ORIGEN FINANCIAL INC
Form POS AM
May 25, 2005

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As filed with the Securities and Exchange Commission on May 25, 2005

Registration No. 333-112520

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

Post-Effective Amendment No. 2
To
Form S-11
FOR REGISTRATION UNDER THE SECURITIES ACT OF 1933
OF SECURITIES OF CERTAIN REAL ESTATE COMPANIES

Origen Financial, Inc.
(Exact name of registrant as specified in its charter)

Delaware	**20-0145649**
(State or other jurisdiction of Incorporation or organization)	*(I.R.S. Employer Identification No.)*

27777 Franklin Road, Suite 1700
Southfield, Michigan 48034
(248) 746-7000
(Address, including ZIP code, and telephone number, including area code, of registrant s principal executive offices)

Ronald A. Klein, Chief Executive Officer
Origen Financial, Inc.
27777 Franklin Road, Suite 1700
Southfield, Michigan 48034
(248) 746-7000
(Name, address, including ZIP code, and telephone number, including area code, of agent for service)
with copies to:
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Approximate date of commencement of proposed sale to public: At any time and from time to time after the effective date of this registration statement.

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering: o

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering: o

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering: o

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box: o

Amending the prospectus, Part II and the Exhibit Index

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The information in this prospectus is not complete and may be changed or supplemented. None of the securities described in this prospectus can be sold by the selling stockholders until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell the securities, nor is it a solicitation to buy the securities, in any state where any offer or sale of the securities is not permitted.

SUBJECT TO COMPLETION DATED MAY 25, 2005

PROSPECTUS

10,575,000 Shares
Common Stock

The selling stockholders named in this prospectus are offering up to 10,575,000 shares of our common stock. The selling stockholders may sell all or a portion of these shares from time to time in market transactions through any stock exchange or market on which our common stock is listed, in negotiated transactions or otherwise, and at prices and on terms that will be determined by the then prevailing market price or at negotiated prices directly through a broker or brokers, who may act as agent or as principal or by a combination of such methods of sale. The selling stockholders will receive all proceeds from the sale of these shares of our common stock. For additional information on the methods of sale, you should refer to the section entitled Plan of Distribution on page 94. We will not receive any of the proceeds from the sale of shares of common stock by the selling stockholders. Our common stock is subject to transfer restrictions designed to preserve our status as a real estate investment trust, see Description of Capital Stock and Material Provisions of Delaware and Our Certificate of Incorporation.

Our common stock is listed on the Nasdaq National Market under the symbol ORGN.

Investing in our common stock involves a high degree of risk. See Risk Factors beginning on page 6, for a discussion of risks of investing in our common stock.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

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ABOUT THIS PROSPECTUS

You should rely only on the information contained in this prospectus. We have not authorized anyone to provide you with information that is different. This prospectus may be used only where it is legal to sell these securities. The information in this prospectus may be accurate only on the date of this prospectus.

SUMMARY

This summary contains basic information about this offering and us. Because it is a summary, it does not contain all of the information that you should consider before investing. You should read this entire prospectus carefully, including the section titled Risk Factors and our financial statements and related notes before making an investment in our common stock. As used in this prospectus, Origen Financial, company, we, our, and us refer to Origen Financial, Inc., except where the context otherwise requires.

Overview

Origen Financial, Inc. is an internally-managed and internally-advised Delaware corporation that is taxed as a real estate investment trust, or REIT. We are a national consumer manufactured housing lender and servicer. Currently we originate loans in 42 states and we service loans in 43 states. We originate and intend to continue to originate manufactured housing loans to borrowers who have above average credit profiles and above average income, each as compared to manufactured housing borrowers as a whole. We and our predecessors have originated more than $2 billion of manufactured housing loans from 1996 through December 31, 2004, including $249.7 million in 2004. We service the manufactured housing loan contracts that we originate as well as manufactured housing loan contracts owned by third parties. As of December 31, 2004, our loan servicing portfolio of over 33,000 loans totaled approximately $1.37 billion.

Origen Financial, Inc. was incorporated on July 31, 2003. On October 8, 2003, we began operations when we acquired all of the equity interests of Origen Financial L.L.C. (which is our primary operating subsidiary) and its subsidiaries and completed a private placement of $150 million of our common stock to certain institutional and accredited investors. In February 2004, we completed another private placement of $10 million of our common stock to an institutional investor. In May 2004, we completed an initial public offering of 8,000,000 shares of our common stock at a purchase price of $8.00 per share. In June 2004, the underwriters for the public offering purchased an additional 625,900 shares by exercising their over-allotment option. Currently, most of our operations are conducted through Origen Financial L.L.C., our wholly-owned subsidiary. We conduct the rest of our business operations through our other wholly-owned subsidiaries, including taxable REIT subsidiaries, to take advantage of certain business opportunities and ensure that we comply with the federal income tax rules applicable to REITs.

Our executive office is located at 27777 Franklin Road, Suite 1700, Southfield, Michigan 48034 and our telephone number is (248) 746-7000. We maintain our servicing operations in Ft. Worth, Texas and have other regional offices located in Glen Allen, Virginia and Duluth, Georgia. As of April 29, 2005, we employed 245 full-time employees.

Risk Factors

An investment in our common stock involves material risks, including the following:

- We may not generate sufficient revenue to make or sustain distributions to stockholders. Our ability to make and sustain cash distributions is based on many factors, including the performance of our manufactured housing loans, our ability to borrow at favorable rates and terms, interest rate levels and changes in the yield curve and our ability to use hedging strategies to insulate our exposure to changing interest rates. Some of these factors are beyond our control and a change in any such factor could affect our ability to pay future distributions.

- We may not have access to capital to meet our anticipated needs. Our ability to achieve our investment objectives depends to a significant extent on our ability to raise equity and to borrow money in sufficient amounts and on sufficiently favorable terms to earn incremental returns and our ability to securitize our loans. Our inability to access capital could jeopardize our ability to fund loan originations and continue operations.

- There is no limit on the amount of indebtedness we can incur. Our use of borrowings or leverage amplifies the risks associated with other risk factors, which could reduce our net income or cause us to suffer a loss.

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- We may not be able to securitize our manufactured home loans or do so on favorable terms. If we are unable to securitize, or securitize profitably, the manufactured home loans that we originate and that we may invest in from time to time, then our revenues for the duration of our investment in those manufactured home loans will decline, which would lower our earnings for the time the loans remain in our portfolio.

- Our future success depends to a significant extent upon the continued services of our key management employees. The loss of one or more key employees may harm our business and our prospects.

- We operate in a highly regulated industry. If we fail to comply with applicable laws and regulations at the federal, state or local level, it could negatively affect our business.

- Manufactured housing loan borrowers may be relatively high credit risks. The manufactured home loans we originate and have an ownership interest in generally have higher probability of default and may involve higher delinquency rates and greater servicing costs relative to loans to more creditworthy borrowers. If we are unable to control our delinquency and default risks our business, financial condition, liquidity and results of operations could be significantly harmed.

- The manufactured housing industry has been in a downturn since 1998. Many of the same national and regional economic and demographic factors that affect the housing industry generally affect the manufactured housing industry. However, these factors tend to impact manufactured home buyers to a greater degree than buyers of site built homes.

Each prospective purchaser of our common stock should consider carefully these and the other risks discussed under Risk Factors beginning on page 6 before investing in our common stock.

This Offering

This prospectus covers the resale of up to 10,575,000 shares of our common stock. We issued and sold 1,075,000 of these shares on October 8, 2003, in a private offering to Lehman Brothers Inc., which we refer to as Lehman Brothers. We issued and sold 8,500,000 of these shares on October 8, 2003 in a concurrent private placement to several other institutional or accredited investors. We refer to both of the transactions that occurred on October 8, 2003 as the October 2003 private placement. We issued and sold 1,000,000 of these shares on February 4, 2004 in a private placement to an institutional investor. We refer to this transaction as the February 2004 private placement. We were advised by Lehman Brothers that the shares it purchased were resold to qualified institutional buyers, as defined in Rule 144A under the Securities Act of 1933, as amended (Securities Act).

Common stock offered by the selling stockholders	10,575,000 shares
Common stock outstanding as of May 17, 2005	25,472,581 shares(1)
Use of proceeds	We will not receive any proceeds from the sale of the shares of common stock offered by this prospectus.
Nasdaq National Market trading symbol	ORGN

(1) Excludes 260,500 shares reserved for issuance upon exercise of outstanding options.

Our Tax Status

We have elected to be taxed as a REIT under the Internal Revenue Code. Provided we continue to qualify as a REIT, we generally will not be subject to U.S. federal corporate income tax on taxable income that we distribute to our stockholders. REITs are subject to a number of organizational and operational requirements, including a requirement that they currently distribute at least 90% of their annual REIT taxable income. We face the risk that we might not be able to comply with all of the REIT requirements in the future. Failure to qualify as a REIT would render us subject to U.S. federal income tax (including any applicable alternative minimum tax) on our taxable income at regular corporate rates, and distributions to our stockholders would not be deductible. Even if we qualify for taxation as a REIT, we may be subject to certain

U.S. federal, state, local and foreign taxes on our income and property. See Material U.S. Federal Income Tax Consequences.

Restrictions on Ownership of Our Stock

In order to facilitate our REIT election, our charter generally prohibits any individual from directly or indirectly owning more than 9.25% of the outstanding shares of any class or series of our stock. Our board of directors has the authority under our charter, subject to certain limitations, to exempt individuals from this ownership restriction. We adopted this restriction to promote compliance with the provisions of the Internal Revenue Code that limit the degree to which ownership of a REIT may be concentrated. See Description of Capital Stock and Material Provisions of Delaware Law and Our Certificate of Incorporation.

Dividend and Distribution Policy

In order to qualify for the tax benefits accorded to REITs under the Internal Revenue Code, we must make distributions to our stockholders each year in an amount equal to at least (i) 90% of our REIT taxable income (before the deduction for dividends paid and not including any net capital gains), plus (ii) 90% of the excess of our net income from foreclosure property over the tax imposed on such income by the Internal Revenue Code, minus (iii) any excess non-cash income. We refer to this amount as REIT taxable income.

We intend to pay regular quarterly distributions to our stockholders equal to at least 90% of our estimated REIT taxable income for each quarter, although we may pay more. Differences in timing between the receipt of income and the payment of expenses and the effect of required debt amortization payments could require us to borrow funds on a short-term basis, access the capital markets or liquidate investments to meet this distribution requirement. Until we are able to originate and securitize a sufficient number of loans to achieve our desired asset level and target leverage ratio, we may pay quarterly distributions to our stockholders in excess of 100% of our REIT taxable income. To the extent our distributions exceed our then current and then accumulated earnings and profits as determined for U.S. federal income tax purposes, such excess generally will represent a return of capital for U.S. federal income tax purposes. See Market Price of and Distributions on Our Common Stock for the amounts of quarterly distributions that we have paid since our inception.

The actual amount and timing of distributions will be at the discretion of our board of directors and will depend upon our actual results of operations.

Outstanding shares of our preferred stock have, and our board may issue additional shares or classes of preferred stock with, distribution rights superior to those of our common stock. This could result in no distributions being paid on the common stock.

Selling Stockholders

The holders of all the shares of our common stock issued in our October 2003 and February 2004 private placements were granted registration rights pursuant to registration rights agreements entered into in connection with the closing of the private placements. All of the shares included in this offering are held by such stockholders.

Our Structure

At formation, our founders, consisting of an affiliate of Sun Communities, Inc. (Sun Communities), Bingham Financial Services Corporation (Bingham), Woodward Holding, LLC and Shiffman Family, LLC, contributed their respective membership interests and warrants to purchase membership interests in Origen Financial L.L.C. to us. None of the founders received any monetary consideration or shares of our common stock in exchange for their contributed membership interests and warrants in Origen Financial L.L.C. For more information regarding our formation, see Certain Relationships and Related Transactions Our Structure and Note B to Origen Financial, Inc. s consolidated financial statements for the year ended December 31, 2004 and period ended December 31, 2003 included elsewhere in this prospectus.

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Summary Financial Information

The summary financial information presented below for Origen Financial, Inc. is derived from the audited consolidated financial statements of Origen Financial, Inc. for the period ended December 31, 2003 and the year ended December 31, 2004. The financial information presented below for Origen Financial L.L.C. (our predecessor for accounting purposes) is derived from the audited consolidated financial statements of Origen Financial L.L.C. for the periods indicated. The financial information presented below for Bingham (Origen Financial L.L.C. s predecessor for accounting purposes) is derived from the audited consolidated financial statements of Bingham for the periods indicated.

The historical financial statements of Origen Financial L.L.C. and Bingham represent the combined financial condition and results of operations of those entities. We believe that the businesses, financial statements and results of operations of those entities are quantitatively different from ours. Those entities results of operations reflect capital constraints and corporate and business strategies, including commercial mortgage loan origination and servicing, which are different than ours. We have also elected to be taxed as a REIT. Accordingly, we believe the historical financial results of Origen Financial L.L.C. and Bingham are not indicative of our future performance. In addition, since the financial information presented below is only a summary and does not provide all of the information contained in the financial statements from which it is derived, including related notes, you should read Management s Discussion and Analysis of Financial Condition and Results of Operations, and the financial statements, including related notes, contained elsewhere in this prospectus.

	Origen Financial, Inc.			Origen Financial L.L.C.		Bingham Financial Services Corporation	
						Year Ended December 31,	
	Quarter Ended March 31, 2005	Year Ended December 31, 2004	Period from October 8 through December 31, 2003(1)	Period from January 1 through October 7, 2003	Year Ended December 31, 2002	2001	2000
	(Unaudited)		(Restated)				
	(In thousands, except for per share data)						
Operating Statement Data:							
Interest income on loans	$ 13,166	$ 42,479	$ 7,339	$ 16,398	$ 9,963	$ 9,493	$ 14,593
Gain on sale and securitization of loans				28	2,719	5,186	27
Servicing and other revenues	3,280	11,184	2,880	7,329	7,703	14,994	10,866
Total revenue	16,446	53,663	10,219	23,755	20,385	29,673	25,486
Interest expense	5,410	15,020	2,408	11,418	5,935	7,875	14,202
	2,030	10,210	768	9,849	18,176	18,118	7,671

Provisions for loan loss, recourse liability and write down of residual interests							
Distribution of preferred interest				1,662			
Other operating expenses	7,999	31,399	5,546	24,754	25,461	22,129	28,242
Total expenses	15,439	56,629	8,722	47,683	49,572	48,122	50,115
Income (loss) before income taxes	1,007	(2,966)	1,497	(23,928)	(29,187)	(18,449)	(24,629)
Provision (benefit) for income taxes(2)						1,245	(8,374)
Income (loss) before cumulative effect of change in accounting principle	1,007	(2,966)	1,497	(23,928)	(29,187)	(19,694)	(16,255)
Cumulative effect of change in accounting principle							
Net Income (Loss)	$ 1,007	$ (2,966)	$ 1,497	$ (23,928)	$ (29,187)	$ (19,694)	$ (16,255)
Earning (loss) per share Diluted(3)	$ 0.04	$ (0.14)	$ 0.10	$	$	$ (7.63)	$ (6.19)
Distributions declared per share	$ 0.04	$ 0.39	$ 0.098				

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	Origen Financial, Inc.			Origen Financial L.L.C.		Bingham Financial Services Corporation	
	Quarter Ended March 31, 2005	Year Ended December 31, 2004	Period from October 8 through December 31, 2003(1)	Period from January 1 through October 7, 2003	Year Ended December 31, 2002	Year Ended December 31, 2001	Year Ended December 31, 2000
	(Unaudited)		(Restated)				
	(In thousands, except for per share data and ratios)						
Balance Sheet Data:							
Loans receivable, net of allowance for losses	$ 630,244	$ 563,268	$ 368,040	$ 279,300	$ 173,764	$ 126,591	$ 98,633
Servicing rights	3,844	4,097	5,131	5,892	7,327	6,855	9,143
Retained interests in loan securitizations	724	724	749	785	5,833		
Goodwill	32,277	32,277	32,277	18,332	18,332		
Cash and other assets	85,470	82,181	37,876	22,894	22,492	33,646	40,105
Total assets	$ 752,559	$ 682,547	$ 444,073	$ 327,203	$ 227,748	$ 167,092	$ 147,881
Total debt	523,372	455,914	277,441	273,186	196,031	122,999	113,617
Preferred interest in subsidiary				45,617			
Other liabilities	23,626	23,167	24,312	22,345	21,413	53,335	23,424
Members /Stockholders Equity/Capital	205,561	203,466	142,320	(13,945)	10,304	(9,242)	10,840
Other Information Cash Flow							

Data:							
(source/(use)) From operating activities	$ (69,461)	$ (210,179)	$ (95,357)	$ (124,461)	$ (80,646)	$ (63,264)	$ 15,696
From investing activities	(677)	26,340	851	4,272	7,670	10,871	(911)
From financing activities	66,443	250,828	100,254	121,110	73,022	49,312	(11,264)
Selected Ratios							
Return on average assets	0.57%	(0.52)%	1.43%	(8.52)%	(18.79)%	(15.68)%	(9.32)%
Return on average equity	1.97%	(1.56)%	4.21%	(1352.96)%	(91.29)%	(165.30)%	(80.90)%
Average equity to average assets	29.08%	33.03%	33.91%	0.63%	20.58%	4.22%	11.52%

(1) Origen Financial, Inc. began operations on October 8, 2003 as a REIT with Origen Financial L.L.C. as a wholly-owned subsidiary.

(2) As a REIT, Origen Financial, Inc. is not required to pay federal corporate income taxes on its net income that is currently distributed to its stockholders. As a limited liability company, Origen Financial L.L.C. does not incur income taxes. Bingham was taxed as a regular C corporation during the periods indicated.

(3) As a limited liability company, Origen Financial L.L.C. did not report earnings per share.

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RISK FACTORS

Our prospects are subject to certain uncertainties and risks. Our future results could differ materially from current results, and our actual results could differ materially from those projected in forward-looking statements as a result of certain risk factors. These risk factors include, but are not limited to, those set forth below, other one-time events, and important factors disclosed previously and from time to time in our other filings with the Securities and Exchange Commission. This prospectus contains certain forward-looking statements.

Risks Related to Our Business

We may not generate sufficient revenue to make or sustain distributions to stockholders.

We intend to distribute to our stockholders substantially all of our REIT net taxable income each year so as to avoid paying corporate income tax on our earnings and to qualify for the tax benefits accorded to a REIT under the Internal Revenue Code. Distributions will be made at the discretion of our board of directors. Our ability to make and sustain cash distributions is based on many factors, including the performance of our manufactured housing loans, our ability to borrow at favorable rates and terms, interest rate levels and changes in the yield curve and our ability to use hedging strategies to insulate our exposure to changing interest rates. Some of these factors are beyond our control and a change in any such factor could affect our ability to pay future distributions. We cannot assure our stockholders that we will be able to pay or maintain distributions in the future. We also cannot assure stockholders that the level of distributions will increase over time and that our loans will perform as expected or that the growth of our loan servicing business will be sufficient to increase our actual cash available for distribution to stockholders.

We may not have access to capital to meet our anticipated needs.

Our ability to achieve our investment objectives depends to a significant extent on our ability to raise equity and to borrow money in sufficient amounts and on sufficiently favorable terms to earn incremental returns and on our ability to securitize our loans. There can be no assurance that we will be able to obtain such funding on terms favorable to us or at all. Even if such funding is available, we may not be able to achieve the degree of leverage we believe to be optimal due to decreases in the proportion of the value of our assets that we can borrow against, decreases in the market value of our assets, increases in interest rates, changes in the availability of financing in the market, conditions then applicable in the lending market and other factors. Our inability to access capital could jeopardize our ability to fund loan originations and continue operations.

We intend to incur indebtedness to fund our operations, and there is no limit on the total amount of indebtedness that we can incur.

We intend to borrow against, or leverage, our assets primarily through repurchase agreements, securitizations of manufactured housing loans and secured and unsecured loans. The terms of such borrowings may provide for us to pay a fixed or adjustable rate of interest, and may provide for any term to maturity that management deems appropriate. The total amount of indebtedness we can incur is not expressly limited by our certificate of incorporation or bylaws. Instead, management has discretion as to the amount of leverage to be employed depending on management s measurement of acceptable risk consistent with the nature of the assets then held by us. We face the risk that we might not be able to meet our debt service obligations and, to the extent we cannot, we might be forced to liquidate some of our assets at disadvantageous prices. Also, our debt service payments will reduce the net income available for distributions to stockholders. Our use of leverage amplifies the risks associated with other risk factors, which could reduce our net income or cause us to suffer a loss.

We may not be able to securitize our manufactured housing loans or do so on favorable terms.

We intend to securitize a substantial portion of the manufactured housing loans we originate. We intend to account for securitizations as secured financings. In a typical securitization, we issue collateralized debt securities of a subsidiary in multiple classes, which securities are secured by an underlying portfolio of manufactured housing loans owned by the subsidiary. Factors affecting our ability to securitize loans and to do so profitably, include:

conditions in the asset-backed securities markets generally;

conditions in the manufactured housing asset-backed securities markets specifically;

the performance of the securities issued in connection with our securitizations;

the nominal interest rate and credit quality of our loans;

our relationship with our bond and other investors in our securities and loans;

compliance of our loans with the eligibility requirements for a particular securitization;

our ability to adequately service our loans, including our ability to maintain a servicer rating;

adverse changes in state and federal regulations regarding high-cost and predatory lending; and

any material negative rating agency action pertaining to certificates issued in our securitizations.

In addition, federal income tax requirements applicable to REITs may limit our ability to use particular types of securitization structures.

