ORIGEN FINANCIAL INC
Form 424B3
November 07, 2006

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Filed Pursuant to Rule 424(b)(3)
Registration No. 333-112520

Prospectus Supplement No. 7
(to Prospectus dated May 26, 2005)

This Prospectus Supplement No. 7 supplements and amends the Prospectus dated May 26, 2005 (the Prospectus) relating to the sale from time to time of up to 10,575,000 shares of our common stock by certain selling stockholders. We filed the attached Quarterly Report on Form 10-Q and the attached Current Report on Form 8-K with the Securities and Exchange Commission on November 3, 2006 and November 6, 2006, respectively. The attached information supplements and supersedes, in part, the information contained in the Prospectus.

This Prospectus Supplement No. 7 should be read in conjunction with, and delivered with, the Prospectus and is qualified by reference to the Prospectus except to the extent that the information in this Prospectus Supplement No. 7 supersedes the information contained in the Prospectus.

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

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if the Prospectus or this Prospectus Supplement No. 7 is truthful or complete. Any representation to the contrary is a criminal offense.

The date of this Prospectus Supplement No. 7 is November 7, 2006.

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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C.
FORM 10-Q

þ **Quarterly report pursuant to Section 13 or 15 (d) of the Securities Exchange Act of 1934**
FOR THE QUARTERLY PERIOD ENDED September 30, 2006.

OR

o **Transition report pursuant to Section 13 or 15 (d) of the Securities Exchange Act of 1934**
For the Transition Period From __________ to __________

COMMISSION FILE NUMBER 000-50721

Origen Financial, Inc.

(Exact Name of Registrant as Specified in its Charter)

Delaware	20-0145649
(State of Incorporation)	(I.R.S. Employer Identification No.)
27777 Franklin Rd. Suite 1700 Southfield, MI	48034
(Address of Principal Executive Offices)	(Zip Code)

Registrant s telephone number, including area code: (248) 746-7000

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes þ No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer o Accelerated filer þ Non-accelerated filer o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes o No þ

Number of shares of Common Stock, $.01 par value, outstanding as of October 30, 2006: 25,785,901

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Part I. Financial Information
Item 1. Financial Statements

Origen Financial, Inc.
Consolidated Balance Sheets
(In thousands, except share data)
September 30, 2006 and December 31, 2005

	September 30, 2006 (Unaudited)	December 31, 2005
ASSETS		
Assets		
Cash and cash equivalents	$ 3,343	$ 8,307
Restricted cash	13,867	13,635
Investments held to maturity	41,540	41,914
Loans receivable, net of allowance for losses of $8,412 and $10,017, respectively	904,865	768,410
Furniture, fixtures and equipment, net	3,300	3,558
Goodwill	32,277	32,277
Other assets	24,954	24,902
Total assets	$ 1,024,146	$ 893,003
LIABILITIES AND STOCKHOLDERS EQUITY		
Liabilities		
Warehouse financing	$ 61,018	$ 65,411
Securitization financing	710,011	578,503
Repurchase agreements	23,582	23,582
Notes payable servicing advances	1,458	2,212
Other liabilities	25,607	23,344
Total liabilities	821,676	693,052
Stockholders Equity		
Preferred stock, $.01 par value, 10,000,000 shares authorized; 125 shares issued and outstanding at September 30, 2006 and December 31, 2005	125	125
Common stock, $.01 par value, 125,000,000 shares authorized; 25,785,901 and 25,450,726 shares issued and outstanding at September 30, 2006 and December 31, 2005, respectively	258	255
Additional paid-in-capital	219,437	218,366
Accumulated other comprehensive income (loss)	(1,044)	907
Distributions in excess of earnings	(16,306)	(19,702)
Total stockholders equity	202,470	199,951
Total liabilities and stockholders equity	$ 1,024,146	$ 893,003

The accompanying notes are an integral part of these financial statements.

