NOVASTAR FINANCIAL INC Form 8-K December 16, 2005 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

December 15, 2005

Date of Report (Date of earliest event reported)

NOVASTAR FINANCIAL, INC.

(Exact name of registrant as specified in its charter)

Maryland 001
(State or other jurisdiction of incorporation or organization) Nu

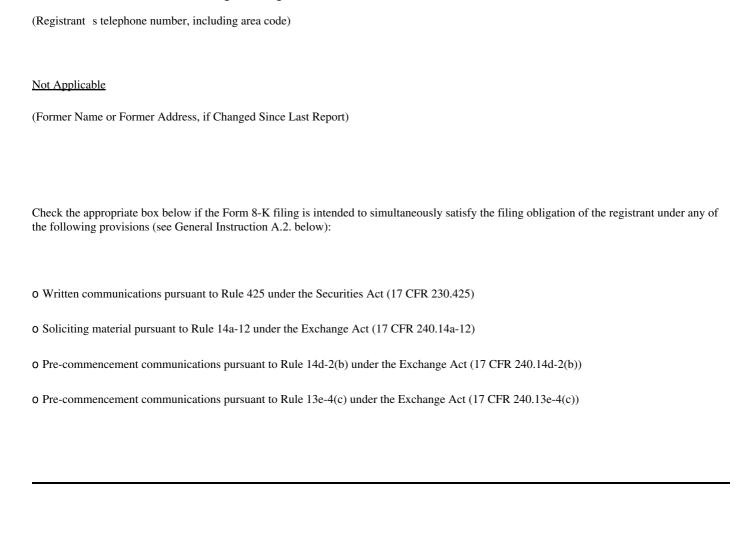
001-13533 (Commission File Number) 74-2830661 (I.R.S. Employer Identification No.)

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

(Address of principal executive offices)

(Zip Code)

(816) 237-7000



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 December 15, 2005, NovaStar Financial, Inc. (the Company) announced the completion of a \$1.6 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 December 13, 2005 by NovaStar Mortgage Funding Trust, Series 2005-4 (the Trust).

Lead managers Deutsche Bank Securities, Wachovia Securities and RBS Greenwich Capital with co-manager Morgan Stanley, underwrote NovaStar Mortgage Funding Trust, Series 2005-4, which closed December 15, 2005. The transaction offered 15 rated classes of certificates with a face value of \$1,558,400,000.

NMI retained the M-9, M-10, M-11, M-12 and Class C certificates and also retains the right to service the underlying mortgage loans. The M-11, M-12 and class C certificates were not covered by the prospectus. Class M-9, M-10, M-11 and M-12 collectively represent \$54.4 million in principal. Class M-9 is rated A/Baa3/BBB+ by S&P, Moody s and Fitch, respectively. The Class M-10 is rated BBB+/Ba1/BBB by S&P, Moody s and Fitch, respectively. The Class M-12 is rated BBB- by S&P. Class C has a notional amount of \$1.6 billion, entitles NovaStar to excess 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, all of which were offered pursuant to the prospectus supplement.

The initial level of overcollateralization is approximately \$9.6 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 to the Form 8-K 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 December 15, 2005, NovaStar Closes \$1.6 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.	
	NOVASTAR FINANCIAL, INC.
DATE: December 16, 2005 Chief Financial Officer	/s/ Gregory S. Metz Gregory S. Metz

Exhibit Index

Exhibit

Number

99 Press Release dated December 15, 2005, NovaStar Closes \$1.6 billion Asset Backed Securitization.