

NEW CENTURY FINANCIAL CORP

Form PRE 14A

March 22, 2006

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

**SCHEDULE 14A  
Proxy Statement Pursuant to Section 14(a) of the Securities  
Exchange Act of 1934 (Amendment No. )**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, For Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

**New Century Financial Corporation**

**(Name of Registrant as Specified in Its Charter)**

**(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)**

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
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  - (2) Form, Schedule or Registration Statement No.:
  
  
  - (3)

Filing Party:

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18400 Von Karman, Suite 1000  
Irvine, California 92612

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS**

Dear New Century Stockholder:

You are cordially invited to attend the Annual Meeting of Stockholders of New Century Financial Corporation on May 10, 2006 at our headquarters located at 18400 Von Karman, Suite 1000, Irvine, California 92612. The Annual Meeting will begin at 9:00 a.m. Pacific Daylight Time.

If you were a stockholder of record at the close of business on March 15, 2006, you will be asked to consider and vote on the following at the Annual Meeting:

1. The re-election of Robert K. Cole, David Einhorn, Donald E. Lange and William J. Popejoy as Class III directors for three-year terms ending in 2009.
2. The approval of an amendment to the New Century Financial Corporation 2004 Performance Incentive Plan that would increase the number of shares issuable under the plan by 1,250,000 shares and amend certain other share limits under the plan, all as set forth in the New Century Financial Corporation 2004 Performance Incentive Plan attached as Annex A to the proxy statement accompanying this notice of annual meeting of stockholders.
3. The approval of an amendment to our charter that would increase the number of authorized shares of our preferred stock from 10,000,000 shares to 25,000,000 shares, as set forth in the Preferred Stock Charter Amendment attached as Annex B to the proxy statement accompanying this notice of annual meeting of stockholders.
4. The approval of an amendment to our charter that would make certain changes to the restrictions on transfer and ownership of capital stock contained in our charter, as set forth in the Ownership Restriction Charter Amendment attached as Annex C to the proxy statement accompanying this notice of annual meeting of stockholders.
5. The transaction of such other business as may be properly brought before the Annual Meeting and any adjournment or postponement.

Your vote is very important. Whether or not you plan to attend the Annual Meeting, we encourage you to read this proxy statement and submit your proxy or voting instructions as soon as possible. You need not be present at the Annual Meeting in order to vote. You may vote electronically through the Internet or by telephone. The instructions on your proxy card describe how to use these convenient services. If you prefer, you can vote by mail by signing and dating the enclosed proxy card and returning it in the enclosed postage-paid envelope. If you later decide to attend the Annual Meeting, you may withdraw your proxy and vote personally on each matter. Accordingly, we recommend that you vote your shares through the Internet, by telephone or by mail without delay.

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We are mailing the proxy statement and accompanying proxy card to you on or about April 7, 2006, as part of our board of directors solicitation of proxies to be voted at the Annual Meeting, and at any adjournments or postponements of that meeting. We are also enclosing a copy of our 2005 Annual Report to Stockholders, which includes our financial statements for 2005.

By Order of the Board of Directors,

/s/ Jennifer R. Jewett

Jennifer R. Jewett

Secretary

*This notice of Annual Meeting of Stockholders and proxy statement and form of proxy are being distributed on or about April 7, 2006.*

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**EXPLANATORY NOTE**

On April 5, 2004, the board of directors of New Century TRS Holdings, Inc., or New Century TRS, 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. 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, or New Century, 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 TRS in order for it to qualify as a REIT.

Pursuant to the merger agreement, (i) a wholly-owned subsidiary of New Century 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 the right to receive one share of New Century common stock, (iii) New Century TRS changed its name to New Century TRS Holdings, Inc. and became a wholly-owned subsidiary of New Century and (iv) New Century changed its name to New Century Financial Corporation and became the publicly-traded New York Stock Exchange, or NYSE, -listed parent company that succeeded to and continued to operate substantially all of the existing businesses of New Century TRS. The merger was consummated and became effective on October 1, 2004.

The board of directors, committees of the board of directors and management of New Century immediately after the consummation of the merger had the same membership as the board of directors, committees of the board of directors and management of New Century TRS immediately prior to the consummation of the merger.

In this proxy statement, unless the context suggests otherwise, for time periods before October 1, 2004, the terms the company, our company, we, our and us refer to New Century TRS, and for time periods on and after October 1, 2004, the terms the company, our company, we, our and us refer to New Century.

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**QUESTIONS AND ANSWERS  
ABOUT THE PROXY MATERIALS AND THE ANNUAL MEETING**

**Q: Why am I receiving these materials?**

A: *We are providing these proxy materials to you in connection with the Annual Meeting, which will take place at 9:00 a.m. Pacific Daylight Time on May 10, 2006. As a holder of shares of our common stock at the close of business on the record date, March 15, 2006, you are invited to attend the Annual Meeting and are entitled to and requested to vote on the items of business described in this proxy statement.*

**Q: What information is contained in this proxy statement?**

A: *The information in this proxy statement relates to the Annual Meeting and to proposals by our board of directors to be voted on by the holders of our common stock at the Annual Meeting. The proxy materials also contain certain information concerning our board of directors and the committees of our board of directors, the compensation paid by us to our directors and the five most highly paid executive officers for 2005, and certain other information that we are required to include in this proxy statement.*

**Q: What am I voting on?**

A: *At the Annual Meeting, you will be asked to consider and vote on the following:*

*The re-election of Robert K. Cole, David Einhorn, Donald E. Lange and William J. Popejoy as Class III directors for a three-year term ending in 2009;*

*The approval of an amendment to our 2004 Performance Incentive Plan that would increase the number of shares issuable under the plan by 1,250,000 shares and amend certain other share limits under the plan;*

*The approval of an amendment to our charter that would increase the number of authorized shares of our preferred stock from 10,000,000 shares to 25,000,000 shares;*

*The approval of an amendment to our charter that would make certain changes to the restrictions on transfer and ownership of capital stock contained in our charter; and*

*The transaction of such other business as may be properly brought before the Annual Meeting and any adjournment or postponement.*



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**Q: How does the board of directors recommend I vote on the proposals?**

A: *Our board of directors unanimously recommends that you vote:*

*FOR the re-election of Robert K. Cole, David Einhorn, Donald E. Lange and William J. Popejoy as Class III directors;*

*FOR the approval of the amendment to our 2004 Performance Incentive Plan;*

*FOR the approval of the amendment to our charter to increase the number of authorized shares of our preferred stock from 10,000,000 shares to 25,000,000 shares; and*

*FOR the approval of the amendment to our charter to make certain changes to the restrictions on transfer and ownership of capital stock contained in our charter.*

**Q: Who is entitled to vote at the Annual Meeting?**

A: *Holders of shares of our common stock as of the close of business on the record date, March 15, 2006, are entitled to vote. Each share of our common stock entitles the holder of such share to one vote on each matter properly brought before the Annual Meeting.*

**Q: What shares can I vote?**

A: *Each share of our common stock issued and outstanding as of the close of business on March 15, 2006 is entitled to be voted at the Annual Meeting. You may vote all shares of our common stock owned by you as of that date, including (i) shares held directly in your name as the owner of record and (ii) shares held for you as the beneficial owner through a broker or other nominee.*

**Q: What is the difference between holding shares as a stockholder of record and as a beneficial owner?**

A: *If your shares are registered directly in your name with our transfer agent, Mellon Investors Services LLC, you are considered, with respect to those shares, the stockholder of record. The notice of annual meeting of stockholders, our proxy statement and accompanying proxy card, and our 2005 Annual Report on Form 10-K have been sent directly to you by us.*

*If your shares are held in a stock brokerage account or by a bank or other holder of record, you are considered the beneficial owner of shares held in street name. The notice of annual meeting of stockholders, this proxy statement and accompanying proxy card, and our 2005 Annual Report on Form 10-K should have been forwarded to you by your broker, bank or other holder of record who is considered, with respect to those shares, the stockholder of record. As the beneficial owner, you have the right to direct your broker, bank or other holder of record on how to vote your shares by using the voting instruction card included in the mailing or by following their instructions for voting by telephone or on the Internet.*

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**Q: How do I vote?**

A: *Whether you hold shares directly as the owner of record or beneficially through a broker or other nominee, you may direct how your shares are voted.*

*If you hold shares of our common stock as a registered stockholder, you can vote in person at the Annual Meeting or you can vote your shares in any of the following ways:*

*through the Internet, by accessing the World Wide Web site at <http://www.proxyvoting.com/new>. Stockholders voting via the Internet need not return the enclosed proxy card;*

*by mail, by marking, signing and dating each proxy card you receive and returning it in the prepaid envelope prior to the Annual Meeting. If you vote by mail and return your signed proxy card, but do not mark the boxes showing how you wish to vote, your shares will be voted FOR each of the four director nominees and FOR each of the other three proposals; or*

*by telephone, by dialing the toll-free telephone number 1-866-540-5760, within the United States or Canada, and following the instructions. Stockholders voting by telephone need not return the enclosed proxy card.*

*If your shares are held beneficially through a broker or other nominee, such as a bank, you will receive voting instructions from your broker, nominee or bank describing the method for voting your shares. Shares held beneficially may be voted in person at the Annual Meeting only if you obtain a legal proxy from the broker, nominee or bank that holds your shares giving you the right to vote the shares.*

**Q: Can I change my vote after I have submitted my proxy through the Internet, by mail or by telephone?**

A: *Yes. You may change your vote at any time before your proxy is voted at the Annual Meeting. You can do so by giving written notice to our corporate secretary, by properly submitting another proxy through the Internet, by mail or by telephone with a later date, or by attending the Annual Meeting and voting in person.*

**Q: How will voting on any other business be conducted?**

A: *Other than the four proposals described in this proxy statement, we know of no other business to be considered at the Annual Meeting. However, if any other matters are properly presented at the Annual Meeting, your duly submitted proxy through the Internet, by mail or by telephone authorizes Robert K. Cole, our Chairman and Chief Executive Officer, and Brad A. Morrice, our Vice Chairman, President and Chief Operating Officer, to vote on those matters according to their best judgment.*

**Q: Who will count the votes?**

A: *Representatives of our transfer agent, Mellon Investor Services LLC, will tabulate the votes and act as the Inspector of Elections.*

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**Q: What does it mean if I receive more than one proxy card?**

A: *If you receive more than one proxy card, it probably means your shares are registered differently and are in more than one account. Please submit a proxy by mail, telephone or Internet for each of your registered accounts to ensure that all your shares are voted.*

**Q: How many shares can vote?**

A: *As of the record date, there were 55,964,299 shares of our common stock entitled to vote.*

**Q: How many votes are necessary to take action at the meeting?**

A: *To transact business at the Annual Meeting, a quorum of the voting power entitled to vote must be present, either in person or represented by proxy. Under our bylaws, a quorum requires that a majority of all of the votes entitled to be cast at the meeting as of the record date be present in person or represented by proxy at the Annual Meeting. Because there were 55,964,299 shares entitled to vote as of the record date, we will need at least 27,982,150 shares present, in person or represented by proxy, at the Annual Meeting to establish a quorum. Both abstentions and broker non-votes are considered present for purposes of determining the presence of a quorum. Provided that a quorum exists, the four nominees for director who receive the most votes will be elected. The proposal to amend our 2004 Performance Incentive Plan requires approval by the affirmative vote of a majority of the votes cast on the proposal by our stockholders, provided that the total vote cast on the proposal represents over 50% in interest of all of our shares entitled to vote on such proposal. The proposals to amend our charter each require approval by the affirmative vote of a majority of all votes entitled to be cast by our stockholders on the proposals. Finally, cumulative voting rights are not authorized and dissenters' rights are not applicable to the matters before the Annual Meeting.*

**Q: What happens if I abstain?**

A: *If you submit a properly executed proxy through the Internet, by mail or by telephone and indicate your intention to ABSTAIN on one or more proposals, your shares will still be considered present for purposes of determining whether a quorum is present.*

