

NovaStar Mortgage Funding Trust, Series 2004-2

Statement to Certificateholders

July 26, 2004

DISTRIBUTION IN DOLLARS

CLASS	ORIGINAL FACE VALUE	BEGINNING PRINCIPAL BALANCE	PRINCIPAL	INTEREST	TOTAL	REALIZED LOSSES	DEFERRED INTEREST	ENDING PRINCIPAL BALANCE
A1	944,800,000.00	944,800,000.00	3,625,374.15	1,661,273.33	5,286,647.48	0.00	0.00	941,174,625.85
A2	100,000,000.00	100,000,000.00	284,211.65	176,388.89	460,600.54	0.00	0.00	99,715,788.35
A3	55,000,000.00	55,000,000.00	400,738.42	85,097.22	485,835.64	0.00	0.00	54,599,261.58
A4	68,000,000.00	68,000,000.00	0.00	116,544.44	116,544.44	0.00	0.00	68,000,000.00
A5	18,000,000.00	18,000,000.00	0.00	35,050.00	35,050.00	0.00	0.00	18,000,000.00
M1	77,000,000.00	77,000,000.00	0.00	156,780.56	156,780.56	0.00	0.00	77,000,000.00
M2	21,000,000.00	21,000,000.00	0.00	45,091.67	45,091.67	0.00	0.00	21,000,000.00
M3	17,500,000.00	17,500,000.00	0.00	45,743.06	45,743.06	0.00	0.00	17,500,000.00
M4	21,000,000.00	21,000,000.00	0.00	57,225.00	57,225.00	0.00	0.00	21,000,000.00
M5	14,000,000.00	14,000,000.00	0.00	42,816.67	42,816.67	0.00	0.00	14,000,000.00
B1	14,000,000.00	14,000,000.00	0.00	49,816.67	49,816.67	0.00	0.00	14,000,000.00
B2	10,500,000.00	10,500,000.00	0.00	39,112.50	39,112.50	0.00	0.00	10,500,000.00
B3	14,000,000.00	14,000,000.00	0.00	73,927.78	73,927.78	0.00	0.00	14,000,000.00
P	100.00	100.00	0.00	0.00	0.00	0.00	0.00	100.00
O	25,199,900.00	25,199,900.00	0.00	0.00	0.00	0.00	100.00	25,200,000.00
R	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
TOTALS	1,400,000,000.00	1,400,000,000.00	4,310,324.22	2,584,867.79	6,895,192.01	0.00	100.00	1,395,689,775.78
X	1,400,000,000.00	1,400,000,000.00	0.00	4,511,697.02	4,511,697.02	0.00	0.00	1,395,689,775.78

NovaStar Mortgage Funding Trust, Series 2004-2

Statement to Certificateholders

July 26, 2004

FACTOR INFORMATION PER \$1000 OF ORIGINAL FACE

CLASS	CUSIP	BEGINNING PRINCIPAL	PRINCIPAL	INTEREST	TOTAL	ENDING PRINCIPAL
A1	66987XEN1	1,000.00000000	3.83718686	1.75833333	5.59552019	996.16281314
A2	66987XEP6	1,000.00000000	2.84211650	1.76388890	4.60600540	997.15788350
A3	66987XEQ4	1,000.00000000	7.28615309	1.54722218	8.83337527	992.71384691
A4	66987XER2	1,000.00000000	0.00000000	1.71388882	1.71388882	1,000.00000000
A5	66987XES0	1,000.00000000	0.00000000	1.94722222	1.94722222	1,000.00000000
M1	66987XET8	1,000.00000000	0.00000000	2.03611117	2.03611117	1,000.00000000
M2	66987XEU5	1,000.00000000	0.00000000	2.14722238	2.14722238	1,000.00000000
M3	66987XEV3	1,000.00000000	0.00000000	2.61388914	2.61388914	1,000.00000000
M4	66987XEW1	1,000.00000000	0.00000000	2.72500000	2.72500000	1,000.00000000
M5	66987XEX9	1,000.00000000	0.00000000	3.05833357	3.05833357	1,000.00000000
B1	66987XEY7	1,000.00000000	0.00000000	3.55833357	3.55833357	1,000.00000000
B2	66987XEZ4	1,000.00000000	0.00000000	3.72500000	3.72500000	1,000.00000000
B3	66987XFA8	1,000.00000000	0.00000000	5.28055571	5.28055571	1,000.00000000
P	66987XFB6	1,000.00000000	0.00000000	0.00000000	0.00000000	1,000.00000000
O	66987XFE0	1,000.00000000	0.00000000	0.00000000	0.00000000	1,000.00396827
TOTALS		1,000.00000000	3.07880301	1.84633414	4.92513715	996.92126841
X	66987XFD2	1,000.00000000	0.00000000	3.22264073	3.22264073	996.92126841

