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New Century Financial Corporation

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

FORM 10-K

(MARK ONE)
/X/ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE FISCAL YEAR ENDED DECEMBER 31, 1999

OR

/ / TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE TRANSITION PERIOD FROM_____________ TO____________

COMMISSION FILE NUMBER 000-22633

NEW CENTURY FINANCIAL CORPORATION
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

DELAWARE	33-0683629
(STATE OR OTHER JURISDICTION INCORPORATION OR ORGANIZATION)	(I. R. S. EMPLOYER IDENTIFICATION NUMBER)

18400 VON KARMAN, SUITE 1000, IRVINE, CALIFORNIA	92612
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)	(ZIP CODE)

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE: (949) 440-7030

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT: NONE

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT:
COMMON STOCK, $0.01 PAR VALUE

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes /X/ No / /

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

The aggregate market value of Common Stock held by non-affiliates of the Registrant on March 24, 2000 was approximately $36.8 million based on the

closing sales price for the Common Stock on such date of $9.25 as reported on the Nasdaq National Market.

As of March 24, 2000, the Registrant had 14,737,894 shares of Common Stock outstanding.

PART III INCORPORATES INFORMATION BY REFERENCE FROM THE REGISTRANT'S DEFINITIVE PROXY STATEMENT FOR ITS 2000 ANNUAL MEETING OF STOCKHOLDERS TO BE FILED WITH THE COMMISSION WITHIN 120 DAYS OF DECEMBER 31, 1999.

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PART I

ITEM 1. BUSINESS

GENERAL

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

ORIGINATIONS AND PURCHASES. The Company originates and purchases loans through both wholesale and retail channels. Wholesale originations and purchases are through independent mortgage brokers, and represented 70.9% of the Company's total originations and purchases in 1999. Retail originations are made through the Company's network of retail offices, through its Primewest subsidiary and through the Internet, and represented 29.1% of the Company's total originations and purchases in 1999.

THE TYPICAL BORROWER. The Company's borrowers generally have substantial equity in the property securing their loan, but have impaired or limited credit profiles or higher debt-to-income ratios than traditional mortgage lenders allow. The Company's borrowers also include individuals who, due to self-employment or other circumstances, have difficulty verifying their income through conventional methods, and who prefer the prompt and personalized service provided by the Company. These types of borrowers are generally willing to pay higher loan origination fees and interest rates than those charged by conventional lending sources.

UNDERWRITING. Although the Company's underwriting guidelines include five levels of credit risk classification, approximately 68.5% of the principal balance of the loans originated and purchased by the Company in 1999 were to borrowers within the Company's two highest credit grades. Approximately, 93.6% of its loans originated or purchased during 1999 were secured by borrowers' primary residences. The average loan-to-value ratio on loans originated and purchased by the Company in 1999 was approximately 78.8%. Approximately 96.7% of the loans originated and purchased by the Company during 1999 were secured by first mortgages, and the remainder of the loans the Company originated and purchased for such period was secured by second mortgages. Approximately 81.4% of the loans originated and purchased

by the Company in 1999 were refinances of existing loans, while the remaining 18.6% represented loans for a borrower's purchase of a residential property.

LOAN SALES AND SECURITIZATIONS. The Company sells virtually all of its loan production through a combination of securitizations and bulk sales of whole loans to institutional purchasers. In 1999, whole loan sales accounted for 25.5% of total loan sales, and securitizations accounted for the balance.

SERVICING. The Company also receives revenue from servicing its loans on behalf of the loan purchasers. At the end of 1999, the Company's servicing portfolio, including loans held for sale, totaled $5.9 billion. Servicing income also includes interest earned on the Company's residual interests in securitizations, which grew to $364.7 million as of December 31, 1999. In 1999, servicing revenues totaled $50.8 million, and accounted for 21.7% of the Company's total revenues.

NET INTEREST INCOME. In 1999 the Company earned $8.3 million in net interest income, which represented approximately 12.4% of the Company's pre-tax earnings. Net interest income is earned on loans held in inventory for sale.

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GROWTH AND OPERATING STRATEGIES

"FOCUS 2000" BUSINESS PLAN. In February 2000, the Company announced its "Focus 2000" initiative that articulated the Company's principal operating strategies for the coming year. The "Focus 2000" Plan emphasizes greater efficiencies and improved operating disciplines. Among the most significant goals are the following:

- Decreasing all-in acquisition costs to 2.50% by year-end

- Improving cash flow by selling a greater percentage of whole loans and securitizing a smaller percentage of total originations

- Concentrating on originating loans with characteristics for which whole loan buyers will pay a higher premium

- Transitioning from a monoline, sub-prime mortgage company to a company which can offer customers a broader menu of financing products and services

- Transitioning from utilizing solely "traditional" delivery channels to a company that is a leading provider of financial products and services over the Internet

REDUCING ALL-IN ACQUISITION COSTS PER LOAN. The Company defines the "all-in acquisition cost" per loan as the fees paid to wholesale brokers and correspondents, direct loan origination costs (including commissions and

corporate overhead costs), less the sum of points and fees received from retail borrowers, divided by total production volume. Comparing 1998 to 1999, the Company's all-in acquisition costs decreased from 3.62% to 2.99% of the average original principal balance of the Company's loans. During 2000, the Company intends to emphasize reducing all-in acquisition costs to 2.50% by year-end and to 2.25% in 2001. The principal strategies to achieve this goal are (i) improving the fee structure (ii) decreasing corporate overhead and commission expenses (iii) increasing staff efficiency, and (iv) reducing marketing costs--all while preserving loan production volume. This strategy will require the implementation of both improved processes and enhanced technology, including the Company's automated underwriting system which is in the final testing stage. During the first quarter of 2000, the Company has restructured its wholesale and retail commission programs, and has reduced the total number of employees by approximately 12% from its fourth quarter 1999 high of 1,770 employees. The staff reductions have to date been accomplished by closing unprofitable branches and by streamlining corporate operations.

IMPROVING CASH FLOW. During 2000, the Company intends to improve its cash flow, so as to achieve and then maintain cash neutral operations. The principal strategy for improving cash flow will be to sell a higher percentage of loans in whole loan sales, and to securitize a smaller portion of loan production. In addition, the Company will focus on further improving cash flow by (i) reducing the all-in-acquisition cost of the Company's loans, (ii) increasing the cash generated by the Company's servicing operations, and (iii) improving the ratio of loans funded over total loans submitted.

INCREASE VALUE OF LOAN PRODUCTION. The Company has strengthened its efforts to develop a system of communicating secondary market conditions to its retail and wholesale production units so that loan officers and account executives will have the incentive to produce loans with a strong secondary market value and a disincentive to produce loans that are less profitable. Because the demands in the secondary market evolve continually, New Century believes it will have a competitive advantage if it can effectively communicate the changing secondary market conditions to its production units. The Company also continues to focus on ways to reduce the number of loans that must be sold at a loss because of documentation errors, borrower fraud and other reasons.

PRODUCT DIVERSIFICATION. During 2000, the Company intends to continue the process of developing a broader range of loan and other financial product offerings. The Company has been approved as a seller/servicer by Freddie Mac, and intends to begin offering conforming loan products by the end of the second quarter of 2000. Likewise, the Company's anyloan.com web-site currently offers customers links through which they can apply for auto loans, credit cards, student loans and other non-mortgage financial products. The licensing effort is currently in process to allow the Company to offer more of those products directly. Finally, the Company is establishing an insurance agency through which it will be able to offer customers various insurance products tailored to their needs.

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INTERNET INITIATIVES. Another key element of the Focus 2000 Plan is continued expansion of the Company's Internet operations. Development of a revamped wholesale web-site, which the Company believes is one of the most

advanced business-to-business mortgage web-sites in the industry, was completed during the fourth quarter and is currently in pilot testing with a limited number of brokers. The Company's anyloan.com division also unveiled its second generation web-site which offers consumers a wide variety of loan products including auto financing and credit cards with on-line applications and response capabilities. The Company's focus for 2000 is to attract business through various marketing efforts together with providing the best financial services to its customers.

IMPROVING PROFITABILITY OF LOAN PRODUCTION WHILE PRESERVING VOLUME. In 2000, the Company's production units will focus on improving the overall profitability of loan production by concentrating on originating higher-value loans and reducing low-margin production. The Retail and Wholesale Divisions intend to close unprofitable branches and be increasingly selective about new branch openings. The Company will also evaluate adding profitable loan production through targeted acquisitions of smaller originators.

MAINTAINING MULTIPLE FINANCING SOURCES AND SECURITIZATION CHANNELS. During 1999, the Company established aggregation and residual financing facilities totaling over $600 million with Greenwich Capital and PaineWebber. In addition, the Company renewed its financing arrangements with Salomon Smith Barney, Inc. As a result, the Company effected five of its eight securitizations through Salomon Smith Barney, Inc., with the remaining three being underwritten by Greenwich and PaineWebber. The Company also established its own $2 billion shelf registration statement with the Securities and Exchange Commission to allow it greater flexibility in selecting the underwriter for future securitizations. During 2000, the Company intends to continue to maintain at least two active investment-banking relationships for securitizations and residual financing.

U.S. BANCORP STRATEGIC ALLIANCE. A key element of the Company's strategy for the Year 2000 is to expand its strategic alliance with U.S. Bank.
To this end, in February 2000 the Company received an additional $10 million in subordinated debt financing from U.S. Bank. In March 2000, the Company also
received a commitment from U.S. Bank to (i) provide an additional $10 million in financing to help fund the Company's Year 2000 capital plan, and (ii) extend the maturity of the subordinated debt to June 2002.

ACQUISITIONS AND STRATEGIC ALLIANCES. In 2000, the Company will continue to evaluate potential acquisitions and strategic alliances with mortgage originators. In March 2000, the Company acquired a small Southern California-based wholesale loan originator called Worth Funding Incorporated.

MARKETING

RETAIL MARKETING. The Company's Retail Division relies primarily on targeted direct mail and outbound telemarketing to attract borrowers. The Company's direct mail programs are managed by a centralized staff who create a targeted mailing list for each branch market and oversee the completion of mailings by a third party mailing vendor. All calls or written inquiries from potential borrowers which result from the mailings are tracked centrally and then forwarded to each branch location and handled by branch loan officers. Under the Central Telemarketing Program, the telemarketing staff solicits prospective borrowers, makes a preliminary evaluation of the borrower's credit and the value of the collateral property and refers qualified leads to

loan officers in the retail branch closest to the customer. The Direct Origination Center sends direct mail to areas not serviced by retail branches, which generates calls and inquiries to a centralized staff of loan officers. In addition, the telemarketing staff refers qualified leads to those central loan officers who work with the borrower using telephone, fax and mail and who utilize document and signing services to close the loan.

The Company's Primewest and anyloan.com operations also rely on internet-based advertising such as banner ads, search engines and links to related web-sites in order to direct potential borrowers to the Company's web-sites.

In 1999 the Company also completed initial testing of broader marketing efforts designed to build recognition of the New Century brand. The Company tested radio and television advertisements in selected markets in the third and fourth quarters of 1999. In 2000, the Company does not intend to continue to pursue the television channel for the "New Century" brand. However, the Company is considering a variety of strategies, including television and radio, to improve familiarity with its "anyloan.com" brand.

WHOLESALE MARKETING. The Company's wholesale marketing strategy is focused on the sales efforts of its account executives, supported by the Company's commitment to providing prompt, consistent service to brokers and their customers. These efforts are supplemented with direct mail to brokers, advertisements in trade publications and periodic sales contests.

LOAN ORIGINATIONS AND PURCHASES

The Company originates and purchases loans through its Wholesale and Retail Divisions, through its Primewest subsidiary and through its anyloan.com division. The Wholesale Division originates and purchases loans through a network of independent mortgage brokers and correspondents. The Retail Division, Primewest and anyloan.com solicit loans directly from prospective borrowers. All of the Company's loans are secured by first or second mortgages on one-to-four family residences.

WHOLESALE DIVISION. The Wholesale Division funded $2.9 billion in loans, or 70.9% of the Company's total loan production, during 1999. As of December 31, 1999, the Wholesale Division was operating through five regional operating centers located in Southern California, Northern California, Chicago, Atlanta, and Tampa and through 41 additional sales offices located in Arizona, Arkansas, California (2), Colorado, Florida (3), Idaho, Indiana, Louisiana, Massachusetts, Michigan, Minnesota, Missouri (2), Nevada, New Mexico, North Carolina (3), Ohio (2), Oregon (3), Pennsylvania, South Carolina (3), Tennessee, Texas (4), Utah, Virginia, Washington (2), and Wisconsin (2), employing a total of 176 account executives. As of December 31, 1999, the Company had relationships with approximately 9,000 approved mortgage brokers and during 1999 originated loans through approximately 4,580 brokers. During 1999, New Century's ten largest producing brokers originated approximately 6.3% of the Company's loans, with the largest broker, Qualified Financial Services, accounting for approximately 1.6% of the Division's production.

In wholesale originations, the broker's role is to identify the

applicant, assist in completing the loan application form, gather necessary information and documents and serve as the Company's liaison with the borrower through the lending process. The Company reviews and underwrites the application submitted by the broker, approves or denies the application, sets the interest rate and other terms of the loan and, upon acceptance by the borrower and satisfaction of all conditions imposed by the Company, funds the loan. Because brokers conduct their own marketing and employ their own personnel to complete loan applications and maintain contact with borrowers, originating loans through the Wholesale Division allows the Company to increase its loan volume without incurring the higher marketing, labor and other overhead costs associated with increased retail originations.

Loan applications generally are submitted by mortgage brokers to an account executive in one of the Company's sales offices. The application is then forwarded to the closest regional operating center where the loan is logged-in for RESPA and other regulatory compliance purposes, underwritten and, in most cases, conditionally approved or denied within 24 hours of receipt. Because mortgage brokers generally submit individual loan files to several prospective lenders simultaneously, the Company attempts to respond to each application as quickly as possible. If approved, the Company issues a "conditional approval" to the broker with a list of specific conditions to be met (for example, credit verifications and independent third-party appraisals) and additional documents to be supplied prior to the funding of the loan. An account manager and the originating New Century account executive will work directly with the submitting mortgage broker to collect the requested information and to meet the underwriting conditions and other requirements. In most cases, the Company funds loans within 30 days after approval of the loan application.

The Wholesale Division also purchases closed loans on an individual or "flow" basis from independent mortgage brokers and financial institutions. The Company reviews an application for approval from each lender seeking to sell the Company a closed loan. The Company analyzes the mortgage broker's underwriting guidelines and financial condition, including its licenses and financial statements. The Company requires each mortgage broker to enter into a purchase and sale agreement with customary representations and warranties regarding the loans such mortgage broker will sell to the Company, thereby providing the Company with representations and warranties that are comparable to those given by the Company to its loan purchasers.

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The following table sets forth selected information relating to wholesale loan originations during the periods shown:

<TABLE>
<CAPTION>

	For the Quarters Ended			
	March 31, 1999	June 30, 1999	September 30, 1999	December 31, 1999

<S>	<C>	<C>	<C>	<C>
Principal balance (in thousands).....................	$ 646,137	$ 668,560	$ 823,551	$ 756,269
Average principal balance per loan (in thousands)...........	$ 103	$ 111	$ 109	$ 109
Combined weighted average initial loan-to-value ratio....	79.2%	79.1%	78.8%	78.3%
Percent of first mortgage loans	96.4	95.8	95.1	93.8
Property securing loans:				
Owner occupied...............	86.4	87.5	88.7	90.0
Non-owner occupied...........	13.6	12.5	11.3	10.0
Weighted average interest rate:				
Fixed-rate...................	10.4	10.2	10.0	10.5
ARMs.........................	9.8	9.8	9.8	10.1
Margin--ARMs.................	6.1	6.1	6.1	6.1

</TABLE>

RETAIL DIVISION, PRIMEWEST AND ANYLOAN.COM. During 1999, the Company originated $1.2 billion in loans, or 29.1% of the Company's total loan production through its Retail Operations, including $163.1 million, or 4.0%, originated through its Primewest subsidiary and $21.7 million, or .05%, originated through anyloan.com, which commenced operations in August, 1999. As of December 31, 1999, the Retail Division employed 298 retail loan officers, located in 83 sales offices in Arizona (4), California (21), Colorado (2), Delaware, Florida (6), Georgia, Hawaii (2), Illinois (3), Indiana, Kentucky, Louisiana, Maryland, Massachusetts, Michigan, Minnesota (3), Missouri (2), Montana, Nevada (2), New Jersey, New Mexico, North Carolina (2), Ohio (4), Oklahoma, Oregon, Pennsylvania (2), Tennessee (2), Texas (8), Utah, Virginia (2), and Washington (4). As of December 31, 1999, Primewest employed 44 loan officers and anyloan.com employed 10 loan officers at their headquarters in Irvine, California.

By creating a direct relationship with the borrower, retail lending provides a more sustainable loan origination franchise and greater control over the lending process while generating loan origination fees to offset the higher costs of retail lending, which may contribute to profitability and cash flow.

For the year ended December 31, 1999, the retail loan originations and purchases included $39 million in loans funded through the Company's Service Provider Program. Under that program, the Company establishes relationships with banks and other financial institutions across the country. The goal is to encourage participating financial institutions to identify potential borrowers who do not qualify for a loan from the respective financial institution but do meet the Company's target borrower profile.

Participating financial institutions are compensated by the Company based on the level of services performed by the institution. As of December 31, 1999, the Company had service provider relationships with 172 banks and other financial institutions, 98 of which were producing loan volume for the Company.

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The following table sets forth selected information relating to retail loan originations, including Primewest and anyloan.com, during the periods shown:

<TABLE>
<CAPTION>

	For the Quarters Ended			
	March 31, 1999	June 30, 1999	September 30, 1999	December 31, 1999
<S>	<C>	<C>	<C>	<C>
Principal balance (in thousands).	$ 245,780	$ 290,426	$ 333,952	$ 315,589
Average principal balance per loan (in thousands).............	$ 89	$ 90	$ 94	$ 88
Combined weighted average initial loan-to-value ratio......	77.6%	78.5%	79.6%	78.9%
Percent of first mortgage loans..	88.7	84.4	84.8	80.8
Property securing loans:				
Owner occupied................	88.5	90.8	91.4	92.4
Non-owner occupied............	11.5	9.2	8.6	7.6
Weighted average interest rate:				
Fixed-rate....................	10.1	10.1	10.0	10.4
ARMs..........................	9.6	9.5	8.7	9.5
Margins--ARMs.................	6.4	6.4	6.4	5.9

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FINANCING LOAN ORIGINATIONS AND LOANS HELD FOR SALE

The Company requires access to credit facilities in order to originate or purchase mortgage loans, and to hold them pending their sale or securitization. The Company relies on a $290 million short-term warehouse credit facility led by U.S. Bank National Association to fund its

originations and purchases. The Company also relies on three aggregation and residual financing facilities totaling $1.4 billion with Salomon Brothers Realty Corp., Greenwich Capital and PaineWebber to finance the loans pending their sale or securitization. See "--Management's Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources."

PRODUCT TYPES

The Company offers both fixed-rate and adjustable-rate loans ("ARMs"), as well as loans with an interest rate that is initially fixed for a period of time and subsequently converts to an adjustable rate. Most of the ARMs originated by the Company are offered at a low initial interest rate, sometimes referred to as a "start rate." At each interest rate adjustment date, the Company adjusts the rate, subject to certain limitations on the amount of any single adjustment, until the rate charged equals the fully indexed rate. There can be no assurance, however, that the interest rate on these loans will reach the fully indexed rate if the loans are pre-paid or in cases of foreclosure.

The Company's borrowers fall into five sub-prime risk classifications. The Company's products are available at different interest rates and with different origination and application points and fees depending on the particular borrower's risk classification (see "Business--Underwriting Standards"). Borrowers may choose to increase or decrease their interest rate through the payment of different levels of origination fees and many of the Company's fixed-rate borrowers, in particular, choose to "buy down" their interest rate through the payment of additional origination fees. The Company's maximum loan amounts are generally $600,000 with a loan-to-value ratio of up to 90%. The Company does, however, offer larger loans with lower loan-to-value ratios on a case-by-case basis, and also offers products that permit a loan-to-value ratio of up to 95% for selected borrowers with a Company risk classification of "AAA", "A+" or "A-."

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Loans originated or purchased by the Company in 1999 had an average loan amount of approximately $102,000 and an average loan-to-value ratio of approximately 78.8%. Unless prohibited by state law or otherwise waived by the Company, the Company's loans generally impose a prepayment charge on the borrower for certain full or partial prepayments early in the loan's term. Approximately 75.0% of the loans the Company originated or purchased during 1999 provided for the payment by the borrower of a prepayment charge under some circumstances.

UNDERWRITING STANDARDS

New Century originates or purchases its mortgage loans in accordance with the underwriting criteria (the "Underwriting Guidelines") described below. The loans the Company originates or purchases generally do not satisfy conventional underwriting standards, such as those utilized by the Federal National Mortgage Association ("FNMA") and the Federal Home Loan Mortgage Corporation ("FHLMC"); therefore, the Company's loans are likely to result in rates of delinquencies and foreclosures that are higher, and may be substantially higher, than those rates experienced by portfolios of mortgage loans underwritten in a more traditional manner.

The Underwriting Guidelines are intended to evaluate the credit history of the potential borrower, the capacity of the borrower to repay the proposed loan, the value of the security property and the adequacy of such property as collateral for the proposed loan. Based upon the underwriter's review of the loan application and related data and application of the Underwriting Guidelines, the loan terms, including interest rate and maximum loan-to-value, are determined.

Each loan applicant completes an application that includes information with respect to the applicant's liabilities, income, credit history, employment history and personal information. The Underwriting Guidelines require a credit report on each applicant from a credit reporting company. The report typically contains information relating to such matters as credit history with local and national merchants and lenders, installment debt payments and any record of defaults, bankruptcies, repossessions or judgments. All mortgaged properties are appraised by qualified independent appraisers prior to funding of the loan. Such appraisers inspect and appraise the subject property and verify that such property is in acceptable condition. Following each appraisal, the appraiser prepares a report which includes a market value analysis based on recent sales of comparable homes in the area and, when deemed appropriate, replacement cost analysis based on the current cost of constructing a similar home. All appraisals are required to conform to the Uniform Standards of Professional Appraisal Practice adopted by the Appraisal Standards Board of the Appraisal Foundation and are generally on forms acceptable to FNMA and FHLMC. The Underwriting Guidelines require a review of the appraisal by a qualified employee of the Company or by a qualified appraiser retained by the Company.

The Underwriting Guidelines currently include two levels of applicant documentation requirements, referred to as the "Full Documentation", and "Stated Income Documentation" programs. Under each of the programs, the Company reviews the applicant's source of income, calculates the amount of income from sources indicated on the loan application or similar documentation, reviews the credit history of the applicant, calculates the debt service-to-income ratio to determine the applicant's ability to repay the loan, reviews the type and use of the property being financed, and reviews the property. In determining the ability of the applicant to repay the loan, the Company's underwriters use a qualifying rate that is equal to the initial interest rate on such loan (in the case of other LIBOR-based loans). The Underwriting Guidelines require that mortgage loans be underwritten in a standardized procedure which complies with applicable federal and state laws and regulations and requires the Company's underwriters to be satisfied that the value of the property being financed, as indicated by an appraisal and a review of the appraisal, currently supports the outstanding loan balance. In general, the maximum loan amount for mortgage loans originated under the programs is $600,000. The Underwriting Guidelines permit loans on one-to-four-family residential properties to have (i) a loan-to-value ratio at origination of up to 95%, with respect to non-conforming first liens, (ii) a combined loan-to-value ratio at origination of up to 90% with respect to non-conforming second liens and (iii) a combined loan-to-value ratio at origination of up to 100% with respect to conforming second liens, in each case depending on, among other things, the purpose of the mortgage loan, a borrower's credit history, repayment ability and debt service-to-income ratio, as well as the type and use of the property. With respect to mortgage loans secured by mortgaged properties acquired by a borrower under a "lease option purchase," the

loan-to-value of the related mortgage loan is based on the lower of the appraised value at the time of origination of such mortgage loan or the sale price of the related mortgaged property if the "lease option purchase price" was set less than twelve months prior to origination and is based on the appraised value at the time of origination if the "lease option purchase price" was set twelve months or more prior to origination.

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The Underwriting Guidelines require that the income of each applicant be verified. The specific income documentation required for the Company's various programs is as follows: under the Full Documentation program, applicants generally are required to submit two written forms of verification of stable income for at least twelve months; under the Stated Income Documentation program, an applicant may be qualified based upon monthly income as stated on the mortgage loan application if the applicant meets certain criteria. All the foregoing programs require that, with respect to salaried employees, there be a telephone verification of the applicant's employment. Verification of the source of funds (if any) required to be deposited by the applicant into escrow in the case of a purchase money loan is required when the loan-to-value ratio is greater than 70%.

In evaluating the credit quality of borrowers, the Company utilizes credit bureau risk scores (a "FICO score"), a statistical ranking of likely future credit performance developed by Fair, Isaac & Company and the three national credit data repositories--Equifax, TransUnion and Experian.