If we are unable to securitize, or securitize profitably, the manufactured housing loans that we originate and that we may invest in from time to time, then our net revenues for the duration of our investment in those manufactured housing loans would decline, which would lower our earnings for the time the loans remain in our portfolio. We cannot assure stockholders that we will be able to complete loan securitizations in the future on favorable terms, or at all.

Certain securitization structures may cause us to recognize income for accounting and tax purposes without concurrently receiving the associated cash flow.

Certain securitizations are structured to build overcollateralization over time with respect to the loans that are the subject of the securitization or to accelerate the payment on senior securities to enhance the credit ratings of such securities. Accordingly, these structures may cause us to recognize income without concurrently receiving the associated cash flow. We have used such securitization structures in the past and may use them in the future. These securitization structures and the possible resulting mismatch between income recognition and receipt of cash flow may require us to access the capital markets at times which may not be favorable to us.

Our business may not be profitable in the future.

We incurred a net loss of approximately $3.0 million during the twelve months ended December 31, 2004. Origen Financial L.L.C., which we acquired in October 2003, experienced net losses in each year of its existence while growing its loan origination platform and business, including net losses of approximately $23.9 million for the period from January 1, 2003 through October 7, 2003 and $29.2 million for fiscal year 2002. We will need to generate significant revenues to achieve and maintain profitability. If we are unable to achieve and maintain sufficient revenue growth, we may not be profitable in the future. Even if we do achieve profitability, we may not be able to sustain or increase profitability on a quarterly or annual basis.

We depend on key personnel, the loss of whom could threaten our ability to operate our business successfully.

Our future success depends, to a significant extent, upon the continued services of Ronald A. Klein, our Chief Executive Officer, J. Peter Scherer, our President, W. Anderson Geater, Jr., our Chief Financial Officer, and Mark W. Landschulz, our Executive Vice President, Portfolio Management. Although we have entered into employment agreements with all of these individuals, there is no guarantee that they will remain employed with us. The market for skilled personnel, especially those with the technical abilities we require, is currently very competitive, and we must compete with much larger companies with significantly greater resources to attract and retain such personnel. The loss of services of one or more key employees may harm our business and our prospects.

Future acquisitions of loan portfolios, servicing portfolios and other assets may not yield the returns we expect.

We expect to make future acquisitions or investments in loan portfolios, servicing portfolios and bonds in outstanding securitizations backed by manufactured housing loans. The relevant economic characteristics of the assets we may acquire in the future may not generate returns or may not meet a risk profile that our investors find acceptable. Furthermore, we may not be successful in executing our acquisition strategy.

Our profitability may be affected if we are unable to effectively manage interest rate risk and leverage.

We derive our income in part from the difference, or spread, between the interest earned on loans and interest paid on borrowings. In general, the wider the spread, the more we earn. In addition, at any point in time there is an optimal amount of leverage to employ in the business in order to generate the highest rate of return to our stockholders. When market rates of interest change, the interest we receive on our assets and the interest we pay on our liabilities will fluctuate. In addition, interest rate changes affect the optimal amount of leverage to employ. This can cause increases or decreases in our spread and can affect our income, require us to modify our leverage strategy and affect returns to our stockholders. Factors such as inflation, recession, unemployment, money supply, international disorders, instability in domestic and foreign financial markets and other factors beyond our control may affect interest rates.

We may pay distributions that result in a return of capital to stockholders, which may cause stockholders to realize lower overall returns.

Until we are able to originate and securitize a sufficient number of loans to achieve our desired asset level and target leverage ratio, we may pay quarterly distributions that result in a return of capital to our stockholders. Any such return of capital to our stockholders will reduce the amount of capital available to us to originate and acquire manufactured home loans, which may result in lower returns to our stockholders.

Some of our investments are illiquid and their value may decrease.

Some of our assets are and will continue to be relatively illiquid. In addition, certain of the asset-backed securities that we may acquire may include interests that have not been registered under the relevant securities laws, resulting in a prohibition against transfer, sale, pledge or other disposition of those securities except in a transaction that is exempt from the registration requirements of, or otherwise in accordance with, those laws. Our ability to vary our portfolio in response to changes in economic and other conditions, therefore, may be relatively limited. No assurances can be given that the fair market value of any of our assets will not decrease in the future.

We may engage in hedging transactions, which can limit gains and increase exposure to losses.

Periodically, we have entered into interest rate swap agreements in an effort to manage interest rate risk. An interest rate swap is considered to be a hedging transaction designed to protect us from the effect of interest rate fluctuations on our floating rate debt and also to protect our portfolio of assets from interest rate and prepayment rate fluctuations. We intend to use hedging transactions, primarily interest rate swaps and caps, in the future. The nature and timing of interest rate risk management strategies may impact their effectiveness. Poorly designed strategies may increase rather than mitigate risk. For example, if we enter into hedging instruments that have higher interest rates embedded in them as a result of the forward yield curve, and at the end of the term of these hedging instruments the spot market interest rates for the liabilities that we hedged are actually lower, then we will have locked in higher interest rates for our liabilities than would be available in the spot market at the time and this could result in a narrowing of our net interest rate margin or result in losses. In some situations, we may sell assets or hedging instruments at a loss in order to maintain adequate liquidity. There can be no assurance that our hedging activities will have the desired beneficial impact on our financial condition or results of operations. Moreover, no hedging activity can completely insulate us from the risks associated with changes in interest rates and prepayment rates.

The competition we face could adversely affect our profitability.

The manufactured housing finance industry is very fragmented. The market is served by both traditional and non-traditional consumer finance sources. Several of these financing sources are larger than us and have greater financial resources. In addition, some of the manufactured housing industry s larger manufacturers maintain their own finance subsidiaries to provide financing for purchasers of their manufactured houses. Our largest competitor in the industry is Clayton Homes, Inc., through its subsidiary 21st Mortgage Corporation. Traditional financing sources such as commercial banks, savings and loans, credit unions and other consumer lenders, many of which have significantly greater resources than us and may be able to offer more attractive terms to potential customers, also provide competition in our market. Competition among industry participants can take many forms, including convenience in obtaining a loan, amount and term of the loan, customer service, loan-closing criteria, marketing/distribution channels, loan origination fees and interest rates. To the extent any competitor expands their activities in the manufactured housing industry, we could be adversely affected.

The success and growth of our business will depend upon our ability to adapt to and implement technological changes.

Our manufactured housing loan origination business is currently dependent upon our ability to effectively develop relationships with retailers, brokers, borrowers and other third parties and to efficiently process loan applications and closings. The origination process is becoming more dependent upon technological advancement, such as the ability to process applications over the Internet, accept electronic signatures, to provide process status updates instantly and other customer-expected conveniences that are cost-efficient to our process. Implementing this new technology and becoming proficient with it may also require significant capital expenditures. As these requirements increase in the future, we will have to fully develop these technological capabilities to remain competitive or our business will be significantly harmed.

We may experience capacity constraints or system failures that could damage our business.

If our systems or third-party systems cannot be expanded to support increased loan originations, acquisitions of loan portfolios or additional servicing opportunities, or if such systems fail to perform effectively, we could experience:

- disruptions in servicing and originating loans;
- reduced borrower satisfaction;
- delays in the introduction of new loan services; or
- vulnerability to Internet hacker raids,

any of which could impair our reputation, damage the Origen brand, or otherwise have a material adverse effect on our business, operating results and financial condition.

Our ability to provide high-quality service also depends on the efficient and uninterrupted operation of our technology infrastructure. Even though we have developed a redundant infrastructure to protect our systems and operations, our systems are vulnerable to damage or interruption from human error, natural disasters, telecommunication failures, break-ins, sabotage, failure to adequately document the operation of software and hardware systems and procedures, computer viruses, intentional acts of vandalism and similar events. If any of these events were to occur, our business could be materially and adversely affected. Although we maintain business interruption insurance to compensate for losses that could occur for any of these risks, such insurance may not be sufficient to cover a loss.

If the prepayment rates for our manufactured housing loans are higher than expected, our results of operations may be significantly harmed.

Prepayments of our manufactured housing loans, whether due to refinancing, repayments, repossessions or foreclosures, in excess of management s estimates could adversely affect our future cash flow as a result of the resulting loss of any servicing fee revenue and net interest income on such prepaid loans. Prepayments can result from a variety of factors, many of which are beyond our control, including changes in interest rates and general economic conditions.

If we are unable to maintain our network of retailers and brokers, our loan origination business will decrease.

A significant majority of our originations of manufactured housing loans comes from retailers and brokers. The retailers and brokers with whom we do business are not contractually obligated to do business with us. Further, our competitors also have relationships with these retailers and brokers and actively compete with us in our efforts to strengthen our retailer and broker networks. Accordingly, we cannot assure stockholders that we will be successful in maintaining our retailer and broker networks, the failure of which could adversely affect our ability to originate manufactured housing loans.

We may not realize the expected recovery rate on the resale of a manufactured house upon its repossession or foreclosure.

Most states impose requirements and restrictions relating to resales of repossessed manufactured houses and foreclosed manufactured houses and land, and obtaining deficiency judgments following such sales. In addition to these requirements and restrictions, our ability to realize the expected recovery rate upon such sales may be affected by depreciation or loss of or damage to the manufactured house. Federal bankruptcy laws and related state laws also may impair our ability to realize upon collateral or enforce a deficiency judgment. For example, in a Chapter 13 proceeding under federal bankruptcy law, a court may prevent us from repossessing a manufactured house or foreclosing on a manufactured house and land. As part of the debt repayment plan, a bankruptcy court may reduce the amount of our secured debt to the market value of the manufactured house at the time of the bankruptcy, leaving us as a general unsecured creditor for the remainder of the debt. A Chapter 7 bankruptcy debtor, under certain circumstances, may retain possession of his or her house, while enforcement of our loan may be limited to the value of our collateral.

Risks Related to the Manufactured Housing Industry

Manufactured housing loan borrowers may be relatively high credit risks.

Manufactured housing loans make up substantially our entire loan portfolio. Typical manufactured housing loan borrowers may be relatively higher credit risks due to various factors, including, among other things, the manner in which borrowers have handled previous credit, the absence or limited extent of borrowers prior credit history, limited financial resources, frequent changes in or loss of employment and changes in borrowers personal or domestic situations that affect their ability to repay loans. Consequently, the manufactured housing loans we originate and have an ownership interest in bear a higher rate of interest, have a higher probability of default and may involve higher delinquency rates and greater servicing costs relative to loans to more creditworthy borrowers. Our profitability depends upon our ability to properly evaluate the creditworthiness of borrowers and price each loan accordingly and efficiently service the contracts by limiting our delinquency and default rates and foreclosure and repossession costs and by maximizing our recovery rates. To the extent that aggregate losses on the resale of repossessed and foreclosed houses exceed our estimates, our profitability will be adversely affected.

Delinquency interrupts the flow of projected interest income from a manufactured housing loan, and default can ultimately lead to a loss if the net realizable value of the collateral or real property securing the manufactured housing loan is insufficient to cover the principal and interest due on the loan. Also, our cost of financing and servicing a delinquent or defaulted loan is generally higher than for a performing loan. We bear the risk of delinquency and default on loans beginning when we originate them and continuing even after we sell loans with a retained interest or securitize them. We also reacquire the risks of delinquency and default for loans that we are obligated to repurchase. Repurchase obligations are typically triggered in any sale or securitization if the loan materially violates our representations or warranties. If we experience higher-than-expected levels of delinquency or default in pools of loans that we service, resulting in higher than anticipated losses we may trigger termination of our servicing rights, which would result in a loss of future servicing income and damage to our reputation as a loan servicer.

We attempt to manage these risks with risk-based loan pricing and appropriate underwriting policies and loan collection methods. However, if such policies and methods are insufficient to control our delinquency and default risks and do not result in appropriate loan pricing, our business, financial condition, liquidity and results of operations could be significantly harmed.

The manufactured housing industry has been in a downturn since 1998.

The manufactured housing industry historically has been cyclical and is generally subject to many of the same national and regional economic and demographic factors that affect the housing industry generally. These factors, including consumer confidence, inflation, regional population and employment trends, availability of and cost of alternative housing, weather conditions and general economic conditions, tend to impact manufactured housing buyers to a greater degree than buyers of traditional site built houses. In addition, sales of manufactured houses typically peak during the spring and summer seasons and decline to lower levels from mid-November through February. Due to aggressive underwriting practices by some industry lenders that led to increased defaults, decreased recovery rates on repossessions, the continued excessive inventory of repossessed houses and unfavorable volatility in the secondary markets for manufactured housing loans, companies in the manufactured housing finance business have generally not been profitable since 1998. Some of the industry s largest lenders have exited the business. Although we believe that our business plan will be profitable in the long term, there can be no assurance that we will in fact be profitable either in the long term or the short term.

Wide spreads between interest rates for manufactured housing loans and traditional site built housing loans decrease the relative demand for manufactured houses.

In the current interest rate environment, traditional site built houses have become more affordable relative to manufactured houses. If the difference between interest rates for manufactured housing loans and traditional site built housing loans does not decrease, demand for manufactured housing loans may decrease, which would decrease our loan originations.

Any substantial economic slowdown could increase delinquencies, defaults, repossessions and foreclosures and reduce our ability to originate loans.

Periods of economic slowdown or recession may be accompanied by decreased demand for consumer credit, decreased real estate values, and an increased rate of delinquencies, defaults, repossessions and foreclosures. We originate loans to some borrowers who make little or no down payment, resulting in high loan-to-value ratios. A lack of equity in the house may reduce the incentive a borrower has to meet his payment obligations during periods of financial hardship, which might result in higher delinquencies, defaults, repossessions and foreclosures. These factors would reduce our ability to originate loans and increase our losses on loans in which we have a residual or retained interest. In addition, loans we originate during an economic slowdown may not be as valuable to us because potential investors in or purchasers of our loans might reduce the premiums they pay for the loans or related bonds to compensate for any increased risks arising during such periods. Any sustained increase in delinquencies, defaults, repossessions or foreclosures is likely to significantly harm the pricing of our future loan sales and securitizations and also our ability to finance our loan originations.

Our business may be significantly harmed by a slowdown in the economies of California or Texas, in each of which we conduct a significant amount of business.

We have no geographic concentration limits on our ability to originate, purchase or service loans. As a result, a significant portion of the manufactured housing loans we have originated, purchased or serviced historically has been in California and Texas. For the year ended December 31, 2004, approximately 30% and 11% by principal balance and 19% and 12% by number of loans, respectively, of the loans we originated were in California and Texas. An overall decline in the economy or the residential real estate market in California or Texas or in any other state in which we have a high concentration of loans could decrease the value of manufactured houses and increase the risk of delinquency. This, in turn, would increase the risk of default, repossession or foreclosure on manufactured housing loans in our portfolio or that we have sold to others. Geographic concentration could adversely affect our ability to securitize pools of manufactured housing loans.

Depreciation in the value of manufactured houses may decrease sales of new manufactured houses and lead to increased defaults and delinquencies.

Over the last several years, the value of manufactured houses has tended to depreciate over time. This depreciation makes pre-owned houses, even relatively new ones, significantly less expensive than new manufactured houses, thereby decreasing the demand for new houses, which negatively affects the manufactured housing lending industry. Additionally, rapid depreciation may cause the fair market value of borrowers manufactured houses to be less than the outstanding balance of their loans. In cases where borrowers have negative equity in their houses, they may not be able to resell their manufactured houses for enough money to repay their loans and may have less incentive to continue to repay their loans, which may lead to increased delinquencies and defaults.

Tax Risks of Our Business and Structure

Distribution requirements imposed by law limit our flexibility in executing our business plan, and we cannot assure stockholders that we will have sufficient funds to meet our distribution obligations.

To maintain our status as a REIT for federal income tax purposes, we generally are required to distribute to our stockholders at least 90% of our REIT taxable income each year. REIT taxable income is determined without regard to the deduction for dividends paid and by excluding net capital gains. We are also required to pay federal income tax at regular corporate rates to the extent that we distribute less than 100% of our taxable income (including net capital gains) each year. In addition, to the extent such income is not subject to corporate tax, we are required to pay a 4% nondeductible excise tax on the amount, if any, by which certain distributions we pay with respect to any calendar year are less than the sum of 85% of our ordinary income for that calendar year, 95% of our capital gain net income for the calendar year and any amount of our income that was not distributed in prior years.

We intend to distribute to our stockholders at least 90% of our REIT taxable net income each year in order to comply with the distribution requirements of the Internal Revenue Code and to avoid federal income tax and the nondeductible excise tax. Differences in timing between the receipt of income and the payment of expenses in arriving at REIT taxable net income and the effect of required debt amortization payments could require us to borrow funds on a short-term basis, access the capital markets or liquidate investments to meet the distribution requirements that are necessary to achieve the federal income tax benefits associated with qualifying as a REIT even if our management believes that it is not in our best interest to do so. We cannot assure our stockholders that any such borrowing or capital market financing will be available to us or, if available to us, will be on terms that are favorable to us. Borrowings incurred to pay distributions will reduce the amount of cash available for operations. Any inability to borrow such funds or access the capital markets, if necessary, could jeopardize our REIT status and have a material adverse effect on our financial condition.

We may suffer adverse tax consequences and be unable to attract capital if we fail to qualify as a REIT.

Since our taxable period ended December 31, 2003, we have been organized and operated, and intend to continue to operate, so as to qualify for taxation as a REIT under the Internal Revenue Code. Although we believe that we have been and will continue to be organized and have operated and will continue to operate so as to qualify for taxation as a REIT, we cannot assure stockholders that we have been or will continue to be organized or operated in a manner to so qualify or remain so qualified. Qualification as a REIT involves the satisfaction of numerous requirements (some on an annual and quarterly basis) established under highly technical and complex Code provisions for which there are only limited judicial or administrative interpretations, and involves the determination of various factual matters and circumstances not entirely within our control. In addition, frequent changes may occur in the area of REIT taxation, which require us continually to monitor our tax status.

If we fail to qualify as a REIT in any taxable year, we would be subject to federal income tax (including any applicable alternative minimum tax) on our taxable income at regular corporate rates. Moreover, unless entitled to relief under certain statutory provisions, (generally requiring reasonable cause for any REIT testing violations), we also would be disqualified from treatment as a REIT for the four taxable years following the year during which qualification was lost. This treatment would reduce our net earnings available for investment or distribution to stockholders because of the additional tax liability to us for the years involved. In addition, distributions to stockholders would no longer be required to be made. Even if we qualify for and maintain our REIT status, we will be subject to certain federal, state and local taxes on our property and certain of our operations.

Our use of taxable REIT subsidiaries will cause income from our servicing and insurance activities to be subject to corporate level tax and may cause us to restrict our business activities.

To preserve our qualification as a REIT, we conduct all of our servicing and insurance activities through one or more taxable REIT subsidiaries. In addition, we may conduct some of our securitization transactions through such taxable REIT subsidiaries. A taxable REIT subsidiary is subject to federal income tax, and state and local income tax where applicable, as a regular C corporation. Accordingly, net income from our servicing and insurance activities is subject to corporate level tax. In addition, under the Internal Revenue Code, no more than 20% of the total value of the assets of a REIT may be represented by securities of one or more taxable REIT subsidiaries. This limitation may cause us to restrict the use of certain securitization transactions and limit the growth of our servicing and insurance subsidiaries with the potential for decreased revenue.

Our ability to securitize our loans is limited due to various federal income tax rules applicable to REITs.

Under the Internal Revenue Code, a REIT is subject to a 100% tax on its net income derived from prohibited transactions. The phrase prohibited transactions refers to the sales of inventory or assets held primarily for sale to customers in the ordinary course of a taxpayer s business. A taxpayer who engages in such sales is typically referred to as a dealer. The Internal Revenue Service has taken the position that if a REIT securitizes loans using a real estate mortgage investment conduit (REMIC) structure, then such activity will cause the REIT to be treated as a dealer, with the result that the 100% tax would apply to the net income generated from such activity. If we securitize loans using a REMIC, we intend to do so through one or more taxable REIT subsidiaries, which will not be subject to such 100% tax, but will be taxable at regular corporate federal income tax rates. We also may securitize mortgage assets through the issuance of non-REMIC securities, whereby we retain an equity interest in the mortgage-backed assets used as collateral in the securitization transaction. The issuance of any such instruments could result, however, in a portion of our assets being classified as a taxable mortgage pool, which would be treated as a separate corporation for U.S. federal income tax purposes, which in turn could adversely affect the treatment of our stockholders for federal income tax purposes or jeopardize our status as a REIT.

We may pay distributions that are in excess of our current and accumulated earnings and profits, which may cause our stockholders to incur adverse federal income tax consequences.

We may pay quarterly distributions to our stockholders in excess of 100% of our estimated REIT taxable income. Distributions in excess of our current and accumulated earnings and profits are not treated as a dividend and generally will not be taxable to a taxable U.S. stockholder under current U.S. federal income tax

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law to the extent those distributions do not exceed the stockholder s adjusted tax basis in his or her common stock. Instead, any such distribution generally will constitute a return of capital, which will reduce the stockholder s adjusted basis and could result in the recognition of increased gain or decreased loss to the stockholder upon a sale of the stockholder s stock.

Risks Related to Our Organization and Structure

Our rights and the rights of our stockholders to take action against our directors are limited, which could limit stockholders recourse in the event of certain actions.

Our certificate of incorporation limits the liability of our directors for money damages for breach of a fiduciary duty as a director, except under limited circumstances. As a result, we and our stockholders may have more limited rights against our directors than might otherwise exist. Our bylaws require us to indemnify each director or officer who has been successful, on the merits or otherwise, in the defense of any proceeding to which he or she is made a party by reason of his or her service to us. In addition, we may be obligated to fund the defense costs incurred by our directors and officers.

Our board of directors may change our investment and operational policies and practices without a vote of our stockholders, which limits stockholder control of our policies and practices.