*An abstention will have no effect on the vote for election of directors.*

*An abstention will have the same effect as a vote cast against the proposed amendment to our 2004 Performance Incentive Plan unless holders of more than 50% in interest of all of our shares entitled to vote on the proposal cast votes, in which event an abstention will have no effect on the result of the vote.*

*An abstention will have the same effect as a vote cast against the proposals to amend our charter.*

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**Q: How will broker non-votes be treated?**

A: *In some cases, brokers and nominees will return proxy cards indicating that they did not receive specific voting instructions from the beneficial owner and that they lack the discretionary power to vote the shares on behalf of the beneficial owner. These are called broker non-votes. Like abstentions, broker non-votes are considered present for purposes of establishing a quorum.*

*For purposes of determining the outcome of the vote on the proposal to amend our 2004 Performance Incentive Plan, broker non-votes will have the same effect as votes against the proposal unless holders of more than 50% in interest of all of our shares entitled to vote on the proposal cast votes, in which event broker non-votes will have no effect on the result of the vote.*

*For purposes of determining the outcome of the vote on the proposals to amend our charter, broker non-votes will have the same effect as votes against the proposals.*

**Q: What if I want to attend the Annual Meeting in person?**

A: *All stockholders as of the record date can attend the Annual Meeting, although seating is limited. If your shares are issued in your name and not held through a brokerage account and you wish to attend the Annual Meeting, please check the box on your proxy card and return it in the enclosed prepaid envelope prior to the Annual Meeting. If your shares are held through a broker and you would like to attend, please (1) write to Carrie Marrelli, our vice president of investor relations, at 18400 Von Karman, Suite 1000, Irvine, California 92612, or send her an e-mail at cmarrell@ncen.com, and (2) bring a copy of your brokerage account statement or an omnibus proxy (which you can get from your broker) to the Annual Meeting.*

**Q: What is the deadline to propose actions for consideration at the 2007 annual meeting of stockholders or to nominate individuals to serve as directors?**

A: *You may submit proposals, including director nominations, for consideration at future stockholder meetings. Stockholder proposals for inclusion in our proxy statement. If you intend to have a proposal considered for inclusion in our proxy materials for presentation at the 2007 annual meeting of stockholders, you must submit your proposal in writing to our corporate secretary at New Century Financial Corporation, 18400 Von Karman, Suite 1000, Irvine, California 92612. We must receive your proposal no later than December 1, 2006. If the date of the 2007 annual meeting of stockholders is changed by more than 30 days from the anniversary date of the 2006 annual meeting of stockholders, the deadline for receiving your proposal is a reasonable time before we begin to print and mail our proxy materials. For more information on how to include a proposal in the proxy statement for our 2007 annual meeting of stockholders, please see Rule 14a-8 promulgated under the Securities Exchange Act of 1934, as amended, or the Exchange Act.*

*Other stockholder proposals. To present any other proposal at the 2007 annual meeting of stockholders, you must provide timely notice to our corporate secretary in accordance with our bylaws. In general, our bylaws require that the notice be received by our corporate secretary at our principal executive offices: (i) not earlier than the close of business on January 10, 2007 and (ii) not later than*

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*the close of business on February 9, 2007. If the date of the 2007 annual meeting of stockholders is moved more than 30 days before or 60 days after the anniversary of the 2006 annual meeting of stockholders, then notice of a proposal that is not intended to be included in our proxy statement under Rule 14a-8 must be received no earlier than the close of business 120 days prior to the meeting and no later than the close of business on the later of the following two dates: (i) 90 days prior to the meeting and (ii) 10 days after our public announcement of the meeting date.*

*Nomination of director candidates. The policy of our governance and nominating committee is to consider candidates properly recommended by our stockholders. In evaluating any such candidates, our governance and nominating committee will consider the criteria set forth under Corporate Governance Director Nominations Qualification of Candidates and Board Independence on page 31 of this proxy statement. Any such recommendations should include the nominee's name and qualifications for membership on our board of directors and should be directed to our corporate secretary, New Century Financial Corporation, 18400 Von Karman, Suite 1000, Irvine, California 92612. In addition, our bylaws permit our stockholders to nominate directors for election at our stockholder meetings. To nominate a director, you must give timely notice to our corporate secretary in accordance with our bylaws, which require that the notice be received by our corporate secretary within the time periods described above under Other stockholder proposals. In the event that the number of directors to be elected to our board of directors at the 2007 annual meeting of stockholders is increased and we do not publicly announce the increased size of our board of directors at least 100 days prior to the first anniversary of the 2006 annual meeting of stockholders, the notice shall be considered timely if (i) it is delivered to the corporate secretary at our principal executive offices no later than the close of business 10 days following the date on which we first publicly announce the increase and (ii) the notice relates only to nominees to fill any new position on our board of directors that was created by the increase in the number of directors.*

*Copy of bylaw provisions. For a free copy of the relevant bylaw provisions regarding the requirements for making stockholder proposals and nominating director candidates, please visit the Investor Relations section of our World Wide Web site at <http://investorrelations.ncen.com/>, or you may write to Carrie Marrelli, our vice president of investor relations, at 18400 Von Karman, Suite 1000, Irvine, California 92612, or send her an e-mail at [cmarrell@ncen.com](mailto:cmarrell@ncen.com).*

**Q: How are proxies being solicited?**

*A: Our board of directors is soliciting your proxy for use at the Annual Meeting and any adjournment or postponement thereof by mailing this proxy statement and proxy card to our stockholders of record as of March 15, 2006. We will pay the entire cost of preparing, assembling, printing, mailing and distributing these proxy materials. We have retained the services of Georgeson Shareholder Services to aid in the solicitation of proxies. We expect that the fee of the proxy solicitation company will not exceed \$15,000. In addition, some of our directors, officers and regular employees may, without extra pay, make additional solicitations by telephone or in person. We will also reimburse banks, brokerage houses and other custodians, nominees and fiduciaries for expenses incurred in forwarding proxy materials to beneficial owners of shares of our common stock.*

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**Q: Whom should I call with questions?**

*A: If you have any questions about the proposals for the Annual Meeting, if you would like additional copies of this proxy statement, or our 2005 Annual Report on Form 10-K that is being mailed to you with this proxy statement, or if you would like a new proxy card, or if you have questions or need assistance with the completion of your proxy card, please contact us at:*

*New Century Financial Corporation*

*18400 Von Karman, Suite 1000*

*Irvine, California, 92612*

*Attention: Vice President of Investor Relations*

*(949) 224-5745*

*email: [cmarrell@ncen.com](mailto:cmarrell@ncen.com)*

*Free copies of this proxy statement and our 2005 Annual Report on Form 10-K are also available on the Investor Relations section of our World Wide Web site at <http://investorrelations.ncen.com/>.*

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**PROPOSALS YOU MAY VOTE ON**

**PROPOSAL 1**

**ELECTION OF DIRECTORS**

Our board of directors currently has 10 members and, effective March 31, 2006, will have 11 members. Our board of directors is divided into three classes: Class I, Class II and Class III. Currently, there are three Class I directors, four Class II directors and three Class III directors. Effective March 31, 2006, there will be four Class III directors. The term of office of the current Class III directors expires after the Annual Meeting. The term of the current Class I directors expires after the 2007 annual meeting of stockholders and the term of the current Class II directors expires after the 2008 annual meeting of stockholders. The term of the Class III directors to be elected at the Annual Meeting will expire after the 2009 annual meeting of stockholders.

The nominees for election as Class III directors at the Annual Meeting are Robert K. Cole, David Einhorn, Donald E. Lange and William J. Popejoy. Messrs. Cole, Lange and Popejoy have previously served as directors of New Century. Effective March 31, 2006, Mr. Einhorn will serve as a director of New Century. Mr. Einhorn has been nominated pursuant to an agreement dated March 14, 2006, between our company and certain of our stockholders led by Greenlight Capital, Inc. ( Greenlight ), consisting of Greenlight, Greenlight Capital L.L.C., Greenlight Capital, L.P., DME Advisors, L.P., DME Advisors GP, L.L.C., Greenlight Capital Qualified, L.P., Greenlight Capital Offshore, Ltd., and Mr. Einhorn (collectively, the Greenlight Parties ). The Greenlight Parties are directly or indirectly controlled by Mr. Einhorn. For additional information regarding the agreement, see the material under the heading Certain Relationships and Related Transactions below.

Each nominee has consented to be named in this proxy statement and to serve as a director if elected.

**NOMINEES FOR CLASS III DIRECTOR**

**ROBERT K. COLE**

Age 59

**Chairman and Chief Executive Officer**

Director since 1995

Mr. Cole, one of our co-founders, has been Chairman of our board of directors and Chief Executive Officer since December 1995 and one of our directors since November 1995. Mr. Cole also served as a director of New Century Mortgage Corporation, one of our wholly-owned operating subsidiaries, or New Century Mortgage, from November 1995 to April 2005. From February 1994 to March 1995, he was the President and Chief Operating Officer-Finance of Plaza Home Mortgage Corporation, a publicly-traded savings and loan holding company specializing in the origination and servicing of residential mortgage loans. In addition, Mr. Cole served as a director of Option One Mortgage Corporation, a subsidiary of Plaza Home Mortgage specializing in the origination, sale and servicing of non-prime mortgage loans. Previously, Mr. Cole was the President of operating subsidiaries of NBD Bancorp and Public Storage, Inc. Mr. Cole received a Masters of Business Administration degree from Wayne State University.

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Age 37

Director since 2006

Mr. Einhorn has served on our board of directors since March 2006. Since January 1996, Mr. Einhorn has served as President and a director of Greenlight Capital, Inc., a company which he co-founded and is the investment advisor to Greenlight Capital Offshore, Ltd. and provides certain management services to Greenlight Capital, L.P. and Greenlight Capital Qualified, L.P. The primary business of Greenlight Capital Offshore, Ltd., Greenlight Capital, L.P. and Greenlight Capital Qualified, L.P. is investing in and holding securities of various entities. Prior to founding Greenlight Capital, Inc., Mr. Einhorn worked as an investment analyst at Siegler, Collery & Co., an investment firm involved in both public and private investments. Prior to that experience, Mr. Einhorn was an analyst in the Investment Banking Group of Donaldson, Lufkin & Jenrette. Mr. Einhorn received his Bachelor of Arts in Government from Cornell University.

**DONALD E. LANGE****Director**

Age 60

Director since 2002

Mr. Lange has served on our board of directors since November 2002. Mr. Lange has served as the President and Chief Executive Officer of Pacific Financial Services, a mortgage banking and specialty finance company, since 1999. From March 2001 to February 2002, Mr. Lange served as President and Chief Executive Officer of OptiFI, a private company specializing in prepayment analytics. Previously, he served as the President and Chief Executive Officer of several specialty finance subsidiaries of Weyerhaeuser Company, including Weyerhaeuser Financial Services, Weyerhaeuser Mortgage Company and Weyerhaeuser Venture Company. Mr. Lange served as a director of Mortgage Electronic Registration System (MERS) from 1995 until 2002. In addition, he was a director of Pacific Gulf Properties from 1998 until 2001 and a director of Pedestal from 1999 until 2001. Mr. Lange was the President of the Mortgage Bankers Association of America in 1999. Mr. Lange received a bachelor's degree in Business and Agriculture from the University of Wisconsin.

**WILLIAM J. POPEJOY****Director**

Age 67

Director since 2002

Mr. Popejoy has served on our board of directors since November 2002. From 1999 to 2005, Mr. Popejoy was the Managing Member of Pacific Capital Investors, an investment partnership. From April 1997 to November 1998, Mr. Popejoy was the Chief Executive Officer and a director of the California State Lottery. Previously, he was the Chief Executive Officer of the County of Orange, Chairman and Chief Executive Officer of Financial Corporation of America and its subsidiary, American Savings, President and Chief Executive Officer of Financial Federation, Inc., the President of Far West Savings, the President of First Charter Financial and its subsidiary, American Savings & Loan Association, and the President and Chief Executive Officer of The Federal Home Loan Mortgage Corporation (Freddie Mac). In addition, Mr. Popejoy has served as a member of the board of trustees of PIMCO Funds and PIMCO Commercial Mortgage Securities, Inc. since 1996 and served as a director of Commonwealth Energy from 2001 until 2002. Mr. Popejoy received his undergraduate and masters degrees from Sacramento State University. Detailed information regarding each of the Class I and Class II directors is provided beginning on page 23.