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The Company's Underwriting Guidelines for first lien mortgage loans have the following categories and criteria for grading the potential likelihood that an applicant will satisfy the repayment obligations of a mortgage loan:

Summary of Principal
Underwriting Guidelines (1)

<TABLE>
<CAPTION>

	A+ Risk	A- Risk	B Risk	C Risk	C- Risk

<S> <C> <C> <C> <C> <C>

Existing mortgage History................	Maximum one 30-day late payment and no 60-day late payments w/in last 12 mos.; required to be current at funding; must have an LTV of 90% or less.	Maximum three 30-day late payments and no 60-day late payments w/in last 12 mos.; required to be current at funding.	Maximum one 60-day late payment within last 12 months; must be less than 60 days late at funding.	Maximum one 90-day late payment within last 12 months; must be less than 90 days late at funding.	Maximum of two 90-day late payments and one 120-day late payment w/in last 12 months; less than 120 days late at funding. No current Notice of Default.
Other credit...........	4 accts w/30-day late payments or FICO score of 620 or higher; no more than $500 in open collection accounts or charge-offs open after funding.	Past/Present 30-day late payments and 1 acct w/60 day late payment or FICO score of 590 or higher; no more than $1,000 in open collection accounts or charge-offs open after funding.	Past/Present 30-day late payments and 4 accts w/60-day late payments and 2 accts w/90-day late payments or FICO score of 570 or higher; some prior defaults acceptable; no more than $2,500 in open	Significant prior defaults acceptable; generally, no more than $5,000 in open collection accounts or charge-offs open after funding; on a case by case basis.	Significant Defaults acceptable; collection accounts may remain open after funding.

			collection accounts or charge-offs open after funding.		
Bankruptcy filings.....	Generally, no Chapter 7 Bankruptcy discharge or Notice of Default filings in last 3 years or Chapter 13 Bankruptcy discharge in last 2 years.	Generally, no Bankruptcy filings in last 2 years or Notice of Default filings in last 3 years.	Generally, no Bankruptcy or Notice of Default filings in last 2 years.	Generally, no Bankruptcy or Notice of Default filings in last 12 months.	Generally, no Bankruptcy or Notice of Default filings allowed in last 12 months from discharge date.
Debt service to income Ratio..................	45% to 55%	45% to 55%	55% to 59%	55% to 59%	50% to 59%
Maximum loan-to-value ratio ("LTV"):(2)					
Owner occupied: single family........	90%	90%	80%	75%	70%
Owner occupied: condo/three-to-four unit.................	85%	85%	75%	70%	65%
Non-owner occupied...	85%	80%	75%	70%	65%

</TABLE>

(1) The letter grades applied to each risk classification reflect the Company's internal standards and do not necessarily correspond to the classifications used by other mortgage lenders. "LTV" means loan-to-value ratio.

(2) The maximum LTV set forth in the table is for borrowers providing full

documentation. The LTV is reduced 5% for stated income applications, if applicable. Additionally, if the borrower's FICO score meets or exceeds the risk category and debt ratio guidelines, consumer credit may be disregarded.

MORTGAGE CREDIT ONLY PROGRAM. In addition to the five risk grade categories described above, the Company also has a Mortgage Credit Only program. The Mortgage Credit Only program allows no more than three 30-day late payments and no 60-day late payments within the last 12 months on an existing mortgage loan and must be current at funding. An existing mortgage loan is not required to be current at the time the application is submitted. Derogatory credit report items are allowed as to non-mortgage credit. Mortgage Credit Only loans are not available under the Stated Income Documentation program. No bankruptcy or notice of default filings may have occurred during the preceding two years; provided, however, that if the borrower's bankruptcy has been discharged during the past two years and the borrower has re-established a credit history otherwise complying with the credit parameters set forth in this paragraph, the borrower may then qualify under the Mortgage Credit Only program. The mortgaged property must be in at least average condition. A maximum loan-to-value of 75% is permitted for a mortgage loan on a single-family owner-occupied property. A maximum loan-to-value of 70% is permitted for a mortgage loan on a non-owner occupied property, second home, owner-occupied condominium, or two-to four-family residential property. The debt service-to-income ratio is generally limited to a maximum of 55%.

HOME SAVER PROGRAM. The Company has established a sub-category of its C- credit grade (the "Home Saver Program") for borrowers faced with at least one of the following credit scenarios: (i) the borrower has an existing mortgage currently in foreclosure, (ii) the borrower is subject to a notice of default filing, (iii) the borrower has had a serious mortgage delinquency for more than one 120 day period in the last 12 months or is more than 90 days late at the time of funding, or (iv) the borrower is in an open Chapter 13 or Chapter 11 bankruptcy. The Home Saver Program is available only to Full Documentation borrowers and permits a maximum loan-to-value of 65% and a maximum debt service-to-income ratio of 59%. The maximum loan is $300,000 and all derogatory credit report items must either be brought current or paid through the loan proceeds. A maximum of 3% of the loan proceeds may be paid to the borrower in cash. If the borrower is in an open Chapter 13 or Chapter 11 bankruptcy, the bankruptcy must be discharged through the proceeds of the loan.

EXCEPTIONS. The categories and criteria described in the above table are guidelines only. On a case-by-case basis, the Company may determine that an applicant warrants a loan-to-value exception, a debt service-to-income ratio exception, or another exception to the Underwriting Guidelines. The Company may allow such an exception if the application reflects certain compensating factors such as low LTV, pride of ownership, a maximum of one 30-day late payment on all mortgage loans during the last 12 months, and stable employment or ownership of current residence for five or more years. The Company may also allow an exception if the applicant places a down payment through escrow of at least 20% of the purchase price of the mortgage

property or if the new loan reduces the applicant's monthly aggregate mortgage payment by 25% or more.

The Company evaluates its Underwriting Guidelines on an ongoing basis and periodically modifies the Underwriting Guidelines to reflect the Company's current assessment of various issues related to an underwriting analysis. The Company also maintains separate underwriting guidelines appropriate to its conforming and non-conforming second lien mortgage loans, and adopts new underwriting guidelines appropriate to new loan products offered by the Company.

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LOAN PRODUCTION BY BORROWER RISK CLASSIFICATION

The following table sets forth information concerning the Company's principal balance of fixed rate and adjustable rate loan production by borrower risk classification for the periods shown:

<TABLE>
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	For the Quarters Ended			
	March 31, 1999	June 30, 1999	September 30, 1999	December 31, 1999
<S>	<C>	<C>	<C>	<C>
A+ RISK GRADE:				
Percent of total purchases and originations........................	39.3%	38.6%	39.4%	31.1%
Combined weighted average initial loan-to-value ratio.........	81.5	81.7	81.8	81.7
Weighted average interest rate:				
Fixed-rate......................	9.8	9.6	9.5	10.1
ARMs............................	9.4	9.3	9.2	9.6
Margin--ARMs....................	5.8	5.8	5.9	5.8
A- RISK GRADE:				

Percent of total purchases and originations	29.0%	30.2%	31.4%	34.7%
Combined weighted average initial loan-to-value ratio	80.7	80.4	81.0	80.9
Weighted average interest rate:				
Fixed-rate	10.0	9.9	9.8	10.1
ARMs	9.6	9.5	9.5	9.8
Margin--ARMs	6.2	6.2	6.2	6.1
B RISK GRADE:				
Percent of total purchases and originations	16.9%	16.5%	16.1%	18.7%
Combined weighted average initial loan-to-value ratio	76.2	77.2	75.9	75.5
Weighted average interest rate:				
Fixed-rate	10.5	10.4	10.2	10.7
ARMs	9.8	9.9	9.8	10.1
Margin--ARMs	6.4	6.5	6.5	6.4
C RISK GRADE:				
Percent of total purchases and originations	9.8%	9.7%	8.2%	8.7%
Combined weighted average initial loan-to-value ratio	72.4	72.1	71.4	71.2
Weighted average interest rate:				
Fixed-rate	11.6	11.5	11.4	11.8
ARMs	10.7	10.6	10.6	11.0
Margin--ARMs	6.7	6.7	6.7	6.6
C- RISK GRADE:				
Percent of total purchases and originations	5.0%	5.0%	4.9%	6.8%
Combined weighted average initial loan-to-value ratio	67.2	67.2	66.7	69.1

Weighted average interest rate:				
Fixed-rate.....................	12.1	11.8	11.5	11.5
ARMs...........................	11.5	11.6	11.6	11.4
Margin--ARMs...................	6.7	6.7	6.6	6.4

</TABLE>

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GEOGRAPHIC DISTRIBUTION

The following table sets forth aggregate dollar amounts (in thousands) and the percentage of all loans originated or purchased by the Company by state for the periods shown:

<TABLE>
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	For the Quarters Ended							
	March 31, 1999		June 30, 1999		September 30, 1999		December 31, 1999	
	$	%	$	%	$	%	$	%
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
California.....	$ 239,020	26.8%	$ 303,263	31.6%	$ 375,262	32.4%	$ 355,828	33.2%
Illinois.......	65,545	7.3%	66,982	7.0%	79,018	6.8%	81,962	7.6%
Florida........	65,565	7.4%	64,140	6.7%	68,605	5.9%	57,739	5.4%
Texas..........	47,114	5.3%	51,959	5.4%	66,649	5.8%	71,987	6.7%
Washington.....	37,827	4.2%	40,317	4.2%	44,709	3.9%	40,114	3.7%
Massachusetts..	30,782	3.5%	31,896	3.3%	46,135	4.0%	41,171	3.8%
Colorado.......	23,707	2.7%	36,365	3.8%	37,085	3.2%	36,286	3.4%
Minnesota......	28,221	3.2%	33,856	3.5%	35,133	3.0%	28,857	2.7%
Ohio...........	39,959	4.5%	28,529	3.0%	33,526	2.9%	28,377	2.6%

Michigan.......	25,969	2.9%	22,167	2.3%	31,543	2.7%	33,710	3.1%
Other..........	288,209	32.2%	279,512	29.2%	339,838	29.4%	295,827	27.8%
Total........	$ 891,917	100.0%	$ 958,986	100.0%	$1,157,503	100.0%	$1,071,858	100.0%

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LOAN SALES AND SECURITIZATIONS

The secondary marketing functions of the Company are performed by a separate subsidiary, NC Capital Corporation, which buys loans from the Wholesale and Retail Divisions of New Century Mortgage Corporation and Primewest within a week or two after origination. The purchase price paid for the loans approximates the secondary market value of the loans based on current market conditions. NC Capital then sells the loans through both securitizations and bulk sales to institutional purchasers of whole loans. NC Capital is responsible for determining when and through what channel to sell the loans, and bears the risks of market fluctuations in the period between purchase and sale.

WHOLE LOAN SALES. In a whole loan sale, the Company sells loans in bulk to a purchaser for a cash price that represents a premium over the principal balance of the loans sold. The sale may include releasing to the purchaser the servicing rights to the loans (a "servicing-released" sale) or the Company may retain the servicing rights (a "servicing-retained" sale). Until February 1997, the Company sold all loans through servicing-released whole loan sales. In February 1997, the Company began to sell loans through securitization and retain the servicing rights, while it continued to sell loans through whole loan sales on a servicing-released basis. In December 1997, the Company began selling loans through whole loan sales on a servicing-retained basis.

In 1999, whole loan sales accounted for $1.0 billion, or 25.5% of the Company's total loan sales. Of this amount, 28.6% were sold servicing-retained and 71.4% were sold servicing-released. In the servicing-retained sales, the purchaser retained the Company to service the loans for a fee of 0.50% per year of the outstanding principal balance of the loans. The weighted average sales price of the Company's 1999 whole loan sales was equal to 103.2% of the original principal balance of the loans sold.

The Company seeks to maximize its premium on whole loan sale revenue by closely monitoring institutional purchasers' requirements and focusing on originating or purchasing the types of loans that meet those requirements and for which institutional purchasers tend to pay higher premiums. During 1999, the Company sold loans to many institutional purchasers. No whole loan buyer accounted for more than 10% of the Company's total loan sales and securitizations in 1999.

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Whole loan sales are made on a non-recourse basis pursuant to a purchase agreement containing customary representations and warranties by the Company regarding the underwriting criteria applied by the Company and the origination process. The Company, therefore, may be required to repurchase or substitute loans in the event of a breach of its representations and warranties. In addition, the Company sometimes commits to repurchase or substitute a loan if a payment default occurs within the initial months following the date the loan is funded, unless other arrangements are made between the Company and the purchaser. The Company is also required in some cases to repurchase or substitute a loan if the loan documentation is alleged to contain fraudulent misrepresentations made by the borrower.

SECURITIZATIONS. During 1999, the Company completed the sale of loans through eight securitization transactions, five securitizations through Salomon Smith Barney, Inc., two co-underwritten by Greenwich Capital and PaineWebber Inc., and one underwritten solely by Greenwich Capital.

In a securitization, the Company sells a pool of loans to a trust for the following: (i) a cash purchase price and (ii) a certificate evidencing its "residual interest" ownership in the trust. The trust raises the cash portion of the purchase price by selling senior certificates representing senior interests in the loans in the trust. Following the securitization, purchasers of senior certificates receive the principal collected, including prepayments, on the loans in the trust. In addition, they receive a portion of the interest on the loans in the trust equal to the specified "investor pass-through interest rate" on the principal balance. The Company receives the cash flows from the residual interests, after payment of servicing fees, guarantor fees and other trust expenses, and provided the specified over-collateralization requirements are met.

The Company recognizes gain on sale of the loans, which represents the excess of the estimated fair value of the residual interests, less closing and underwriting costs, over the carrying value of the loans sold, in the fiscal quarter in which such loans are sold. At the same time as the Company recognizes the gain on sale, the Company records the residual interests as assets on its balance sheet. The recorded values of these residual interests are amortized as distributions are received from the trust holding the respective loan pool.

Three of the 1999 securitizations were credit enhanced by an insurance policy provided through a monoline insurance company. The other five securitizations were credit enhanced through the use of subordinated certificates instead of an insurance policy. The Company used credit enhancements in each of its securitizations to allow the senior certificates in the related trusts to receive ratings of "AAA" from Standard & Poor's Rating Services and "Aaa" from Moody's Investors Service, Inc. and Duff and Phelps rating agency. The Company also provides credit enhancement in the form of an over-collateralization account.

There is no assurance that actual performance of any of the Company's securitized loan portfolios will be consistent with the Company's estimates and assumptions. To the extent that actual prepayment speeds, losses or market discount rates materially differ from the Company's estimates, the estimated value of its residuals may increase or decrease, which may have a material impact on the Company's results of operations, financial condition and liquidity.

During 1999, the Company repurchased $15 million in loans out of its 1997 securitizations. Such repurchases are permitted only when the loan defaults and are undertaken by the Company in order to avoid disruption of cash flow from certain securitization trusts and to provide the Company with maximum flexibility in resolving problem loans. In addition, the Company recorded a total of $28.5 million in write-downs to the carrying value of its residual securities issued prior to 1999. These adjustments were the result of a) a continuing increase in prepayment speeds which occurred despite the increase in interest rates in the latter part of the year, and b) an increase in overall static pool loss assumption in the fourth quarter to 2.50%. The Company increased its prepayment speed assumptions to be consistent with its valuation methodology. See "--Management's Discussion and Analysis of Financial Condition and Results of Operations--Results of Operations."

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NIM-EXCESS CASH FLOW PRIVATE PLACEMENTS. In February 1999, the Company completed its third "net interest margin" or "excess cash flow" private placement ("NIM" transaction) with respect to its residual interests in ten of its prior securitizations. In a NIM transaction the Company contributes and/or sells one or more residual interests from prior securitizations to a special purpose subsidiary. The subsidiary in turn sells the residual interests to a trust. The trust pays for the residual interest partly in cash and partly with an Owner Trust Certificate representing an ownership interest in the trust. The trust raises the cash by selling bonds that represent senior interests in the residual securities that were deposited into the trust.

While the Company is holding residual interests from securitizations, it is able to pledge those interests to a lender in order to borrow against them. The Company is able to pay down those borrowings with the proceeds of a NIM transaction, thereby reducing its leverage ratios. The Company believes these transactions to be an important part of its overall loan sales strategy, and expects to continue to pursue them with its future residual interests if market conditions permit, in order to improve liquidity and decrease borrowings.

LOAN SERVICING AND DELINQUENCIES

SERVICING. Servicing of loans includes collecting and remitting loan payments, making required advances, accounting for principal and interest, holding escrow or impound funds for payment of taxes and insurance and, if applicable, contacting delinquent borrowers and supervising foreclosures and property dispositions in the event of unremedied defaults.

The Company retains the servicing rights on all loans it sells through securitizations and a portion of the loans its sells in whole loan sales. In addition, some purchasers of "servicing-released" whole loans request the Company to continue to act as servicer for an interim period following the sale. Finally, the Company services all of the loans its originates and purchases during the 30 to 90-day period pending their sale or securitization.

Prior to September 1997, the Company outsourced substantially all of its servicing operations to Advanta Mortgage Corp. USA ("Advanta"), an approved third party sub-servicer. The loans in the Company's first five

securitizations were subserviced by Advanta. In September 1997, the Company began boarding loans on a joint servicing platform with Comerica in which each party was responsible for part of the servicing process. In July 1998, the Company terminated the Comerica agreement, and began performing all servicing functions relating to the loans previously serviced on the joint platform. Finally, during 1999, the Company assumed responsibility for servicing all of the loans from the Company's first five securitizations that had continued to be sub-serviced by Advanta.

As of December 31, 1999, the Company's servicing portfolio consisted of 60,703 loans with an aggregate principal balance of approximately $5.9 billion, of which 4,543 loans with an aggregate principal balance of $442.7 million were held for sale and serviced on an interim basis, 56,104 loans with an aggregate principal balance of $5.5 billion were serviced for securitizations, and 56 loans with an aggregate principal balance of $5.4 million were serviced on behalf of the whole loan purchasers thereof.

DELINQUENCIES AND FORECLOSURES. Loans originated or purchased by the Company are secured by mortgages, deeds of trust, security deeds or deeds to secure debt, depending upon the prevailing practice in the state in which the property securing the loan is located. Depending on local law, foreclosure is effected by judicial action or non-judicial sale, and is subject to various notice and filing requirements. In general, the borrower, or any person having a junior encumbrance on the real estate, may cure a monetary default by paying the entire amount in arrears plus other designated costs and expenses incurred in enforcing the obligation during a statutorily prescribed reinstatement period. Generally, state law controls the amount of foreclosure expenses and costs, including attorney's fees, which may be recovered by a lender. After the reinstatement period has expired without the default having been cured, the borrower or junior lien-holder no longer has the right to reinstate the loan and may be required to pay the loan in full to prevent the scheduled foreclosure sale. Where a loan has not yet been sold or securitized, the Company will generally allow a borrower to reinstate the loan up to the date of foreclosure sale.

Although foreclosure sales are typically public sales, third-party purchasers rarely bid in excess of the lender's lien because of the difficulty of determining the exact status of title to the property, the possible deterioration of the property during the foreclosure proceedings and a requirement that the purchaser pay for the property in cash or by cashier's check. Thus, the foreclosing lender often purchases the property from the trustee or referee for an amount equal to the sum of the principal amount outstanding under the loan, accrued and unpaid interest and the expenses of foreclosure. Depending on market conditions, the ultimate proceeds of the sale may not equal the lender's investment in the property.

New Century commenced receiving applications for mortgage loans under its regular lending program in February 1996 and during 1996 sold all of its loans on a whole loan, servicing-released basis. The Company began selling loans through securitizations in 1997 and in connection with these securitizations has established reporting systems to track historical delinquency, bankruptcy, foreclosure and default experience for the loans included in its securitizations as well as the Company's total portfolio of loans. Because most of the Company's securitized loans have been outstanding

for a short period of time, current delinquency and loss information is not necessarily representative of future delinquencies and losses.

The following tables set forth certain delinquency statistics as of December 31, 1999 for the Company's 1997, 1998 and 1999 securitized loans (DOLLARS IN THOUSANDS):

SECURITIES ISSUED IN 1997

				DELINQUENCY (% OF CURRENT BALANCE BY RISK GRADE)					
RISK GRADE	ORIGINAL BALANCE	WALTV*	CURRENT BALANCE	60-89 DAYS	90+ DAYS	FORECL./ REO	TOTAL	REPURCHASE	%**
A+	$ 299,582	73.52%	$122,650	0.28%	1.75%	3.95%	5.98%	$ 3,159	2.58%
A-	401,319	73.68	162,744	0.19	2.50	7.15	9.84	6,692	4.11
B	208,453	72.73	74,389	0.47	2.56	7.69	10.72	5,508	7.40
C	98,951	68.07	30,224	0.74	4.31	18.98	24.02	3,750	12.41
C-	116,311	68.24	39,877	0.90	5.31	10.26	16.47	5,517	13.84
	$1,124,616	72.19%	$ 429,884	0.37%	2.69%	7.45%	10.50%	$ 24,627	5.73%

SECURITIES ISSUED IN 1998

				DELINQUENCY (% OF CURRENT BALANCE BY RISK GRADE)					
RISK GRADE	ORIGINAL BALANCE***	WALTV*	CURRENT BALANCE	60-89 DAYS	90+ DAYS	FORECL./ REO	TOTAL	REPURCHASE	%**

A+	$1,004,736	78.04%	$ 696,084	0.40%	1.20%	4.24%	5.84%	$ ----	0.00%
A-	895,272	77.09	641,581	0.41	1.35	6.00	7.76	----	0.00
B	441,736	74.29	314,846	0.80	3.37	6.89	11.06	----	0.00
C	282,537	70.24	192,305	1.18	4.19	12.28	17.64	----	0.00
C-	197,469	64.88	121,789	0.71	5.59	11.86	18.16	----	0.00
	$2,821,750	75.72%	$1,966,605	0.56%	2.16%	6.49%	9.22%	$ ----	0.00%

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SECURITIES ISSUED IN 1999

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RISK GRADE	ORIGINAL BALANCE***	WALTV*	CURRENT BALANCE	DELINQUENCY (% OF CURRENT BALANCE BY RISK GRADE) 60-89 DAYS	90+ DAYS	FORECL./ REO	TOTAL	REPURCHASE	%**
A+	$1,194,119	78.09%	$1,113,209	0.19%	0.34%	1.05%	1.57%	$ ----	0.00%
A-	1,037,148	78.34	989,697	0.31	0.40	1.41	2.12	----	0.00
B	574,516	74.29	542,435	0.79	0.54	2.62	3.94	----	0.00
C	320,019	70.05	295,857	0.97	1.27	4.56	6.80	----	0.00
C-	182,613	66.35	168,054	1.18	2.09	6.98	10.26	----	0.00
	$3,308,415	76.08%	$3,109,253	0.46%	0.57%	2.09%	3.13%	$ ----	0.00%

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COMBINED SECURITIES ISSUED

RISK GRADE	ORIGINAL BALANCE***	WALTV*	CURRENT BALANCE	DELINQUENCY (% OF CURRENT BALANCE BY RISK GRADE) 60-89 DAYS	90+ DAYS	FORECL./ REO	TOTAL	REPURCHASE	%**
A+	$2,498,437	77.73%	$1,931,944	0.27%	0.74%	2.38%	3.39%	$ 3,159	0.16%
A-	2,333,740	77.22	1,794,022	0.34	0.93	3.57	4.84	6,692	0.37
B	1,224,704	74.23	931,671	0.77	1.65	4.46	6.89	5,508	0.59
C	701,507	70.00	518,387	1.03	2.53	8.26	11.82	3,750	0.72
C-	496,393	66.53	329,719	0.98	3.77	9.18	13.93	5,517	1.67
	$7,254,781	75.46%	$5,505,743	0.49%	1.31%	4.08%	5.88%	$ 24,627	0.34%

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*Weighted Average Loan-to-Value Ratio at origination

**Repurchases as a % of Current Balance

***Includes loans sold in whole loan sale transactions that were securitized by the purchasers.

The foregoing tables indicate that, as anticipated, the Company is experiencing higher rates of delinquency on lower credit grade loans. In addition, as indicated, the Company has repurchased loans from its first three 1997 securitizations. The agreements governing the securitizations permit such repurchases, but only to the extent the loans being repurchased are more than 90 days delinquent. The Company elected to make the repurchases in order to avoid disruption of cash flow from the 1997 NC-1, NC-2 and NC-3 trusts and to provide the Company with maximum flexibility in resolving problem loans. The Company may make additional repurchases from those or other securitizations in the future for the same or other reasons.

In order to provide the Company additional flexibility in trying to maximize recovery on its delinquent loans and loans in foreclosure, the Company amended its aggregation facility with Salomon Smith Barney to include financing of a limited number of such loans at a reduced financing rate based on the value of the underlying property. In addition, the Company entered into a $3 million facility with a Salomon affiliate to finance real property

owned ("REO") by the Company upon foreclosure on delinquent loans. This facility allows the Company additional flexibility in disposing of those properties for the highest possible price. The Company is currently in the process of renewing and restructuring the problem loan and REO financing arrangements with Salomon.

U.S. BANCORP INVESTMENT AND STRATEGIC ALLIANCE

In November 1998 U.S. Bancorp, a bank holding company with total assets in 1999 of approximately $82 billion, purchased 20,000 shares of the Company's Series 1998A Convertible Preferred Stock for an aggregate purchase price of $20 million. In December 1998 and April 1999, U.S. Bancorp purchased an aggregate of 565,000 shares of the Company's Common Stock through third party private transactions, increasing their equity position in New Century from 16% to 18.75%. In July 1999, U.S. Bancorp purchased 20,000 shares of the Company's Series 1999A Convertible Preferred Stock for an aggregate purchase price of $20 million. Each share of U.S. Bancorp's Series 1998A Preferred Stock is convertible into 136.24 shares of the Company's Common Stock and each share of U.S. Bancorp's Series 1999A Preferred Stock is convertible into 46.795 shares of the Company's Common Stock that, upon conversion, will represent approximately 23% of the Company's total outstanding Common Stock. The Preferred Stock is also entitled to a liquidation preference as well as a dividend payable quarterly at a rate of 7.5% per year for Series 1998A and 7.0% per year for Series 1999A Preferred Stock. In addition, as part of the transactions, U.S. Bancorp has two designees appointed to the Company's Board of Directors, which is roughly in proportion to its ownership interest in the Company.

In October 1999 U.S. Bancorp invested an additional $20 million in the Company and in February 2000 invested an additional $10 million. Each transaction was structured as subordinated debt provided by U.S. Bancorp's subsidiary, U.S. Bank National Association. The subordinated debt bears interest at a rate of 12.0% per year and matures in June 2000.

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In late March 2000, U.S. Bancorp committed (i) to provide an additional $10 million in subordinated debt over the course of 2000 provided that the Company achieves certain specified milestones, and (ii) to extend the term of the subordinated debt to June 2002. In exchange for the additional capital and subordinated debt extension, the Company will amend the conversion ratio of the Company's Series 1999A Convertible Preferred Stock from 46.8 to 69.98, and also provide U.S. Bank with warrants exercisable for up to 725,000 shares of the Company's Common Stock at an exercise price equal to the market value on the grant date. Approximately 70% of the warrants vest immediately. Of the remainder, a portion vest in quarterly increments if the Company has not prepaid the subordinated debt and a portion are granted concurrently with funding of the additional $10 million in subordinated debt. If all of the proposed warrants are ultimately granted, U.S. Bank would own approximately 27.5% of the Company, assuming conversion of all preferred stock and exercise of all warrants. The Company expects to enter into definitive agreements documenting this investment by April 30, 2000.

