

NEW CENTURY TRS HOLDINGS INC

Form 424B3

November 22, 2004

Table of Contents

Filed Pursuant to Rule 424(b)(3)

Registration No. 333-120209

Registration No. 333-120209-01

OFFER TO CONVERT

New Century TRS Holdings, Inc.

3.50% Convertible Senior Notes Due 2008

For

Cash and Shares of Common Stock of

New Century Financial Corporation

Subject to the terms and conditions described in this prospectus

New Century TRS Holdings, Inc., or New Century TRS, is a wholly-owned subsidiary of New Century Financial Corporation, or New Century Financial, a mortgage real estate investment trust, or REIT, that was recently formed to continue and expand upon the business of New Century TRS.

New Century TRS hereby offers, upon the terms and subject to the conditions described in this prospectus and the accompanying letter of transmittal, to have converted all of its outstanding 3.50% convertible senior notes due 2008 for shares of common stock, \$0.01 par value per share, of New Century Financial and cash. An aggregate principal amount of \$210 million of notes is outstanding. The notes are currently convertible at a rate of 28.7366 shares of New Century Financial common stock for each \$1,000 principal amount of notes, which is equivalent to a conversion price of approximately \$34.80 per share (subject to certain adjustments). Holders who validly tender their notes for conversion will receive for each \$1,000 principal amount a total of:

28.7366 shares of New Century Financial common stock issuable on conversion of the notes in accordance with their terms;

an additional \$110 payable in shares of New Century Financial common stock based upon the average of the closing prices for the eight trading days ending on the second business day preceding the expiration of the offer; and

Edgar Filing: NEW CENTURY TRS HOLDINGS INC - Form 424B3

accrued and unpaid interest from July 3, 2004 payable in cash.

New Century Financial common stock is listed on the New York Stock Exchange, or NYSE, under the symbol NEW. The closing price of New Century Financial common stock on November 18, 2004 was \$62.51 per share.

THE OFFER WILL EXPIRE AT MIDNIGHT, NEW YORK CITY TIME, ON MONDAY, DECEMBER 20, 2004, UNLESS THE OFFER IS EXTENDED.

SEE RISK FACTORS BEGINNING ON PAGE 11 FOR A DISCUSSION OF FACTORS YOU SHOULD CONSIDER IN EVALUATING THIS OFFER.

None of New Century TRS, New Century Financial, the exchange agent, the information agent, the dealer managers or any other person is making any recommendation as to whether you should choose to tender your notes in the offer. 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.

LEHMAN BROTHERS

BEAR, STEARNS & CO. INC.

Dealer Managers

Prospectus dated November 22, 2004.

Table of Contents

TABLE OF CONTENTS

<u>SUMMARY</u>	1
<u>SPECIAL NOTE ABOUT FORWARD-LOOKING STATEMENTS</u>	9
<u>RISK FACTORS</u>	11
<u>Risks Related to the Offer</u>	11
<u>Risks Related to Our Business</u>	12
<u>Risks Related to New Century Financial Common Stock</u>	25
<u>Tax Risks Related to Our Status as a REIT</u>	29
<u>USE OF PROCEEDS</u>	34
<u>RATIO OF EARNINGS TO FIXED CHARGES</u>	34
<u>MARKET PRICES OF COMMON STOCK</u>	35
<u>DISTRIBUTION POLICY; THE SPECIAL E&P DISTRIBUTION</u>	36
<u>CAPITALIZATION</u>	37
<u>THE OFFER</u>	38
<u>DESCRIPTION OF NEW CENTURY FINANCIAL CAPITAL STOCK</u>	46
<u>CERTAIN PROVISIONS OF MARYLAND LAW AND OF NEW CENTURY FINANCIAL S CHARTER AND BYLAWS</u>	50
<u>MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES</u>	55
<u>SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND DIRECTORS AND EXECUTIVE OFFICERS</u>	78
<u>LEGAL MATTERS</u>	80
<u>EXPERTS</u>	80
<u>DOCUMENTS INCORPORATED BY REFERENCE</u>	81
<u>INDEX TO FINANCIAL STATEMENTS</u>	F-1

As used in this prospectus, except where the context otherwise requires or as otherwise indicated, New Century Financial, company, we, our, and us refer to New Century Financial Corporation and our subsidiaries, including our wholly-owned subsidiary, New Century TRS. References in this prospectus to New Century TRS refer to New Century TRS Holdings, Inc. and its subsidiaries, except where the context otherwise requires or as otherwise indicated.

You should rely only on the information contained or incorporated by reference in this prospectus. None of New Century Financial, New Century TRS or the dealer managers has authorized any other person to provide you with different or additional information. If anyone provides you with different or additional information, you should not rely on it. Neither New Century Financial nor New Century TRS is making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information in this prospectus is accurate as of the date appearing on the front cover of this prospectus only. The business, financial condition, results of operations and prospects of New Century Financial or New Century TRS may have changed since that date.

Table of Contents

WHERE YOU CAN FIND ADDITIONAL INFORMATION

New Century Financial and New Century TRS file annual, quarterly and current reports, proxy statements and other information with the Securities and Exchange Commission. Copies of these materials may be examined without charge at the public reference room at 450 Fifth Street, N.W., Room 1024, Washington, D.C. 20549. Please call the Securities and Exchange Commission at 1-800-SEC-0330 for further information on the public reference room. You may also obtain these materials from us at no cost by directing a written or oral request to us at New Century Financial Corporation, 18400 Von Karman Avenue, Suite 1000, Irvine, California, 92612, Attention: Vice President of Investor Relations, or by telephone at (949) 440-7030, or email at cmarrell@ncen.com, or at our website at www.ncen.com. In addition, the Securities and Exchange Commission maintains a web site, <http://www.sec.gov>, which contains reports, proxy and information statements and other information regarding registrants, including New Century Financial and New Century TRS, that file electronically with the Securities and Exchange Commission.

Table of Contents

SUMMARY

The following summary is qualified in its entirety by, and should be read in conjunction with, the more detailed information included elsewhere or incorporated by reference in this prospectus and the information contained in documents incorporated by reference. Because this is a summary, it may not contain all the information you should consider before deciding whether to accept New Century TRS's offer and tender your New Century TRS notes in the offer. You should read this entire prospectus carefully, including the section titled "Risk Factors," before making an investment decision.

New Century Financial Corporation

Our Business

We are a mortgage real estate investment trust, or REIT, and one of the nation's largest non-prime mortgage finance companies. We originate, purchase, retain, sell and service primarily first mortgage products to borrowers nationwide. We focus on lending to individuals whose borrowing needs are generally not fulfilled by traditional financial institutions because they do not satisfy the 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 loans on the basis of the borrower's ability to repay the mortgage loan, the borrower's historical pattern of debt repayment and the amount of equity in the borrower's property, as measured by the borrower's loan-to-value ratio, or LTV. We have been originating and purchasing subprime loans since 1996 and believe we have developed a comprehensive and sophisticated process of credit evaluation and risk-based pricing that allows us to effectively manage the potentially higher risks associated with this segment of the mortgage industry.

Recent Developments

The REIT conversion

On April 5, 2004, the board of directors of New Century TRS, a Delaware corporation formerly known as New Century Financial Corporation, approved a plan to change its capital structure to enable it to qualify as a real estate investment trust, or REIT, for U.S. federal income tax purposes. The decision to convert to a REIT was based on several factors, including the potential for increased stockholder return, tax efficiency and ability to achieve growth objectives. On April 19, 2004, the board of directors of New Century TRS approved certain legal and financial matters related to the proposed REIT conversion.

On April 12, 2004, New Century TRS formed New Century Financial Corporation, a Maryland corporation formerly known as New Century REIT, Inc. On September 15, 2004, the stockholders of New Century TRS approved and adopted the merger agreement which implemented the restructuring of New Century Financial in order for it to qualify as a REIT.

Pursuant to the merger agreement, (i) a wholly-owned subsidiary of New Century Financial merged with and into New Century TRS, with New Century TRS as the surviving corporation, (ii) each outstanding share of common stock of New Century TRS was converted into one share of

Edgar Filing: NEW CENTURY TRS HOLDINGS INC - Form 424B3

New Century Financial common stock, (iii) New Century TRS became a wholly-owned subsidiary of New Century Financial and New Century REIT, Inc. changed its name to New Century Financial Corporation. The merger was consummated and became effective on October 1, 2004.

Table of Contents

As part of the REIT conversion transactions, on October 6, 2004, New Century Financial consummated a public offering of 13,500,000 shares of its common stock at \$58.00 per share for gross proceeds of approximately \$783 million. Concurrent with the closing of the public offering, New Century Financial sold 636,885 shares of its common stock in a private placement transaction to Friedman, Billings, Ramsey Group, Inc. for gross proceeds of approximately \$35 million. New Century Financial agreed to register for resale shares purchased by Friedman, Billings, Ramsey Group, Inc. in the private placement. The registration rights agreement requires that New Century Financial file a registration statement 180 days after the closing of the private placement but no later than 210 days after such date. We intend to use the net proceeds of the public offering and the concurrent private placement for general working capital purposes, substantially all of which will be used to build a portfolio of self-originated mortgage loans and, if necessary to maintain our REIT status, to purchase mortgage-related assets from third parties.

Effect of the merger on the notes

As a result of the merger, the notes, which were convertible into shares of New Century TRS common stock prior to the merger, became convertible into shares of New Century Financial common stock at the same conversion rate as in effect on the date of the merger, subject to further adjustments upon the occurrence of certain events. On September 30, 2004, New Century Financial, New Century TRS and the trustee under the indenture governing the notes entered into a supplemental indenture pursuant to which New Century Financial agreed to issue shares of its common stock upon conversion of the New Century TRS notes under the indenture and New Century TRS agreed to continue to be responsible for all other obligations under the indenture. While New Century Financial has agreed to issue shares of its common stock upon conversion of the notes, the conversion obligation represents New Century TRS's sole obligation and liability. The notes are currently convertible at a rate of 28.7366 shares of New Century Financial common stock for each \$1,000 principal amount of notes, which is equivalent to a conversion price of approximately \$34.80 per share (subject to certain adjustments).

Transactions Related to the Offer

In order to enable New Century TRS to deliver shares of New Century Financial common stock to tendering noteholders in the offer, New Century TRS entered into a purchase agreement with New Century Financial pursuant to which New Century TRS has agreed to purchase, for cash, that number of shares of New Century Financial common stock as is necessary for New Century TRS to satisfy its share delivery obligations under the offer. The purchase agreement also provides that New Century TRS will purchase, for cash, that number of shares of New Century Financial common stock as is necessary for New Century TRS to satisfy its obligations under the indenture to issue shares of New Century Financial common stock upon conversion of the notes. All such sales and purchases will be effected in an arm's-length manner for the then-fair market value of such shares of New Century Financial common stock. To the extent that such purchases cause New Century TRS to exceed the 9.8% restriction on beneficial ownership in value or in number of shares of New Century Financial common stock contained in New Century Financial's charter, the board of directors of New Century Financial has granted New Century TRS a waiver from such restriction.

In connection with the original issuance of the notes, New Century TRS entered into two agreements to simultaneously purchase a call option and sell a warrant on its common stock. The purpose of the option and warrant was to reduce the economic dilution of the conversion premium under the notes. The option granted to New Century TRS the right to purchase from an affiliate of Bear Stearns & Co. Inc., or Bear Stearns, one of the initial purchasers of the notes, at any time up to 6,034,675 shares of New Century TRS common stock at a strike price of \$34.80 per share (subject to certain adjustments). The warrant granted to an affiliate of Bear Stearns the right to purchase from New Century TRS up to 6,034,668 shares of New Century TRS common stock for a limited period of time upon maturity of the notes at a price of \$47.59 per share (subject to certain adjustments).

Table of Contents

Like the notes, the option and warrant became exercisable for shares of New Century Financial common stock, rather than New Century TRS common stock, as a result of the merger. Concurrent with the completion of the offer, we expect that New Century TRS and the affiliate of Bear Stearns will terminate the option and warrant. We refer to this termination as the call spread settlement. Assuming all of the notes are tendered in the offer, New Century TRS expects to receive a cash payment from the affiliate of Bear Stearns in connection with the call spread settlement.

Changes in Our Business as a Result of the Merger

As a result of the recently completed merger and the related public offering, we expect that over time a significant source of our revenue will be interest income generated from our portfolio of mortgage loans held by New Century Financial and its qualified REIT subsidiaries. We also expect to generate revenue from the sale of loans, servicing income and loan origination fees, all of which we initially expect to be generated by New Century Financial's taxable REIT subsidiaries. We expect the primary components of our expenses 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.

We intend to continue to sell loans through New Century Financial's taxable REIT subsidiaries and generate gain on sale, or GOS, income, origination fees and servicing income through those subsidiaries. Subject to the limitations imposed by applicable REIT tax rules, we expect to retain some or all of the after-tax earnings of the taxable REIT subsidiaries in such subsidiaries, enabling us to increase our capital and provide for future growth.

As a result of the merger and the related transactions, we have made and will continue to make certain changes to our business operations, some of which are described below:

Loan origination, acquisition and servicing. We will continue to originate, underwrite, process, fund and service a majority of loans through one or more of New Century TRS's taxable REIT subsidiaries, including New Century Mortgage Corporation, our indirect subsidiary, in accordance with our existing policies, procedures and underwriting guidelines. In addition, we expect to be able to originate mortgage loans in a majority of states through us or one or more of our qualified REIT subsidiaries, including New Century Credit Corporation, or New Century Credit. Over time, we expect that we and/or one or more of our qualified REIT subsidiaries will become authorized to originate mortgage loans in the remaining states in which we or they are not currently authorized.

Loan sales. Prior to the recently completed merger, New Century TRS sold most of its loans through whole loan sales or securitizations through NC Capital Corporation, our indirect subsidiary. We now intend to conduct non-real estate mortgage investment conduit, or REMIC, collateralized mortgage obligation, or CMO, securitization activities in one or more of our qualified REIT subsidiaries, such as New Century Mortgage Securities LLC, or NCMS. Non-REMIC CMOs are treated as debt for both generally accepted accounting principles and tax purposes, thereby resulting in no GOS being recognized for either generally accepted accounting principles or income tax purposes. The non-GOS treatment creates portfolio earnings for both financial reporting pursuant to generally accepted accounting principles and tax purposes. We have and will continue to purchase loans from New Century TRS or one or more of its taxable REIT subsidiaries in arm's-length transactions at fair market value in order to enable us to meet the asset and income tests applicable to REITs. We will determine fair market value based on prevailing market prices for similar whole loan sale and securitization transactions executed with unaffiliated third parties.

Short-term financing. In connection with our conversion to a REIT, we and our qualified REIT subsidiaries have structured some of our existing financing facilities to allow our qualified REIT subsidiaries and our taxable REIT subsidiaries to share the facilities as co-borrowers. In addition, we expect to add new short-term financing facilities to originate loans. Ultimately, these loans will be financed through longer-term securitizations.

Table of Contents

Long-term financing. We expect to continue financing our loan portfolio for the long-term through securitizations. If we or one of our qualified REIT subsidiaries were to securitize mortgage assets on a regular basis (other than through the issuance of non-REMIC CMOs), there is a substantial risk that the securities could be dealer property and that all of the profits from such sales would be subject to tax at the rate of 100% as income from prohibited transactions. We expect to securitize such mortgage assets through the issuance of non-REMIC CMOs, whereby we retain the equity interests in the mortgage-backed assets used as collateral in the securitization transaction.

Hedging. We currently use various derivative financial instruments to attempt to mitigate interest rate risks. When interest rates change, we expect the gain or loss on derivatives to be substantially offset by a related but inverse change in the value of the assets that we hold or the amount of future interest payments on the related liabilities. We expect to continue this hedging strategy; however, REIT qualification tests will limit the amount of income we can receive from financial derivatives in New Century Financial. As a result, we may be required to conduct some hedging activities through one or more of our taxable REIT subsidiaries, which will subject the related hedging income to corporate income tax and, in some circumstances, may impair our ability to mitigate interest rate risk.

Our Corporate Information

New Century Financial was formed as a Maryland corporation in April 2004. New Century Financial's common stock has been listed on the NYSE under the symbol NEW since October 1, 2004. New Century TRS was formed as a Delaware corporation in 1995. Prior to October 1, 2004, New Century TRS's common stock was quoted on The Nasdaq National Market under the symbol NCEN. New Century TRS's common stock is no longer listed on any national securities exchange or quoted on any over-the-counter market. 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 Internet website is www.ncen.com. The contents of our website are not part of this prospectus.

Table of Contents

THE OFFER

The Offer

New Century TRS is offering, upon the terms and subject to the conditions described in this prospectus and in the accompanying letter of transmittal, shares of New Century Financial common stock and cash to holders who convert New Century TRS's 3.50% convertible senior notes due 2008, which we refer to as the notes. Holders who validly tender their notes for conversion will receive for each \$1,000 principal amount a total of:

28.7366 shares of New Century Financial common stock issuable on conversion of the notes in accordance with their terms;

an additional \$110 payable in shares of New Century Financial common stock based upon the average of the closing prices for the eight trading days ending on the second business day preceding the expiration of the offer; and

accrued interest from July 3, 2004 payable in cash.

New Century TRS will accept for conversion all notes validly tendered and not withdrawn on or prior to Monday, December 20, 2004 at midnight, New York City time, on the terms and conditions of the offer described in this prospectus. New Century TRS will pay cash in lieu of issuing fractional shares.

As of the date of this prospectus, \$210 million in aggregate principal amount of notes is outstanding. As of November 1, 2004, all of the notes were registered in the name of Cede & Co., Inc., which held the notes for its participants. See "The Offer - Terms of the Offer."

Conditions to the Offer

The offer is subject to certain customary conditions, including, without limitation, that the registration statement, of which this prospectus is a part, shall have been declared effective by the Securities and Exchange Commission. New Century TRS may waive all of the conditions to the offer in its sole and absolute discretion, except for the registration statement effectiveness condition.

Purpose of the Offer

The offer is being made by New Century TRS in order to encourage noteholders to convert their notes before the expiration of the offer. We believe that the conversion of the notes will improve our capitalization on a consolidated basis by increasing our outstanding equity base and reducing our indebtedness. Additionally, we believe that the conversion reduces our interest expense and better allows us to conserve cash for use in our business. Further, we expect that it will improve our ability to issue new debt at attractive rates and beneficial terms, which may lower our long-term capital costs. We believe that improving our capitalization may provide us with enhanced access to the capital markets and expand our opportunities for future growth.

Accrued and Unpaid Interest

As described under "The Offer" above, tendering noteholders will receive payment of accrued and unpaid interest since July 3, 2004 in cash in accordance with the terms of the notes.