PASS-THROUGH RATES

CLASS	CURRENT PASS-THRU RATE
A1	1.582500 %
A2	1.587500 %
A3	1.392500 %
A4	1.542500 %
A5	1.752500 %
M1	1.832500 %
M2	1.932500 %
M3	2.352500 %
M4	2.452500 %
M5	2.752500 %
B1	3.202500 %
B2	3.352500 %
B3	4.752500 %
P	.000000 %
O	.000000 %
X	2.900377 %

NovaStar Mortgage Funding Trust, Series 2004-2

July 26, 2004

	REMIC Available Funds - Group I	9,712,137.96
	REMIC Available Funds - Group II	2,410,789.66
Sec. 4.03	Principal	
	Group I Scheduled Principal	816,167.61
	Group I Prepayments in Full	2,698,132.44
	Group I Curtailments	110,107.59
	Group I Net Liquidation Proceeds	0.00
	Group I Realized Losses	0.00
	Group II Scheduled Principal	165,139.14
	Group II Prepayments in Full	499,019.43
	Group II Curtailments	20,552.98
	Group II Net Liquidation Proceeds	0.00
	Group II Realized Losses	0.00
Sec. 4.03(a)(i)	Distributions of Principal	
	Class A-1	3,625,374.15
	Class A-2	284,211.65
	Class A-3	400,738.42
	Class A-4	0.00
	Class A-5	0.00
	Class M-1	0.00

NovaStar Mortgage Funding Trust, Series 2004-2

July 26, 2004

Class M-4	0.00
Class M-5	0.00
Class M-2	0.00
Class M-3	0.00
Class B-1	0.00
Class B-2	0.00
Class B-3	0.00
Class P	0.00

Sec. 4.03(a)(ii)

Distributions of Interest

Class A-1	1,661,273.33
Class A-2	176,388.89
Class A-3	85,097.22
Class A-4	116,544.44
Class A-5	35,050.00
Class M-1	156,780.56
Class M-2	45,091.67
Class M-3	45,743.06
Class M-4	57,225.00
Class M-5	42,816.67
Class B-1	49,816.67
Class B-2	39,112.50
Class B-3	73,927.78
Class I	605,087.50

NovaStar Mortgage Funding Trust, Series 2004-2

July 26, 2004

		Class P - Prepay Penalty	0.00
Sec. 4.03(a)(iii)	Pool Balances		
		Group I Beginning Pool Balance	1,115,495,867.74
		Group I Ending Pool Balance	1,111,871,460.10
		Group II Beginning Pool Balance	284,503,027.23
		Group II Ending Pool Balance	283,818,315.68
		Total Beginning Pool Balance	1,399,998,894.97
		Total Ending Pool Balance	1,395,689,775.78
Sec. 4.03(a)(iv)	Mortgage Loan Information as of Determination Date		
		Number of Mortgage Loans	9,428
		Aggregate Principal Balance of Mortgage Loans	1,395,689,775.78
		Beginning Weighted Average Mortgage Rate	7.4803 %
		Number of Subsequent Mortgage Loans Added during Prepayment Period	0
		Balance of Subsequent Mortgage Loans Added during Prepayment Period	0.00
		Balance of Pre-Funding Account	0.00
Section 4.03(a)(v) A	Loans Delinquent		
	Contractual Delinquency - Group I		
		Balance of 0-30 Days	1,110,532,630.00
		Number of 0-30 Days	7,749
		Balance of 30-59 Days	718,186.96