In addition to these investments, the Company and U.S. Bancorp have established a strategic alliance pursuant to which (i) the Company will

assist U.S. Bank in originating loans to bank customers who would not qualify for the loans under U.S. Bank's traditional credit guidelines, (ii) the Company will provide some servicing functions with respect to sub-prime mortgage loans originated by U.S. Bank, (iii) the Company will receive referrals from U.S. Bank of its customers who were turned down for mortgage loans, but who qualify for a loan under New Century's underwriting guidelines, and (iv) U.S. Bank may bid on the Company's whole loan sales.

INTEREST RATE RISK MANAGEMENT

The Company's profits depend, in part, on the difference, or "spread," between the effective rate of interest received by the Company on the loans it originates or purchases and the interest rates payable by the Company under its warehouse and aggregation financing facilities. The spread can be adversely affected because of interest rate increases during the period from the date the loans are originated or purchased until the closing of the sale or securitization of such loans.

The Company from time to time may use various hedging strategies to provide a level of protection against interest rate risks on its fixed-rate mortgage loans. These strategies may include forward sales of mortgage loans or mortgage-backed securities, interest rate caps and floors and buying and selling of futures and options on futures. The Company's management determines the nature and quantity of hedging transactions based on various factors, including market conditions and the expected volume of mortgage loan originations and purchases.

As of December 31, 1999, the Company did not have any open hedge positions. While the Company believes hedging strategies are cost-effective and provide some protection against interest rate risk, no hedging strategy can completely protect the Company from such risks.

COMPETITION

Although a number of the Company's competitors have either merged, been acquired or gone out of business altogether, the Company continues to face intense competition in the business of originating, purchasing and selling mortgage loans. The Company's competitors include other consumer finance companies, mortgage banking companies, commercial banks, credit unions, thrift institutions, credit card issuers and insurance finance companies. Most notably, in recent quarters, some large, diversified financial corporations have purchased several of the Company's competitors. As a result, some of these competitors may have access to capital at a cost lower than the Company's cost of capital under its warehouse, aggregation and residual financing facilities. In addition, many of these competitors have considerably greater technical and marketing resources than the Company.

Competition among industry participants can take many forms, including convenience in obtaining a loan, customer service, marketing and distribution channels, amount and term of the loan, loan origination fees and interest rates. Additional competition may lower the rates the Company can charge borrowers, thereby potentially lowering gain on future loan sales and securitizations. To the extent any of the Company's competitors significantly expand their activities in the Company's markets, the Company could be materially adversely affected. Fluctuations in interest rates and general economic conditions may also affect the Company's competitive position. During periods of rising rates, competitors that have locked in low borrowing

costs may have a competitive advantage. During periods of declining rates, competitors may solicit the Company's customers to refinance their loans.

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The Company believes that one of its key competitive strengths is its employees, with their strong commitment to customer service and their team-oriented approach. In addition to the strength of the Company's work force, the Company believes that its competitive strengths include: (i) providing a high level of service to brokers and their customers; (ii) offering competitive loan programs for borrowers whose needs are not met by conventional mortgage lenders; (iii) the Company's high-volume targeted direct mail marketing program and database screening methodology; and (iv) its performance-based compensation structure which allows the Company to attract, retain and motivate qualified personnel.

REGULATION

The mortgage lending industry is a highly regulated industry. The Company's business is subject to extensive and complex rules and regulations of, and examinations by, various state and federal government authorities. These regulations impose obligations and restrictions on the Company's loan origination, loan purchase and servicing activities. In addition, these regulations may limit the interest rates, finance charges and other fees the Company may assess, mandate extensive disclosure to the Company's customers, prohibit discrimination and impose multiple qualification and licensing obligations on the Company. Failure to comply with these requirements may result in, among other things, loss of approved licensing status, demands for indemnification or mortgage loan repurchases, certain rights of rescission for mortgage loans, class action lawsuits, administrative enforcement actions and civil and criminal liability. Management of the Company believes that the Company is in compliance with these rules and regulations in all material respects.

The Company's loan origination and loan purchase activities are subject to the laws and regulations in each of the states in which those activities are conducted. For example, state usury laws limit the interest rates the Company can charge on its loans. As of December 31, 1999, the Company was licensed or exempt from licensing requirements by the relevant state banking or consumer credit agencies to originate first mortgages in 50 states and the District of Columbia and second mortgages in 48 states and the District of Columbia. The Company's lending activities are also subject to various federal laws, including the Truth in Lending Act, Homeownership and Equity Protection Act of 1994, the Equal Credit Opportunity Act, the Fair Credit Reporting Act, the Real Estate Settlement Procedures Act and the Home Mortgage Disclosure Act, and their implementing regulations.

The Company is subject to certain disclosure requirements under the Truth in Lending Act ("TILA") and Regulation Z promulgated under TILA. TILA is designed to provide consumers with uniform, understandable information with respect to the terms and conditions of loan and credit transactions. TILA gives consumers, among other things, a three business day right to rescind certain refinance loan transactions originated by the Company.

The Company is also subject to the Homeownership and Equity Protection Act of 1994 (the "High Cost Mortgage Act"), which amends TILA. The

High Cost Mortgage Act generally applies to consumer credit transactions secured by the consumer's principal residence, other than residential mortgage transactions, reverse mortgage transactions or transactions under an open end credit plan, in which the loan has either (i) total points and fees upon origination in excess of the greater of eight percent of the loan amount or $441, or (ii) an annual percentage rate of more than ten percentage points higher than United States Treasury securities of comparable maturity ("Covered Loans"). The High Cost Mortgage Act imposes additional disclosure requirements on lenders originating Covered Loans. In addition, it prohibits lenders from, among other things, originating Covered Loans that are underwritten solely on the basis of the borrower's home equity without regard to the borrower's ability to repay the loan and including prepayment fee clauses in Covered Loans to borrowers with a debt-to-income ratio in excess of 50% or Covered Loans used to refinance existing loans originated by the same lender. The High Cost Mortgage Act also restricts, among other things, certain balloon payments and negative amortization features. The Company did not originate or purchase Covered Loans in 1996, but the Company commenced originating and purchasing Covered Loans during 1997. In 1999, Covered Loans accounted for approximately 6.8% of the Company's total loan originations and purchases.

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The Company is also required to comply with the Equal Credit Opportunity Act of 1974, as amended ("ECOA") and Regulation B promulgated thereunder, the Fair Credit Reporting Act, as amended, the Real Estate Settlement Procedures Act of 1974, as amended, and Regulation X promulgated thereunder and the Home Mortgage Disclosure Act of 1975, as amended. ECOA prohibits creditors from discriminating against applicants on the basis of race, color, sex, age, religion, national origin or marital status, because all or part of the applicant's income is derived from a publicly assisted program; or because the applicant has in good faith exercised any right under the Consumer Credit Protection Act. Regulation B restricts creditors from requesting certain types of information from loan applicants. The Fair Credit Reporting Act, as amended, requires lenders, among other things, to supply an applicant with certain information if the lender denied the applicant credit. The Real Estate Settlement Procedures Act mandates certain disclosures concerning settlement fees and charges and mortgage servicing transfer practices. It also prohibits the payment or receipt of kickbacks or referral fees in connection with the performance of settlement services. In addition, beginning with loans originated in 1997, the Company must file an annual report with the Department of Housing and Urban Development pursuant to the Home Mortgage Disclosure Act, which requires the collection and reporting of statistical data concerning mortgage loan transactions.

In the course of its business, the Company may acquire properties securing loans that are in default. There is a risk that hazardous or toxic waste could be found on such properties. In such event, the Company could be held responsible for the cost of cleaning up or removing such waste, and such cost could exceed the value of the underlying properties.

REGULATORY DEVELOPMENTS. In the past year, there have been a number of significant federal and state legislative and regulatory developments that could affect the Company. The federal Gramm-Leach-Bliley financial reform legislation will impose additional privacy obligations on the Company with respect to its applicants. At the state level, a number of states are

considering legislation targeting so-called "predatory" lending practices. While well-meaning, these proposed laws impose overly broad restrictions on legitimate lending activities including some of the Company's activities. There can be no assurance that these proposed laws, rules and regulations, or other such laws, rules or regulations, will not be adopted in the future which could make compliance much more difficult or expensive, restrict the Company's ability to originate, broker, purchase or sell loans, further limit or restrict the amount of commissions, interest and other charges earned on loans originated, brokered, purchased or sold by the Company, or otherwise adversely affect the business or prospects of the Company.

EMPLOYEES

At December 31, 1999, the Company employed 1,740 full-time employees and 30 part-time employees. None of the Company's employees is subject to a collective bargaining agreement. The Company believes that its relations with its employees are satisfactory.

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EXECUTIVE OFFICERS OF THE REGISTRANT

The following table sets forth the name, age and position with the Company of each person who is an executive officer or key employee of the Company.

<TABLE>
<CAPTION>

NAME	AGE	POSITION
<S>	<C>	<C>
EXECUTIVE OFFICERS:		
Robert K. Cole..................................	53	Chairman of the Board, Chief Executive Officer, Director
Brad A. Morrice.................................	43	Vice Chairman, President, Director
Edward F. Gotschall.............................	45	Vice Chairman, Chief Financial Officer, Director
Steve Holder....................................	42	Vice Chairman, Chief Operating Officer, Director
KEY EMPLOYEES:		
Patrick J. Flanagan.............................	35	Executive Vice President of the Company; Director, Executive Vice President and Chief Operating Officer,

		New Century Mortgage (1), and President, NC Capital (2)
George Anderson................................	61	Director, President Retail Operations, New Century Mortgage (1)
Shabi S. Asghar................................	37	Director, President Wholesale Operations, New Century Mortgage (1)
Paul L. Rigdon.................................	39	Executive Vice President Retail Operations, New Century Mortgage (1), and Executive Vice President, anyloan.com

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(1) New Century Mortgage Corporation ("New Century Mortgage") is a wholly-owned subsidiary of the Company.

(2) NC Capital Corporation ("NC Capital") is a wholly-owned subsidiary of New Century Mortgage.

ROBERT K. COLE has been the Chairman of the Board and Chief Executive Officer of the Company since December 1995 and a director of the Company since November 1995. Mr. Cole also serves as a director on the Board of Directors of New Century Mortgage. From February 1994 to March 1995, he was the President and Chief Operating Officer-Finance of Plaza Home Mortgage Corporation ("Plaza Home Mortgage"), 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 ("Option One"), a subsidiary of Plaza Home Mortgage specializing in the origination, sale and servicing of sub-prime mortgage loans. From June 1990 to January 1994, Mr. Cole was the President of Triple Five, Inc., an international real estate development company. 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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BRAD A. MORRICE has been Vice Chairman of the Company since December 1996, President, and a director of the Company since November 1995. Mr. Morrice also served as the Company's General Counsel from December 1995 to December 1997 and the Company's Secretary from December 1995 to May 1999. In addition, Mr. Morrice serves as Co-Chairman of the Board and Chief Executive Officer of New Century Mortgage. 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, 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 law degree from the University of

California, Berkeley (Boalt Hall) and a Masters of Business Administration degree from Stanford University.

EDWARD F. GOTSCHALL has been Vice Chairman of the Company since December 1996, Chief Financial Officer since August 1998, Chief Operating Officer Finance/Administration of the Company from December 1995 to August 1998 and a director of the Company since November 1995. Mr. Gotschall also serves as Chief Financial Officer and a director of New Century Mortgage. 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. In December 1992, Mr. Gotschall was one of the co-founders and principal architect of the initial business plan for Option One and served as its Executive Vice President/Chief Financial Officer until April 1994. From January 1991 to July 1992, he was the Executive Vice President and Chief Financial Officer of The Mortgage Network, Inc., a retail mortgage banking company. Mr. Gotschall received his Bachelors of Science Degree in Business Administration from Arizona State University and received his CPA designation during his employment term with Touche Ross (now Deloitte & Touche) in Phoenix, Arizona.

STEVE HOLDER has been Vice Chairman of the Company since December 1996, Chief Operating Officer Loan Production/Operations of the Company since December 1995 and a director of the Company since November 1995. Mr. Holder also serves as Co-Chairman of the Board and Chief Executive Officer of New Century Mortgage. From February 1993 to August 1995, he was the Executive Vice President of Long Beach Mortgage Company ("Long Beach Mortgage"). From July 1991 to February 1993, Mr. Holder was the Vice President for Business Development of Transamerica Financial Services. From 1985 to 1990, he was a Regional Vice President for Nova Financial Services, a startup consumer finance subsidiary of First Interstate Bank. Mr. Holder has over 22 years experience in the consumer finance and mortgage business.

PATRICK J. FLANAGAN has been Executive Vice President of the Company since August 1998. He has been President of NC Capital Corporation since December 1998 and a director of New Century Mortgage since May 1997. From January 1997 to August 1998, Mr. Flanagan was Executive Vice President and Chief Operating Officer of New Century Mortgage. Mr. Flanagan initially joined New Century Mortgage in May 1996 as Regional Vice President of Midwest Wholesale and Retail Operations. From August 1994 to April 1996, Mr. Flanagan was a Regional Manager with Long Beach Mortgage. From July 1992 to July 1994, he was an Assistant Vice President for First Chicago Bank, from February 1989 to February 1991, he was Assistant Vice President for Banc One in Chicago and from February 1991 to July 1992, he was a Business Development Manager for Transamerica Financial Services. Mr. Flanagan received his Bachelor of Arts degree from Monmouth College.

GEORGE ANDERSON has been President-Retail Lending of New Century Mortgage since August 1998. From 1994 to July 1998, Mr. Anderson was the President and CEO of Advanta Finance Corporation. From 1990 to 1994, Mr. Anderson served as Executive Vice President for Transamerica Financial Services and from 1984 to 1990, Mr. Anderson served as President and CEO of Nova Financial Services where he was responsible for the full spectrum of start-up activities associated with building a multi-state consumer finance company. In 1990, Nova was acquired by Transamerica Financial Services. From 1959 to 1984, Mr. Anderson served as Area Vice President for Transamerica Financial Services and was responsible for the mid-west and east coast operations of the company. Mr. Anderson has over 36 years experience in the

consumer finance and mortgage business.

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SHABI S. ASGHAR has been President-Wholesale Lending of New Century Mortgage since August 1998. He previously served as Senior Vice President-Wholesale Lending from January 1996 to August 1998 and a director of New Century Mortgage since May 1997. Mr. Asghar initially joined New Century Mortgage as Vice President, Mortgage Banking Operations and served in this position from December 1995 to January 1996. From June 1995 to November 1995, Mr. Asghar was the Southern California District Manager for Ford Consumer Finance. From September 1992 to March 1995, he was an Area Sales Manager for Long Beach Mortgage and from June 1988 to September 1992, he was a Business Development Manager for Transamerica Financial Services. Mr. Asghar received his Bachelor of Science degree from California State University at Northridge.

PAUL L. RIGDON has been Executive Vice President of anyloan.com since April 1999 and Executive President-Retail Lending of New Century Mortgage since August 1998. Mr. Rigdon served previously as Senior Vice President-Retail Lending from February 1997 to August 1998 and a director of New Century Mortgage from May 1997 to November 1999. Mr. Rigdon initially joined New Century Mortgage as the Regional Manager in charge of expansion in the Northwest Retail Region and served in this position from September 1996 to February 1997. From May 1995 to September 1996, he was a District Manager for Advanta Finance. From March 1990 to May 1995, he was an Area Manager for Long Beach Mortgage. Mr. Rigdon received his Bachelor of Science degree in Business Administration and Finance from San Jose State University.

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RISK FACTORS

STOCKHOLDERS AND PROSPECTIVE PURCHASERS OF THE COMPANY'S COMMON STOCK SHOULD CONSIDER CAREFULLY THE FOLLOWING FACTORS, AS WELL AS THE OTHER INFORMATION APPEARING ELSEWHERE IN THIS FORM 10-K, IN EVALUATING AN INVESTMENT IN THE COMPANY. THIS FORM 10-K MAY CONTAIN FORWARD-LOOKING STATEMENTS WHICH INVOLVE RISKS AND UNCERTAINTIES. THE COMPANY'S ACTUAL RESULTS COULD DIFFER MATERIALLY FROM THOSE ANTICIPATED IN THESE FORWARD-LOOKING STATEMENTS AS A RESULT OF CERTAIN FACTORS, INCLUDING THOSE SET FORTH IN THE FOLLOWING RISK FACTORS AND ELSEWHERE IN THIS FORM 10-K.

LIQUIDITY; ACCESS TO FUNDING SOURCES

The Company's business requires substantial cash to support its operating activities and growth plans. At present, the Company's operating uses of cash continue to exceed its operating sources of cash.

The Company requires access to short-term warehouse and aggregation

credit facilities in order to fund loan originations and purchases pending the pooling and sale of such loans. The Company also has residual financing agreements with Salomon, Greenwich Capital and PaineWebber, pursuant to which each will provide the Company with financing upon the Company's retention of residual interests in securitizations and NIM transactions on which each is the lead underwriter or placement agent. The amount of financing provided to the Company under its aggregation credit facilities and its residual financing agreements depends in large part on each company's valuation of the mortgage loans, based on current market conditions, and residual interests, respectively, securing the financings. Each company has the right to reevaluate the collateral securing the Company's outstanding borrowings at any time and, in the event the underwriting company determines that the value of the collateral has decreased, it has the right to initiate a margin call. A margin call would require the Company to provide the underwriting company with additional collateral or to repay a portion of all of the outstanding borrowings. Any such margin call could have a material adverse effect on the Company's results of operations, financial condition and business prospects.

In addition to the financing secured by the Company's loans and residual securities, the Company also has borrowed from U.S. Bank $30 million in subordinated debt ($10 million subsequent to December 31, 1999) secured by subordinate liens on the loans pledged under the U.S. Bank warehouse agreement as well as certain rights to the Company's residuals. Unlike the warehouse, aggregation and residual financing borrowings, which the Company believes are secured by assets that would cover the borrowings in the event of a default, the Company does not currently have a source of funds to repay the subordinated debt in the event of a default, or upon its maturity. In late March 2000, the Company received a commitment from U.S. Bank to (i) provide an additional $10 million of subordinated debt during 2000 upon the Company's achievement of certain milestones, and (ii) extend the maturity of the subordinated debt to June 2002. The Company's inability to consummate the transactions contemplated by the U.S. Bank commitment or its inability to obtain capital or financing to repay the subordinated debt upon its maturity, would have a material adverse impact on the Company's results of operations, financial condition and business prospects.

Moreover, to the extent that the Company is unable to renew or expand its access to credit facilities, the Company may have to undertake larger and/or more frequent capital markets financings than anticipated. Capital markets financings may result in greater than anticipated interest expense and shares outstanding, which may have a dilutive impact on operating earnings or have a negative effect on the Company's financial condition.

As a result of concerns about the ability of sub-prime mortgage lenders to sell their loans in the secondary market on favorable terms or at all, as well as concerns about the value of the residual interests retained in securitizations, a number of institutions have curtailed their lending to the sub-prime mortgage industry. Consequently, there can be no assurance that the Company will be able to renew, replace or add to its existing credit facilities, or that it will be able to undertake capital markets financings on favorable terms, if at all. To the extent that the Company is unable to access adequate capital to fund its loan production or to the extent that the Company is unable to access adequate capital to complete the desired level of securitizations, the Company may have to curtail its loan origination, purchase and securitization activities, which would have a material adverse impact on the Company's results of operations, financial condition and business prospects.

DEPENDENCE ON SECURITIZATIONS FOR FUTURE EARNINGS

The Company plans to continue pooling and selling through securitizations a significant percentage of the loans it originates or purchases, although the Company expects that the gain on sale from such securitizations will represent a smaller portion of the Company's future revenues and net earnings. The Company's ability to complete securitizations of its loans will depend on a number of factors, including conditions in the securities markets generally, conditions in the asset-backed securities market specifically, the performance of the Company's portfolio of securitized loans and the Company's ability to obtain credit enhancement from monoline insurance companies. In the third and fourth quarter of 1999 interest rates and interest spreads required by bond investors continued to increase. In addition, overall demand for sub-prime mortgage loans decreased as investors elected to follow a more conservative investment strategy during the Y2K transition period. To maximize the overall value of these loans, the Company elected to securitize a significant portion of its production during both these periods. Although the Company has continued to sell its loans through securitizations, there can be no assurance that it will continue to be able to do so. If the Company were unable to securitize profitably a sufficient number of its loans in a particular quarter, then the Company's revenues for such quarter would decline, which could result in lower earnings or a loss reported for such quarter.

DEPENDENCE ON WHOLE LOAN SALES FOR FUTURE EARNINGS AND CASH

The Company's current strategy is to rely more heavily on whole loan sales for future earnings and cash flow. In 1999, the Company sold 25.5% of its loan originations and purchases through whole loan sales to various institutional purchasers. The weighted average price of the whole loan sales was 103.2% of the outstanding principal balance of the loans. During the same period, the Company's all-in cost of originating loans was 102.99%. In order to generate sufficient earnings and cash from whole loan sales, the Company will need to achieve one or a combination of (i) reducing its all-in acquisition cost for loans, or (ii) increasing the price purchasers are willing to pay for the Company's loans. There can be no assurance that the Company will be able to achieve either of these objectives. To the extent the Company is unable to originate loans at a price lower than what whole loan purchasers will pay for them, the Company's results of operations, financial condition and business prospects could be materially and adversely affected.

RESIDUAL INTERESTS IN SECURITIZATIONS

During 1999 a substantial portion of the Company's revenues and earnings were derived by recognizing gain on sale of loans through securitizations. In view of the Company's limited loan performance data, it is extremely difficult to validate the Company's loss or prepayment assumptions used to calculate its gain on sale in connection with its securitizations. If the Company's actual experience differs materially from the assumptions used in the determination of the present value of the residual interests it retains in the securitizations, future cash flows and earnings could be negatively impacted. The Company could also be required to reduce the fair value of its residual interests on its balance sheet, which could decrease the residual

financing available to the Company under the Salomon, Greenwich and PaineWebber residual financing facilities.

RISKS RELATED TO LOWER CREDIT GRADE BORROWERS

Loans made to lower credit grade borrowers, including credit-impaired borrowers, may entail a higher risk of delinquency and higher losses than loans made to borrowers with better credit. Virtually all of the Company's loans are made to borrowers who do not qualify for loans from conventional mortgage lenders. Approximately 68.5% of the loans originated or purchased by the Company during 1999 were made to borrowers in the Company's two highest credit grade classifications. No assurance can be given that the Company's underwriting criteria or methods will afford adequate protection against the higher risks associated with loans made to lower credit grade borrowers. The Company continues to be subject to the risks of default and foreclosure following the sale of loans through securitization to the extent such losses reduce the residual interest distributions. Any such reduction in the Company's cash flows could have a material adverse effect on the Company's results of operations, financial condition and business prospects.

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CHANGES IN INTEREST RATES

The Company's profitability may be directly affected by changes in interest rates, which affect the Company's ability to earn a spread between the interest received on its loans and its funding costs. The revenues of the Company may be adversely affected during any period of unexpected or rapid change in interest rates. For example, a substantial and sustained increase in interest rates could adversely affect borrower demand for the Company's products. During periods of rising interest rates, the value and profitability of the Company's loans may also be negatively impacted from the date of origination or purchase until the date the Company sells or securitizes such loans. In addition, the Company's adjustable rate mortgage loans have a life rate cap above which the interest rate on the loan may not rise. In the event of general interest rate increases, the rate of interest on these mortgage loans could be limited, while the rate payable on the senior certificates representing interests in a securitization trust into which such loans are sold may be uncapped, which would reduce the amount of cash the Company receives over the life of its residual interests, thereby requiring the Company to reduce the fair value of such residual interests. Furthermore, a significant decrease in interest rates could increase the rate at which loans are prepaid, which would also reduce the amount of cash the Company receives over the life of its residual interests. Either of these events could require the Company to reduce the fair value of its residual interests, which would have a material adverse effect on the Company's results of operations, financial condition and business prospects.

ECONOMIC SLOWDOWN OR RECESSION

The risks associated with the Company's business are more acute during periods of economic slowdown or recession because these periods may be accompanied by decreased demand for consumer credit and declining real estate values. Declining real estate values reduce the ability of borrowers to use home equity to support borrowings by negatively affecting loan-to-value ratios of the home equity collateral. In addition, because the Company makes

a substantial number of loans to credit-impaired borrowers, the actual rates of delinquencies, foreclosures and losses on such loans could be higher during economic slowdowns. Any sustained period of increased delinquencies, foreclosures or losses could adversely affect the Company's ability to sell loans or the prices the Company receives for its loans, as well as the value of its residual interests in securitizations.

COMPETITION

The Company faces intense competition in the business of originating, purchasing and selling mortgage loans. Many of the Company's competitors are substantially larger and have considerably greater financial, technical and marketing resources than the Company. In the future, the Company may also face competition from government-sponsored entities, such as the Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation, which may target potential customers in the Company's highest credit grades, who constitute a significant portion of the Company's customer base.

Certain large finance companies and conforming mortgage originators have begun to originate non-conforming mortgage loans, and some of these large mortgage companies, thrifts and commercial banks have begun offering non-conforming loan products to customers similar to the borrowers targeted by the Company. Competitors with lower costs of capital have a competitive advantage over the Company. In addition, establishing a broker-sourced loan business requires a substantially smaller commitment of capital and human resources than a direct-sourced loan business. This relatively low barrier to entry permits new competitors to enter this market quickly and compete with the Company's wholesale lending business.

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DEPENDENCE ON WHOLESALE BROKERS

The Company depends primarily on independent mortgage brokers and, to a lesser extent, on correspondent lenders, for the origination and purchase of its wholesale mortgage loans, which constitute a significant portion of the Company's loan production. These independent mortgage brokers deal with multiple lenders for each prospective borrower and are not obligated by contract or otherwise to do business with the Company. The Company competes with these lenders for the independent brokers' business on pricing, service, loan fees, costs and other factors. The Company's future results of operations and financial condition may be vulnerable to changes in the volume and cost of its wholesale loans resulting from, among other things, competition from other lenders and purchasers of such loans.