Table of Contents

Expiration Date	Midnight, New York City time, on Monday, December 20, 2004, which date we refer to as the expiration date, unless extended or earlier terminated by New Century TRS. New Century TRS may extend the expiration date for any reason in its sole and absolute discretion. If New Century TRS decides to extend the expiration date, it will announce any extensions by press release or other permitted means no later than 9:00 a.m., New York City time, on the business day after the scheduled expiration of the offer. See The Offer Expiration Date; Extensions; Amendments.
Termination of the Offer	New Century TRS reserves the right to terminate the offer at any time prior to the completion of the offer in its sole and absolute discretion. See The Offer Termination of the Offer.
Procedures for Tendering Notes	Holders of notes desiring to accept the offer must complete and sign the letter of transmittal as described in the instructions included in it and forward or hand deliver the letter of transmittal and any other documents required by the letter of transmittal to the exchange agent at the address listed on the letter of transmittal. See The Offer Procedures for Tendering Notes.
Guaranteed Delivery Procedures	Holders of notes who wish to tender their notes and (1) whose notes are not immediately available or (2) who cannot deliver their notes or any other documents required by the letter of transmittal or any other related document to the exchange agent prior to the expiration date (or complete the procedure for book-entry transfer on a timely basis), may tender their notes according to the guaranteed delivery procedures described in the letter of transmittal. See The Offer Guaranteed Delivery Procedures.
Acceptance of Notes and Delivery of Cash and/or Shares of New Century Financial Common Stock	When the registration statement of which this prospectus is a part is declared effective by the Securities and Exchange Commission and the offer is completed, New Century TRS will, subject to the terms and conditions described in this prospectus, accept all notes that are properly tendered in the offer and that have not been withdrawn prior to the expiration date. The shares of New Century Financial common stock issued as part of the offer and the cash payment for any accrued interest will be delivered promptly after New Century TRS accepts the notes. See The Offer Acceptance of Notes for Conversion; Delivery of Cash and Shares of New Century Financial Common Stock.
Withdrawal Rights	Holders may withdraw the notes they have tendered at any time prior to midnight, New York City time, Monday, December 20, 2004. See The Offer Withdrawal Rights.
Use of Proceeds	New Century TRS will not receive any proceeds from the offer. Prior to the date of this prospectus, New Century Financial agreed to sell at fair market value, for cash, that number of shares of New

Table of Contents

Century Financial common stock as is necessary for New Century TRS to satisfy its obligation to deliver such shares in accordance with the terms and conditions of the offer. Assuming conversion of all \$210 million aggregate principal amount of the notes pursuant to the offer payable solely in shares of New Century Financial common stock, New Century Financial will receive approximately \$400.3 million from the sale of its common stock to New Century TRS, assuming a price of \$62.51 per share. New Century Financial intends to use the proceeds it receives from the sale of its common stock to New Century TRS for general working capital purposes. Also, assuming all of the notes are converted in the offer, New Century TRS is expected to receive a cash payment in connection with the call spread settlement. New Century TRS intends to use the proceeds it receives from the call spread settlement, along with available capital resources, to purchase the shares of New Century Financial common stock required to consummate the offer.

Federal Income Tax Consequences	U.S. holders (as defined in this prospectus) who accept the offer will recognize gain or loss for U.S. federal income tax purposes. Non-U.S. holders (as defined in this prospectus), however, who accept the offer generally will not be subject to U.S. federal income tax on gain unless (i) the gain is, or is treated as, effectively connected with the conduct of a trade or business within the United States by the non-U.S. holder or (ii) in the case of a non-U.S. holder who is a nonresident alien individual and holds the notes as a capital asset, the holder is present in the United States for 183 or more days in the taxable year and other requirements are met. See Material U.S. Federal Income Tax Consequences.
Market Price and Trading	On November 18, 2004, the closing price for New Century Financial common stock on the NYSE was \$62.51 per share. The notes are not currently traded on any national securities exchange.
Dealer Managers	Lehman Brothers Inc. and Bear, Stearns & Co. Inc. are the dealer managers for the offer described in this prospectus. Lehman Brothers Inc.'s address and telephone number are located on the back cover of this prospectus.
Exchange Agent	Mellon Investor Services LLC is the exchange agent for the offer. Its address is located on the back cover of this prospectus.
Information Agent	Georgeson Shareholder Communications Inc. is the information agent for the offer. Its address and telephone numbers are located on the back cover of this prospectus.
Fees and Expenses	New Century TRS will pay all expenses it incurs in connection with the offer. See The Offer Fees and Expenses.
Regulatory Approvals	New Century TRS may not complete this offer until the registration statement, of which this prospectus is a part, is declared effective by the Securities and Exchange Commission. We are not aware of any other material regulatory approvals necessary to complete this offer.

Table of Contents

Rights of Non-Tendering Holders	Holders who do not tender their notes pursuant to this offer will have no appraisal rights under applicable state law or otherwise. They will continue to have the same rights under the notes as they are entitled to today.
Questions	Any questions regarding the offer, including the procedure for tendering notes in the offer, should be directed to the information agent or the dealer managers at the addresses and telephone numbers located on the back cover of this prospectus.
Shares	Unless otherwise noted, the information in this prospectus, including the information above: assumes 48,385,959 shares of New Century Financial common stock outstanding at November 1, 2004; excludes 5,267,887 shares of New Century Financial common stock issuable upon exercise of options outstanding on November 1, 2004 with a weighted-average exercise price of \$18.88 per share; excludes 1,451,198 shares of New Century Financial common stock available for awards under our stock incentive plans as of November 1, 2004; and excludes up to 6,034,686 shares of New Century Financial common stock issuable as of November 1, 2004 upon conversion of the notes and an additional 369,541 shares issuable pursuant to the offer (assuming closing had occurred on the date of this prospectus). The actual number of shares issuable pursuant to the offer depends on our trading prices during the eight trading days ending on the second business day preceding the expiration of the offer.

Table of Contents

SPECIAL NOTE ABOUT FORWARD-LOOKING STATEMENTS

This prospectus and the documents incorporated by reference herein include forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, or the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act. Forward-looking statements are those that predict or describe future events or trends and that do not relate solely to historical matters. You can generally identify forward-looking statements as statements containing the words believe, expect, will, anticipate, intend, estimate, project, plan, assume, seek to or other similar expressions, although not all forward-looking statements contain these identifying words. Statements regarding the following subjects contained or incorporated by reference in this prospectus are forward-looking by their nature:

this offer;

our business strategy;

our understanding of our competition;

market trends;

projected sources and uses of funds from operations;

potential liability with respect to legal proceedings; and

potential effects of proposed legislation and regulatory action.

You should not place undue reliance on our forward-looking statements because the matters they describe are subject to known and unknown risks, uncertainties and other unpredictable factors, many of which are beyond our control. Our forward-looking statements are based on the information currently available to us and are applicable only as of the date on the cover of this prospectus or, in the case of forward-looking statements incorporated by reference, as of the date of the filing that includes the statement. New risks and uncertainties arise from time to time, and it is impossible for us to predict these matters or how they may affect us. Over time, our actual results, performance or achievements will likely differ from the anticipated results, performance or achievements that are expressed or implied by our forward-looking statements, and such difference might be significant and materially adverse to our stockholders or our noteholders. Such factors include, without limitation, the following:

those identified under Risk Factors ;

those identified from time to time in New Century Financial's or New Century TRS's public filings with the Securities and Exchange Commission;

the negative impact of economic slowdowns or recessions;

the effect of changes in interest rates;

our limited experience managing a REIT;

the condition of the secondary markets for our products;

our access to funding sources and our ability to renew, replace or add to our existing repurchase arrangements and existing credit facilities on terms comparable to the current terms;

the assumptions underlying our residual values and repurchase allowances;

the impact of new state or federal legislation or court decisions on our operations;

the impact of new state or federal legislation or court decisions restricting the activities of lenders or suppliers of credit in our market;

an increase in the prepayment speed or default rate of our borrowers;

Table of Contents

the effect of competition from finance and mortgage banking companies, other REITS, and from Internet-based lending companies;

our ability to adequately hedge our residual values;

the initiation of a margin call under our credit facilities;

the ability of our servicing operations to maintain high performance standards;

our ability to expand origination volume while maintaining low overhead;

our ability to attract and retain qualified employees, including, in particular, our senior executives;

our ability to adapt to and implement technological changes;

the stability of residential property values;

our ability to close our forward sale commitments;

management's ability to manage our growth and planned expansion; and

the outcome of litigation or regulatory actions pending against us.

We have no duty to, and do not intend to, update or revise the forward-looking statements in this prospectus after the date of this prospectus, even if subsequent events cause us to become aware of new risks or cause our expectations to change regarding the forward-looking matters discussed in this prospectus. We have identified some of the important factors that could cause future events to differ from our current expectations and they are described in this prospectus under the caption "Risk Factors" as well as in New Century TRS's most recent Annual Report on Form 10-K, as amended, all of which you should review carefully. Please consider our forward-looking statements in light of those risks as you read this prospectus.

This prospectus contains market data, industry statistics and other data that have been obtained from, or compiled from, information made available by third parties. We have not independently verified their data.

Table of Contents

RISK FACTORS

You should carefully consider the risks described below before making an investment decision. Our results of operations, financial condition and business prospects could be harmed by any of these risks. This prospectus and the documents incorporated herein by reference also contain forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the risks faced by us described below and elsewhere in this prospectus and in documents incorporated by reference into this prospectus.

Risks Related to the Offer

Upon consummation of the offer, noteholders who tender their New Century TRS notes for shares of New Century Financial common stock will lose their rights under the notes, including, without limitation, their rights to future interest and principal payments with respect to their notes and their rights as a creditor of New Century TRS.

If you tender your notes pursuant to the offer, you will be giving up all of your rights as a noteholder, including, without limitation, rights to future payment of principal and interest on the notes, and you will cease to be a creditor of New Century TRS. The New Century Financial common stock that you may receive in the offer will not provide you with the same seniority on claims or the same degree of protection to which holders of debt claims, such as the notes, are entitled. If New Century TRS were to file for bankruptcy, noteholders would generally be entitled to be paid prior to holders of New Century Financial common stock. As a holder of New Century Financial common stock, however, your investment will be subject to debt claims against New Century Financial and to all of the risks and liabilities affecting New Century Financial and its operating subsidiaries' operations, including those affecting New Century TRS' operations. The trading price of New Century Financial common stock could decline as a result of various factors, including the results of operations, financial condition and business prospects of New Century Financial.

If you do not exchange your notes, the notes you retain may become less liquid as a result of the offer.

If a significant percentage of the notes is converted in the offer, the liquidity of the trading market for the notes, if any, after the completion of the offer may be substantially reduced. Any notes converted will reduce the aggregate number of notes outstanding. As a result, the notes may trade at a discount to the price at which they would trade if the transactions contemplated by this prospectus were not consummated, subject to prevailing interest rates, the market for similar securities and other factors. The smaller outstanding aggregate principal amount of the notes may also make the trading prices of the notes more volatile. We cannot assure you that an active market in the notes will exist or be maintained and we cannot assure you as to the prices at which the notes may be traded if the offer is consummated.

Neither the board of directors of New Century Financial nor the board of directors of New Century TRS have made a recommendation with regard to whether or not you should tender your notes in the offer and neither New Century Financial nor New Century TRS have obtained a third-party determination that the offer is fair to the holders of the notes.

Neither the board of directors of New Century Financial nor the board of directors of New Century TRS is making a recommendation as to whether holders of the notes should convert their notes pursuant to the offer. Neither New Century Financial nor New Century TRS has retained and neither intends to retain any unaffiliated representative to act solely on behalf of the holders of the notes for purposes of negotiating the

terms of this offer and/or preparing a report concerning the fairness of this offer.

Table of Contents

Future sales of shares of New Century Financial common stock may depress the price of New Century Financial common stock.

Any sales of a substantial number of shares of New Century Financial common stock, including any sales of substantial amounts of New Century Financial common stock in the public market following the offer, or the perception that those sales might occur, may cause the market price of New Century Financial common stock to decline. The number of additional shares of New Century Financial common stock to be issued in the offer is based on the average of the closing prices on the eight trading days ending on the second business day preceding the expiration of the offer. These shares will be in addition to the up to 6,034,686 shares of New Century Financial common stock which will be deliverable if the offer is consummated. All of the shares of New Century Financial common stock to be issued in the offer to holders which are not affiliates of New Century Financial will be freely tradable.

Risks Related to Our Business

We are dependent on external sources of financing, and if we are unable to maintain adequate financing sources, our earnings and our financial position will suffer and jeopardize our ability to continue operations.

To qualify as a REIT under the Internal Revenue Code of 1986, as amended, we generally are required each year to 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 gains). 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 the REIT provisions of the Internal Revenue Code. We expect that a substantial amount of our business will continue to be conducted through our taxable REIT subsidiaries. We cannot assure you that we will have access to funds to meet the distribution and other REIT qualification requirements. We may be required to borrow funds from one of our corporate subsidiaries or a third party on a short-term basis or liquidate investments to meet the distribution requirements that are necessary to qualify as a REIT, even if management believes that it is not in our best interests to do so. If we do not have access to the necessary funds, we may have to raise or seek to raise capital at inopportune times or borrow funds on unfavorable terms.

In addition, we require substantial cash to support our operating activities and growth plans in our taxable REIT subsidiaries. Our primary sources of cash for our loan origination activities are our warehouse and aggregation credit facilities, our asset-backed commercial paper facility and the proceeds from the sales and securitizations of our loans. From time to time, we finance our residual interests in securitization transactions through the sale of net interest margin securities, or NIMS; however, we have not recently relied on NIMS financing to the same extent as we have in prior years. As of September 30, 2004, we had nine short-term warehouse and aggregation credit facilities and our asset-backed commercial paper facility providing us with approximately \$8.7 billion of committed and \$1.9 billion of uncommitted borrowing capacity to fund loan originations and purchases pending the pooling and sale of such loans. If we cannot maintain or replace these facilities on comparable terms and conditions, we may incur substantially higher interest expense that would reduce our profitability.

During volatile times in the capital and secondary markets, access to warehouse, aggregation and residual financing, as well as access to the securitization and secondary markets for the sale of our loans, has been severely constricted. Subject to the limitations imposed by the REIT provisions of the Internal Revenue Code, our taxable REIT subsidiaries are permitted to retain the after-tax income they generate. We may, at some point in the future, borrow funds from one or more of our corporate subsidiaries upon terms that are similar to those that would be required by a third-party lender, or actually obtain a third-party loan for some portion of the required financing amount and then replicate the third-party loan terms in the intercompany borrowing. However, if we are unable to maintain adequate financing or other sources of capital are not available, we would be forced to suspend or curtail our operations, which could harm our results of operations, financial condition and business prospects.

Table of Contents

Our management has limited experience operating a REIT and we cannot assure you that our management's past experience will be sufficient to successfully manage our business as a REIT.

The requirements for qualifying as a REIT are highly technical and complex. We have only recently begun to operate as a REIT and our management has limited experience in complying with the income, asset and other limitations imposed by the REIT provisions of the Internal Revenue Code. Those provisions are complex and the failure to comply with those provisions in a timely manner could prevent us from qualifying as a REIT or could force us to pay unexpected taxes and penalties. In such event, our net income would be reduced and we could incur a loss, which could harm our results of operation, financial condition and business prospects.

If we are unable to accumulate sufficient REIT qualifying assets such that the value of our investment in our taxable REIT subsidiaries is not more than 20% of the value of our total assets at the close of our first taxable quarter following the merger, we will not qualify as a REIT.

To qualify as a REIT, not more than 20% of the value of our total assets may be represented by the securities of one or more taxable REIT subsidiaries at the close of any calendar quarter. As of September 30, 2004, substantially all of our assets were REIT qualifying assets. However, for a variety of reasons, we may be unable to accumulate sufficient REIT qualifying assets such that the value of our investment in our taxable REIT subsidiaries is not more than 20% of the value of our total assets at the close of our first taxable quarter following the merger. For example:

we may not have enough capital, including net proceeds from the public offering and the concurrent private placement and borrowings under our credit facilities, to acquire REIT qualifying assets;

the value of our taxable REIT subsidiaries may be greater than our current expectations; or

there may be insufficient REIT qualifying assets available for purchase on reasonable terms.

If the Internal Revenue Service determines that the value of our investment in New Century TRS and other taxable REIT subsidiaries is more than 20% of the value of our total assets at the close of our first taxable quarter following the merger, we could lose our REIT status. See also

Tax Risks Related to Our Status as a REIT We may not qualify as a REIT if the value of our investment in our taxable REIT subsidiaries exceeds 20% of the value of our total assets at the close of any calendar quarter.

A prolonged economic slowdown or a lengthy or severe recession could harm our operations, particularly if it results in a decline in the real estate market.

The risks associated with our business are more acute during periods of economic slowdown or recession because these periods may be accompanied by decreased demand for consumer credit and declining real estate values. Declining real estate values reduce the ability of borrowers to use home equity to support borrowings because they reduce the LTV of the home equity collateral. In addition, because we make a substantial number of loans to credit-impaired borrowers, the actual rates of delinquencies, foreclosures and losses on these loans could be higher during economic slowdowns. Any sustained period of increased delinquencies, foreclosures or losses could harm our ability to sell loans, the prices we receive for our loans, or the values of our mortgage loans held for investment or our residual interests in securitizations, which could harm our results of operations, financial condition and business prospects.

Our earnings may decrease because of increases or decreases in interest rates.

Our profitability may be directly affected by changes in interest rates. The following are some of the risks we face related to an increase in interest rates:

An interest rate increase may harm our earnings by reducing the spread between the interest we receive on our mortgage loans and our funding costs.

A substantial and sustained increase in interest rates could harm our loan origination volume because refinancings of existing loans, including cash-out refinancings and interest rate-driven refinancings,

Table of Contents

would be less attractive and qualifying for a purchase loan may be more difficult. Lower origination volume may harm our earnings by reducing origination income, net interest income and gain on sale of loans.

During periods of rising interest rates, the value and profitability of our loans may be harmed between the date of origination or purchase until the date we sell or securitize the loans.

When we securitize loans, the value of the residual interests we retain and the income we receive from the securitizations structured as financings are based primarily on the London Inter-Bank Offered Rate, or LIBOR. This is because the interest on the underlying mortgage loans is based on fixed rates payable on the underlying loans for the first two or three years from origination while the holders of the applicable securities are generally paid based on an adjustable LIBOR-based yield. Therefore, an increase in LIBOR reduces the net income we receive from, and the value of, these mortgage loans and residual interests.

