



IDAHO
DEPARTMENT OF FINANCE

C.L. "BUTCH" OTTER
Governor

GAVIN M. GEE
Director

Contact: Anthony Polidori
Supervising Financial Examiner
(208) 332-8000

NEWS RELEASE

For Immediate Release

March 26, 2007

SUBPRIME MORTGAGE LENDERS AGREE TO STOP TAKING MORTGAGE LOAN APPLICATIONS

LENDERS TAKE STEPS TO MINIMIZE DAMAGE TO IDAHO BORROWERS

(Boise) – Gavin Gee, Director of the Idaho Department of Finance, today announced the entry of a Consent Agreement and Order with New Century Mortgage Corporation and Home123 Corporation. The Order stems from the mortgage lenders' failure to fund mortgage loans for Idaho borrowers after settlement, a violation of state law.

Both companies are headquartered in Irvine California and are licensed mortgage lenders in Idaho. The companies have been experiencing financial difficulties and recently announced the cancellation of their lines of credit by their warehouse lenders. New Century (NEWC) was de-listed from the New York Stock Exchange earlier this month.

The consent order includes the companies' agreements to cease and desist accepting any applications for residential mortgage loans from Idaho consumers and take a number of corrective actions to protect existing Idaho borrowers.

On March 12th New Century and Home123 notified the Department of their inability to fund loans. For almost two weeks officials of the companies have been holding daily conference calls with the Department and other state regulators to report steps being taken by New Century and Home123 to mitigate losses to borrowers.

Gee said he was pleased with the proactive steps taken by the companies to mitigate losses to borrowers. According to Gee, when the companies announced

discontinuance of mortgage lending nearly two weeks ago, they reported 115 existing Idaho mortgage loans affected, amounting to over \$18 million. The companies now report only 2 outstanding Idaho loan applications totaling \$240,000 and are required to continue efforts to arrange funding or placement of these loans by other lenders. "The companies have taken positive steps in seeking out alternative lenders to fund mortgage loans on their books for Idaho borrowers," said Gee.

Individuals with questions regarding loans pending with New Century or Home123 can obtain information from a dedicated call center established by the companies. The telephone number is 877-481-6702.

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Department of Finance Press Releases and other information can be found on the Internet via the worldwide web at <http://finance.idaho.gov> and may be obtained by contacting the Department at (208) 332-8080 or Idaho toll-free at 1-888-346-3378.

LAWRENCE G. WASDEN
Attorney General

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Deputy Attorney General
State of Idaho
Department of Finance
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Boise, Idaho 83720-0031
Telephone: (208) 332-8092
Facsimile: (208) 332-8099

**BEFORE THE DIRECTOR OF THE DEPARTMENT OF FINANCE
OF THE STATE OF IDAHO**

STATE OF IDAHO, DEPARTMENT OF)
FINANCE, CONSUMER FINANCE)
BUREAU,) Docket No. 2007-8-24
)
Complainant,) **CONSENT AGREEMENT AND ORDER**
)
vs.)
)
NEW CENTURY MORTGAGE)
CORPORATION and HOME123)
CORPORATION,)
)
Respondents.)
_____)

The Director of the Department of Finance, State of Idaho (Director) has conducted a review of the mortgage brokering/lending activities of New Century Mortgage Corporation (New Century) and Home123 Corporation (Home123). Pursuant to that review, it appears to the Director that violations of the Idaho Residential Mortgage Practices Act, Idaho Code § 26-3101 *et seq.* (the Act) and rules promulgated thereunder have occurred. The Director, New Century, and Home123 have agreed to resolve this matter without the necessity of litigation or a formal administrative proceeding, through this Consent Agreement and Order (Order). The Director deems it appropriate and in the public interest to enter this Order, and the Respondents

voluntarily consent thereto, intending to be legally bound thereby. The parties to the above-captioned matter hereby stipulate and agree that the following statements are true and correct.

THE RESPONDENTS

1. New Century Financial Corporation is a mortgage real estate investment trust (REIT) incorporated under the laws of California, and is the parent company of both New Century Mortgage Corporation and Home123 Corporation.

2. New Century Mortgage Corporation is incorporated under the laws of California and has been licensed by the Department to conduct mortgage brokering/lending activities in Idaho since December 31, 1996. New Century holds Idaho Mortgage Broker/Lender License No. MBL-546 for its home office location at 18400 Von Karman Avenue, Ste. 1000, Irvine, California 92612, and also holds Idaho Regulated Lender License No. RMD-119 for the same location. Additionally, New Century holds Idaho Mortgage Broker/Lender and Idaho Regulated Lender licenses for branch locations in numerous states.