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At the Annual Meeting, you will be asked to re-elect four Class III directors for terms of three years and until their successors are elected and qualify. Under our bylaws, a plurality of the votes cast by our stockholders is sufficient to elect a director. Therefore, the four candidates receiving the highest number of votes will be elected. If you choose to vote by mail and you return your signed proxy card but do not mark the boxes showing how you wish to vote, your shares will be voted FOR each of the four director nominees. If any nominee becomes unavailable for any reason, the persons named in the proxy card will vote FOR the candidate that our board of directors selects to replace the nominee.

**OUR BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE FOR EACH OF THE FOUR NOMINEES ON THE ENCLOSED PROXY CARD.**

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**APPROVAL OF AN AMENDMENT TO THE  
NEW CENTURY FINANCIAL CORPORATION  
2004 PERFORMANCE INCENTIVE PLAN**

At the Annual Meeting, stockholders will be asked to approve the following amendment to the New Century Financial Corporation 2004 Performance Incentive Plan (the "2004 Plan"), which was adopted by our board of directors, subject to stockholder approval, on March 1, 2006:

**Increase in Aggregate Share Limit.** The proposed amendment would increase the number of shares of our common stock available for award grants under the 2004 Plan by an additional 1,250,000 shares.

**Increase in Sub-Limit on Full-Value Awards.** The proposed amendment would increase the limit on the number of shares of our common stock that may be subject to grants of full-value awards under the 2004 Plan from 250,000 shares to 1,400,000 shares. Full-value awards include all awards with an exercise price that is not less than the fair market value of our common stock on the date of grant. Full-value awards, however, do not include the following: (i) shares delivered in respect of compensation earned but deferred; and (ii) shares delivered pursuant to option or stock appreciation right grants the per share exercise or base price, as applicable, of which is at least equal to the fair market value of a share of our common stock at the time of grant of the award.

As of March 1, 2006, a total of 1,097,909 shares of our common stock were then subject to outstanding awards granted under the 2004 Plan, and an additional 824,939 shares of our common stock were then available for new award grants under the 2004 Plan. Our board of directors approved the additional share authority requested under the 2004 Plan based, in part, on a belief that the number of shares of our common stock currently available under the 2004 Plan does not give us sufficient authority and flexibility to adequately provide for future incentives. We will continue to have the authority to grant awards under the 2004 Plan, within the existing 2004 Plan share limits, even if stockholders do not approve this 2004 Plan proposal.

We have adopted a policy providing that, if stockholders approve the proposed amendment to the 2004 Plan, equity-based awards granted by us during 2006, 2007 and 2008 will be structured such that our average annual burn rate with respect to such grants will not exceed 2.31%. For this purpose, the burn rate for any one particular year means the total number of shares of our common stock issuable upon exercise or payment, as the case may be, of the equity-based awards granted by us in that year divided by our total number of shares of common stock issued and outstanding as of the end of that particular year. In calculating the burn rate, shares issuable upon exercise or payment, as the case may be, of awards other than options and stock appreciation rights shall be counted as 1.5 shares for each share actually issuable in respect of the award.

The following information may be relevant to your analysis of this proposal (information as of March 1, 2006):

Number of Shares Available for Issuance under the 2004 Plan	824,939
Number of Shares Available for Issuance under the 1995 Stock Option Plan	0
Total Number of Outstanding Options under the 2004 Plan	863,574
Total Number of Outstanding Options under the 1995 Stock Option Plan	2,864,171
Total Number of Shares of Outstanding Restricted Stock and Other Equity-Based Awards under the 2004 Plan	234,335

Total Number of Shares of Outstanding Restricted Stock and Other Equity-Based Awards under the 1995 Stock Option Plan	0
Weighted Average Exercise Price of Outstanding Options under the 2004 Plan and 1995 Stock Option Plan	\$27.62
Weighted Average Term Remaining for Outstanding Options under the 2004 Plan and 1995 Stock Option Plan	7.08 years

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### **Summary Description of the 2004 Plan**

The principal terms of the 2004 Plan are summarized below. The following summary is qualified in its entirety by the full text of the 2004 Plan, which appears as Annex A to this proxy statement.

**Purpose.** The purpose of the 2004 Plan is to promote our success and the interests of our stockholders by providing an additional means for us to attract, motivate, retain and reward directors, officers, employees and other eligible persons through the grant of awards and incentives for high levels of individual performance and our improved financial performance. Equity-based awards are also intended to further align the interests of award recipients and our stockholders.

**Administration.** Our board of directors or one or more committees appointed by our board of directors administers the 2004 Plan. Our board of directors has delegated general administrative authority for the 2004 Plan to our compensation committee. A committee may delegate some or all of its authority with respect to the 2004 Plan to another committee of directors. The compensation committee has delegated certain limited authority to grant awards to employees under the 2004 Plan to our stock option committee. (The appropriate acting body, be it the board of directors or a committee within its delegated authority, is referred to in this proposal as the Administrator ). The Administrator has broad authority under the 2004 Plan with respect to award grants including, without limitation, the authority to:

select participants and determine the type(s) of award(s) that they are to receive;

determine the number of shares that are to be subject to awards and the terms and conditions of awards, including the price (if any) to be paid for the shares or the award;

cancel, modify, or waive our rights with respect to, or modify, discontinue, suspend, or terminate any or all outstanding awards, subject to any required consents;

accelerate or extend the vesting or exercisability or extend the term of any or all outstanding awards;

subject to the other provisions of the 2004 Plan, make certain adjustments to an outstanding award and to authorize the conversion, succession or substitution of an award; and

allow the purchase price of an award or shares of our common stock to be paid in the form of cash, check, or electronic funds transfer, by the delivery of already-owned shares of our common stock or by a reduction of the number of shares deliverable pursuant to the award, by services rendered by the recipient of the award, by notice in third party payment or cashless exercise on such terms as the Administrator may authorize, or any other form permitted by law.

**No Repricing.** In no case (except due to an adjustment to reflect a stock split or similar event or any repricing that may be approved by our stockholders) will any adjustment be made to a stock option or stock appreciation right award under the 2004 Plan (by amendment, cancellation and regrant, exchange or other means) that would constitute a repricing of the per share exercise or base price of the award.

**Eligibility.** Persons eligible to receive awards under the 2004 Plan include our officers or employees or any officers or employees of any of our subsidiaries or other affiliates in which we own a significant equity interest, our directors, and certain consultants and advisors to us or any of our subsidiaries or other affiliates in which we own a significant equity interest. Currently, approximately 7,200 officers and employees of New Century and our subsidiaries (including all of our named executive officers), and each of our seven non-employee directors, are considered eligible under the 2004 Plan at the present time.

**Authorized Shares; Limits on Awards.** As of March 1, 2006, the maximum number of shares of our common stock that may be issued or transferred pursuant to awards under the 2004 Plan is 1,922,848. If stockholders approve this proposal, the number of shares available for award grant purposes under the 2004 Plan will be increased by an additional 1,250,000 shares. The limit will also automatically increase by the number of any shares subject to stock



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which expire, or for any reason are cancelled or terminated, after March 1, 2006 without being exercised. As of March 1, 2006, 2,864,171 shares were subject to stock options then outstanding under the 1995 Stock Option Plan. The following other limits are also contained in the 2004 Plan:

the maximum number of shares of our common stock that may be delivered pursuant to options qualified as incentive stock options granted under the plan is 450,000 shares;

the maximum number of shares of our common stock subject to those options and stock appreciation rights that are granted during any calendar year to any individual under the plan is 750,000 shares; and

the maximum amount of compensation to be paid to any one participant in any one year with respect to all Performance-Based Awards under Section 5.2 of the 2004 Plan payable only in cash and not related to shares of our common stock will not exceed \$10,000,000.

If stockholders approve this 2004 Plan proposal, the maximum number of shares that may be delivered pursuant to awards granted under the 2004 Plan, other than in the circumstances described in the next sentence, is 1,400,000 shares. This limit on so-called full-value awards does not apply, however, to the following: (i) shares delivered in respect of compensation earned but deferred; and (ii) shares delivered pursuant to option or stock appreciation right grants the per share exercise or base price, as applicable, of which is at least equal to the fair market value of a share of our common stock at the time of grant of the award.

To the extent that an award is settled in cash or a form other than shares of our common stock, the shares of our common stock that would have been delivered had there been no such cash or other settlement will not be counted against the shares of our common stock available for issuance under the 2004 Plan. In the event that shares are delivered in respect of a dividend equivalent right, only the actual number of shares delivered with respect to the award will be counted against the share limits of the 2004 Plan. To the extent that shares are delivered pursuant to the exercise of a stock appreciation right or stock option, the number of underlying shares as to which the exercise related shall be counted against the applicable share limits, as opposed to only counting the shares actually issued. (For purposes of clarity, if a stock appreciation right relates to 100,000 shares and is exercised at a time when the payment due to the participant is 15,000 shares, 100,000 shares will be charged against the applicable share limits with respect to such exercise.) Shares of our common stock that are subject to or underlie awards which expire or for any reason are cancelled or terminated, are forfeited, fail to vest, or for any other reason are not paid or delivered under the 2004 Plan will again be available for subsequent awards under the 2004 Plan. In addition, the 2004 Plan generally provides that shares of our common stock issued in connection with awards that are granted by or become our obligations through the assumption of awards (or in substitution for awards) in connection with an acquisition of another company will not count against the shares of our common stock available for issuance under the 2004 Plan. We may not increase the applicable share limits of the 2004 Plan by repurchasing shares of common stock on the market (by using cash received through the exercise of stock options or otherwise).

**Types of Awards.** The 2004 Plan authorizes stock options, stock appreciation rights, restricted stock, stock bonuses and other forms of awards granted or denominated in our common stock or units of our common stock, as well as cash bonus awards pursuant to Section 5.2 of the 2004 Plan. The 2004 Plan retains flexibility to offer competitive incentives and to tailor benefits to specific needs and circumstances. Any award may be paid or settled in cash. A stock option is the right to purchase shares of our common stock at a future date at a specified price per share, or the exercise price. The per share exercise price of each option will be determined by the Administrator at the time of grant of the award and may be less than the fair market value of a share of our common stock on the date of grant. The maximum term of an option is ten years from the date of grant. An option may either be an incentive stock option or a nonqualified stock option. Incentive stock option benefits are taxed differently from nonqualified stock options, as described under *Federal Income Tax Consequences of Awards Under the 2004 Plan* below. Incentive stock options are also subject to more restrictive terms and are limited in amount by the

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U.S. Internal Revenue Code and the 2004 Plan. Incentive stock options may only be granted to our employees or any employees of our subsidiaries.

A stock appreciation right is the right to receive payment of an amount equal to the excess of the fair market value of one share of our common stock on the date of exercise of the stock appreciation right over the base price of the stock appreciation right. The base price will be established by the Administrator at the time of grant of the stock appreciation right. Stock appreciation rights may be granted in connection with other awards or independently. The maximum term of a stock appreciation right is ten years from the date of grant.

The other types of awards that may be granted under the 2004 Plan include, without limitation, stock bonuses, restricted stock, performance stock, stock units, dividend equivalents, or similar rights to purchase or acquire shares of our common stock, and cash awards granted consistent with Section 5.2 of the 2004 Plan as described below.

***Performance-Based Awards.*** The Administrator may grant awards that are intended to be performance-based awards within the meaning of Section 162(m) of the U.S. Internal Revenue Code ( *Performance-Based Awards* ).