RISKS ASSOCIATED WITH SERVICING

In 1998, the Company established in-house servicing operations to service the loans it originates and purchases, the loans in its securitizations, and loans sold on a servicing-retained basis. There can be no assurance that the Company will anticipate and respond effectively to all of the demands that servicing its loans will have on the Company's management, infrastructure and personnel. The failure of the Company to meet the challenges of servicing its loans could have a material adverse effect on the Company's results of operations, financial condition and business prospects. For example, many of the Company's borrowers require notices and

reminders to keep their loans current and to prevent delinquencies and foreclosures. Any failure of the Company to adequately service its loans could cause a substantial increase in the Company's delinquency or foreclosure rate, which could adversely impact the value of the residual interests held by the Company and affect the Company's ability to access equity or debt capital resources.

CONTINGENT RISKS

In connection with its securitizations, the Company is required to repurchase or substitute loans in the event of a breach of a representation or warranty made by the Company. Likewise, in connection with its whole loan sales, the Company enters agreements which generally require the Company to repurchase or substitute loans in the event of a breach of a representation or warranty made by the Company to the loan purchaser, any misrepresentation during the mortgage loan origination process or, in some cases, upon any fraud or early default on such mortgage loans. The remedies available to a purchaser of mortgage loans from the Company are generally broader than those available to the Company against the sellers of such loans, and if a purchaser enforces its remedies against the Company, the Company may not be able to enforce whatever remedies the Company may have against such sellers.

RISKS RELATING TO NEW LEGISLATION

Several states, as well as the federal government, are considering proposed legislation to curb predatory lending practices. As drafted, however, many of these laws extend far beyond curbing predatory practices to restrict legitimate lending activities including some of the Company's activities. For example, some of these laws prohibit any form of prepayment charge. Passage of these laws in their current form could reduce the Company's loan origination volume, which would have a material adverse impact on the Company's results of operation, financial condition and business prospects.

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ANTI-TAKEOVER PROVISIONS

The Company's Certificate of Incorporation (the "Certificate of Incorporation") and its Bylaws (the "Bylaws") include provisions that could delay, defer or prevent a takeover attempt that may be in the best interest of stockholders. These provisions include the ability of the Board of Directors to issue up to 7,500,000 shares of preferred stock (the "Preferred Stock") without any further stockholder approval, a classified Board of Directors and requirements that (i) stockholders give advance notice with respect to certain proposals they may wish to present for a stockholder vote, (ii) stockholders act only at annual or special meetings and (iii) two-thirds of all directors approve a change in the number of directors of the Company. Issuance of Preferred Stock could also discourage bids for the Common Stock at a premium as well as create a depressive effect on the market price of the Common Stock. In addition, under certain conditions, Section 203 of the Delaware General Corporation Law (the "DGCL") would prohibit the Company from engaging in a "business combination" with an "interested stockholder" (in

general, a stockholder owning 15% or more of the Company's outstanding voting stock) for a period of three years unless the business combination is approved in a prescribed manner. Finally, certain provisions in the Company's transaction with U.S. Bancorp in 1998, including the stockholder agreements entered into by the four founding managers, may discourage takeover attempts by third parties.

POSSIBLE VOLATILITY OF STOCK PRICE; EFFECT OF FUTURE OFFERINGS ON MARKET PRICE OF COMMON STOCK

The market price of the Common Stock may experience fluctuations that are unrelated to the operating performance of the Company. In particular, the price of the Common Stock may be affected by general market price movements as well as developments specifically related to the consumer finance industry and the financial services sector such as, among other things, interest rate movements, quarterly variations or changes in financial estimates by securities analysts and a significant reduction in the price of the stock of another participant in the consumer finance industry. This volatility may make it difficult for the Company to access the capital markets through a secondary offering of Common Stock, regardless of the Company's financial performance.

ITEM 2. PROPERTIES

The Company's executive, administrative and anyloan.com offices are located in Irvine, California and consist of approximately 211,000 square feet. The three leases covering the executive, administrative and anyloan.com offices expire in June 2002, December 2002 and January 2005, and the combined monthly rent is $331,201.

The Company leases space for its regional operating centers in Chicago, Illinois, Atlanta, Georgia, Rancho Bernardo, California, and San Ramon, California. As of December 31, 1999, these facilities had an annual aggregate base rental of approximately $46,308. The Company also leases space for its sales offices, which range in size from 100 to 3,552 square feet with lease terms typically ranging from one to five years. As of December 31, 1999, annual base rents for the sales offices ranged from approximately $3,000 to $104,244. In general, the terms of these leases vary as to duration and rent escalation provisions, expire between February 2000 and January 2005 and provide for rent escalations dependent upon either increases in the lessors' operating expenses or fluctuations in the consumer price index in the relevant geographical area.

ITEM 3. LEGAL PROCEEDINGS

The Company occasionally becomes involved in litigation arising in the normal course of business. Management believes that any liability with respect to such legal actions, individually or in the aggregate, will not have a material adverse effect on the Company.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted to a vote of the Company's stockholders during the fourth quarter of 1999.

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PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

The Company's Common Stock trades on the Nasdaq National Market under the symbol "NCEN". The high and low bid prices of the Company's Common Stock during each quarter since the Company's Common Stock began trading on June 26, 1997 were as follows:

	FISCAL 1999		FISCAL 1998		FISCAL 1997	
QUARTER	HIGH	LOW	HIGH	LOW	HIGH	LOW
Fourth	$17.56	$13.69	$13.13	$3.44	$19.50	$ 9.63
Third	$19.88	$15.75	$11.50	$7.38	$19.25	$14.13
Second (1)	$20.25	$11.56	$12.50	$8.50	$14.25	$13.63
First	$15.00	$10.69	$11.50	$8.38	N/A	N/A

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(1) 1997 Second Quarter information represents trading from June 26, 1997 to June 30, 1997

As of March 24, 2000 the closing sales price of the Company's Common Stock, as reported on the Nasdaq National Market, was $9.25.

The Company has never declared or paid any cash dividends on its Common Stock. The Company currently intends to retain any earnings for use in its business and does not anticipate paying any cash dividends on its Common Stock in the foreseeable future. In addition, the Company is prohibited from paying dividends under certain of its credit facilities without the prior approval of the lenders.

As of March 24, 2000 the number of holders of record of the Company's Common Stock was approximately 47, and as of March 24, 2000 there were approximately 1,330 beneficial owners of the Company's Common Stock.

RECENT SALES OF UNREGISTERED STOCK

On March 10, 1999, the Company issued 5,923 shares of Common Stock to Kirk Redding and 3,949 shares of Common Stock to Paul Akers representing a portion of the earnout payments for the acquisition of PWF Corporation. The sale and issuance of the shares were exempt from the registration

requirements of the Securities Act by virtue of Section 4(2) of the Securities Act and Regulation D thereunder.

ITEM 6. SELECTED FINANCIAL DATA
(DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)

The following selected consolidated statements of operations and balance sheet data for the years ending December 31, 1999, 1998, 1997 have been derived from the Company's financial statements audited by KPMG LLP, independent auditors, whose report with respect thereto appears elsewhere herein. Such selected financial data should be read in conjunction with those financial statements and the notes thereto and with "Management's Discussion and Analysis of Financial Condition and Results of Operations" also included elsewhere herein.

<PAGE>

<TABLE>
<CAPTION>

(DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)	FOR THE YEAR ENDED DECEMBER 31, 1999	FOR THE YEAR ENDED DECEMBER 31, 1998	FOR THE YEAR ENDED DECEMBER 31, 1997
<S>	<C>	<C>	<C>
STATEMENT OF OPERATIONS DATA:			
Revenues:			
Gain on sales of loans	$ 121,672	$ 105,060	$ 67,939
Interest income	61,457	47,655	25,071
Servicing income	50,813	23,692	5,623
Total revenues	233,942	176,407	98,633
Expenses	167,056	124,099	68,041
Earnings before income taxes	66,886	52,308	30,592
Income taxes	27,377	21,193	12,849
Net earnings	$ 39,509	$ 31,115	$ 17,743

Basic earnings per share	$ 2.59	$ 2.19	$ 2.18
	=========	=========	========
Diluted earnings per share	$ 2.11	$ 2.03	$ 1.40
	=========	=========	========

</TABLE>

<TABLE>
<CAPTION>

(DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)	AS OF YEAR ENDED DECEMBER 31, 1999	AS OF YEAR ENDED DECEMBER 31, 1998	AS OF YEAR ENDED DECEMBER 31, 1997
<S>	<C>	<C>	<C>
BALANCE SHEET DATA:			
Loans receivable held for sale, net	$ 442,653	$ 356,975	$276,506
Residual interests in securitizations	364,689	205,395	97,260
Total assets	863,709	624,727	398,128
Borrowings under warehouse lines of credit	234,778	191,931	184,426
Borrowings under aggregation lines of credit	193,948	153,912	70,937
Subordinated debt	20,000	----	----
Residual financing	177,493	122,298	53,427
Other borrowings	3,051	3,985	3,222
Total stockholders' equity	172,963	114,613	60,836

</TABLE>

<TABLE>
<CAPTION>

(DOLLARS IN THOUSANDS)	AS OF OR FOR THE YEAR ENDED DECEMBER 31, 1999	AS OF OR FOR THE YEAR ENDED DECEMBER 31, 1998	AS OF OR FOR THE YEAR ENDED DECEMBER 31, 1997
<S>	<C>	<C>	<C>
OPERATING STATISTICS:			
Loan origination and purchase activities:			

Wholesale originations	$2,894,517	$2,382,784	$1,265,133
Retail originations	1,185,747	942,072	578,674
Bulk acquisitions	---	---	120,794
Total loan originations and purchases	$4,080,264	$3,324,856	$1,964,601
Average principal balance per loan	$102	$96	$102
Percent of loans secured by first mortgage	96.7%	97.2%	96.9%
Weighted average initial loan-to-value ratio	78.8%	78.2%	74.0%
Originations by product type			
ARMs	$2,610,475	$1,920,686	$1,394,133
Fixed-rate mortgages	1,469,789	1,404,170	570,468
Weighted average interest rates:			
Fixed-rate mortgages	10.2%	10.0%	9.8%
ARMs	9.8%	9.7%	9.5%
Margin-ARMs	6.2%	6.1%	7.0%
Loan Sales:			
Loans sold through whole loan transactions	$1,033,006	$1,477,225	$ 680,900
Loans sold through securitizations	3,017,658	2,265,700	1,123,618
Loans acquired to securitize	(61,312)	(544,704)	(63,718)
NET LOAN SALES	$3,989,352	$3,198,221	$1,740,800

</TABLE>

<PAGE>

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with the Consolidated Financial Statements of the Company and the accompanying Notes included elsewhere herein.

GENERAL

New Century is a specialty finance company engaged in the business of originating, purchasing, selling and servicing sub-prime mortgage loans secured primarily by first mortgages on single family residences. The Company originates and purchases loans through its Wholesale and Retail Divisions and through its Primewest subsidiary. New Century's borrowers generally have substantial equity in the property securing the loan, but have impaired or limited credit profiles or higher debt-to-income ratios than traditional mortgage lenders allow. The Company's borrowers also include individuals who, due to self-employment or other circumstances, have difficulty verifying their income, as well as individuals who prefer the prompt and personalized service provided by the Company.

LOAN ORIGINATION AND PURCHASES

As of December 31, 1999, the Company's Wholesale Division was operating through five regional operating centers located in Southern California, Northern California, Atlanta, Chicago and Tampa, and through 41 additional sales offices located in 27 states. The Wholesale Division funded $2.9 billion in loans, or 70.9%, of the Company's total loan production during the year ended December 31, 1999. As of December 31, 1999, the Retail Division was operating through 21 retail sales offices in California, and 62 retail sales offices in 29 other states. The Retail Division, including anyloan.com, funded $1.0 billion in loans, or 25.1%, of total loan production during the year ended December 31, 1999. The Company also funded $163.1 million in loans, or 4.0% of the Company's total loan production through its Primewest subsidiary during the year ended December 31, 1999.

<PAGE>

The following table summarizes the Company's loan originations and purchases for the periods shown.

<TABLE>
<CAPTION>

<S>	FOR THE YEAR ENDED DECEMBER 31, 1999				FOR THE YEAR ENDED DECEMBER 31, 1998			
	WHOLESALE <C>	RETAIL <C>	PRIMEWEST <C>	TOTAL <C>	WHOLESALE <C>	RETAIL <C>	PRIMEWEST <C>	TOTAL <C>
Principal balance (in thousands).....................	$2,894,517	$1,022,689	$163,058	$4,080,264	$2,382,784	$842,764	$99,308	$3,324,856
Number of loans................	26,821	11,427	1,649	39,897	23,946	9,653	1,032	34,631
Average principal balance								

(in thousands).............	$ 108	$ 89	$ 99	$ 102	$ 100	$ 87	$ 96	$ 96
Weighted average interest rates:								
Fixed-rate.............	10.2%	10.2%	9.9%	10.2%	10.0%	9.9%	9.6%	10.0%
ARMs...................	9.9%	9.2%	9.6%	9.8%	9.7%	9.4%	9.3%	9.7%
Margin-ARMs............	6.1%	6.2%	6.5%	6.2%	6.1%	6.2%	6.5%	6.1%
Weighted average initial loan-to-value ratios (1)..	78.8%	79.0%	76.8%	78.8%	78.7%	77.3%	74.7%	78.2%
Percentage of loans:								
ARMs...................	65.5%	28.3%	30.4%	64.0%	68.1%	26.8%	70.0%	56.6%
Fixed-rate.............	34.5%	71.7%	69.6%	36.0%	31.9%	73.2%	30.0%	43.4%
Percentage of loans secured by first and second mortgages:								
Percentage of loans Secured by first Mortgage............	95.2%	83.2%	93.3%	96.7%	98.1%	94.0%	95.9%	97.0%
Percentage of loans Secured by second Mortgage............	4.8%	16.8%	6.7%	3.3%	1.9%	6.0%	4.1%	3.0%

</TABLE>

(1) The weighted average initial loan-to-value ratio of a loan secured by a first mortgage is determined by dividing the amount of the loan by the appraised value of the mortgage property at origination. The weighted average initial loan-to-value ratio of a loan secured by a second mortgage is determined by taking the sum of the first and second mortgages and dividing by the appraised value of the mortgaged property at origination.

The Company continued to increase its loan origination volume on a quarterly basis during 1999 as a result of the maturing of offices opened in 1997 and 1998. The following table sets forth the quarterly loan production results, the number of office locations and the number of sales professionals at the end of each quarter by division:

<TABLE>
<CAPTION>

AS OF OR FOR THE QUARTERS ENDED

MARCH 31, 1999	JUNE 30, 1999	SEPTEMBER 30, 1999	DECEMBER 31, 1999

(DOLLARS IN THOUSANDS)

<S>	<C>	<C>	<C>	<C>
WHOLESALE				
Volume................................	$646,137	$668,560	$823,551	$756,269
Offices (including regional Operating centers)...............	70	70	71	46
Account Executives..................	155	134	184	176
RETAIL (INCLUDING PRIMEWEST)				
Volume................................	$245,780	$290,426	$333,952	$315,589
Offices................................	79	81	80	83
Loan Officers.........................	309	332	344	342
TOTAL				
Volume................................	$891,917	$958,986	$1,157,503	$1,071,858
Offices................................	149	151	151	129

</TABLE>

<PAGE>

LOAN SALES AND SECURITIZATIONS

The Company's loan sale strategy includes both securitizations and whole loan sales in order to advance the Company's goal of enhancing profits while managing cash flows. Loan sales through securitizations permit the Company to enhance operating profits and to benefit from future cash flows generated by the residual interests retained by the Company. Whole loan sale transactions enable the Company to generate current cash flow, protect against the potential volatility of the securitization market and reduce the risks inherent in retaining residual interests in securitizations.

The Company's primary source of revenue is the recognition of gains from the sale of its loans through whole loan sales and securitizations. In a whole loan sale, the Company recognizes and receives a cash gain upon sale. In a securitization, the Company recognizes a gain on sale at the time the loans are sold, but receives corresponding cash flows, represented by the over-collateralization amount ("OC") and the Net Interest Receivable ("NIR"), over the actual life of the loans. The OC represents the portion of the loans which are held by the trust as over-collateralization for the senior and junior certificate holders, and generally consists of the excess of the principal balance of the mortgage loans sold to the trust, less the principal balance of the certificates sold to investors. The NIR represents the difference between the interest received from the loans sold and (i) interest required to be passed through to the senior and junior certificate holders, (ii) all servicing fees, (iii) estimated losses to be incurred on the portfolio of loans, and (iv) other expenses and revenues, including

anticipated prepayment penalties. At the time of securitization, the Company capitalizes the OC and the NIR, based upon certain prepayment and loan loss assumptions and a discount rate the Company believes is consistent with what market participants would use for similar financial instruments. The capitalized assets are recorded on the Company's balance sheet as interest-only and residual certificates. A gain or loss is recorded on the income statement for the value of the residual certificates created by the securitization in excess of the cost basis of the loans and transaction expenses. As a result of timing differences in receiving cash from whole loan sales versus securitizations, the relative percentage of whole loan sales to securitizations will impact the Company's operating cash flow. For the year ended December 31, 1999, 74.5% of the Company's total loan sales were in the form of securitizations.

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

In connection with the origination and purchase of loans, the Company may either receive or pay origination fees. These fees, referred to as "points" or "premiums" in the mortgage industry, are dependent on the source of loan production and typically correspond to the amount of further processing required for a loan to be funded and are determined as a percentage of the loan amount. The points received from the origination of loans and the premiums paid to originate and acquire loans are included in the gain recognized from the sale of loans in the income statement.

<PAGE>

The following table sets forth loan sales and securitizations for the periods indicated:

<TABLE>
<CAPTION>

(DOLLARS IN THOUSANDS)	For the Year Ended December 31, 1999	For the Year Ended December 31, 1998	For the Year Ended December 31, 1997
<S>	<C>	<C>	<C>

Securitizations.......................	$3,017,658	$2,265,700	$1,123,618
Whole loan sales......................	1,033,006	1,477,225	680,900
Subtotal..............................	$4,050,664	$3,742,925	$1,804,518
Less: Loans acquired to securitize(1)	(61,312)	(544,704)	(63,718)
Net loan sales........................	$3,989,352	$3,198,221	$1,740,800

</TABLE>

(1) Loans acquired to securitize represent loans acquired by the Company from whole loan investors, for the purpose of securitizing those loans. These loan acquisitions are effected at current market prices for such loans.

As part of its overall securitization strategy in 1999, the Company also completed one NIM excess cash flow private placement with respect to its residual interests in its securitizations issued prior to 1999. If market conditions permit, the Company expects that NIM transactions will continue to be part of the Company's overall securitization strategy.

RECENT DEVELOPMENTS IN SECONDARY MARKET. During 1999, whole loan prices remained at levels significantly lower than those experienced by the Company in 1996, 1997 and first half of 1998. In addition, more buyers in the whole loan market are confining their purchases to loans having very specific characteristics. Unlike earlier periods, the Company has found it to be more difficult to identify buyers willing to purchase a pool of loans representing a cross section of the Company's entire loan production. The Company expects that in order to achieve higher prices in whole loan sales, it will need to begin tailoring its production to the desired characteristics of the active whole loan buyers.

A significant part of the Company's Focus 2000 cash management strategy involves selling a greater portion of its production through whole loan sales. If the Company cannot adequately tailor its production to yield higher premiums in whole loan sales, and cannot find sources of funding to finance continued securitization, it could have a material adverse effect on the Company's results of operations, financial condition and business prospects.

RESULTS OF OPERATIONS

YEAR ENDED DECEMBER 31, 1999 COMPARED TO YEAR ENDED DECEMBER 31, 1998

The Company originated and purchased $4.1 billion in loans for the year ended December 31, 1999, compared to $3.3 billion for the year ended December 31, 1998. Loans originated and purchased through the Company's Wholesale Division were $2.9 billion, or 70.9%, of total originations and purchases for the year ended December 31, 1999. Loans originated through the Company's Retail Division, including anyloan.com, were $1.0 billion, or

25.1%, of total originations and purchases for the year ended December 31, 1999. Loans originated through the Company's Primewest subsidiary were $163.1 million, or 4.0%, of total originations and purchases for the year ended December 31, 1999. For the same period in 1998, Wholesale, Retail and Primewest originations and purchases totaled $2.4 billion, or 71.7%, $842.8 million, or 25.3%, and $99.3 million, or 3.0%, respectively, of total originations and purchases for such period.

Total revenues for the year ended December 31, 1999 increased to $233.9 million, or 32.6%, from $176.4 million for the year ended December 31, 1998, due primarily to the increase in loan originations, purchases and sales as well as the growth in the servicing portfolio in 1999. Gain on sale of loans increased to $121.7 million, or 15.8%, for the year ended December 31, 999, from $105.1 million for the year ended December 31, 1998 due to the increase in loan sales in 1999.

The Company sold $4.0 billion in loans for the year ended December 31, 1999, of which $1.0 billion were sold through whole loan sale transactions and $3.0 billion were sold through securitizations. Loans sold through securitization included $61.3 million in loans that were acquired by the Company from a whole loan investor in the third quarter of 1999 for the purpose of securitizing the loans.

<PAGE>

The components of the gain on sale of loans are illustrated in the following table:

<TABLE>
<CAPTION>

(DOLLARS IN THOUSANDS)	For the Year Ended December 31, 1999	For the Year Ended December 31, 1998
<S>	<C>	<C>
Gain from whole loan sale transactions	$ 30,749	$ 58,001
Non-cash gain from securitizations (NIR gains)	169,908	168,065
Non-cash gain from servicing asset	16,368	8,791
Cash gain (loss) from securitizations/ NIMs transactions	(4,670)	(4,664)
Securitization expenses	(17,161)	(13,664)
Accrued interest	(14,807)	(11,818)
Write-down of NIR	(23,000)	(5,900)
General valuation allowance for NIR	----	(7,500)

Provision for losses	(2,549)	(6,400)
Non-refundable fees	54,598	47,933
Premiums, net	(22,355)	(58,816)
Origination costs	(63,300)	(62,783)
Hedging losses	(2,181)	(6,185)
	-----------	----------
Gain on sales of loans	$121,672	$105,060
	===========	==========

</TABLE>

Whole loan sales for the year ended December 31, 1999, decreased to $1.0 billion, or 30.1%, from $1.5 billion for the corresponding period in 1998. This decrease is the result of the Company electing to sell a greater percentage of its loan originations and purchases through securitization due to whole loan prices remaining at historically low levels.

Interest income for the year ended December 31, 1999 increased to $61.5 million, or 29.0%, from $47.7 million for the same period in 1998. Interest income is earned on loans held in inventory for sale. Such interest income accrues during periods when loans are accumulated for future sales, and increases as loan originations and purchases increase. The increase in interest income for the year ended December 31, 1999 is the result of a higher average inventory of loans held for sale compared to the corresponding period in 1998. The average inventory held for sale for the year ended December 1999, based on quarter-end balances, was $387.7 million, compared to $302.6 million for the corresponding period in 1998.

Servicing income for the year ended December 31, 1999, increased to $50.8 million, or 114.5%, from $23.7 million for the year ended December 31, 1998, as a result of the increase in the servicing portfolio and the Company's residual interests in securitizations. Servicing income includes servicing fees received on loans sold through servicing-retained whole loan sales or securitizations, as well as income recognized on residual cash flows from securitizations. Residual interests in securitizations increased from $205.4 million at December 31, 1998 to $364.7 million at December 31, 1999. Another factor contributing to the increase in servicing income was the assumption of all servicing responsibilities for loans previously sub-serviced by Advanta Mortgage Corporation.

RESIDUAL SECURITIES

THE CARRYING VALUE OF THE COMPANY'S RESIDUAL SECURITIES AT DECEMBER 31, 1999 AND DECEMBER 31, 1998 IS SUMMARIZED BELOW (DOLLARS IN THOUSANDS):

<TABLE>
<CAPTION>

	1999	1998

<S> <C> <C>

Book Value of Securities	$369,689	$215,895
Less: General valuation allowance for NIR	5,000	10,500
Net carrying value	$364,689	$205,395

</TABLE>

<PAGE>

In establishing the net book value of the residual securities, management reviews on a quarterly basis the underlying assumptions used to value each residual security and adjusts the carrying value of the securities based on actual experience and trends in the industry. During the fourth quarter the Company recorded a $10 million adjustment to its residual securities issued prior to 1999, representing approximately 2.7% of the total carrying value of residual securities, and resulting in a 31 cent decrease in fourth quarter diluted net earnings per share. This adjustment was the result of a) a continuing increase in prepayment speeds which occurred despite the increase in interest rates, and b) an increase in overall static pool loss assumption to 2.50%.

Total expenses for the year ended December 31, 1999, increased to $167.1 million, or 34.6%, from $124.1 million for the year ended December 31, 1998. Interest expense increased due to the higher level of loan inventory and corresponding warehouse and aggregation borrowings. All other expense components increased from 1998 to 1999 due primarily to (i) higher loan origination volume in the year ended December 31, 1999 compared to the same period in 1998; (ii) an increase in staffing from 1,417 employees at December 31, 1998 to 1,770 employees at December 31, 1999; (iii) the costs incurred in market research and media testing, including radio and television; (iv) the costs incurred to develop new technology, which includes the Company's automated underwriting system, and (v) the costs incurred in the development of the Company's internet division, anyloan.com.