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Origen Financial, Inc.
Consolidated Statements of Operations (Unaudited)
(In thousands, except share data)
For the periods ended September 30, 2006 and 2005

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2006	**2005**	**2006**	**2005**
Interest Income				
Total interest income	$ 18,807	$ 15,408	$ 54,072	$ 43,196
Total interest expense	11,451	7,714	31,328	19,805
Net interest income before loan losses	7,356	7,694	22,744	23,391
Provision for loan losses	1,598	6,697	4,924	10,372
Impairment of purchased loan pool		428		428
Net interest income after loan losses and impairment	5,758	569	17,820	12,591
Non-interest Income	4,362	3,874	12,750	10,550
Non-interest Expenses				
Personnel	5,719	5,887	17,986	17,065
Loan origination and servicing	402	371	1,114	1,165
Write-down of residual interest		724		724
Loss on recourse buyout		869		869
State business taxes	76	74	251	264
Other operating	2,169	2,600	6,327	6,616
Total non-interest expense	8,366	10,525	25,678	26,703
Net income before cumulative effect of change in accounting principle	$ 1,754	$ (6,082)	$ 4,892	$ (3,562)
Cumulative effect of change in accounting principle			46	
NET INCOME (LOSS)	$ 1,754	$ (6,082)	$ 4,938	$ (3,562)
Weighted average common shares outstanding, basic	25,203,558	24,980,889	25,099,157	24,845,216
Weighted average common shares outstanding, diluted	25,247,421	24,980,889	25,174,272	24,845,216
Earnings (loss) per common share before cumulative effect of change in accounting principle:				
Basic	$ 0.07	$ (0.24)	$ 0.19	$ (0.14)
Diluted	$ 0.07	$ (0.24)	$ 0.19	$ (0.14)

Earnings (loss) per common share:								
Basic	$	0.07	$	(0.24)	$	0.20	$	(0.14)
Diluted	$	0.07	$	(0.24)	$	0.20	$	(0.14)

The accompanying notes are an integral part of these financial statements .

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Origen Financial, Inc.
Consolidated Statements of Comprehensive Income (Loss) (Unaudited)
(In thousands)
For the periods ended September 30, 2006 and 2005

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2006	**2005**	**2006**	**2005**
Net income (loss)	$ 1,754	$ (6,082)	$ 4,938	$ (3,562)
Other comprehensive income (loss):				
Net unrealized gain (loss) on interest rate swaps designated as cash flow hedges	(4,790)	2,154	(1,942)	1,056
Reclassification adjustment for net realized (gains) losses included in net income	(2)	114	(9)	273
Total other comprehensive income (loss)	(4,792)	2,268	(1,951)	1,329
Comprehensive income (loss)	$ (3,038)	$ (3,814)	$ 2,987	$ (2,233)

The accompanying notes are an integral part of these financial statements.

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Origen Financial, Inc.
Consolidated Statements of Cash Flows (Unaudited)
(In thousands)
For the nine months ended September 30, 2006 and 2005

	Nine Months Ended September 30, 2006	Nine Months Ended September 30, 2005
Cash Flows From Operating Activities		
Net income (loss)	$ 4,938	$ (3,562)
Adjustments to reconcile net income to cash provided by operating activities:		
Provision for loan losses	4,924	10,372
Investment impairment	114	
Impairment of purchased loan pool		428
Impairment of residual interest		724
Depreciation and amortization	4,502	4,086
Compensation expense recognized under share-based compensation plans	1,409	1,903
Cumulative effect of change in accounting principle	(46)	
Increase in other assets	(1,957)	(1,054)
(Decrease) Increase in accounts payable and other liabilities	(606)	703
Net cash provided by operating activities	13,278	13,600
Cash Flows From Investing Activities		
Increase in restricted cash	(232)	(4,310)
Purchase of investment securities		(4,106)
Origination and purchase of loans	(214,548)	(216,613)
Principal collections on loans	63,990	41,313
Proceeds from sale of repossessed houses	8,661	8,697
Capital expenditures	(506)	(1,650)
Net cash used in investing activities	(142,635)	(176,669)
Cash Flows From Financing Activities		
Dividends paid	(1,542)	(4,072)
Repurchase and retirement of common stock	(288)	(449)
Proceeds from securitization financing	200,646	165,274
Repayment of securitization financing	(69,276)	(50,599)
Proceeds from advances under repurchase agreements		5,243
Repayment of advances under repurchase agreements		(360)
Proceeds from warehouse financing	201,868	207,848
Repayment of warehouse financing	(206,261)	(168,307)
Change in servicing advances, net	(754)	1,539
Net cash provided by financing activities	124,393	156,117
NET DECREASE IN CASH AND CASH EQUIVALENTS	(4,964)	(6,952)
Cash and cash equivalents, beginning of period	8,307	9,293
Cash and cash equivalents, end of period	$ 3,343	$ 2,341

Supplemental disclosures of cash flow information:		
Interest paid	$ 30,849	$ 19,011
Supplemental non cash financing activities:		
Non-vested common stock issued as unearned compensation	$ 2,400	$ 2,156
Loans transferred to repossessed assets and held for sale	$ 13,874	$ 15,437

The accompanying notes are an integral part of these financial statements.

