



DIVISION OF
CORPORATION FINANCE

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

July 22, 2011

VIA E-Mail

Mr. Rodney E. Schwatken
Chief Financial Officer
Novastar Financial, Inc.
2114 Central Street, Suite 600
Kansas City, Missouri 64108

Re: Novastar Financial, Inc.
Form 10-K for the year ended December 31, 2010
Filed on March 22, 2011
File No. 001-13533

Dear Mr. Rodney E. Schwatken:

We have completed our review of your filing. We remind you that our comments or changes to disclosure in response to our comments do not foreclose the Commission from taking any action with respect to the company or the filing and the company may not assert staff comments as a defense in any proceeding initiated by the Commission or any person under the federal securities laws of the United States. We urge all persons who are responsible for the accuracy and adequacy of the disclosure in the filing to be certain that the filing includes the information the Securities Exchange Act of 1934 and all applicable rules require.

Sincerely,

/s/ Daniel L. Gordon

Daniel L. Gordon
Branch Chief