aggregation facilities are paid down with the proceeds of loan sales and securitizations.

As of March 31, 2001, the Company had residual financing arrangements with Salomon, Greenwich, PaineWebber and Countrywide Warehouse Lending ("Countrywide"), whereby the respective lender provides financing of the Company's residual interests in securitizations as well as its residual interests from NIM transactions. The amount of residual financing provided upon each securitization is determined pursuant to formulas set forth in the respective agreements and is generally subject to repayment as a result of changes in the market value of the residual interests or the formula used by the lead underwriter to determine the market value of the residual interest (which the lead underwriter may adjust in its discretion). The Greenwich residual financing facility has an aggregate limit of $21 million and expires in October, 2001. The PaineWebber facility is uncommitted, and is built into the overall $300 million limit for that facility. The Salomon facility is structured as a repurchase arrangement, and does not have a specified limit. The Countrywide facility is structured as a rolling monthly repurchase agreement. The facilities bear interest at a rate based on the one month LIBOR. At March 31, 2001, the balance outstanding under these facilities was $138.3 million.

In March 2001, in connection with the closing of the Ocwen transaction, Salomon agreed to modify its residual financing facility to provide for fixed minimum monthly and quarterly payment obligations starting in April 2001, with the facility maturing and requiring complete repayment by December 31, 2002. All cash flows from the financed residuals will be directed to pay down the facility. Based on current projections, the Company expects those cash flows to be adequate to cover the minimum monthly and quarterly pay-down obligations. If there is a shortfall, the Company will be required to make up the difference using its general working capital. The facility will no longer be subject to margin calls based on the fluctuation in the value of the underlying residuals.

The Company's business requires substantial cash to support its operating activities and growth plans. As a result, the Company is dependent on the U.S. Bank warehouse facility, the Salomon and Morgan Stanley aggregation lines and the residual financing facilities in order to finance its continued operations. If any of Salomon, Morgan Stanley or U.S. Bank decided not to renew their respective credit facilities with the Company, the loss of borrowing capacity would have a material adverse impact on the Company's results of operations unless the Company found a suitable alternative source. Likewise, these facilities generally include cross-default clauses. Therefore, the Company's breach or default under one facility could trigger defaults under one or more of the Company's other financing facilities. Such defaults, if not waived by the applicable lenders, would have a material adverse impact on the Company's results of operations, business and financial condition.

In addition, the Company's warehouse and aggregation lenders also have substantial authority to determine the characteristics of the loans that will qualify as collateral under their agreements. In the past few quarters, consistent with industry trends, those guidelines have tightened to exclude certain high-cost mortgages, loans to borrowers at the extreme low end of the credit spectrum, smaller loans and other loans perceived to be high risk by the lenders. Consequently, it is now more difficult for the Company to originate those loans. To the extent the Company cannot originate the full spectrum of non-prime mortgage loans for its key brokers, those relationships could be strained and some brokers could elect to curtail their business with the Company. This in turn could have a material adverse effect on the Company's results of operations, financial condition and business prospects.

OTHER BORROWINGS. In the fourth quarter of 1999, U.S. Bank National Association provided the Company with $20 million in subordinated debt. During 2000, U.S. Bank provided an additional $20 million in subordinated debt, and also extended the maturity for all

$40 million of subordinated debt until June 2002. The debt bears interest at a rate of 12% per year. In March 2001, in connection with the Ocwen servicing rights sale, U.S. Bank agreed to extend the maturity of the subordinated debt to December 31, 2003.

During 2000, U.S. Bank also provided a $22.5 million financing facility to the Company secured by servicing advance receivables and delinquent mortgage loans not financed elsewhere. The facility was structured as a weekly rolling repurchase agreement, with the repurchase price based on an interest rate of 12%. In March 2001, the Company used some of the proceeds from the Ocwen transaction to pay off the outstanding balance on this facility and terminated it.

The Company has a discretionary, non-revolving $5.0 million line of credit with an affiliate of U.S. Bank secured by the Company's furniture and equipment. Advances under this facility are made periodically at the discretion of the lender, and bear interest at a fixed rate established at the time of each advance for a term of three years. As of March 31, 2001, the balance outstanding under this facility was $1.5 million, and the weighted-average interest rate was 9.6%. In addition, the Company had various non-revolving operating lease agreements totaling $18.3 million at March 31, 2001.

INDUSTRY LIQUIDITY ENVIRONMENT. Although the Company has access to numerous financing sources, the financing environment for non-prime mortgage lenders in general remains unfavorable by historical standards. Some large non-prime lenders have gone out of business while others have reported losses and have drastically decreased their operations. In this environment, lenders who have historically been active in this sector have been much more conservative in their decisions to extend credit to non-prime originators. In addition, lenders have gradually reduced the levels at which they will lend against mortgage loans and residual interests. This reduction in advance rates has had a negative effect on the Company's cash flow. Such lower advance rates appear likely to persist.