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Origen Financial, Inc.
Notes to Consolidated Financial Statements (Unaudited)

Note 1 Basis of Presentation

The unaudited consolidated financial statements of Origen Financial, Inc. (the Company), have been prepared in accordance with accounting principles generally accepted in the United States of America (US GAAP) for interim financial reporting and the instructions to Form 10-Q and Rule 10-01 of Regulation S-X of the Rules and Regulations of the Securities and Exchange Commission (SEC). However, they do not include all of the disclosures necessary for annual financial statements in conformity with US GAAP. The results of operations for the periods ended September 30, 2006 are not necessarily indicative of the operating results anticipated for the full year. Accordingly, these unaudited consolidated financial statements should be read in conjunction with the audited consolidated financial statements included in the Company s Annual Report on Form 10-K for the year ended December 31, 2005. The preparation of financial statements in conformity with US GAAP also requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expense during the reporting period. Actual results could differ from those estimates.

The accompanying consolidated financial statements reflect, in the opinion of management, all adjustments necessary for a fair presentation of the interim financial statements. All such adjustments are of a normal and recurring nature.

Certain prior period amounts have been reclassified to conform to current financial statement presentation.

Note 2 Recent Accounting Pronouncements

Accounting for Share-Based Payments

In December 2004, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 123(R), 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 the FASB s statement, all forms of share-based payments to employees, including employee stock options, must be 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. Previous accounting guidance required that the expense relating to employee stock options only be disclosed in the footnotes to the financial statements. The statement eliminates the ability to account for share-based compensation transactions using Accounting Principles Board Opinion (APB) No. 25, Accounting for Stock Issued to Employees for options granted after June 15, 2005. On April 14, 2005, the SEC announced it would permit companies to implement SFAS No. 123(R) at the beginning of their next fiscal year. The Company adopted the new rules reflected in SFAS No. 123(R) using the modified-prospective method on January 1, 2006. The effects of the adoption of SFAS No. 123(R) are discussed further in Note 8.

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Origen Financial, Inc.

Notes to Consolidated Financial Statements (Unaudited)

Note 2 Recent Accounting Pronouncements (Continued)

Accounting Changes and Error Corrections

In May 2005, the FASB issued SFAS No. 154, Accounting Changes and Error Corrections a replacement of APB Opinion No. 20 and FASB Statement No. 3 . This statement replaces APB No. 20, Accounting Changes , and SFAS No. 3, Reporting Accounting Changes in Interim Financial Statements, and changes the requirements for the accounting for and reporting of a change in accounting principle. The statement applies to all voluntary changes in accounting principles. It also applies to changes required by an accounting pronouncement in the unusual instance that the pronouncement does not include specific transition provisions. The statement is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005. The adoption of SFAS No. 154 on January 1, 2006 did not have a material effect on the Company s financial position or results of operations.

Accounting for Certain Hybrid Instruments

In February 2006, the FASB issued SFAS No. 155, Accounting for Certain Hybrid Instruments, which allows financial instruments that have embedded derivatives to be accounted for as a whole (eliminating the need to bifurcate the derivative from its host) if the holder elects to account for the whole instrument on a fair value basis. SFAS No. 155 is effective for all financial instruments acquired or issued after the beginning of an entity s first fiscal year that begins after September 15, 2006. At this time, the Company does not expect the adoption of SFAS No. 155 to have a material impact on its financial position or results of operations.

Accounting for Servicing of Financial Assets

In March 2006, the FASB issued SFAS No. 156, Accounting for Servicing of Financial Assets - An Amendment of FASB Statement No. 140. This statement amends the guidance in FASB Statement No. 140, Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities. Among other requirements, SFAS No. 156 requires an entity to recognize a servicing asset or servicing liability each time it undertakes an obligation to service a financial asset by entering into a servicing contract in any of the following situations: a transfer of the servicer s financial assets that meets the requirements for sale accounting; a transfer of the servicer s financial assets to a qualifying special-purpose entity in a guaranteed mortgage securitization in which the transferor retains all of the resulting securities and classifies them as either available-for-sale securities or trading securities; or an acquisition or assumption of an obligation to service a financial asset that does not relate to financial assets of the servicer or its consolidated affiliates. SFAS No. 156 is effective as of the beginning of an entity s first fiscal year that begins after September 15, 2006. At this time, the Company does not expect the adoption of SFAS No. 156 to have a material impact on its financial position or results of operations.

