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## U.S. Bancorp Q1 2009 Earnings Call Transcript

### Question-and-Answer Session

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**Operator**

(Operator instructions) Your first question comes from Chris Mutascio with Stifel Nicolaus.

**Chris Mutascio – Stifel Nicolaus**

Good morning, Richard and Andy and Judy. How are you?

**Judy Murphy**

Good morning.

**Chris Mutascio – Stifel Nicolaus**

Good. Richard or even Andy, can you give a little more color on the mortgage banking side? I've had some other banks report some pretty good increases or write ups of the MSR. Didn't look like that occurred with you guys this quarter. And mortgage production volume was up nicely, but the increase in the production volume was lower than the type of gain we saw if you will, from the origination of sales volume. Sales volume and origination of sales was up about five fold quarter-to-quarter, and mortgage production was up less than half. So, is the driver gain on sale? Has that spread widened to such a degree? And if so, can you comment on the sustainability of those kind of margins you can get on the sale of the loans?

**Andy Cecere**

Chris, this is Andy. First, regarding your hedge question. Our hedge was essentially neutral for the quarter against the servicing valuation, but that was an improvement versus the fourth quarter. As you know, the fourth quarter rates were highly volatile and we actually recorded a negative in the fourth quarter of about \$70 million. So on a quarter linked basis, that did improve the numbers. Year-over-year it was slightly positive. In the first quarter 2008 we were negative about 13. So the neutrality in the first quarter was helpful.

**Chris Mutascio – Stifel Nicolaus**

Okay.

**Andy Cecere**

Regarding the production versus servicing numbers, the production number was the principal driver in the first quarter, both on a linked basis and a year-over-year basis, producing \$174 million linked in about \$130 million quarter-over-quarter. So it is the principal drive. We had a record quarter in terms of, but not only production but also applications. So we would expect that strength that we saw in the first quarter to continue at least until the second quarter.

**Chris Mutascio – Stifel Nicolaus**

Are you also seeing widening spreads on the gain on sale on those loans?

**Andy Cecere**

Not yet, but the key driver in the revenue increase is the production levels.

**Chris Mutascio – Stifel Nicolaus**

Okay. And I may have missed this. If could just follow up on the tax question. I know that your tax rate was a bit low this quarter on taxable equivalent basis. What's the outlook going forward so I know how to model that?

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