

NOVASTAR MORTGAGE AGREES TO PAY \$5.1 MILLION TO RESOLVE CLAIMS OF WASHINGTON BORROWERS HARMED BY NOVASTAR'S HIDDEN PAYMENTS TO MORTGAGE BROKERS

Seattle, WA, June 21, 2007 – On the eve of a trial before a federal jury, NovaStar Mortgage agreed to pay \$5.1 million to resolve the claims of approximately 1,600 of NovaStar's Washington borrowers whose class action suit regarding NovaStar's deceptive practices was about to be tried in federal court in Tacoma. The Washington borrowers intended to prove that NovaStar charged them higher interest rates because of hidden fees NovaStar paid their mortgage brokers.

Last October, United States District Judge Robert J. Bryan certified a class of Washington State homeowners. On the eve of trial, NovaStar finally agreed to a settlement that will compensate the 1,600 class members for their higher interest payments on their loans. Prior to trial, Judge Bryan made important rulings establishing that NovaStar's failure to disclose its broker payments, known as "yield spread premiums," was unfair or deceptive under Washington law, and that certain tactics NovaStar used to hide its yield spread premium payment, such as arranging to have an affiliated company broker the loan, were ineffective and that NovaStar was still required to adequately disclose its payment to the broker.

Said Ari Brown, one of the plaintiffs' lawyers, "This is an important decision for borrowers who obtained home loans without the benefit of critical information about what the companies were being paid. Most of our borrowers didn't even know what happened to them. They will now be refunded the money they lost as a result of this practice." John Phillips, the lead trial lawyer for the class, added, "We are delighted with this result. This case signals to the industry that they cannot treat important borrower disclosures as a nuisance to be avoided or minimized. Home loans are confusing enough. The least lenders can do is to tell borrowers the critical information that affects their interest rate and closing costs."

The Seattle attorneys representing the plaintiffs and the Class are Ari Brown of Bergman & Frockt, and John Phillips and Matt Geyman of Phillips Law Group, PLLC. To learn more about the NovaStar case, please call Ari Brown at (206) 957-9510 or Matt Geyman at (206) 382-1168, or visit the firms' websites at www.jphillipslaw.com or www.bergmanlegal.com.