Performance-Based Awards are in addition to any of the other types of awards that may be granted under the 2004 Plan (including options and stock appreciation rights which may also qualify as performance-based awards for Section 162(m) purposes). Performance-Based Awards may be in the form of restricted stock, performance stock, stock units, other rights, or cash bonus opportunities.

The vesting or payment of Performance-Based Awards (other than options or stock appreciation rights) will depend on our absolute or relative performance on a consolidated, subsidiary, segment, division, or business unit basis. The Administrator will establish the criterion or criteria and target(s) on which performance will be measured. The Administrator must establish criteria and targets in advance of applicable deadlines under the U.S. Internal Revenue Code while it is substantially uncertain whether the performance targets will be attained. The criteria that the Administrator may use for this purpose will include one or more of the following: before-tax net income (after deducting benefits payable under employee incentive compensation plans and excluding any income or loss from discontinued operations), cash flow (which means cash and cash equivalents derived from either net cash flow from operations or net cash flow from operations, financing and investing activities), corporate overhead costs, delinquency rates, earnings per share, economic profit, number of employees, gain on sale of loans, liquidity management, loan losses, loan production volume, loan quality, operating margin, origination expenses, origination revenues, residual performance, return on assets, return on capital invested, return on equity, return on sales/revenue, stock price, total stockholders' equity, total stockholder return, or any combination thereof. These terms are defined in more detail in the 2004 Plan. The performance measurement period with respect to an award may range from three months to ten years. Performance targets will be adjusted to mitigate the unbudgeted impact of material, unusual or nonrecurring gains and losses, accounting changes or other extraordinary events not foreseen at the time the targets were set unless the Administrator provides otherwise at the time of establishing the targets.

Performance-Based Awards may be paid in stock or in cash (in either case, subject to the limits described under the heading *Authorized Shares; Limits on Awards* above). Before any Performance-Based Award (other than an option or stock appreciation right) is paid, the Administrator must certify that the performance target or targets have been satisfied. The Administrator has discretion to determine the performance target(s) and any other restrictions or other limitations of Performance-Based Awards and may reserve discretion to reduce payments below maximum award limits.

***Deferrals.*** The Administrator may provide for the deferred payment of awards, and may determine the other terms applicable to deferrals. The Administrator may provide that deferred settlements include the payment or crediting of interest or other earnings on the deferred amounts, or the payment or crediting of dividend equivalents where the deferred amounts are denominated in shares of our common stock.

***Acceleration of Awards; Possible Early Termination of Awards.*** Generally, and subject to limited exceptions set forth in the 2004 Plan, if any person acquires more than 25% of our outstanding common stock or combined voting power, if certain changes in a majority of our board of directors occur over a period of not longer than two

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years, if our stockholders prior to a transaction do not continue to own more than 50% of our voting securities (or a successor or a parent) following a reorganization, merger, statutory share exchange or consolidation or similar corporate transaction involving us or any of our subsidiaries, a sale or other disposition of all or substantially all of our assets or the acquisition of assets or stock of another entity by us or any of our subsidiaries, or if we are dissolved or liquidated, then awards then-outstanding under the 2004 Plan may become fully vested or paid, as applicable, and may terminate or be terminated in such circumstances. The Administrator also has the discretion to establish other change in control provisions with respect to awards granted under the 2004 Plan. For example, the Administrator could provide for the acceleration of vesting or payment of an award in connection with a change in control event that is not described above and provide that any such acceleration shall be automatic upon the occurrence of any such event.

***Transfer Restrictions.*** Subject to certain exceptions contained in Section 5.7 of the 2004 Plan, awards under the 2004 Plan are not transferable by the recipient other than by will or the laws of descent and distribution and are generally exercisable, during the recipient's lifetime, only by the recipient. Any amounts payable or shares of our common stock issuable pursuant to an award will be paid only to the recipient or the recipient's beneficiary or representative. The Administrator has discretion, however, to establish written conditions and procedures for the transfer of awards to other persons or entities, provided that such transfers comply with applicable federal and state securities laws.

***Adjustments.*** As is customary in incentive plans of this nature, each share limit and the number and kind of shares of our common stock available under the 2004 Plan and any outstanding awards, as well as the exercise or purchase prices of awards, and performance targets under certain types of performance-based awards, are subject to adjustment in the event of certain reorganizations, mergers, combinations, recapitalizations, stock splits, stock dividends, or other similar events that change the number or kind of shares outstanding, and extraordinary dividends or distributions of property to our stockholders.

***No Limit on Other Authority.*** The 2004 Plan does not limit the authority of our board of directors or any of its committees to grant awards or authorize any other compensation, with or without reference to our common stock, under any other plan or authority.

***Termination of or Changes to the 2004 Plan.*** Our board of directors may amend or terminate the 2004 Plan at any time and in any manner. Stockholder approval of an amendment will be required only to the extent then required by applicable law or any applicable listing agency or required under Sections 162, 422 or 424 of the U.S. Internal Revenue Code to preserve the intended tax consequences of the plan. For example, stockholder approval will be required for any amendment that proposes to increase the maximum number of shares that may be delivered with respect to awards granted under the 2004 Plan. (Adjustments as a result of stock splits or similar events will not, however, be considered an amendment requiring stockholder approval.) Unless terminated earlier by our board of directors, the authority to grant new awards under the 2004 Plan will terminate on March 4, 2014. Outstanding awards, as well as the Administrator's authority with respect thereto, generally will continue following the expiration or termination of the 2004 Plan. Generally speaking, outstanding awards may be amended by the Administrator (except for a repricing), but the consent of the award holder is required if the amendment (or any plan amendment) materially and adversely affects the holder.

**Federal Income Tax Consequences of Awards under the 2004 Plan**

The U.S. federal income tax consequences of the 2004 Plan under current federal law, which is subject to change, are summarized in the following discussion of the general tax principles applicable to the 2004 Plan. This summary is not intended to be exhaustive and, among other considerations, does not describe state, local, or international tax consequences.

With respect to nonqualified stock options, we are generally entitled to deduct and the participant recognizes taxable income in an amount equal to the difference between the option exercise price and the fair market value of the shares at the time of exercise. With respect to incentive stock options, we are generally not entitled to a deduction nor does the participant recognize income at the time of exercise, although the participant may be subject to the U.S. federal alternative minimum tax.



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The current federal income tax consequences of other awards authorized under the 2004 Plan generally follow certain basic patterns: nontransferable restricted stock subject to a substantial risk of forfeiture results in income recognition equal to the excess of the fair market value over the price paid (if any) only at the time the restrictions lapse (unless the recipient elects to accelerate recognition as of the date of grant); bonuses, stock appreciation rights, cash and stock-based performance awards, dividend equivalents, stock units, and other types of awards are generally subject to tax at the time of payment; and compensation otherwise effectively deferred is taxed when paid. In each of the foregoing cases, we will generally have a corresponding deduction at the time the participant recognizes income. If an award is accelerated under the 2004 Plan in connection with a change in control (as this term is used under the U.S. Internal Revenue Code), we may not be permitted to deduct the portion of the compensation attributable to the acceleration ( parachute payments ) if it exceeds certain threshold limits under the U.S. Internal Revenue Code (and certain related excise taxes may be triggered). Furthermore, the aggregate compensation in excess of \$1,000,000 attributable to awards that are not performance-based within the meaning of Section 162(m) of the U.S. Internal Revenue Code may not be permitted to be deducted by us in certain circumstances.

**Specific Benefits under the 2004 Plan**

The Compensation Committee has approved certain grants of performance-based restricted stock awards under the 2004 Plan that are contingent on stockholder approval of the proposed increase in the sub-limit on full-value awards under the 2004 Plan. Each of these grants is set forth in the following table.

**2004 Performance Incentive Plan  
Awards Subject to Stockholder Approval of 2004 Plan Proposal**

Name and Position	Number of Shares Underlying Performance- Based Restricted Stock Awards <sup>(1)</sup>
<b>Executive Group</b>	
Robert K. Cole Chairman and Chief Executive Officer	0
Brad A. Morrice Vice Chairman, President and Chief Operating Officer	15,033 <sup>(2)</sup>
Edward F. Gotschall Vice Chairman-Finance	0
Patrick J. Flanagan Executive Vice President	0
Kevin M. Cloyd Executive Vice President	8,459
<b>Total for Executive Officers (including Named Executive Officers Identified Above)</b>	<b>48,869</b>
<b>Non-Executive Director Group (7 persons)</b>	<b>0</b>

<b>Non-Executive Officer Employee Group</b>	189,594
<b>Total</b>	238,463

- (1) The performance-based restricted stock awards will vest on the seventh anniversary of the date the award is granted, subject to possible accelerated vesting of all or a portion of the award in the event that the Company meets certain performance goals established by the Compensation Committee. Upon a termination of the award recipient's employment, any portion of the award that is not then vested will generally terminate, subject to partial vesting in the event the termination of employment is due to the recipient's death, disability or retirement.
- (2) Mr. Morrice's grant is contemplated but has not yet been finalized. The number of shares subject to Mr. Morrice's award is estimated based on the closing market price for a share of our common stock

as of March 20,  
2006 which was  
\$44.90. The actual  
number of shares  
will be determined  
based on the  
closing market  
price on the day his  
grant is awarded.

Except for the grants described in the table above, we have not approved any other awards that are conditioned upon stockholder approval of the 2004 Plan proposal. We are not currently considering any other specific award grants under the 2004 Plan. If the amendments described in the 2004 Plan proposal had been in effect in fiscal 2005, we expect that our award grants for fiscal 2005 would not have been substantially different from those actually made in that year under the 2004 Plan.

For information regarding stock-based awards granted to our named executive officers during fiscal 2005, see the material under the heading "Executive Compensation - Option Grants in 2005" below. For information regarding past award grants under the 2004 Plan, see the "Aggregate Past Grants under the 2004 Plan" table below.

The closing market price for a share of our common stock as of March 15, 2006 was \$43.10 per share.

**Table of Contents****AGGREGATE PAST GRANTS UNDER THE 2004 PLAN**

As of March 1, 2006, awards covering 1,148,577 shares of our common stock had been granted under the 2004 Plan. The following table shows information regarding the distribution of those awards under the 2004 Plan among the persons and groups identified below, option exercises and restricted stock vesting prior to and option and unvested restricted stock holdings as of that date.

Name and Position	STOCK OPTIONS			RESTRICTED STOCK		
	Number of Shares Subject to Past Option Grants	Number of Shares Acquired On Exercise	Number of Shares Underlying Options as of March 1, 2006 Exercisable/ Unexercisable	Number of Shares Subject to Past Restricted Stock Grants	Number of Shares Vested as of March 1, 2006	Number of Shares Outstanding and Unvested as of March 1, 2006
<b>Executive Group:</b>						
Robert K. Cole Chairman and Chief Executive Officer	39,568	0	0/39,568	57,213	13,862	43,351
Brad A. Morrice Vice Chairman, President and Chief Operating Officer	39,568	0	0/39,568	57,213	13,862	43,351
Edward F. Gotschall Vice Chairman-Finance	39,568	0	0/39,568	57,213	13,862	43,351
Patrick J. Flanagan(1) Executive Vice President	0	0	0/0	0	0	0
Kevin M. Cloyd Executive Vice President	29,265	0	0/29,265	15,563	0	15,563
<b>Total for Executive Group</b>	147,969	0	0/147,969	187,202	41,586	145,616
<b>Non-Executive Director Group:</b>						
Marilyn A. Alexander	22,500	0	0/22,500	0	0	0

Harold A. Black	12,500	500	12,000/0	0	0	0
Fredric J. Forster	25,000	0	25,000/0	3,217	1,073	2,144
Donald E. Lange	25,000	0	25,000/0	3,217	1,073	2,144
William J. Popejoy	25,000	0	25,000/0	3,217	1,073	2,144
Michael M. Sachs	25,000	0	25,000/0	3,217	1,073	2,144
Richard A. Zona	25,000	0	25,000/0	3,217	1,073	2,144
<b>Total for Non-Executive Director Group</b>	<b>160,000</b>	<b>500</b>	<b>137,000/22,500</b>	<b>16,085</b>	<b>5,365</b>	<b>10,720</b>
<b>Each other person who has received 5% or more of the options, warrants or rights under the 2004 Plan</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>All employees, including all current officers who are not executive officers or directors, as a group</b>	<b>556,105</b>	<b>0</b>	<b>1,042/555,063</b>	<b>81,216</b>	<b>3,217</b>	<b>77,999</b>
<b>Total</b>	<b>864,074</b>	<b>500</b>	<b>138,042/725,532</b>	<b>284,503</b>	<b>50,168</b>	<b>234,335</b>

(1) Mr. Flanagan was granted 41,585 shares of restricted stock on February 2, 2005, 15,628 shares of restricted stock and options to purchase 39,568 shares of common stock on March 10, 2005, and 5,938 shares of restricted stock on June 24, 2005, under the 2004 Plan. These restricted stock and stock option award grants were

subsequently  
terminated,  
without having  
vested, pursuant  
to an amended  
and restated  
employment  
agreement we  
entered into  
with  
Mr. Flanagan on  
December 27,  
2005.