Our major policies, including our policies and practices with respect to investments, financing, growth, debt capitalization, REIT qualification and distributions, are determined by our board of directors. Although we have no present intention to do so, our board of directors may amend or revise these and other policies from time to time without a vote of our stockholders. Accordingly, our stockholders will have limited control over changes in our policies. Our organizational documents do not limit the amount of indebtedness that we may incur. Although we intend to maintain a balance between our total outstanding indebtedness and the value of our assets, we could alter this balance at any time. If we become highly leveraged, then the resulting increase in debt service could adversely affect our ability to make payments on our outstanding indebtedness and harm our financial condition.

Certain provisions of Delaware law and our governing documents may make it difficult for a third-party to acquire us.

9.25% Ownership Limit. In order to qualify and maintain our qualification as a REIT, not more than 50% of the outstanding shares of our capital stock may be owned, directly or indirectly, by five or fewer individuals. Thus, ownership of more than 9.25% of our outstanding shares of common stock by any single stockholder has been restricted, with certain exceptions, for the purpose of maintaining our qualification as a REIT under the Internal Revenue Code.

The 9.25% ownership limit, as well as our ability to issue additional shares of common stock or shares of other stock (which may have rights and preferences over the common stock), may discourage a change of control of the company and may also: (1) deter tender offers for the common stock, which offers may be advantageous to stockholders; and (2) limit the opportunity for stockholders to receive a premium for their common stock that might otherwise exist if an investor were attempting to assemble a block of common stock in excess of 9.25% of our outstanding shares or otherwise effect a change of control of the company.

Preferred Stock. Our charter authorizes the board of directors to issue up to 10,000,000 shares of preferred stock and to establish the preferences and rights (including the right to vote and the right to convert into shares of common stock) of any shares issued. The power to issue preferred stock could have the effect of delaying or preventing a change in control of the company even if a change in control were in the stockholders interest.

Section 203. Section 203 of the Delaware General Corporation Law is applicable to certain types of corporate takeovers. Subject to specified exceptions listed in this statute, Section 203 of the Delaware General Corporation Law provides that a corporation may not engage in any business combination with any interested stockholder for a three-year period following the date that the stockholder becomes an interested

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stockholder. Although these provisions do not apply in certain circumstances, the provisions of this section could discourage offers from third parties to acquire us and increase the difficulty of successfully completing this type of offer.

Other Risks

We operate in a highly regulated industry and failure to comply with applicable laws and regulations at the federal, state or local level could negatively affect our business.

Currently, we originate both chattel, or home-only, loans and loans collateralized by both the manufactured house and real property, or land-home loans, in 42 states. We also currently conduct servicing operations in 43 states. Most states where we operate require that we comply with a complex set of laws and regulations. These laws, which include installment sales laws, consumer lending laws and mortgage lending laws, differ from state to state, making uniform operations difficult. Most states periodically conduct examinations of our contracts and loans for compliance with state laws. In addition to state laws regulating our business, our consumer lending and servicing activities are subject to numerous federal laws and the rules and regulations promulgated thereunder.

These federal and state laws and regulations and other laws and regulations affecting our business, including zoning, density and development requirements and building and environmental rules and regulations, create a complex framework in which we originate and service manufactured housing loans. Moreover, because these laws and regulations are constantly changing, it is difficult to comprehensively identify, accurately interpret, properly program our technology systems and effectively train our personnel with respect to all of these laws and regulations, thereby potentially increasing our exposure to the risks of noncompliance with these laws and regulations. As a result, we have not always been, and may not always be, in compliance with these requirements, including licensing requirements.

Our failure to comply with these laws and regulations can lead to:

- defaults under contracts we have with third parties, which could cause those contracts to be terminated or renegotiated on less favorable terms;
- civil fines and penalties and criminal liability;
- loss of licenses, exemptions or other approved status, which could in turn require us temporarily or permanently to cease our affected operations;
- demands for indemnification, loan repurchases or modification of our loans;
- class action lawsuits; and
- administrative enforcement actions.

The increasing number of federal, state and local anti-predatory lending laws may restrict our ability to originate or increase our risk of liability with respect to certain manufactured housing loans and could increase our cost of doing business.

In recent years, several federal, state and local laws, rules and regulations have been adopted, or are under consideration, that are intended to eliminate so-called predatory lending practices. These laws, rules and regulations impose certain restrictions on loans on which certain points and fees or the annual percentage rate, or APR, exceeds specified thresholds. Some of these restrictions expose a lender to risks of litigation and regulatory sanction no matter how carefully a loan is underwritten. In addition, an increasing number of these laws, rules and regulations seek to impose liability for violations on purchasers of loans, regardless of whether a purchaser knew of or participated in the violation. It is against our policy to engage in predatory lending practices and we have generally avoided originating loans that exceed the APR or points and fees thresholds of these laws, rules and regulations. These laws, rules and regulations may prevent us from making certain loans and may cause us to reduce the APR or the points and fees on loans that we do make. In addition, the difficulty of managing the risks presented by these laws, rules and regulations may decrease the availability of

warehouse financing and the overall demand for our loans in the secondary market, making it difficult to fund, sell or securitize our loans. If nothing else, the growing number of these laws, rules and regulations will increase our cost of doing business as we are required to develop systems and procedures to ensure that we do not violate any aspect of these new requirements.

We may be subject to fines, judgments or other penalties based upon the conduct of third parties with whom we do business.

The majority of our business consists of purchasing from retailers retail installment sales contracts for the sale of a manufactured house. These contracts are subject to the Federal Trade Commission s Holder Rule, which makes us subject generally to the same claims and defenses that a consumer might have against the retailer that sold the consumer his or her manufactured house up to the value of the payments made by the consumer. Increasingly federal and state agencies, as well as private plaintiffs, have sought to impose third-party or assignee liability on purchasers or originators of loans even where the Holder Rule and similar laws do not specifically apply. We attempt to mitigate our risk for this liability by ending our relationships with retailers whose practices we believe may put us at risk and limiting our retailer network to retailers that have the ability to indemnify us against these types of claims. Although we routinely seek indemnification from retailers in these situations, there is no assurance that we will not be liable for these types of claims or that the retailer will indemnify us if we are held liable.

Common stock eligible for future sale may have adverse effects on our share price.

We cannot predict the effect, if any, of future sales of shares of our common stock, or the availability of shares for future sales, or the market price of our common stock. Sales of substantial amounts of common stock (including 260,500 shares of common stock issuable upon the exercise of currently outstanding options, and up to 848,000 restricted shares issued under our 2003 Equity Incentive Plan), or the perception that these sales could occur, may adversely affect prevailing market prices for our common stock. We also may issue from time to time additional shares of common stock and we may grant registration rights in connection with these issuances. Sales of substantial amounts of shares of common stock or the perception that these sales could occur may adversely affect the prevailing market price for our common stock. In addition, the sale of these shares could impair our ability to raise capital through a sale of additional equity securities.

Market interest rates may affect the value of our securities.

One of the factors that investors may consider in deciding whether to buy or sell our securities is our distribution rate as a percentage of our share price, relative to market interest rates. If market interest rates increase, prospective investors may desire a higher distribution or interest rate on our securities or seek securities paying higher distributions or interest. It is likely that the public valuation of our common stock will be based primarily on the earnings that we derive from the difference between the interest earned on our loans less net credit losses and the interest paid on borrowed funds. As a result, interest rate fluctuations and capital market conditions can affect the market value of our common stock.

We will be subject to significant financial penalties if this registration statement is not maintained effective for its prescribed period of time.

Under the terms of the registration rights agreements entered into in connection with the closings of our October 2003 and February 2004 private placements, we are obligated to maintain the effectiveness of this registration statement for a prescribed time period. If we do not comply with this obligation, we must pay liquidated damages with respect to each outstanding share of common stock affected for the duration of the registration default. The liquidated damages will be payable in cash quarterly, in arrears within 10 days after the end of each quarter. The liquidated damages will accrue during the first 90 days at a daily rate of $0.25 per share of common stock per year. The liquidated damages will escalate at the end of each of the first three 90 day periods after default up to a maximum daily rate of $1.00 per share of common stock per year. Any payment of these liquidated damages could adversely affect our financial position, as well as our ability to continue to pay distributions.

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The market price of our common stock could be volatile and could decline substantially.

The market price of our common stock may be highly volatile and could be subject to wide fluctuations. Some of the factors that could negatively affect our share price or result in fluctuations in the price of our common stock include:

- actual or anticipated variations in our quarterly operating results;
- changes in our earnings estimates or publication of research reports about us or the manufactured home industry;
- increases in market interest rates that may lead purchasers of our shares to demand a higher yield;
- changes in market valuations of similar companies;
- adverse market reaction to any increased indebtedness we incur in the future;
- additions or departures of key management personnel;
- actions by institutional stockholders;
- speculation in the press or investment community; and
- general market and economic conditions.

In addition, the stock market has experienced extreme price and volume fluctuations that have affected the market price of many companies in industries similar or related to ours and that have been unrelated to these companies operating performances. These broad market fluctuations could reduce the market price of our common stock. Furthermore, our operating results and prospects may be below the expectations of public market analysts and investors, which could lead to a material decline in the market price of our common stock.

DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus contains various forward-looking statements within the meaning of the Securities Act and the Securities Exchange Act of 1934 (Exchange Act), and we intend that such forward-looking statements will be subject to the safe harbors created thereby. For this purpose, any statements contained in this prospectus that relate to prospective events or developments are deemed to be forward-looking statements. Words such as believes, forecasts, anticipates, intends, plans, expects, will and similar expressions are intended to identify forward-looking stateme Forward-looking statements in this prospectus are contained under the headings Summary, Risk Factors, Our Business and elsewhere. These forward-looking statements reflect our current views with respect to future events and financial performance, but involve known and unknown risks and uncertainties, both general and specific to the matters discussed in this prospectus. These risks and uncertainties may cause our actual results to be materially different from any future results expressed or implied by such forward-looking statements. Such risks and uncertainties include those found in the section entitled Risk Factors and the following:

- the performance of our manufactured home loans;
- our ability to borrow at favorable rates and terms;
- the supply of manufactured home loans;
- interest rate levels and changes in the yield curve (which is the curve formed by the differing Treasury rates paid on one, two, three, five, ten and 30 year term debt);
- our ability to use hedging strategies to insulate our exposure to changing interest rates;

changes in, and the costs associated with complying with, federal, state and local regulations, including consumer finance and housing regulations;

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applicable laws, including federal income tax laws; and

general economic conditions in the markets in which we operate.

All forward-looking statements included in this prospectus are based on information available to us on the date of this prospectus. We do not intend to update or revise any forward-looking statements that we make in this prospectus or other documents, reports, filings or press releases, whether as a result of new information, future events or otherwise.

USE OF PROCEEDS

We will not receive any proceeds from the sale of the shares of common stock offered by this prospectus. The proceeds from this offering are solely for the account of the selling stockholders.

MARKET PRICE OF AND DISTRIBUTIONS ON OUR COMMON STOCK

Market Information

Our common stock has been listed on the Nasdaq National Market (Nasdaq) since May 5, 2004 under the symbol ORGN. On April 29, 2005, the closing sales price of the common stock was $7.29 and the common stock was held by approximately 64 holders of record. The following table presents the per share high and low bid prices of our common stock for the periods indicated as reported by the Nasdaq National Market. The stock prices reflect inter-dealer prices, do not include retail mark-ups, mark-downs or commissions and may not necessarily represent actual transactions.

	High	Low
Fiscal Year Ended December 31, 2004		
Period from May 5, 2004 through June 30, 2004	$ 8.33	$ 7.50
Third quarter	$ 8.15	$ 6.96
Fourth quarter	$ 7.80	$ 6.67
Fiscal Year Ended December 31, 2005		
First quarter	$ 8.75	$ 6.65
Second quarter (through May 17, 2005)	$ 7.47	$ 6.58

Distributions and Distribution Policy

In order to qualify for the tax benefits accorded to REITs under the Internal Revenue Code, we must, and we intend to, make distributions to our stockholders each year in an amount at least equal to (i) 90% of our REIT taxable income (before the deduction for dividends paid and not including any net capital gain), plus (ii) 90% of the excess of our net income from foreclosure property over the tax imposed on such income by the Internal Revenue Code, minus (iii) any excess non-cash income. We refer to this amount as REIT taxable income. See Material U.S. Federal Income Tax Consequences Annual Distribution Requirement.

The following table presents the distributions per share that were paid with respect to each quarter since our formation in October 2003.

	Distribution per share
Fiscal Year Ended December 31, 2003	
Period from October 8, 2003 through December 31, 2003	$ 0.098
Fiscal Year Ended December 31, 2004	
First quarter	$ 0.040
Second quarter	$ 0.060
Third quarter	$ 0.250
Fourth quarter	$ 0.040
Fiscal Year Ended December 31, 2005	

First quarter	$	0.060

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Differences in timing between the receipt of income and the payment of expenses and the effect of required debt amortization payments could require us to borrow funds on a short-term basis, access the capital markets or liquidate investments to meet this distribution requirement. Until we are able to originate and securitize a sufficient number of loans to achieve our desired asset level and target leverage ratio, we may pay quarterly distributions to our stockholders in excess of 100% of our estimated REIT taxable income. To the extent out distributions exceed our then current and then accumulated earnings and profits as determined for U.S. federal income tax purposes, such excess generally will represent a return of capital for U.S. federal income tax purposes. Distributions in excess of our current and accumulated earnings and profits and not treated as a dividend will not be taxable to a taxable U.S. stockholder under current U.S. federal income tax law to the extent those distributions do not exceed the stockholder s adjusted tax basis in his or her common stock, but will rather reduce such adjusted basis. Therefore, the gain (or loss) recognized on the sale of that common stock or upon our liquidation will be increased (or decreased) accordingly. To the extent those distributions exceed a taxable U.S. stockholder s adjusted tax basis in his or her common stock, they generally will be treated as a capital gain realized from the taxable disposition of those shares. For a more complete discussion of the tax treatment of distributions to holders of our common stock, see Material U.S. Federal Income Tax Consequences.

The actual amount and timing of distributions will be at the discretion of our board of directors and will depend upon our actual results of operations, including:

- the performance of our manufactured housing loans;
- our ability to borrow at favorable rates and terms, including our ability to securitize manufactured housing loans we originate or purchase;
- interest rate levels and changes in the yield curve; and
- our ability to use hedging strategies to insulate our exposure to changing interest rates.

To the extent not inconsistent with maintaining our REIT status, we may maintain accumulated earnings of our taxable REIT subsidiaries in those subsidiaries.

Outstanding shares of our Series A Cumulative Redeemable Preferred Stock have distribution rights superior to our common stock. Our board of directors has the authority to issue additional classes and shares of preferred stock with distribution rights superior to those of our common stock. See Description of Capital Stock and Material Provisions of Delaware Law and Our Certificate of Incorporation. This could result in no distributions being paid on the common stock.

In the future, our board of directors may elect to adopt a dividend reinvestment plan.

Equity Compensation Plan Information

The following table reflects information about the securities authorized for issuance under our equity compensation plans as of December 31, 2004.

	Number of Securities to be Issued Upon Exercise	**Weighted-Average Exercise Price of**	**Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding**

Plan Category	of Outstanding Options, Warrants and Rights	Outstanding Options, Warrants and Rights	Securities Reflected in First Column)
Equity compensation plans approved by shareholders	267,500	$ 10.00	901,848
Equity compensation plans not approved by shareholders	N/A	N/A	N/A
TOTAL	267,500	$ 10.00	901,848

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SELECTED FINANCIAL INFORMATION

The selected financial information presented below for Origen Financial, Inc. is derived from the audited consolidated financial statements of Origen Financial, Inc. for the period ended December 31, 2003 and the year ended December 31, 2004. The financial information presented below for Origen Financial L.L.C. (our predecessor for accounting purposes) is derived from the audited consolidated financial statements of Origen Financial L.L.C. for the periods indicated. The financial information presented below for Bingham (Origen Financial L.L.C. s predecessor for accounting purposes) is derived from the audited consolidated financial statements of Bingham for the periods indicated.

The historical financial statements of Origen Financial L.L.C. and Bingham represent the combined financial condition and results of operations of those entities. We believe that the businesses, financial statements and results of operations of those entities are quantitatively different from ours. Those entities results of operations reflect capital constraints and corporate and business strategies, including commercial mortgage loan origination and servicing, which are different than ours. We have also elected to be taxed as a REIT. Accordingly, we believe the historical financial results of Origen Financial L.L.C. and Bingham are not indicative of our future performance. In addition, because the financial information presented below is only a summary and does not provide all of the information contained in the financial statements from which it is derived, including related notes, you should read Management s Discussion and Analysis of Financial Condition and Results of Operations, and the financial statements, including related notes, contained elsewhere in this prospectus.

	Origen Financial, Inc.			Origen Financial L.L.C.		Bingham Financial Services Corporation	
						Year Ended December 31,	
	Quarter Ended March 31, 2005	Year Ended December 31, 2004	Period from October 8 through December 31, 2003(1)	Period from January 1 through October 7, 2003	Year Ended December 31, 2002	2001	2000
	(Unaudited)		(Restated)				
	(In thousands, except for per share data)						
Operating Statement Data:							
Interest income on loans	$ 13,166	$ 42,479	$ 7,339	$ 16,398	$ 9,963	$ 9,493	$ 14,593
Gain on sale and securitization of loans				28	2,719	5,186	27
Servicing and other revenues	3,280	11,184	2,880	7,329	7,703	14,994	10,866
Total revenue	16,446	53,663	10,219	23,755	20,385	29,673	25,486
Interest expense	5,410	15,020	2,408	11,418	5,935	7,875	14,202
	2,030	10,210	768	9,849	18,176	18,118	7,671

Provisions for loan loss, recourse liability and write down of residual interests							
Distribution of preferred interest				1,662			
Other operating expenses	7,999	31,399	5,546	24,754	25,461	22,129	28,242
Total expenses	15,439	56,629	8,722	47,683	49,572	48,122	50,115
Income (loss) before income taxes	1,007	(2,966)	1,497	(23,928)	(29,187)	(18,449)	(24,629)
Provision (benefit) for income taxes(2)						1,245	(8,374)
Income (loss) before cumulative effect of change in accounting principle	1,007	(2,966)	1,497	(23,928)	(29,187)	(19,694)	(16,255)
Cumulative effect of change in accounting principle							
Net Income (Loss)	$ 1,007	$ (2,966)	$ 1,497	$ (23,928)	$ (29,187)	$ (19,694)	$ (16,255)
Earning (loss) per share Diluted(3)	$ 0.04	$ (0.14)	$ 0.10	$	$	$ (7.63)	$ (6.19)
Distributions declared per share	$ 0.04	$ 0.39	$ 0.098				

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	Origen Financial, Inc.			Origen Financial L.L.C.		Bingham Financial Services Corporation	
	Quarter Ended March 31, 2005	Year Ended December 31, 2004	Period from October 8 through December 31, 2003(1)	Period from January 1 through October 7, 2003	Year Ended December 31, 2002	Year Ended December 31, 2001	Year Ended December 31, 2000
	(Unaudited)		(Restated)				
	(In thousands, except for per share data and ratios)						
Balance Sheet Data:							
Loans receivable, net of allowance for losses	$ 630,244	$ 563,268	$ 368,040	$ 279,300	$ 173,764	$ 126,591	$ 98,633
Servicing rights	3,844	4,097	5,131	5,892	7,327	6,855	9,143
Retained interests in loan securitizations	724	724	749	785	5,833		
Goodwill	32,277	32,277	32,277	18,332	18,332		
Cash and other assets	85,470	82,181	37,876	22,894	22,492	33,646	40,105
Total assets	$ 752,559	$ 682,547	$ 444,073	$ 327,203	$ 227,748	$ 167,092	$ 147,881
Total debt	523,372	455,914	277,441	273,186	196,031	122,999	113,617
Preferred interest in subsidiary				45,617			
Other liabilities	23,626	23,167	24,312	22,345	21,413	53,335	23,424
Members /Stockholders Equity/Capital	205,561	203,466	142,320	(13,945)	10,304	(9,242)	10,840
Other Information Cash Flow Data:							
	$ (69,461)	$ (210,179)	$ (95,357)	$ (124,461)	$ (80,646)	$ (63,264)	$ 15,696

(source/(use))							
From operating activities							
From investing activities	(677)	26,340	851	4,272	7,670	10,871	(911)
From financing activities	66,443	250,828	100,254	121,110	73,022	49,312	(11,264)
Selected Ratios							
Return on average assets	0.57%	(0.52)%	1.43%	(8.52)%	(18.79)%	(15.68)%	(9.32)%
Return on average equity	1.97%	(1.56)%	4.21%	(1352.96)%	(91.29)%	(165.30)%	(80.90)%
Average equity to average assets	29.08%	33.03%	33.91%	0.63%	20.58%	4.22%	11.52%

(1) Origen Financial, Inc. began operations on October 8, 2003 as a REIT with Origen Financial L.L.C. as a wholly-owned subsidiary.

(2) As a REIT, Origen Financial, Inc. is not required to pay federal corporate income taxes on its net income that is currently distributed to its stockholders. As a limited liability company, Origen Financial L.L.C. does not incur income taxes. Bingham was taxed as a regular C corporation during the periods indicated.

(3) As a limited liability company, Origen Financial L.L.C. did not report earnings per share.

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OUR BUSINESS

General

Origen Financial, Inc. is an internally-managed and internally-advised Delaware corporation that is taxed as a real estate investment trust, or REIT. We are a national consumer manufactured housing lender and servicer. Currently we originate loans in 42 states and we service loans in 43 states. We and our predecessors have originated more than $2 billion of manufactured housing loans from 1996 through December 31, 2004, including $249.7 million in 2004. As of December 31, 2004, our loan servicing portfolio of over 33,000 loans totaled approximately $1.37 billion.