Our adjustable-rate mortgage loans have periodic and lifetime interest rate caps above which the interest rate on the loans may not rise. In the event of general interest rate increases, the rate of interest on these mortgage loans could be limited, while the rate payable on the senior certificates representing interests in a securitization trust into which these loans are sold may be uncapped. This would reduce the amount of cash we receive over the life of the loans in securitizations structured as financings and our residual interests, and could require us to reduce the carrying value of our residual interests.

We are also subject to risks from decreasing interest rates. For example, a significant decrease in interest rates could increase the rate at which loans are prepaid, which also could require us to reduce the carrying value of our residual interests. Moreover, if prepayments are greater than expected, the cash we receive over the life of our residual interests would be reduced. Higher-than-expected prepayments could also harm the value of our servicing portfolio. Therefore, any such changes in interest rates could harm our results of operations, financial condition and business prospects.

Our reliance on cash-out refinancings as a significant source of our origination volume increases the risk that our earnings will be harmed if the demand for this type of refinancing declines.

During the nine months ended September 30, 2004, approximately 54% of our loan production volume consisted of cash-out refinancings. Our reliance on cash-out refinancings as a significant source of our origination volume increases the risk that our earnings will be harmed if interest rates rise and the prices of homes decline, which would reduce the demand and production volume for this type of refinancing. A substantial and sustained increase in interest rates could significantly reduce the number of borrowers who would qualify or elect to pursue a cash-out refinancing and result in a decline in that origination source. Similarly, a decrease in home prices would reduce the amount of equity available to be borrowed against in cash-out refinancings and result in a decrease in our loan production volume from that origination source. Therefore, our reliance on cash-out refinancings as a significant source of our origination volume could harm our results of operations, financial condition and business prospects.

The loans we originate and hold are subprime, rather than prime, and generally have delinquency and default rates higher than prime loans, which could result in higher loan losses.

Subprime mortgage loans generally have higher delinquency and default rates than prime mortgage loans. Delinquency interrupts the flow of projected interest income from a mortgage loan, and default can ultimately lead to a loss if the net realizable value of the real property securing the mortgage loan is insufficient to cover the principal and interest due on the loan. Also, our cost of financing and servicing a delinquent or defaulted loan is generally higher than for a performing loan. We bear the risk of delinquency and default on loans beginning when we originate them. In whole loan sales, our risk of delinquency typically only extends to the first payment, but when we securitize any of our loans, we continue to be exposed to delinquencies and losses through our residual interests and the loans underlying our on-balance sheet securitization

transactions. We are required to

Table of Contents

establish reserves based on our anticipated delinquencies and losses. We also re-acquire the risks of delinquency and default for loans that we are obligated to repurchase. We attempt to manage these risks with risk-based loan pricing and appropriate underwriting policies and loan collection methods. However, we cannot assure you that such management policies will be successful and, if such policies and methods are insufficient to control our delinquency and default risks and do not result in appropriate loan pricing and appropriate loss reserves, our business, financial condition, liquidity and results of operations could be harmed. As of September 30, 2004, the delinquency rate on mortgage loans that were 60 days or more past due and that we previously securitized in either on- or off-balance sheet transactions was 2.99%. The expected cumulative loss rate on these loans as of September 30, 2004 is approximately 3.21%, determined as the historical cumulative loss rates of more aged loans plus the expected cumulative loss rates on newer loans.

The geographic concentration of our mortgage loan originations increases our exposure to risks in those areas, especially California.

Over-concentration of our loan originations in any one geographic area increases our exposure to the economic and natural hazard risks associated with that area. For example, in the nine months ended September 30, 2004, approximately 41.3% of the aggregate principal amount of our mortgage loans were secured by property located in California. Certain parts of California have experienced an economic downturn in the past and have suffered the effects of certain natural hazards. Declines in the residential real estate markets in which we are concentrated may reduce the values of the properties collateralizing our mortgages, increase the risk of delinquency, foreclosure, bankruptcy, or losses and could harm our results of operations, financial condition and business prospects.

Furthermore, if borrowers are not insured for natural disasters, which are typically not covered by standard hazard insurance policies, then they may not be able to repair the property or may stop paying their mortgages if the property is damaged. A natural disaster that results in a significant number of delinquencies could cause increased foreclosures and decrease our ability to recover losses on properties affected by such disasters and could harm our results of operations, financial condition and business prospects.

Likewise, the secondary market pricing for pools of loans that are not geographically diverse is typically less favorable than for a diverse pool. Our inability to originate or purchase geographically diverse pools of loans could harm our results of operations, financial condition and business prospects.

An interruption or reduction in the securitization and whole loan markets could harm our financial position.

We are dependent on the securitization market for the sale of our loans because we securitize loans directly and many of our whole loan buyers purchase our loans with the intention to securitize them. The securitization market is dependent upon a number of factors, including general economic conditions, conditions in the securities market generally and conditions in the asset-backed securities market specifically. In addition, poor performance of our previously securitized loans could harm our access to the securitization market. Accordingly, a decline in the securitization market or a change in the market's demand for our loans could harm our results of operations, financial condition and business prospects.

If we make any acquisitions, we will incur a variety of costs and may never realize the anticipated benefits.

If appropriate opportunities become available, we may attempt to acquire businesses that we believe are a strategic fit with our business. We currently have no agreements to consummate any material acquisitions. If we pursue any such transaction, the process of negotiating the

Edgar Filing: NEW CENTURY TRS HOLDINGS INC - Form 424B3

acquisition and integrating an acquired business may result in operating difficulties and expenditures and may require significant management attention that would otherwise be available for ongoing development of our business, whether or not any such transaction is ever

Table of Contents

consummated. Moreover, we may never realize the anticipated benefits of any acquisition. Future acquisitions could result in potentially dilutive issuances of equity securities, the incurrence of debt, contingent liabilities and/or amortization expenses related to goodwill and other intangible assets, which could harm our results of operations, financial condition and business prospects.

Our earnings from holding mortgage-backed securities or government securities may be harmed by changes in the level of interest rates, changes to the difference between short and longer term interest rates, changes to the difference between interest rates for these securities compared to other debt instruments, and an absence of or reduction in the availability, at favorable terms, of repurchase financing and other liquidity sources typically utilized by mortgage REITs.

From time to time, we may purchase mortgage-backed securities or government securities from third parties in order to comply with the income and asset tests necessary to maintain our REIT status. The value of, and return on, the mortgage-backed securities and government securities we hold will be affected by changes in the marketplace for such securities, as well as prepayment speeds in the case of mortgage-backed securities, and may be volatile and significantly different than projected. The securities that we hold may produce large losses instead of the income incorporated into our projections. The impact of changes in the marketplace for these securities on our results may be magnified because these holdings could be highly leveraged. Additionally, much of the financing we will use to hold these securities may be cancelable by our lenders on short notice. If our lenders cease providing financing to us on favorable terms, we would be forced to liquidate some or all of these securities, possibly at a substantial loss, which could harm our financial condition, results of operations and business prospects.

A material difference between the assumptions used in the determination of the value of our residual interests and our actual experience could harm our financial position.

As of September 30, 2004, the value on our balance sheet of our residual interests from securitization transactions was \$207.3 million. The value of these residuals is a function of the delinquency, loss, prepayment speed and discount rate assumptions we use. It is extremely difficult to validate the assumptions we use in valuing our residual interests. In the future, if our actual experience differs materially from these assumptions, our cash flow, financial condition, results of operations and business prospects could be harmed.

New legislation could restrict our ability to make mortgage loans, which could harm our earnings.

Several states and cities are considering or have passed laws, regulations or ordinances aimed at curbing predatory lending practices. The federal government is also considering legislative and regulatory proposals in this regard. In general, these proposals involve lowering the existing federal Homeownership and Equity Protection Act thresholds for defining a high-cost loan, and establishing enhanced protections and remedies for borrowers who receive such loans. However, many of these laws and rules extend beyond curbing predatory lending practices to restrict commonly accepted lending activities, including some of our activities. For example, some of these laws and rules prohibit any form of prepayment charge or severely restrict a borrower's ability to finance the points and fees charged in connection with the borrower's loan. In addition, some of these laws and regulations provide for extensive assignee liability for warehouse lenders, whole loan buyers and securitization trusts. Because of enhanced risk and for reputational reasons, many whole loan buyers elect not to purchase any loan labeled as a high cost loan under any local, state or federal law or regulation. Accordingly, these laws and rules could severely constrict the secondary market for a significant portion of our loan production. This would effectively preclude us from continuing to originate loans that fit within the newly defined thresholds. For example, after the October 1, 2002 effective date of the Georgia Fair Lending Act, our lenders and secondary market buyers refused to finance or purchase our Georgia loans. As a result, we were forced to cease providing mortgages in Georgia until the law's amendment a few months later. Similar laws have gone into effect in New Jersey, such as the New Jersey Home Ownership Act of 2002, effective as of November 27, 2003, and in New Mexico, such as the New Mexico Home Loan Protection Act, effective as of January 1, 2004, that have impacted

Table of Contents

our ability to originate loans in those states. Moreover, some of our competitors who are national banks or federally chartered thrifts may not be subject to these laws and may, therefore, be able to capture market share from us and other lenders. For example, the Office of the Comptroller of the Currency recently issued regulations effective January 7, 2004 that preempt state and local laws that seek to regulate mortgage lending practices by national banks. Passage of such state and local laws could increase compliance costs, reduce fee income and lower origination volume, all of which could harm our results of operations, financial condition and business prospects.

We are no longer able to rely on the Alternative Mortgage Transactions Parity Act to preempt certain state law restrictions on prepayment penalties, which could harm our earnings.

The value of a mortgage loan depends, in part, upon the expected period of time that the mortgage loan will be outstanding. If a borrower pays off a mortgage loan in advance of this expected period, the holder of the mortgage loan does not realize the full value expected to be received from the loan. A prepayment penalty payable by a borrower who repays a loan earlier than expected helps offset the reduction in value resulting from the early payoff. Consequently, the value of a mortgage loan is enhanced to the extent the loan includes a prepayment penalty, and a mortgage lender can offer a lower interest rate and/or lower loan fees on a loan which has a prepayment penalty. Prepayment penalties are an important feature used to obtain value on the loans we originate.

Certain state laws restrict or prohibit prepayment penalties on mortgage loans and, until July 2003, we relied on the federal Alternative Mortgage Transactions Parity Act, or the Parity Act, and related rules issued in the past by the Office of Thrift Supervision, or OTS, to preempt state limitations on prepayment penalties. The Parity Act was enacted to extend to financial institutions, like us, which are not federally chartered depository institutions, the federal preemption that federally chartered depository institutions enjoy. However, on September 25, 2002, the OTS released a new rule that reduced the scope of the Parity Act preemption and, as a result, we are no longer able to rely on the Parity Act to preempt state restrictions on prepayment penalties. The effective date of the new rule, originally January 1, 2003, was subsequently extended by the OTS until July 1, 2003 in response to concerns from interested parties about the burdens associated with compliance. The elimination of this federal preemption has required us to comply with state restrictions on prepayment penalties. These restrictions prohibit us from charging any prepayment penalty in eight states and limit the amount or other terms and conditions of our prepayment penalties in several other states. This may place us at a competitive disadvantage relative to financial institutions that will continue to enjoy federal preemption of such state restrictions. Such institutions are able to charge prepayment penalties without regard to state restrictions and, as a result, may be able to offer loans with interest rate and loan fee structures that are more attractive than the interest rate and loan fee structures that we are able to offer. This competitive disadvantage could harm our results of operations, financial condition and business prospects.

The scope of our lending operations exposes us to risks of noncompliance with an increasing and inconsistent body of complex laws and regulations at the federal, state and local levels.

Because we are authorized to originate mortgage loans in all 50 U.S. states, we must comply with the laws and regulations, as well as judicial and administrative decisions, for all of these jurisdictions, as well as an extensive body of federal law and regulations. The volume of new or modified laws and regulations has increased in recent years, and individual cities and counties have begun to enact laws that restrict subprime loan origination activities in those cities and counties. The laws and regulations of each of these jurisdictions are different, complex and, in some cases, in direct conflict with each other. As our operations continue to grow, it may be more difficult to comprehensively identify, to accurately interpret and to properly program our technology systems and effectively train our personnel with respect to all of these laws and regulations, thereby potentially increasing our exposure to the risks of noncompliance with these laws and regulations.

Table of Contents

Our failure to comply with these laws can lead to:

civil and criminal liability;

loss of licensure;

damage to our reputation in the industry;

inability to sell or securitize our loans;

demands for indemnification or loan repurchases from purchasers of our loans;

fines and penalties and litigation, including class action lawsuits; or

administrative enforcement actions.

Any of these results could harm our results of operations, financial condition and business prospects.

If warehouse lenders and securitization underwriters face exposure stemming from legal violations committed by the companies to whom they provide financing or underwriting services, this could increase our borrowing costs and harm the market for whole loans and mortgage-backed securities.

In June 2003, a California jury found a warehouse lender and securitization underwriter liable in part for fraud on consumers committed by a lender to whom it provided financing and underwriting services. The jury found that the investment bank was aware of the fraud and substantially assisted the lender in perpetrating the fraud by providing financing and underwriting services that allowed the lender to continue to operate, and held the bank liable for 10% of the plaintiff's damages. This is the first case we know of in which an investment bank was held partly responsible for violations committed by the bank's mortgage lender customer. If other courts or regulators adopt this theory, investment banks may face increased litigation as they are named as defendants in lawsuits and regulatory actions against the mortgage companies with which they do business. Some investment banks may exit the business, charge more for warehouse lending or reduce the prices they pay for whole loans in order to build in the costs of this potential litigation. This could, in turn, harm our results of operations, financial condition and business prospects.

If lenders are prohibited from originating loans in the State of Illinois with fees in excess of 3% where the interest rate exceeds 8%, this could force us to curtail operations in Illinois.

In March 2004, an Illinois Court of Appeals found that the Illinois Interest Act, which caps fees at 3% for loans with an interest rate in excess of 8%, is not preempted by federal law. This ruling contradicts the view of the Federal Circuit Courts of Appeal, most state courts, the OTS and the

Edgar Filing: NEW CENTURY TRS HOLDINGS INC - Form 424B3

Illinois Office of the Attorney General. If this ruling is not overturned, we may reduce operations in Illinois since it will reduce the return we and our investors can expect on higher risk loans. Moreover, as a result of this ruling, plaintiffs are filing actions against lenders, including us, seeking various forms of relief as a result of any fees received in the past which exceeded the applicable thresholds. Any such actions, if decided against us, could harm our results of operations, financial condition and business prospects.

High delinquencies or losses on the mortgage loans in our securitizations may decrease our cash flows or impair our ability to sell or securitize loans in the future.

Loans we make to lower credit grade borrowers, including credit-impaired borrowers, entail a higher risk of delinquency and higher losses than loans we make to borrowers with better credit. Virtually all of our loans are made to borrowers who do not qualify for loans from conventional mortgage lenders. No assurance can be given that our underwriting criteria or methods will afford adequate protection against the higher risks associated with loans made to lower credit grade borrowers. We continue to be subject to risks of default and foreclosure following the sale of loans through securitization. To the extent such losses are greater than expected, the cash flows we receive through residual interests and from our securitizations structured as financings would be

Table of Contents

reduced. Increased delinquencies or losses may also reduce our ability to sell or securitize loans in the future. Any such reduction in our cash flows or impairment in our performance could harm our results of operations, financial condition and business prospects.

The loss of our exemption under the Investment Company Act would harm us and the market price of our shares of common stock and our ability to make distributions to our stockholders.

We are not currently regulated as an investment company under the Investment Company Act of 1940, as amended, or the Investment Company Act, and we intend to operate so as to not become regulated as an investment company under the Investment Company Act. For example, we intend to qualify for an exemption under the Investment Company Act that is available to companies that are primarily engaged in the business of purchasing or otherwise acquiring mortgages and other liens on and interests in real estate. Specifically, we intend to invest at least 55% of our assets in mortgage loans or mortgage-related assets securities that represent the entire ownership in a pool of mortgage loans and at least an additional 25% of our assets in mortgages, mortgage-related assets securities, securities of REITs and other real estate-related assets. As of September 30, 2004, 69% of our assets consisted of mortgage loans or mortgage-related assets that represent the entire ownership in a pool of mortgage loans and another 26% of our assets were invested in mortgages, mortgage-related assets, securities of REITs and other real estate-related assets.

If we fail to qualify for that exemption, we may be required to restructure our activities. For example, if the market value of our investments in equity securities were to increase by an amount that caused less than 55% of our assets to be invested in mortgage loans or mortgage-related assets that represent the entire ownership in a pool of mortgage loans, we might have to sell equity securities in order to qualify for an exemption under the Investment Company Act. In the event we must restructure our activities, our results of operations, financial condition and business prospects could be harmed.

Our inability to realize cash proceeds from loan sales and securitizations in excess of the loan acquisition cost could harm our financial position.

The net cash proceeds received from loan sales consist of the premiums we receive on sales of loans in excess of the outstanding principal balance, plus the cash proceeds we receive from securitizations structured as sales, minus the discounts on loans that we have to sell for less than the outstanding principal balance. If we are unable to originate loans at a cost lower than the cash proceeds realized from loan sales, our results of operations, financial condition and business prospects could be harmed.

Our credit facilities are subject to margin calls based on the lender's opinion of the value of our loan collateral. An unanticipated large margin call could harm our liquidity.

The amount of financing we receive under our credit facilities depends in large part on the lender's valuation of the mortgage loans that secure the financings. Each such facility provides the lender the right, under certain circumstances, to reevaluate the loan collateral that secures our outstanding borrowings at any time. In the event the lender determines that the value of the loan collateral has decreased, it has the right to initiate a margin call. A margin call would require us to provide the lender with additional collateral or to repay a portion of the outstanding borrowings. Any such margin call could harm our liquidity, results of operations, financial condition and business prospects.

We face intense competition that could harm our market share and our revenues.

We face intense competition from finance and mortgage banking companies and from Internet-based lending companies. In addition, certain government-sponsored entities, such as Fannie Mae and Freddie Mac, are also expanding their participation in the subprime mortgage industry. These government-sponsored entities have a size and cost-of-funds advantage that allows them to purchase loans with lower rates or fees than we are willing to offer. While the government-sponsored entities presently do not have the legal authority to originate mortgage

Table of Contents

loans, including subprime loans, they do have the authority to buy loans. A material expansion of their involvement in the market to purchase subprime loans could change the dynamics of the industry by virtue of their sheer size, pricing power and the inherent advantages of a government charter. In addition, if as a result of their purchasing practices, these government-sponsored entities experience significantly higher-than-expected losses, such experience could harm the overall investor perception of the subprime mortgage industry.