YEAR ENDED DECEMBER 31, 1998 COMPARED TO YEAR ENDED DECEMBER 31, 1997

The Company originated and purchased $3.3 billion in loans for the year ended December 31, 1998, compared to $2.0 billion for the year ended December 31, 1997. Loans originated and purchased through the Company's Wholesale Division were $2.4 billion, or 71.7%, of total originations and purchases for the year ended December 31, 1998. Loans originated through the Company's Retail Division were $842.8 million, or 25.3%, of total originations and purchases for the year ended December 31, 1998. Loans originated through the Company's Primewest subsidiary were $99.3 million, or 3.0%, of total originations and purchases for the year ended December 31, 1998. For the same period in 1997, Wholesale and Retail originations and purchases totaled $1.3 billion, or 64.4%, and $578.7 million, or 29.5%, respectively, of total originations and purchases for such period. The Company also acquired loans through bulk acquisitions totaling $120.8

million, or 6.1%, of total originations and purchases for the ended December 31, 1997.

Total revenues for the year ended December 31, 1998 increased to $176.4 million, or 78.9%, from $98.6 million for the year ended December 31, 1997, due primarily to the increase in loan originations and purchases and sales in 1998. Gain on sale of loans increased to $105.1 million, or 54.8%, for the year ended December 31, 1998, from $67.9 million for the year ended December 31, 1997 due to the increase in loan sales in 1998.

The Company sold $3.7 billion in loans for the year ended December 31, 1998, of which, $1.5 billion were sold through whole loan sale transactions and $2.2 billion were sold through securitizations. Loans sold through securitization include $544.7 million in loans that were acquired by the Company from a whole loan investor in the fourth quarter of 1998 for the purpose of securitizing the loans.

<PAGE>

The components of the gain on sale of loans are illustrated in the following table:

<TABLE>
<CAPTION>

(DOLLARS IN THOUSANDS)	For the Year Ended December 31, 1998	For the Year Ended December 31, 1997
<S>	<C>	<C>
Gain from whole loan sale transactions	$ 58,001	$27,707
Non-cash gain from securitizations	168,065	89,770
Non-cash gain from servicing asset	8,791	----
Cash gain (loss) from securitizations/ NIMs transactions	(4,664)	6,105
Securitization expenses	(13,664)	(5,624)
Accrued interest	(11,818)	(7,188)
Write-down of NIR	(5,900)	(5,175)
General valuation provision for NIR	(7,500)	(3,000)
Provision for losses	(6,400)	(3,986)
Non-refundable loan fees	47,933	24,514
Premiums, net	(58,816)	(24,739)

	1998	1997
Origination costs	(62,783)	(28,716)
Hedging losses	(6,185)	(1,729)
Gain on sales of loans	$105,060	$67,939

</TABLE>

Whole loan sales for the year ended December 31, 1998, increased to $1.5 billion, or 117.0%, from $680.9 million for the corresponding period in 1997. This increase is the result of the increase in loan originations and purchases.

Interest income for the year ended December 31, 1998 increased to $47.7 million, or 90.1%, from $25.1 million for the same period in 1997. Interest income is earned on loans held in inventory for sale. Such interest income accrues during periods when loans are accumulated for future sales, and increases as loan originations and purchases increase. The increase in interest income for the year ended December 31, 1998 is the result of a higher average inventory of loans held for sale compared to the corresponding period in 1997. The average inventory held for sale for the year ended December 1998, based on quarter-end balances, was $302.6 million, compared to $189.7 million for the corresponding period in 1997.

Servicing income for the year ended December 31, 1998, increased to $23.7 million, or 321.3%, from $5.6 million for the year ended December 31, 1997, as a result of the increase in the servicing portfolio. Servicing income reflects servicing fees received on loans sold through servicing-retained whole loans sales or securitizations, as well as income recognized on residual cash flows from securitizations. The increase in servicing income for the year ended December 31, 1998 is also attributable to the increase in residual interests in securitizations, which increased from $97.3 million at December 31, 1997 to $205.4 million at December 31, 1998.

RESIDUAL SECURITIES

The carrying value of the Company's residual securities at December 31, 1998 and December 31, 1997 is summarized below (000's):

<TABLE>
<CAPTION>

<S>	1998 <C>	1997 <C>
Book value of securities	$215,895	$100,260
Less: General valuation allowance for NIR	10,500	3,000
Net carrying value	$205,395	$ 97,260

</TABLE>

<PAGE>

In establishing the net book value of the residual securities, management reviews on a quarterly basis the underlying assumptions used to value each residual security. The specific values set forth above were established and tested by a) changing prepayment speed assumptions and loss assumptions for each security to reflect actual experience and future expectations, and b) performing sensitivity analyses on the assumptions to assess the potential impact of a higher prepayment and lower loss scenario, and the potential impact of a lower prepayment and higher loss scenario.

To date, the Company's overall cash flows on its residual interests are higher than the Company had projected. However, three of the early 1997 securitizations (1997 NC-1, NC-2 and NC-3) have experienced high prepayment speeds resulting in a remaining principal balance substantially lower than projected. In addition, in 1998 the Company repurchased certain loans from those three securitizations due to delinquencies or defaults, which further increased the prepayment speeds of these three securitizations. Because the Company believes the future cash flows from these securitizations will be less than modeled cash flows, the Company recorded a $5.9 million reduction in the value of the residual securities from these three transactions in the fourth quarter of 1998.

Total expenses for the year ended December 31, 1998, increased to $124.1 million, or 82.4%, from $68.0 million for the year ended December 31, 1997. Interest expense increased due to the higher level of loan inventory and corresponding warehouse and aggregation borrowings. All other expense components increased from 1997 to 1998 due primarily to (i) higher loan origination volume in the year ended December 31, 1998 compared to the same period in 1997; (ii) an increase in staffing from 1,151 employees at December 31, 1997 to 1,417 employees at December 31, 1998; and (iii) the addition of 34 wholesale sales offices and four retail sales offices from December 31, 1997 to December 31, 1998.

LIQUIDITY AND CAPITAL RESOURCES

PRINCIPAL FINANCING FACILITIES. The Company requires access to short-term warehouse and aggregation credit facilities in order to fund loan originations and purchases pending the securitization and sale of such loans. As of December 31, 1999, the Company had a $290.0 million warehouse line of credit led by U.S. Bank National Association which expires in May 2000 and bears interest at a rate equal to the one month LIBOR plus 1.25%. At December 31, 1999, the balance outstanding under the warehouse line of credit was $234.8 million.

Borrowings under the warehouse line are generally secured by first mortgages funded through the facility. Within seven business days of funding, the Company is required to deposit the mortgage note and file with U.S. Bank to be held as collateral. If the file is incomplete, U.S. Bank ceases to count the loan in calculating the Company's available borrowing capacity. As a consequence, the Company is essentially forced to use its own cash to carry the loan until the file defect can be cured and the loan can be resubmitted under the warehouse line. As of December 31, 1999, the Company's "zero-collateral" balance was not material, and did not affect the Company's liquidity.

In October 1999 U.S. Bank provided the Company $20 million in subordinated debt under the warehouse agreement, and in February 2000 added

$10 million to this debt. The subordinated debt bears interest at a rate of 12% per annum and matures in June 2000. The facility is secured by a subordinate lien on the collateral under the warehouse agreement as well as a pledge of the Company's rights under its residual financing repurchase agreements with an affiliate of Salomon Smith Barney, Inc. ("Salomon"). In late March 2000, U.S. Bank committed to (i) provide an additional $10 million in subordinated debt during 2000 subject to the Company's achievement of certain milestones and (ii) extend the maturity of the subordinated debt to June 2002. The Company expects the definitive agreements documenting these arrangements will be executed by April 30, 2000.

As of December 31, 1999, the Company also had a $600 million aggregation facility with Salomon, which is subject to renewal by Salomon on a monthly basis and bears interest at a rate generally equal to the one month LIBOR plus 1.25%. In November 1998, the Company established a $3.0 million credit facility with an affiliate of Salomon secured by a newly-formed special purpose subsidiary of the Company that will hold residential properties owned by the Company from time to time pending their liquidation. This facility bears interest based on the one month LIBOR, and expires on April 1, 2000. The Company and Salomon are currently in the process of negotiating the renewal of the facility. As of December 31, 1999, the balance outstanding under these facilities was $164.3 million.

<PAGE>

As of December 31, 1999, the Company also had an additional $300 million aggregation facility with Greenwich Capital ("Greenwich") and a $300 million aggregation facility, which includes a residual financing facility, with PaineWebber Inc. ("PaineWebber"), which are subject to renewal in June and August 2000, respectively, and bear interest rates generally equal to the one month LIBOR plus 1.25%. At December 31, 1999, the balance outstanding under each aggregation facility was $17.7 million and $11.9 million, respectively.

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

The Company also has residual financing arrangements with Salomon, Greenwich and PaineWebber, whereby each provides financing of the Company's residual interests in securitizations as well as its residual interest from NIM transactions. The amount of residual financing provided upon each securitization is determined pursuant to formulas set forth in the respective agreements and is generally subject to repayment as a result of changes in the market value of the residual interest or the formula used by the lead underwriter to determine the market value (which the underwriter may adjust in its discretion). The facilities bear interest at a rate based on the one month LIBOR. At December 31, 1999, the balance outstanding under these facilities was $177.5 million.

The Company's business requires substantial cash to support its operating activities and growth plans. As a result, the Company is dependent on the U.S. Bank warehouse facility, the Salomon, Greenwich and PaineWebber

aggregation lines and the residual financing facilities in order to finance its continued operations. If any of Salomon, Greenwich, PaineWebber or U.S. Bank decided not to renew their respective credit facilities with the Company, the loss of borrowing capacity would have a material adverse impact on the Company's results of operations unless the Company found a suitable alternative source.

INDUSTRY LIQUIDITY ENVIRONMENT. Although the Company was able to renew its warehouse credit agreement and establish new aggregation credit facilities in the second and third quarters, the financing environment for sub-prime mortgage lenders in general remains unfavorable by historical standards. In recent quarters, several of the Company's competitors have had warehouse or aggregation facilities withdrawn or substantially curtailed. In addition, as whole loan prices have fallen, lenders have gradually reduced the levels at which they will lend against mortgage loans and residual interests. This reduction in advance rates has had a negative effect on the Company's cash flow. If the lower advance rates persist, the Company believes it may affect the Company's secondary marketing strategy, and may have a material adverse effect on the Company's results of operations, business and financial condition.

CASH FLOW. The Company's negative cash flow position is primarily a function of its securitization strategy and rapid growth. The Company records a residual interest in securitization and recognizes a gain on sale when it effects a securitization, but only receives the cash representing such gain over the life of the loans securitized. In order to support its loan origination, purchase and securitization programs, the Company is required to make significant cash investments that include the funding of: (i) fees paid to brokers and correspondents in connection with generating loans through wholesale and correspondent lending activities; (ii) fees and expenses incurred in connection with the securitization and sale of loans including over-collateralization requirements for securitization; (iii) commissions paid to sales employees to originate loans; (iv) any difference between the amount funded per loan and the amount advanced under its current warehouse facility; and (v) income tax payments arising from the recognition of gain on sale of loans. The Company also requires cash to fund ongoing operating and administrative expenses, including capital expenditures and debt service. The Company's sources of operating cash flow include: (i) the premium advance component of the aggregation facilities; (ii) premiums obtained in whole loan sales; (iii) mortgage origination income and fees; (iv) interest income on loans held for sale; (v) excess cash flow from securitization trusts; and (vi) servicing income. For the year ended December 31, 1999, the Company's operations used approximately $117.0 million in cash, which is primarily attributable to cash invested in the OC Accounts.

OTHER BORROWINGS. The Company has a discretionary, non-revolving $5.0 million line of credit with an affiliate of U.S. Bank secured by the Company's furniture and equipment. Advances under this facility are made periodically at the discretion of the lender, and bear interest at a fixed rate established at the time of each advance for a term of three years. As of December 31, 1999, the balance outstanding under this facility was $3.1 million, and the weighted-average interest rate was 9.2%.

The new terms of the U.S. Bank warehouse line allow borrowings

secured by the Company's servicing-related advances, as well as additional borrowing capacity on the Company's inventory of loans receivable held for sale. These new terms effectively replaced a previous working capital line of credit component in the warehouse agreement.

The Company had various non-revolving operating lease agreements totaling $19.1 million at December 31, 1999, for purposes of financing office property and equipment. Advances under these facilities are made periodically and a financing rate is established at the time of each advance. As of December 31, 1999, the Company had fully utilized the financing available under these facilities.

In November 1998, in connection with the sale of 20,000 shares of Series 1998A Convertible Preferred Stock, the Company received $20.0 million in cash from U.S. Bancorp, the proceeds of which were used to pay down outstanding borrowings under the warehouse line of credit. The proceeds provided the Company greater flexibility in its secondary marketing strategy in the first and second quarters of 1999 by allowing the Company to securitize a greater portion of its production.

In July 1999, the Company raised $20 million through the sale of 20,000 shares of Series 1999A Convertible Preferred Stock to U.S. Bancorp. In October 1999, the Company raised an additional $20 million from U.S. Bancorp in the form of subordinated debt. In February 2000, the Company raised an additional $10 million from U.S. Bancorp also in the form of subordinated debt. Finally, in March 2000, the Company received a commitment from U.S. Bank to (i) provide an additional $10 million in subordinated debt during 2000 subject to the Company's achievement of certain milestones and (ii) extend the maturity of the subordinated debt to June 2002. The cash from these investments and borrowings provided the Company greater flexibility in the third and fourth quarters of 1999 and the first quarter of 2000 to continue to securitize a portion of the Company's loan production. The additional $10 million of subordinated debt is intended to facilitate the Company's implementation of its Year 2000 business strategy.

LIQUIDITY STRATEGY FOR 2000. In 2000, the Company intends to concentrate on improving cash flow and reducing the dependence on outside capital by increasing the proportion of loans the Company sells on a whole loan basis and reducing the percent of production that is securitized. At the same time, the Company is emphasizing greater efficiencies and improved operating discipline so as to reduce the all-in acquisition costs to 2.50% by year-end. In order to ease the transition to this new strategy, and to allow the Company to continue to securitize a portion of its production, the Company will need additional borrowings or capital in the second and third quarters of 2000. To this end, the Company has received a commitment from U.S. Bank to provide an additional $10 million in subordinated debt during the second, third and fourth quarters subject to the Company's achievement of certain milestones.

There can be no assurance that the Company will be able to successfully implement its cost cutting and whole loan strategies. Furthermore, there can be no assurance that the Company will be able to raise additional capital or borrow additional sums after consummation of the transactions contemplated by the additional U.S. Bank commitment. The failure to successfully implement the Company's cost-cutting and whole loan strategies in 2000 could have a material adverse effect on the Company's results of operations, business and financial condition.

Subject to the various uncertainties described above, and assuming that (i) the Company can successfully cut its all-in acquisition costs to 2.50% by year-end, (ii) the Company is able to adjust its production mix in order to receive higher premiums on whole loan sales, and (iii) the Company receives the additional subordinated debt committed by U.S. Bank, the Company anticipates that its liquidity, credit facilities and capital resources will be sufficient to fund its operations for the foreseeable future.

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INCOME TAXES

The Company accounts for income taxes by using the asset and liability method. Under the asset and liability method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

ACCOUNTING CONSIDERATIONS

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

Under SFAS No. 133, an entity that elects to apply hedge accounting is required to establish at the inception of the hedge the method it will use for assessing the effectiveness of the hedging derivative and the measurement approach for determining the ineffective aspect of the hedge. Those methods must be consistent with the entity's approach to manage risk. Management has determined that application of this statement will not have a material impact on the Company.

<PAGE>

YEAR 2000

The Company undertook a variety of steps in order to ensure that the Year 2000 issue would not disrupt its operations. A detailed designation of the Company's "Y2K Plan" is set forth in the Company's report on Form 10-Q for the quarter ended September 30, 1999.

As of March 29, 2000, the Company has not experienced any material consequences relating to the Year 2000 issue. The Company's total Year 2000 costs were less than $700,000.

The Company will continue to monitor its systems for Year 2000 compliance.

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SAFE HARBOR STATEMENT

The preceding "Business" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" sections contain certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 (the "Securities Act") and Section 21E of the Securities Exchange Act of 1934 (the "Exchange Act"), and the Company intends that such forward-looking statements be subject to the safe harbors created thereby. These forward-looking statements generally include the plans and objectives of management for future operations, including plans and objectives relating to the Company's future economic performance. The forward-looking statements and associated risks may include or relate to: (i) the Company's ability to improve cash flow by selling a greater percentage of whole loans and securitizing a smaller percentage of total originations, (ii) the Company's ability to originate loans with characteristics for which loan buyers will pay a higher premium, (iii) the ability of the Company to transition from a monoline, sub-prime mortgage company to a company which can offer customers a broader menu of financing products and services, (iv) the ability of the Company to become a leading provider of financial products and services over the Internet, (v) the ability of the Company's production units to improve the overall profitability of loan production by concentrating on higher-value loans and reducing low-margin production, (vi) the Company's plans to close unprofitable branches and the ability to be more selective in new branch openings, (vii) the Company's ability to maintain at least two active investment-banking relationships for securitizations and residual financing, (viii) the Company's ability to execute definitive agreements documenting U.S. Bancorp's additional capital commitment, and to satisfy the conditions to receiving the additional $10 million in subordinated debt, (ix) the Company's intention to focus on improving profitability by controlling costs, (x) the Company's ability to increase consumer marketing, expand Internet loan origination efforts and initiate a broader national marketing

program to increase brand recognition, (xi) the Company's ability to continue to reduce the "all-in acquisition cost" per loan, (xii) the Company's intention to diversify its financing sources, (xiii) the Company's plan to diversify whole loan sale and securitization channels, (xiv) the Company's objective of reaching a cash-neutral operations, (xv) the Company's plan to improve communication of secondary marketing conditions to its production units, (xvi) the Company's ability to successfully implement and expand the various aspects of the U.S. Bancorp strategic alliance, (xvii) the Company's intention to continue to evaluate potential acquisitions and strategic alliances with mortgage originators, (xviii) the Company's ability to periodically modify its Underwriting Guidelines to reflect market conditions, (xix) the adequacy of the write-down in the value of the residual securities from 1997-NC-1, NC-2 and NC-3, (xx) the intention that the Company will continue to execute NIM private placement transactions as part of its overall securitization strategy, (xxi) the intention that the Company may repurchase additional loans from its securitizations if necessary to avoid disruption of cash flow to the Company, (xxii) the Company's intention to mitigate interest rate risk through hedging, (xxiii) the belief that the Company's practices comply with applicable rules and regulations in all material respects, (xxiv) the belief that the Company's relations with its employees are satisfactory, (xxv) the belief that the Company's litigation, individually or in the aggregate, will not have a material adverse effect on the Company's financial position or results of operations, (xxvi) the accuracy of the Company's assumptions underlying valuation of its residual securities and their affect on the anticipated returns and future cash flow to the Company from its residual securities, (xxvii) the Company's ability to maintain adequate financing to fund its operations, (xxviii) the expectation that the Company will be able to implement its automated underwriting system on schedule, and (xxix) the expectation that the Company's future Year 2000 expenditures will not be material to its business, results of operations or financial condition.

The forward-looking statements are further qualified by important factors that could cause actual results to differ materially from these in the forward-looking statements, including, without limitation, the following: (i) the Company's access to funding sources and its ability to renew, replace or add to its existing credit facilities on terms comparable to the current terms; (ii) the condition of the secondary market for whole loans, (iii) the condition of the markets for mortgage-backed securities and the senior bonds issued in NIM transactions, (iii) an increase in the prepayment speed or default rate of the Company's borrowers; (iv) management's ability to manage the Company's past growth and planned expansion; (v) the effect of changes in interest rates; (vi) the effect of the competitive pressures from other sub-prime lenders or suppliers of credit in the Company's market; (vii) the negative impact of economic slowdowns or recessions; (ix) the ability of the Company to attract, retain and motivate qualified personnel, (x) the impact of new state or federal legislation restricting the activities of sub-prime lenders; and (xi) the ability of the Company's servicing operations to absorb the growing volume of loans being serviced by the Company. Results actually achieved may differ materially from expected results in these statements. Several of these risks are discussed in greater detail in the "Risk Factors" section of the preceding "Business" section. Any of the factors described alone or in the "Risk Factors" section could cause the Company's financial results, including its net income or growth in net income, to differ materially from prior results.

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ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

GENERAL

The Company carries interest-sensitive assets on its balance sheet that are financed by interest-sensitive liabilities. Since the interval for re-pricing of the assets and liabilities is not matched, the Company is subject to interest-rate risk. A sudden, sustained increase or decrease in interest rates would impact the Company's net interest income, as well as the fair value of its residual interests in securitizations. The Company employs hedging strategies from time to time to manage the interest-rate risk inherent in its assets and liabilities. These strategies are designed to create gains when movements in interest rates would cause the value of the Company's assets to decline, and result in losses when movements in interest rates cause the value of the Company's assets to increase.

The following table illustrates the timing of the re-pricing of the Company's interest-sensitive assets and liabilities as of December 31, 1999. Management has made certain assumptions in determining the timing of re-pricing of such assets and liabilities. One of the more significant assumptions is that all of the Company's loans receivable held for sale will be sold in the first six months of 2000. In addition, the timing of re-pricing or maturity of the Company's residual interests in securitizations is based on certain prepayment and loss assumptions (See "Management's Discussion and Analysis of Financial Condition and Results of Operations--Results of Operations" for further details).

<TABLE>
<CAPTION>

DESCRIPTION	ZERO TO SIX MONTHS	SIX MONTHS TO ONE YEAR	1-2 YEARS	3-4 YEARS	5-6 YEARS	THEREAFTER	TOTAL
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
INTEREST-SENSITIVE ASSETS:							
Cash and cash equivalents	4,496	----	----	----	----	----	4,496
Loans receivable held for sale, net	442,653	----	----	----	----	----	442,653
Residual interests in securitizations	7,753	7,817	128,682	106,594	66,640	47,203	364,689
TOTAL INTEREST-SENSITIVE ASSETS	454,902	7,817	128,682	106,594	66,640	47,203	811,838
INTEREST-SENSITIVE LIABILITIES:							
Warehouse and aggregation lines of							

credit	428,726	----	----	----	----	----	428,726
Residual financing payable	177,493	----	----	----	----	----	177,493
Subordinated debt	20,000	----	----	----	----	----	20,000
Note payable	958	835	1,026	232	----	----	3,051
TOTAL INTEREST-SENSITIVE LIABILITIES	627,177	835	1,026	232	----	----	629,270
EXCESS OF INTEREST-SENSITIVE ASSETS OVER INTEREST-SENSITIVE LIABILITIES	(172,275)	6,982	127,656	106,362	66,640	47,203	182,568
CUMULATIVE NET INTEREST-SENSITIVITY GAP	(172,275)	(165,293)	(37,637)	68,725	135,365	182,568	

</TABLE>

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Information with respect to this item is set forth in "Index to Consolidated Financial Statements."

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not applicable.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The names and ages of the executive officers of the Company and the positions each of them has held for the past five years are included in Part I of this Form 10-K as permitted by the General Instruction G(3). The information required by this item regarding the Company's directors will be included in the Company's Proxy Statement with respect to its 2000 Annual Meeting of Stockholders to be filed with the Commission within 120 days of December 31, 1999, under the caption "Board of Directors and Committees of the Board" and is incorporated herein by this reference as if set forth in full herein.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this item will be included in the Company's Proxy Statement with respect to its 2000 Annual Meeting of Stockholders to be filed with the Commission within 120 days of December 31, 1999 under the captions "Executive Compensation," "Board of Directors and Committees of the Board," "Report of Compensation Committee," "Performance Graph," and "Compensation Committee Interlocks and Insider Participation" and is incorporated herein by this reference as if set forth in full herein.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information required by this item will be included in the Company's Proxy Statement with respect to its 2000 Annual Meeting of Stockholders to be filed with the Commission within 120 days of December 31, 1999 under the caption "Security Ownership of Principal Stockholders and Management", and is incorporated herein by this reference as if set forth in full herein.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information required by this item will be included in the Company's Proxy Statement with respect to its 2000 Annual Meeting of Stockholders to be filed with the Commission within 120 days of December 31, 1999 under the caption "Certain Relationships and Related Transactions", and is incorporated herein by this reference as if set forth in full herein.