Origen Financial, Inc. was incorporated on July 31, 2003. On October 8, 2003, we began operations when we acquired all of the equity interests of Origen Financial L.L.C. (which is our primary operating subsidiary) and its subsidiaries and completed a private placement of $150 million of our common stock to certain institutional and accredited investors. In February 2004, we completed another private placement of $10 million of our common stock to an institutional investor. In May 2004, we completed an initial public offering of 8,000,000 shares of our common stock at a purchase price of $8.00 per share. In June 2004, the underwriters for the public offering purchased an additional 625,900 shares by exercising their over-allotment option. Currently, most of our operations are conducted through Origen Financial L.L.C., our wholly-owned subsidiary. We conduct the rest of our business operations through our other wholly-owned subsidiaries, including taxable REIT subsidiaries, to take advantage of certain business opportunities and ensure that we comply with the federal income tax rules applicable to REITs.

Our executive office is located at 27777 Franklin Road, Suite 1700, Southfield, Michigan 48034 and our telephone number is (248) 746-7000. We maintain our servicing operations in Ft. Worth, Texas and have other regional offices located in Glen Allen, Virginia and Duluth, Georgia. As of April 29, we employed 245 full-time employees.

Our website address is www.origenfinancial.com and we make available, free of charge, on or through our website all of our periodic reports, including our annual report on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K, as soon as reasonably practicable after we file such reports with the Securities and Exchange Commission.

Recent Developments

In May 2005, we completed our Origen Manufactured Housing Contract Trust Collateralized Notes, Series 2005-A transaction. In this transaction we securitized approximately $190.0 million of manufactured housing contracts and issued approximately $165.3 million of asset-backed certificates secured by those contracts with seven separate offered classes ranging from $11.4 million to $44.5 million consisting of AAA, AA, A and BBB+ rated bonds.

Effective January 1, 2005, we formed our first Corporate Internal Audit Department. While in the past, we and our predecessor recognized the need for the performance of a wide range of internal audit functions and quality control reviews, such audits and reviews were primarily performed on a departmental basis with no centralization of responsibility at the corporate level and no formalized reporting to the Audit Committee of our board of directors. The newly-formed Internal Audit Department is staffed by a Director of Internal Audit and two staff auditors. The Director of Internal Audit reports directly to the Chairman of the Audit Committee.

In September 2004, we completed our Origen Manufactured Housing Contract Trust Collateralized Notes, Series 2004-B transaction. In this transaction we securitized approximately $200 million of manufactured housing contracts and issued approximately $169 million of asset-backed certificates secured by those contracts with seven separate offered classes ranging from $10 million to $49 million consisting of AAA, AA, A and BBB+ rated bonds.

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Loan Origination and Underwriting

General

We and our predecessors have originated more than $2 billion of manufactured housing loans from 1996 through December 31, 2004, including $249.7 million in 2004. We originate and intend to continue to originate manufactured housing loans to borrowers who have above average credit profiles and above average income, each as compared to manufactured housing borrowers as a whole.

Although we consider FICO scores in underwriting loans, our primary underwriting tool is TNG^{tm}, an internally-developed, externally-validated proprietary statistical scoring system that ranks the risk of default for our manufactured home-only loans. Our loan origination activities are conducted through proprietary systems maintained and enhanced by an internal staff of systems professionals. Our home-only loan origination activities are centralized at our Southfield, Michigan executive offices and our land-home origination activities are centralized at our Ft. Worth, Texas facility.

Dealer and Broker Network

We currently provide new and pre-owned manufactured housing financing through a network of over 900 primarily independent retailers of new and pre-owned manufactured houses and loan brokers specializing in the manufactured housing industry. We are focused on penetrating our existing broker/retailer network to achieve a higher level of approvals and fundings from those approvals. Each loan submitted to us by a retailer or broker must meet the standards for loan terms, advance amounts, down payment requirements, residency type, and other pertinent parameters we have established under our housing loan purchase programs.

We have invested heavily in technology to increase our penetration into the retailer network and to streamline the application, approval and funding process. We have a proprietary web-based delivery system, known as Origen Focus^{tm}, for application, approval, funding, tracking, and reporting of loans. This system allows for the application to be submitted and tracked over the Internet. During 2004, approximately 72% of our application volume was submitted through Origen Focus. We intend to eventually transition substantially all of the retailer network to the Origen Focus platform. Loan applications submitted through Origen Focus seamlessly interface electronically with our other proprietary loan processing systems. Origen Focus also eliminates the need for personnel to input loan applications, improving our productivity and reducing our staffing costs.

We perform initial and periodic reviews of our retailers. We underwrite their credit profile, industry experience, sales and financing plans. We regularly monitor retailer performance and rank retailers according to their default, delinquency, credit quality, approval and funding ratios, and the volume of loans they submit to us, and, if necessary, we terminate relationships with non-performing retailers.

We have also developed a retailer rewards program called Origen Elite Rewards^{tm} that provides benefits to the retailers who provide us with the highest quality loans. These benefits include guaranteed same day turnaround for completed applications and other service enhancements, specific pricing incentives and improved financing options for new and pre-owned homes.

Underwriting

We underwrite retail installment loans secured only by manufactured houses, or consumer loans, using our internally-developed proprietary credit scoring system, TNG. We developed and enhanced TNG to predict defaults using empirical modeling techniques. TNG takes into account information about each applicant s credit history, debt and income, demographics, and the terms of the loan. The TNG model is fully integrated into our origination system and is based on our historical lending experience. We have used TNG to back-test all of our home-only loans originated since 1996 by Origen Financial L.L.C., its predecessors and us. Following internal testing and validation, Experian Information Solutions, Inc., a leading consumer credit reporting and risk modeling company, independently validated the TNG model.

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All home-only applications are scored by TNG and then reviewed by an underwriter. TNG provides the underwriter a recommendation of pass, fail or review. The recommendations are based upon the underlying TNG score as well as other factors that may arise from the application. TNG alerts underwriters to particular attention areas and provides review recommendations. It also provides a reason for declination on fail recommendations. TNG is used to rescore the application throughout the origination and underwriting process as the initial application information is verified and/or terms and conditions of the loan change.

We also underwrite mortgage loans, often called land-home loans, collateralized by both the manufactured houses and the underlying real estate. Because the land-home and home-only business lines have different characteristics, and because we have not accumulated enough default data points for our land-home loans (a necessary component of a successful predictive model), predictive modeling has only been possible for the home-only applications. We use our Internal Credit Rating grid and a full property appraisal to underwrite land-home loans. The grid is a traditional underwriting method that primarily takes into account the applicant s credit history, debt capacity and underlying collateral value. In specially approved markets a comparable appraisal is used to determine chattel manufactured home values through our Comparable Appraisal Program, which is discussed in more detail below.

In addition to using our proprietary TNG scoring model, we underwrite loans based upon our review of credit applications to ensure loans will comply with internal company guidelines, which are readily available on our intranet site. Our approach to underwriting focuses primarily on the borrower s creditworthiness and the borrower s ability and willingness to repay the debt, as determined through TNG. Each contract originated by us is individually underwritten and approved or rejected based on the TNG result and an underwriter s evaluation of the terms of the purchase agreement, a detailed credit application completed by the prospective borrower and the borrower s credit report, which includes the applicant s credit history as well as litigation, judgment and bankruptcy information. Once all the applicable employment, credit and property-related information is received, the application is evaluated to determine whether the applicant has sufficient monthly income to meet the anticipated loan payment and other obligations.

Acquisitions of Manufactured Home Loans and Securities from Existing Securitizations

We believe there are selective opportunities to acquire existing portfolios of manufactured home whole loans and bonds in outstanding securitizations backed by manufactured home loans. From time to time, we may seek to acquire such assets at attractive prices.

Servicing

We service the manufactured housing loan contracts that we originate as well as manufactured housing loan contracts owned by third parties. As of December 31, 2004, our loan servicing portfolio of over 33,000 loans totaled approximately $1.37 billion. Our annual servicing fees range from 50 to 150 basis points of the outstanding balance on manufactured housing loans serviced. The vast majority of loans we service are included in securitized loan pools. As opportunities present themselves, we intend to grow our servicing business by acquiring the servicing or subservicing rights to portfolios of manufactured home loans owned by third parties, including many companies that have stopped originating manufactured home loans but continue to own loan portfolios.

Servicing activities include processing payments received, recording and tracking all relevant information regarding the loan and the underlying collateral, collecting delinquent accounts, remitting funds to investors, repossessing houses upon loan default and reselling repossessed houses. Our loan servicing activities are centralized at our national loan servicing center in Ft. Worth, Texas.

Although we strive to continuously reduce delinquency, our primary servicing objectives are to maintain a stream of borrower payments, limit loan defaults, and maximize recoveries on defaulted loans. Accordingly, we perform loss mitigation activities on delinquent loans whereby we maintain the borrower s delinquent status during the payment plan or other loan workout situation. The industry has typically reported borrowers in loss mitigation as current. In our efforts to maximize recoveries on defaulted loans, we hold repossessed collateral longer to achieve a retail sale to a consumer for a higher price rather than a quicker sale to a reseller at a lower price. These business strategies cause us to report higher delinquencies, but lead to improved default and recovery performance.

Securitizations

We have securitized a substantial portion of our owned manufactured housing loans and intend in the future to originate and acquire manufactured housing loans for securitization. After accumulating enough manufactured housing loans (typically not less than $125 million), we use transactions known as asset-backed securitizations to pay off short term debt, replenish funds for future loan originations, limit credit risk, and match the maturity of interest rates on borrowings with the interest rates on our manufactured housing loans. In our securitizations, the manufactured housing loans are transferred to a bankruptcy remote trust that then issues bonds, typically both senior and subordinate, collateralized by those manufactured housing loans. By securitizing loans in this way, we eliminate the credit risk on our manufactured housing loans up to the amount of bonds sold to investors. Likewise, the form of securitization is designed to insulate the securitized loans from our creditors if we file for bankruptcy so that the loans supporting the bonds issued by the trust will not be encumbered. This process enables us to fund our business at competitive rates without asset-backed bond investors relying on our corporate credit-worthiness.

We successfully completed two securitizations in 2004. In February 2004, we completed a securitization of approximately $240 million in manufactured housing loans and in September 2004, we completed a securitization of approximately $200 million in manufactured housing loans.

Insurance

As a complement to our origination and servicing business, we have historically placed property and casualty insurance for lapsed policies, primarily for manufactured housing loans we have originated or service. We estimate that the closing of approximately 30% of all manufactured housing loans we originate is delayed because the borrower has not obtained insurance or the insurance policy obtained by the borrower does not meet our guidelines. By offering our borrowers the opportunity to obtain insurance from us, we are able to close loans more quickly and efficiently because all insurance policies placed through us will meet our guidelines.

Competition

The manufactured housing finance industry is very fragmented. The market is served by both traditional and non-traditional consumer finance sources. Several of these financing sources are larger than us and have greater financial resources. In addition, some of the manufactured housing industry s larger manufacturers maintain their own finance subsidiaries to provide financing for purchasers of their manufactured homes. Our largest competitor in the industry is Clayton Homes, Inc., through its subsidiary 21st Mortgage Corporation. Traditional financing sources such as commercial banks, savings and loans, credit unions and other consumer lenders, many of which have significantly greater resources than us and may be able to offer more attractive terms to potential customers, also provide competition in our market. Competition among industry participants can take many forms, including convenience in obtaining a loan, amount and term of the loan, customer service, marketing/distribution channels, loan origination fees and interest rates

Corporate Governance

We have implemented the following corporate governance initiatives to address certain legal requirements promulgated under the Sarbanes-Oxley Act of 2002, as well as Nasdaq corporate governance listing standards:

Our board of directors determined that each of Richard H. Rogel, the Chairman of the Audit Committee, and Paul A. Halpern and James A. Williams, the other members of the Audit Committee, qualifies as an audit committee financial expert as such term is defined under Item 401 of Regulation S-K. Each member of the Audit Committee is independent as that term is defined under applicable SEC and Nasdaq rules.

Our board of directors adopted a Financial Code of Ethics for Senior Financial Officers, which governs the conduct of our senior financial officers. A copy of this code is available on our website at www.origenfinancial.com under the heading Investors and subheading Corporate Governance and is also available in print to any stockholder upon written request to Origen Financial, Inc., 27777 Franklin Road, Suite 1700, Southfield, Michigan 48034.

Our board of directors established and adopted charters for each of its Audit, Compensation and Nominating and Governance Committees. Each committee is comprised of independent directors. A copy of each of these charters is available on our website at www.origenfinancial.com under the heading Investors and subheading Corporate Governance and is also available in print to any stockholder upon written request to Origen Financial, Inc., 27777 Franklin Road, Suite 1700, Southfield, Michigan 48034.

Our board of directors adopted a Code of Business Conduct and Ethics, which governs business decisions made and actions taken by our directors, officers and employees. A copy of this code is available on our website at www.origenfinancial.com under the heading Investors and subheading Corporate Governance and is also available in print to any stockholder upon written request to Origen Financial, Inc., 27777 Franklin Road, Suite 1700, Southfield, Michigan 48034.

The Sarbanes Oxley Act of 2002 requires the establishment of procedures whereby each member of the Audit Committee of our board of directors is able to receive confidential, anonymous employee communications regarding concerns in the areas of accounting, internal controls or auditing matters. Accordingly, effective in January 2004, we established a Whistleblower Hotline maintained with an independent third party. Through this arrangement, each Audit Committee member has access to two-way anonymous communications with the employee/ whistleblower. There are three submission methods (voicemail, e-mail and web form). There is a message management system that provides the member an up-to-date snapshot of all incoming and outgoing communications. The Whistleblower Hotline is accessible through our website at www.origenfinancial.com.

Employees

As of April 29, 2005, we employed 245 full time employees. None of our employees are subject to collective bargaining agreements. We believe our relations with our employees are generally good.

Legal and Administrative Proceedings

We are not involved in any litigation other than routine litigation arising in the ordinary course of business. We are not a party to any state or federal regulatory compliance administrative proceeding.

MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of the consolidated financial condition and results of operations should be read in conjunction with the consolidated financial statements and the notes thereto.

Management s discussion and analysis of financial condition and results of operations and liquidity and capital resources contained within this prospectus is more clearly understood when read in conjunction with our historical financial statements and the historical financial statements of our predecessor, Origen Financial L.L.C., as well as the related notes. The notes to the financial statements provide information about us and Origen Financial L.L.C., as well as the basis for presentation used in this prospectus.

Overview

On October 8, 2003, we began operations upon the completion of a private placement of $150 million of our common stock to certain institutional and accredited investors. On February 4, 2004, we completed another private placement of $10 million of our common stock to one institutional investor. In connection with and as a condition to the October 2003 private placement, we acquired all of the equity interests of Origen Financial L.L.C. We also took steps to qualify Origen Financial, Inc. as a REIT. In May 2004, we completed an initial public offering of 8,000,000 shares of our common stock at a purchase price of $8.00 per share. In June 2004, the underwriters for the public offering purchased an additional 625,900 shares by exercising their over-allotment option. Currently, most of our operations are conducted through Origen Financial L.L.C., which is our wholly-owned subsidiary. We conduct the rest of our business operations through our other wholly-owned subsidiaries, including taxable REIT subsidiaries, to take advantage of certain business opportunities and ensure that we comply with the federal income tax rules applicable to REITs.

The historical financial statements of Origen Financial L.L.C. represent combined financial condition and results of operations. We believe that the business, financial statements and results of operations of Origen Financial L.L.C. are quantitatively different from ours. Origen Financial L.L.C. s results of operations reflect capital constraints and corporate and business strategies which are different than ours. We also have elected to be taxed as a REIT. Accordingly, we believe the historical financial results of Origen Financial L.L.C. are not indicative of our future performance.

On March 31, 2005, we announced that we would restate our financial statements for the year ended December 31, 2003 and for the first three quarters of 2004 to correct an interpretive error in applying accounting principles to a pool of loans acquired at a discount in October 2003. The financial statements included elsewhere in this prospectus and the following discussion reflect the restatement.

Critical Accounting Policies

Our discussion and analysis of our financial condition and results of operations are based upon our financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and the related disclosures. On an on-going basis, we evaluate these estimates, including those related to reserves for credit losses, recourse liabilities, servicing rights and retained interests in loans sold and securitized. Estimates are based on historical experience, information received from third parties and on various other assumptions that are believed to be reasonable under the circumstances, which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under conditions different from our assumptions.

Transfers of Financial Assets: We engage in securitizations and whole loan sales of our manufactured housing loan receivables. Securitizations may take the form of a loan sale or a financing. We structured all loan securitizations occurring prior to 2003 as loan sales and all loan securitizations in 2003 and 2004 as financings for accounting purposes. In the future, we intend to structure and account for our securitizations as financings. When a loan securitization is structured as a financing, the financed asset remains on our books

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along with the recorded liability that evidences the financing. Income from both the loan interest spread and the servicing fees received on the securitized loans are recorded into income as earned. An appropriate allowance for credit losses is maintained on the loans. When a loan securitization is structured as a loan sale, such as our pre-2003 transactions, any gains and losses are recognized in the consolidated statements of operations when control of the transferred financial asset is relinquished by the seller. In accordance with Statement of Financial Accounting Standards No. 140 *Accounting For Transfers and Servicing of Financial Assets and Extinguishments of Liabilities,* certain assets and income are recorded based upon the difference between all principal and interest received from the loans sold and the following factors (i) all principal and interest required to be passed through to the asset-backed bond investors, (ii) all excess contractual servicing fees, (iii) other recurring fees and (iv) an estimate of losses on loans. At the time of the sale these amounts are estimated based upon a declining principal balance of the underlying loans, adjusted by an estimated prepayment and loss rate, and such amounts are capitalized using a discount rate that market participants would use for similar financial instruments. These capitalized assets are recorded as retained interests in loans sold and securitized and capitalized servicing rights. We assess the carrying value of any retained interests for impairment on a monthly basis. Any subsequent changes in fair value of the retained interests are recognized in the consolidated statements of operations. The use of different pricing models or assumptions could produce different financial results. There can be no assurance that our estimates used to determine the value of retained interests and the servicing asset valuations will remain appropriate for the life of the securitization.

Investment in Loan Receivable Portfolios: In October 2003 we acquired a portfolio of manufactured housing loans at a discount. We account for our investment in the acquired loan receivable portfolio on the accrual basis or cost recovery method of accounting in accordance with the provisions of the AICPA s Practice Bulletin 6, *Amortization of Discounts on Certain Acquired Loans.* A static pool was established for the loans which had similar attributes, based on the specific seller and timing of acquisition. We account for the static pool as a unit for the economic life of the pool (similar to one loan) for recognition of the revenue from the loan receivable portfolio, for collections applied to principal of the loan receivable portfolio and for a provision for losses or impairment. Revenue from the loan receivable portfolio is accrued based on the constant effective interest rate determined for the pool applied to the pool s adjusted cost basis. The pool s cost basis is increased for revenue earned and decreased for collections and impairments. The constant effective interest rate is the internal rate of return determined based on the timing and amounts of actual cash received and anticipated future cash flow projections for the pool.

We monitor and evaluate actual and projected cash flows for the loan receivable portfolio on a quarterly basis. At the conclusion of our quarterly evaluation, if the revised forecasted cash flows are in excess of the forecasted cash flows prior to evaluation, the constant effective interest rate is increased prospectively. If the revised forecasted cash flows are less than the forecasted cash flows prior to evaluation, the constant effective interest rate is reduced prospectively. If the revised forecasted cash flows are less than the remaining carrying value, the receivable portfolio is impaired and all of the remaining collections are subsequently applied against book value. An impairment charge is taken for the difference between the carrying value and the remaining revised forecasted cash flow amount. Additionally, if the amount and timing of future cash collections are not reasonably estimable, we will account for the portfolio on the cost recovery method (Cost Recovery Portfolios). No revenue is accreted on Cost Recovery Portfolios; all collections are first applied completely to recover the remaining cost basis of the portfolio and collections thereafter, if any, are recognized as revenue.

Allowance for Credit Losses: Determining an appropriate allowance for credit losses involves a significant degree of estimation and judgment. The process of estimating the allowance for credit losses may result in either a specific amount representing the impairment estimate or a range of possible amounts. Statement of Financial Accounting Standards No. 5 *Accounting for Contingencies* provides guidance on accounting for credit losses associated with pools of loans and requires the accrual of a loss when it is probable that an asset has been impaired and the amount of the loss can be reasonably estimated. Our loan portfolio is comprised of manufactured housing loans with an average loan balance of less than $50,000. The allowance for credit losses is developed at the portfolio level and the amount of the allowance is determined by applying a probability weighting to a calculated range of losses. A lower range of probable losses is calculated by applying historical loss rate factors to the loan portfolio on a stratified basis using current portfolio performance and

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delinquency levels (0-30 days, 31-60 days, 61-90 days and greater than 90 days delinquent). An upper range of probable losses is calculated by the extrapolation of probable loan impairment based on the correlation of historical losses by vintage year of origination. Financial Accounting Standards Board Interpretation No. 14 states that a creditor should recognize the amount that is the best estimate within the estimated range of credit losses. Accordingly, our application of probability weighting to the calculated range of losses is in recognition of the fact that historical charge-off experience, without adjustment, may not be representative of current impairment of the current portfolio of loans because of changed circumstances. Such changes may relate to changes in the age of loans in the portfolio, changes in the creditor s underwriting standards, changes in economic conditions affecting borrowers in a geographic region, or changes in the business climate in a particular industry.