Accounting for Uncertainty in Income Taxes

In June 2006, the FASB issued FASB Interpretation (FIN) No. 48, Accounting for Uncertainty in Income Taxes An Interpretation of FASB Statement No. 109. FIN No. 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN No. 48 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. FIN No. 48 is effective for fiscal years beginning after December 15, 2006. At this time, the Company does not expect the adoption of FIN No. 48 to have a material impact on its financial position or results of operations.

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Origen Financial, Inc.
Notes to Consolidated Financial Statements (Unaudited)

Note 2 Recent Accounting Pronouncements (Continued)

Fair Value Measurements

In September 2006, the FASB issued SFAS No. 157, Fair Value Measurements. This statement defines fair value, establishes a framework for measuring fair value in US GAAP, and expands disclosures about fair value measurements. This statement applies under other accounting pronouncements that require or permit fair value measurements, the FASB having previously concluded in those accounting pronouncements that fair value is the relevant measurement attribute. Accordingly, this statement does not require any new fair value measurements. SFAS No. 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. At this time, the Company does not expect the adoption of SFAS No. 157 to have a material impact on its financial position or results of operations.

Quantifying Misstatements

In September 2006, the SEC staff issued Staff Accounting Bulletin (SAB) No. 108, Considering the Effects of Prior Year Misstatements When Quantifying Misstatements in Current Year Financial Statements, in order to address the SEC staff s concerns over registrants exclusive reliance on either the iron curtain or balance sheet approach or the rollover or income statement approach in quantifying financial statement misstatements. SAB No. 108 states that registrants should use both a balance sheet and an income statement approach when quantifying and evaluating the materiality of a misstatement and contains guidance on correcting errors under the dual approach. SAB No. 108 is effective for financial statements issued for fiscal years ending after November 15, 2006. At this time, the Company does not expect the adoption of SAB No. 108 to have a material impact on its financial position or results of operations.

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Origen Financial, Inc.
Notes to Consolidated Financial Statements (Unaudited)

Note 3 Per Share Data

Basic earnings per share (EPS) is computed by dividing net income by the weighted average number of common shares outstanding during the period. Diluted EPS incorporates the potential dilutive effect of common stock equivalents outstanding on an average basis during the period. Dilutive common shares primarily consist of employee stock options and non-vested common stock. The following table presents a reconciliation of basic and diluted EPS for the three months and nine months ended September 30, 2006 and 2005 (in thousands, except per share data):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2006	2005	2006	2005
Numerator:				
Net income	$ 1,754	$ (6,082)	$ 4,938	$ (3,562)
Preferred stock dividends	(4)	(4)	(12)	(12)
Income available to common shareholders	$ 1,750	$ (6,086)	$ 4,926	$ (3,574)
Denominator:				
Weighted average common shares for basic EPS	25,204	24,981	25,099	24,845
Effect of dilutive securities:				
Weighted average non-vested stock awards	43		75	
Weighted average common shares for diluted EPS	25,247	24,981	25,174	28,845
Basic EPS	$ 0.07	$ (0.24)	$ 0.20	$ (0.14)
Diluted EPS	$ 0.07	$ (0.24)	$ 0.20	$ (0.14)

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Origen Financial, Inc.
Notes to Consolidated Financial Statements (Unaudited)

Note 4 Investments

The Company follows the provisions of SFAS No. 115, Accounting For Certain Investments in Debt and Equity Securities, and the American Institute of Certified Public Accountants (AICPA) Statement of Position 03-3 (SOP 03-3), Accounting for Certain Loans or Debt Securities Acquired in a Transfer, in reporting its investments. The securities are carried on the Company s balance sheet at an amortized cost of $41.5 million at September 30, 2006, which approximates their fair value.