CASH FLOW. For the three months ended March 31, 2001, the Company's operations provided approximately $7.1 million in cash, although historically the Company's operating activities have used more cash than they generated. Positive cash flow from operations resulted primarily from the assumption by Ocwen of servicing advance balances totaling approximately $17.8 million. One of the Company's objectives in its 2001 Business Plan is to achieve cash flow neutral and then cash flow positive operations. To that end, the Company has focused on a loan sale strategy that emphasizes maximization of cash flow, and a cost reduction strategy to improve both cash flow and profit margins. While the Company has transitioned to a cash-oriented loan sales secondary marketing strategy in 2001, the Company's loan origination and purchase programs still require significant cash investments, including the funding of: (i) fees paid to brokers and correspondents in connection with generating loans through wholesale lending activities; (ii) commissions paid to sales employees to originate loans; (iii) any difference between the amount funded per loan and the amount advanced under the current warehouse facility; (iv) principal and interest payments on residual financing secured by the NIM residual bonds, for which the Company does not expect to begin receiving cash flows until December 2001; and (v) income tax payments arising from the recognition of gain on sale of loans. The Company also requires cash to fund ongoing operating and administrative expenses, including capital expenditures and debt service. The Company's sources of operating cash flow include: (i) the premium advance component of the aggregation facilities; (ii) premiums obtained in whole loan sales; (iii) mortgage origination income and fees; (iv) interest income on loans held for sale; (v) excess cash flow from securitization trusts; and (vi) servicing income.

After the transfer to Ocwen's Orlando, Florida servicing center on August 1, 2001, the Company will no longer receive servicing fees and related income on the portion of the servicing portfolio that was sold.

In the first quarter of 2001, the Company also generated additional cash as a result of two non-recurring transactions. First, the Company received cash in connection with the call of the 1998-NC5 securitization in January 2001. The proceeds to the Company as holder of residual securities in the transaction exceeded the amount of financing on those residuals by approximately $5.8 million. In addition, in March 2001, the Company received approximately $4.0 million in cash from the sale of servicing rights and servicing advance receivables to Ocwen, after pay-down of the financing secured by those assets.

LIQUIDITY STRATEGY FOR 2001. The Company has taken steps early in 2001 designed to improve its liquidity and cash flow. The Ocwen transaction allowed the Company to pay down approximately $32.9 million in debt and also receive approximately $4.0 million in cash. Moreover, as a result of the Ocwen transaction, the Company will no longer be obligated to make servicing advances on its securitized loans. At the same time, however, the sale to Ocwen will reduce servicing cash flows by approximately $3.5 million in future quarters. Upon transfer of servicing to Ocwen in the summer of 2001, the Company expects either to close the facility, sell the servicing platform to a third party or offer limited servicing activities.

In addition, the amendment of the Salomon residual financing arrangement is intended to make the Company substantially less vulnerable to margin calls on its residual financing. Likewise, the extension of the maturity of the U.S. Bank debt is intended to allow the Company to time repayment of that debt to coincide with the anticipated cash flows from the Company's residual securities.

Despite the expected improvements to the Company's cash position and liquidity as a result of the servicing rights sale to Ocwen, the Company's operations continue to use more cash than they generate. Apart from its operating uses of cash, the Company has current and deferred income taxes of approximately $13.7 million, some of which may be payable in 2001.

During 2001, the Company intends to concentrate on improving cash flow in order to achieve cash-flow positive operations sufficient to pay its deferred tax obligation and fund ongoing operations. The Company's principal strategies will be (i) reducing the all-in acquisition cost for loans, with a goal of reducing it to 2.50% by the second quarter and even lower in the second half of the year, (ii) reducing the number of loans that the Company must sell at a discount because of defects, because they are rejected by loan buyers or because the borrower failed to make the first payment, (iii) reducing the size of the average loss on sale for those loans that are sold at a discount, and (iv) improving the gain on sale of loans sold at a premium. There can be no assurance that the Company will be able to achieve these goals and operate on a cash flow neutral or cash flow positive basis.

If the Company cannot generate sufficient cash flow to fund its operations and pay its deferred tax liability, the Company will need to seek additional borrowings or additional equity capital. There can be no assurance that such debt or equity will be available to the Company. Absent improved cash flow and/or additional capital, at current cash usage rates, there can be no assurance that the Company will meet its required $10 million month-end liquidity covenant under its U.S. Bank Warehouse Credit Agreement. If the Company breaches this covenant, the Company intends to seek appropriate waivers from U.S. Bank and its other lenders. There can be no assurance that such waivers would be obtained. If such waivers were not obtained, the warehouse line of credit and the Company's other credit facilities could be terminated. Unless the Company were to secure suitable replacement facilities, any termination of these facilities would have a material adverse effect on the Company's results of operations, financial condition and business prospects.