3. Home123 Corporation is incorporated under the laws of California and has been licensed by the Department to conduct mortgage brokering/lending activities in Idaho since January 28, 2000. Home123 holds Idaho Mortgage Broker/Lender License No. MBL-2074 for its home office location at 3351 Michelson Drive, Ste. 400, Irvine, California 92612, and also holds Idaho Regulated Lender License No. RMD-526 for the same location. Additionally, Home123 holds several other Idaho Mortgage Broker/Lender and Idaho Regulated Lender licenses for branch locations in Florida, Oregon, California, Washington, Idaho, Utah, New Jersey, Indiana, Arizona, and Colorado.

4. New Century Mortgage Corporation and Home123 Corporation are referred to collectively herein as “the Respondents.”

BACKGROUND

5. The State of Idaho, Department of Finance (Department) is authorized and directed to administer and enforce the Idaho Residential Mortgage Practices Act, Idaho Code § 26-3101 *et seq.* and rules promulgated thereunder.

6. For the purposes of this Order, “Idaho Consumers” shall include Idaho residents or persons that have submitted applications to New Century or Home123 for loans which are, or are intended to be, secured by Idaho real property.

7. The Department has recently learned that New Century and Home123 do not have sufficient lines of credit to fund loans that such companies have closed or intended to close with Idaho Consumers.

8. At the time of the issuance of this Order, New Century and Home123 have closed loans to Idaho Consumers that were not funded.

9. The Department has learned through various media sources that on or about March 13, 2007, the New York Stock Exchange suspended trading of New Century Financial Corporation; further, such company is being investigated by a U.S. Attorney’s Office and the Securities and Exchange Commission. Additionally, on or about March 20, 2007, New Century Financial Corporation reported that Fannie Mae terminated “for cause” a mortgage selling and servicing contract between Fannie Mae and New Century Mortgage Corporation.

10. New Century’s and Home123’s failure to disburse funds in a timely manner, in accordance with their commitments or agreements with borrowers, either directly or through a broker, constitutes a prohibited practice, in violation of Rule 60.01.b. of the Rules Pursuant to the Idaho Residential Mortgage Practices Act, located at IDAPA 12.01.10.060.01.b.

CORRECTIVE ACTION BY THE RESPONDENTS

11. New Century and Home 123 stipulate and agree to take the corrective actions set forth in paragraphs 12 through 25 of this Order.

12. New Century and Home123 shall immediately cease and desist accepting, from either consumers or mortgage brokers, any applications for residential first or secondary mortgage loans secured by Idaho real property or from Idaho Consumers.

13. New Century and Home123 shall immediately cease and desist from advertising for their wholesale and retail businesses in Idaho or to Idaho Consumers.

14. New Century and Home123 shall obtain funding for, or place with another lender, loans to Idaho Consumers that have closed but not yet been funded.

15. New Century and Home123 shall either: (1) obtain funding for and close, or (2) place with other lenders, applications from Idaho Consumers to whom loan commitments have been issued.

16. As to loan applications with Idaho Consumers for which no commitment has been issued, New Century and Home123 shall either: (1) obtain funding for and close into loans, or (2) place with other lenders, or (3) deny the loan applications for cause. This paragraph shall not apply if the Idaho Consumer or the representative mortgage broker has voluntarily withdrawn the loan application.

17. New Century and Home123 shall notify all Idaho mortgage loan applicants or the applicants' brokers of the status of any applications or loans with New Century and/or Home123 and the likelihood of funding.

18. New Century and Home123 shall seek out other lenders with whom they can place Idaho Consumer loans or applications to the benefit of the Idaho Consumer.

19. New Century and Home123 shall provide to the Department a daily list of all loans to Idaho Consumers that have closed but not funded or loan applications from Idaho Consumers that have not closed. This list shall be updated until all loans for Idaho Consumers have been funded, or all issues regarding Idaho loan applications have been resolved. This list shall include, but not be limited to the following:

- (a) The names of all Idaho Consumers whose loans have been closed but not funded by New Century and/or Home123 or who have submitted an application to New Century and/or Home123 for a loan that has not yet closed;
- (b) The address and telephone numbers of the Idaho Consumers listed in part (a) directly above;
- (c) The loan number;
- (d) The amount of all prepaid loan fees submitted;
- (e) The amount of each loan;
- (f) The current application status;
- (g) The rate lock status;
- (h) The actual closing dates;
- (i) Whether the loan was a purchase or refinance; and
- (j) Identification of the applicable lender with whom each loan will be placed and contact information for that lender.

Any changes in the list shall be explained in writing. The list and any explanation shall be sent to:

Anthony Polidori
Supervising Examiner/Investigator
Consumer Finance Bureau
Idaho Department of Finance
anthony.polidori@finance.idaho.gov

20. New Century and Home123 shall provide to the Department on a weekly basis a liquidity schedule that lists the anticipated loans to be closed and the anticipated funding available.