Investments Accounted for Under the Provisions of SFAS No. 115

The carrying value of investments accounted for under the provisions of SFAS No. 115 was approximately $37.9 million at September 30, 2006 and is included in investments in the consolidated balance sheet. These investments consisted of two asset-backed securities with principal amounts of $32.0 million and $6.8 million, respectively, at September 30, 2006. The securities are collateralized by manufactured housing loans and are classified as held-to-maturity. They have contractual maturity dates of July 28, 2033 and December 28, 2033, respectively. During the three and nine months ended September 30, 2006, the Company did not purchase or sell any securities. As prescribed by the provisions of SFAS No. 115 the Company has both the intent and ability to hold the securities to maturity. The securities will not be sold in response to changing market conditions, changing fund sources or terms, changing availability and yields on alternative investments or other asset liability management reasons. The securities are regularly measured for impairment through the use of a discounted cash flow analysis based on the historical performance of the underlying loans that collateralize the securities. If it is determined that there has been a decline in fair value below amortized cost and the decline is other-than temporary, the cost basis of the security is written down to fair value as a new cost basis and the amount of the write-down is included in earnings. No impairment was recorded relating to these securities during the three and nine months ended September 30, 2006.

Investments Accounted for Under the Provisions of SOP 03-3

Debt securities acquired with evidence of deterioration of credit quality since origination are accounted for under the provisions of SOP 03-3. The carrying value of debt securities accounted for under the provisions of SOP 03-3 was approximately $3.6 million at September 30, 2006 and is included in investments in the consolidated balance sheet. During the three and nine months ended September 30, 2006, the Company did not purchase or sell any securities. The securities are regularly measured for impairment through the use of a discounted cash flow analysis based on the historical performance of the underlying loans that collateralize the securities. If it is determined that there has been a decline in fair value below amortized cost and the decline is other-than temporary, the cost basis of the security is written down to fair value as a new cost basis and the amount of the write-down is included in earnings. No impairment was recorded relating to these securities during the three months ended September 30, 2006. An other-than-temporary impairment of $114,000 was recorded during the nine months ended September 30, 2006, as a result of a change in the Company s estimates of expected future cash flows.

Origen Financial, Inc.
Notes to Consolidated Financial Statements (Unaudited)

Note 5 Loans Receivable

The carrying amounts of loans receivable consisted of the following (in thousands):

	September 30, 2006	December 31, 2005
Manufactured housing loans securitized	$ 851,499	$ 695,701
Manufactured housing loans unsecuritized	61,097	85,949
Accrued interest receivable	4,660	4,078
Deferred fees	(160)	(2,100)
Discount on purchased loans	(3,391)	(4,773)
Allowance for purchased loans	(428)	(428)
Allowance for loan loss	(8,412)	(10,017)
	$ 904,865	$ 768,410

The Company originates and purchases loans collateralized by manufactured houses with the intent to securitize them. Under the current legal structure of the securitization program, the Company transfers manufactured housing loans it originates and purchases to a trust for cash. The trust then sells asset-backed bonds secured by the loans to investors. These loan securitizations are structured as financing transactions. When securitizations are structured as financings, no gain or loss is recognized, nor is any allocation made to residual interests or servicing rights. Rather, the loans securitized continue to be carried by the Company as assets, and the asset-backed bonds secured by the loans are carried as a liability.

Total unpaid principal balance of loans serviced that the Company has previously securitized and accounted for as a sale was approximately $132.6 million at September 30, 2006. Delinquency statistics (including repossessed inventory) on those loans are as follows at September 30, 2006 (dollars in thousands):

Days delinquent	No. of Loans	Principal Balance	% of Portfolio
31-60	122	$4,861	3.7%
61-90	41	1,640	1.2%
Greater than 90	99	4,158	3.1%

Note 6 Allowance for Loan Losses

The allowance for loan losses and related additions and deductions to the allowance were as follows for the three months and nine months ended September 30 (in thousands):

	Three Months Ended September 30, 2006	Three Months Ended September 30, 2005	Nine Months Ended September 30, 2006	Nine Months Ended September 30, 2005
Balance at beginning of period	$ 8,779	$ 5,729	$ 10,017	$ 5,315
Provision for loan losses[1]	1,598	6,697	4,924	10,372
Transfers from recourse liability		123		2,036
Gross charge-offs	(4,202)	(5,512)	(12,825)	(15,719)
Recoveries	2,237	2,873	6,296	7,906
Balance at end of period	$ 8,412	$ 9,910	$ 8,412	$ 9,910

[1] The provision for loan losses for the three and nine months ended September 31, 2005 includes approximately $3.5 million related to the effects of Hurricane Katrina and Hurricane Rita.

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Origen Financial, Inc.
Notes to Consolidated Financial Statements (Unaudited)