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PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

(a) The following documents are filed as part of this report:

1. Consolidated Financial Statements - See "Index to Consolidated Financial Statements"

2. Consolidated Financial Statement Schedule - See "Index to Consolidated Financial Statements"

3. Exhibits - See "Exhibit Index"

(b) The Company did not file any reports on form 8-K during the fourth quarter of 1999.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

NEW CENTURY FINANCIAL CORPORATION

BY: /s/BRAD A. MORRICE
Brad A. Morrice
Vice Chairman and President

Each person whose signature appears below hereby authorizes Brad A. Morrice and Edward F. Gotschall or either of them, as attorneys-in-fact to sign on his behalf, individually, and in each capacity stated below and to file all amendments and/or supplements to the Annual Report on Form 10-K.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ BRAD A. MORRICE Brad A. Morrice	Vice Chairman, President and Director	March 30, 2000
/s/ EDWARD F. GOTSCHALL Edward F. Gotschall	Vice Chairman, Chief Financial Officer and Director	March 30, 2000
/s/ ROBERT K. COLE Robert K. Cole	Chairman of the Board and Chief Executive Officer and Director	March 30, 2000
/s/ STEVEN G. HOLDER Steven G. Holder	Vice Chairman, Chief Operating Officer and Director	March 30, 2000

/s/ JOHN C. BENTLEY John C. Bentley	Director	March 30, 2000
/s/ FREDRIC J. FORSTER Fredric J. Forster	Director	March 30, 2000
/s/ FRANCIS J. PARTEL, JR. Frank J. Partel, Jr.	Director	March 30, 2000
/s/ MICHAEL M. SACHS Michael M. Sachs	Director	March 30, 2000
/s/ TERRENCE P. SANDVIK Terrence P. Sandvik	Director	March 30, 2000

</TABLE>

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EXHIBIT INDEX

EXHIBIT NUMBER	DESCRIPTION
3.1	First Amended and Restated Certificate of Incorporation of the Company (1)
3.2	Certificate of Designation for Series 1998A Convertible Preferred Stock (2)
3.3	Certificate of Designation for Series 1999A Convertible Preferred Stock (3)
3.4	First Amended and Restated Bylaws of the Company (1)
4.1	Specimen Stock Certificate (1)
4.2	Specimen Series 1998A Convertible Preferred Stock Certificate (4)
4.3	Specimen Series 1999A Convertible Preferred Stock Certificate (3)
10.1	Form of Indemnity Agreement between the Company and each of its

executive officers and directors (1)

10.2 1995 Stock Option Plan, as amended (incorporated by reference from the Company's Form S-8 Registration Statement (No. 333-84099) as filed with the Securities and Exchange Commission on July 29, 1999

10.3 Founding Managers' Incentive Compensation Plan (1)

10.4 Office Building Lease by and between Koll Center Irvine Number Two and New Century Financial Corporation dated April 11, 1997 (1)

10.5 Registration Rights Agreement, dated May 30, 1997, by and between the Company and certain stockholders of the Company (1)

10.6 Form of Equalization Option granted to two executive officers of the Company (1)

10.7 New Century Financial Corporation Comerica Warrant to Purchase Common Stock issued to Comerica on May 30, 1997 (1)

10.8 Second Amended and Restated Credit Agreement by and between the Company and First Bank National Association, dated July 31, 1997 (incorporated by reference from the Company's Quarterly Report on Form 10-Q as filed with the Securities and Exchange Commission on November 13, 1997)

10.9 First Amendment to Second Amended and Restated Credit Agreement by and between New Century Mortgage Corporation and First Bank National Association, dated November 26, 1997 (5)

10.10 Second Amendment to Second Amended and Restated Credit Agreement by and between New Century Mortgage Corporation and First Bank National Association, dated December 22, 1997 (5)

10.11 Third Amendment to Second Amended and Restated Credit Agreement by and between New Century Mortgage Corporation and First Bank National Association, dated February 27, 1998 (5)

10.12 Office Building Lease by and between AGBRI Cowan and New Century Financial Corporation dated November 6, 1997 (5)

10.13 Employee Stock Purchase Plan, as amended

10.14 Merger Agreement, dated as of December, 17, 1997, by and among New Century, NC Acquisition Corp., PWF, Kirk Redding and Paul Akers (6)

10.15 First Amendment to Merger Agreement, dated January 12, 1998, by and among New Century, NC Acquisition Corp., PWF, Kirk Redding and Paul Akers (6)

10.16 Master Lease Agreement by and between New Century Mortgage Corporation and General Electric Capital Corporation, dated as of October 24, 1997 (5)

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EXHIBIT INDEX - (CONTINUED)

<CAPTION>

EXHIBIT NUMBER	DESCRIPTION
<S>	<C>
10.17	First Amendment to Founding Managers' Incentive Compensation Plan (7)
10.18	Letter Agreement dated March 31, 1998 among Salomon Brothers Realty Corp., Salomon Brothers Inc. and New Century Mortgage Corporation (7)
10.19	Fourth Amendment to Second Amended and Restated Credit Agreement between the Company and U.S. Bank National Association dated May 1, 1998 (8)
10.20	Third Amended and Restated Credit Agreement between the Company and U.S. Bank National Association dated May 29, 1998 (8)
10.21	First Amendment to Third Amended and Restated Credit Agreement between the Company and U.S. Bank National Association dated July 27, 1998 (9)
10.22	Second Amendment to Third Amended and Restated Credit Agreement between the Company and U.S. Bank National Association dated June 30, 1998 (9)
10.23	Third Amendment to Third Amended and Restated Credit Agreement between the Company and U.S. Bank National Association dated November 23, 1998 (4)
10.24	Fourth Amendment to Third Amended and Restated Credit Agreement between the Company and U.S. Bank National Association dated December 11, 1998 (4)
10.25	Deferred Compensation Plan (incorporated by reference from the Company's Form S-8 Registration Statement (No. 333-68467) as filed with the Securities and Exchange Commission on December 7, 1998

10.26 Preferred Stock Purchase Agreement, dated as of October 18, 1998, between the Company and U.S. Bancorp (2)

10.27 Registration Rights Agreement, dated as of November 24, 1998, between the Company and U.S. Bancorp (2)

10.28 Flow Purchase Agreement, dated as of November 24, 1998, between New Century Mortgage Corporation and U.S. Bank National Association, ND (2)

10.29 Service Provider Agreement, dated as of November 24, 1998, between New Century Mortgage Corporation and U.S. Bank National Association, ND (2)

10.30 Form of Founding Managers' Shareholder Agreement, dated November 24, 1998 (4)

10.31 Form of Founding Managers' Employment Agreement, dated January 1, 1999 (4)

10.32 Letter Agreement by and between NC Capital Corporation, New Century Mortgage Corporation and Salomon Brothers Realty Corp., dated December 11, 1998 (4)

<PAGE>

EXHIBIT INDEX - (CONTINUED)

<CAPTION>

EXHIBIT NUMBER	DESCRIPTION
<S>	<C>
10.33	Non-qualified Stock Option Agreement dated May 17, 1999 between the Company and Francis J. Partel, Jr. (3)
10.34	Non-qualified Stock Option Agreement dated May 17, 1999 between the Company and Terrence P. Sandvik (3)
10.35	Fourth Amended and Restated Credit Agreement between the Company and U.S. Bank National Association dated May 26, 1999 (3)
10.36	Master Loan and Security Agreement by and between NC Capital Corporation and Greenwich Capital Financial Products, Inc., dated June 23, 1999 (3)
10.37	Residual Financial Facility Agreement by and between NC Capital Corporation and Greenwich Capital Financial Products, Inc., dated

June 23, 1999 (3)

10.38 Master Loan and Security Agreement by and among New Century Mortgage Corporation, NC Capital Corporation and Paine Webber Real Estate Securities, Inc., dated as of July 20, 1999 (3)

10.39 Preferred Stock Purchase Agreement, dated as of July 26, 1999, between the Company and U.S. Bancorp (3)

10.40 Amended and Restated Registration Rights Agreement, dated as of July 26, 1999, between the Company and U.S. Bancorp (3)

10.41 First Amendment to Fourth Amended and Restated Credit Agreement between the Company and U.S. Bank National Association, dated August 31, 1999 (10)

10.42 Letter Agreement by and between NC Capital Corporation, New Century Mortgage Corporation and Salomon Brothers Realty Corp., dated September 1, 1999 (10)

10.43 Amendment to Master Loan and Security Agreement dated as of July 20, 1999 by and among New Century Mortgage Corporation, NC Capital Corporation and Paine Webber Real Estate Securities, Inc., dated as of September 30, 1999 (10)

10.44 Industrial Lease, dated October 11, 1999, between the Company and the Irvine Company (10)

10.45 Second Amendment to Fourth Amended and Restated Credit Agreement between the Company and U.S. Bank National Association, dated October 15, 1999 (10)

10.46 Amendment Number One to Master Loan and Security Agreement dated as of June 23, 1999 by and between NC Capital Corporation and Greenwich Capital Financial Products, Inc., dated as of October 23, 1999 (10)

10.47 Third Amendment to Pledge and Security Agreement dated February 17, 2000 between New Century Mortgage Corporation and U.S. Bank National Association

10.48 Amendment to Letter Agreement dated as of September 1, 1999 by and between NC Capital Corporation, New Century Mortgage Corporation and Salomon Brothers Realty Corp., dated March 7, 2000

21.1 List of Subsidiaries

23.1 Consent of KPMG LLP

27.1 Financial Data Schedule
</TABLE>

<PAGE>

(1) Incorporated by reference from the Company's Form S-1 Registration Statement (No. 333-25483) as filed with the Securities and Exchange Commission on June 23, 1997.

(2) Incorporated by reference from the Company's Form 8-K as filed with the Securities and Exchange Commission on December 8, 1998.

(3) Incorporated by reference from the Company's Quarterly Report on Form 10-Q as filed with the Securities and Exchange Commission on August 16, 1999.

(4) Incorporated by reference from the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1998 on file with the Securities and Exchange Commission.

(5) Incorporated by reference from the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1997 on file with the Securities and Exchange Commission.

(6) Incorporated by reference from the Company's Form 8-K as filed with the Securities and Exchange Commission on January 26, 1998

(7) Incorporated by reference from the Company's Quarterly Report on Form 10-Q as filed with the Securities and Exchange Commission on May 15, 1998

(8) Incorporated by reference from the Company's Quarterly Report on Form 10-Q as filed with the Securities and Exchange Commission on August 14, 1998

(9) Incorporated by reference from the Company's Quarterly Report on Form 10-Q as filed with the Securities and Exchange Commission on November 13, 1998

(10) Incorporated by reference from the Company's Quarterly Report on Form 10-Q as filed with the Securities and Exchange Commission on November 15, 1999

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NEW CENTURY FINANCIAL CORPORATION
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

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Consolidated Statements of Changes in Stockholders' Equity for the years ended December 31, 1999, 1998 and 1997... F-5
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INDEPENDENT AUDITORS' REPORT

The Board of Directors
New Century Financial Corporation:

We have audited the accompanying consolidated balance sheets of New Century Financial Corporation and subsidiaries as of December 31, 1999 and 1998 and the related consolidated statements of earnings, changes in stockholders' equity and cash flows for each of the years in the three-year period ended December 31, 1999. These consolidated financial statements are the

responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of New Century Financial Corporation and subsidiaries as of December 31, 1999 and 1998 and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 1999 in conformity with generally accepted accounting principles.

KPMG LLP

Orange County, California
February 2, 2000, except as to Notes 8
and 22 to the consolidated financial
statements, which are as of March 28, 2000.

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NEW CENTURY FINANCIAL CORPORATION
AND SUBSIDIARIES
Consolidated Balance Sheets
December 31, 1999 and 1998
(Dollars in thousands, except per share amounts)

<TABLE>
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ASSETS	1999	1998
<S>	<C>	<C>
Cash and cash equivalents	$ 4,496	30,875
Loans receivable held for sale, net (notes 2 and 7)	442,653	356,975
Residual interests in securitizations (notes 3 and 7)	364,689	205,395
Mortgage servicing asset (note 4)	22,145	8,665
Accrued interest receivable	1,538	1,536

	1999	1998
Office property and equipment (notes 6 and 9)	3,780	3,644
Income taxes receivable (note 12)	548	--
Prepaid expenses and other assets (notes 5 and 10)	23,860	17,637
	----------------	--------------
	$ 863,709	624,727
	================	==============

LIABILITIES AND STOCKHOLDERS' EQUITY

	1999	1998
Warehouse and aggregation lines of credit (note 7)	$ 428,726	345,843
Residual financing payable (note 7)	177,493	122,298
Subordinated debt (note 8)	20,000	--
Notes payable (note 9)	3,051	3,985
Income taxes payable (note 12)	--	1,690
Accounts payable and accrued liabilities (notes 11 and 14)	26,484	16,056
Deferred income taxes (note 12)	34,992	20,242
	----------------	--------------
	690,746	510,114
	----------------	--------------
Stockholders' equity (notes 14 and 15):		
Preferred stock, $.01 par value. Authorized 7,500,000 shares:		
Series 1998 A convertible preferred stock - issued and outstanding 20,000 shares at December 31, 1999 and 1998	--	--
Series 1999 A convertible preferred stock - 20,000 and zero shares issued and outstanding at December 31, 1999 and 1998, respectively	--	--
Common stock, $.01 par value. Authorized 45,000,000 shares; issued 14,694,984 and 14,517,242 shares and outstanding 14,694,984 and 14,473,566 shares at December 31, 1999 and 1998, respectively	147	145
Additional paid-in capital	85,625	65,241
Retained earnings, restricted	87,351	49,953
Deferred compensation costs	(160)	(726)
	----------------	--------------

Total stockholders' equity	172,963	114,613
Commitments and contingencies (notes 11 and 13)		
	$ 863,709	624,727

</TABLE>

See accompanying notes to consolidated financial statements.

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NEW CENTURY FINANCIAL CORPORATION
AND SUBSIDIARIES
Consolidated Statements of Earnings
Years ended December 31, 1999, 1998 and 1997
(Dollars in thousands, except per share data)

<TABLE>
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	1999	1998	1997
Revenues:			
Gain on sales of loans (note 2)	$ 121,672	105,060	67,939
Interest income (note 2)	61,457	47,655	25,071
Servicing income (note 3)	50,813	23,692	5,623
Total revenues	233,942	176,407	98,633
Expenses:			
Personnel	54,634	41,345	24,840
General and administrative (note 16)	42,732	30,994	16,037
Interest	53,193	40,328	20,579
Advertising and promotion	11,767	8,681	5,620
Professional services	4,730	2,751	965

	1999	1998	1997
Total expenses	167,056	124,099	68,041
Earnings before income taxes	66,886	52,308	30,592
Income taxes (note 12)	27,377	21,193	12,849
Net earnings	$ 39,509	31,115	17,743
Basic earnings per share (note 19)	$ 2.59	2.19	2.18
Diluted earnings per share (note 19)	$ 2.11	2.03	1.40

</TABLE>

See accompanying notes to consolidated financial statements.

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NEW CENTURY FINANCIAL CORPORATION
AND SUBSIDIARIES
Consolidated Statements of Changes in Stockholders' Equity
Years ended December 31, 1999, 1998 and 1997
(in thousands)

<TABLE>
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	PREFERRED SHARES OUTSTANDING	SERIES A PREFERRED STOCK AMOUNT	SERIES B PREFERRED STOCK AMOUNT	COMMON SHARES OUTSTANDING	COMMON STOCK AMOUNT
<S>	<C>	<C>	<C>	<C>	<C>
Balance, December 31, 1996	5,820	$ 54	4 529		$ 6

Proceeds from issuance of common stock	--	--	--	7,447	74
Conversion of preferred stock	(5,820)	(54)	(4)	5,820	58
Issuance of warrants	--	--	--	--	--
Issuance of restricted stock	--	--	--	370	4
Unamortized deferred compensation	--	--	--	--	--
Net earnings	--	--	--	--	--
Balance, December 31, 1997	--	--	--	14,166	142
Proceeds from issuance of common stock	--	--	--	317	1
Issuance of common stock for acquisition of subsidiary	--	--	--	19	2
Proceeds from issuance of preferred stock	20	--	--	--	--
Cancellation of warrants	--	--	--	--	--
Issuance of restricted stock	--	--	--	16	--
Purchase of treasury stock	--	--	--	(44)	--
Amortization of deferred compensation	--	--	--	--	--
Net earnings	--	--	--	--	--
Preferred stock dividends	--	--	--	--	--
Balance, December 31, 1998	20	--	--	14,474	145
Proceeds from issuance of common stock	--	--	--	271	3
Issuance of common stock for acquisition of subsidiary	--	--	--	10	--
Proceeds from issuance of preferred stock	20	--	--	--	--
Purchase of treasury stock	--	--	--	(60)	(1)
Amortization of deferred compensation	--	--	--	--	--
Net earnings	--	--	--	--	--
Preferred stock dividends	--	--	--	--	--

Balance, December 31, 1999	40	$ --	--	14,695	$ 147
	===========	=========	=========	===========	========

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<S>	ADDITIONAL PAID-IN CAPITAL <C>	RETAINED EARNINGS RESTRICTED <C>	DEFERRED COMPENSATION <C>	TOTAL <C>
Balance, December 31, 1996	3,086	1,253	--	4,403
Proceeds from issuance of common stock	36,129	--	--	36,203
Conversion of preferred stock	--	--	--	--
Issuance of warrants	1,500	--	--	1,500
Issuance of restricted stock	2,771	--	--	2,775
Unamortized deferred compensation	--	--	(1,788)	(1,788)
Net earnings	--	17,743	--	17,743
Balance, December 31, 1997	43,486	18,996	(1,788)	60,836
Proceeds from issuance of common stock	830	--	--	831
Issuance of common stock for acquisition of subsidiary	1,998	--	--	2,000
Proceeds from issuance of preferred stock	20,000	--	--	20,000
Cancellation of warrants	(825)	--	--	(825)
Issuance of restricted stock	174	--	--	174
Purchase of treasury stock	(422)	--	--	(422)
Amortization of deferred compensation	--	--	1,062	1,062
Net earnings	--	31,115	--	31,115
Preferred stock dividends	--	(158)	--	(158)
Balance, December 31, 1998	65,241	49,953	(726)	114,613

Proceeds from issuance of common stock	1,135	--	--	1,138
Issuance of common stock for acquisition of subsidiary	108	--	--	108
Proceeds from issuance of preferred stock	20,000	--	--	20,000
Purchase of treasury stock	(859)	--	--	(860)
Amortization of deferred compensation	--	--	566	566
Net earnings	--	39,509	--	39,509
Preferred stock dividends	--	(2,111)	--	(2,111)
Balance, December 31, 1999	85,625	87,351	(160)	172,963

</TABLE>

See accompanying notes to consolidated financial statements.

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NEW CENTURY FINANCIAL CORPORATION
AND SUBSIDIARIES
Consolidated Statements of Cash Flows
Years ended December 31, 1999, 1998 and 1997
(Dollars in thousands)

<TABLE>
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	1999	1998	1997
Cash flows from operating activities:			
Net earnings	$ 39,509	31,115	17,743
Adjustments to reconcile net earnings to net cash used in operating activities:			
Depreciation and amortization	6,226	3,900	2,835
Deferred income taxes	14,750	12,205	7,909
NIR gains	(169,980)	(168,065)	(89,770)
Initial deposits to over-collateralization accounts	(87,940)	(64,942)	(20,445)
Deposits to over-collateralization accounts	(43,288)	(31,284)	(11,376)

Release of cash from over-collateralization accounts	36,475	27,658	10,597
Non-cash servicing gains	(16,368)	(8,791)	--
Amortization of NIR	11,282	15,935	5,559
Write down of NIR	23,000	5,900	5,175
General valuation provision for NIR	--	7,500	3,000
Net proceeds from NIMS transactions	76,098	99,163	--
Provision for losses	2,549	6,400	3,986
Loans originated or acquired for sale	(4,082,145)	(3,326,027)	(1,968,842)
Loan sales, net	3,984,597	3,198,221	1,740,800
Principal payments on loans receivable held for sale	12,336	37,440	9,526
Increase in warehouse and aggregation lines of credit	82,883	90,480	199,704
Net increase in other assets and liabilities	(6,985)	(5,432)	5,439
Net cash used in operating activities	(117,001)	(68,624)	(78,160)
Cash flows from investing activities:			
Purchase of office property and equipment, net of sales	(2,131)	(1,603)	(3,706)
Net assets acquired of subsidiary	--	(1,642)	--
Net cash used in investing activities	(2,131)	(3,245)	(3,706)
Cash flows from financing activities:			
Net proceeds from residual financing	55,195	68,871	53,427
Net proceeds from issuance of subordinated debt	20,000	--	--
Net proceeds (payments of) from notes payable	(934)	763	1,896
Proceeds from issuance of stock	21,138	20,831	36,203
Payment of dividends on convertible preferred stock	(1,786)	--	--
Repurchase of treasury stock	(860)	(422)	--

Net cash provided by financing activities	92,753	90,043	91,526
Net increase (decrease) in cash and cash equivalents	(26,379)	18,174	9,660
Cash and cash equivalents at beginning of year	30,875	12,701	3,041
Cash and cash equivalents at end of year	$ 4,496	30,875	12,701
Supplemental cash flow disclosure:			
Interest paid	$ 52,005	40,467	19,135
Income taxes	14,865	9,087	3,990
Supplemental non-cash financing activities:			
Restricted stock issued to founding managers	$ --	174	2,775
Stock issued in connection with acquisition	108	2,000	--
Warrants issued to Comerica	--	--	1,500
Conversion of preferred stock	--	--	58
Accrued dividends convertible preferred stock	483	158	--
Cancellation of warrants	--	825	--

</TABLE>

See accompanying notes to consolidated financial statements.

<PAGE>

NEW CENTURY FINANCIAL CORPORATION
AND SUBSIDIARIES
Notes to Consolidated Financial Statements
December 31, 1999 and 1998

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) ORGANIZATION

New Century Financial Corporation (the Company), a Delaware corporation, was incorporated on November 17, 1995. New Century

Mortgage Corporation, a wholly owned subsidiary, commenced operations in February 1996 and is a specialty finance company engaged in the business of originating, purchasing, selling and servicing mortgage loans secured primarily by first and second mortgages on single family residences. PWF Corporation (Primewest), a retail sub-prime originator, is a wholly owned subsidiary acquired in January 1998. NC Capital Corporation, a wholly owned subsidiary of New Century Mortgage Corporation, was formed in December 1998 to conduct the secondary marketing activities of the Company. Anyloan Financial Corporation, a 98.1% owned subsidiary of the Company, and its wholly owned subsidiary, Anyloan.com, were formed during 1999 to conduct the Company's web-based lending operations.

(b) PRINCIPLES OF CONSOLIDATION

The accompanying consolidated financial statements include the financial statements of the Company's wholly owned subsidiaries, New Century Mortgage Corporation, Primewest Funding Corporation and 98.1% of the assets and liabilities of Anyloan Financial Corporation. All material intercompany balances and transactions are eliminated in consolidation. The consolidated financial statements have been prepared in conformity with generally accepted accounting principles.

(c) CASH AND CASH EQUIVALENTS

For purposes of the statements of cash flows, the Company considers all highly-liquid debt instruments with original maturities of three months or less to be cash equivalents. Cash equivalents consist of cash on hand and due from banks.

(d) LOANS RECEIVABLE HELD FOR SALE

Mortgage loans held for sale are stated at the lower of amortized cost or market as determined by outstanding commitments from investors or current investor-yield requirements calculated on an aggregate basis.

Interest on loans receivable held for sale is credited to income as earned. Interest is accrued only if deemed collectible.

(e) GAIN ON SALES OF LOANS

Gains or losses resulting from sales or securitizations of mortgage loans are recognized at the date of settlement and are based on the difference between the selling price for sales or securitizations and the carrying value of the related loans sold.

Such gains and losses may be increased or decreased by the amount of any servicing-released premiums received. Nonrefundable fees and direct costs associated with the origination of mortgage loans are deferred and recognized when the loans are sold.

Loan sales and securitizations are accounted for as sales when control of these loans is surrendered, to the extent that consideration other than beneficial interests in the loans transferred is received in the exchange. Liabilities and derivatives incurred or obtained by the transfer of loans are required to be measured at fair value, if practicable. Also, servicing assets and other retained interests in the loans are measured by allocating the previous carrying value between the loans sold and the interest retained, if any, based on their relative fair values at the date of transfer.

(f) HEDGING

The Company uses various hedging strategies from time to time to provide protection against interest rate risk on its fixed-rate mortgage loans. These strategies include forward sales of mortgage loans or mortgage-backed securities, interest rate caps and floors and buying and selling of futures and options on futures. The Company recognizes the gain or loss on hedge positions in the same period as the related asset hedged is sold. The Company had no open hedge positions or unrecognized gains or losses at December 31, 1999.

(g) ALLOWANCE FOR LOSSES

The allowance for losses on loans sold relates to expenses incurred due to the potential repurchase of loans or indemnification of losses based on alleged violations of representations and warranties which are customary to the mortgage banking industry. The allowance represents the Company's estimate of the total losses expected to occur and is considered to be adequate. Provisions for losses are charged to gain on sales of loans and credited to the allowance and are determined to be

adequate by management based upon the Company's evaluation of the potential exposure related to the loan sale agreements over the life of the associated loans sold.

(h) OFFICE PROPERTY AND EQUIPMENT

Office property and equipment are stated at cost. The straight-line method of depreciation is followed for financial reporting purposes. Depreciation and amortization are provided in amounts sufficient to relate the cost of assets to operations over their estimated service lives or the lives of the respective leases, whichever is shorter. The estimated service lives for furniture and office equipment, computer hardware/software and leasehold improvements are five years, three years and five years, respectively.

(i) GOODWILL

Goodwill, recorded in connection with the January 1998 acquisition of Primewest, is being amortized over a seven-year period using the straight-line method. Goodwill is reviewed for possible impairment when events or changed circumstances may affect the underlying basis of the asset. Impairment is measured by discounting the operating income at an appropriate discount rate.

Accumulated amortization was $1.1 million and $503,000 at December 31, 1999 and 1998, respectively.

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(j) FINANCIAL STATEMENT PRESENTATION

The Company prepares its financial statements using an unclassified balance sheet presentation as is customary in the mortgage banking industry. A classified balance sheet presentation would have aggregated current assets, current liabilities and net working capital as of December 31, 1999 as follows (dollars in thousands):

<TABLE>
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Current assets	$ 518,860
Current liabilities	654,496

Net working capital	$ (135,636)

</TABLE>

Current assets include the portion of the residual interests in securitizations expected to be collected within one year, while current liabilities include the entire balance of residual financing.

(k) ERRORS AND OMISSIONS POLICY

In connection with the Company's lending activities, the Company has Fidelity Bond and Errors and Omissions insurance coverage of $4.5 million each at December 31, 1999.

(l) INCOME TAXES

The Company files consolidated Federal and combined state tax returns. The Company accounts for income taxes using the asset and liability method. Under the asset and liability method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

(m) RESIDUAL INTERESTS IN SECURITIZATIONS

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

The loan securitizations are generally structured as follows: First, the Company sells a portfolio of mortgage loans to a special purpose entity (SPE) which has been established for the limited purpose of buying and reselling mortgage loans. The SPE then transfers the same mortgage loans to a Real Estate Mortgage Investment Conduit or Owners Trust (the REMIC or Trust), and the

Trust in turn issues interest-bearing asset-backed securities (the Certificates) generally in an amount equal to the aggregate principal balance of the mortgage loans. The Certificates are typically sold at face value and without recourse except that representations and warranties customary to the mortgage banking industry are provided by the Company to the Trust. One or more investors purchase these Certificates for cash. The Trust uses the cash proceeds to pay the Company the cash portion of the

purchase price for the mortgage loans. The Trust also issues a certificate representing a residual interest in the payments on the securitized loans. In addition, the Company may provide a credit enhancement for the benefit of the investors in the form of additional collateral (over-collateralization account or OC Account) held by the Trust. The OC Account is required by the servicing agreement to be maintained at certain levels.