NovaStar Mortgage Funding Trust, Series 2004-2

July 26, 2004

Number of 30-59 Days	4
Balance of 60-89 Days	104,710.47
Number of 60-89 Days	1
Balance of 90+ Days	0.00
Number of 90+ Days	0
Contractual Bankruptcy - Group I	
Balance of 0-30 Days	189,136.39
Number of 0-30 Days	2
Balance of 30-59 Days	0.00
Number of 30-59 Days	0
Balance of 60-89 Days	0.00
Number of 60-89 Days	0
Balance of 60-89 Days	0.00
Number of 60-89 Days	0
Legal Delinquency - Group I	
Balance of 0-30 Days	1,110,532,630.00
Number of 0-30 Days	7,749
Balance of 30-59 Days	718,186.96
Number of 30-59 Days	4
Balance of 60-89 Days	104,710.47
Number of 60-89 Days	1
Balance of 60-89 Days	0.00
Number of 60-89 Days	0

NovaStar Mortgage Funding Trust, Series 2004-2

July 26, 2004

Legal Bankruptcy - Group I

Balance of 0-30 Days	189,136.39
Number of 0-30 Days	2
Balance of 30-59 Days	0.00
Number of 30-59 Days	0
Balance of 60-89 Days	0.00
Number of 60-89 Days	0
Balance of 60-89 Days	0.00
Number of 60-89 Days	0

Sec. 4.03 (a)(v) B

Loans in Foreclosure - Group I

Balance of 0-30 Days	0.00
Number of 0-30 Days	0
Balance of 30-59 Days	270,000.00
Number of 30-59 Days	1
Balance of 60-89 Days	0.00
Number of 60-89 Days	0
Balance of 60-89 Days	0.00
Number of 60-89 Days	0

Contractual Delinquency - Group II

Balance of 0-30 Days	283,407,201.98
Number of 0-30 Days	1,667
Balance of 30-59 Days	272,713.43

NovaStar Mortgage Funding Trust, Series 2004-2

July 26, 2004

Number of 30-59 Days	2
Balance of 60-89 Days	0.00
Number of 60-89 Days	0
Balance of 90+ Days	0.00
Number of 90+ Days	0
Contractual Bankruptcy - Group II	
Balance of 0-30 Days	0.00
Number of 0-30 Days	0
Balance of 30-59 Days	0.00
Number of 30-59 Days	0
Balance of 60-89 Days	0.00
Number of 60-89 Days	0
Balance of 90+ Days	0.00
Number of 90+ Days	0
Legal Delinquency - Group II	
Balance of 0-30 Days	283,407,201.98
Number of 0-30 Days	1,667
Balance of 30-59 Days	272,713.43
Number of 30-59 Days	2
Balance of 60-89 Days	0.00
Number of 60-89 Days	0
Balance of 90+ Days	0.00
Number of 90+ Days	0

NovaStar Mortgage Funding Trust, Series 2004-2

July 26, 2004

Legal Bankruptcy - Group II

Balance of 0-30 Days	0.00
Number of 0-30 Days	0
Balance of 30-59 Days	0.00
Number of 30-59 Days	0
Balance of 60-89 Days	0.00
Number of 60-89 Days	0
Balance of 90+ Days	0.00
Number of 90+ Days	0

Sec. 4.03 (a)(v) B

Loans in Foreclosure - Group II

Balance of 0-30 Days	0.00
Number of 0-30 Days	0
Balance of 30-59 Days	138,400.27
Number of 30-59 Days	1
Balance of 60-89 Days	0.00
Number of 60-89 Days	0
Balance of 90+ Days	0.00
Number of 90+ Days	0