Liability for Loans Sold With Recourse: Our predecessors sold certain pre-2002 manufactured housing loans on a whole-loan basis. At the time of such loan sales, recourse liabilities were recognized pursuant to future obligations, if any, to the applicable loan purchasers under the provisions of the respective sale agreements. Under existing recourse provisions, we are required to repurchase any loan contract that goes into default, as defined in the respective loan agreement, for the life of each loan sold, at an amount equal to the outstanding principal balance and accrued interest, and refund any purchase premiums. The loan purchasers have no recourse to our other assets for failure of debtors to pay when due .

The loan pools subject to recourse provisions are comprised of manufactured housing loans with an average loan balance of less than $50,000. The estimated recourse liability is calculated based on historical default rates and loss experience for pools of similar loans we originate and service. These loss rates are applied to each pool of loans subject to recourse provisions and the resulting estimated recourse liability represents the present value of the expected obligations under those recourse provisions. The loss rates are adjusted for economic conditions, other trends affecting borrowers ability to repay and estimated collateral value. The recourse liability is calculated at a portfolio level and there are no elements of the estimated recourse liability allocated to specific loans.

Derivative Financial Instruments: We have periodically used derivative instruments, including forward sales of U.S. Treasury securities, U.S. Treasury rate locks and forward interest rate swaps to mitigate interest rate risk related to our loans receivable and anticipated sales or securitizations. We follow the provisions of Statement of Financial Accounting Standards No. 133 (SFAS 133), *Accounting for Derivative Instruments and Hedging Activities* (as amended by Statement of Financial Accounting Standards No. 149). Under SFAS 133, all derivative instruments are recorded on the balance sheet at fair value and changes in fair value are recorded in current earnings or other comprehensive income, depending on whether a derivative instrument qualifies for hedge accounting and, if so, whether the hedge transaction represents a fair value or cash flow hedge.

Hedges are measured for effectiveness both at inception and on an ongoing basis, and hedge accounting is terminated if a derivative instrument ceases to be effective as a hedge or its designation as a hedge is terminated. In the event of termination of a hedge, any gains or losses during the period that a derivative instrument qualified as a hedge are recognized as a component of the hedged item and subsequent gains or losses are recognized in earnings.

Derivative financial instruments that do not qualify for hedge accounting are carried at fair value and changes in fair value are recognized currently in earnings.

Stock Options: In connection with our formation, we adopted a stock option plan. We have elected to measure compensation cost using the intrinsic value method in accordance with APB Opinion No. 25 *Accounting for Stock Issued to Employees.* Effective June 15, 2005, we will begin measuring compensation cost under the provisions of Statement of Financial Accounting Standards No. 123 revised (SFAS 123R), *Share-Based Payment* that addresses the accounting for share-based payment transactions in which an enterprise receives employee services in exchange for (a) equity instruments of the enterprise or (b) liabilities that are based on the fair value of the enterprise s equity instruments or that may be settled by the issuance of such equity instruments. Under this pronouncement, all forms of share-based payments to employees, including employee stock options, are treated the same as other forms of compensation by recognizing the related cost in the income statement. The expense of the award would generally be measured at fair value at the grant date. The fair value of each option granted would be determined using the Cox, Ross & Rubenstein binomial option-pricing model based on assumptions related to annualized dividend yield, stock price volatility, risk free rate of return and expected average term.

Goodwill Impairment: The provisions of Statement of Financial Accounting Standards No. 142, *Goodwill and Other Intangible Assets,* require that recorded goodwill be tested for impairment on an annual basis. The initial and on-going estimate of our fair value is based on our assumptions and projections. Once determined, the amount is compared to our net book value to determine if a write-down in the recorded value of the goodwill is necessary.

Loans Acquired at a Discount: During the three months ended March 31, 2005, we adopted the provisions of Statement of Position (SOP 03-3) *Accounting for Certain Loans or Debt Securities Acquired in a Transfer*, which addresses accounting for differences between contractual cash flows and cash flows expected to be collected from an investor s initial investment in loans or debt securities (loans) acquired in a transfer if those differences are attributable, at least in part, to credit quality. It includes such loans acquired in a purchase business combination, but does not apply to loans originated by the entity. After December 15, 2004, all loan pools that are acquired at a discount due to credit quality will be accounted for under SOP 03-3. We have determined the impact of adoption of SOP 03-3 will not have a material effect on our results from operations.

Financial Condition

March 31, 2005 Compared to March 31, 2004

Net loans receivable outstanding increased 11.9% to $630.2 million at March 31, 2005 compared to $563.3 million at December 31, 2004. Loans receivable are comprised of installment contracts and mortgages collateralized by manufactured houses and in some instances real estate.

New loan originations for the quarter ended March 31, 2005 increased 28.3% to $58.5 million compared to $45.6 million for the quarter ended March 31, 2004. The increase was due primarily to increased market share resulting from our focus on customer service and the use of technology to deliver our products and services. Also, on March 30, 2005 we purchased a portfolio of 431 manufactured housing loans with an outstanding principal balance of approximately $30.7 million from Residential Funding Corporation. The portfolio had a weighted average coupon rate of 7.31% and weighted average remaining term of 26.8 years.

In October 2003 we purchased a pool of manufactured housing loans at a substantial discount to the outstanding principal balance of the underlying loans. The discount was in recognition of identified credit impairment associated with a substantial number of these loans. We account for this purchased loan pool according to guidance provided by AICPA Practice Bulletin No. 6, *Amortization of Discounts on Certain Acquired Loans* (PB 6). In transactions where the initial investment differs from the related principal balances of the underlying loans and such difference is due to credit quality, PB 6 requires a level-yield accounting treatment over the life of the loan pool. We are required to evaluate the loan pool, at least quarterly. If upon evaluation, the estimate of probable collections is increased, the amount of the discount amortized to achieve a level-yield must be adjusted accordingly and the adjustment is treated as a change in estimate in accordance with APB Opinion 20, *Accounting Changes*, and the amount of the periodic discount amortization is adjusted over the life of the loan pool. If, however, at any valuation date, the estimate of collections is reduced, the loan pool is considered impaired for purposes of applying the measurement provisions of FASB Statement No. 5, *Accounting for Contingencies*, which requires an accrual for a loss contingency, resulting in a charge against operations. The required accounting treatment may subject us to substantial variations in income recognition for this loan pool from period to period. At March 31, 2005, net book value of this pool was approximately $37.9 million. No adjustment to the carrying value of this loan pool was necessary at March 31, 2005.

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The following table sets forth the average loan balance, weighted average loan coupon and weighted average initial term of the loan receivable portfolio (dollars in thousands):

	March 31, 2005	December 31, 2004
Principal balance loans receivable	$ 638,622	$ 572,973
Number of loans receivable	14,583	13,358
Average loan balance	$ 44	$ 43
Weighted average loan coupon(a)	9.69%	9.86%
Weighted average initial term	21 years	20 years

(a) The weighted average loan coupon includes an imbedded servicing fee rate resulting from securitization or sale of the loan but accounted for as a financing.

Delinquency statistics for the manufactured housing loan portfolio are as follows (dollars in thousands):

	March 31, 2005			December 31, 2004		
Days Delinquent	No. of Loans	Principal Balance	% of Portfolio	No. of Loans	Principal Balance	% of Portfolio
31-60	168	$ 6,156	1.0%	146	$ 5,253	0.9%
61-90	60	2,465	0.4%	80	3,014	0.5%
Greater than 90	155	6,274	1.0%	195	7,637	1.3%

We define non-performing loans as those loans that are 90 or more days delinquent in contractual principal payments. For the quarter ended March 31, 2005 the average outstanding principal balance of non-performing loans was approximately $7.3 million compared to $6.7 million for the quarter ended March 31, 2004. However, non-performing loans as a percentage of average loan receivables decreased to 1.3% for the quarter ended March 31, 2005 compared to 1.8% for the quarter ended March 31, 2004, primarily as a result of higher average balances and improved credit quality in the loan portfolio.

At March 31, 2005 we held 176 repossessed houses owned by us compared to 177 houses at December 31, 2004. The book value of these houses, including repossession expenses, based on the lower of cost or market value was approximately $3.5 million at March 31, 2005 compared to $3.4 million at December 31, 2004, an increase of $0.1 million or 2.9%.

The allowance for credit losses was $5.3 million at March 31, 2005 and December 31, 2004. Despite the 11.9% increase in net loan receivable balance, the allowance for credit losses remained relatively flat due to significant improvement in delinquency rates at March 31, 2005. Loans delinquent over 60 days decreased $2.0 million or 18.7% from $10.7 million at December 31, 2004 to $8.7 million at March 31, 2005. The allowance for credit losses as a percentage of net loans receivable was approximately .83% at March 31, 2005 compared to approximately .93% at December 31, 2004. Net charge-offs were $3.0 million for the quarter ended March 31, 2005, compared to $3.3 million for the quarter ended March 31, 2004. Based on the analysis we performed related to the allowance for credit losses, we believe that our allowance for credit losses is currently adequate to cover inherent losses in our loan portfolio.

In the past, our predecessor companies sold loans with recourse. We regularly evaluate the recourse liability for adequacy by taking into consideration factors such as changes in outstanding principal balance of the portfolios of loans sold with recourse; trends in actual and forecasted portfolio performance, including delinquency and charge-off rates; and current economic conditions that may affect a borrower s ability to pay. If actual results differ from our estimates, we may be required to adjust our liability accordingly. There was no increase to the liability for the quarter ended March 31, 2005 or 2004. At March 31, 2005, the reserve for loan recourse liability was $5.7 million as compared to $6.6 million at December 31, 2004, a decrease of 13.6%. The remaining principal balance of all loans sold with recourse at March 31, 2005 was $49.3 million versus $51.5 million at December 31, 2004, a decrease of 4.3%.

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Our asset quality statistics for the quarter ended March 31, 2005 reflect our continued emphasis on the credit quality of our borrowers and the improved underwriting and origination practices we put into place. Continued improvement in delinquency statistics and recovery rates are expected to result in lower levels of non-performing assets and net charge-offs. Long term, lower levels of non-performing assets and net charge-offs should have a positive effect on earnings through decreases in the provision for credit losses and servicing expenses as well as increases in net interest income.

December 31, 2004 Compared to December 31, 2003

At December 31, 2004, we held loans representing approximately $572.9 million of principal balances, which constituted over 83% of our total assets compared to $380.1 million of principal balances, which constituted over 85% of our total assets at December 31, 2003. Approximately $402.0 million of the loans on our balance sheet at December 31, 2004 were included in our February 2004 and September 2004 public securitizations, and will continue to be carried on our balance sheet because both securitization transactions were structured as financings. To the extent loans on our balance sheet are eligible on an individual basis and not already included in our securitized pools, we plan to securitize such loans and issue asset-backed bonds through periodic transactions in the asset-backed securitization market. The timing of any securitization will depend on prevailing market conditions and the availability of sufficient total loan balances to constitute an efficient transaction.

New loan originations for the year ended December 31, 2004 increased $63.5 million, or 33.7%, to $249.7 million, compared to $188.4 million for the year ended December 31, 2003. The increase was due primarily to increased market share resulting from our focus on customer service and the use of technology to deliver our products and services. However, the impact of the damaging hurricanes throughout the Southeast during 2004 has adversely affected us as housing sales and deliveries were slowed by the storms. This had an adverse effect on our origination volume in the third and fourth quarters of 2004.

The carrying amount of loans receivable consisted of the following at December 31 (in thousands):

	2004	2003
Manufactured housing loans	$ 572,973	$ 380,174
Accrued interest receivable	3,285	2,608
Deferred fees	(3,100)	(3,518)
	2004	**2003**
Discount on purchased loans	(4,575)	(7,610)
Allowance for loan loss	(5,315)	(3,614)
	$ 563,268	$ 368,040

The following table sets forth the average individual loan balance, weighted average loan yield, and weighted average initial term at December 31 (dollars in thousands):

	2004	2003
Principal balance loans receivable	$ 572,973	$ 380,174
Number of loans receivable	13,358	9,154
Average loan balance	$ 43	$ 42
Weighted average loan yield	9.86%	10.23%

Weighted average initial term	20 years	22 years

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Delinquency statistics for the loan receivable portfolio at December 31 are as follows (dollars in thousands):

	2004			2003		
Days delinquent	**No. of Loans**	**Principal Balance**	**% of Portfolio**	**No. of Loans**	**Principal Balance**	**% of Portfolio**
31-60	146	$ 5,253	0.9%	193	$ 7,068	1.9%
61-90	80	3,014	0.5%	83	2,943	0.8%
Greater than 90	195	7,637	1.3%	158	6,575	1.7%

We define non-performing loans as those loans that are 90 or more days delinquent in contractual principal payments. The average balance of non-performing loans was $6.8 million for the year ended December 31, 2004 compared to $5.4 million for the year ended December 31, 2003, an increase of $1.4 million, or 25.9%. However, non-performing loans as a percentage of average outstanding principal balance were 1.5% for the year ended December 31, 2004 compared to 2.2% for the year ended December 31, 2003.

The improvement in our asset quality statistics for the year ended December 31, 2004 reflects our continued emphasis on the credit quality of our borrowers and the improved underwriting and origination practices we have put into place. Continued improvement in delinquency statistics and recovery rates are expected to result in lower levels of non-performing assets and net charge-offs. However, in the short term, charge-offs and delinquency statistics may increase slightly due to the effects of the severe hurricanes that hit the Southeast in 2004. Long term, lower levels of non-performing assets and net charge-offs should have a positive effect on earnings through decreases in the provision for credit losses and servicing expenses as well as increases in net interest income.

At December 31, 2004 we held 177 repossessed houses owned by us compared to 170 houses at December 31, 2003, an increase of seven houses, or 4.1%. The book value of these houses, including repossession expenses, based on the lower of cost or market value, was approximately $3.4 million at December 31, 2004 compared to 3.7 million at December 31, 2003, a decrease of $0.3 million, or 8.1%. We also manage the repossession and disposition of houses that we service for others, and at December 31, 2004, the inventory of such houses totaled 220 compared to 405 at December 31, 2003, a decrease of 185 houses, or 45.7%. The decline in the inventory of houses from our serviced for others portfolio is largely the result of normal run-off, as the balance of loans serviced for others declined by approximately $73 million between year-end 2003 and 2004. The weighted average age in inventory of all houses, including those owned by us and those managed for others, was 136.0 days at December 31, 2004 compared to 143.8 days, at December 31, 2003.

The allowance for loan loss increased $1.7 million, or 47.2%, to $5.3 million at December 31, 2004, from $3.6 million at December 31, 2003. The primary reason for the increase in the allowance level is the 53.1% increase in the outstanding loan receivable balance. The percentage increase in the level of our allowance compared to the percentage increase in the loan portfolio balance has been favorably impacted by the higher credit quality of our new loan originations. We measure loan quality in several ways. In addition to using TNG, our internally developed credit scoring model, we also score our loans using a widely used credit-scoring model commonly referred to as FICO®. The weighted average FICO® score for loans originated in 2004 increased to 721 compared to 719 for those loans originated in 2003, continuing the trend of improving credit quality that began with our 2002 loan originations. Aside from the credit quality of the borrower, we have further reduced the risk of loss for loans originated in years 2003 and 2004 by reducing the average loan term and lowering the average loan-to-invoice ratio (LTI). The percentage of loans originated with terms less than 20 years increased from 87% to 95% and the average LTI remained constant at 1.26%. Improved loan quality should continue to decrease delinquency rates, loss severity and losses going forward as the outstanding principal balances of the pre-2002 originated loans in the portfolio decreases and are replaced by the higher credit quality originations.

Through our wholly-owned subsidiary, Origen Servicing, Inc., we provide loan servicing for manufactured housing loans that we and our predecessors have originated or purchased, and for loans originated by third parties. As of December 31, 2004 we serviced approximately $1.37 billion of loans, consisting of approximately $796.8 million of loans serviced for others and approximately $573.0 million of loans that we own. Included in the loans serviced for others are $176.8 million of loans that we or our predecessors originated and subsequently sold in two pre-2003 securitization transactions. As part of our contractual services, certain of our servicing contracts require us to advance uncollected principal and interest payments at a prescribed cut-off date each month to an appointed trustee on behalf of the investors in the loans. We are reimbursed by the trust in the event such delinquent principal and interest payments remain uncollected during the next reporting period. Also, as part of the servicing function, in order to protect the value of the housing asset underlying the loan, we are required to advance certain expenses such as taxes, insurance costs and costs related to the foreclosure or repossession process as necessary. Such expenditures are reported to the appropriate trustee for reimbursement. At December 31, 2004, we had servicing advances outstanding of approximately $9.1 million compared to $10.5 million at December 31, 2003, a decrease of 13.3%.

As a result of the acquisition of Origen Financial L.L.C. on October 8, 2003, which was accounted for as a purchase, we recorded the net assets acquired at fair value, which resulted in recording goodwill of $32.3 million. Based upon our estimate of the fair value of Origen Financial L.L.C. at December 31, 2004, there was no impairment of the recorded value of goodwill.

In the past, our predecessor companies sold loans with recourse. We monitor the performance of these loans and each month we perform a valuation to determine the adequacy of the reserve. For the year ended December 31, 2004 the liability was increased by $3.1 million through a charge to earnings. There was no increase to the liability for the year ended December 31, 2003. The increase to the recourse liability in 2004 is primarily due to continued performance deterioration of a pool of loans originally sold by a predecessor with full recourse in 2000. These loans, which we do not service, have a large concentration in the state of Michigan and in states impacted by the hurricanes of 2004. Michigan has experienced a difficult economy during 2004 and these difficulties have translated into unanticipated increases in late stage loan delinquencies and defaults in the recourse loan pool. Likewise, we saw similar increases in delinquencies in the hurricane affected states. The pool of loans has continued to experience actual losses in excess of that estimated at the time of sale. The principal balance of the loan pool at the date of sale was approximately $114.4 million, and as of December 31, 2004, the remaining loan principal balance is approximately $45.1 million. We regularly evaluate the recourse liability for adequacy by taking into consideration factors such as changes in outstanding principal balance of the portfolios of loans sold with recourse; trends in actual and forecasted portfolio performance, including delinquency and charge-off rates; and current economic conditions that may affect a borrower s ability to pay. If actual results differ from our estimates, we may be required to adjust our liability accordingly. On a prospective basis, we do not expect to experience any significant increases in our recorded liability with respect to this loan pool, as the related loan balances continue to pay down and the life of the loans extend beyond the peak loss periods in their normal life cycle. At December 31, 2004, the reserve for loan recourse liability was $6.6 million as compared to $8.7 million, a decrease of 24.1 %. The remaining principal balance of all loans sold with recourse at December 31, 2004 was $51.5 million versus $86.1 million at December 31, 2003, a decrease of 24.3%.

Bonds outstanding, relating to securitized financings utilizing asset-backed structures, totaled $328.4 million at December 31, 2004. These bonds represented two securitized transactions. Origen 2004-A, issued in February 2004, had bonds outstanding of $167.9 million and Origen 2004-B, issued in September 2004, had bonds outstanding of $160.5 million. There were no bonds outstanding at December 31, 2003.

At December 31, 2004 our total borrowings under our short-term securitization arrangement with Citigroup Global Markets Realty Corp. were $107.4 million compared to $273.4 million at December 31, 2003. We use the Citigroup facility to fund loans we originate or purchase until such time as they can be included in one of our securitization transactions. We used the proceeds of our February 2004 and September 2004 public securitizations and our May 2004 initial public offering to reduce borrowings outstanding on the Citigroup facility.

We currently have a revolving credit facility with JPMorgan Chase Bank, N.A. (as successor by merger to Bank One, NA). Until the most recent renewal date of December 31, 2004, the terms of the facility allowed

us to borrow up to $7 million for the purpose of funding required principal and interest advances on manufactured home loans that are serviced for outside investors. Borrowings under the facility are repaid upon our collection of monthly payments made by borrowers on such manufactured home loans. At December 31, 2004 we had no outstanding balance on the facility compared to $4.0 million outstanding at December 31, 2003. The facility was renewed on January 14, 2005, with a borrowing limit of $5 million. The lower limit reflects our assessment of amounts likely to be utilized under the facility during its term, which expires on December 31, 2005.

Stockholders equity at December 31, 2003 was approximately $142.3 million. We raised $142.2 million from our common stock offering of 15 million shares in a Rule 144A private transaction that closed on October 8, 2003, after deducting related offering costs. We earned approximately $1.5 million for the period October 8, 2003 through December 31, 2003 and declared approximately $1.5 million in distributions in December 2003. The distributions were recorded as a liability and a reduction to stockholders equity. The distributions were paid in January 2004. We recorded unearned stock compensation in the amount of $1.1 million relating to restricted shares granted to executive management and independent directors concurrent with the closing of our October 2003 common stock offering.

In February 2004, we sold an additional 1 million shares, also in a Rule 144A private transaction. In May 2004, we issued 8 million shares in an initial public offering and sold an additional 625,900 shares pursuant to an underwriter s over-allotment option. After deducting offering costs, we netted cash of $72.2 million from the February sale and the initial public offering. For the year ended December 31, 2004, we made distributions to our stockholders of approximately $8.5 million in the form of dividends. This amount differs significantly from our book and REIT taxable net income . The distributions are reflected as a reduction of stockholders equity. In the future we expect to pay dividends at an amount approximating our REIT taxable net income. Our book net income in accordance with GAAP on a consolidated basis will differ from our REIT taxable net income due to book/tax differences relating to timing of transactions and the exclusion of the results of operations of any of our taxable REIT subsidiaries. Stockholders equity at December 31, 2004 was approximately $203.5 million.

Results of Operations

Results of Operations for the Three Months Ended March 31, 2005 and 2004

Net Income

Net income increased $0.7 million to $1.0 million for the three months ended March 31, 2005 compared to net income of $0.3 million for the same period in 2004. The increase is the result of an increase of $1.8 million in net interest income after loan losses and an increase of $0.4 million in non interest income offset by an increase in non interest expenses of $1.5 million as described in more detail below.