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

The NIMS are generally structured as follows: First, the Company sells or contributes the Residuals to an SPE which has been established for the limited purpose of receiving and selling asset-backed residual interests in securitization certificates. Next, the SPE transfers the Residuals to an Owner Trust (the Trust) and the Trust in turn issues interest-bearing asset-backed

securities (the bonds and certificates). The Company sells these Residuals without recourse except that normal representations and warranties are provided by the Company to the Trust. One or more investors purchase the bonds and certificates and the proceeds from the sale of the bonds and certificates, along with a residual interest certificate that is subordinate to the bonds and certificates, represent the consideration to the Company for the sale of the Residuals.

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

The Company allocates its basis in the mortgage loans and residual interests between the portion of the mortgage loans and residual interests sold through the Certificates and the portion retained (the Residuals and servicing assets) based on the relative fair values of those portions on the date of sale. The Company may recognize gains or losses attributable to the changes in the fair value of the Residuals, which are recorded at estimated fair value and accounted for as "held-for-trading" securities. The Company is not aware of an active market for the purchase or sale of Residuals and, accordingly, the Company determines the estimated fair value of the Residuals by discounting the expected cash flows released from the OC Account (the cash out method) using a discount rate commensurate with the risks involved. The Company has utilized an effective discount rate of approximately 12% on the estimated cash flows released from the OC Account to value the Residuals through securitization and approximately 14.0% on the estimated cash flows released from the Trust to value Residuals through NIMS.

NEW CENTURY FINANCIAL CORPORATION
AND SUBSIDIARIES
Notes to Consolidated Financial Statements
December 31, 1999 and 1998

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

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

The Annual Percentage Rate (APR) on the mortgage loans is relatively high in comparison to the pass-through rate on the Certificates. Accordingly, the Residuals described above are a significant asset of the Company. In determining the value of the Residuals, the Company must estimate the future rates of prepayments, prepayment penalties to be received by the Company, delinquencies, defaults and default loss severity as they affect the amount and timing of the estimated cash flows. The Company uses an average annual default rate estimate of 0.55% to 1.25% for adjustable rate first trust deeds, and 0.40% to 0.80% annual default rate estimate for fixed rate first trust deeds and 0.75% to 1.30% for second trust deeds. The Company's default rate estimates result in average cumulative loss estimates as a percentage of the original principal balance of the mortgage loans of 2.06% to 3.57% for adjustable rate first trust deeds, 1.95% to 2.97% for fixed rate first trust deeds and 2.84% to 2.97% for second trust deeds. These estimates are based on historical loss data for comparable loans and the specific characteristics of the loans originated by the Company. The Company estimates prepayments by evaluating historical prepayment performance of comparable mortgage loans and the impact of trends in the industry. The Company has used a prepayment curve to estimate the prepayment characteristics of the mortgage loans. The rate of increase, duration, severity and decrease of the curve depends on the age and nature of the mortgage loans, primarily whether the mortgage loans are fixed or adjustable and the interest rate adjustment characteristics of the mortgage loans (6 month, 1 year, 2 year, 3 year or 5 year adjustment periods). The Company's prepayment curve and default estimates have resulted in weighted average lives of between 1.93 to 3.23 years for its adjustable mortgage loans and 3.80 to 4.37 for its fixed rate mortgage loans.

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Due to the uncertainty associated with estimating future cash flows caused by the lack of historical performance data on the mortgage loans and the absence of an active market for the purchase and sale of Residuals, the Company has historically established a general valuation allowance. The general valuation allowance is based on the Company's periodic evaluation of the Residuals, which takes into consideration trends in actual cash flow performance, industry and economic developments, as well as other relevant factors. The Company has also historically recorded write-downs in the carrying value of its residual interests as a result of actual prepayment loss experience. During the years ended December 31, 1999 and 1998, the Company recorded $28.5 million and $5.9 million, respectively, in write-downs of the carrying value of its residual interests. During the year ended December 31, 1998, the Company added $7.5 million to its general valuation allowance, and reduced its general valuation allowance by $5.5 million during the year ended December 31, 1999.

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

(n) MORTGAGE SERVICING ASSET

The Company is designated as the master servicer for its securitizations and receives a monthly fee based on the outstanding principal balance of the mortgage loans. Historically, the Company has contracted with a subservicer to perform the servicing and investor reporting of the mortgage loans in the Company's first five securitizations. The subservicer charged a monthly fee based on the outstanding principal balance of the mortgage loans. Commencing in July of 1998, the Company began servicing all loans originated and certain other loans on its in-house servicing platform.

The Company recognizes a servicing asset based on the excess of the fees received for the servicing and collection of the mortgage loans as master servicer of the securitized loans over the subservicer fees and the costs incurred by the Company in performing the servicing functions. This servicing asset is amortized over the estimated life of the related loans serviced.

For the purposes of measuring impairment, the Company stratifies the mortgage loans it services using the type of loan as the primary risk. Impairment is measured utilizing the current estimated fair value of the mortgage servicing asset.

(o) STOCK OPTION PLAN

Prior to January 1, 1996, the Company accounted for its stock option plan in accordance with the provisions of Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" (APB 25), and related interpretations. As such, compensation expense would be recorded on the date of grant only if the current market price of the underlying stock exceeded the exercise price. On January 1, 1996, the Company adopted Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" (SFAS 123), which permits entities to recognize as expense over the vesting period the fair value of all stock-based awards on the date of grant. Alternatively, SFAS 123 also allows entities to continue to apply the provisions of APB 25 and provide pro forma net earnings and pro forma net earnings per share disclosures for employee

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stock options grants made in 1995 and future years as if the fair-value-based method defined in SFAS 123 had been applied. The Company has elected to continue to apply the provisions of APB 25 and provide the pro forma disclosure provisions of SFAS 123.

(p) EARNINGS PER SHARE

Basic earnings per share (EPS) excludes dilution and is computed by dividing income available to common stockholders by the weighted average number of common shares outstanding for the period. Diluted EPS reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted from issuance of common stock that then shared in earnings.

(q) USE OF ESTIMATES

Management of the Company has made certain estimates and assumptions relating to the reporting of assets, liabilities, results of operations and the disclosure of contingent assets and liabilities to prepare these financial statements in accordance with generally accepted accounting principles. Actual results could differ from these estimates.

(r) ADVERTISING

The Company accounts for its advertising costs as nondirect response advertising. Accordingly, advertising costs are expensed as incurred.

(s) RECLASSIFICATION

Certain amounts for prior periods have been reclassified to conform to the current year's presentation.

(t) SEGMENT REPORTING

The Company, through the branch network of its subsidiary, New Century Mortgage Corporation, provides a broad range of mortgage products. While the Company's chief decision makers monitor the revenue streams through wholesale and retail loan originations, operations are managed and financial performance is evaluated on a Companywide basis. Accordingly, all of the Company's operations are considered by management to be aggregated in one reportable operating segment.

(u) RECENT ACCOUNTING DEVELOPMENTS

In June 1998, the FASB issued Statement of Financial Accounting Standards No. 133 (SFAS No. 133), "Accounting for Derivative Securities and Hedging Activities." SFAS No. 133 establishes accounting and reporting standards for derivative instruments, including certain derivative instruments imbedded in other contracts (collectively referred to as derivatives) and for hedging activities. It requires that an entity recognize all derivatives as either assets or liabilities in the statement of financial position and measure those instruments at fair value. If certain conditions are met, a derivative may be specifically designated as (i) a hedge of the exposure to changes in the fair value of a recognized asset or liability or an unrecognized firm commitment, (ii) a hedge of the

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exposure to variable cash flows of a forecasted transaction, or (iii) a hedge of the foreign currency exposure of a net investment in a foreign operation, an unrecognized firm commitment, an available for sale security, or a foreign currency-denominated forecasted transaction.

Under SFAS No. 133, an entity that elects to apply hedge accounting is required to establish at the inception of the hedge the method it will use for assessing the effectiveness of the hedging derivative and the measurement approach for determining the ineffective aspect of the hedge. Those methods must be consistent with the entity's approach to managing risk. This statement is effective for the Company on January 1, 2001. Management has determined that application of this statement is not expected to have a material impact on the Company's financial condition or results of operations.

(2) LOANS RECEIVABLE HELD FOR SALE

A summary of loans receivable held for sale, at the lower of cost or market at December 31, 1999 and 1998 follows (dollars in thousands):

<TABLE>
<CAPTION>

<S>	<C> 1999	<C> 1998
Mortgage loans receivable:		
First trust deeds	$ 404,034	346,016
Second trust deeds	37,769	9,859
Net deferred origination costs	850	1,100
	$ 442,653	356,975

</TABLE>

At December 31, 1999 and 1998, the Company had loans receivable held for sale of approximately $26.7 million and $16.8 million, respectively, on

which the accrual of interest had been discontinued. If these loans receivable had been current throughout their terms, interest income would have increased by approximately $501,000 and $721,000 in the years ended December 31, 1999 and 1998, respectively.

(a) INTEREST INCOME

The following table presents the components of interest income for the years ended December 31 (dollars in thousands):

	1999	1998	1997
Interest on loans receivable held for sale	$ 59,504	46,409	24,546
Interest on cash and cash equivalents	1,953	1,246	525
	$ 61,457	47,655	25,071

(b) GAIN ON SALES OF LOANS

Gain on sales of loans for the years ended December 31, 1999, 1998 and 1997 was comprised of the following components (dollars in thousands):

1999	1998	1997

<S> <C> <C> <C>

Gain from whole loan sale transactions	$ 30,749	58,001	27,707
Non-cash gain from securitizations (NIR gains)	169,980	168,065	89,770
Non-cash gain from servicing asset	16,368	8,791	--
Cash gain (loss) from securitizations/NIM transactions	(4,670)	(4,664)	6,105
Securitization expenses	(17,161)	(13,664)	(5,624)
Accrued interest	(14,807)	(11,818)	(7,188)
Write down of NIR	(23,000)	(5,900)	(5,175)
General valuation allowance for NIR	--	(7,500)	(3,000)
Provision for losses	(2,549)	(6,400)	(3,986)
Nonrefundable fees	54,598	47,933	24,514
Premiums, net	(22,355)	(58,816)	(24,739)
Origination costs	(63,300)	(62,783)	(28,716)
Hedging losses	(2,181)	(6,185)	(1,729)
	$ 121,672	105,060	67,939

</TABLE>

(c) ORIGINATIONS AND PURCHASES

During the year ended December 31, 1999, approximately 31.2% and 7.2% of the Company's total loan originations and purchases were in the states of California and Illinois, respectively. During the year ended December 31, 1998, approximately 32.4% and 8.6% of total loan originations and purchases were in the states of California and Illinois, respectively.

(d) SIGNIFICANT CUSTOMERS

During the year ended December 31, 1998, the Company entered into

a number of transactions with two customers which accounted for more than 10% of the Company's total loan sales. During 1998, the Company sold in whole loan sale transactions a total of approximately 30.5% and 11.8% of the loans sold to these two customers and recognized gross whole loan gains on sales of approximately 22.4% and 8.7%, respectively, of the total gross gains. During the year ended December 31, 1999, no investor accounted for more than 10% of total loans sold.

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(3) RESIDUAL INTEREST IN SECURITIZATIONS

Residual interests in securitizations consist of the following components at December 31 (dollars in thousands):

	1999	1998
Over-collateralization amount	$ 184,545	89,792
Net interest receivable (NIR)	185,144	126,103
General valuation allowance	(5,000)	(10,500)
	$ 364,689	205,395

The following table summarizes activity in the over-collateralization account at December 31, 1999 and 1998 (dollars in thousands):

	1999	1998

	1999	1998
Balance, beginning of year	$ 89,792	21,224
Initial deposits to OC accounts	87,940	64,942
Additional deposits to OC accounts	43,288	31,284
Release of cash from OC accounts	(36,475)	(27,658)
	$ 184,545	89,792

The following table summarizes activity in NIR interests at December 31 (dollars in thousands):

	1999	1998
Balance, beginning of year	$ 126,103	79,036
NIR gains	169,980	168,065
NIR amortization	(11,282)	(15,935)
Sale of NIRs through NIMs	(71,157)	(99,163)
Writedown of NIR	(28,500)	(5,900)
	$ 185,144	126,103

(Continued)

Notes to Consolidated Financial Statements
December 31, 1999 and 1998

The following table summarizes activity in the general valuation allowance at December 31 (dollars in thousands):

	1999	1998
Balance, beginning of year	$ 10,500	3,000
Provision	--	7,500
Writedown of NIR	(5,500)	--
Balance, end of year	$ 5,000	10,500

In December 1998, the Company entered into an agreement to purchase a residual interest in securitization totaling $52.4 million. This residual interest originated from a securitization pool, including $250 million of loans sold in a whole loan sale transaction by the Company in December 1998. The Company sold this residual interest in a NIMS transaction during the year ended December 31, 1999.

SERVICING INCOME

The following table presents the components of servicing income for the years ended December 31, 1999, 1998 and 1997 (dollars in thousands):

	1999	1998	1997
Servicing fees collected	$ 26,017	8,820	427
Amortization of mortgage servicing asset	(2,888)	(126)	--

Residual interest income	38,668	30,555	10,597
NIR amortization	(11,282)	(15,935)	(5,559)
Prepayment penalties collected	298	378	158
	$ 50,813	23,692	5,623

</TABLE>

(4) MORTGAGE SERVICING ASSET

The following table summarizes activity in mortgage servicing asset for the years ended December 31 (dollars in thousands):

<TABLE>
<CAPTION>

<S>	1999 <C>	1998 <C>
Beginning balance	$ 8,665	--
Additions	16,368	8,791
Amortization	(2,888)	(126)
	$ 22,145	8,665

</TABLE>

<PAGE>

(5) GOODWILL

On January 12, 1998, the Company acquired all of the outstanding stock of

Primewest. The purchase price was $1.5 million in cash, and $2.0 million in the Company's common stock. There were no assets or liabilities acquired, therefore the entire purchase price, plus transaction costs of $142,000, was recorded as goodwill. During 1999, the Company paid $215,000 as goodwill based on the 1998 net earnings of Primewest. Goodwill is being amortized over seven years using the straight-line method.

The following table summarizes activity in goodwill, included in prepaid expenses and other assets at December 31 (dollars in thousands):

	1999	1998
Balance, beginning of year	$ 3,139	--
Additions	215	3,642
Amortization	(558)	(503)
	$ 2,796	3,139

(6) OFFICE PROPERTY AND EQUIPMENT

Office property and equipment consist of the following at December 31 (dollars in thousands):

	1999	1998
Leasehold improvements	$ 812	589
Furniture and office equipment	1,623	1,937
Computer hardware and software	5,763	4,150

	1999	1998
	8,198	6,676
Less accumulated depreciation and amortization	(4,418)	(3,032)
	$ 3,780	3,644

</TABLE>

(Continued)

<PAGE>

(7) SHORT-TERM FINANCING

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

<TABLE>
<CAPTION>

	1999	1998
<S>	<C>	<C>
A $290 million line of credit expiring in May 2000 secured by loans receivable held for sale, bearing interest based on one month LIBOR (5.82% at December 31, 1999)	$ 234,778	191,931
A $603 million master repurchase agreement bearing interest based on one month LIBOR (5.82% at December 31, 1999). The agreement may be terminated by the lender after giving 28 days written notice	164,326	153,912
A $300 million loan and security agreement bearing interest based on one month LIBOR (5.82% at December 31, 1999), secured by loans receivable held for sale, expiring in June 2000	17,682	--

	1999	1998
A $293 million loan and security agreement bearing interest based on one month LIBOR (5.82% at December 31, 1999), secured by loans receivable held for sale. This facility renews automatically for successive 12-month periods starting in August 2000, but is uncommitted	11,940	--
	$ 428,726	345,843

</TABLE>

Residual financing payable:

<TABLE>
<CAPTION>

	1999	1998
<S>	<C>	<C>
$160 million in residual financing lines renewable monthly, secured by residual interests in securitizations bearing interest based on one month LIBOR (5.82% at December 31, 1999)	$ 159,900	122,298
$30 million in residual financing lines renewable monthly, secured by residual interests in securitizations, bearing interest based on one month LIBOR (5.82% at December 31, 1999)	11,285	--
$7 million in residual financing lines renewable monthly, secured by residual interests in securitizations, bearing interest based on one month LIBOR (5.82% at December 31, 1999)	6,308	--
	$ 177,493	122,298

</TABLE>

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The weighted-average interest rate on the warehouse and aggregation lines of credit payable was 7.10% and 6.33% at December 31, 1999 and 1998, respectively. The weighted-average interest rate on residual financing payable was 7.44% and 6.46% at December 31, 1999 and 1998, respectively.

The warehouse line of credit agreements contain certain restrictive financial and other covenants which require the Company to, among other requirements, restrict dividends, maintain certain levels of net worth, liquidity and available borrowing capacity of at least $10.0 million, debt to net worth ratios and maintenance of compliance with regulatory and investor requirements. At December 31, 1999, the Company was in compliance with these financial and other covenants.

Advances under the residual financing lines are made at the sole discretion of the lender and are based on a percentage of the amount of loans securitized. These advances are repayable on demand by the lender and are subject to renewal on a monthly basis.

(8) SUBORDINATED DEBT

In October 1999, the Company entered into an agreement with US Bancorp to amend the warehouse line of credit agreement to include a subordinated debt component. The Company borrowed $20.0 million in subordinated debt in October 1999. Such debt bears interest at a rate of 12.0% per annum and matures in June 2000. Subsequent to year-end, the Company entered into a commitment to extend the maturity date of the subordinated debt to June 2002.

(9) NOTES PAYABLE

Notes payable consists of a revolving, uncommitted financing line of credit of $5.0 million, collateralized by office property and equipment and bears interest at revolving, uncommitted rates varying from 7.99% to 10.59%. The borrowings are payable in blended monthly payments of principal and interest and mature commencing from March 2000 to September 2002.

The maturities of notes payable at December 31 for the years ended are as follows (dollars in thousands):

Due in 2000	$ 1,793
Due in 2001	1,026
Due in 2002	232
	$ 3,051

(10) LOAN SERVICING

The Company's portfolio of mortgage loans serviced for others was comprised of approximately $5.5 billion and $3.4 billion at December 31, 1999 and 1998, respectively, the majority of which represents loans securitized by the Company. The Company commenced full servicing operations on its in-house platform in July 1998 and performs all servicing functions for its entire portfolio.

At December 31, 1999 and 1998, 33.2% and 33.6%, respectively, of the servicing portfolio was collateralized by real estate properties located in California.

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Fiduciary bank accounts are maintained on behalf of investors and for impounded collections. These bank accounts are not assets of the Company and are not reflected in the accompanying financial statements. These amounts are as follows at December 31, 1999 (dollars in thousands):

Impounded collections, taxes and insurance	$ 9,398
Principal and interest collections	92,617
	$ 102,015

As master servicer, the Company is required to make advances for delinquent payments and other servicing-related costs. At December 31,

1999 and 1998, such advances totaled $12.2 million and $1.6 million, respectively, and are included in prepaid expenses and other assets. Such advances are recovered from borrower payments and are senior to any distribution to investors. These advances are reviewed periodically for recoverability. Amounts deemed to be unrecoverable are written off and the expense is included in general and administrative expenses.

(11) COMMITMENTS AND CONTINGENCIES

(a) RELATED PARTY

The Company has entered into employment agreements with the four executive officers (the Founding Managers). The original term of each agreement continued in effect until December 31, 1998. In November 1998, the agreements were amended to extend until December 31, 2002. Then, in January 1999, the agreements were superseded by new employment agreements, also extending until December 31, 20002. Thereafter, the term of each agreement is extended automatically for successive one-year periods unless terminated. For 1997, the Founding Managers initially received a salary of $180,000. On May 30, 1997, the Board of Directors revised the Founding Managers' salary to $256,000 for 1997, plus a $500 per month automobile allowance. Effective January 1, 1998, the Board of Directors increased the Founding Managers' salary to $281,600 for 1998, plus a $500 per month auto allowance. Effective January 1, 1999, the Board of Directors increased the Founding Managers' salary to $333,000 for 1999, plus a $500 per month auto allowance.

In December 1996, the Company adopted the Founding Managers' Incentive Compensation Plan (the FMIC Plan) and the Company has amended the terms thereof effective for 1997 and subsequent plan years. The Compensation Committee (the Committee) of the Board of Directors administered the FMIC Plan. The Committee had full discretion to construe and interpret the terms and provisions of the FMIC Plan and related agreements. In addition, the Committee had the authority to make all determinations under the FMIC Plan, and to prescribe, amend and rescind rules relating to its administration.

Under the FMIC Plan, each of the Founding Managers was entitled to one quarter of amounts payable. Subject to the limitations

described below, the amounts available for incentive awards (the Incentive Pool) for each fiscal year, commencing in 1997, was an amount equal to a percentage of the Company's earnings (Earnings) before income taxes and without deducting amounts payable under

(Continued)
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the FMIC Plan. The specific percentage of Earnings that was used to determine the Incentive Pool was based on the ratio (the Ratio) of Earnings to Total Stockholders' Equity. If the Ratio was at least 25% but less than 50%, the Incentive Pool was an amount equal to 5% of Earnings in excess of 25% of Total Stockholders' Equity. If the Ratio was at least 50%, the Incentive Pool was an amount equal to the sum of (i) 5% of Earnings in excess of 25% of Total Stockholders' Equity plus (ii) 2% of Earnings in excess of 50% of Total Stockholders' Equity. Total Stockholders' Equity for purposes of this calculation was equal to the amount of stockholders' equity as of January 1 of each fiscal year adjusted on a pro-rata basis for any equity offerings completed during the fiscal year.

Awards under the FMIC Plan were payable in either cash or restricted stock if agreed by the Committee and the respective Founding Manager. In the absence of such an agreement, incentive compensation to each Founding Manager would be paid in cash up to 200% of such base salary. If the Incentive Pool exceeded the cash portion of the incentive compensation and there is no agreement between the Committee and respective Founding Manager regarding the distribution of the excess, such excess would be paid to the respective Founding Manager in the form of restricted stock.

In February 1999, the Board of Directors approved the 1999

Incentive Compensation Plan (the Incentive Compensation Plan), and simultaneously terminated the FMIC Plan. The Board designed the Incentive Compensation Plan so that the Founding Managers' bonuses would qualify as performance-based compensation under Section 162(m) of the Internal Revenue Code. The Company's stockholders approved the Incentive Compensation Plan in May 1999.

The Founding Managers' January 1999 employment agreements provide for two awards for 1999 under the Incentive Compensation Plan: one for the Company's performance during the first six months of the year, and the second for the Company's performance for the entire year. The awards base the potential incentive compensation on the Ratio of the Company's Earnings to its Total Stockholders' Equity, using definitions virtually identical to those used in the FMIC Plan. For the January 1, 1999 to June 30, 1999 performance period, if the Ratio is at least 10% but less than 20%, each Founding Manager is entitled to 1.25% of Earnings in excess of 10% of Total Stockholders' Equity. If the Ratio is at least 20%, each Founding Manager will receive incentive payments equal to the sum of (i) 1.25% of Earnings in excess of 10% of Total Stockholders' Equity, plus (ii) 0.50% of Earnings in excess of 20% of Total Stockholders' Equity. For the January 1, 1999 to December 31, 1999 performance period, if the Ratio is at least 20% but less than 40%, each Founding Manager is entitled to 1.25% of the Earnings in excess of 20% of Total Stockholders' Equity. If the Ratio is at least 40%, each Founding Manager will receive incentive payments equal to the sum of (i) 1.25% of Earnings in excess of 20% of Total Stockholders' Equity, plus (ii) 0.50% of Earnings in excess of 40% of Total Stockholders' Equity. The amount of any incentive award paid for the 12-month performance period will be reduced by any amounts paid for the six-month performance period. Award amounts up to 200% of the Founding Manager's current annual salary are paid in cash. Any amounts exceeding 200% of the base salary are paid in restricted stock, unless the Committee and Founding Manager agree otherwise.

Included in personnel expense for the years ended December 31, 1999, 1998 and 1997, respectively, are $1.7 million related to the Incentive Compensation Plan and $2.4 million and $1.0 million related to the FMIC Plan.

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(b) OPERATING LEASES

The Company and its subsidiaries lease certain facilities under noncancelable operating leases, which expire at various dates through 2004. Total rental expenditures under these leases were approximately $7.0 million, $6.1 million and $2.6 million for the years ended December 31, 1999, 1998 and 1997, respectively. The Company and its subsidiaries lease office property and equipment from various equipment leasing companies under operating lease agreements. Total lease commitments available under these facilities are $19.1 million, all of which was utilized as of December 31, 1999. These operating leases expire from April 2000 to October 2002. Total rental expenditures under these office property and equipment leases were approximately $5.9 million, $2.4 million and $1.1 million for the years ended December 31, 1999, 1998 and 1997, respectively.

<PAGE>

Minimum rental commitments for these leases are as follows (dollars in thousands):

<TABLE>
<S> <C>

Years ending December 31:	
2000	$ 11,130
2001	8,895
2002	5,285
2003	1,252
2004	204
	$ 26,766

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</TABLE>

(c) LOAN COMMITMENTS

Commitments to fund loans are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses. Also, external market forces affect the probability of commitments being exercised; therefore, total commitments outstanding do not necessarily represent future cash requirements. The Company quotes interest rates to borrowers which are subject to change by the Company. Although the Company generally honors such interest rate quotes, the quotes do not constitute interest rate locks, minimizing any potential interest rate risk exposure. The Company had commitments to fund loans of approximately $602.1 million and $1.2 billion at December 31, 1999 and 1998, respectively.

The Company had commitments to sell loans of $100 million and $300 million at December 31, 1999 and 1998, respectively, to an investment banker.

As of December 31, 1999, the Company was committed to provide an investment banking firm with a first right of refusal to underwrite loans sold through securitization by the Company in an aggregate amount of $750.0 million, $611.7 million of which was fulfilled at December 31, 1999. The investment banking firm is obligated to provide an aggregation facility for the duration of this commitment.

(d) CONTINGENCIES

The Company has entered into loan sale agreements with investors in the normal course of business which include representations and warranties customary to the mortgage banking industry. Violations of these representations and warranties may require the Company to repurchase loans previously sold or to reimburse investors for losses incurred. In the opinion of management, the potential exposure related to the Company's loan sale agreements is adequately provided for in the allowance for losses.