**Table of Contents****EQUITY COMPENSATION PLAN INFORMATION**

We currently maintain two equity compensation plans: the 2004 Plan and the New Century Financial Corporation Employee Stock Purchase Plan. The 2004 Plan and the Employee Stock Purchase Plan have each been approved by our stockholders. Our stockholders are also being asked to approve an amendment as described in this proxy statement that, among other things, would increase the share limit of the 2004 Plan.

The following table sets forth, for each of our equity compensation plans, the number of shares of common stock subject to outstanding options and rights, the weighted-average exercise price of outstanding options, and the number of shares remaining available for future award grants as of December 31, 2005.

<b>Plan Category</b>	<b>Number of Shares of Common Stock to be Issued Upon Exercise of Outstanding Options</b>	<b>Weighted-Average Exercise Price of Outstanding Options</b>	<b>Number of Shares of Common Stock Remaining Available for Future Issuance under Equity Compensation Plans (Excluding Shares Reflected in the First Column)</b>
Equity compensation plans approved by stockholders	3,819,533	\$ 27.29	2,904,682(1)(2)(3)
Equity compensation plans not approved by stockholders	0	\$ 0	0
Total	3,819,533	\$ 27.29	2,904,682(3)

- (1) This number of shares is presented after giving effect to the 40,105 shares purchased under our Employee Stock Purchase Plan for the purchase period that ended December 31, 2005.
- (2) Of the aggregate number of shares that remained available for future issuance, 851,415 were available under our 2004 Plan and 2,053,267 were available under our Employee Stock Purchase Plan. The shares available under the 2004 Plan are, subject to certain other limits under that plan, generally available for any type of award authorized under the 2004 Plan including stock options, stock appreciation rights, restricted stock, stock bonuses, and performance shares.
- (3) This table does not reflect the 1,250,000 additional shares that will be available under the 2004 Plan if our stockholders approve the proposed amendment.

**Vote Required for Approval of Amendment to the 2004 Plan**

Our board of directors believes that the proposed amendment of the 2004 Plan will promote our interests and the interests of our stockholders and will help us and our subsidiaries continue to be able to attract, retain and reward persons important to our success.

All members of our board of directors are eligible for awards under the 2004 Plan and thus have a personal interest in the approval of the 2004 Plan.

In order to approve this proposal to amend the 2004 Plan, the affirmative vote of a majority of the votes cast on the proposal by our stockholders is required, provided that the total vote cast on the proposal represents over 50% in interest of all of our shares entitled to vote on such proposal.

**OUR BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE FOR APPROVAL OF THE AMENDMENT TO THE NEW CENTURY FINANCIAL CORPORATION 2004 PERFORMANCE INCENTIVE PLAN AS DESCRIBED ABOVE.**





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**PROPOSAL 3**

**APPROVAL OF PREFERRED STOCK CHARTER AMENDMENT**

At the Annual Meeting, stockholders will be asked to approve an amendment to Section 5.1(a) of Article V of our charter to increase the number of shares of preferred stock that we have authority to issue from 10,000,000 shares to 25,000,000 shares, as set forth in the Preferred Stock Charter Amendment attached as Annex B to this proxy statement and incorporated herein by reference.

**Increase of Authorized Shares of Preferred Stock**

Our board of directors has approved, deems advisable and recommends that our stockholders vote in favor of the amendment of Section 5.1(a) of Article V of our charter increasing the authorized preferred stock from 10,000,000 to 25,000,000 shares.

Our board of directors has authority to issue shares of authorized preferred stock in one or more classes or series having such rights and preferences as may be determined by our board of directors, subject to the limits provided by Maryland law, including dividend rights, dividend rates, any conversion or exchange rights, the price and rate of exchange of any conversion or exchange, any voting rights, rights and terms of redemption (including sinking fund provisions), the liquidation preferences and any other terms, rights, preferences, privileges and restrictions of any new series of preferred stock and the number of shares constituting such series and the designation thereof. No stockholder approval is required for the issuance of authorized shares of preferred stock except to the extent mandated by rules of the NYSE or any other exchange on which our common stock is then-listed for trading.

On June 16, 2005, we filed Articles Supplementary to our charter to classify and designate 4,830,000 shares of authorized but unissued preferred stock as 9.125% Series A Cumulative Redeemable Preferred Stock, or Series A Preferred Stock, in connection with a financing transaction that closed on June 21, 2005. As of March 15, 2006, 4,500,000 shares of our Series A Preferred Stock are issued and outstanding, leaving only 5,500,000 shares of authorized preferred stock currently available to classify or reclassify, designate and issue.

Our board of directors believes that having 5,500,000 shares of authorized preferred stock currently available for future classification, designation and issuance is insufficient to enable us to respond to potential financing opportunities. Our board of directors wishes to preserve maximum flexibility to issue preferred stock in public offerings, in private transactions with institutional investors or in other transactions in which the investor wishes to hold a senior security. In order to maintain our status as a REIT for federal income tax purposes, we are required to distribute 90% of our REIT taxable income (excluding capital gains). Accordingly, our ability to grow depends on our ability to access external sources of capital at attractive rates. The increase in the number of authorized shares of preferred stock is recommended by our board of directors in order to provide the maximum flexibility in raising capital. Following the approval of this proposal, our authorized capitalization will be 300,000,000 shares of common stock and 25,000,000 shares of preferred stock.

In addition to the corporate purposes discussed above, the proposed increase in the number of authorized preferred shares, under certain circumstances, may have an anti-takeover effect, although this is not the present intent of our board of directors. For example, it may be possible for the board of directors to delay or impede a takeover or transfer of control of us by causing such additional authorized shares to be issued to holders who might side with our board of directors in opposing a takeover bid that our board of directors determines is not in our best interest or in the best interest of our stockholders. Also, by increasing the number of outstanding shares

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of preferred stock, the interest of the party attempting to gain control of us could be diluted. The increased number of shares of authorized preferred stock, therefore, may have the effect of discouraging unsolicited takeover attempts. However, our board of directors did not propose the increase in authorized preferred shares with the intent that it be utilized as a type of anti-takeover device.

Issuance of classes or series of our preferred stock could result in one or more of the following detriments:

The shares of our preferred stock will likely have priority over the shares of our common stock in the payment of dividends and/or liquidating distributions.

The issuance of shares of our preferred stock bearing preferential dividends, whether at fixed or floating rates, could reduce funds from operations available for distribution to holders of our common stock.

Conversion of shares of any class or series of our preferred stock that is convertible into our common stock could result in diluting the interests of holders of shares of our common stock.

We reserve the right to seek further increases in the number of authorized shares of preferred stock from time to time in the future as considered appropriate by our board of directors.

**Vote Required for Approval of Amendment to our Charter**

In order to approve this proposal to amend our charter, the affirmative vote of a majority of all votes entitled to be cast by our stockholders on the matter is required. If the proposed amendment to our charter is approved by our stockholders, it will become effective when the Articles of Amendment are filed with, and accepted for record by, the State Department of Assessments and Taxation of the State of Maryland, as required by Maryland law.

**OUR BOARD OF DIRECTORS RECOMMENDS THAT YOU  
VOTE FOR THE APPROVAL OF THE PREFERRED STOCK  
CHARTER AMENDMENT AS DESCRIBED ABOVE.**

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**PROPOSAL 4**

**APPROVAL OF OWNERSHIP RESTRICTION CHARTER AMENDMENT**

At the Annual Meeting, stockholders will be asked to approve an amendment to Section 5.2 of Article V of our charter to make certain changes to the restrictions on transfer and ownership of capital stock contained in our charter, as set forth in the Ownership Restriction Charter Amendment attached as Annex C to this proxy statement and incorporated herein by reference.

Mr. Einhorn and the Greenlight Parties have an interest in the outcome of this proposal. For additional information regarding their interest in this proposal, see the material under the heading Certain Relationships and Related Transactions below.

**Certain Changes to Restrictions on Transfer and Ownership of Capital Stock**

Our board of directors has approved, deems advisable and recommends that our stockholders vote in favor of the amendment of Section 5.2 of Article V of our charter to provide for certain changes to restrictions on transfer and ownership of our capital stock as set forth below.

In order to preserve our status as a REIT under the U.S. Internal Revenue Code, Section 5.2 of Article V of our 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 our capital stock. (Such ownership limit is referred to in this proposal as the Ownership Limit ). Our charter allows our board of directors to grant an exemption from the 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 U.S. Internal Revenue Code. In order for our board of directors to grant such an exemption for a particular stockholder, our charter requires our board of directors to reduce the Ownership Limit applicable to all other stockholders. Our board of directors believes that this restriction may needlessly reduce the Ownership Limit applicable to the vast majority of stockholders at a time when our board of directors provides exceptions to one or more stockholders who have holdings in excess of 9.8%. In addition, this restriction may make stock buy-back more difficult. Our board of directors has approved and deems advisable the amendment of the definition of Excepted Holder Limit in Section 5.2 of Article V of our charter to allow our board of directors to grant exemptions from the Ownership Limit without having to reduce the ownership limit applicable to all other stockholders.

In addition, Section 5.2(h) of Article V of our charter provides that our board of directors may from time to time increase or decrease the Ownership Limit; provided, however, that among other things, no increase may be made if, after giving effect to such increase, five stockholders could beneficially or constructively own in the aggregate more than 50% in value of the shares then outstanding. Our board of directors believes that this restriction is unnecessary and limiting. Our board of directors has approved and deems advisable the amendment of the restriction in Section 5.2(h) of Article V of our charter such that no increase of the Ownership Limit may be made if after giving effect to such increase, the company would otherwise fail to qualify as a REIT.

Lastly, our board of directors has approved and deems advisable the amendment of Section 5.2 of Article V of our charter to provide clarifying language in several instances where needed, including the legend to be placed on stock certificates and the prohibition on record ownership of shares of our capital stock by disqualified organizations (as such term is defined in Section 860E(e)(5) of the U.S. Internal Revenue Code).

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If our stockholders do not approve the Ownership Restriction Charter Amendment, we will be required to reduce the Ownership Limit on May 11, 2006 pursuant to our agreement with the Greenlight Parties dated March 14, 2006. This new Ownership Limit will be based on the amount necessary to allow the Greenlight Parties to own 19.6% of our capital stock, provided that the new Ownership Limit will not be less than 5%. To the extent that a new Ownership Limit of 5% would result in five persons being theoretically able to own more than 50% of our capital stock, the percentage the Greenlight Parties will be permitted to own will be reduced from 19.6% to the percentage that would not result in five persons being theoretically able to own more than 50% of our capital stock. Our charter, however, does not allow us to reduce the Ownership Limit for any stockholder to the extent they own shares in excess of the newly adjusted Ownership Limit. For example, if our top four stockholders other than the Greenlight Parties would own 9.8% , 9.0% , 5.4% and 4.0% , we would reduce the Ownership Limit to 5.2% , but the stockholders owning 9.8% , 9.0% and 5.4% would not have their shares in excess of 5.2% placed into trust. If the Ownership Restriction Charter Amendment is approved by our stockholders at the Annual Meeting, no such reduction in the Ownership Limit will be required. For additional information regarding the agreement with the Greenlight Parties dated March 14, 2006, see the material under the heading Certain Relationships and Related Transactions below.