Interest Income

Interest income increased 48.9% to approximately $13.1 million compared to approximately $8.8 million. This increase resulted primarily from an increase of $230.5 million or 57.0% in average interest earning assets from $404.7 million to $635.2 million. The increase in interest earning assets includes approximately $195.9 million in newly originated and purchased manufactured housing loans and approximately $6.7 million in asset backed securities. The weighted average net interest rate on the loan receivable portfolio decreased to 8.4% from 9.0% due to competitive conditions resulting in lower interest rates on new originations and a continuing positive change in the credit quality of the loan portfolio. Generally, higher credit quality loans will carry a lower interest rate. The weighted average net interest rate is net of any servicing fee resulting from securitization or sale of the loan but accounted for as a financing.

Interest expense increased $2.4 million, or 80.0%, to $5.4 million from $3.0 million. The majority of our interest expense relates to interest on our loan funding facilities. Average debt outstanding on our loan funding facilities increased $153.4 million to $452.8 million compared to $299.4 million, or 51.2%. The average interest rate on total debt outstanding increased from 4.0% to 4.6%. The higher average rate for the three months

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ended March 31, 2005 was due primarily to the increase in the average balance of loans financed on our long term securitization facilities, which tend to have higher weighted average interest rates compared to our short term securitization facility, which is used primarily to fund new originations.

The following table presents information relative to the average balances and interest rates of our interest earning assets and interest bearing liabilities for the three months ended March 31 (dollars in thousands):

	2005			2004		
	Average Balance	**Interest**	**Yield/ Rate**	**Average Balance**	**Interest**	**Yield/ Rate**
Interest earning assets:						
Manufactured housing loans	$ 582,414	$ 12,222	8.39%	$ 386,427	$ 8,643	8.95%
Investment securities	38,063	869	9.13%	6,279	98	6.24%
Other	14,719	75	2.04%	11,998	29	0.97%
Total	$ 635,196	$ 13,166	8.29%	$ 404,704	$ 8,770	8.67%
Interest bearing liabilities:						
Loan funding facilities	$ 452,819	$ 5,226	4.62%	$ 299,393	$ 2,985	3.99%
Repurchase agreement investment securities	20,616	174	3.38%	4,181	19	1.82%
Notes payable servicing advances	402	10	9.95%	1,359	15	4.42%
Total	$ 473,837	$ 5,410	4.57%	$ 304,933	$ 3,019	3.96%
Net interest income and interest rate spread		$ 7,756	3.72%		$ 5,751	4.71%
Net yield on average interest earning assets			4.88%			5.68%

The following table sets forth the changes in net interest income attributable to changes in volume (change in average portfolio volume multiplied by prior period average rate) and changes in rates (change in weighted average interest rate multiplied by prior period average portfolio balance) for the three months ended March 31, 2005 compared to the three months ended March 31, 2004 (in thousands):

	Volume	**Rate**	**Total**
Interest earning assets:			
Manufactured housing loans	$ 4,113	$ (534)	$ 3,579
Investment securities	726	45	771
Other	14	32	46
Total interest income	$ 4,853	$ (457)	$ 4,396
Interest bearing liabilities:			

Loan funding facilities	$	1,771	$	470	$	2,241
Repurchase agreement investment securities		139		16		155
Notes payable servicing advances		(24)		19		(5)
Total interest expense	$	1,886	$	505	$	2,391
Increase in net interest income					$	2,005

Non-interest Income

Non-interest income is primarily made up of loan servicing related revenue including loan servicing fees, late charges and commissions on force placed insurance. Such revenue increased $0.4 million, or 13.8% to $3.3 million compared to $2.9 million. The average serviced loan portfolio on which servicing fees are

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collected increased approximately $79.6 million, or 6.1% from $1.29 billion to $1.38 billion. The increase relates primarily to fees from new loans originated that are financed on our short term securitization facility with Citigroup. The weighted average service fee rate increased slightly as our serviced for others portfolio, which has lower than average servicing rates, continues to pay down and as we add servicing from securitizations at higher than our average servicing portfolio rates. Also commissions and fees related to force placed insurance increased 50.0% from $0.2 million to $0.3 million.

Provision for Losses

We maintain an allowance for credit losses to cover inherent losses that can be reasonably estimated for loan receivables held on our balance sheet. The level of the allowance is based principally on the outstanding balance of the contracts held on our balance sheet and historical loss trends.

The provision for credit losses increased 5.3% to $2.0 million from $1.9 million. Net charge-offs against the allowance for loan loss decreased 9.0% from $3.3 million, to $3.0 million. As a percentage of average outstanding principal balance total net charge-offs on an annualized basis decreased to 2.1% compared to 3.4%. We expect net charge-offs as a percentage of average outstanding principal balance to continue to decrease in the future due to the fact that the owned portfolio of loans at March 31, 2005 has a larger concentration of loans originated in the years 2002 through 2005 than was the case for the owned portfolio at March 31, 2004. A change to our underwriting practices and credit scoring model in 2002 has resulted in higher credit quality of loans originated since 2002.

Non-interest Expenses

Personnel expenses increased approximately $1.1 million, or 25.0%, to $5.5 million compared to $4.4 million. The increase is primarily the result of a $0.4 million increase in stock compensation expense related to restricted stock granted to certain officers and employees, a $0.3 million increase in annual performance bonus accrual and an increase in the number of full time equivalent employees from 258 to 263, largely related to staffing needs from our compliance efforts for Sarbanes-Oxley compliance.

Loan origination and servicing expenses increased approximately 6.7%, to $414,000 compared to $388,000. The increase is primarily a result of an increase in custodial bank and other servicing related fees related to the general growth of the servicing portfolio as we continue to securitize our new loan originations.

Other operating expenses, which consist of occupancy and equipment, professional fees, travel and entertainment and miscellaneous expenses increased approximately $0.3 million to $1.9 million, or approximately 18.8%, compared to $1.6 million, the details of which are discussed below.

Occupancy and equipment, office expense and telephone expense remained relatively constant at approximately $1.0 million as we continue to recognize the cost saving benefits related to the consolidation of some of our servicing and origination functions in our Fort Worth, Texas and Southfield, Michigan offices.

Professional fees increased approximately $271,000 or 279.4%, to $368,000 compared to $97,000. The primary reason for the increase was due to additional fees related to our year end audit and Sarbanes-Oxley compliance related costs.

Travel and entertainment expenses increased approximately $47,000 or 17.8%, to $311,000 compared to $264,000, primarily as a result of our expanded marketing programs.

Miscellaneous expenses increased approximately $129,000 or 37.4%, to $474,000 compared to $345,000. The increase was primarily the result of an increase of approximately $105,000 in director and officer liability insurance which was $286,000 compared to $181,000. The increase was due to our conversion to a publicly traded company following our initial public offering in May 2004.

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Results of Operations for the Years Ended December 31, 2004 and December 31, 2003 (pro forma of Origen Financial Inc.)

The following schedule is a presentation of the results of operations for the twelve months ended December 31, 2004, of Origen Financial, Inc. and a pro forma presentation of the combined results of operations, for the year 2003, of Origen Financial L.L.C. (January 1, 2003 through October 7, 2003) and Origen Financial, Inc. (October 8, 2003 through December 31, 2003). The historical results of Origen Financial L.L.C. for 2003 have been combined with those of Origen Financial, Inc. because we feel this comparison is the most meaningful since the operations were substantially the same for all of 2003 and there was no significant difference between the cost basis Origen Financial L.L.C. s assets and their respective fair values at October 8, 2003.

The pro forma combined results of operations for the year ended December 31, 2003 reflect a restatement of previously issued financial statements as the result of the correction of an interpretive error in applying accounting principles to a pool of loans acquired at a discount in October 2003. The effect of the correction reduced interest income by approximately $438,000 for the year ended December 31, 2003.

	2004	2003
	(In thousands)	
		(Restated)
Interest Income		
Total interest income	$ 42,479	$ 23,737
Total interest expense	15,020	13,826
Net interest income before loan losses	27,459	9,911
Provision for credit losses and recourse liability	10,185	5,533
Net interest income after loan losses	17,274	4,378
Non-interest income	11,184	10,237
Non-interest Expenses		
Personnel	21,947	20,206
Loan origination and servicing	1,354	1,199
Write down of residual interest	25	5,084
State business taxes	312	121
Other operating	7,786	10,436
Total non-interest expense	31,424	37,046
Net loss	$ (2,966)	$ (22,431)

Loan originations increased $63.5 million, or 33.7% from $188.4 million to $251.9 million. For the year 2004, chattel loans comprised approximately 97% of loans originated compared to approximately 95% for year 2003. The balance of loans originated, in each year, were land-home loans, which represent manufactured housing loans that are additionally collateralized by real estate.

Interest income on loans increased by $16.2 million, from $23.7 million to $39.9 million, or 68.4%. This increase in interest income resulted primarily from an increase in the average outstanding balance of manufactured housing loan receivables of $214.4 million from $250.2 million to $464.6 million, or 85.7%. The increase in the average receivable balance was partially offset by a decrease in the average yield on the portfolio from 9.5% to 8.6%. The decrease in the yield on the portfolio was a result of our continued efforts to originate higher credit quality, shorter term loans. Generally, higher credit quality, shorter term loans carry a lower interest rate.

Interest income on other interest earning assets increased from $0.03 million to $2.6 million. The increase was primarily the result of purchases during 2004 of asset-backed securities that we plan to hold for investment. Such securities are carried on our balance sheet at amortized cost, which at December 31, 2004

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was $37.6 million. The securities are collateralized by manufactured housing loans and are classified as held-to-maturity. Other interest earning assets in 2003 consisted primarily of restricted cash in the form of servicing related escrow accounts.

Interest expense increased to $15.0 million from $13.8 million, or 8.7%. Average interest-bearing liabilities increased from $237.6 million to $362.6 million. However the interest rate on interest bearing liabilities decreased from 5.8% to 4.1%. In the absence of other capital sources prior to the $150.0 million private placement of our common stock in October 2003, it was necessary to rely on high cost, short-term borrowed funds. The historically low rates on loan funding facilities accessed during 2003 were partially offset by the continued use of high cost borrowings to fund shortfalls in cash from operations through October 7, 2003. Given our improved capital position resulting from our private placement and initial public offering of common stock in May 2004 and our February 2004 and September 2004 securitizations, we anticipate that there will be no discernable need for the type of short-term, high-cost borrowings that were utilized during 2003. We expect that our improved capital position will allow us to negotiate more favorable terms on our loan warehouse facilities and other borrowings in the future.

The following table presents information relative to the average balances and interest rates of our interest earning assets and interest bearing liabilities for the years ended December 31 (dollars in thousands):

	2004			2003		
	Average Balance	**Interest**	**Yield/ Rate**	**Average Balance**	**Interest**	**Yield/ Rate**
					(Restated)	
Interest earning assets:						
Manufactured housing loans	$ 464,578	$ 39,862	8.58%	$ 250,193	$ 23,707	9.48%
Investment securities	28,109	2,397	8.53%			
Other	18,855	220	1.17%	3,449	30	0.87%
Total	$ 511,542	$ 42,479	8.30%	$ 253,642	$ 23,737	9.36%
Interest bearing liabilities:						
Loan funding facilities	$ 344,502	$ 14,582	4.23%	$ 236,245	$ 13,770	5.83%
Repurchase agreement investment securities	17,573	399	2.27%			
Notes payable servicing advances	553	39	7.05%	1,333	56	4.20%
Total	$ 362,628	$ 15,020	4.14%	$ 237,578	$ 13,826	5.82%
Net interest income and interest rate spread		$ 27,459	4.16%		$ 9,911	3.54%
Net yield on average interest earning assets			5.37%			3.91%

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The following table sets forth the changes in net interest income attributable to changes in volume (change in average portfolio volume multiplied by prior period average rate) and changes in rates (change in weighted average interest rate multiplied by prior period average portfolio balance) for the year ended December 31, 2004 compared to the year ended December 31, 2003 (in thousands):

	Volume	Rate	Total
Interest earning assets:			
Manufactured housing loans	$ 18,395	$ (2,240)	$ 16,155
Investment securities	2,397		2,397
Other	180	10	190
Total interest income	$ 20,972	$ (2,230)	$ 18,742
Interest bearing liabilities:			
Loan funding facilities	$ 4,582	$ (3,770)	$ 812
Repurchase agreement investment securities	399		399
Notes payable servicing advances	(55)	38	(17)
Total interest expense	$ 4,926	$ (3,732)	$ 1,194
Increase in net interest income			$ 17,548

Monthly provisions are made to the allowance for general loan losses in order to maintain a level that is adequate to absorb inherent losses in the manufactured housing loan portfolio. The provision for credit losses increased $1.6 million, or 29.0%, from $5.5 million to $7.1 million. The increase is primarily related to the increase in the outstanding principal balance of the loan portfolio through new loan originations offset by charge-offs. However, our provision for mortgage loan losses has not increased at the same rate as our mortgage loan portfolio due to the improved credit quality and reduced charge-offs of our new originations. Delinquency rates on more recent vintage year loans have shown consistent improvement from 2003 to 2004. At December 31, 2004, 89.6% of our owned loan portfolio was originated after December 31, 2001, compared with 81.0% at December 31, 2003. This is significant because in 2002 we introduced a significantly improved internally developed credit-scoring model, TNG^{tm}, and implemented new underwriting procedures around this model, both of which greatly improved the quality of our loan originations.

In the fourth quarter 2004, $3.1 million was added, through a charge against earnings, to the provision for losses on loans sold with recourse. No additional provision for loan recourse losses was made in year 2003. The primary reason for the increase to the provision for losses relates to a pool of loans sold, with full recourse, by our predecessor in 2000. During the fourth quarter of 2004, this pool of loans experienced actual losses in excess of that estimated previously, largely due, in our estimation, to the difficult economy in Michigan during 2004 and the effect of the hurricanes. The loans in the pool include a significant amount of Michigan originations and the difficult Michigan economy has caused an increase in late stage delinquencies. The increased loss provision was based on an increase in the estimated cumulative life-time losses on the remaining loans in the pool and the resulting impact on the calculated present value of expected future obligations. We regularly evaluate the recourse liability for adequacy by taking into consideration factors such as changes in outstanding principal balance of the portfolios of loans sold with recourse; trends in actual and forecasted portfolio performance, including delinquency and charge-off rates; and current economic conditions that may affect a borrower s ability to pay. When actual results differ from our estimates, we adjust our liability accordingly. The original pool balance was $114.4 million. The pool balance at December 31, 2004 was $45.1 million, which represented 39.4% of the original pool balance. On a prospective basis, we do not expect to experience any significant increases in losses on these loans, with respect to this loan pool, as the related loan balances continue to pay down and the life of the loans extend beyond the peak loss periods in their normal life cycle.

Non-interest income for year 2004 totaled $11.2 million as compared to $10.2 million for year 2003, an increase of 9.8%. The primary components of non-interest income are fees and other income from loan servicing and insurance operations. Loan servicing fees comprised approximately 83% of non-interest income in 2004 and approximately 74% in 2003, reflecting the overall increase in the serviced loan portfolio. Servicing fees were negatively impacted, however, during 2004 due to a subordination to bond investors of the payment of our servicing fees from our 2002-A securitization transaction. In March 2004, due to greater than originally anticipated losses in the 2002-A loan pool, the over-collateralization of the 2002-A bonds fell below the contractual requirement, which triggered the subordination of our servicing fee. The regular payment of the servicing fee will be resumed in the event the contractually required over-collateralization level is attained. Our projections indicate that there will be sufficient cash available to recover all loan servicing fees due us over the life of the transaction. However, our analysis indicates that the earliest likely payment date of such fees will occur during year 2018, which is the contractual early call date for the bond issue. Accordingly, we adjusted our monthly accrual of the 2002-A servicing fee based on a net present value calculation that assumes a discount rate of 12% and a lump-sum pay-out of the servicing fees due us in June of 2018. The negative impact of this subordination of servicing fees for 2004 was a reduction in servicing fee income of approximately $500,000.

Total non-interest expense for 2004 was $31.4 million as compared to $37.0 million for 2003. Following is a discussion of the decrease of $5.6 million, or 15.1%.

Total personnel expenses increased $1.7 million or 8.4% from $20.2 million to $21.9 million. Salaries and commissions increased 12.4%, from $12.9 million to $14.5 million as a result of the increase during 2004 in the average number of full time employee equivalents from 252 to 265, the cost of a December 2004 reduction in force of approximately 8% of our authorized positions, and increased commissions due to increased sales. The expenses incurred in relation to the reduction in force consisted primarily of severance payments and employee relocation costs. As a consequence of the reduction in force, it was necessary to require several employees to relocate in response to changed responsibilities. The approximate cost of the reduction in force and related relocations was $500,000. The most significant increase in personnel expense in 2004 related to stock compensation expense under our Equity Incentive Plan. This non-cash expense increased from $0.1 million in 2003 to $2.1 million in 2004. The plan did not go into effect until the last quarter of 2003, following our October 2003 $150.0 million private placement of common stock. The number of shares of common stock granted under the Equity Incentive Plan increased from 182,500 to 589,500. The cost of the stock grants is being amortized over the related service periods. The increase in salaries and stock compensation expense was partially offset by a decrease in total bonus expense of $1.6 million. Of the $1.5 million of bonus expense in 2004, $300,000 related to quarterly incentive payments, primarily to non-management personnel. For 2003, approximately $1 million of the total bonus expense of $3.1 million related to such non-annual payments.

Annual performance bonuses are paid at the discretion of the compensation committee of the board of directors. Through the first three quarters of 2004 there was no accrual for annual performance bonuses due to the fact that our actual operating results were not keeping pace with our budgeted operating results. In the fourth quarter of 2004 the compensation committee determined that the payment of an annual performance bonus was in the best interests of the company, albeit at a level significantly reduced from the prior year because targeted profit and loan origination goals were not attained. Accordingly, due to the achievement of numerous personal goals and for competitive considerations, an accrual of $1.2 million was established in the fourth quarter 2004 for the payment of annual performance bonuses for the year 2004. Such bonuses were paid in March 2005.

Loan origination and servicing expenses increased $0.2 million, or 16.7% from $1.2 million to $1.4 million. The increase is directly related to the increase in loan originations from $188.4 million to $251.9 million and an increase in the servicing portfolio from $1.29 billion to $1.37 billion. The increase in these costs was partially mitigated by the consolidation of the majority of our origination operations in Southfield, Michigan and the consolidation and streamlining of much of our repossession operations in our Fort Worth, Texas offices in 2004.

Securitized loan transactions completed during years 2002 and 2001 were structured as loan sales for accounting purposes. As a result, our predecessor companies recorded an asset representing residual interests in the loans at the time of sale, based on the discounted values of the projected cash flows over the expected

life of the loans sold. Due to deterioration (beginning in 2002 and accelerating in 2003) in the credit performance of these sold loans as compared to the initially projected performance, it was necessary to adjust the carrying value of these residual interests by $25,000 in 2004 compared to a write down of $5.0 million in 2003. On a prospective basis, we do not expect to record any significant write-downs, as we only have residual balances remaining on our balance sheet of approximately $724,000. Since 2002, neither we nor our predecessor has structured a securitization transaction in a manner requiring gain on sale treatment , nor is it our intention to do so in the future.

As a national loan originator and servicer of manufactured housing loans, we are required to be licensed in all states in which we conduct business. Accordingly, we are subject to taxation by the states in which we conduct business. Depending on the individual state, taxes may be based on proportioned revenue, net income, capital base or asset base. In 2004 we incurred state taxes of $312,000 as compared to $121,000 in 2003.

Other operating expenses, which consist of occupancy and equipment, professional fees, travel and entertainment and miscellaneous expenses decreased $2.6 million, or 25.0%, from $10.4 million to $7.8 million, the details of which are discussed below.

Occupancy and equipment, office expense and telephone expense decreased a total of approximately $0.3 million, or 6.3%, from $4.7 million to $4.4 primarily as a result of consolidating a significant amount of our loan origination functions to Southfield, Michigan in April 2003.

Professional fees decreased $1.8 million, or 66.7%, from $2.7 million to $0.9 million. The primary reasons for the decrease related to a reduction in the use of outside professionals and consultants that were used prior to October 2003 as we attempted to raise capital, undertook certain licensing efforts, pursued several information technology initiatives and various other legal expenses. We have made a concerted effort to shift more of these functions, when feasible, to our in-house personnel.

Miscellaneous expenses decreased approximately $0.5 million from $3.0 million to $2.5 million. The decrease was primarily the result of $1.7 million in costs associated with minority interests in 2003, offset by an increase of approximately $1.1 million in director and officer liability insurance related to our formation as a REIT in October 2003 and our conversion to a publicly traded company following our initial public offering in May 2004.

Results of Operations for the Years Ended December 31, 2003 (pro forma of Origen Financial, Inc.) and December 31, 2002 (Origen Financial L.L.C.)

Loan originations for the twelve months ended December 31, 2003 totaled $188.4 million versus $191.3 million for the full year of 2002. For year 2003, chattel loans comprised approximately 95% of loans originated compared to approximately 92% for year 2002. The balance of the loans originated in each year were land-home loans, which represent manufactured housing loans additionally secured by real estate.

Interest income on loans of $23.7 million was significantly greater in 2003 as compared to $10.0 million in 2002, primarily because during 2003 we utilized a combination of loan funding facilities to finance our loan portfolio on book, whereas during 2002 we sold a substantial portion of our loan portfolio in a securitized transaction, the structure of which required gain on sale treatment for accounting purposes. In March 2002, we sold approximately $135 million of our loans through a securitized structure, retaining a residual interest in such loans representing an initial retention of approximately 4%. Accordingly, we had less interest-earning assets on our books during year 2002. For the year 2003, we had average interest-earning assets of $264.0 million as compared to $93.9 million for year 2002. This was offset to a degree by lower average interest rates during 2003. Average rates for interest-earning assets during 2003 were 9.40% versus 10.67% for year 2002.