Sec. 4.03(a)(v) C

Loans in REO

NovaStar Mortgage Funding Trust, Series 2004-2

July 26, 2004

Group 1		
Number	Principal Balance	Percentage
0	0.00	0.00 %

Group 2		
Number	Principal Balance	Percentage
0	0.00	0.00 %

Sec. 4.03(a)(vi)	Principal Prepayments		
	Group I Prepayments		2,698,132.44
	Group II Prepayments		499,019.43
Sec. 4.03 (a)(vii)	Realized Losses		
	Group I Liquidated Loan Balance		0.00
	Group I Net Liquidation Proceeds		0.00
	Group I Current Period Realized Losses		0.00
	Group I Recoveries of Prior Losses		0.00
	Group I Subsequent Losses		0.00
	Group I Cumulative Liquidated Loan Balance		0.00
	Group I Cumulative Net Liquidation Proceeds		0.00
	Group I Cumulative Recoveries of Prior Losses		0.00
	Group I Cumulative Subsequent Losses		0.00
	Group I Cumulative Realized Losses		0.00

NovaStar Mortgage Funding Trust, Series 2004-2

July 26, 2004

Group II Liquidated Loan Balance	0.00
Group II Net Liquidation Proceeds	0.00
Group II Current Period Realized Losses	0.00
Group II Recoveries of Prior Losses	0.00
Group II Subsequent Losses	0.00
Group II Cumulative Liquidated Loan Balance	0.00
Group II Cumulative Net Liquidation Proceeds	0.00
Group II Cumulative Recoveries of Prior Losses	0.00
Group II Cumulative Subsequent Losses	0.00
Group II Cumulative Realized Losses	0.00
Total Liquidated Loan Balance	0.00
Total Net Liquidation Proceeds	0.00
Total Current Period Realized Losses	0.00
Total Recoveries of Prior Losses	0.00
Total Subsequent Losses	0.00
Total Cumulative Liquidated Loan Balance	0.00
Total Cumulative Net Liquidation Proceeds	0.00
Total Cumulative Recoveries of Prior Losses	0.00
Total Cumulative Subsequent Losses	0.00
Total Cumulative Realized Losses	0.00

NovaStar Mortgage Funding Trust, Series 2004-2

July 26, 2004

Sec. 4.03 (a)(ix)	Unpaid Interest Shortfall Amounts	
	Unpaid Interest Shortfall - A-1	0.00
	Unpaid Interest Shortfall - A-2	0.00
	Unpaid Interest Shortfall - A-3	0.00
	Unpaid Interest Shortfall - A-4	0.00
	Unpaid Interest Shortfall - A-5	0.00
	Unpaid Interest Shortfall - M-1	0.00
	Unpaid Interest Shortfall - M-2	0.00
	Unpaid Interest Shortfall - M-3	0.00
	Unpaid Interest Shortfall - M-4	0.00
	Unpaid Interest Shortfall - M-5	0.00
	Unpaid Interest Shortfall - B-1	0.00
	Unpaid Interest Shortfall - B-2	0.00
	Unpaid Interest Shortfall - B-2	0.00
	Unpaid Interest Shortfall - I	0.00
Sec. 4.03 (a)(x)	Prepayment Interest Shortfalls not covered by the Servicer	0.00
Sec. 4.03 (a)(xi)	Credit Enhancement Percentage	15.30 %
Sec. 4.03 (a)(xii)	Available Funds Cap Carryforward Amount	
	Available Funds Cap Carryforward Amount - A-1	0.00
	Available Funds Cap Carryforward Amount - A-2	0.00

NovaStar Mortgage Funding Trust, Series 2004-2

July 26, 2004

Available Funds Cap Carryforward Amount - A-3	0.00
Available Funds Cap Carryforward Amount - A-4	0.00
Available Funds Cap Carryforward Amount - A-5	0.00
Available Funds Cap Carryforward Amount - M-1	0.00
Available Funds Cap Carryforward Amount - M-2	0.00
Available Funds Cap Carryforward Amount - M-3	0.00
Available Funds Cap Carryforward Amount - M-4	0.00
Available Funds Cap Carryforward Amount - M-5	0.00
Available Funds Cap Carryforward Amount - B-1	0.00
Available Funds Cap Carryforward Amount - B-2	0.00
Available Funds Cap Carryforward Amount - B-3	0.00
Remaining Available Funds Cap Carryforward Amount - A-1	0.00
Remaining Available Funds Cap Carryforward Amount - A-2	0.00
Remaining Available Funds Cap Carryforward Amount - A-3	0.00
Remaining Available Funds Cap Carryforward Amount - A-4	0.00
Remaining Available Funds Cap Carryforward Amount - A-5	0.00
Remaining Available Funds Cap Carryforward Amount - M-1	0.00
Remaining Available Funds Cap Carryforward Amount - M-2	0.00
Remaining Available Funds Cap Carryforward Amount - M-3	0.00
Remaining Available Funds Cap Carryforward Amount - M-4	0.00
Remaining Available Funds Cap Carryforward Amount - M-5	0.00
Remaining Available Funds Cap Carryforward Amount - B-1	0.00
Remaining Available Funds Cap Carryforward Amount - B-2	0.00
Remaining Available Funds Cap Carryforward Amount - B-3	0.00