Subject to the various uncertainties described above, and assuming that the Company will be able to successfully execute its liquidity strategy, the Company anticipates that its liquidity, credit facilities and capital resources will be sufficient to fund its operations for the foreseeable future.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

As of March 31, 2001, the Company had $328.0 million in residual interests in securitizations which subject the Company to market risk. These assets are carried at fair value on the Company's balance sheet. The Company determines the fair value of these assets using significant assumptions (See "Notes to Consolidated Financial Statements Basis of Presentation"). In future periods, if cash flows are greater than projected, the value of the assets will increase. Alternatively, if cash flows are less than projected, the value of the assets will decrease. The Company also has loans receivable held for sale and outstanding borrowings which subject the Company to market risk. Loans receivable held for sale are generally sold, and the related borrowings repaid, within three months.

PART II OTHER INFORMATION

Item 1. Legal Proceedings

The Company is a party to certain legal proceedings, which are described in the Company's Form 10-K filed with the Securities and Exchange Commission on April 2, 2001. During the first fiscal quarter of 2001, there were no material developments with respect to such proceedings.

In addition to the proceedings described in the Form 10-K, the Company occasionally becomes involved in litigation arising out of the normal course of business. Management believes that any liability with respect to such legal actions, individually or in the aggregate, will not have a material adverse effect on the Company.

Item 2. Change in Securities and Use of Proceeds

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Submission of Matters to a Vote of Security Holders

None.

Item 5. Other Information

None.

Item 6. (a) Exhibits required by Item 601 of Regulation S-K

See "Exhibit Index."

(b)

Reports on Form 8-K

None.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

NEW CENTURY FINANCIAL CORPORATION

DATE: May 14, 2001

By: /s/ BRAD A. MORRICE

Brad A. Morrice
President

DATE: May 14, 2001

By: /s/ EDWARD F. GOTSCHALL

Edward F. Gotschall
Chief Financial Officer
(Principal Financial and Accounting Officer)

EXHIBIT INDEX

Exhibit Number	Description of Exhibit

Exhibit Number	Description of Exhibit
*3.1	First Amended and Restated Certificate of Incorporation of the Company
**3.2	Certificate of Designation for Series 1998A Convertible Preferred Stock
***3.3	Certificate of Designation for Series 1999A Convertible Preferred Stock
*3.4	First Amended and Restated Bylaws of the Company
****3.5	Amended Certificate of Designation for Series 1999A Convertible Preferred Stock
*4.1	Specimen Stock Certificate
*****4.2	Specimen Series 1998A Convertible Preferred Stock Certificate
***4.3	Specimen Series 1999A Convertible Preferred Stock Certificate
10.1	Amended and Restated Annex 1 dated April 30, 2001 to the Global Master Repurchase Agreement, dated as of March 29, 2001, by and among Salomon Smith Barney Inc, as agent for Salomon Brothers International Limited, NC Residual II Corporation and New Century Mortgage Corporation
10.2	Amended and Restated Annex 1 dated April 30, 2001 to the Global Master Repurchase Agreement, dated as of March 29, 2001, by and among Salomon Smith Barney Inc, as agent for Salomon Brothers International Limited, NC Capital Corporation and New Century Mortgage Corporation
10.3	Amendment No. 1 to the Master Loan and Security Agreement dated April 2, 2001 by and among NC Capital Corporation and Morgan Stanley Dean Witter Mortgage Capital Inc. dated December 1, 2000
10.4	Amendment No. 1 to the Custodial Agreement dated April 2, 2001 by and among NC Capital Corporation, U.S. Bank Trust National Association and Morgan Stanley Dean Witter Mortgage Capital Inc. dated December 1, 2000
10.5	Amendment No. 1 to the Master Loan & Security Agreement dated April 1, 2000, by and among New Century Mortgage Corporation, NC Capital Corporation and Salomon Brothers Realty Corp., dated March 30, 2001
10.6	Amendment No. 2 to the Master Loan & Security Agreement dated April 1, 2000, by and among New Century Mortgage Corporation, NC Capital Corporation and Salomon Brothers Realty Corp., dated May 1, 2001
*	Incorporated by reference from the Company's Form S-1 Registration Statement (No. 333-25483) as filed with the SEC on June 23, 1997.
**	Incorporated by reference from the Company's Form 8-K as filed with the SEC on December 8, 1998.
***	Incorporated by reference from the Company's Annual Report on Form 10-K for the year ended December 31, 1997.
****	Incorporated by reference from the Company's Quarterly Report on Form 10-Q as filed with the SEC on May 15, 2000.
*****	Incorporated by reference from the Company's Annual Report on Form 10-K for the year ended December 31, 1998 as filed with the SEC.

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