**Vote Required for Approval of Amendment to our Charter**

In order to approve this proposal to amend our charter, the affirmative vote of a majority of all votes entitled to be cast by our stockholders on the matter is required. If the proposed amendment to our charter is approved by our stockholders, it will become effective when the Articles of Amendment are filed with, and accepted for record by, the State Department of Assessments and Taxation of the State of Maryland, as required by Maryland law.

**OUR BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE  
FOR THE APPROVAL OF THE OWNERSHIP RESTRICTION  
CHARTER AMENDMENT AS DESCRIBED ABOVE.**

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**CORPORATE GOVERNANCE**

Our board of directors is responsible for overseeing our direction, affairs and management. Our bylaws allow our board of directors to fix the number of our directors. Currently, our board of directors has set the number of directors at ten members. However, we entered into an agreement on March 14, 2006 with the Greenlight Parties, pursuant to which, among other things, we agreed to increase the size of our board of directors to 11 members effective March 31, 2006.

Set forth below is information on each of the seven directors whose three-year terms of office will continue after the Annual Meeting.

**Director Biographical Information**

**CLASS I DIRECTORS Term expires in 2007**

**FREDRIC J. FORSTER**

Age 61

**Director**

Director since 1997

Mr. Forster has served on our board of directors since July 1997. Mr. Forster has been a private investor and business consultant since January 1998. From March 1999 to May 2001, Mr. Forster was a director of and consultant to LoanTrader, a private company that developed a Web site serving mortgage brokers and lenders. Previously, Mr. Forster was a Principal of Financial Institutional Partners from November 1996 until December 1998. Prior to that, he served as President and Chief Operating Officer of H.F. Ahmanson and Company, and its subsidiary, Home Savings of America. Mr. Forster received his Masters Degree in Business Administration from Harvard Business School and his Bachelor's degree in Physics from Princeton University.

**EDWARD F. GOTSCHALL**

Age 51

**Vice Chairman-Finance**

Director since 1995

Mr. Gotschall, one of our co-founders, has been the Vice Chairman-Finance of our board of directors since July 2004, a Vice Chairman of our board of directors since December 1996 and one of our directors since November 1995. Prior to being appointed Vice Chairman-Finance, Mr. Gotschall served as our Chief Financial Officer from August 1998 to July 2004 and our Chief Operating Officer Finance/Administration from December 1995 to August 1998.

Mr. Gotschall also served as a director of New Century Mortgage from August 1995 to April 2005, was its Executive Vice President from December 1995 to March 2004 and its Chief Financial Officer from August 1995 to February 2002. Mr. Gotschall is also Chief Financial Officer and a director of NC Capital Corporation, or NC Capital, one of our wholly-owned operating subsidiaries. From April 1994 to July 1995, he was the Executive Vice President/Chief Financial Officer of Plaza Home Mortgage and a director of Option One. Mr. Gotschall was one of the co-founders of Option One and from December 1992 to April 1994, Mr. Gotschall served as its Executive Vice President/Chief Financial Officer. From January 1991 to July 1992, he was the Executive Vice President/Chief Financial Officer of The Mortgage Network, Inc., a retail mortgage banking company. Mr. Gotschall received his Bachelors of Science in Business Administration degree from Arizona State University.

**RICHARD A. ZONA**

Age 61

**Director**

Director since 2000

Mr. Zona has served on our board of directors since June 2000. Mr. Zona has been Chairman and Chief Executive Officer of Zona Financial, a private financial advisory firm, since 2000. Previously, Mr. Zona was Vice Chairman of U.S. Bancorp, a bank holding company, from 1996 to 2000, and Chief Financial Officer of U.S. Bancorp from 1989 to 1996. He currently serves as a director of Piper Jaffray Companies, a public securities firm, a director of Polaris Industries, a public company that manufactures snowmobiles, all-terrain vehicles and related equipment and an

advisory board member of Goldner, Hahn, Johnson and Morrison, a private equity firm. Mr. Zona served as a director of ING Direct Bank until June 2005 and a director of Shopko Stores, a public company and retailer of goods and services, until December 2005. Mr. Zona was a partner at Ernst & Young from

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1979 to 1989. Mr. Zona received his Bachelors of Science in Business Administration degree from the Roosevelt University and is a Certified Public Accountant.

**CLASS II DIRECTORS Term expires in 2008**

**MARILYN A. ALEXANDER**

Age 54

**Director**

Director since 2005

Ms. Alexander has served on our board of directors since May 2005. Ms. Alexander has worked as a consultant focusing on strategy, diagnostics, and process redesign for senior executives of corporations and not-for-profit organizations since 2003. Previously, from May 2000 to November 2003, Ms. Alexander was Senior Vice President and Chief Financial Officer of the Disneyland Resort in California. From October 1992 to May 2000, Ms. Alexander held both marketing and financial executive positions at the Walt Disney World Resort in Florida. Prior to her time at Walt Disney, Ms. Alexander held executive positions with Marriott Corporation from July 1985 to September 1992. Ms. Alexander's last executive position with Marriott Corporation was as Vice President, Financial Planning and Analysis from September 1988 to September 1992. From August 1981 to July 1985, Ms. Alexander was a managing consultant for Cresap, a division of Towers Perrin. Since November 2004, Ms. Alexander has served on the board of trustees, audit committee and nominating and governance committee of Equity Office Properties Trust, the nation's largest building owner and manager, based on market capitalization and square footage. Ms. Alexander has also served as a member of the board of governors and a member of the finance and audit committee of the board of trustees of Chapman University in Orange, California since 2002. Ms. Alexander is a founding board member and has served as President of the Breast Health Awareness Foundation in Tustin, California since July 2004. Ms. Alexander received a bachelor's degree from Georgetown University and a Masters of Business Administration degree from the Wharton Graduate School of the University of Pennsylvania and is a Certified Public Accountant.

**HAROLD A. BLACK, PH.D.**

Age 60

**Director**

Director since 2004

Dr. Black was appointed to serve on our board of directors in June 2004. Dr. Black has served as the James F. Smith, Jr. Professor of Financial Institutions at the University of Tennessee, Knoxville since 1987. From 1987 to 1995, he was Head, Department of Finance, College of Business Administration of the University of Tennessee. Prior to joining the faculty at the University of Tennessee, Knoxville, Dr. Black served on the faculties of American University, Howard University, the University of North Carolina - Chapel Hill and the University of Florida. His government service includes being Deputy Director, Department of Economic Research and Analysis, Office of the Comptroller of the Currency from 1976 to 1978 and board member of the National Credit Union Administration from 1979 to 1981. Dr. Black served as a director from 1990 to 1994, and Chairman in 1992, of the Nashville Branch of the Federal Reserve Bank of Atlanta, as a public interest member of the Federal Deposit Insurance Corporation's Savings Association Insurance Fund Advisory Committee from 1994 to 1998 and as a director of H.F. Ahmanson & Co., the parent company of Home Savings of America prior to its merger with Washington Mutual Savings Bank, from 1995 to 1998. Dr. Black received his undergraduate degree from the University of Georgia and his M.A. and Ph.D. degrees from the Ohio State University.

**BRAD A. MORRICE**

Age 49

**Vice Chairman, President and  
Chief Operating Officer**

Director since 1995

Mr. Morrice, one of our co-founders, has been a Vice Chairman of our board of directors since December 1996, our President and one of our directors since 1995 and our Chief Operating Officer since January 2001. Mr. Morrice also served as our General Counsel from December 1995 to December 1997 and our Secretary from December 1995 to May 1999. In addition, Mr. Morrice serves as a member of the board of directors and Chief Executive Officer of New

Century Mortgage and Chairman of the board of directors and Chief Executive Officer of NC Capital. From February 1994 to March 1995, he was the President and Chief Operating Officer-Administration of Plaza Home Mortgage, after serving as its Executive Vice President, Chief Administrative Officer since February 1993. In addition, Mr. Morrice served as General Counsel and a director of Option One. From August 1990 to January 1993, Mr. Morrice was a partner in the law firm of King, Purtich & Morrice,



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where he specialized in the legal representation of mortgage banking companies. Mr. Morrice previously practiced law at the firms of Fried, King, Holmes & August, and Manatt, Phelps & Phillips. He received his J.D. degree from the University of California, Berkeley (Boalt Hall) and a Masters of Business Administration degree from Stanford University.

**MICHAEL M. SACHS**

Age 64

**Director**

Director since 1995

Mr. Sachs has served on our board of directors since November 1995. Mr. Sachs has been Chairman of the board of directors and Chief Executive Officer of Westrec Financial, an operator of marinas and related businesses, since 1990. He has also served as Chairman of the board of directors and Chief Executive Officer of Pinpoint Integrated Systems, a manufacturer of various high tech systems used primarily by the military, since December 1995. Mr. Sachs received his Bachelors of Science degree in Accounting from the University of Illinois and his Juris Doctorate degree from Stanford University. He is a Certified Public Accountant and an attorney.

**Committees of our Board of Directors**

Our board of directors has an audit committee, a compensation committee, an executive committee, a finance committee, a governance and nominating committee, a public and community affairs committee and a stock option committee. The following table sets forth the committee assignments for each director.

Director	Audit	Compensation	Executive	Finance Committee	Governance and Nominating	Public and Community Affairs	Stock Option
Marilyn A. Alexander (1)	√			Chair	√	√	
Harold A. Black		√				Chair	
Robert K. Cole			Chair				
Fredric J. Forster (2)		√	√		√		
Edward F. Gotschall				√		√	
Donald E. Lange (3)	√	Chair			√		
Brad A. Morrice							√
William J. Popejoy (4)		√			Chair	√	
Michael M. Sachs	Chair	√	√	√			
Terrence P. Sandvik (5)							

Richard A. Zona           √   √   √

- (1) Our board of directors approved the appointment of Ms. Alexander as a member of our audit committee on May 17, 2005, as a member of our governance and nominating committee on May 17, 2005, as a member of our public and community affairs committee on May 17, 2005 and as the chair of our finance committee on January 9, 2006.
- (2) Our board of directors approved the appointment of Mr. Forster as our Lead Independent Director on September 19, 2005.
- (3) Our board of directors approved the appointment of Mr. Lange as the chair of our compensation committee on October 26, 2005.
- (4) Our board of directors approved the appointment of Mr. Popejoy as a member of our public and community affairs committee on May 17, 2005 and as a member of our compensation committee on December 15, 2005.
- (5) Mr. Sandvik was a member of our compensation committee until his resignation from our board of directors as of May 17, 2005.

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### *Lead Independent Director*

Our board of directors has appointed a non-management director to serve in a lead capacity, or the Lead Independent Director, to coordinate the activities of the other non-management directors, and to perform such other duties and responsibilities as our board of directors may determine. Currently, the Lead Independent Director is Fredric J. Forster.

The role of the Lead Independent Director includes:

setting the agendas and presiding at the executive sessions of our non-management and independent directors;

consulting with our Chairman regarding our board of directors meeting agendas and schedule;

acting as liaison to our stockholders who request direct communication with our board of directors;

facilitating communication between our independent directors and our Chairman, though all of our directors continue to interact with our Chairman as appropriate; and

performing any other functions that may be specified by our board of directors.

### *Compensation Committee*

Between January 1, 2005 and May 16, 2005, the members of our compensation committee were Messrs. Black, Forster, Lange, Popejoy, Sachs and Sandvik, all of whom are independent within the meaning of the director independence standard of the NYSE and our *Corporate Governance Guidelines*. Between May 17, 2005 and December 14, 2005, the members of our compensation committee were Messrs. Black, Forster, Lange and Sachs. Since December 15, 2005, the members of our compensation committee have been Messrs. Black, Forster, Lange, Popejoy and Sachs, all of whom are independent directors within the meaning of the director independence standard of the NYSE and our *Corporate Governance Guidelines*. Mr. Forster served as the chair of our compensation committee between January 1, 2005 and October 25, 2005. Since October 26, 2005, Mr. Lange has served as the chair of our compensation committee.