NEW CENTURY FINANCIAL CORPORATION
AND SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 1999 and 1998

The Company sold $221.2 million in loans in December 1997 and $96.2 million in loans in December 1996 under agreements to repurchase those loans which were delinquent at specific dates in March 1998 and January 1997, respectively. In accordance with these loan sale agreements, the Company repurchased loans with an outstanding principal balance of approximately $20.8 million and $3.5 million, respectively, for the years ended December 31, 1998 and 1997.

At December 31, 1999 and 1998, included in accounts payable and accrued liabilities are approximately $3.7 million and $2.4 million, respectively, in allowances for losses related to possible off-balance sheet recourse and repurchase agreement provisions. The activity in the allowance related to possible off-balance sheet recourse and repurchase agreement provisions for the years ended December 31 is summarized as follows (dollars in thousands):

	1999	1998
Balance, beginning of year	$ 2,382	1,597
Provision for losses	2,549	6,400
Charge-offs, net	(1,266)	(5,615)
Balance, end of year	$ 3,665	2,382

(e) LITIGATION

The Company is a party to legal actions arising in the normal course of business. In the opinion of management, based in part on discussions with outside legal counsel, resolution of such matters will not have a material adverse effect on the Company.

(12) INCOME TAXES

Components of the Company's provision for income taxes for the years ended December 31, 1999 and 1998 and 1997 are as follows (dollars in thousands):

<TABLE>
<CAPTION>

	1999	1998	1997
Current:			
Federal	$ 10,418	7,184	3,739
State	2,209	1,804	1,201
	12,627	8,988	4,940
Deferred:			
Federal	12,075	9,512	5,789
State	2,675	2,693	2,120
	14,750	12,205	7,909
	$ 27,377	21,193	12,849

</TABLE>

NEW CENTURY FINANCIAL CORPORATION
AND SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 1999 and 1998

Actual income taxes differ from the amount determined by applying the statutory Federal rate of 35% for the years ended December 31, 1999, 1998 and 1997 to earnings before income taxes as follows (dollars in thousands):

	1999	1998	1997
Computed "expected" income taxes	$ 23,410	18,309	10,707
State tax, net of Federal benefit	3,173	2,923	2,157
Other	794	(39)	(15)
	$ 27,377	21,193	12,849

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities at December 31 are as follows (dollars in thousands):

	1999	1998
Deferred tax assets:		
Allowance for loan losses	$ 824	1,471
State taxes	3,328	1,838
Office property and equipment	523	330

Other	250	196
	4,925	3,835
Deferred tax liabilities:		
Non-cash gain from securitization	36,968	22,144
Deferred loan fees	2,922	1,933
Other	27	--
	39,917	24,077
Net deferred income tax liability	$ 34,992	20,242

</TABLE>

There was no valuation allowance for deferred tax assets at December 31, 1999 and 1998, respectively.

Deferred tax assets are initially recognized for differences between the financial statement carrying amount and the tax bases of assets and liabilities which will result in future deductible amounts and operating loss and tax credit carryforwards. A valuation allowance is then established to reduce that deferred tax asset to the level at which it is "more likely than not" that the tax benefits will be realized. Realization of tax benefits of deductible temporary differences and operating loss or tax credit carryforwards depends on having sufficient taxable income of an appropriate character within the carryback and carryforward periods. Sources of taxable income of an appropriate character that may allow for the realization of tax benefits include: (1) taxable income in the current year or prior years that is available through carryback, (2) future taxable income that will result from the reversal of existing taxable temporary differences,

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(3) future taxable income generated by future operations and (4) tax planning strategies that, if necessary, would be implemented to accelerate taxable income into years in which net operating losses might otherwise expire.

Based upon the level of historical taxable income and projections for future taxable income over the periods in which the deferred tax assets are deductible, management believes it is more likely than not that the Company will realize deferred tax assets existing at December 31, 1999 and 1998.

(13) EMPLOYEE BENEFIT PLANS

On July 1, 1996, the Company established the New Century Financial Corporation 401(k) Profit Sharing Plan (the Plan) for the benefit of eligible employees and their beneficiaries. The Plan is a defined contribution 401(k) plan which allows eligible employees to save for retirement through pretax contributions. Under the Plan, employees of the Company may contribute up to the statutory limit. The Company will match 25% of the first 6% of compensation contributed by the employee. An additional Company contribution may be made at the discretion of the Company. Contributions to the Plan by the Company for the years ended December 31, 1999, 1998 and 1997 were $538,000, $407,000 and $194,000, respectively.

In October 1997, the Company established the New Century Financial Corporation Employee Stock Purchase Plan (the Plan) for the benefit of eligible employees. This plan is a compensatory plan as defined in accordance with APB 25. The plan allows employees to contribute, through payroll deductions, to the Plan. Plan periods are six months, with the exception of the first plan period, which was October 13, 1997 to December 31, 1997. At the end of each plan period, the employees purchase stock at a price equal to 90% of the lesser of the market price at the beginning and end of the plan period. Since its inception, the Company has issued 88,524 shares of common stock under this plan.

In December 1998, the Company established the New Century Financial Corporation Deferred Compensation Plan for the benefit of eligible employees. The plan allows eligible employees to defer payment of a portion of their salary to future years. The Company does not contribute to the plan.

(14) STOCKHOLDERS' EQUITY

(a) CONVERTIBLE PREFERRED STOCK

On November 22, 1995, the Company issued 5,000,000 shares of Series A preferred stock. In December 1995, the Company issued an additional 500,000 shares of Series A preferred stock. The Company received $2.75 million from the issuances. The holders of the Series A preferred stock were entitled to convert each share of Series A preferred stock into one share of common stock. Upon liquidation, the Series A preferred stock was entitled to receive, in preference to any payment on Series B preferred stock and common stock, an amount equal to $0.50 per share and a 12% annual return.

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On November 22, 1995, the Company issued 320,000 shares of Series B preferred stock. The Company received $160,000 from this issue. The holders of the Series B preferred stock were entitled to convert each share of Series B preferred stock into one share of common stock. Upon liquidation, after the payments to Series A preferred stock as described above, Series B preferred stock was entitled to receive, in preference to any payment on common stock, an amount equal to $0.50 per share and a 6% annual return.

In May 1997, all shares of Series A and B preferred stock were converted to common stock.

In June 1997, after the Company completed its Initial Public Offering, the Company increased its authorized preferred stock to 7,500,000 shares.

In November 1998, the Company issued 20,000 shares of Series 1998 A Convertible Preferred stock to US Bancorp. The Company received $20.0 million from this issue. The holders of Series 1998 A preferred stock are entitled to convert each share of

Series 1998 A preferred stock into 136.24 shares of common stock.

The Series 1998 A preferred stock earns a dividend at a rate of 7.5% per annum, payable quarterly. In July 1999, the Company issued 20,000 shares of Series 1999 A convertible preferred stock to US Bancorp. The Company received $20.0 million from this issue.

The holders of Series 1999 A preferred stock are entitled to convert each share of Series 1999 A preferred stock into 46.795 shares of common stock. The Series 1999 A preferred stock earns a dividend at a rate of 7.0% per annum, payable quarterly. At December 31, 1999 and 1998, accrued dividends of $483,000 and $158,000, respectively, are included in accounts payable and accrued liabilities. Upon liquidation, the holders of Series 1998 A and 1999 A preferred stock are entitled to receive, in preference to any payment on common stock, an amount equal to $1,000 per share and any accumulated unpaid dividends.

(b) COMMON STOCK

On November 22, 1995, the Company issued 528,618 shares of common stock. The Company received $240,000 from this issue.

In May 1997, the Company issued 304,501 shares of common stock upon the exercise by such stockholders of certain warrants to purchase common stock of the Company. The Company received approximately $1.1 million from this issue. The Company also issued 3,424,255 shares of common stock under cashless exercises of warrants at exercise prices of $1.00 to $3.50 per share.

In May 1997, the Company issued to Comerica Incorporated (Comerica) 545,000 shares of common stock for $4,087,500.

In May 1997, pursuant to certain Restricted Stock Award Agreements, the Company issued 92,500 shares of restricted stock to each of the four Founding Managers. The Company recorded $2.8 million in deferred compensation expense and additional paid in capital at the grant date. The deferred compensation expense is being amortized over the vesting period of the restricted stock, which is in equal installments in May 1998, 1999 and 2000. Included in personnel expenses for the year ended December 31, 1999 and 1998 are $566,000 and $1,286,000, respectively, related to the amortization of deferred compensation.

In June 1997, the Company completed its Initial Public Offering, issuing 3,132,500 new shares of common stock, and raising approximately $31.0 million in proceeds, net of offering expenses of approximately $1 million. The Company also increased its authorized shares of common stock to 45,000,000 shares.

In January 1998, the Company issued 188,150 shares of common stock in connection with the acquisition of Primewest.

In April 1998, the Company issued 16,204 shares of restricted stock to two of its Founding Managers in partial payment of its 1997 bonus obligation under the Founding Managers' Incentive Compensation Plan.

In May 1998, the Company received 43,676 shares of common stock from its Founding Managers as payment of the Company's withholding obligations upon vesting of the first installment of the May 1997 Founding Managers' Restricted Stock Awards. The fair market value of the stock at the time it was paid to the Company was $422,000. These shares were held as Treasury stock as of December 31, 1998 and the Treasury shares were cancelled in August 1999.

In March 1999, the Company issued 9,872 shares of common stock in connection with its obligations under the Primewest acquisition agreement.

In May 1999, the Company received 59,756 shares of common stock from its Founding Managers as payment of the Company's withholding obligations upon vesting of the second installment of the May 1997 Founding Managers' Restricted Stock Awards and the first installment of the April 1998 Restricted Stock Award. The fair market value of the stock at the time it was paid to the Company was $860,000. These shares were cancelled in August 1999.

In August 1999, the Company issued 42,377 shares of common stock upon the exercise of 100,000 warrants held by Comerica.

(c) WARRANTS

Each share of common stock issued on November 22, 1995 had a warrant attached which entitled the holder to purchase 2.78 shares of common stock of the Company at $1.00, $2.00 and $3.00 per share. All of these warrants were exercised in May 1997.

In December 1996, the Company issued warrants to purchase an aggregate of 512,384 shares of common stock, exercisable at $3.50 per share, to the Company's existing stockholders at that time. Such warrants were granted to stockholders on a pro rata basis in satisfaction of the stockholders' respective preemptive rights. These warrants were exercised in May 1997.

In May 1997, the Company issued to Comerica warrants to purchase 100,000 shares of common stock at $11.00 per share and in September 1997, the Company issued an additional 50,000 warrants at $11.00 per share pursuant to the completion of certain services by Comerica with respect to servicing the Company's loans. During 1998, Comerica forfeited the right to receive an additional 183,333 warrants due to non-completion of certain services. The warrants granted are exercisable

<PAGE>

over five years, and vest in equal installments on December 31, 1997, 1998 and 1999. The Company believes that the warrant prices approximated fair market value of the Company's stock at the date of grant. In accordance with FASB No. 123, $675,000 has been determined to be the value of the stock warrants issued on the measurement date. As of December 31, 1999, the value of the warrants had been amortized as general and administrative expenses. As of December 31, 1999, 50,000 warrants remain outstanding.

(15) STOCK OPTIONS

In 1995, the Company adopted and received stockholders' approval of the qualified 1995 Stock Option Plan (the Plan) pursuant to which the Company's Board of Directors may grant stock options to officers and key

employees. The Plan authorizes grants of options to purchase up to 3.0 million shares of authorized but unissued common stock. Stock options granted under the Plan have terms of ten years and vest over a range from December 1996 to September 2004. The Company has also issued the following grants of nonqualified stock options outside the Plan: (i) 120,000 granted to certain executive officers of the Company in December 1996, vesting over a three-year period and expiring ten years from the grant date, (ii) 7,500 granted to a former director of the Company in May 1997, vesting over five years and expiring ten years from the grant date, (iii) 10,000 granted to a nonemployee director of the Company in September 1998, vesting over five years and expiring ten years from the grant date, and (iv) 30,000 granted to two non-employee directors of the Company in May 1999, vesting over five years and expiring ten years from the grant date. All stock options are granted with an exercise price not less than the stock's fair market value at the date of grant.

At December 31, 1999, there were 565,705 shares available for grant under the Plan. Of the options outstanding at December 31, 1999 and 1998, 1,166,500 and 919,344, respectively, were exercisable with weighted-average exercise prices of $8.23 and $7.52, respectively. The per share weighted-average fair value of stock options granted during the year ended December 31, 1999 and 1998 was $7.68 and $5.07, respectively, at the date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions:

	1999	1998
Expected life (years)	4.5	4.5
Risk-free interest rate	7.0%	6.0%
Volatility	55.0%	55.0%
Expected dividend yield	--	--

(Continued)

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The Company applies APB Opinion No. 25 in accounting for its plans and, accordingly, no compensation cost has been recognized for its stock options in the consolidated financial statements. Had the Company determined compensation cost based on the fair value at the grant date for its stock options under Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation," the Company's net earnings would have been reduced to the pro forma amounts indicated below (dollars in thousands, except per share amounts):

<TABLE>
<CAPTION>

<S>	1999	1998	1997
Net earnings:			
As reported	$ 39,509	31,115	17,743
Pro forma	38,135	30,018	16,108
Basic earnings per share:			
As reported	$ 2.59	2.19	2.18
Pro forma	2.50	2.11	1.98
Diluted earnings per share:			
As reported	$ 2.11	2.03	1.40
Pro forma	2.04	1.96	1.27

</TABLE>

Stock options activity during the years ended December 31, 1999 and 1998 and 1997 is as follows:

<TABLE>

<CAPTION>

	NUMBER OF SHARES	WEIGHTED-AVERAGE EXERCISE PRICE
<S>	<C>	<C>
Balance at December 31, 1996	664,600	$ 1.77
Granted	1,399,120	9.41
Exercised	(41,100)	1.02
Canceled	(84,550)	3.00
Balance at December 31, 1997	1,938,070	7.25
Granted	510,900	9.88
Exercised	(108,150)	1.18
Canceled	(273,700)	7.49
Balance at December 31, 1998	2,067,120	8.19
Granted	448,000	14.54
Exercised	(179,165)	4.63
Canceled	(62,575)	11.92
Balance at December 31, 1999	2,273,380	$ 9.62

</TABLE>

(Continued)
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At December 31, 1999, the range of exercise prices, the number outstanding, weighted-average remaining term and weighted-average exercise price of options outstanding and the number exercisable and weighted-average price of options currently exercisable are as follows:

<TABLE>
<CAPTION>

RANGE OF EXERCISE PRICES	NUMBER OUTSTANDING	WEIGHTED-AVERAGE REMAINING TERM	WEIGHTED-AVERAGE EXERCISE PRICE	NUMBER EXERCISABLE	WEIGHTED-AVERAGE EXERCISE PRICE
<S>	<C>	<C>	<C>	<C>	<C>
$ 0.50-0.50	52,050	6.23	$ 0.50	13,650	$ 0.50
1.75-1.75	61,954	6.67	1.75	9,454	1.75
3.50-3.50	142,300	6.92	3.50	127,100	3.50
7.50-7.50	655,429	7.33	7.50	591,889	7.50
8.38-8.38	90,000	8.67	8.38	23,700	8.38
9.00-9.00	10,700	8.83	9.00	4,517	9.00
9.50-9.53	97,150	8.41	9.52	33,050	9.52
10.00-10.75	200,259	8.35	10.19	55,734	10.17
11.00-11.75	483,538	7.50	11.06	263,331	11.01
12.00-12.75	255,700	9.09	12.43	8,900	12.50
15.00-15.00	10,000	8.58	15.00	10,000	15.00
16.25-16.25	7,500	9.67	16.25	--	--
17.00-17.00	51,300	7.67	17.00	25,175	17.00
18.25-18.25	155,500	9.58	18.25	--	--

</TABLE>

(16) GENERAL AND ADMINISTRATIVE EXPENSES

A summary of general and administrative expenses for the year ended December 31, 1999 and 1998 and 1997 follows (dollars in thousands):

	1999	1998	1997
Other administrative expenses	$ 6,346	3,469	2,415
Occupancy	8,488	7,596	3,233
Depreciation and amortization	2,778	2,550	1,848
Telephone	4,575	3,467	1,577
Postage and courier	3,633	2,892	1,443
Travel, entertainment and conferences	3,454	3,246	1,503
Servicing	2,896	1,840	1,536
Equipment rental	7,074	4,207	1,371
Data processing	1,477	54	37
Office supplies	2,011	1,673	1,074
	$ 42,732	30,994	16,037

(Continued)

(17) FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company estimates the fair value of financial instruments using available market information and appropriate valuation methods. However, considerable judgment is necessarily required to interpret market data to develop the estimates of fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts that could be

realized in a current market exchange. The use of different market assumptions or estimation methods may have a material impact on the estimated fair value amounts.

The estimated fair values of the Company's financial instruments as of December 31, 1999 and 1998 are as follows (dollars in thousands):

<TABLE>
<CAPTION>

1999	CARRYING VALUE	FAIR VALUE
Financial assets:		
Cash and cash equivalents	$ 4,496	4,496
Loans receivable held for sale, net	442,653	444,599
Residual interests in securitizations	364,689	364,689
Financial liabilities:		
Warehouse and aggregation lines of credit	428,726	428,726
Residual financing payable	177,493	177,493
Subordinated debt	20,000	20,000
Notes payable	3,051	3,051

<CAPTION>

1998	CARRYING VALUE	FAIR VALUE
Financial assets:		

Cash and cash equivalents	$ 30,875	30,875
Loans receivable held for sale, net	356,975	367,836
Residual interests in securitizations	205,395	205,395
Interest only securities	5,027	5,027
Financial liabilities:		
Warehouse and aggregation lines of credit	345,843	345,843
Residual financing payable	122,298	122,298
Notes payable	3,985	3,985
Off-balance sheet items:		
Commitment to purchase residual interests	-	--

</TABLE>

(Continued)
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The following methods and assumptions were used in estimating the Company's fair value disclosures for financial instruments.

Cash and cash equivalents: The fair value of cash and cash equivalents approximates the carrying value reported in the balance sheet.

Loans receivable held for sale: The fair value of loans receivable held for sale is determined in the aggregate based on outstanding whole loan commitments from investors or current investor yield requirements.

Residual interests in securitizations: The fair value of residual interests in securitizations is determined by calculating the net present value of estimated future cash flows using a discount rate commensurate with the risks involved.

Warehouse lines of credit and residual financing payable: The carrying value reported in the balance sheet approximates fair value as the warehouse lines of credit and residual financing payable are due upon

demand and bear interest at a rate that approximates current market interest rates for similar type lines of credit.

Subordinated debt: The fair value of subordinated debt is estimated to approximate carrying value as the subordinated debt is short-term and bears interest at a rate that approximates current market rate for similar borrowings.

Notes payable: The fair value of notes payable is determined by discounting expected cash payments at the current market interest rate over the term of the notes payable.

Interest only securities: The fair value of interest only securities is
determined by calculating the net present value of estimated future cash
flows using a discount note commensurate with the risks involved.

(Continued)
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(18) CONDENSED FINANCIAL INFORMATION OF PARENT COMPANY

The following is condensed information as to the financial condition, results of operations and cash flows of New Century Financial Corporation:

Condensed Balance Sheets
(Dollars in thousands)

<TABLE>
<CAPTION>

ASSETS	DECEMBER 31 1999	1998
Cash and cash equivalents	$ 1,328	567
Investment in and receivable from subsidiaries	172,196	112,312
Other assets	411	2,137

	$ 173,935	115,016

LIABILITIES AND STOCKHOLDERS' EQUITY

Other liabilities	$ 972	403
Stockholders' equity	172,963	114,613
	$ 173,935	115,016

</TABLE>

Condensed Statements of Earnings
(Dollars in thousands)

<TABLE>
<CAPTION>
<S> <C> <C> <C>

	1999	1998	1997
Interest income	$ 3,187	44	230
Equity in undistributed earnings of subsidiaries	39,206	32,940	18,991
	42,393	32,984	19,221
Personnel	1,602	1,979	1,149
General and administrative	571	236	1,106
Professional services	479	289	126
	2,652	2,504	2,381

	1999	1998	1997
Earnings before income taxes (benefit)	39,741	30,480	16,840
Income taxes (benefit)	232	(635)	(903)
Net earnings	$ 39,509	31,115	17,743

</TABLE>

(Continued)
<PAGE>

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Condensed Statements of Cash Flows
(Dollars in thousands)

<TABLE>
<CAPTION>

<S>	<C> 1999	<C> 1998	<C> 1997
Cash flows from operating activities:			
Net earnings	$ 39,509	31,115	17,743
Adjustments to reconcile net earnings to net cash provided by (used in) operating activities:			
Depreciation and amortization	668	1,035	1,797
Decrease (increase) in other assets	1,624	(1,027)	(908)
Increase in other liabilities	244	186	49
Equity in undistributed earnings of subsidiaries	(39,206)	(32,940)	(18,991)

Net cash provided by (used in)

operating activities	2,839	(1,631)	(310)
Cash flows from investing activity - increase in investment in and receivables from subsidiary	(20,570)	(18,211)	(35,897)
Cash flows from financing activities:			
Net proceeds from issuance of stock	21,138	20,831	36,203
Repurchase of treasury stock	(860)	(422)	--
Dividends paid on preferred stock	(1,786)	--	--
Net cash provided by financing activities	18,492	20,409	36,203
Net increase (decrease) in cash and cash equivalents	761	567	(4)
Cash and cash equivalents, beginning of period	567	--	4
Cash and cash equivalents, end of period	$ 1,328	567	--

</TABLE>

(Continued)
<PAGE>

(19) EARNINGS PER SHARE

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

<TABLE>
<CAPTION>

	1999	1998	1997
<S>	<C>	<C>	<C>
Numerator:			
Net earnings	$ 39,509	31,115	17,743
Less: preferred stock dividends	2,111	158	--
Income available to common stockholders	$ 37,398	30,957	17,743
Denominator:			
Denominator for basic earnings per share - weighted-average common shares outstanding	14,414,565	14,165,307	8,139,052
Effect of dilutive securities:			
Convertible preferred stock	3,132,490	283,678	2,375,834
Restricted stock award	180,954	258,397	197,926
Warrants	29,569	22,879	1,226,463
Stock options	941,326	591,332	766,459
Denominator for diluted earnings per share	18,698,904	15,321,593	12,705,734
Basic earnings per share	$ 2.59	2.19	2.18
Diluted earnings per share	$ 2.11	2.03	1.40

</TABLE>

For 1999, 1998, and 1997, 224,300, 798,850 and 138,500 stock options, respectively and 50,000 warrants for 1998, whose exercise price exceeded the average market price of the common shares are excluded from calculation of dilutive number of shares.

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(20) SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED)

Selected quarterly financial data are presented below by quarter for the years ended December 31, 1999 and 1998 (dollars in thousands, except per share amounts):

<TABLE>
<CAPTION>

<S>	DECEMBER 31, 1999 <C>	SEPTEMBER 30, 1999 <C>	JUNE 30, 1999 <C>	MARCH 31, 1999 <C>
Gain on sale of loans	$ 26,782	35,275	30,187	29,428
Interest income	16,469	16,014	13,656	15,318
Servicing income	17,486	11,747	12,115	9,465
Total revenues	60,737	63,036	55,958	54,211
Operating expenses	49,365	42,748	37,357	37,586
Earnings before income taxes	11,372	20,288	18,601	16,625
Income taxes	4,482	8,360	7,722	6,813
Net earnings	$ 6,890	11,928	10,879	9,812

Basic earnings per share	$ 0.42	0.78	0.73	0.66
Diluted earnings per share	$ 0.36	0.62	0.60	0.55

<CAPTION>

	DECEMBER 31, 1998	SEPTEMBER 30, 1998	JUNE 30, 1998	MARCH 31, 1998
<S>	<C>	<C>	<C>	<C>
Gain on sale of loans	$ 22,403	30,557	27,781	24,319
Interest income	13,124	11,152	13,186	10,193
Servicing income	8,624	6,593	4,539	3,936
Total revenues	44,151	48,302	45,506	38,448
Operating expenses	30,617	33,368	32,495	27,619
Earnings before income taxes	13,534	14,934	13,011	10,829
Income taxes	4,752	6,326	5,519	4,596
Net earnings	$ 8,782	8,608	7,492	6,233
Basic earnings per share	$ 0.61	0.61	0.53	0.45

Diluted earnings per share	$ 0.55	0.57	0.50	0.42

</TABLE>

(Continued)

<PAGE>

(21) LIQUIDITY

The Company's business requires substantial cash to support its operating activities and growth plans. As a result, the Company is dependent on its warehouse and aggregation lines of credit and its residual financing facility in order to finance its continued operations. If the Company's principal lenders decided to terminate or not to renew any of these credit facilities with the Company, the loss of borrowing capacity would have a material adverse impact on the Company's results of operations unless the Company found a suitable alternative source. The Company's strategies for mitigating the effects of a loss of financing would most likely include (i) reducing production levels, (ii) shifting its secondary marketing strategy to rely more heavily on whole loan sales, (iii) accelerating the disposal of its loan inventory and (iv) attempting to find interim financing from alternative sources.

(22) SUBSEQUENT EVENT

On March 28, 2000 the Company and U.S. Bank entered into a commitment letter in which U.S. Bank agreed to (i) extend the maturity date of its subordinated debt to June 1, 2002, and (ii) provide an additional $10 million in subordinated debt financing during 2000. In exchange, the Company agreed to (i) amend the conversion rate of the Series 1999A Convertible Preferred Stock from 46.80 to 69.98 and (ii) grant U.S. Bank up to 725,000 warrants at an exercise price equal to the market value of the Company's Common Stock on the grant date. Approximately 70% of the warrants vest immediately. Of the remainder, a portion vest in quarterly increments if the Company has not prepaid the subordinated debt and a portion are granted concurrently with funding of the additional $10 million in subordinated debt.

U.S. Bank's commitment to fund the additional subordinated debt is subject the Company achieving certain operating milestones. In addition, the entire transaction is subject to execution of definitive agreements satisfactory to U.S. Bank, as well as the receipt of

consents from the other lenders party to the Company's warehouse credit agreement.