Interest expense increased significantly during year 2003 to $13.8 million compared to $5.9 million in 2002. As operating losses were incurred during 2002 and 2003, it was necessary to rely to an increasing degree, in the absence of adequate permanent capital, on high cost, short-term borrowed funds. Average interest-bearing liabilities for year 2003 were $370.2 million, as compared to $108.5 million for 2002. Of the $370.2 million average interest-bearing liabilities for year 2003, approximately $197.8 million related to

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financing treatment relating to loans receivable funded by the Citigroup facility. This was a significant reason for the increased interest expense in 2003. Average interest rates on interest-bearing liabilities were lower in 2003 than in 2002. However, the historically low rates on loan funding facilities accessed during 2003 were partially offset by the continued use of high cost borrowings to fund shortfalls in cash from operations through October 7, 2003. The average rate on interest-bearing liabilities for 2003 was 4.17% as compared to 5.47% for 2002. Interest expense incurred during years 2003 and 2002 is not indicative of future interest expense.

While the average serviced loan portfolio remained fairly constant during years 2003 and 2002 at approximately $1.3 billion, we realized an increase in loan servicing fees during year 2003. Typically, we receive servicing fees of 1.00% on loans we place in securitized transactions. During 2003, we financed our loans primarily using a short-term securitized structure, the terms of which specified a servicing fee of 1.25%, resulting in higher servicing income on a significant portion of our serviced loans.

Provisions for credit losses and loan recourse reserves were substantially lower in year 2003 at $5.5 million as compared to $16.1 million in 2002. In 2002, due to the continued performance deterioration of a pool of loans originally sold with full recourse in year 2000, it was necessary for our predecessor company to greatly increase its provision for such recourse. The principal balance of the loan pool at the date of sale was approximately $114.4 million, and as of December 31, 2003, the remaining loan principal balance was approximately $56.5 million. These loan balances are not carried on our books, since ownership of the loans was transferred to the acquirer in a true sale transaction, albeit with 100% recourse for loans that become 90-days delinquent.

The March 2002 securitized loan sale was accounted for using gain on sale treatment. The resulting net gain recorded in year 2002 was approximately $2.7 million. Our 2003 private securitization with Citigroup was structured as a financing.

Other income increased substantially in year 2003 compared to 2002. Such income consists primarily of ancillary revenue relating to our loan servicing operations. This revenue is substantially derived from commissions on force-placed insurance on loans serviced and late fees retained by us as collected from delinquent borrowers.

For 2003 total credit losses on loans we originated, including losses relating to assets securitized by us and loans sold with full or partial recourse, amounted to approximately 3.37% of the average principal balance of the related loans, compared to approximately 3.70% for 2002. Because losses on repossessions are reflected in the loss ratio principally in the period during which the repossessed property is disposed of, fluctuations in the number of repossessed properties disposed of from period to period may cause variations in the charge-off ratio. At December 31, 2003, the 30 days or greater delinquency rate on loans was 5.59%, compared to 4.13% at December 31, 2002.

Non interest income decreased slightly from $10.4 million in 2002 to $10.2 million in 2003. Such income consists primarily of fees from loan servicing activities and insurance operations.

Non interest expenses increased by $9.5 million in 2003. The most significant increases were in personnel costs, residual interest write downs and other operating expenses.

Personnel costs increased $3.4 million primarily due to an increase in the average number of employees between years 2003 and 2002 and costs associated with a change of control payment to one of our executives. The October 8, 2003 common stock offering triggered a change of control provision in the employment contract of the Chief Executive Officer of Origen Financial L.L.C., which was satisfied by the payment of approximately $944,000 in stock grants and cash. At December 31, 2003, we had 262 employees. The average number of employees for the year 2003 was 252 versus 236 in 2002, an increase of 6.8%. In 2002, there were approximately $1.6 million of reorganization costs, most of which were personnel related.

Securitized loan transactions completed during years 2002 and 2001 were structured as loan sales for accounting purposes. As a result, our predecessor companies recorded an asset representing residual interests in the loans at the time of sale, based on the discounted values of the projected cash flows over the expected life of the loans sold. Due to deterioration (beginning in 2002 and accelerating in 2003) in the credit performance of these sold loans as compared to the initially projected performance, it was necessary to adjust the carrying value of these residual interests during both years 2003 and 2002. As a result, a write-down of approximately $5 million was taken in 2003 and approximately $2.1 million was taken in 2002. On a going-forward basis, we do not expect to experience this magnitude of write-down, as we only have residual balances remaining on our balance sheet of approximately $749,000. Our 2003 private securitization with Citigroup was structured as a financing. Since 2002, neither we nor our predecessor companies have structured a securitization transaction in a manner requiring gain on sale treatment, nor is it our intention to do so in the future.

Other operating expenses increased by almost $2.7 million in 2003 as compared to 2002. This increase was largely attributable to approximately $2.5 million related to the extensive use of outside professional services, primarily law firms, in the process of determining all state licensing requirements and the securing of such licenses, as well as professional services used in the pursuit of capital, other than that incurred for the October 2003 stock offering.

Liquidity and Capital Resources

We require capital to fund our loan originations, acquire manufactured housing loans originated by third parties and expand our loan servicing operations. At March 31, 2005 we had approximately $5.6 million in available cash and cash equivalents. As a REIT, we are required to distribute at least 90% of our REIT taxable income (as defined in the Internal Revenue Code) to our stockholders on an annual basis. Therefore, as a general matter, it is unlikely we will have any substantial cash balances that could be used to meet our liquidity needs. Instead, these needs must be met from cash provided from operations and external sources of capital. Historically, we have satisfied our liquidity needs through cash generated from operations, sales of our common and preferred stock, borrowings on our credit facilities and loan sales and securitizations.

Cash used in operating activities during the quarter ended March 31, 2005, totaled $69.5 million versus $50.5 million for the quarter ended March 31, 2004. Cash used to originate and purchase loans increased 48.9%, or $28.9 million, to $88.0 million for the quarter ended March 31, 2005 compared to $59.1 million for the quarter ended March 31, 2004. The increase is the result of increased origination volume and the purchase of approximately $30.7 million in principal balance of manufactured housing loans in March 2005. Principal collections on manufactured housing loans receivable totaled $16.3 million for the quarter ended March 31, 2005 as compared to $11.4 million for the quarter ended March 31, 2004 an increase of $4.9 million, or 43.0%. The increase in collections is primarily related to the increase in the average outstanding loan portfolio balance, which was $582.4 million for the quarter ended March 31, 2005 compared to $386.4 million for the quarter ended March 31, 2004 in addition to improved credit quality and decreased delinquency as a percentage of outstanding loan receivable balance.

Cash used in investing activities was $0.7 million in the quarter ended March 31, 2005 versus $29.1 million for the quarter ended March 31, 2004. The primary reason for this decrease was the purchase of approximately $32.0 million in securitization bonds in the quarter ended March 31, 2004 compared to the purchase of approximately $4.1 million of securitization bonds in the quarter ended March 31, 2005. The bonds were purchased at a discount to par of approximately 2.0% in the quarter ended March 31, 2005 compared to a discount to par of 18.7% in the quarter ended March 31, 2004.

The primary source of cash during the quarter ended March 31, 2005 was approximately $65.5 million in net proceeds from notes payable used to finance loan receivables. This is compared to $55.0 million in net proceeds from notes payable used to finance loan receivables, $23.5 million from a repurchase agreement to finance the purchase of the securitization bonds and approximately $9.6 million from the issuance of 1,000,000 million shares of our common stock, in the quarter ended March 31, 2004.

On May 12, 2005, we completed a securitized financing transaction for approximately $190.0 million of loans, which was funded by issuing bonds in the approximate amount of $165.3 million, at a duration weighted average interest cost of 5.30%. We structured the transaction to issue classes of bonds with different estimated maturity dates and average lives to better meet investor demands.

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We currently have a short term securitization facility used for warehouse financing with Citigroup Global Markets Realty Corp. (Citigroup) (formerly Salomon Brothers Realty Corporation). Under the terms of the agreement we pledge loans as collateral and in turn are advanced funds. The facility has a maximum advance amount of $200 million, an advance rate equal to 85% of the unpaid principal balance of the pool of loans pledged and an annual interest rate equal to LIBOR plus a spread. The facility also includes a $15 million supplemental advance amount that is collateralized by our residual interests in the 2004-A and 2004-B securitizations. The facility matures on March 23, 2006. At March 31, 2005 the outstanding balance on the facility was approximately $183.7 million.

We currently have three separate repurchase agreements with Citigroup for the purpose of financing the purchase of investments in three asset backed securities with principal balances at March 31, 2005 of $32.0 million, $3.1 million and $3.7 million, respectively. Under the terms of the agreements we sell our interest in the securities with an agreement to repurchase the interests at a predetermined future date at the principal amount sold plus an interest component. The securities were financed at an amount equal to 75% of the current market value as determined by Citigroup. At March 31, 2005 the repurchase agreements had outstanding principal balances of approximately $18.1 million, $1.8 million and $2.2 million, respectively. Typically the repurchase agreements are rolled over for 30 day periods when they expire. Annual interest rates on the agreements are equal to LIBOR plus a spread.

We currently have a revolving credit facility with JPMorgan Chase Bank, N.A. (as successor by merger to Bank One, NA). Under the terms of the facility we can borrow up to $5 million for the purpose of funding required principal and interest advances on manufactured housing loans that are serviced for outside investors. Borrowings under the facility are repaid upon our collection of monthly payments made by borrowers. The outstanding balance under the facility accrues interest at the bank s prime rate. To secure the loan, we have granted the bank a security interest in substantially all of our assets excluding securitized loans. The expiration date of the facility is December 31, 2005. At March 31, 2005 the outstanding balance on the facility was approximately $2.0 million.

In addition to borrowings under our credit facilities, we have fixed contractual obligations under various lease agreements. Our contractual obligations were comprised of the following as of December 31, 2004:

	Total	Less than 1 Year	1-3 Years	4-5 Years	Thereafter
Notes payable Citigroup(1)	$ 107,373	$ 83,279	$ 24,094	$	$
Notes payable 2004 A securitization(2)	167,887	3,173	11,623	9,887	143,204
Notes payable 2004 B securitization(3)	160,501	3,033	11,111	9,452	136,905
Repurchase agreement(4)	20,153	20,153			
Operating leases	5,421	1,004	2,801	948	668
Total Contractual Obligations	$ 461,335	$ 110,642	$ 49,629	$ 20,287	$ 280,777

(1) Origen Financial L.L.C. and Origen Securitization Company, LLC, one of our special purpose entity subsidiaries, are borrowers under the short-term securitization facility with Citigroup.

(2) Origen Financial L.L.C. through a special purpose entity, Origen Manufactured Housing Trust 2004-A, is the issuer of the notes payable under the 2004 A securitization.

(3)

Origen Financial L.L.C. through a special purpose entity, Origen Manufactured Housing Trust 2004-B, is the issuer of the notes payable under the 2004 B securitization.

(4) Origen Financial L.L.C. is the borrower under the Citigroup repurchase agreement.

Cash generated from operations and borrowings under our Citigroup facility should enable us to meet our liquidity needs through the end of 2005, depending on market conditions which may affect loan origination volume, loan purchase opportunities and the availability of securitizations. Thereafter, or earlier if adverse market

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conditions require or if loan purchase opportunities become available, we may be required to seek additional funds through additional credit facilities or additional sales of our common or preferred stock to satisfy our short-term liquidity needs.

Our long-term liquidity and capital requirements consist primarily of funds necessary to originate and hold manufactured housing loans, acquire and hold manufactured housing loans originated by third parties and expand our loan servicing operations. We expect to meet our long-term liquidity requirements through cash generated from operations, but we will require external sources of capital, including sales of shares of our common and preferred stock and third-party borrowings. We intend to continue to access the asset-backed securities market for the long-term financing of our loans in order to match the interest rate risk between our loans and the related long-term funding source. Our ability to meet our long-term liquidity needs depends on numerous factors, many of which are outside of our control. These factors include general market interest rate levels, the shape of the yield curve and spreads between rates on U.S. Treasury obligations and securitized bonds, all of which affect investors demand for securitized debt.

The risks associated with the manufactured housing business become more acute in any economic slowdown or recession. Periods of economic slowdown or recession may be accompanied by decreased demand for consumer credit and declining asset values. In the manufactured housing business, any material decline in collateral values increases the loan-to-value ratios of loans previously made, thereby weakening collateral coverage and increasing the size of losses in the event of default. Delinquencies, repossessions, foreclosures and losses generally increase during economic slowdowns or recessions. For our finance customers, loss of employment, increases in cost-of-living or other adverse economic conditions would impair their ability to meet their payment obligations. Higher industry inventory levels of repossessed manufactured houses may affect recovery rates and result in future impairment charges and provision for losses. In addition, in an economic slowdown or recession, servicing and litigation costs generally increase. Any sustained period of increased delinquencies, repossessions, foreclosures, losses or increased costs would adversely affect our financial condition and results of operations.

These same risks also affect our ability to securitize loans. Continued access to the securitization market is very important to our business. Numerous factors affect our ability to complete a successful securitization, including factors beyond our control. These include general market interest rate levels, the shape of the yield curve and spreads between rates on U.S. Treasury obligations and securitized bonds, all of which affect investors demand for securitized debt. When these factors are unfavorable our ability to successfully complete securitization transactions is impeded and our liquidity and capital resources are affected negatively. There can be no assurance that current favorable conditions will continue or that unfavorable conditions will not return.

Quantitative and Qualitative Disclosure about Market Risk

Market risk is the risk of loss arising from adverse changes in market prices and interest rates. Our market risk arises from interest rate risk inherent in our financial instruments. We are not currently subject to foreign currency exchange rate risk or commodity price risk.

For the Three Months Ended March 31, 2005

Our variable rate debt, under which we paid interest at various LIBOR rates plus a spread totaled $207.9 million and $160.5 million at March 31, 2005 and March 31, 2004, respectively. If LIBOR increased or decreased by 1.0% during the three months ended March 31, 2005 and 2004, we believe our interest expense would have increased or decreased by approximately $0.4 million and $53,500, respectively, based on the $149.4 million and $213.9 million average balance outstanding under our variable rate debt facilities for the three months ended March 31, 2005 and March 31, 2004, respectively. For the three months ended March 31, 2004, the increase or decrease in interest expense related to an increase or decrease in LIBOR was mitigated somewhat because our average variable rate debt outstanding was hedged for portions of the period through the use of interest rate swap agreements thus minimizing the effect of changes in the benchmark LIBOR rate. We had no variable rate interest earning assets outstanding during the three months ended March 31, 2005 and 2004.

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The following table shows the contractual maturity dates of our assets and liabilities at March 31, 2005. For each maturity category in the table the difference between interest-earning assets and interest-bearing liabilities reflects an imbalance between repricing opportunities for the two sides of the balance sheet. The consequences of a negative cumulative gap at the end of one year suggests that, if interest rates were to rise, liability costs would increase more quickly than asset yields, placing negative pressure on earnings (dollars in thousands).

	Maturity				
	0 to 3 Months	**4 to 12 Months**	**1 to 5 Years**	**Over 5 Years**	**Total**
ASSETS					
Cash and equivalents	$ 5,598	$	$	$	$ 5,598
Restricted cash	10,653				10,653
Loans receivable, net	3,013	9,489	84,279	533,463	630,244
Investments				40,772	40,772
Furniture, fixtures and equipment, net	217	680	1,823		2,720
Goodwill				32,277	32,277
Other assets	11,641	9,174	6,847	2,633	30,295
Total assets	$ 31,122	$ 19,343	$ 92,949	$ 609,145	$ 752,559
LIABILITIES AND STOCKHOLDERS EQUITY					
Warehouse financing	$ 868	$ 182,871	$	$	$ 183,739
Securitization financing	1,491	4,588	40,511	268,925	315,515
Repurchase agreements	22,141				22,141
Notes payable servicing advances	1,977				1,977
Recourse liability	334	863	2,937	1,531	5,665
Other liabilities	16,831	318		812	17,961
Total liabilities	43,642	188,640	43,448	271,268	546,998
Preferred stock				125	125
Common stock				252	252
Paid-in-capital				219,121	219,121
Accumulated other comprehensive loss	(2)	(5)	(36)	(327)	(370)
Unearned stock compensation	(581)	(1,268)	(282)		(2,131)
Retained deficit				(11,436)	(11,436)
Total stockholders equity	(583)	(1,273)	(318)	207,735	205,561
Total liabilities and stockholders equity	$ 43,059	$ 187,367	$ 43,130	$ 479,003	$ 752,559
Interest sensitivity gap	$ (11,937)	$ (168,024)	$ 49,819	$ 130,142	

Interest sensitivity gap	$ (11,937)	$ (179,961)	$ (130,142)
Cumulative interest sensitivity gap to total interest earning assets	(1.59)%	(23.91)%	(17.29)%

We believe the negative effect of a rise in interest rates is reduced by the anticipated securitization of our loans receivable and our use of forward interest rate locks, which fixes our cost of funds associated with the loans over the lives of such loans.

In March 2005, we entered into a forward starting interest rate swap for the purpose of locking in the benchmark interest rate on our securitization transaction completed in May 2005. On the start date of the swap we began paying a fixed rate of 4.44% and receiving a floating rate of 2.69% on a notional balance of

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$132.9 million, which would approximate 90% of the expected balance of the bonds to be sold in the securitization transaction. A rise in rates during the interim period would increase our borrowing cost in the securitization, but the increase would be offset by the increased value in the right to pay a lower fixed rate during the term of the securitized deal making the hedge highly effective. On May 3, 2005, the hedge was terminated. Because interest rates had fallen slightly during the interim period the cost to terminate the swap was approximately $0.4 million. This cost will be amortized over the expected life of the securitization transaction.

The following table shows our financial instruments that are sensitive to changes in interest rates, categorized by expected maturity, and the instruments fair values at March 31, 2005 (dollars in thousands):

	Contractual Maturity						
	2005	**2006**	**2007**	**2008**	**2009**	**Thereafter**	**Total**
Interest sensitive assets							
Loans receivable	$ 10,333	$ 13,549	$ 14,922	$ 16,433	$ 18,098	$ 556,909	$ 630,244
Average interest rate	9.69%	9.69%	9.69%	9.69%	9.69%	9.69%	9.69%
Interest bearing deposits	15,972						15,972
Average interest rate	1.54%						1.54%
Loan sale proceeds receivable	318	360	299	249	207	461	1,894
Average interest rate	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%
Investments						40,772	40,772
Average interest rate						7.93%	7.93%
Residual interest						724	724
Average interest rate						15.00%	15.00%
Total interest sensitive assets	$ 26,623	$ 13,909	$ 15,221	$ 16,682	$ 18,305	$ 598,866	$ 689,606
Interest sensitive liabilities							
Warehouse financing	$ 2,605	$ 181,134	$	$	$	$	$ 183,739
Average interest rate	4.00%	4.00%					4.00%
Securitization financing	4,472	6,425	7,087	7,820	8,625	281,086	315,515
Average interest rate	4.51%	4.51%	4.51%	4.51%	4.51%	4.51%	4.51%
Repurchase agreements	22,141						22,141
Average interest rate	3.31%						3.31%
Note payable servicing advance	1,977						1,977
Average interest rate	4.50%						4.50%
Recourse liability	863	901	697	548	435	1,886	5,330
Average interest rate	10.41%	10.41%	10.41%	10.41%	10.41%	10.41%	10.41%
Total interest sensitive liabilities	$ 32,058	$ 188,460	$ 7,784	$ 8,368	$ 9,060	$ 282,972	$ 528,702

For the Year Ended December 31, 2004

The average outstanding balance of our variable rate debt, under which we paid interest at various LIBOR rates plus a spread, totaled $127.5 million and $157.2 million at December 31, 2004 and 2003, respectively. If LIBOR increased or decreased by 1.0% during the years ended December 31, 2004 and 2003, we believe our interest expense would have increased or decreased by approximately $1.2 million and $0.4 million, respectively, based on the $127.5 million and $157.2 million average balance outstanding under our variable rate debt facilities for the years ended December 31, 2004 and 2003, respectively. The increase or decrease in interest expense related to an increase or decrease in LIBOR is mitigated somewhat because our average variable rate debt outstanding for the years ended December 31, 2004 and 2003, was hedged for portions of the periods through the use of interest rate swap agreements thus minimizing the effect of changes in the benchmark LIBOR rate. We had no variable rate interest earning assets outstanding during the years ended December 31, 2004 or 2003.

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The following table shows the contractual maturity dates of our assets and liabilities at December 31, 2004. For each maturity category in the table the difference between interest-earning assets and interest-bearing liabilities reflects an imbalance between re-pricing opportunities for the two sides of the balance sheet. The consequences of a negative cumulative gap at the end of one year suggests that, if interest rates were to rise, liability costs would increase more quickly than asset yields, placing negative pressure on earnings (dollars in thousands).