Certain large finance companies and conforming mortgage originators also originate subprime mortgage loans to customers similar to the borrowers we serve. Competitors with lower costs of capital have a competitive advantage over us. In addition, establishing a wholesale lending operation such as ours requires a relatively small commitment of capital and human resources. This low barrier to entry permits new competitors to enter our markets quickly and compete with our wholesale lending business. Several new wholesale originators have been formed in recent years and have recruited former senior managers from our Wholesale Division. If these competitors are able to attract some of our key employees and disrupt our broker relationships, it could harm our results of operations, financial condition and business prospects.

Some thrifts, national banks and their operating subsidiaries are also expanding their subprime mortgage lending activities. By virtue of their charters, these institutions are exempt from complying with many of the state and local laws that affect our operations. For example, they are permitted to offer loans with prepayment charges in many jurisdictions where we cannot. If more of these federally chartered institutions are able to use their preemptive ability to provide more competitive pricing and terms than we can offer, it could harm our results of operations, financial condition and business prospects. We may also be forced to expand our operations at a pace that does not allow us to attract a sufficient number of employees with the capability to ensure we are in compliance with the numerous complex regulations applicable to our business as well as to enable us to provide high quality customer service and this could harm our results of operations, financial condition and business prospects.

In addition, to the extent we must purchase mortgage loans or mortgage-related assets from third parties, we must compete with other REITs, investment banking firms, savings and loan associations, banks, insurance companies, other lenders and other entities that purchase mortgage loans or mortgage-backed securities, many of which have greater financial resources than we do. As a result, we may not be able to acquire sufficient mortgage-related assets with favorable yields over our borrowing costs, which could harm our results of operations, financial condition and business prospects.

The intense competition in the subprime mortgage industry has also led to rapid technological developments, evolving industry standards and frequent releases of new products and enhancements. As mortgage products are offered more widely through alternative distribution channels, such as the Internet, we may be required to make significant changes to our current wholesale and retail structures and information systems to compete effectively. Our inability to continue enhancing our current Internet capabilities, or to adapt to other technological changes in the industry, could harm our results of operations, financial condition and business prospects.

Our hedging strategies may not be successful in mitigating our risks associated with interest rates.

We use various derivative financial instruments to provide a level of protection against interest rate risks, but no hedging strategy can protect us completely. When rates change, we expect to record a gain or loss on derivatives, which would be offset by an inverse change in the value of loans or residual interests. Additionally, from time to time, we may enter into hedging transactions in connection with our holdings of mortgage-backed securities and government securities with respect to one or more of our assets or liabilities. Our hedging activities may include entering into interest rate swaps, caps and floors, options to purchase these items, and futures and forward contracts. At the present time, we intend to primarily use Euro Dollar Futures contracts and interest rate swap agreements to manage the interest rate risk of our portfolio of adjustable-rate mortgages; however, our actual hedging decisions will be determined in light of the facts and circumstances existing at the time and may

Table of Contents

differ from our currently anticipated hedging strategy. Additionally, we maintain a cash margin account against these hedges, the amount of which fluctuates with changes in interest rates. Any significant decrease in interest rates could result in a significant margin call, which would require us to provide the counterparty with additional cash collateral. Any such margin call could harm our liquidity, results of operations, financial condition and business prospects.

We cannot assure you that our use of derivatives will offset the risks related to changes in interest rates. There have been periods, and it is likely that there will be periods in the future, during which we will incur losses after accounting for our derivative financial instruments. The derivative financial instruments we select may not have the effect of reducing our interest rate risk. In addition, the nature and timing of hedging transactions may influence the effectiveness of these strategies. Poorly designed strategies or improperly executed transactions could actually increase our risk and losses. In addition, hedging strategies involve transaction and other costs. We cannot assure you that our hedging strategy and the derivatives that we use will adequately offset the risk of interest rate volatility or that our hedging transactions will not result in losses, and such losses could harm our results of operations, financial condition and business prospects.

Complying with REIT requirements may limit our ability to hedge interest rate risk effectively.

The existing REIT provisions of the Internal Revenue Code substantially limit our ability to hedge mortgage-backed securities and government securities and related borrowings. Under these provisions, our aggregate gross income from qualified hedges (which generally include certain financial instruments used to hedge indebtedness incurred or to be incurred to acquire or carry real estate assets), together with any other income from certain non-qualifying sources, is limited to not more than 25% of our annual gross income. In addition, we must limit our aggregate gross income from non-qualified hedges, fees, and certain other non-qualifying sources to not more than 5% of our annual gross income. In addition, for calendar years beginning January 1, 2005, we must meet certain additional identification and other requirements for hedges to be qualified hedges. As a result, we might in the future have to limit our use of advantageous hedging techniques or implement those hedges through a taxable REIT subsidiary. This could increase the cost of our hedging activities or leave us exposed to greater risks associated with changes in interest rates than we would otherwise want to bear, which could harm our results of operations, financial condition and business prospects.

A decline in the quality of servicing could lower the value of our residual interests and our ability to sell or securitize loans and could harm the cash flows from our on-balance sheet securitizations.

In March 2001, we sold to Ocwen Federal Bank FSB the servicing rights on \$4.8 billion of our servicing portfolio, which consisted of 25 separate asset-backed securities. In August 2001, Ocwen began servicing all of our newly originated loans pending their sale or securitization. However, in February 2002, we announced the intent to re-establish our in-house loan servicing platform. By October 1, 2002, we began servicing loans on our in-house servicing platform and at September 30, 2004, loans serviced on our platform totaled \$21.8 billion. Ocwen is expected to continue to service the mortgage loans underlying our residual interests in transactions closed prior to 2003. Poor servicing and collections by third-party servicers could harm the value of our residual interests and our ability to sell or securitize loans, which could harm our results of operations, financial condition and business prospects. Likewise, poor servicing by our own servicing operation could harm the cash flows from our on-balance sheet securitizations, could hamper our ability to sell or securitize loans and could harm our results of operations, financial condition and business prospects.

The complex federal, state and municipal laws governing loan servicing activities could increase our exposure to the risk of noncompliance.

Edgar Filing: NEW CENTURY TRS HOLDINGS INC - Form 424B3

We service loans originated on a nationwide basis. Therefore, we must comply with the laws and regulations, as well as judicial and administrative decisions, of all relevant jurisdictions pertaining to loan servicing, as well as an extensive body of federal laws and regulations. The volume of new or modified laws and

Table of Contents

regulations has increased in recent years and, in addition, some individual municipalities have begun to enact laws that restrict loan servicing activities. The laws and regulations of each of these jurisdictions are different, complex and, in some cases, in direct conflict with each other. As our servicing operations continue to grow, it may be more difficult to comprehensively identify, to accurately interpret and to properly program our technology systems and effectively train our personnel with respect to all of these laws and regulations, thereby potentially increasing our exposure to the risks of noncompliance with the laws and regulations pertaining to loan servicing. Our failure to comply with these laws could lead to, among other things: (i) civil and criminal liability, including potential monetary penalties; (ii) legal defenses delaying or otherwise harming the servicer's ability to enforce loans, or giving the borrower the right to rescind or cancel the loan transactions; (iii) class action lawsuits; and (iv) administrative enforcement actions. This could harm our results of operations, financial condition and business prospects.

We are subject to losses due to fraudulent and negligent acts on the part of loan applicants, mortgage brokers, other vendors and our employees.

When we originate mortgage loans, we rely heavily upon information supplied by third parties, including the information contained in the loan application, property appraisal, title information and employment and income documentation. If any of this information is intentionally or negligently misrepresented and such misrepresentation is not detected prior to loan funding, the value of the loan may be significantly lower than expected. Whether a misrepresentation is made by the loan applicant, the mortgage broker, another third party or one of our employees, we generally bear the risk of loss associated with the misrepresentation. A loan subject to a material misrepresentation is typically unsaleable or subject to repurchase if it is sold prior to detection of the misrepresentation, and the persons and entities involved are often difficult to locate and it is often difficult to collect any monetary losses that we have suffered from them.

We have controls and processes designed to help us identify misrepresented information in our loan origination operations. We cannot assure you, however, that we have detected or will detect all misrepresented information in our loan originations.

We may be subject to fines or other penalties based upon the conduct of our independent brokers.

The mortgage brokers from which we obtain loans have parallel and separate legal obligations to which they are subject. While these laws may not explicitly hold the originating lenders responsible for the legal violations of mortgage brokers, increasingly federal and state agencies have sought to impose such liability on parties that take assignments of such loans. Recently, for example, the United States Federal Trade Commission, or FTC, entered into a settlement agreement with a mortgage lender where the FTC characterized a broker that had placed all of its loan production with a single lender as the agent of the lender. The FTC imposed a fine on the lender in part because, as principal, the lender was legally responsible for the mortgage broker's unfair and deceptive acts and practices. The United States Justice Department in the past has sought to hold a subprime mortgage lender responsible for the pricing practices of its mortgage brokers, alleging that the mortgage lender was directly responsible for the total fees and charges paid by the borrower under the Fair Housing Act even if the lender neither dictated what the mortgage broker could charge nor kept the money for its own account. Accordingly, we may be subject to fines or other penalties based upon the conduct of our independent mortgage brokers.

Changes in the volume and cost of loans originated by our Wholesale Division may decrease our loan production and decrease our earnings.

We depend primarily on independent mortgage brokers and, to a lesser extent, on correspondent lenders for the origination and purchase of our wholesale mortgage loans, which constitute the majority of our loan production. These independent mortgage brokers have relationships with multiple lenders and are not obligated by contract or otherwise to do business with us. We compete with these lenders for the independent

brokers business on pricing, service, loan fees, costs and other factors. Competition from other lenders and purchasers of

Table of Contents

mortgage loans could negatively affect the volume and pricing of our wholesale loans, which could harm our results of operations, financial condition and business prospects.

If many of our borrowers become subject to the Servicemembers Civil Relief Act of 2003, our cash flows from our residual interests and our securitizations structured as financings may be harmed.

Under the Servicemembers Civil Relief Act, which in 2003 re-enacted the Soldiers and Sailors Civil Relief Act of 1940, a borrower who enters military service after the origination of the borrower's mortgage loan generally may not be charged interest above an annual rate of 6% during the period of the borrower's active duty status. The Act also applies to a borrower who was on reserve status and is called to active duty after origination of the mortgage loan. A prolonged, significant military mobilization as part of the war on terrorism or the war in Iraq could increase the number of the borrowers in our securitized pools who are subject to the Act and thereby reduce the interest payments collected from those borrowers. To the extent the number of borrowers who are subject to the Act is significant, the cash flows we receive from loans underlying our on-balance sheet securitizations and from our residual interests would be reduced, which could cause us to reduce the carrying value of our residual interests and would decrease our earnings. In addition, the Act imposes limitations that would impair the ability of the servicer to foreclose on an affected mortgage loan during the borrower's period of active duty status, and, under certain circumstances, during an additional three month period thereafter. Any such reduction in our cash flows or impairment in our performance could harm our results of operations, financial condition and business prospects.

The inability to attract and retain qualified employees could significantly harm our business.

We depend on our wholesale account executives and retail loan officers to attract borrowers by, among other things, developing relationships with financial institutions, other mortgage companies and brokers, real estate agents, borrowers and others. We believe that these relationships lead to repeat and referral business. The market for skilled account executives and loan officers is highly competitive and historically has experienced a high rate of turnover. In addition, if a manager is no longer employed by us, there is an increased likelihood that other members of his or her team will leave our employ as well. Competition for qualified account executives and loan officers may lead to increased hiring and retention costs. If we are unable to attract or retain a sufficient number of skilled account executives at manageable costs, we will be unable to continue to originate quality mortgage loans that we are able to sell for a profit, which could harm our results of operations, financial condition and business prospects.

An interruption in or breach of our information systems may result in lost business.

We rely heavily upon communications and information systems to conduct our business. Any failure or interruption or breach in security of our information systems or the third-party information systems on which we rely could cause underwriting or other delays and could result in fewer loan applications being received, slower processing of applications and reduced efficiency in loan servicing. We are required to comply with significant federal and state regulations with respect to the handling of customer information, and a failure, interruption or breach of our information systems could result in regulatory action and litigation against us. We cannot assure you that such failures or interruptions will not occur or if they do occur that they will be adequately addressed by us or the third parties on which we rely. The occurrence of any failures or interruptions could harm our results of operations, financial condition and business prospects.

The success and growth of our business will depend upon our ability to adapt to and implement technological changes.

Edgar Filing: NEW CENTURY TRS HOLDINGS INC - Form 424B3

Our mortgage loan origination business is currently dependent upon our ability to effectively interface with our brokers, borrowers and other third parties and to efficiently process loan applications and closings. The origination process is becoming more dependent upon technological advancement, such as the ability to process

Table of Contents

applications over the Internet, accept electronic signatures and provide process status updates instantly and other customer-expected conveniences that are cost-efficient to our process. In addition, we are in the process of implementing a new loan origination system. Implementing and becoming proficient with the new loan origination system and other new technology will require significant financial and personnel resources. There is no guarantee that the implementation of our new loan origination system or other new technology will be successful. To the extent that we become reliant on any particular technology or technological solution, we may be harmed to the extent that such technology or technological solution (i) becomes non-compliant with existing industry standards, (ii) fails to meet or exceed the capabilities of our competitors' equivalent technologies or technological solutions, (iii) becomes increasingly expensive to service, retain and update, or (iv) becomes subject to third-party claims of copyright or patent infringement. Any failure to acquire technologies or technological solutions when necessary could limit our ability to remain competitive in our industry and could also limit our ability to increase the cost-efficiencies of our operating model, which could harm our results of operations, financial condition and business prospects.

We may be required to repurchase mortgage loans or indemnify investors if we breach representations and warranties, which could harm our earnings.

When we sell loans, we are required to make customary representations and warranties about such loans to the loan purchaser. Our whole loan sale agreements require us to repurchase or substitute loans in the event we breach a representation or warranty given to the loan purchaser or make a misrepresentation during the mortgage loan origination process. In addition, we may be required to repurchase loans as a result of borrower fraud or in the event of early payment default on a mortgage loan. Likewise, we are required to repurchase or substitute loans if we breach a representation or warranty in connection with our securitizations. The remedies available to a purchaser of mortgage loans are generally broader than those available to us against the originating broker or correspondent. Further, if a purchaser enforces its remedies against us, we may not be able to enforce the remedies we have against the sellers. The repurchased loans typically can only be financed at a steep discount to their repurchase price, if at all. They are also typically sold at a significant discount to the unpaid principal balance. Significant repurchase activity could harm our cash flow, results of operations, financial condition and business prospects.

We are exposed to the risk of environmental liabilities with respect to properties to which we take title.

In the course of our business, we may foreclose and take title to residential properties and could be subject to environmental liabilities with respect to these properties. We may be held liable to a governmental entity or to third parties for property damage, personal injury, investigation, and clean-up costs incurred by these parties in connection with environmental contamination, or may be required to investigate or clean up hazardous or toxic substances, or chemical releases at a property. The costs associated with investigation or remediation activities could be substantial. In addition, as the owner or former owner of a contaminated site, we may be subject to common law claims by third parties based on damages and costs resulting from environmental contamination emanating from the property. If we ever become subject to significant environmental liabilities, our cash flow, results of operations, financial condition and business prospects could be harmed.

If we do not manage our growth effectively, our financial performance could be harmed.

In recent years, we have experienced rapid growth that has placed, and will continue to place, certain pressures on our management, administrative, operational and financial infrastructure. As of December 31, 2000, we had approximately 1,500 employees and by September 30, 2004, we had approximately 4,900 employees. Many of these employees have a limited understanding of our systems and controls. The increase in the size of our operations may make it more difficult for us to ensure that we originate quality loans and that we service them effectively. We will need to attract and hire additional sales and management personnel in an intensely competitive hiring environment in order to preserve and increase our market share. At the same time, we will need to continue to upgrade and expand our financial, operational and managerial systems and controls.

Table of Contents

Various factors may cause the market price of New Century Financial common stock to become volatile, which could harm our ability to access the capital markets in the future.

The market price of New Century Financial common stock may experience fluctuations that are unrelated to our operating performance. In particular, the market price of New Century Financial common stock may be affected by general market price movements as well as developments specifically related to the consumer finance industry and the financial services sector. These could include, among other things, interest rate movements, quarterly variations or changes in financial estimates by securities analysts, or a significant reduction in the price of the stock of another participant in the consumer finance industry. This volatility may make it difficult for us to access the capital markets through additional secondary offerings of New Century Financial common stock, regardless of our financial performance, and such difficulty may preclude us from being able to take advantage of certain business opportunities or meet our obligations, which could, in turn, harm our results of operations, financial condition and business prospects.

We may change our policies in ways that harm our financial condition or results of operations.

Our investment and financing policies and our policies with respect to other activities, including our growth, debt capitalization, distributions, REIT status and operating policies are determined by our board of directors. Our board of directors may change these policies at any time without a vote of our stockholders. A change in these policies might harm our financial condition, results of operations or business prospects.

Compliance with the Sarbanes-Oxley Act of 2002 and proposed and recently enacted changes in securities laws and regulations are likely to increase our costs.

The Sarbanes-Oxley Act of 2002 and rules and regulations promulgated by the Securities and Exchange Commission and the NYSE have increased the scope, complexity and cost of corporate governance, reporting and disclosure practices for public companies, including ourselves. These rules and regulations could also make it more difficult for us to attract and retain qualified executive officers and members of our board of directors, particularly to serve on our audit committee.

Risks Related to New Century Financial Common Stock

The stock price of New Century Financial common stock and trading volume may be volatile, which could result in substantial losses for stockholders.

The market price of New Century Financial common stock that you would receive if you tender your notes pursuant to the offer may be highly volatile and be subject to wide fluctuations. In addition, the trading volume in New Century Financial common stock may fluctuate and cause significant price variations to occur. Some of the factors that could negatively affect our share price or result in fluctuations in the price or trading volume of New Century Financial common stock include:

general market and economic conditions;

actual or anticipated changes in our future financial performance;

changes in market interest rates;

competitive developments, including announcements by us or our competitors of new products or services or significant contracts, acquisitions, strategic partnerships or capital commitments;

the operations and stock performance of our competitors;

developments in the mortgage lending industry or the financial services sector generally;

the impact of new state or federal legislation or court decisions restricting the activities of lenders or suppliers of credit in our market;

Table of Contents

fluctuations in our quarterly operating results;

changes in financial estimates by securities analysts;

additions or departures of senior management and key personnel; and

actions by institutional stockholders.

We cannot assure you that the market price of New Century Financial common stock will not fluctuate or decline significantly in the future. In addition, the stock market in general can experience considerable price and volume fluctuations.

We have not established a minimum distribution level and we may not have the ability to make distributions to you in the future.

