NOVASTAR FINANCIAL INC Form 8-K June 05, 2007 UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

PURSUANT TO SECTION 13 OR 15(d) OF THE

SECURITIES EXCHANGE ACT OF 1934

June 1, 2007

Date of Report (Date of earliest event reported)

NOVASTAR FINANCIAL, INC.

(Exact name of registrant as specified in its charter)

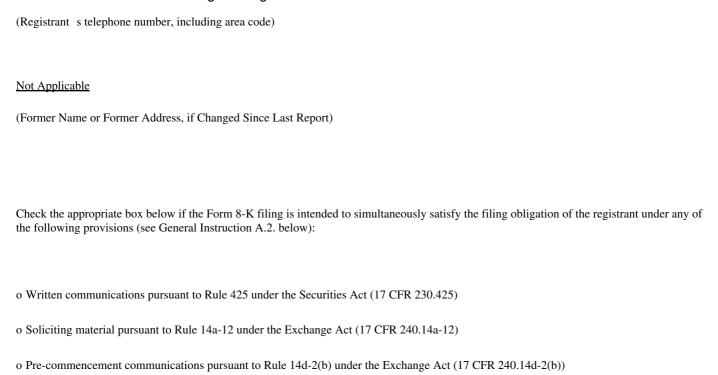
Maryland (State or other jurisdiction of incorporation or organization) 001-13533 (Commission File Number) 74-2830661 (I.R.S. Employer Identification No.)

8140 Ward Parkway, Suite 300, Kansas City, MO 64114

(Address of principal executive offices)

(Zip Code)

(816) 237-7000



o Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

INFORMATION TO BE INCLUDED IN THE REPORT

Item 2.03 - Creation of a Direct Financial Obligation or an Obligation under an Off-Balance Sheet Arrangement of a Registrant

On June 5, 2007, NovaStar Financial, Inc. (the Company) announced the completion of a \$1.4 billion Asset Backed Securitization by its wholly-owned subsidiary, NovaStar Mortgage, Inc (NMI). A prospectus supplement was filed, pursuant to Rule 424(b)(5), with the Securities and Exchange Commission on June 1, 2007 by NovaStar Mortgage Funding Trust, Series 2007-2 (the Trust).

Lead managers RBS Greenwich Capital, Wachovia Securities and Deutsche Bank Securities underwrote NovaStar Mortgage Funding Trust, Series 2007-2, which closed June 1, 2007. The transaction was structured into 15 rated classes of certificates with a face value of \$1,340,500,000.

NMI retained the class C certificates. Class C has a notional amount of \$1,400,000,000, entitles NMI to excess interest and prepayment penalty fee cash flow from the underlying loan collateral and serves as overcollateralization. Other than prepayment penalty fee cash flow, Class C is subordinated to the other classes.

The initial level of overcollateralization is approximately \$59.5 million. On any distribution date after the closing date, the Trust is required to maintain or restore overcollateralization at the initial level. The overcollateralization is available for the benefit of all classes of the offered and class I certificates.

A copy of the press release announcing this securitization is included as Exhibit 99 and is incorporated herein by reference. References to the registrant s website in the press release do not incorporate by reference the information on the registrant s website into this Current Report and the registrant disclaims any such incorporation by reference.

Item 9.01 Financial Statements and Exhibits

- (c) Exhibits
- 99 Press Release dated June 5, 2007, NovaStar Closes \$1.4 billion Asset Backed Securitization.

SIGNATURE

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

DATE: June 5, 2007

NOVASTAR FINANCIAL, INC. /s/ Gregory S. Metz Gregory S. Metz Chief Financial Officer

Exhibit Index		
F 1415		
Exhibit		
Number		

Press Release dated June 5, 2007, NovaStar Closes \$1.4 billion Asset Backed Securitization.

99