21. New Century and Home123 shall, as soon as possible, place any upfront fees collected since January 1, 2007 from Idaho Consumers relative to any first or secondary mortgage loan applications in a separate escrow account maintained at a federally insured depository institution.

22. New Century and Home123 shall release any liens filed on any Idaho real property or property owned by Idaho Consumers resulting from a residential mortgage loan closing with New Century or Home123, which loan was not funded. In the event that a loan subsequently funds, New Century and/or Home123 may file a lien against the property at that time.

23. In the event that interest on an Idaho residential mortgage loan closed or originated by New Century and/or Home123 starts on any day other than the day of funding, or if there is any change in terms from the signed loan document, New Century and/or Home123 shall immediately notify Anthony Polidori, as referenced in paragraph 19 above.

24. Nothing in this Order shall preclude New Century and/or Home123 from selling or assigning residential mortgage loans to another entity, servicing closed mortgage loans, or engaging in other activity not prohibited herein or by the Act or rules promulgated under the Act.

25. New Century and Home123 shall use every best effort to resolve their current inability to fund loans.

ADDITIONAL TERMS

26. New Century and Home123 stipulate and agree to the additional terms set forth in paragraphs 27 through 36 below.

27. Consent. New Century and Home123 hereby knowingly, willingly, voluntarily, and irrevocably consent to the entry of this Order, and agree that they fully understand all of the terms and conditions contained herein. New Century and Home123, by voluntarily entering into this Order, waive any right to a hearing or appeal concerning the terms and/or conditions set forth in this Order.

28. Publication and Release. This Order contains the entire agreement between the parties. There are no other terms, obligations, covenants, representations, statements, conditions, or otherwise, of any kind whatsoever concerning this Order. This Order may be amended in writing by mutual agreement of the Department, New Century, and Home123.

29. Re-negotiability. New Century and Home123 may, upon a change in circumstances, seek to renegotiate with the Department the terms of and applicability of this Order.

30. Binding nature. The Department, New Century, and Home123, and all officers, owners, directors, employees, agents, and assigns of New Century and Home123 intend to be and are legally bound by the terms of this Order.

31. Counsel. This order is entered into by the parties upon full opportunity for advice from legal counsel.

32. Effectiveness. New Century and Home123 hereby stipulate and agree that this order shall become effective on the date the Department executes this Order.

33. Other enforcement action. The Department reserves all of its rights, duties, and authority to enforce all statutes, and rules under its jurisdiction against New Century and Home123 in the future regarding all matters not addressed by this Order. New Century and Home123 acknowledge and agree that this Order is only binding upon the Department and not any other local, state, or federal agency, department, or office.

34. Authorization. The individuals whose signatures appear below are authorized to execute this Order and legally bind the respective parties.

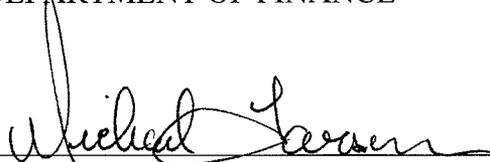
35. Counterparts. This Order may be executed in separate counterparts and by facsimile.

36. Titles. The titles used to identify the paragraphs of this document are for the convenience of reference only and do not control the interpretation of this Order.

WHEREFORE, in consideration of the foregoing, the Department, New Century, and Home123, intending to be legally bound thereby, do hereby execute this Consent Agreement and Order.

DATED this 26th day of March, 2007.

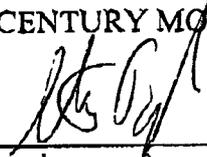
STATE OF IDAHO
DEPARTMENT OF FINANCE



MICHAEL LARSEN
Consumer Finance Bureau Chief

DATED this 23rd day of March, 2007.

NEW CENTURY MORTGAGE CORPORATION



(Officer signature)

Stergios Theologides

(Print - officer name)

Secretary

(Title)

DATED this 23rd day of March, 2007.

HOME123 CORPORATION



(Officer signature)

Stergios Theologides

(Print - officer name)

Secretary

(Title)

IT IS SO ORDERED.

DATED this 26th day of March, 2007.

STATE OF IDAHO
DEPARTMENT OF FINANCE



GAVIN M. GEE, Director



CERTIFICATE OF SERVICE

I HEREBY CERTIFY that on this 26 day of March, 2007, I served a true and correct fully-executed copy of the foregoing CONSENT AGREEMENT AND ORDER upon the following by the designated means:

Stergios Theologides, Secretary
New Century Mortgage Corporation
18400 Von Karman Avenue, Ste. 1000
Irvine, California 92612

- U.S. Mail, postage prepaid
- Certified mail
- Facsimile
- Other

Stergios Theologides, Secretary
Home123 Corporation
3351 Michelson Drive, Ste. 400
Irvine, California 92612

- U.S. Mail, postage prepaid
- Certified mail
- Facsimile
- Other

Benea Ridgeway