We intend to make quarterly distributions to New Century Financial stockholders beginning in the fourth quarter of 2004 and to distribute to New Century Financial stockholders all or substantially all of our REIT taxable income, without regard to the dividends paid deduction and excluding net capital gains, in each year. We have not established a minimum distribution level and we may not be able to make distributions. In addition, some of our distributions may include a return of capital. All distributions will be made at the discretion of our board of directors and will depend on our earnings, our financial condition, maintenance of our REIT status and other factors as our board of directors may deem relevant from time to time. We cannot predict our ability to make distributions to you in the future.

Our board of directors may authorize the issuance of additional shares that may cause dilution and may depress the price of New Century Financial common stock.

Our charter permits our board of directors, without your approval, to:

authorize the issuance of additional common or preferred stock in connection with future equity offerings, acquisitions of securities or other assets of companies; and

classify or reclassify any unissued common stock or preferred stock and to set the preferences, rights and other terms of the classified or reclassified shares, including the issuance of shares of preferred stock that have preference rights over the common stock with respect to dividends, liquidation, voting and other matters or shares of common stock that have preference rights over your common stock with respect to voting.

The issuance of additional shares of New Century Financial common stock could be substantially dilutive to your shares and may depress the price of New Century Financial common stock.

Future offerings of debt securities, which would be senior to New Century Financial common stock in liquidation, or equity securities, which would dilute our existing stockholders' interests and may be senior to New Century Financial common stock for the purposes of distributions, may harm the market price of New Century Financial common stock.

In the future, we will seek to access the capital markets from time to time by making additional offerings of debt and/or equity securities, including commercial paper, medium-term notes, senior or subordinated notes, preferred stock or common stock. We will not be precluded by the terms of our charter documents from issuing additional debt or equity securities. Accordingly, we could become more highly leveraged, resulting in an increase in debt service that could harm our ability to make expected distributions to stockholders and in an increased risk of default on our obligations. If we were to liquidate, holders of our debt and lenders with respect to other borrowings will receive a distribution of our available assets before the holders of our common stock. Additional equity offerings by us may dilute your interest in us or reduce the market price of your shares of New

Table of Contents

Century Financial common stock, or both. Our preferred stock, if issued, could have a preference on distribution payments that could limit our ability to make a distribution to you. Because our decision to issue securities in any future offering will depend on market conditions and other factors beyond our control, we cannot predict or estimate the amount, timing or nature of our future offerings. Further, market conditions could require us to accept less favorable terms for the issuance of our securities in the future. Thus, you will bear the risk of our future offerings reducing the market price of your shares of New Century Financial common stock and diluting your interest in us.

The stock ownership limit imposed by New Century Financial's charter may inhibit market activity in New Century Financial stock and may restrict our business combination opportunities.

In order for us to maintain our qualification as a REIT under the Internal Revenue Code, not more than 50% in value of the outstanding shares of New Century Financial's capital stock may be owned, directly or indirectly, by five or fewer individuals (as defined in the Internal Revenue Code to include certain entities) at any time during the last half of each taxable year after our first REIT taxable year. New Century Financial's charter, with certain exceptions, authorizes our directors to take such actions as are necessary and desirable to preserve our qualification as a REIT and provides that, unless exempted by our board of directors, no person may beneficially own more than 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. Our directors also have authority under our charter to impose a similar ownership limitation as to any separate class or series of preferred stock we may issue in the future. Our board of directors may grant an exemption from that ownership limit in its sole discretion, subject to such conditions, representations and undertakings as it may determine that are consistent with ensuring compliance with the REIT provisions of the Internal Revenue Code. To the extent that any purchases by New Century TRS to satisfy its obligations under the offer and the indenture for the notes would cause New Century TRS to exceed the 9.8% restriction on beneficial ownership in value or in number of shares of New Century Financial common stock, our board of directors has granted New Century TRS a waiver from such restriction. If you or anyone else acquires shares in excess of the ownership limit or in violation of the ownership requirements of the Internal Revenue Code for REITs, we:

will consider the transfer to be null and void;

will not reflect the transaction on our books;

may institute legal action to enjoin the transaction;

will not pay dividends or other distributions with respect to those shares;

will not recognize any voting rights for those shares; and

will consider the shares held in trust for the benefit of a charitable beneficiary as designated by us.

The trustee shall sell the shares held in trust and the owner of the excess shares will be entitled to the lesser of:

(1) the price paid by the transferee;

Edgar Filing: NEW CENTURY TRS HOLDINGS INC - Form 424B3

(2) if the transferee did not purchase the excess shares, the closing price for the shares on the national securities exchange on which New Century Financial's common stock is listed or quoted on the day of the event causing the shares to be held in trust; or

(3) the price received by the trustee from the sale of the shares.

This ownership limit could delay or prevent a transaction or a change in our control that might involve a premium price for New Century Financial common stock or otherwise be in your best interest and may result in the entrenchment of our board of directors and management regardless of performance.

Table of Contents

Certain provisions of Maryland law and our charter and bylaws could hinder, delay or prevent a change in control of New Century Financial.

Certain provisions of Maryland law and New Century Financial's charter and bylaws could have the effect of discouraging, delaying or preventing transactions that involve an actual or threatened change in control of us, and may have the effect of entrenching our management and members of our board of directors, regardless of performance. These provisions include the following:

Classified board of directors. New Century Financial's board of directors will be divided into three classes with staggered terms of office of three years each. The classification and staggered terms of office of New Century Financial's directors will make it more difficult for a third party to gain control of New Century Financial's board of directors. At least two annual meetings of stockholders, instead of one, generally would be required to effect a change in a majority of New Century Financial's board of directors.

Removal of directors. Under New Century Financial's charter, subject to the rights of one or more classes or series of preferred stock to elect one or more directors, a director may be removed only for cause and only by the affirmative vote of at least two-thirds of all votes entitled to be cast by its stockholders generally in the election of directors.

Number of directors, board vacancies, term of office. Under New Century Financial's bylaws, New Century Financial has elected to be subject to certain provisions of Maryland law which vest in the board of directors the exclusive right to determine the number of directors and the exclusive right, by the affirmative vote of a majority of the remaining directors, to fill vacancies on the board even if the remaining directors do not constitute a quorum. These provisions of Maryland law, which are applicable even if other provisions of Maryland law or the charter or bylaws provide to the contrary, also provide that any director elected to fill a vacancy shall hold office for the remainder of the full term of the class of directors in which the vacancy occurred, rather than the next annual meeting of stockholder as would otherwise be the case, and until his or her successor is elected and qualified.

Limitation on stockholder requested special meetings. New Century Financial's bylaws provide that stockholders of New Century Financial have the right to call a special meeting only upon the written request of the stockholders entitled to cast not less than a majority of all the votes entitled to be cast by the stockholders at such meeting.

Advance notice provisions for stockholder nominations and proposals. New Century Financial's bylaws require advance written notice for stockholders to nominate persons for election as directors at, or to bring other business before, any meeting of its stockholders. This bylaw provision limits the ability of New Century Financial's stockholders to make nominations of persons for election as directors or to introduce other proposals unless we are notified in a timely manner prior to the meeting.

Exclusive authority of our board to amend our bylaws. New Century Financial's bylaws provide that the board of directors has the exclusive power to adopt, alter or repeal any provision of the bylaws or to make new bylaws. Thus, New Century Financial's stockholders may not effect any changes to New Century Financial's bylaws.

Preferred stock. Under New Century Financial's charter, the board of directors has authority to issue preferred stock from time to time in one or more series and to establish the terms, preferences and rights of any such series of preferred stock, all without approval of stockholders.

Duties of directors with respect to unsolicited takeovers. Maryland law provides protection for Maryland corporations against unsolicited takeovers by limiting, among other things, the duties of the directors in unsolicited takeover situations. The duties of directors of Maryland corporations do not require them to (1) accept, recommend or respond to any proposal by a person seeking to acquire control of the corporation, (2) authorize the corporation to redeem any rights under, or modify or render inapplicable, any stockholders rights plan, (3) make a determination under the Maryland Business Combination Act or the Maryland Control Share

Acquisition Act, or (4) act or fail to act solely because

Table of Contents

of the effect of the act or failure to act may have on an acquisition or potential acquisition of control of the corporation or the amount or type of consideration that may be offered or paid to the stockholders in an acquisition. Moreover, under Maryland law the act of the directors of a Maryland corporation relating to or affecting an acquisition or potential acquisition of control is not subject to any higher duty or greater scrutiny than is applied to any other act of a director. Maryland law also contains a statutory presumption that an act of a director of a Maryland corporation satisfies the applicable standards of conduct for directors under Maryland law.

Ownership limit. In order to preserve its status as a REIT under the Internal Revenue Code, New Century Financial's charter generally prohibits any single stockholder, or any group of affiliated stockholders, from beneficially owning more than 9.8% in value or number of shares, whichever is more restrictive, of the aggregate of the outstanding shares of any class or series of New Century Financial common stock unless the board of directors waives or modifies this ownership limit.

Maryland Business Combination Act. The Maryland Business Combination Act provides that unless exempted, a Maryland corporation may not engage in business combinations, including mergers, dispositions of 10% or more of its assets, certain issuances of shares of stock and other specified transactions, with an interested stockholder or an affiliate of an interested stockholder for five years after the most recent date on which the interested stockholder became an interested stockholder, and thereafter unless specified criteria are met. An interested stockholder is generally a person owning or controlling, directly or indirectly, 10% or more of the voting power of the outstanding stock of a Maryland corporation. New Century Financial's board of directors has adopted a resolution exempting it from this statute. However, New Century Financial's board of directors may repeal or modify this resolution in the future, in which case the provisions of the Maryland Business Combination Act will be applicable to business combinations between New Century Financial and other persons.

Maryland Control Share Acquisition Act. Maryland law provides that control shares of a corporation acquired in a control share acquisition shall have no voting rights except to the extent approved by a vote of two-thirds of the votes eligible to be cast on the matter under the Maryland Control Share Acquisition Act. Control shares means shares of stock that, if aggregated with all other shares of stock previously acquired by the acquirer, would entitle the acquirer to exercise voting power in electing directors within one of the following ranges of the voting power: one tenth or more but less than one third, one third or more but less than a majority or a majority or more of all voting power. A control share acquisition means the acquisition of control shares, subject to certain exceptions. If voting rights of control shares acquired in a control share acquisition are not approved at a stockholders' meeting, then subject to certain conditions and limitations, the issuer may redeem any or all of the control shares for fair value. If voting rights of such control shares are approved at a stockholders' meeting and the acquirer becomes entitled to vote a majority of the shares of stock entitled to vote, all other stockholders may exercise appraisal rights. New Century Financial's bylaws contain a provision exempting acquisitions of its shares from the Maryland Control Share Acquisition Act. However, New Century Financial's board of directors may amend its bylaws in the future to repeal or modify this exemption, in which case any control shares acquired in a control share acquisition will be subject to the Maryland Control Share Acquisition Act.

Tax Risks Related to Our Status as a REIT

Your investment has various federal income tax risks.

Although the provisions of the Internal Revenue Code relevant to your investment decision are generally described in **Material U.S. Federal Income Tax Consequences**, we strongly urge you to consult with your own tax advisor concerning the effects of federal, state and local income tax law on an investment in New Century Financial common stock and on your individual tax situation.

Table of Contents

We may be unable to comply with the requirements applicable to REITs or compliance with such requirements could harm our financial condition.

We intend to qualify as a REIT under the Internal Revenue Code, which will afford us significant tax advantages. The requirements for this qualification, however, are highly technical and complex and our management has limited experience in operating a REIT. Even a technical or inadvertent mistake could jeopardize our REIT status. The determination that we qualify as a REIT requires an analysis of various factual matters and circumstances that may not be totally within our control. For example, to qualify as a REIT, at least 75% of our gross income must come from real estate sources and 95% of our gross income must come from real estate sources and certain other sources that are itemized in the REIT tax laws, mainly interest and dividends. We are subject to various limitations on our ownership of securities, including a limitation that the value of our investment in taxable REIT subsidiaries, including New Century TRS and its subsidiaries, cannot exceed 20% of our total assets. In addition, at the end of each calendar quarter, at least 75% of our assets must be qualifying real estate assets, government securities and cash and cash items. The need to comply with these asset ownership requirements may cause us to acquire other assets that are qualifying real estate assets for purposes of the REIT requirements (for example, interests in other mortgage loan portfolios or mortgage-related assets) but are not part of our overall business strategy and might not otherwise be the best investment alternative for us. Moreover, we may be unable to acquire sufficient qualifying REIT assets, due to our inability to obtain adequate financing or otherwise, in which case we may fail to qualify as a REIT.

To qualify as a REIT, we must distribute to our stockholders with respect to each year at least 90% of our REIT taxable income (determined without regard to the dividends paid deduction and by excluding any net capital gain). 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 satisfy this distribution requirement, but distribute less than 100% of our taxable income, we will be subject to federal corporate income tax on our undistributed taxable income. In addition, we will be subject to a 4% nondeductible excise tax if the actual amount that we pay out to our stockholders in a calendar year is less than a minimum amount specified under federal tax laws. We could be required to seek to borrow funds on a short-term basis even if conditions are not favorable for borrowing, or to sell loans from our portfolio potentially at disadvantageous prices, to meet the REIT distribution requirements and to avoid corporate income tax and the 4% nondeductible excise tax. These alternatives could harm our financial condition and could reduce amounts available to originate mortgage loans.

If we fail to qualify or remain qualified as a REIT, our distributions will not be deductible by us, and we will be subject to federal income tax on our taxable income. This would substantially reduce our earnings, our cash available to pay distributions and your yield on your investment in our stock. We would not be required to make any distributions to stockholders. The resulting tax liability, in the event of our failure to qualify as a REIT, might cause us to borrow funds, liquidate some of our investments or take other steps that could negatively affect our operating results. Moreover, if our REIT status is terminated because of our failure to meet a technical REIT requirement or if we voluntarily revoke our election, we generally would be disqualified from electing treatment as a REIT for the four taxable years following the year in which REIT status is lost.

We may not qualify as a REIT if the value of our investment in our taxable REIT subsidiaries exceeds 20% of the value of our total assets at the close of any calendar quarter.

To qualify as a REIT, not more than 20% of the value of our total assets may be represented by the securities of one or more taxable REIT subsidiaries at the close of any calendar quarter, subject to a 30-day cure period following the close of the quarter. See Material U.S. Federal Income Tax Consequences Asset Tests. Our taxable REIT subsidiaries, including New Century TRS and its subsidiaries, conduct a substantial portion of our business activities, including a majority of our loan origination and servicing activities. Under our current business plan, we expect to accumulate a significant amount of earnings in our taxable REIT subsidiaries. We will monitor the value of our investment in New Century TRS and our other taxable REIT subsidiaries in relation to our other assets to comply with the 20% asset test. There cannot be complete assurance that we will be

Table of Contents

successful in that effort. In certain cases, we may need to borrow from third parties to acquire additional qualifying REIT assets or increase the amount and frequency of dividends from our taxable REIT subsidiaries in order to comply with the 20% asset test. Moreover, there can be no assurance that the Internal Revenue Service will not disagree with those determinations. If the Internal Revenue Service determines that the value of our investment in New Century TRS and other taxable REIT subsidiaries was more than 20% of the value of our total assets at the close of any calendar quarter, we could lose our REIT status.

We may incur excess inclusion income that would increase the tax liability of our stockholders.

In general, dividend income that a tax-exempt entity receives from us should not constitute unrelated business taxable income as defined in Section 512 of the Internal Revenue Code. However, excess inclusion income that is allocated to stockholders would be fully taxable as unrelated business taxable income under Section 512 of the Internal Revenue Code. If the stockholder is foreign, it would generally be subject to U.S. federal income tax withholding on this income without reduction pursuant to any otherwise applicable income-tax treaty. U.S. stockholders would not be able to offset such income with net operating losses.

Excess inclusion income could result if we held a residual interest in a real estate mortgage investment conduit, or REMIC. Excess inclusion income also may be generated if we were to issue debt obligations with two or more maturities and the terms of the payments on these obligations bore a relationship to the payments that we received on our mortgage-backed securities securing those debt obligations. We may enter into various repurchase agreements that have differing maturity dates and afford the lender the right to sell any pledged mortgage securities if we default on our obligations. In addition, we may engage in non-REMIC collateralized mortgage obligation, or CMO, securitizations. The Internal Revenue Service may determine that these borrowings give rise to excess inclusion income that should be allocated among our stockholders. Finally, we may invest in equity securities of other REITs and it is possible that we might receive excess inclusion income from those investments. The amount of excess inclusion income in any given year from such transactions could be significant.

Our use of taxable REIT subsidiaries may affect the price of New Century Financial common stock relative to the stock price of other REITs.

Following our election to be taxed as a REIT, we will conduct a substantial portion of our mortgage loan origination and servicing activities through one or more taxable REIT subsidiaries and possibly one or more qualified REIT subsidiaries. Taxable REIT subsidiaries are corporations subject to corporate-level tax. This REIT/taxable REIT subsidiary structure may cause the market to place a lower value on New Century Financial common stock than the stock of other publicly-traded REITs, which may not use taxable REIT subsidiaries as extensively as we plan to following our election to be taxed as a REIT.

Even if we qualify as a REIT, the income earned by our taxable REIT subsidiaries will be subject to federal income tax and we could be subject to an excise tax on non-arm's-length transactions with our taxable REIT subsidiaries.

Our taxable REIT subsidiaries, including New Century TRS and its subsidiaries, expect to earn income from activities that are prohibited or restricted for REITs, and will owe income taxes on the taxable income from these activities. For example, we expect that New Century TRS and its subsidiaries will earn income from our loan origination and sales activities, as well as from other origination and servicing functions, which would generally not be qualifying income for purposes of the gross income tests applicable to REITs or might otherwise be subject to adverse tax liability if the income were generated by a REIT. New Century TRS and its subsidiaries will be taxable as C corporations and will be subject to federal, state and local income tax at the applicable corporate rates on their taxable income, notwithstanding our qualification as a REIT.

In the event that any transactions between us and New Century TRS and its subsidiaries are not conducted on an arm's-length basis, we could be subject to a 100% excise tax on certain amounts from such transactions.

Table of Contents

We believe that all such transactions will be conducted on an arm's-length basis, but there can be no assurance that the Internal Revenue Service will not successfully contest the arm's-length nature of such transactions or that we will otherwise be able to avoid application of the 100% excise tax. Any such tax could affect our overall profitability and the amounts of distributions to our stockholders.