Our compensation committee operates under a written charter, which is available on the Investor Relations section of our World Wide Web site at [http://www.ncen.com/investor\\_relations/corporate\\_governance/index.html](http://www.ncen.com/investor_relations/corporate_governance/index.html). Any stockholder also may obtain a copy of our compensation committee charter, free of charge, by sending a request in writing to: New Century Financial Corporation, Investor Relations Department, 18400 Von Karman Avenue, Suite 1000, Irvine, CA 92612. Our compensation committee has the responsibility for making recommendations to our board of directors regarding the compensation and other benefits payable to our executive officers. It is also responsible for administering incentive compensation and benefit plans, including the New Century Financial Corporation 1995 Stock Option Plan, the New Century Financial Corporation 1999 Incentive Compensation Plan, or the 1999 Plan, and the 2004 Plan.

### *Executive Committee*

The members of our executive committee are Messrs. Cole, Forster, Sachs and Zona. Mr. Cole is the chair of our executive committee. From time to time, our board of directors delegates special powers and authority to our executive committee.

### *Finance Committee*

Our finance committee was formed on January 9, 2006. Since formation, the members of the finance committee have been Ms. Alexander, Mr. Gotschall, Mr. Sachs and Mr. Zona. Our finance committee is responsible for reviewing our (i) quarterly financial performance in comparison to our strategic plan and operating budget, (ii) long-term financial strategies and plans, (iii) capital allocation policies and practices, (iv) mortgage loan sales and securitizations, (v) capital budget, (vi) loan performance, including the adequacy of loan loss reserves, (vii) financial exposure associated with our loan origination and sale activities, (viii) significant financial

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exposures and contingent liabilities, including asset/liability management and interest rate risk management, (ix) stock repurchases, stock splits and dividends, and (x) proposed mergers, acquisitions, divestitures and strategic investments. Ms. Alexander is the chair of our finance committee. Our finance committee operates under a written charter, which is available on the Investor Relations section of our World Wide Web site at

[http://www.ncen.com/investor\\_relations/corporate\\_governance/index.html](http://www.ncen.com/investor_relations/corporate_governance/index.html). Any stockholder also may obtain a copy of our finance committee charter, free of charge, by sending a request in writing to: New Century Financial Corporation, Investor Relations Department, 18400 Von Karman Avenue, Suite 1000, Irvine, CA 92612.

*Governance and Nominating Committee*

Between January 1, 2005 and May 16, 2005, the members of our governance and nominating committee were Messrs. Black, Forster, Lange, Popejoy and Sachs, all of whom are independent within the meaning of the director independence standard of the NYSE and our *Corporate Governance Guidelines*. Since May 17, 2005, the members of our governance and nominating committee have been Messrs. Forster, Lange and Popejoy and Ms. Alexander, all of whom are independent within the meaning of the director independence standard of the NYSE and our *Corporate Governance Guidelines*. Mr. Popejoy is the chair of our governance and nominating committee.

Our governance and nominating committee operates under a written charter, which is available on the Investor Relations section of our World Wide Web site at

[http://www.ncen.com/investor\\_relations/corporate\\_governance/index.html](http://www.ncen.com/investor_relations/corporate_governance/index.html). Any stockholder also may obtain a copy of our governance and nominating committee charter, free of charge, by sending a request in writing to: New Century Financial Corporation, Investor Relations Department, 18400 Von Karman Avenue, Suite 1000, Irvine, CA 92612.

Our governance and nominating committee has the responsibility for (i) nominating persons to fill director vacancies, (ii) recommending to our board of directors the slate of director nominees to be proposed by our board of directors to the stockholders annually, (iii) evaluating our corporate governance practices, and (iv) recommending to our board of directors corporate governance practices and policies.

*Public and Community Affairs Committee*

Between January 1, 2005 and May 16, 2005, the members of our public and community affairs committee were Dr. Black and Mr. Gotschall. Since May 17, 2005, the members of our public and community affairs committee have been Ms. Alexander, Dr. Black, Mr. Gotschall and Mr. Popejoy. Our public and community affairs committee is responsible for overseeing, evaluating and reviewing our responsible lending and servicing activities, corporate sponsorships, philanthropic and community service activities, public policy activities and other activities that affect our public image and reputation. Dr. Black is the chair of our public and community affairs committee. Our public and community affairs committee operates under a written charter, which is available on the Investor Relations section of our World Wide Web site at [http://www.ncen.com/investor\\_relations/corporate\\_governance/index.html](http://www.ncen.com/investor_relations/corporate_governance/index.html). Any stockholder also may obtain a copy of our public and community affairs committee charter, free of charge, by sending a request in writing to: New Century Financial Corporation, Investor Relations Department, 18400 Von Karman Avenue, Suite 1000, Irvine, CA 92612.

*Stock Option Committee*

During 2005, Mr. Morrice was the sole member of the stock option committee. Our stock option committee operates under a written charter and is responsible for discharging the responsibilities of our board of directors and compensation committee relating to compensation of our employees who are not executives or directors, in accordance with applicable rules and regulations. The compensation committee has the authority to set policies, procedures and limitations for the stock option committee and the stock option committee is required to act within any such policies, procedures and limitations.

**Table of Contents***Audit Committee*

Between January 1, 2005 and May 16, 2005, the members of our audit committee were Messrs. Forster, Lange, Sachs and Zona, all of whom are independent within the meaning of Securities and Exchange Commission regulations, the director independence standard of the NYSE and our *Corporate Governance Guidelines*. Since May 17, 2005, the members of our audit committee have been Ms. Alexander and Messrs. Lange, Sachs and Zona, all of whom are independent within the meaning of Securities and Exchange Commission regulations, the director independence standard of the NYSE and our *Corporate Governance Guidelines*. Mr. Sachs is the chair of our audit committee. Our board of directors has determined that each of Ms. Alexander, Mr. Lange, Mr. Sachs and Mr. Zona satisfy the requirements for an audit committee financial expert pursuant to the rules adopted by the Securities and Exchange Commission.

In 2005, Mr. Zona served on the audit committees of three public companies other than New Century. On March 1, 2006, our board of directors determined that Mr. Zona's service on the other audit committees would not impair his ability to effectively serve on our audit committee.

Our audit committee operates under a written charter, which is available on the Investor Relations section of our World Wide Web site at [http://www.ncen.com/investor\\_relations/corporate\\_governance/index.html](http://www.ncen.com/investor_relations/corporate_governance/index.html). In addition, a copy of our audit committee charter is included as Annex D to this proxy statement. Any stockholder also may obtain a copy of our audit committee charter, free of charge, by sending a request in writing to: New Century Financial Corporation, Investor Relations Department, 18400 Von Karman Avenue, Suite 1000, Irvine, CA 92612.

Our audit committee is responsible for, among other things, overseeing our accounting and financial reporting processes and audits of our financial statements, and for monitoring the integrity of our financial reporting process and systems of internal controls. It is also responsible for pre-approving all audit and non-audit services to be provided by our Independent Registered Public Accounting Firm.

**Auditor Fees**

KPMG LLP, an independent registered public accounting firm, audited our financial statements for the year ended December 31, 2005. Our audit committee has not yet selected an independent accounting firm for the year ended December 31, 2006. Our audit committee will make its selection after it has received and reviewed audit proposals for the year.

The following table shows the fees that were billed to us by KPMG LLP for fiscal years 2005 and 2004:

	2005	2004
<b>Audit Fees (1)</b>	\$2,319,347	\$1,783,100
<b>Audit-Related Fees (2)</b>	598,815	407,555
<b>Tax Fees (3)</b>	429,619	844,103
<b>All Other Fees (4)</b>	461,000	541,950
<b>Total</b>	<b>\$3,808,781</b>	<b>\$3,576,708</b>

- (1) Audit fees represent fees for services rendered for the audit of our annual financial statements, review of our quarterly financial statements, internal control over financial reporting and services in connection with statutory and regulatory filings.
- (2) Audit-related fees represent fees for other assurance and related services that are reasonably related to the performance of the audit or review of our financial statements, or services that are normally provided in connection with our employee benefit plan, services relating to structured financings and other attestation services.

- (3) Tax fees include fees for tax consultation and tax compliance services.
- (4) All other fees represent fees for products and services other than the services reported above.

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All audit-related services, tax services and other services rendered by KPMG LLP were pre-approved by our audit committee, which concluded that the provision of those services was compatible with the maintenance of that firm's independence in the conduct of its auditing functions.

Our audit committee has adopted a policy and procedure requiring that we obtain approval before we engage our Independent Registered Public Accounting Firm to perform audit or non-audit services. The services can be pre-approved by our audit committee or by any member or members of our audit committee to whom authority for pre-approval has been delegated, provided that no member has authority to approve any non-audit services that are expected to result in fees for the engagement or during any calendar year of over \$50,000, or that are expected to be completed after 12 months from the date of the engagement. Any approvals by a member are reported to our audit committee, for informational purposes, at its next regular meeting.

Our audit committee may, on a quarterly basis, pre-approve non-audit services, provided that the description is sufficiently detailed so that the audit committee knows precisely what services it is being asked to pre-approve and can make a well-reasoned assessment of the impact of those services on our Independent Registered Public Accounting Firm's independence. Our audit committee receives quarterly reports on all services rendered and fees billed by our Independent Registered Public Accounting Firm.

### **Attendance at Board, Committee and Stockholder Meetings**

During 2005, our board of directors met 17 times, our audit committee met 10 times, our compensation committee met 12 times, our governance and nominating committee met five times, our executive committee met four times and our public and community affairs committee met five times. Our finance committee was formed in January 2006 and, therefore, did not meet during 2005. Each director attended at least 75% of the meetings of our board of directors and the committees on which he or she served.

As set forth in our *Corporate Governance Guidelines*, our directors are expected to attend the annual meetings of stockholders. Messrs. Black, Cole, Forster, Gotschall, Lange, Morrice, Popejoy and Sachs and Ms. Alexander attended our 2005 annual meeting of stockholders in person. We expect that most, if not all, of our directors will be able to attend our 2006 annual meeting of stockholders in person.

### **Compensation of Directors; Director Stock Ownership Guidelines**

Directors who are also our employees do not receive any compensation for serving on our board of directors.

#### *Cash Compensation*

In 2005, we paid our non-employee directors a retainer of \$35,000. We also paid the chair of our audit committee an additional retainer of \$7,795, the chair of our compensation committee an additional retainer of \$6,677 (Mr. Forster received \$2,228 for the portion of the year that he was chair of our compensation committee and Mr. Lange received \$4,449 for the portion of the year that he was chair of our compensation committee) and the chairs of both our governance and nominating committee and our public and community affairs committee an additional retainer of \$5,000. Mr. Forster received an additional retainer of \$66,028 for the portion of the year he served as lead director.

In 2006, we expect to pay each of our non-employee directors a retainer of \$35,000, our lead director an additional annual retainer of \$100,000, the chair of our audit committee an additional annual retainer of \$10,000, the chair of our compensation committee an additional annual retainer of \$8,000 and the chairs of each of our governance and nominating committee, our public and community affairs committee and our finance committee an additional annual retainer of \$5,000.

We also pay a fee of \$2,500 to our non-employee directors for each board and committee meeting attended even if a board and committee meeting occur on the same day; provided that the chair of the applicable committee has the authority to declare that the fee not be paid for a meeting for which the combined preparation and meeting time is insignificant.