	Maturity				
	0 to 3 Months	4 to 12 Months	1 to 5 Years	Over 5 Years	Total
ASSETS					
Cash and equivalents	$ 9,293	$	$	$	$ 9,293
Restricted cash	9,222				9,222
Loans receivable, net	2,565	8,083	72,162	480,458	563,268
Investments				37,622	37,622
Furniture, fixtures and equipment, net	186	584	1,566		2,336
Goodwill				32,277	32,277
Other assets	10,962	8,639	6,448	2,480	28,529
Total assets	$ 32,228	$ 17,306	$ 80,176	$ 552,837	$ 682,547
LIABILITIES AND STOCKHOLDERS EQUITY					
Warehouse financing	$ 83,279	$ 464	$ 23,630	$	$ 107,373
Securitization financing	1,552	4,655	41,117	281,064	328,388
Repurchase agreements	20,153				20,153
Recourse liability	389	1,006	3,423	1,785	6,603
Other liabilities	15,535	293		736	16,564
Total liabilities	120,908	6,418	68,170	283,585	479,081
Preferred stock				125	125
Common stock				252	252
Paid-in-capital				210,639	210,639
Accumulated other comprehensive loss	(9)	(26)	(226)	(1,546)	(1,807)
Unearned stock compensation	(660)	(1,426)	(704)		(2,790)
Retained earnings (deficit)				(2,953)	(2,953)
Total stockholders equity	(669)	(1,452)	(930)	206,517	203,466
Total liabilities and stockholders equity	$ 120,239	$ 4,966	$ 67,240	$ 490,102	$ 682,547
Interest sensitivity gap	$ (88,011)	$ 12,340	$ 12,936	$ 62,735	
Interest sensitivity gap	$ (88,011)	$ (75,671)	$ (62,735)		
	(273.09)%	(437.25)%	(78.25)%		

Cumulative interest sensitivity
gap to total interest earning assets

We believe the negative effect of a rise in interest rates is reduced by the anticipated securitization of our loans receivable which fixes our cost of funds associated with the loans over the lives of such loans.

In conjunction with the loan funding facility with Citigroup, we entered into six interest rate swap agreements in an effort to manage interest rate risk on our floating rate notes payable. The interest rate swaps expired on April 12, 2004. The interest rate swaps were structured to be hedges against changes in the benchmark interest rate (LIBOR) of the floating rate notes. We designated the swaps as hedges for accounting purposes. The hedges were highly effective and had a minimal impact on the results of operations.

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In August 2004, we entered into a forward starting interest rate swap for the purpose of locking in the benchmark interest rate on our securitization transaction completed in September 2004. On the start date of the swap we began paying a fixed rate of 4.15% and receiving a floating rate of 1.65% on a notional balance of $170.0 million, which approximated the expected balance of the bonds to be sold in the securitization transaction. A rise in rates during the interim period would increase our borrowing cost in the securitization, but the increase would be offset by the increased value in the right to pay a lower fixed rate during the term of the securitized deal making the hedge highly effective. Upon closing of the securitization transaction on September 29, 2004, the hedge was terminated. Because interest rates had fallen during the interim period the cost to terminate the swap was approximately $1.9 million. This cost will be amortized over the expected life of the securitization transaction.

In March 2005, we entered into a forward starting interest rate swap for the purpose of locking in the benchmark interest rate on a portion of our securitization transaction that was completed in May 2005. On the start date of the swap we began paying a fixed rate of 4.44% and receiving a floating rate equal to the one month LIBOR rate on a beginning notional balance of $132.9 million. A rise in rates during the interim period would increase our borrowing cost in the securitization, but the increase would be offset by the increased value in the right to pay a lower fixed rate during the term of the securitized deal making the hedge highly effective.

The following table shows our financial instruments that are sensitive to changes in interest rates, categorized by expected maturity, and the instruments fair values at December 31, 2004, (dollars in thousands):

	Contractual Maturity						
	2005	**2006**	**2007**	**2008**	**2009**	**There-after**	**Total**
Interest sensitive assets							
Loans receivable	$ 10,648	$ 11,746	$ 12,958	$ 14,294	$ 15,768	$ 497,854	$ 563,268
Average interest rate	9.86%	9.86%	9.86%	9.86%	9.86%	9.86%	9.86%
Interest bearing deposits	16,406						16,406
Average interest rate	1.16%						1.16%
Loan sale proceeds receivable	445	368	306	255	212	471	2,057
Average interest rate	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%
Investments						37,622	37,622
Average interest rate						7.91%	7.91%
Residual interest						724	724
Average interest rate						15.00%	15.00%
Total interest sensitive assets	$ 27,499	$ 12,114	$ 13,264	$ 14,549	$ 15,980	$ 536,671	$ 620,077
Interest sensitive liabilities							
Warehouse financing	$ 83,279	$ 24,094	$	$	$	$	$ 107,373
Average interest rate	3.59%	3.64%					3.60%
Securitization financing	6,207	6,847	7,553	8,334	9,192	290,255	328,388
Average interest rate	4.43%	4.43%	4.43%	4.43%	4.43%	4.43%	4.43%
	20,153						20,153

Repurchase agreements							
Average interest rate	3.17%						3.17%
Recourse liability	1,395	1,050	813	639	507	2,198	6,602
Average interest rate	10.43%	10.43%	10.43%	10.43%	10.43%	10.43%	10.43%
Total interest sensitive liabilities	$ 111,034	$ 31,991	$ 8,366	$ 8,973	$ 9,699	$ 292,453	$ 462,516

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CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Our Formation

In connection with our formation and our October 2003 private placement, we entered into a contribution agreement pursuant to which we acquired all of the interests of Origen Financial L.L.C., from certain of our founders, including an affiliate of Sun Communities, Bingham, Woodward Holding, LLC, and Shiffman Family, LLC. These founders, severally, and not jointly, made representations and warranties to us regarding their:

- organization and good standing;
- non-violation of any other agreements;
- authority to enter into and perform their obligations under the contribution agreement;
- ownership of clear title to the membership interests contributed; and
- non-payment of a brokerage or finder s fee.

Bingham, alone, made a representation and warranty that its board of directors approved the transaction.

None of the founders received any monetary consideration, nor did they receive any shares of our common stock, in exchange for their respective interests in Origen Financial L.L.C. Under the terms of the contribution agreement, no party is entitled to make any claim against any other party for indemnification arising from any breach of the contribution agreement. The contribution agreement has been filed as an exhibit to the registration statement of which this prospectus is a part.

Our Structure

At formation, our founders, consisting of an affiliate of Sun Communities, Bingham, Woodward Holding, LLC and Shiffman Family, LLC, contributed their respective membership interests and warrants to purchase membership interests in Origen Financial L.L.C. to us. None of the founders received any monetary consideration or shares of our common stock in exchange for their contributed membership interests and warrants in Origen Financial L.L.C. The charts below illustrate our formation transactions (including our October 2003 and February 2004 private placements and our January 2004 sale of preferred stock) and our current structure. For more information regarding these charts, see Note B to Origen Financial, Inc. s consolidated financial statements for the year ended December 31, 2004 and period ended December 31, 2003 included elsewhere in this prospectus.

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Our Formation Transaction

* Origen Financial L.L.C. owned 100% of the common equity interests of all of its subsidiaries

Our Current Structure

Other Relationships

Gary A. Shiffman, one of our directors, is the Chairman of the Board, President and Chief Executive Officer of Sun Communities. Sun Communities owns approximately 20% of the outstanding shares of our common stock. Mr. Shiffman beneficially owns approximately 20% of the outstanding shares of our common stock, which amount includes his deemed beneficial ownership of the stock owned by Sun Communities. Mr. Shiffman and his affiliates beneficially own approximately 9% of the outstanding common stock of Sun Communities. He is the President of Sun Home Services, Inc. (Sun Home Services), of which Sun Communities is the sole beneficial owner.

Origen Servicing, Inc., a wholly owned subsidiary of Origen Financial L.L.C., services approximately $16.0 million (including approximately $3.9 million transferred from another servicer in December 2004) in manufactured home loans for Sun Home Services as of December 31, 2004. Sun Home Services pays Origen Servicing, Inc. an annual servicing fee of 1.25% of the outstanding principal balance of the loans. The total servicing fees paid by Sun Home Services in 2004 were approximately $172,000.

In addition, Sun Communities has agreed to provide us certain concessions on manufactured houses we repossess in its communities. These concessions include marketing and refurbishing assistance, rent abatement during the first 12 months the repossessed house is for sale and commission abatement with respect to repossessed manufactured houses sold under the program. The fair value of these abatements amounted to approximately $85,000 in 2004. This program allows us to further enhance recoveries on repossessed houses and allows Sun Communities to retain houses for resale in its communities.

In February 2004 Origen Financial L.L.C. purchased approximately $12.3 million in principal balance of manufactured housing loans from Sun Home Services, for an amount equal to approximately 99.3% of the unpaid principal balance.

We lease our executive offices in Southfield, Michigan from an entity in which Mr. Shiffman and certain of his affiliates beneficially own approximately a 21% interest. Ronald A. Klein, our Chief Executive Officer, beneficially owns an approximate 1% interest in the landlord entity. William M. Davidson, the sole member of Woodward Holding, LLC, which owns approximately 7% of our common stock, beneficially owns an approximate 25% interest in the landlord entity. The lease, which terminates on March 31, 2008, provides for monthly rent of approximately $32,000. Under the terms of a renewal option, if no event of default exists and no default existed within a period of one year prior to notification of our intent to renew, we have the right to extend the initial term of the base for two three-year terms. The base rent for the option terms will be calculated at 95% of the then prevailing market rates for comparable renewal space, but in any event not less than the base rate payable at the end of the current term of the lease.

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MANAGEMENT

Directors and Executive Officers

Name	Position
Paul A. Halpern	Chairman of the Board of Directors
Ronald A. Klein	Chief Executive Officer and Director
Richard H. Rogel	Director
Gary A. Shiffman	Director
Michael J. Wechsler	Director
James A. Williams	Director
J. Peter Scherer	Head of Operations and President
W. Anderson Geater, Jr	Chief Financial Officer and Secretary
Mark W. Landschulz	Executive Vice President, Portfolio Management
O. Douglas Burdett	Executive Vice President, Manager of Loan Servicing
Paul J. Galaspie	Senior Vice President and Chief Information Officer
David M. Rand	Senior Vice President, Marketing and Strategic Development
Benton E. Sergi	Senior Vice President, Operations

Paul A. Halpern. Mr. Halpern, 52, has been our Chairman of the Board since August 2003. He is a member of the Audit Committee and the Nominating and Governance Committee and an alternate member of the Executive Committee. Prior to co-founding Origen Financial, Inc., Mr. Halpern was a manager of Origen Financial L.L.C. from January 2002 until December 2003. Mr. Halpern is currently the manager of Woodward Holding, LLC. Mr. Halpern has also served as Vice President of Operations of Guardian Energy Management Corp., an oil and gas exploration and production company, which is a subsidiary of Guardian Industries Corp., a glass manufacturing corporation, since 1990. In addition, Mr. Halpern has served as Associate Tax Counsel of Guardian Industries Corp. since 1988. From 1979 through 1988, Mr. Halpern was employed in various capacities by both McDermott Incorporated and McDermott International, Inc. (collectively, McDermott), with his last position as Tax Director for McDermott Incorporated. Before joining McDermott, Mr. Halpern worked in the tax department of the public accounting firm of Alexander Grant & Company.

Ronald A. Klein. Mr. Klein, 47, has served as our Chief Executive Officer since August 2003. He is a member of the Executive Committee. Prior to co-founding Origen Financial, Inc., Mr. Klein joined Origen Financial L.L.C. s predecessor in February 1999 and currently serves as Origen Financial L.L.C. s sole manager and its Chief Executive Officer. Since 1999, Mr. Klein has served as a director and as Chief Executive Officer and President of Bingham. In addition, he has served as the Managing Director of Equity Growth L.L.C., a private real estate investment company since 1994. From 1990 to 1994, Mr. Klein served as Executive Vice President of Alaron Inc., an international distributor of consumer electronics. Prior to joining Alaron Inc., Mr. Klein was a member of the Chicago Board Options Exchange since 1985. Mr. Klein has also served as the Managing Director of a financial derivatives trading firm and, before 1985, he was in the private practice of law.

Richard H. Rogel. Mr. Rogel, 56, has been one of our directors since August 2003. He is the Chairman of the Audit Committee and a member of the Compensation Committee and the Executive Committee. Mr. Rogel has been a director of CoolSavings, Inc., a publicly-traded online direct marketing and media company, since 1996, has served as its Chairman of the Board since July 2001 and served as the Chairman of its audit committee from 1998 to 2004. In 1982, Mr. Rogel founded Preferred Provider Organization of Michigan, Inc., a preferred provider organization, and served as its Chairman from its inception until it was sold in 1997. Mr. Rogel is the President of the University of Michigan Alumni Association, chairs the University of Michigan s Business School Development Advisory Board and serves on other boards of the University.

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Gary A. Shiffman. Mr. Shiffman, 51, has been one of our directors since August 2003. Prior to co-founding Origen Financial, Inc. Mr. Shiffman was also a manager of Origen Financial L.L.C. since its formation in 2001 until December 2003. Mr. Shiffman has served as Chief Executive Officer and as a director of Sun Communities, Inc. since 1994, and as Chairman of the Board and President of Sun Communities since March 2000.

Michael J. Wechsler. Mr. Wechsler, 65, has been one of our directors since August 2003. He is a member of the Compensation Committee and the Nominating and Governance Committee and an alternate member of the Executive Committee. Mr. Wechsler has served as Executive Vice President, Credit of CharterMac since October 2003. CharterMac is a publicly-traded real estate financial services company. Mr. Wechsler served as Chief Operating Officer of the Related Companies, L.P. from 1987 until 1997 and as Chief Credit Officer of Related from 1997 until 2003. The Related Companies, L.P. is a major developer of multifamily affordable housing nationwide, one of the largest owners of multi-family dwellings in the country and a leading syndicator of residential real estate financed with Low Income Housing Tax Credits in the United States. Prior to joining the Related Companies, L.P., he held various positions in the Real Estate Division of Chemical Bank for over twenty years. His last position was as Senior Vice President and Managing Director, with overall responsibility for the Real Estate Division s administration and lending activities in twenty-five states and New York City.

James A. Williams. Mr. Williams, 63, has been one of our directors since August 2003. He is the Chairman of the Compensation Committee and a member of the Audit Committee, the Executive Committee and the Nominating and Governance Committee. From 2001 until it was acquired in October 2003, Mr. Williams served as a director of Chateau Communities, Inc., a publicly-traded equity real estate investment trust and an owner/manager of manufactured home communities. Mr. Williams has been a director of Standard Federal Bank and LaSalle Bank Corporation since 2001 and has served on LaSalle s audit committee since 2001. Mr. Williams has been a partner with Williams, Williams, Ruby & Plunkett, P.C., a Michigan-based law firm, since he founded the firm in 1972. He also currently serves as Managing General Partner of Jamison Management Company, which operates manufactured housing developments. Mr. Williams is the chairman of the Henry Ford Hospital of West Bloomfield, Michigan, and former chairman of the Michigan National Corporation.

J. Peter Scherer. Mr. Scherer, 55, has served as our President and Head of Operations since August 2003. Prior to co-founding Origen Financial, Inc., Mr. Scherer joined Origen Financial L.L.C. s predecessor in December 1999 and currently serves as President and Head of Operations of Origen Financial L.L.C. Since October 1999, Mr. Scherer has served as Chief Operating Officer of Bingham Financial Services Corporation. From 1984 through 1998, Mr. Scherer served in various capacities at The Taubman Company, including most recently as Senior Vice President and chairman of the asset management group. From 1976 to 1980 and from 1980 to 1984, he was an attorney with American Motors Corporation and Volkswagen of America, Inc., respectively. Prior to joining American Motors Corporation, Mr. Scherer was engaged in the private practice of law.

W. Anderson Geater, Jr. Mr. Geater, 56, has served as our Chief Financial Officer since August 2003 and as our Secretary since January 2004. Prior to co-founding Origen Financial, Inc., Mr. Geater joined Origen Financial L.L.C. s predecessor in April 2000 and currently serves as Chief Financial Officer of Origen Financial L.L.C. Since April 2000, Mr. Geater has served as Chief Financial Officer and Treasurer of Bingham Financial Services Corporation. From April 1994 through April 2000, Mr. Geater served as Chief Financial Officer and Chief Administrative Officer of Univest Financial Services Holdings, LLC and Central Park Capital, LLC. He also served as Chief Operating Officer of First Mortgage Strategies Group, Inc. from 1991 to 1993, and as Director of Financial Services for Pannell Kerr Forster, a public accounting firm from 1990 to 1991. From 1975 to 1990, Mr. Geater served as Executive Vice President and Chief Financial Officer of Leader Federal Bank for Savings. Prior to joining Leader Federal Bank for Savings, Mr. Geater was an audit supervisor with the public accounting firm of KPMG Peat Marwick.

Mark W. Landschulz. Mr. Landschulz, 40, has served as our Executive Vice President of Portfolio Management since August 2003. Prior to co-founding Origen Financial, Inc., Mr. Landschulz joined Origen

Financial L.L.C. s predecessor in February 2000, and currently serves as Executive Vice President of Portfolio Management of Origen Financial, L.L.C. Prior to serving as Executive Vice President, Mr. Landschulz was the Chief Financial Officer of Origen Financial L.L.C. From 1997 to 2000, Mr. Landschulz was the founding principal of Landworks Enterprises, a private consulting practice. Prior to founding Landworks Enterprises, Mr. Landschulz served as Senior Vice President for Knutson Mortgage Corporation from April 1996 to December 1996. From February 1990 to April 1996, Mr. Landschulz served as a director and Vice President of GE Capital Mortgage. From 1988 to 1990, he served as Chief Financial Officer of a Fannie Mae approved seller/servicer, regional mortgage banking firm.

O. Douglas Burdett. Mr. Burdett, 55, has served as our Executive Vice President, Manager of Loan Servicing since August 2003. He has held the same position with Origen Financial L.L.C. since May 2002. From July 1999 to April 2002, Mr. Burdett served as Vice President, National Asset Manager of CitiFinancial Associates Housing Finance and led its manufactured housing loan servicing operation. From December 1997 to July 1999, he was employed by First Union Bank as Director and Asset Manager for The Money Store. From 1972 through 1997, Mr. Burdett was employed by GE Capital Corporation, where he led its customer service, loss mitigation and default groups in a number of business units ranging from consumer and mortgage as Vice President GE Capital Mortgage to commercial and government services as Senior Vice President GE Asset Management.

Paul J. Galaspie. Mr. Galaspie, 43, has served as our Senior Vice President and Chief Information Officer since August 2003. Mr. Galaspie joined the predecessor of Origen Financial L.L.C. in March 1994, and currently serves as Senior Vice President and Chief Information Officer of Origen Financial L.L.C. Beginning in March 1994, Mr. Galaspie served in various capacities for Origen Financial L.L.C. s predecessors, including as a Senior Programmer Analyst for Saxon Mortgage Funding Corp. Prior to March 1994, Mr. Galaspie worked for PSA, a national photographic retailer, in their marketing department as a programmer/analyst.

David M. Rand. Mr. Rand, 43, has served as our Senior Vice President, Marketing and Strategic Development since October 2004. From August 2003 to October 2004 he served as our Senior Vice President, Sales and Marketing. Mr. Rand joined the predecessor of Origen Financial L.L.C. in June 1998, and currently serves as Senior Vice President Marketing and Business Development of Origen Financial L.L.C. Prior to joining the predecessor of Origen Financial L.L.C., he was employed by Associates First Capital Corporation as Vice President New Business/ Product Development from April 1996 to June 1998, and as Director Corporate Training from November 1993 to April 1996. Prior thereto, Mr. Rand held various positions with General Electric Capital Corporation.

Benton E. Sergi. Mr. Sergi, 43, has served as our Senior Vice President, Operations since August 2003. He has held the same position with Origen Financial L.L.C. since June 2003. From April 2002 to June 2003, Mr. Sergi served as Executive Vice President, National Sales and Operations of HomePride Finance Corp, a subsidiary of Champion Enterprises, Inc. He also served as Senior Vice President of Sales and Operations of CIT Group, from 1997 to 2002, and held various positions with Key Bank USA, NA in its sales finance division from 1987 to 1997. Prior to joining Key Bank USA, NA, Mr. Sergi was employed by The Midwest Bank & Trust Company in its installment loan and credit card sales departments.

Board Committees

Our board has established an Audit Committee, a Compensation Committee, an Executive Committee and a Nominating and Governance Committee. Our board of directors may establish other committees from time to time.

Audit Committee

Our board of directors has established an Audit Committee, which consists of Messrs. Rogel (Chairman), Halpern and Williams. Mr. Rogel is currently not serving as the Chairman of the Audit Committee for health reasons. He expects to resume his duties as Chairman during the third quarter of 2005. In his absence, Mr. Williams is serving as interim Chairman of the Audit Committee. Our board of directors has determined

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that all members of the Audit Committee satisfy the independence requirements of the Nasdaq National Market rules. Our board has also determined that each of Messrs. Halpern, Rogel and Williams qualifies as an audit committee financial expert, as defined by the SEC, and all members of the Audit Committee are financially literate, within the meaning of the rules, and independent, under the audit committee independence standards of the SEC. Our Audit Committee operates pursuant to a written charter adopted by the board of directors, which is included as an exhibit to the registration statement of which this prospectus is a part. Among other things, the Audit Committee charter calls upon the Audit Committee to:

oversee the accounting and financial reporting processes and compliance with legal and regulatory requirements on behalf of our board of directors and report the results of its activities to the board;

be directly and solely responsible for the appointment, retention, compensation, oversight, evaluation and, when appropriate, the termination and replacement of our independent auditors;

review the annual engagement proposal and qualifications of our independent auditors;

prepare an annual report as required by applicable SEC disclosure rules;

review the integrity, adequacy and effectiveness of our internal controls and financial disclosure process;

approve in advance all audit and non-audit engagement fees, scope and terms with our independent auditors; and

meet periodically with our senior executive officers, internal audit staff and our independent auditors in separate executive sessions.

Compensation Committee