We may, at some point in the future, borrow funds from one or more of our corporate subsidiaries. Although any such intercompany borrowings will be structured so as to constitute indebtedness for all tax purposes, no assurance can be given that the Internal Revenue Service will not challenge such arrangements, in which case the borrowing may be recharacterized as a dividend distribution to us by our subsidiary. Any such recharacterization may cause us to fail one or more of the REIT requirements.

Complying with REIT requirements might cause us to forego otherwise attractive opportunities, including certain acquisitions.

In order to qualify as a REIT for U.S. federal income tax purposes, we must satisfy tests concerning, among other things, our sources of income, the nature and diversification of our assets, the amounts we distribute to our stockholders and the ownership of our stock. We may also be required to make distributions to our stockholders at disadvantageous times or when we do not have funds readily available for distribution. Thus, compliance with REIT requirements may cause us to forego opportunities, including certain acquisitions, we would otherwise pursue.

The tax imposed on REITs engaging in prohibited transactions will limit our ability to engage in transactions, including certain methods of securitizing loans, that would be treated as sales for federal income tax purposes.

A REIT's net income from prohibited transactions is subject to a 100% tax. In general, prohibited transactions are sales or other dispositions of property, other than foreclosure property but including any mortgage loans held in inventory primarily for sale to customers in the ordinary course of business. We might be subject to this tax if we were to sell a loan or securitize the loans in a manner that was treated as a sale of such inventory for federal income tax purposes. Therefore, in order to avoid the prohibited transactions tax, we may choose not to engage in certain sales of loans other than through our taxable REIT subsidiaries and may limit the structures we utilize for our securitization transactions even though such sales or structures might otherwise be beneficial for us. In addition, this prohibition may limit our ability to restructure our portfolio of mortgage loans from time to time even if we believe it would be in our best interest to do so. However, the sales of loans we expect to make from New Century TRS and its subsidiaries following the merger will not be subject to this prohibited transaction tax since New Century TRS and its subsidiaries will be taxable REIT subsidiaries.

Misplaced reliance on legal opinions or statements by issuers of mortgage-backed securities and government securities could result in a failure to comply with REIT gross income or assets tests.

When purchasing mortgage-backed securities and government securities, we may rely on opinions of counsel for the issuer or sponsor of such securities, or statements made in related offering documents, for purposes of determining whether and to what extent those securities constitute REIT real estate assets for purposes of the REIT asset tests and produce income that qualifies under the REIT gross income tests. The inaccuracy of any such opinions or statements may harm our REIT qualification and result in significant corporate level tax.

We may not qualify as a REIT if we fail to distribute as of the end of calendar year 2004 any undistributed earnings and profits that are attributable to New Century Credit.

Edgar Filing: NEW CENTURY TRS HOLDINGS INC - Form 424B3

To qualify as a REIT, we cannot have as of the end of any taxable year any undistributed earnings and profits that are attributable to a non-REIT C corporation, or C corporation E&P. As part of the formation

Table of Contents

transactions, we acquired all of the capital stock of New Century Credit, which was formerly an indirect wholly-owned subsidiary of New Century Financial. As a result of the acquisition, New Century Credit became a qualified REIT subsidiary and we succeeded to New Century Credit's C corporation E&P. Thus, we will distribute such C corporation E&P as of the close of our first taxable year as a REIT.

A national accounting firm has prepared an estimate of New Century Credit's C corporation E&P, which we will use to determine the amount of the special E&P distribution that we must make to purge New Century Credit's C corporation E&P. However, the determination of C corporation E&P is extremely complex and the computations by our national accounting firm are not binding on tax authorities. If we fail to distribute an amount at least equal to the inherited C corporation E&P of New Century Credit as of the close of our first taxable year as a REIT, we could fail to qualify as a REIT.

We may be harmed by changes in tax laws applicable to REITs, or the reduced 15% tax rate on certain corporate dividends.

Our business may be harmed by changes to the laws and regulations affecting us, including changes to securities laws and changes to the Internal Revenue Code applicable to the taxation of REITs. New legislation may be enacted into law or new interpretations, rulings or regulations could be adopted, any of which could harm us and our stockholders, potentially with retroactive effect.

Generally, dividends paid by REITs are not eligible for the 15% U.S. federal income tax rate on certain corporate dividends, with certain exceptions discussed under the caption "Material U.S. Federal Income Tax Consequences - Taxation of U.S. Holders of New Century Financial Common Stock." The more favorable treatment of regular corporate dividends could cause domestic non-corporate investors to consider stocks of other corporations that pay dividends as more attractive relative to stocks of REITs. It is not possible to predict whether the reduced 15% tax rate on certain corporate dividends will affect the market price of New Century Financial common stock or what the effect will be.

In addition, legislation has been introduced from time to time that would amend certain rules relating to REITs. As of the date hereof, it is not possible to predict with any certainty whether any such legislation will be enacted.

Table of Contents**USE OF PROCEEDS**

New Century TRS will not receive any proceeds from the offer. Any notes that are properly tendered pursuant to the offer will be retired and cancelled.

Prior to the date of this prospectus, New Century Financial agreed to sell at fair market value, for cash, that number of shares of New Century Financial common stock as is necessary for New Century TRS to satisfy its obligation to deliver such shares in accordance with the terms and conditions of the offer. Assuming conversion of all \$210 million aggregate principal amount of the notes pursuant to the offer payable solely in shares of New Century Financial common stock, New Century Financial will receive approximately \$400.3 million from the sale of its common stock to New Century TRS, assuming a price of \$62.51 per share. New Century Financial intends to use the proceeds it receives from the sale of its common stock to New Century TRS for general working capital purposes. Also, assuming all of the notes are converted in the offer, New Century TRS is expected to receive a cash payment in connection with the call spread settlement. New Century TRS intends to use the proceeds it receives from the call spread settlement, along with available capital resources, to purchase the shares of New Century Financial common stock required to consummate the offer.

RATIO OF EARNINGS TO FIXED CHARGES

The following table sets forth the consolidated ratios of earnings to fixed charges of New Century TRS for the periods shown:

	Nine Months Ended September 30,	Year Ended December 31,				
	2004	2003	2002	2001	2000	1999
Ratio of Earnings to Fixed Charges	4.20	4.43	6.50	2.39	0.54	2.14

The ratios of earnings to fixed charges were computed by dividing earnings of New Century TRS by fixed charges of New Century TRS. For this purpose, earnings consist of (a) pre-tax income (loss) from continuing operations before adjustment for minority interests in consolidated subsidiaries or income or loss from equity investees plus (b) fixed charges. Fixed charges consist of interest expense and that portion of rental expense considered to be a reasonable estimate of the interest factor.

Table of Contents**MARKET PRICES OF COMMON STOCK**

New Century Financial's common stock has been listed on the NYSE under the symbol NEW since the effective date of the merger on October 1, 2004. From its initial public offering in June 1997 through September 30, 2004, New Century TRS's common stock was listed on the Nasdaq National Market under the symbol NCEN. As a result of the merger, New Century TRS's common stock is no longer listed on any national securities exchange or over-the-counter market. The following table shows, for the periods indicated, the high and low prices for New Century TRS common stock and, as of October 1, 2004, New Century Financial common stock:

	Common Stock Price	
	High	Low
New Century TRS		
Year ended December 31, 2002		
First Quarter	\$ 15.93	\$ 7.87
Second Quarter	23.32	14.16
Third Quarter	23.19	13.50
Fourth Quarter	18.74	10.89
Year ended December 31, 2003		
First Quarter	\$ 21.75	\$ 16.34
Second Quarter	34.06	20.68
Third Quarter	31.45	21.51
Fourth Quarter	41.04	28.27
Year ending December 31, 2004		
First Quarter	\$ 51.80	\$ 37.91
Second Quarter	50.76	38.50
Third Quarter	63.30	43.27
New Century Financial		
Year ending December 31, 2004		
Fourth Quarter (through November 18, 2004)	\$ 64.79	\$ 50.95

On November 18, 2004, the latest practicable date before the printing of this prospectus, the closing sale price of New Century Financial's common stock as reported on the NYSE was \$62.51 per share. Such stock prices and the stock prices set forth above give effect to the three-for-two stock split effected by a stock dividend paid on New Century TRS common stock on July 11, 2003. As of November 1, 2004, the number of holders of record of New Century Financial's common stock was 70 and the number of outstanding shares of New Century Financial's common stock was 48,385,959.

Table of Contents

DISTRIBUTION POLICY; THE SPECIAL E&P DISTRIBUTION

New Century Financial expects to make regular quarterly distributions to its stockholders. Our board of directors has declared a cash distribution of \$1.50 per share of New Century Financial common stock for the fourth quarter of 2004, which will be paid on January 31, 2005 to stockholders of record at the close of business on January 15, 2005. The actual timing and amount of future distributions, however, will be as determined and declared by New Century Financial's board of directors and will depend on New Century Financial's financial condition, earnings, and other factors, many of which are beyond its control. In order to maintain New Century Financial's qualification as a REIT under the Internal Revenue Code, New Century Financial is required to distribute (within a certain period after the end of each year) at least 90% of its REIT taxable income for such year (determined without regard to the dividends paid deduction and by excluding net capital gain). After-tax earnings generated by New Century Financial's taxable REIT subsidiaries (including New Century TRS) and not distributed to New Century Financial 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 New Century Financial does not distribute 100% of its REIT taxable income, New Century Financial will be taxed on any undistributed amounts. In addition, we cannot assure you that we will have access to funds to meet the distribution and other REIT qualification requirements. We anticipate paying quarterly distributions during January, April, July and October of each year for the preceding quarter. We anticipate that distributions generally will be paid from cash available for distribution (generally equal to cash from operations and investing activities less capital expenditures and principal amortization on indebtedness); however, to the extent that cash available for distribution is insufficient to make such distributions, we intend to borrow funds from one of our subsidiaries or a third party in order to make distributions consistent with this policy. We cannot assure you as to the amount, if any, of future distributions.

In addition, in connection with our plan to qualify as a REIT, we will make a one-time special E&P distribution of approximately \$1.0 million to our stockholders. Under the Internal Revenue Code, neither a REIT nor any of its qualified REIT subsidiaries is permitted to retain earnings and profits accumulated during years when the company or its predecessor was taxed as a C corporation. Therefore, in order to qualify as a REIT, we will distribute the current and accumulated earnings and profits of New Century Credit that we succeed to by paying a one-time special distribution to our stockholders in cash. A national accounting firm has prepared a computation of New Century Credit's earnings and profits for this purpose. Based on this computation, we will make the corresponding special one-time cash distribution, which is intended to equal or exceed the earnings and profits that we will inherit from New Century Credit. Such special E&P distribution will be declared in December 2004 and payable in January 2005 to New Century Financial stockholders on the record date for such distribution.

Table of Contents**CAPITALIZATION**

The following table sets forth New Century Financial's capitalization on a consolidated basis as of September 30, 2004 (1) as adjusted to give effect to the completion of the merger, the public offering and the concurrent private placement, each as described under the heading Summary, and (2) as further adjusted to give effect to the assumed conversion of \$210 million aggregate principal amount of the notes pursuant to the offer at an assumed stock price of \$62.51 per share for purposes of determining the number of shares payable as additional consideration.

You should read this table in conjunction with our audited consolidated financial statements, which are included elsewhere in or incorporated by reference into this prospectus.

	As of September 30, 2004	
	As Adjusted	As Further Adjusted
	(in thousands, except share amounts)	
Financing on mortgage loans held for investment(1)	\$ 10,788,213	\$ 10,788,213
Convertible notes	205,638	
Notes payable(1)	31,261	31,261
Total long-term debt	\$ 11,025,112	\$ 10,819,474
Stockholders' equity:		
Preferred stock, par value \$0.01: 10,000,000 shares authorized and no shares issued and outstanding as adjusted and as further adjusted		
Common stock, par value \$0.01: 300,000,000 shares authorized and 48,231,636 shares issued and outstanding, as adjusted; 54,635,863 shares issued and outstanding, as further adjusted	\$ 482	\$ 546
Additional paid-in capital	826,001	1,059,037
Accumulated other comprehensive loss	(13,181)	(13,181)
Retained earnings, restricted(2)	785,502	768,237
Treasury stock, at cost	(70)	(70)
Deferred compensation costs	(7,643)	(7,643)
Total stockholders' equity	\$ 1,591,091	\$ 1,806,926
Long-term debt and total stockholders' equity	\$ 12,616,203	\$ 12,626,400

(1) Included in financing on mortgage loans held for investment and notes payable is \$2.3 billion and \$15.1 million, respectively, of financing which matures within one year of September 30, 2004.

(2) Retained earnings has been adjusted for inducement expense (\$23.1 million), amortization of deferred debt issuance costs (\$4.4 million), and offer expenses (\$1.8 million), net of related income tax benefit of \$12.0 million.

The table above excludes the following shares:

Edgar Filing: NEW CENTURY TRS HOLDINGS INC - Form 424B3

a total of 5,267,887 shares of New Century Financial common stock issuable upon exercise of options outstanding on November 1, 2004 with a weighted-average exercise price of \$18.88 per share;

a total of 1,451,198 shares of New Century Financial common stock available for awards under our stock incentive plans as of November 1, 2004; and

The as adjusted number of shares excludes the up to 6,034,686 shares of New Century Financial common stock issuable on November 1, 2004 upon conversion of the notes.

The as further adjusted number of shares includes up to 6,034,686 shares of New Century Financial common stock issuable on November 1, 2004 upon conversion of the notes and an additional 369,541 shares issuable pursuant to the offer (assuming closing had occurred on the date of this prospectus). The actual number of shares issuable pursuant to the offer depends on the average of the closing prices on the eight trading days ending on the second business day preceding the expiration of the offer.

Table of Contents

THE OFFER

Purpose of the Offer

The offer described in this prospectus is being made by New Century TRS in order to encourage noteholders to convert their notes before the expiration of the offer. We believe that the conversion of the notes will improve our capitalization on a consolidated basis by increasing our outstanding equity base and reducing our indebtedness. Additionally, we believe that the conversion reduces our interest expense and better allows us to conserve cash for use in our business. Further, we expect that it will improve our ability to issue new debt at attractive rates and beneficial terms, which may lower our long-term capital costs. We believe that improving our capitalization may provide us with enhanced access to the capital markets and expand our opportunities for future growth.

Background

New Century TRS issued the notes on July 8, 2003 and July 14, 2003 under an indenture dated July 8, 2003 between New Century TRS and Wells Fargo Bank, N.A., as trustee. In accordance with the terms of the indenture, the notes became convertible into shares of New Century TRS common stock on March 17, 2004. The notes are currently convertible at a rate of 28.7366 shares of New Century Financial common stock for each \$1,000 principal amount of notes, which is equivalent to a conversion price of approximately \$34.80 per share (subject to certain adjustments).

As a result of the recently completed merger, the notes became convertible into shares of New Century Financial common stock. New Century Financial, New Century TRS and the trustee entered into a first supplemental indenture dated as of September 30, 2004, pursuant to which New Century Financial agreed to issue shares of its common stock upon conversion of the New Century TRS notes under the indenture and New Century TRS agreed to continue to be responsible for all other obligations under the indenture. While New Century Financial has agreed to issue shares of its common stock upon conversion of the notes, the conversion obligation represents New Century TRS's sole obligation and liability.

In order to enable New Century TRS to deliver shares of New Century Financial common stock to tendering noteholders in the offer, New Century TRS entered into a purchase agreement with New Century Financial pursuant to which New Century TRS has agreed to purchase, for cash, that number of shares of New Century Financial common stock as is necessary for New Century TRS to satisfy its share delivery obligations under the offer. The purchase agreement also provides that New Century TRS will purchase, for cash, that number of shares of New Century Financial common stock as is necessary for New Century TRS to satisfy its obligations under the indenture to issue shares of New Century Financial common stock upon conversion of the notes. All such sales and purchases will be effected in an arm's-length manner for the then-fair market value of such shares of New Century Financial common stock. To the extent that such purchases cause New Century TRS to exceed the 9.8% restriction on beneficial ownership in value or in number of shares of New Century Financial common stock contained in New Century Financial's charter, the board of directors of New Century Financial has granted New Century TRS a waiver from such restriction.

Terms of the Offer

New Century TRS is offering, upon the terms and subject to the conditions described in this prospectus and in the accompanying letter of transmittal, to have converted all of the outstanding New Century TRS notes for shares of New Century Financial common stock and cash. Holders who validly tender their New Century TRS notes for conversion will receive for each \$1,000 principal amount a total of:

28.7366 shares of New Century Financial common stock issuable on conversion of the notes in accordance with their terms;

Table of Contents

an additional \$110 payable in shares of New Century Financial common stock based upon the average of the closing prices on the eight trading days ending on the second business day preceding the expiration of the offer; and

accrued and unpaid interest from July 3, 2004 payable in cash.

The number of additional shares to be issued per \$1,000 principal amount of notes will be determined by dividing \$110 by the average of the closing prices of New Century Financial common stock on the NYSE on the eight trading days ending on the second business day preceding the expiration of the offer. No fractional shares of New Century Financial common stock will be issued to a noteholder in connection with the offer. In lieu of issuing fractional shares, New Century TRS will pay a cash adjustment based upon the closing price of New Century Financial common stock on the last day of the offer. Tenders of the notes may be withdrawn at any time prior to midnight, New York City time, on Monday, December 20, 2004.

Holders may only tender notes in multiples of \$1,000. Holders of notes may tender less than the aggregate principal amount of notes held by them, provided that they appropriately indicate this fact on the letter of transmittal accompanying the tendered notes (or so indicate pursuant to the procedures for book-entry-transfer).

As of the date of this prospectus, \$210 million in aggregate principal amount of the notes is outstanding. As of November 1, 2004, there was one registered holder of the notes, Cede & Co., Inc., which held the notes for its participants. Only a holder of the notes (or the holder's legal representative or attorney-in-fact) may participate in the offer.

New Century TRS will accept notes as validly tendered notes when, as and if it has given oral or written notice of acceptance to the exchange agent. The exchange agent will act as agent for the tendering holders of notes. If you are the record owner of your notes and you tender your notes directly to the exchange agent, you will not be obligated to pay any charges or expenses of the exchange agent or any brokerage commissions. If you own your notes through a broker or other nominee, and your broker or nominee tenders the notes on your behalf, they may charge you a fee for doing so. You should consult with your broker or nominee to determine whether any charges will apply. Except as set forth in the instructions to the letter of transmittal, transfer taxes, if any, on the exchange of notes pursuant to the offer will be paid by New Century TRS.

Generally, the New Century Financial common stock that you receive in the offer will be freely tradable, unless you are considered an affiliate of ours, as that term is defined under the Securities Act, or you hold notes that were previously held by one of our affiliates. New Century TRS believes that, as of the date of this prospectus, no holder of notes is an affiliate (as that term is defined under the Securities Act).

