HARTMAN SCOTT F

Form 4

October 25, 2006

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

OMB Number:

Expires:

3235-0287 January 31,

2005

Check this box if no longer

subject to Section 16. Form 4 or

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF **SECURITIES**

Estimated average

burden hours per

Form 5 obligations may continue. See Instruction

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

response... 0.5

OMB APPROVAL

1(b).

(Print or Type Responses)

1. Name and Address of Reporting Person * HARTMAN SCOTT F

(First)

(Street)

(State)

2. Issuer Name and Ticker or Trading

5. Relationship of Reporting Person(s) to Issuer

Symbol

NOVASTAR FINANCIAL INC

(Check all applicable)

(Middle)

[NFI]

Director 10% Owner

3. Date of Earliest Transaction

(Month/Day/Year) 10/23/2006

Filed(Month/Day/Year)

X_ Officer (give title Other (specify below)

Chairman & CEO

C/O NOVASTAR FINANCIAL INC, 8140 WARD PARKWAY,

STE 300

(City)

(Last)

4. If Amendment, Date Original

Code V

6. Individual or Joint/Group Filing(Check

Applicable Line)

X Form filed by One Reporting Person Form filed by More than One Reporting

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

Price

KANSAS CITY, MO 64114

1.Title of 2. Transaction Date 2A. Deemed Security (Month/Day/Year) (Instr. 3)

Execution Date, if

(Month/Day/Year)

(Zip)

3. 4. Securities Acquired (A) or 5. Amount of TransactiorDisposed of (D) Code (Instr. 3, 4 and 5) (Instr. 8)

Amount

Securities Beneficially Owned

Following

7. Nature of Ownership Form: Direct (D) or Indirect

Indirect Beneficial Ownership (Instr. 4)

(A) or (D) Reported (I) Transaction(s) (Instr. 4)

(Instr. 3 and 4)

NovaStar

Financial, Inc.

1,135,239 D

Common Stock

NovaStar

Financial, Inc.

10/23/2006 10/23/2006

548.1218 A P

1,748.1218 I

By

Children

Common Stock (1)

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Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

Persons who respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

SEC 1474 (9-02)

> 9. Nu Deriv Secu Bene Own Follo Repo Trans (Insti

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned (e.g., puts, calls, warrants, options, convertible securities)

1. Title of	2.	3. Transaction Date	3A. Deemed	4.	5.	6. Date Exerc	isable and	7. Title	and	8. Price of
Derivative	Conversion	(Month/Day/Year)	Execution Date, if	Transac	ctionNumber	Expiration Da	ate	Amour	nt of	Derivative
Security	or Exercise		any	Code	of	(Month/Day/	Year)	Underl	ying	Security
(Instr. 3)	Price of		(Month/Day/Year)	(Instr. 8	Derivative	e		Securit	ties	(Instr. 5)
	Derivative				Securities			(Instr.	3 and 4)	
	Security				Acquired					
					(A) or					
					Disposed					
					of (D)					
					(Instr. 3,					
					4, and 5)					
									Amount	
						Date	Expiration Date		or	
						Exercisable			Number	
									of	
				Code	V (A) (D)				Shares	

Reporting Owners

Relationships Reporting Owner Name / Address

> Officer Other Director 10% Owner

HARTMAN SCOTT F C/O NOVASTAR FINANCIAL INC 8140 WARD PARKWAY, STE 300 KANSAS CITY, MO 64114

Chairman & CEO

Signatures

Scott F. 10/25/2006 Hartman

**Signature of Date

Reporting Person

Explanation of Responses:

- If the form is filed by more than one reporting person, see Instruction 4(b)(v).
- Intentional misstatements or omissions of facts constitute Federal Criminal Violations. See 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).
- (1) The shares were purchased as part of the NovaStar Financial, Inc. Direct Stock Purchase Plan.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, see Instruction 6 for procedure. Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number.

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