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Our board of directors has designated Dr. Black to serve as the board liaison to our National Community Advisory Council. The purpose of our National Community Advisory Council is, among other things, to provide guidance in the improvement and enhancement of our lending practices and controls to ensure fair, non-discriminatory lending to borrowers and to advise us on how to enhance our product offerings and programs and expand our outreach efforts and involvement in communities that have traditionally had less access to affordable mortgage credit. For his services as board liaison, Dr. Black is paid \$5,000 for each National Community Advisory Council meeting attended. We anticipate that our National Community Advisory Council will meet two times in 2006 as a group and our board of directors has determined that Dr. Black's service as board liaison for our National Community Advisory Council does not affect its determination that Dr. Black is independent within the meaning of the director independence standard of the NYSE and our *Corporate Governance Guidelines*.

In addition, we reimbursed our non-employee directors for reasonable expenses incurred by them in connection with their attendance of meetings of our board of directors and its committees.

*Equity-Based Compensation*

Non-employee directors also receive a non-cash, equity-based component of compensation for their board service. Our program of equity-based compensation for non-employee directors consists of annual equity-based awards to non-employee directors and one-time awards granted to new non-employee directors.

After the 2005 annual meeting of stockholders, we granted each of our continuing non-employee directors a stock option under the 2004 Plan to purchase 12,500 shares of our common stock. These stock options vested immediately upon the grant date. Ms. Alexander was newly-elected to our board of directors at the 2005 annual meeting. We granted Ms. Alexander a stock option to purchase 22,500 shares of our common stock in connection with her election. The stock options granted to Ms. Alexander are scheduled to vest as to one-third of the shares subject thereto on each of the first, second, and third anniversaries of the date of grant of the options. The per share exercise price of each of the stock options we granted in 2005 to our non-employee directors, including Ms. Alexander, was \$46.39, the closing market price of a share of our common stock on the date of grant of the awards.

In October 2005, our board of directors, upon recommendation of the compensation committee of our board of directors, determined that, beginning with the Annual Meeting, each non-employee director would receive annual equity-based awards with a grant-date value of \$100,000. In addition, our board of directors, upon recommendation of the compensation committee of our board of directors, also revised the equity-based compensation to be given to each new non-employee director such that each new non-employee director would receive equity-based awards with a grant-date value of \$180,000 at the time of his or her election or appointment. In the case of both the annual and the new director equity-based compensation grants, the grant-date target value of stock options would be based on a Black-Scholes or similar model, restricted stock value would be based on the value of the shares at the time of grant, and the value of dividend equivalent rights would be based on the dividends projected to be paid over a three-year term for the award. The specific combination of stock options, restricted stock, and dividend equivalent rights to be awarded in connection with the Annual Meeting, as well as the specific terms of those grants, have not yet been determined. The specific combination of stock options, restricted stock, and dividend equivalent rights to be awarded to each new non-employee directors, as well as the specific terms of those grants, will be determined by our board of directors at the time of the new director's appointment or election.

*Deferred Compensation Plan*

Under our Directors Deferred Compensation Plan, each of our non-employee directors may elect in advance to defer payments of 50%, 75% or 100% of their cash retainer (but not meeting fees) on an annual basis. The amount that a director elects to defer pursuant to this plan is credited to a bookkeeping account in the form of stock units. A stock unit is a non-voting unit of measurement, which is deemed solely for bookkeeping purposes under this plan to be equivalent to one outstanding share of our common stock. The number of stock units credited to a participant's bookkeeping account under this plan will equal the amount of the retainer



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deferred by the director divided by the fair market value of one share of our common stock as of the date that the amount would have otherwise been paid to the director. When the director is no longer a member of our board of directors, the director will be entitled to receive one share of our common stock (or its cash equivalent) for each stock unit that has been credited to the director's account under this plan. Stock units credited under this plan will be adjusted to reflect any cash dividends, stock splits, stock dividends or similar changes in capitalization.

*Director Stock Ownership Guidelines*

In October 2005, our board of directors, upon recommendation of the compensation committee of our board of directors, approved stock ownership guidelines for our non-employee directors. Under these guidelines, each non-employee director will have three years to accumulate qualifying shares equal in value to seven times the director's annual retainer. Qualifying shares are shares of our common stock owned directly by the director, the director's spouse and the director's children (under the age of 18) that are (i) purchased on the open market, (ii) obtained through stock option exercises, (iii) restricted stock awards, (iv) held in trusts in which the director is a trustee with voting and investment power and (v) deferred stock units under our Directors Deferred Compensation Plan. Vested but unexercised stock options do not count as qualifying shares. Non-employee directors who have not yet met the stock ownership guidelines will be granted restricted stock in lieu of 50% of their annual retainer until the stock ownership limit is achieved, subject to the director's continued service through that date. These shares of restricted stock will vest on the first anniversary of the grant date. Non-employee directors that meet the stock ownership guidelines will have the option to accept up to 50% of their annual retainer in restricted stock rather than cash.

**Director Nominations***Qualification of Candidates and Board Independence*

Our *Corporate Governance Guidelines* include criteria that apply to the screening and recommendation by our governance and nominating committee of candidates to fill vacancies or stand for election to our board of directors. Under these criteria, candidates are considered on the basis of their integrity, experience, achievements, judgment, intelligence, understanding of the business in which we are engaged, and their willingness to devote adequate time to fulfilling the responsibilities of a director. In recommending a candidate, our governance and nominating committee considers our board of directors' overall balance of diversity of perspectives, backgrounds and experience all in the context of an assessment of the perceived needs of our board of directors.

Our governance and nominating committee also seeks to ensure that at least a majority of the directors are independent under any applicable legal and regulatory standards, as well as the applicable listing standards of any market on which our securities are listed for trading. Our board of directors determined on March 1, 2006 that seven of its 10 members are independent within the meaning of the director independence standard of the NYSE and our *Corporate Governance Guidelines*. Our board of directors has determined that each of the director nominees standing for election, except Mr. Cole, and each of the members of each committee of our board of directors, except Mr. Cole, who serves on the executive committee, Mr. Gotschall, who serves on the finance committee and the public and community affairs committee and Mr. Morrice, who serves on the stock option committee, has no material relationship with us (either directly or as a partner, stockholder or officer of an organization that has a relationship with us) and is independent within the meaning of the director independence standard of the NYSE and our *Corporate Governance Guidelines*. Finally, the composition of our board of directors must be such that the members of our audit committee meet the financial literacy requirements under the applicable listing standards, and at least one of the members of our audit committee qualifies as an audit committee financial expert under the rules of the Securities and Exchange Commission. Our board of directors has determined that all four of our audit committee members satisfy the requirements for an audit committee financial expert pursuant to the rules adopted by the Securities and Exchange Commission.

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### *Process for Identifying and Evaluating Candidates*

Candidates may come to the attention of our governance and nominating committee through current members of our board of directors or professional search firms. In addition, our governance and nominating committee will consider director candidates properly submitted by our stockholders or other persons. Initially, our governance and nominating committee will determine whether the candidates meet the requisite qualifications and criteria and have any specific qualities or skills being sought at that point in time. Our governance and nominating committee evaluates the candidates by reviewing their biographical information and qualifications and checking their references. Qualified candidates are then interviewed by one or more members of our governance and nominating committee. Depending on the outcome of these interviews, candidates may meet with our chief executive officer and other members of our board of directors and, using input from these interviews and the information obtained, our governance and nominating committee will determine whether the prospective candidate is qualified to serve as a director and whether he or she should be recommended to our board of directors. Candidates recommended by our governance and nominating committee are then presented to our board of directors for selection to fill a vacancy or as nominees for election by our stockholders. Our governance and nominating committee expects that a similar process will be used to evaluate candidates recommended by our stockholders.

### *Nominees for Election at the Annual Meeting*

Of the nominees for election as Class III directors at the Annual Meeting, Robert K. Cole, Donald E. Lange and William J. Popejoy have previously served as directors of New Century. Effective March 31, 2006, David Einhorn will serve as a Class III director of New Century. Our governance and nominating committee approved the re-election of Robert K. Cole, Donald E. Lange and William J. Popejoy as Class III directors, and has approved the re-election of David Einhorn as a Class III director upon the commencement of his service as a member of our board of directors effective March 31, 2006.

### **Compensation Committee Interlocks and Insider Participation**

No member of our compensation committee is a former or current officer or employee of New Century or any of its subsidiaries. No executive officer is a former or current member of the board of directors or compensation committee of any entity that has one or more executive officers serving as a member of our board of directors or compensation committee.

### **Executive Sessions**

Executive sessions of non-management directors are held at least three times a year. At each meeting, our Lead Independent Director presides. Any non-management director can request that an additional executive session be scheduled. In 2005, the directors met in executive session nine times.

### **Our Codes of Conduct and Ethics**

We have a *Code of Business Conduct and Ethics*, which is applicable to all of our employees, officers and directors. We also have a *Code of Ethics for Senior Financial Officers*, which is applicable to our chief executive officer, vice chairman finance, president and chief operating officer, chief financial officer and other senior financial officers. Both codes are posted on the Investor Relations section of our World Wide Web site at [http://www.ncen.com/investor\\_relations/corporate\\_governance/index.html](http://www.ncen.com/investor_relations/corporate_governance/index.html). Any stockholder also may obtain a copy of these codes, free of charge, by sending a request in writing to: New Century Financial Corporation, Investor Relations Department, 18400 Von Karman Avenue, Suite 1000, Irvine, CA 92612. We intend to post amendments to these codes on our World Wide Web site as well as any waivers involving any executive officers, senior financial officers or directors.

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**Our Corporate Governance Guidelines**

We have *Corporate Governance Guidelines*, which are posted on the Investor Relations section of our World Wide Web site at [http://www.ncen.com/investor\\_relations/corporate\\_governance/index.html](http://www.ncen.com/investor_relations/corporate_governance/index.html). Any stockholder also may obtain a copy of our *Corporate Governance Guidelines*, free of charge, by sending a request in writing to: New Century Financial Corporation, Investor Relations Department, 18400 Von Karman Avenue, Suite 1000, Irvine, CA 92612.

**Communications with our Board of Directors**

Stockholders and other parties interested in communicating directly with our board of directors, the chairmen of our committees or the non-management directors as a group may do so by mailing the communication care of our corporate secretary, New Century Financial Corporation, 18400 Von Karman, Suite 1000, Irvine, California 92612. Our board of directors has approved a process for handling letters received by us and addressed to our board of directors, one or more of the chairmen of our committees or the non-management directors as a group. That process requires our corporate secretary to review all such correspondence and regularly forward to our board of directors a summary of all such correspondence and copies of all correspondence that, in the opinion of our corporate secretary, deals with the functions of our board of directors or the committees thereof or that he otherwise determines requires their attention. Directors may at any time review a log of all correspondence received by us that is addressed to our board of directors and request copies of any such correspondence. Concerns relating to accounting, internal controls or auditing matters will be brought to the attention of the chairman of our audit committee and our director of internal audit.

**Table of Contents****SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND DIRECTORS AND EXECUTIVE OFFICERS**

The following table sets forth information as of March 1, 2006, with respect to the beneficial ownership of our common stock by:

each person known by us to beneficially own more than 5% of our common stock;

each of our directors;

each nominee for election to our board of directors;

each of our executive officers named in the summary compensation table; and

all of our directors and executive officers as a group.

For purposes of this table and except as otherwise indicated, beneficial ownership includes both voting and investment power with respect to the shares shown.

<b>Name and Address of Beneficial Owner</b>	<b>Amount and Nature of Beneficial Ownership(2)</b>	<b>Share Equivalents(3)</b>	<b>Percent of Class</b>
<b>5% or More Stockholders</b>			
Greenlight Capital, L.L.C. and affiliates(4)	5,500,000		9.8%
Hotchkis and Wiley Capital Management, LLC(5)	5,313,500		9.5%
Morgan Stanley(6)	3,462,077		6.2%
<b>Executive Officers and Directors(1)</b>			
Marilyn A. Alexander	0		0
Harold A. Black(7)	20,000		*
Kevin M. Cloyd(8)	80,442		*
Robert K. Cole(9)	1,720,156		3.1%
Edward F. Gotschall(10)	1,687,742		3.0%
David Einhorn(5)	5,500,000		9.8%
Patrick J. Flanagan(11)	399,702		*

Fredric J. Forster(12)

128,217

623

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