None of the board of directors of New Century TRS, the board of directors of New Century Financial, the dealer managers, the information agent and the exchange agent has made a recommendation to any noteholder, and each is remaining neutral as to whether you should tender your notes in the offer. You must make your own investment decision with regards to the offer based upon your own assessment of the market value of the notes, the likely value of the New Century Financial common stock you will receive, your liquidity needs and your investment objectives.

Expiration Date; Extensions; Amendments

Edgar Filing: NEW CENTURY TRS HOLDINGS INC - Form 424B3

The expiration date of the offer will be Monday, December 20, 2004 at midnight, New York City time, unless New Century TRS, in its sole and absolute discretion, extends the offer, in which case the expiration date shall be the latest date and time to which the offer is extended.

New Century TRS expressly reserves the right in its sole and absolute discretion at any time and from time to time, to extend the period of time during which the offer is open, and thereby delay acceptance for conversion of any notes, by giving oral or written notice of such extension to the exchange agent.

Table of Contents

The offer, the letter of transmittal and other relevant materials are being mailed to record holders of notes and furnished to brokers, dealers, commercial banks, trust companies and similar persons whose names, or the names of whose nominees, appear on the noteholder list or, if applicable, who are listed as participants in a clearing agency's security position listing, for subsequent transmittal to beneficial owners of notes.

If New Century TRS makes a material change in the terms of the offer or the information concerning the offer, or if it waives a material condition of the offer, New Century TRS will extend the offer consistent with Rule 13e-4 under the Exchange Act. The Securities and Exchange Commission has taken the position that the minimum period during which an offer must remain open following material changes in the terms of the offer or information concerning the offer (other than a change in price or a change of more than two percent in percentage of securities sought, for which an extension of ten business days is required) will depend upon the facts and circumstances, including the relative materiality of the terms or information. For purposes of the offer, a business day means any day other than a Saturday, Sunday or federal holiday, and consists of the time period from 12:01 a.m. through 12:00 midnight, New York City time.

New Century also expressly reserves the right (1) to delay acceptance for conversion of any notes tendered pursuant to the offer, regardless of whether any such notes were previously accepted for conversion, and (2) at any time, or from time to time, to amend the offer in any manner which would not adversely affect the holders of notes. New Century TRS's reservation of the right to delay conversion of notes that it has accepted for payment is limited by Rule 13e-4 under the Exchange Act, which requires that a bidder must pay the consideration offered or return the securities deposited by or on behalf of security holders promptly after the termination or withdrawal of any offer. Any extension, delay in payment, or amendment will be followed as promptly as practicable by public announcement thereof, such announcement in the case of an extension to be issued no later than 9:00 a.m., New York City time, on the next business day after the previously scheduled expiration date. Without limiting the manner in which New Century TRS may choose to make any public announcement, New Century TRS will have no obligation to publish, advertise or otherwise communicate any such public announcement, other than by issuing a release to the Dow Jones News Service.

Termination of the Offer

New Century TRS reserves the right, in its sole and absolute discretion, to terminate the offer at any time prior to completion of the offer and not accept any notes for exchange.

Conditions of the Offer

Notwithstanding any other provision of the offer, and without prejudice to New Century TRS's other rights, New Century TRS will not be required to accept for exchange or, subject to any applicable rules of the Securities and Exchange Commission, exchange any shares of New Century Financial common stock for the notes, and New Century TRS may terminate, extend or amend the offer, if, at the expiration date, any of the following conditions have not been satisfied or, to the extent permitted, waived.

Registration Statement Effectiveness

The offer is conditioned upon the registration statement on Form S-4, of which this prospectus is a part, being declared effective by the Securities and Exchange Commission under the Securities Act and not being subject to any stop order suspending its effectiveness or any proceedings seeking a stop order. New Century TRS will not waive the registration statement effectiveness condition.

Other Conditions of the Offer

The offer is also subject to the conditions that, at the time of the expiration date of the offer, none of the following shall have occurred and be continuing which, regardless of the circumstances, makes it impossible or inadvisable to proceed with the offer:

any threatened or pending litigation or other legal action relating to the offer;

Table of Contents

any material adverse change in the financial markets, any disruption in the banking system or any commencement of a war involving the United States (excluding the current U.S. military action in Iraq);

any merger, acquisition or other business combination proposal for New Century TRS or New Century Financial; or

any approvals from governmental bodies and authorities required in order to complete the offer are not obtained.

The foregoing conditions are solely for New Century TRS's benefit and New Century TRS may assert one or more of the conditions regardless of the circumstances giving rise to any such conditions. Except for the registration statement effectiveness condition, New Century TRS may also, in its sole and absolute discretion, waive these conditions in whole or in part. The determination by New Century TRS as to whether any condition has been satisfied shall be conclusive and binding on all parties. The failure by New Century TRS at any time to exercise any of the foregoing rights shall not be deemed a waiver of any such right and each such right shall be deemed a continuing right which may be asserted at any time and from time to time.

Consequences of Failure to Tender Notes

Following the expiration of the offer, the liquidity of the market for a noteholder's notes could be adversely affected if a significant number of holders elect to participate in the offer. Furthermore, after expiration of the offer, noteholders who convert will receive only the number of shares of New Century Financial common stock issuable on conversion of the note under the indenture governing the notes. Holders who do not convert their notes will continue to be entitled to interest payments in accordance with the terms of the indenture governing the notes.

Procedures for Tendering Notes

The tender of a noteholder's notes described below and the acceptance of tendered notes by New Century TRS will constitute a binding agreement between the tendering noteholder and New Century TRS upon the terms and conditions described in this prospectus and in the accompanying letter of transmittal. Except as described below, a noteholder who wishes to tender notes for conversion in response to the offer must deliver the notes, together with a properly completed and duly executed letter of transmittal, including all other documents required by the letter of transmittal, to the exchange agent at the address listed on the back cover page of this prospectus prior to midnight, New York City time, on Monday, December 20, 2004. All notes not converted in response to the offer, will be returned to the tendering noteholders at our expense as promptly as practicable following the expiration date.

THE METHOD OF DELIVERY OF NOTES, LETTERS OF TRANSMITTAL AND ALL OTHER REQUIRED DOCUMENTS IS AT THE ELECTION AND RISK OF THE NOTEHOLDER. IF DELIVERY IS BY MAIL, IT IS RECOMMENDED THAT REGISTERED MAIL, PROPERLY INSURED, WITH RETURN RECEIPT REQUESTED, BE USED. INSTEAD OF DELIVERY BY MAIL, IT IS RECOMMENDED THAT THE NOTEHOLDER USE AN OVERNIGHT OR HAND DELIVERY SERVICE. IN ALL CASES, SUFFICIENT TIME SHOULD BE ALLOWED TO ASSURE TIMELY DELIVERY.

Any financial institution that is a participant in a book-entry transfer facility may make book-entry delivery of the notes by causing the book-entry transfer facility to transfer the notes into the exchange agent's account in accordance with that facility's procedures for the transfer. In connection with a book-entry transfer, a letter of transmittal need not be transmitted to the exchange agent, as long as the book-entry transfer procedure is complied with prior to 5:00 p.m., New York City time, on the expiration date and an agent's message (as defined below) is received

Edgar Filing: NEW CENTURY TRS HOLDINGS INC - Form 424B3

by the exchange agent prior to 5:00 p.m., New York City time, on the expiration date. The term "agent's message" means a message, transmitted by a book-entry transfer facility to, and received by, the exchange agent, which states that (1) the book-entry transfer facility has received an express acknowledgement

Table of Contents

from the participant in the book-entry transfer facility tendering notes, (2) the participant has received and agrees to be bound by the terms of the letter of transmittal and (3) we may enforce the agreement against the participant.

Each signature on a letter of transmittal or a notice of withdrawal, as the case may be, must be guaranteed, unless the notes surrendered for conversion with that letter of transmittal are tendered (1) by a registered holder of the notes who has not completed either the box entitled **Special Conversion Instructions** or the box entitled **Special Delivery Instructions** in the letter of transmittal, or (2) for the account of a financial institution (including most commercial banks, savings and loan associations and brokerage houses) that is a participant in the Security Transfer Agent Medallion Program, the New York Stock Exchange Medallion Signature Guarantee Program or the Stock Exchange Medallion Program, each known as an eligible institution. In the event that a signature on a letter of transmittal or a notice of withdrawal, as the case may be, is required to be guaranteed, the guarantee must be by an eligible institution. If the letter of transmittal is signed by a person other than the registered holder of the notes, the notes surrendered for conversion must either (1) be endorsed by the registered holder, with the signature guaranteed by an eligible institution, or (2) be accompanied by a bond power, in satisfactory form as determined by us in our sole discretion, duly executed by the registered holder, with the signature guaranteed by an eligible institution. The term **registered holder** as used in this paragraph with respect to the notes means any person in whose name the notes are registered on the books of the registrar for the notes.

All questions as to the validity, form, eligibility (including time of receipt), acceptance and withdrawal of notes tendered for conversion will be determined by New Century TRS in its sole discretion. New Century TRS's determination will be final and binding. New Century TRS and the exchange agent reserve the absolute right to reject any and all notes not properly tendered and to reject any notes the acceptance of which might, in New Century TRS's judgment or in the judgment of the exchange agent or their counsel, be unlawful. New Century TRS and the exchange agent also reserve the absolute right to waive any defects or irregularities or conditions of the offer as to particular notes either before or after the expiration date (including the right to waive the ineligibility of any noteholder who seeks to tender notes in the offer). The interpretation of the terms and conditions of the offer (including the letter of transmittal and the instructions) by New Century TRS will be final and binding on all parties. Unless waived, any defects or irregularities in connection with tenders of notes for conversion must be cured within the period of time New Century TRS determines. New Century TRS and the exchange agent will use reasonable efforts to give notification of defects or irregularities with respect to tenders of notes for conversion but will not incur any liability for failure to give the notification. New Century TRS will not deem notes tendered until irregularities have been cured or waived.

If any letter of transmittal, endorsement, bond power, power of attorney or any other document required by the letter of transmittal is signed by a trustee, executor, corporation or other person acting in a fiduciary or representative capacity, the signatory should so indicate when signing, and, unless waived by New Century TRS, submit proper evidence of the person's authority to so act, which evidence must be satisfactory to New Century TRS in its sole discretion.

Any beneficial owner of the notes whose notes are registered in the name of a broker, dealer, commercial bank, trust company or other nominee and who wishes to tender notes in the offer should contact the registered holder promptly and instruct the registered holder to tender on the beneficial owner's behalf. If the beneficial owner wishes to tender directly, the beneficial owner must, prior to completing and executing the letter of transmittal and tendering notes, make appropriate arrangements to register ownership of the notes in the beneficial owner's name. Beneficial owners should be aware that the transfer of registered ownership may take considerable time.

Guaranteed Delivery Procedures

Holders who wish to tender their notes and (1) whose notes are not immediately available or (2) who cannot deliver their notes or any other documents required by the letter of transmittal to the exchange agent prior to the

Table of Contents

expiration date (or complete the procedure for book-entry transfer on a timely basis), may tender their notes according to the guaranteed delivery procedures described in the letter of transmittal. According to those procedures: (i) the tender must be made by or through an eligible institution and a Notice of Guaranteed Delivery (as defined in the letter of transmittal) must be signed by the noteholder; (ii) on or prior to the expiration date, the exchange agent must have received from the noteholder and the eligible institution a properly completed and duly executed Notice of Guaranteed Delivery (by facsimile transmission, mail or hand delivery) setting forth the name and address of the noteholder, the certificate number or numbers of the tendered notes, and the principal amount of tendered notes, stating that the tender is being made thereby and guaranteeing that, within three business days after the date of delivery of the Notice of Guaranteed Delivery, the tendered notes, a duly executed letter of transmittal or an agent's message, and any other required documents will be deposited by the eligible institution with the exchange agent; and (iii) the properly completed and executed letter of transmittal and all other required documents and the tendered notes in proper form for transfer (or confirmation of a book-entry transfer of such notes into the exchange agent's account at a book-entry transfer facility and the receipt of an agent's message) must be received by the exchange agent within three business days after the date of delivery of the Notice of Guaranteed Delivery. Any noteholder who wishes to tender notes pursuant to the guaranteed delivery procedures described above must ensure that the exchange agent receives the Notice of Guaranteed Delivery relating to the notes prior to 5:00 p.m., New York City time, on the expiration date.

Acceptance of Notes for Conversion; Delivery of Cash and Shares of New Century Financial Common Stock

Upon satisfaction or waiver of all of the conditions to the offer, and assuming New Century TRS has not previously elected to terminate the offer, which it may do for any or no reason, in its sole and absolute discretion, New Century TRS will accept any and all notes that are properly tendered in the offer prior to 5:00 p.m., New York City time, on the expiration date. We will issue (or cause to be issued) the shares of New Century Financial common stock and New Century TRS will pay the cash payment for accrued interest promptly after acceptance of the notes. For purposes of the offer and cash payment for accrued interest, New Century TRS will be deemed to have accepted validly tendered notes, when, as, and if New Century TRS has given oral or written notice of its acceptance of the notes to the exchange agent.

In all cases, the payment of cash and issuance of shares of New Century Financial common stock for notes that are accepted for conversion pursuant to the offer will be made only after timely receipt by the exchange agent of the notes, a properly completed and duly executed letter of transmittal and all other required documents (or of confirmation of a book-entry transfer of the notes into the exchange agent's account at a book-entry transfer facility and the receipt of an agent's message). New Century TRS reserves the absolute right to waive any defects or irregularities in the tender or conditions of the offer (other than the registration statement effectiveness condition). If any tendered notes are not accepted for any reason, those unaccepted notes will be returned without expense to the tendering noteholder thereof as promptly as practicable after the expiration or termination of the offer.

Withdrawal Rights

Tenders of the notes may be withdrawn by delivery of a written notice to the exchange agent, at its address listed on the back cover page of this prospectus, at any time prior to 5:00 p.m., New York City time, on the expiration date. Any notice of withdrawal must (1) specify the name of the person having deposited the notes to be withdrawn, (2) identify the notes to be withdrawn (including the certificate number or numbers and principal amount of the notes, as applicable), and (3) be signed by the noteholder in the same manner as the original signature on the letter of transmittal by which the notes were tendered and must be guaranteed by an eligible institution. Any questions as to the validity, form and eligibility (including time of receipt) of notices of withdrawal will be determined by New Century TRS, in its sole and absolute discretion. The notes so withdrawn will be deemed not to have been validly tendered for conversion for purposes of the offer. Any notes which have been tendered for conversion but which are withdrawn will be returned to the noteholder without cost to the

Table of Contents

noteholder as soon as practicable after withdrawal. Properly withdrawn notes may be re-tendered by following one of the procedures described under "The Offer Procedures for Tendering Notes" at any time on or prior to the expiration date.

Dealer Managers

New Century TRS has selected Lehman Brothers Inc., or Lehman Brothers, and Bear Stearns to act as the dealer managers in connection with the offer. New Century TRS has entered into a dealer manager agreement with Lehman Brothers and Bear Stearns pursuant to which Lehman Brothers will receive customary compensation for its services as dealer manager and will be reimbursed for reasonable out-of-pocket expenses incurred in performing its services, including reasonable fees and expenses for legal counsel. In addition, New Century TRS has agreed to indemnify the dealer managers against certain liabilities, including liabilities under federal securities laws.

The dealer managers and certain of their affiliates from time to time have provided in the past and may provide in the future investment banking, commercial lending and financial advisory services to New Century TRS and certain of our affiliates in the ordinary course of business. They have and will receive customary fees and/or commissions for such services.

The dealer managers will assist with the mailing of this prospectus and related materials to noteholders, respond to inquiries of and provide certain information to noteholders in connection with the offer. Questions regarding the terms of the offer can be directed to the dealer managers at the address and telephone number set forth on the back cover of this prospectus.

The Exchange Agent

Mellon Investor Services LLC is the exchange agent. All tendered notes, executed letters of transmittal and other related documents should be directed to the exchange agent at its address listed on the back cover of this prospectus. We have agreed to pay the exchange agent reasonable and customary compensation for its services in connection with the offer, reimburse it for its reasonable out-of-pocket expenses and indemnify it against certain liabilities and expenses in connection with the offer, including liabilities under federal securities laws.

The Information Agent

Georgeson Stockholder Communications Inc. is the information agent. All questions regarding the offer, including requests for additional copies of this prospectus, the letter of transmittal and other related documents, should be addressed to the information agent at its address and telephone numbers listed on the back cover of this prospectus.

Fees and Expenses

Edgar Filing: NEW CENTURY TRS HOLDINGS INC - Form 424B3

Fees and expenses in connection with the offer are estimated to be approximately \$1.8 million, including Securities and Exchange Commission filing fees and the fees of the exchange agent, the dealer managers, the information agent, the financial printer, counsel, accountants and other professionals. Also, New Century TRS will purchase, for cash, that number of shares of New Century Financial common stock from New Century Financial as is necessary for New Century TRS to satisfy its obligation under the offer to deliver shares of New Century Financial common stock in exchange for the notes. All such sales and purchases will be effected in an arm's-length manner, for the then-fair market value of such shares of New Century Financial common stock. New Century TRS will obtain the cash required to pay these fees and expenses from its available capital resources.

Table of Contents

Accounting Treatment

The accounting for the conversion of the notes pursuant to the offer will result in a conversion and related reclassification of the original aggregate principal amount of the notes to stockholders' equity, and the recognition of ordinary expense in New Century Financial's statement of operations for the fair value of any additional consideration paid to induce the conversion.

Appraisal Rights

There are no dissenter's rights or appraisal rights with respect to the offer.

Regulatory Approvals

New Century TRS may not complete the offer until the registration statement, of which this prospectus is a part, is declared effective by the Securities and Exchange Commission. We are not aware of any other material regulatory approvals necessary to complete the offer.

Table of Contents

DESCRIPTION OF NEW CENTURY FINANCIAL CAPITAL STOCK

The following is a summary description of the material terms of New Century Financial common stock and undesignated preferred stock as set forth in our charter and that govern the rights of New Century Financial common stock. While we believe that the following description covers the material terms of New Century Financial capital stock, the description may not contain all of the information that is important to you. We encourage you to read carefully this entire document, our charter and the other documents we refer to for a more complete understanding of New Century Financial capital stock.

General

As of November 1, 2004, following completion of the merger, the public offering and the concurrent private placement, New Century Financial had 48,385,959 shares of New Century Financial common stock issued and outstanding and no shares of preferred stock issued and outstanding. New Century Financial's charter provides that it may issue up to 300,000,000 shares of common stock, \$0.01 par value per share, and 10,000,000 shares of preferred stock, \$0.01 par value per share. Under Maryland General Corporation Law, or the MGCL, stockholders generally are not liable for the corporation's debts or obligations.