NovaStar Mortgage Funding Trust, Series 2004-2

July 26, 2004

Sec. 4.03 (a)(xiii)	REMIC Pass-Through Rates	
	REMIC Pass-Through Rate - A-1	1.5825 %
	REMIC Pass-Through Rate - A-2	1.5875 %
	REMIC Pass-Through Rate - A-3	1.3925 %
	REMIC Pass-Through Rate - A-4	1.5425 %
	REMIC Pass-Through Rate - A-5	1.7525 %
	REMIC Pass-Through Rate - M-1	1.8325 %
	REMIC Pass-Through Rate - M-2	1.9325 %
	REMIC Pass-Through Rate - M-3	2.3525 %
	REMIC Pass-Through Rate - M-4	2.4525 %
	REMIC Pass-Through Rate - M-5	2.7525 %
	REMIC Pass-Through Rate - B-1	3.2025 %
	REMIC Pass-Through Rate - B-2	3.3525 %
	REMIC Pass-Through Rate - B-3	4.7525 %
	Next REMIC Pass-Through Rate - A-1	1.7800 %
	Next REMIC Pass-Through Rate - A-2	1.7850 %
	Next REMIC Pass-Through Rate - A-3	1.5900 %
	Next REMIC Pass-Through Rate - A-4	1.7400 %
	Next REMIC Pass-Through Rate - A-5	1.9500 %
	Next REMIC Pass-Through Rate - M-1	2.0300 %
	Next REMIC Pass-Through Rate - M-2	2.1300 %
	Next REMIC Pass-Through Rate - M-3	2.5500 %
	Next REMIC Pass-Through Rate - M-4	2.6500 %

NovaStar Mortgage Funding Trust, Series 2004-2

July 26, 2004

	Next REMIC Pass-Through Rate - M-5	2.9500 %
	Next REMIC Pass-Through Rate - B-1	3.4000 %
	Next REMIC Pass-Through Rate - B-2	3.5500 %
	Next REMIC Pass-Through Rate - B-3	4.9500 %
Sec. 4.03 (a)(xiv)	Supplemental Interest Payment	
	Supplemental Interest Payment - A-1	0.00
	Supplemental Interest Payment - A-2	0.00
	Supplemental Interest Payment - A-3	0.00
	Supplemental Interest Payment - A-4	0.00
	Supplemental Interest Payment - A-5	0.00
	Supplemental Interest Payment - M-1	0.00
	Supplemental Interest Payment - M-2	0.00
	Supplemental Interest Payment - M-3	0.00
	Supplemental Interest Payment - M-4	0.00
	Supplemental Interest Payment - M-5	0.00
	Supplemental Interest Payment - B-1	0.00
	Supplemental Interest Payment - B-2	0.00
	Supplemental Interest Payment - B-3	14,507.37
Sec. 4.03 (a)(xv)	Swap Notional Amount and the Underwritten Certificates Principal Balance	
	Underwritten Certificates Principal Balance	1,370,489,775.78
	Swap Notional Amount	825,000,000.00

NovaStar Mortgage Funding Trust, Series 2004-2

July 26, 2004

Difference	545,489,775.78
Funds paid to Swap Counterparty	605,087.50

NovaStar Mortgage Funding Trust, Series 2004-2

July 26, 2004

Sec. 4.03 (a)(xvi)	Overcollateralization Amounts		
		Required Overcollateralization Amount	25,200,000.00
		Overcollateralization Amount	25,200,000.00
Sec. 4.03 (a)(xvi)	Excess Cashflow		4,526,304.39