Common Stock

The shares of New Century Financial common stock offered hereby will upon issuance and payment therefor be duly authorized, validly issued, fully paid and non-assessable. Subject to the preferential rights of any other class or series of stock and to the provisions of our charter regarding the restrictions on transfer of stock, holders of shares of New Century Financial common stock are entitled to receive dividends on such stock if, as and when authorized and declared by our board of directors out of assets legally available therefor and to share ratably in our assets legally available for distribution to our stockholders in the event of our liquidation, dissolution or winding up after payment of or adequate provision for all our known debts and liabilities.

Subject to the provisions of our charter regarding the restrictions on ownership and transfer of stock and the terms of any other class or series of our capital stock, each outstanding share of New Century Financial common stock entitles the holder to one vote on all matters submitted to a vote of stockholders, including the election of directors and, except as provided with respect to any other class or series of our stock, the holders of such shares of New Century Financial common stock possess the exclusive voting power. There is no cumulative voting in the election of our directors, which means that the holders of a majority of the outstanding shares of New Century Financial common stock can elect all of the directors then standing for election in which case the holders of the remaining shares will not be able to elect any of our directors.

Shares of New Century Financial common stock have no preference, conversion, exchange, sinking fund, or redemption and have no preemptive rights to subscribe for any of our securities. Subject to the provisions of our charter regarding the restrictions on ownership transfer of stock, shares of New Century Financial common stock have equal dividend, liquidation and other rights.

Under the MGCL, a Maryland corporation generally cannot dissolve, amend its charter, merge, sell all or substantially all of its assets, engage in a share exchange or engage in similar transactions outside the ordinary course of business unless approved by the affirmative vote of stockholders holding at least two-thirds of the shares entitled to vote on the matter, unless a lesser percentage (but not fewer than a majority of all of the votes entitled to be cast by the stockholders on the matter) is set forth in the corporation's charter. Our charter provides that any such

Edgar Filing: NEW CENTURY TRS HOLDINGS INC - Form 424B3

action shall be effective and valid if taken or authorized by our stockholders by the affirmative vote of a majority of all the votes entitled to be cast on the matter, except that amendments to the provisions of our charter relating to the removal of directors must be approved by our stockholders by the affirmative vote of at least two-thirds of the votes entitled to be cast on the matter.

Table of Contents

Our charter authorizes our board of directors to reclassify any unissued shares of New Century Financial common stock into other classes or series of classes of our stock, to establish the number of shares in each class or series and to set the preferences, conversion and other rights, voting powers, restrictions, limitations as to dividends or other distributions, qualifications or terms or conditions of redemption for each such class or series.

Preferred Stock

Our charter authorizes our board of directors to classify any unissued shares of preferred stock and to reclassify any previously classified but unissued shares of any series of preferred stock. Prior to issuance of shares of each class or series of preferred stock, our board of directors is required by the MGCL and our charter to fix the terms, preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends or other distributions, qualifications and terms or conditions of redemption for each such class or series. Thus, our board of directors could authorize the issuance of shares of preferred stock with terms and conditions which could have the effect of delaying, deferring or preventing a transaction or a change of control that might involve a premium price for New Century Financial common stock or otherwise be in your best interest. Further, to the extent we issue preferred stock, holders of the preferred stock will likely have preferential rights to distributions made by us. As of the closing of this offering, no shares of our preferred stock will be outstanding and we have no present plans to issue any preferred stock.

Power to Issue Additional Shares of Our Common Stock and Preferred Stock

We believe that the power of our board of directors to issue additional authorized but unissued shares of New Century Financial common stock or preferred stock and to classify or reclassify unissued shares of New Century Financial common or preferred stock and thereafter to cause us to issue such classified or reclassified shares of stock will provide us with increased flexibility in structuring possible future financings and acquisitions and in meeting other needs which might arise. The additional classes or series, as well as New Century Financial common stock, are available for issuance without further action by our stockholders, unless such action is required by applicable law or the rules of any stock exchange or automated quotation system on which our securities may be listed or traded. Although our board of directors has no intention at the present time of doing so, it could authorize us to issue a class or series that could, depending upon the terms of such class or series, delay, defer or prevent a transaction or a change in control of us that might involve a premium price for New Century Financial common stock or otherwise be in your best interest and could result in the entrenchment of our board of directors and management, regardless of their performance.

Transfer Restrictions

Our charter, subject to certain exceptions, contains certain restrictions on the number of shares of our stock that a person may own. Our charter contains a stock ownership limit which will prohibit any person from acquiring or holding, directly or indirectly, shares of stock in excess of 9.8% of the lesser of the total number or value of any class or series of our stock. Our board of directors, in its sole discretion, may exempt a person from the stock ownership limit. However, our board of directors may not grant such an exemption to any person whose ownership, direct or indirect, of in excess of 9.8% of the lesser of the number or value of the outstanding shares of our stock would result in us being closely held within the meaning of Section 856(h) of the Internal Revenue Code or otherwise would result in us failing to qualify as a REIT. The person seeking an exemption must represent to the satisfaction of our board of directors that it will not violate the aforementioned restrictions. The person also must agree that any violation or attempted violation of any of the foregoing restrictions will result in the automatic transfer of the shares of stock causing such violation to the trust (as defined below). Our board of directors may require a ruling from the Internal Revenue Service or an opinion of counsel, in either case in form and substance satisfactory to our board of directors in its sole discretion, in order to determine or ensure our status as a REIT.

Table of Contents

Our charter further prohibits:

any person from beneficially or constructively owning shares of our stock that would result in us being closely held under Section 856(h) of the Internal Revenue Code or otherwise cause us to fail to qualify as a REIT; and

any person from transferring shares of our stock if such transfer would result in shares of our stock being owned by fewer than 100 persons.

Any person who acquires or attempts or intends to acquire beneficial or constructive ownership of shares of our stock that will or may violate any of the foregoing restrictions on transferability and ownership, or any person who would have owned shares of our stock that resulted in a transfer of shares to the trust in the manner described below, will be required to give notice immediately to us and provide us with such other information as we may request in order to determine the effect of such transfer on us.

If any transfer of shares of our stock occurs that, if effective, would result in any person beneficially or constructively owning shares of our stock in excess or in violation of the above transfer or ownership limitations, then that number of shares of our stock the beneficial or constructive ownership of which otherwise would cause such person to violate such limitations (rounded to the nearest greatest whole share) shall be automatically transferred to a trust for the exclusive benefit of one or more charitable beneficiaries, and the prohibited owner shall not acquire any rights in such shares. Such automatic transfer shall be deemed to be effective as of the close of business on the business day prior to the date of such violative transfer. Shares of stock held in the trust shall be issued and outstanding shares of our stock. The prohibited owner shall not benefit economically from ownership of any shares of stock held in the trust, shall have no rights to dividends and shall not possess any rights to vote or other rights attributable to the shares of stock held in the trust. The trustee of the trust shall have all voting rights and rights to dividends or other distributions with respect to shares of stock held in the trust, which rights shall be exercised for the exclusive benefit of the charitable beneficiary. Any dividend or other distribution paid prior to the discovery by us that shares of stock have been transferred to the trustee shall be paid by the recipient of such dividend or distribution to the trustee upon demand, and any dividend or other distribution authorized but unpaid shall be paid when due to the trustee. Any dividend or distribution so paid to the trustee shall be held in trust for the charitable beneficiary. The prohibited owner shall have no voting rights with respect to shares of stock held in the trust and, subject to Maryland law, effective as of the date that such shares of stock have been transferred to the trust, the trustee shall have the authority (at the trustee's sole discretion):

to rescind as void any vote cast by a prohibited owner prior to the discovery by us that such shares have been transferred to the trust; and

to recast such vote in accordance with the desires of the trustee acting for the benefit of the charitable beneficiary. However, if we have already taken irreversible corporate action, then the trustee shall not have the authority to rescind and recast such vote.

Within 20 days after receiving notice from us that shares of our stock have been transferred to the trust, the trustee shall sell the shares of stock held in the trust to a person, designated by the trustee, whose ownership of the shares will not violate any of the ownership limitations set forth in our charter. Upon such sale, the interest of the charitable beneficiary in the shares sold shall terminate and the trustee shall distribute the net proceeds of the sale to the prohibited owner and to the charitable beneficiary as follows. The prohibited owner shall receive the lesser of:

the price paid by the prohibited owner for the shares or, if the prohibited owner did not give value for the shares in connection with the event causing the shares to be held in the trust (e.g., a gift, devise or other such transaction), the market price, as defined in our charter, of such shares on the day of the event causing the shares to be held in the trust; and

Edgar Filing: NEW CENTURY TRS HOLDINGS INC - Form 424B3

the price per share received by the trustee from the sale or other disposition of the shares held in the trust, in each case reduced by the costs incurred to enforce the ownership limits as to the shares in

Table of Contents

question. Any net sale proceeds in excess of the amount payable to the prohibited owner shall be paid immediately to the charitable beneficiary.

If, prior to the discovery by us that shares of our stock have been transferred to the trust, such shares are sold by a prohibited owner, then

such shares shall be deemed to have been sold on behalf of the trust; and

to the extent that the prohibited owner received an amount for such shares that exceeds the amount that such prohibited owner was entitled to receive pursuant to the aforementioned requirement, such excess shall be paid to the trustee upon demand.

In addition, shares of our stock held in the trust shall be deemed to have been offered for sale to us, or our designee, at a price per share equal to the lesser of:

the price per share in the transaction that resulted in such transfer to the trust (or, in the case of a devise or gift, the market price at the time of such devise or gift); and

the market price on the date we, or our designee, accept such offer.

We shall have the right to accept such offer until the trustee has sold the shares of stock held in the trust. Upon such a sale to us, the interest of the charitable beneficiary in the shares sold shall terminate and the trustee shall distribute the net proceeds of the sale to the prohibited owner.

All certificates representing shares of New Century Financial common stock and preferred stock, if issued, will bear a legend referring to the restrictions described above.

Every owner of more than 1% (or such lower percentage as required by the Internal Revenue Code or the related regulations) of all classes or series of our stock, including shares of New Century Financial common stock, within 30 days after the end of each fiscal year, shall be required to give written notice to us stating the name and address of such owner, the number of shares of each class and series of our stock which the owner beneficially owns and a description of the manner in which such shares are held. Each such owner shall provide to us such additional information as we may request in order to determine the effect, if any, of such beneficial ownership on our status as a REIT and to ensure compliance with the stock ownership limits. In addition, each stockholder shall upon demand be required to provide to us such information as we may reasonably request in order to determine our status as a REIT and to comply with the requirements of any taxing authority or governmental authority or to determine such compliance. We may request such information after every sale, disposition or transfer of New Century Financial common stock.

These ownership limits could delay, defer or prevent a change in control or other transaction that might involve a premium price for New Century Financial common stock or otherwise be in your best interest.

Transfer Agent and Registrar

Mellon Investor Services LLC is the transfer agent and registrar for shares of New Century Financial common stock.

Table of Contents

CERTAIN PROVISIONS OF MARYLAND LAW AND OF NEW CENTURY FINANCIAL S CHARTER AND BYLAWS

The following summary highlights the material provisions of Maryland law that are applicable to New Century Financial and the material provisions of New Century Financial s charter and bylaws. You should refer to Maryland law, including the MGCL, and to New Century Financial s charter and bylaws for a full description. Copies of New Century Financial s charter and bylaws are filed as exhibits to the registration statement of which this prospectus is a part. You can also obtain copies of New Century Financial s charter and bylaws and every other exhibit to the registration statement by following the instructions described under the caption "Where You Can Find Additional Information" above.

Classification of Board of Directors

Our bylaws provide that the number of directors may be established, increased or decreased by our board of directors but may not be fewer than the minimum number required by the MGCL (which currently is one) nor more than 15. Under our bylaws, we have elected to be subject to certain provisions of Maryland law which vest in our board of directors the exclusive right to determine the number of directors and the exclusive right, by the affirmative vote of a majority of the remaining directors, to fill vacancies on the board of directors even if the remaining directors do not constitute a quorum. These provisions of Maryland law, which are applicable even if other provisions of Maryland law or the charter or bylaws provide to the contrary, also provide that any director elected to fill a vacancy will hold office for the remainder of the full term of the class of directors in which the vacancy occurred, rather than the next annual meeting of stockholders as would otherwise be the case, and until his or her successor is elected and qualified.

Pursuant to our charter, our board of directors is divided into three classes of directors. Beginning in 2005, directors of each class will be chosen for three-year terms upon the expiration of their current terms and each year one class of our directors will be elected by our stockholders. The initial terms of the Class II, Class III and Class I directors will expire in 2005, 2006 and 2007, respectively. We believe that classification of our board of directors will help to assure the continuity and stability of our business strategies and policies as determined by our board of directors. Holders of shares of New Century Financial common stock will not have the right to cumulative voting in the election of directors. Consequently, at each annual meeting of stockholders, the holders of a majority of the shares of New Century Financial common stock will be able to elect all of the successors of the class of directors whose terms expire at that meeting.

The classified board provision could have the effect of making the replacement of incumbent directors more time consuming and difficult. At least two annual meetings of stockholders, instead of one, will generally be required to effect a change in a majority of our board of directors. Thus, the classified board provision could increase the likelihood that incumbent directors will retain their positions. The staggered terms of directors may delay, defer or prevent a tender offer or an attempt to change control of us, even though a tender offer or change in control might be in the best interest of our stockholders.

Removal of Directors

Our charter provides that a director may be removed only for cause (as defined in our charter) and only by the affirmative vote of at least two-thirds of the votes entitled to be cast by our stockholders generally in the election of our directors. This provision of our charter will preclude stockholders from removing incumbent directors except upon the existence of cause for removal and a substantial affirmative vote. Also, our election in our bylaws to be subject to certain provisions of Maryland law which vest in our board of directors the exclusive right to fill vacancies on our board of directors will prevent stockholders, even if they are successful in removing incumbent directors, from filling the vacancies created by such removal with their own nominees.

Table of Contents

Limitation of Liability and Indemnification

The MGCL permits a Maryland corporation to include in its charter a provision limiting the liability of its directors and officers to the corporation and its stockholders for money damages except for liability resulting from:

actual receipt of an improper benefit or profit in money, property or services; or

active and deliberate dishonesty established by a final judgment as being material to the cause of action.

Our charter contains such a provision which eliminates such liability to the maximum extent permitted by the MGCL.

Our charter and bylaws obligate us, to the maximum extent permitted by Maryland law, to indemnify any person who is or was a party to, or is threatened to be made a party to, any threatened or pending proceeding by reason of the fact that such person is or was a director or officer of our company, or while a director or officer of our company is or was serving, at our request, as a director, officer, agent, partner or trustee of another corporation, partnership, joint venture, limited liability company, trust, real estate investment trust, employee benefit plan or other enterprise. To the maximum extent permitted by Maryland law, the indemnification provided for in our charter and bylaws shall include expenses (including attorneys' fees), judgments, fines and amounts paid in settlement and any such expenses may be paid or reimbursed by us in advance of the final disposition of any such proceeding.

The MGCL requires a corporation (unless its charter provides otherwise, which our charter does not) to indemnify a director or officer who has been successful, on the merits or otherwise, in the defense of any proceeding to which he is made a party by reason of his service in that capacity. The MGCL permits a corporation to indemnify its present and former directors and officers, among others, against judgments, penalties, fines, settlements and reasonable expenses actually incurred by them in connection with any proceeding to which they may be made a party by reason of their service in those or other capacities unless it is established that:

the act or omission of the director or officer was material to the matter giving rise to the proceeding and (a) was committed in bad faith or (b) was the result of active and deliberate dishonesty;

the director or officer actually received an improper personal benefit in money, property or services; or

in the case of any criminal proceeding, the director or officer had reasonable cause to believe that the act or omission was unlawful.

However, under the MGCL, a Maryland corporation may not indemnify for an adverse judgment in a suit by or in the right of the corporation or for a judgment of liability on the basis that a personal benefit was improperly received, unless in either case a court orders indemnification and then only for expenses. In addition, the MGCL permits a corporation to advance reasonable expenses to a director or officer upon the corporation's receipt of the following:

Edgar Filing: NEW CENTURY TRS HOLDINGS INC - Form 424B3

a written affirmation by the director or officer of his good faith belief that he has met the standard of conduct necessary for indemnification by the corporation; and

a written undertaking by or on his behalf to repay the amount paid or reimbursed by the corporation if it shall ultimately be determined that the standard of conduct was not met.

Business Combinations

Under the MGCL, certain business combinations (including a merger, consolidation, share exchange or, in certain circumstances, an asset transfer or certain issuances or reclassifications of equity securities) between a Maryland corporation and any interested stockholder or any affiliate of an interested stockholder are prohibited

Table of Contents

for five years after the most recent date on which a person or entity becomes an interested stockholder. An interested stockholder is any person or entity who beneficially owns 10% or more of the voting power of the corporation's outstanding shares, or any affiliate of the corporation who was the beneficial owner of 10% or more of the voting power of the then-outstanding voting stock of the corporation at any time within the two-year period prior to the date in question. After the five-year period has elapsed, any such business combination must be recommended by our board of directors and approved by the affirmative vote of at least (1) 80% of the votes entitled to be cast by holders of outstanding shares of voting stock of the corporation, and (2) two-thirds of the votes entitled to be cast by holders of voting stock of the corporation other than shares held by the interested stockholder with whom (or with whose affiliate) the business combination is to be effected, unless, among other conditions, the corporation's common stockholders receive a minimum price (as defined in the MGCL) for their shares and the consideration is received in cash or in the same form as previously paid by the interested stockholder for its shares. These provisions of the MGCL do not apply, however, to business combinations that are approved or exempted by our board of directors prior to the time that the interested stockholder becomes an interested stockholder.

Our board of directors has adopted a resolution exempting the company from the provisions of the MGCL relating to business combinations with interested stockholders or affiliates of interested stockholders. However, such resolution can be altered or repealed, in whole or in part, at any time by our board of directors.

Control Share Acquisitions

The MGCL provides that control shares of a Maryland corporation acquired in a control share acquisition have no voting rights except to the extent approved by a vote of two-thirds of the votes entitled to be cast on the matter, excluding shares of stock owned by the acquirer, by officers or by directors who are employees of the corporation. Control shares are voting shares of stock which, if aggregated with all other such shares of stock previously acquired by the acquirer or in respect of which the acquirer is able to exercise or direct the exercise of voting power (except solely by virtue of a revocable proxy), would entitle the acquirer to exercise voting power in electing directors within one of the following ranges of voting power:

one-tenth or more, but less than one-third;