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PRESENTATION

Operator

Good day ladies and gentlemen, and welcome to Stonegate Mortgage Corporation's first quarter 2015 earnings conference call. My name is Jackie, and I will be your operator today. At this time, all participants are in a listen-only mode. We will conduct a question and answer session towards the end of this call. Today's call is being recorded. I would like to turn the call over to Stonegate Mortgage's Senior Vice President of Finance, Michael McFadden. Please go ahead.

Michael McFadden - *Stonegate Mortgage Corporation - SVP, Finance*

Thank you Jackie. Good morning everyone. We appreciate you joining us on today's call. Joining me today is Jim Cutillo, Stonegate's CEO, and Rob Eastep, Stonegate's CFO. Financial results that will be discussed on today's call and located in the press release are unaudited. Additionally, today's discussion and accompanying materials include forward-looking statements, and as such, are subject to risks and uncertainties that we have discussed in detail in our documents filed with the SEC. Specifically our Annual Report on Form 10-K, which was filed on March 6, 2015, and any revisions to those risk factors and subsequent filings, which identify important risk factors that can cause actual results to differ from the forward-looking statements.

Finally, the financial results and matters that we will be discussing today contain non-GAAP measures that Stonegate management uses in evaluating Company performance. GAAP to non-GAAP reconciliations are located in the press release, and appended to the slide preparation. These non-GAAP measures are not intended to be a substitute for the GAAP results. Please note that a recording of this call and accompanying presentation materials can be found on Stonegate Mortgage's Investor Relations website at www.Investers.StonegateMtg.com. Please refer to that website for important materials, including the Q1 earnings press release. A replay of this call will also be made available on the website by the end of today. At this time I would like to turn the call over to Jim Cutillo, Chief Executive Officer of Stonegate Mortgage.

Jim Cutillo - *Stonegate Mortgage Corporation - CEO*

Thank you Mike. Welcome everyone to the Q1 2015 earnings cull. Let's begin on slide three. Where we lay out three operating segments we run, which are origination, financing, and servicing. We also categorize the return potential, leverage capabilities, and risk levels of each. Our origination segment originates whole loans through our retail, wholesale and corresponding channels, with the intention of creating a mortgage servicing right, which we can retain or sell. The difference between the net cost to originate the MSR and the fair market value of the MSR result in the economic value created. For example, with an NCO 100 basis points and an MSR value of 120 basis points, the origination segment will be providing a 20% return on investment. We are focused on maximizing the return from this segment by balancing volume and net costs to originate.

Our financing segment, or NattyMac, operates as independent warehouse lender, providing warehouse lines to our small to mid-sized corresponding clients. This service to our corresponding customers, helps us to develop deep and profitable relationships with them, by expanding our wallet share with those clients and generating fee and net interest income from these relationships. While complementary to our origination segment, our financing segment differs from origination in that profitability is primarily driven by volume. And it is not as capital intensive as our origination segment. We are focused on turning our capital over as frequently as possible in the financing segment. Our servicing segment provides steady cash flows from the servicing of loans, but is also the most capital intensive. The current market is pricing MSR at a yield high single digit to low double digit returns. We have been reluctant to finance the asset with excessive long term debt, due to the recent valuation volatility. We are focused on investing the asset in a capital efficient matter which includes opportunistically monetizing the cash flow stream. This leads to the follow slide.

On slide four, you can see our actual adjusted pretax return on average equity over the past 12 months was more than 40% for the combination of our origination and financing segments, and essentially breakeven for our servicing segment. Also note the shift from this year in terms of the total equity allocated to servicing, down to 50% in the most recent quarter from 63% this time last year. Our total equity invested in our origination and financing segments increased 21% from last year. We are focused on continuing to free up equity invested in our services business to invest in originations and financing to drive higher returns for the Company as a whole.

On slide five, our integrated business model performed as expected in the first quarter given the current interest rate and market environment. Interest rates continued to decline during the quarter, and the yield curve flattened with the 10-year Treasury down 23 basis points during the period, and the 210 spread down 12 basis points. The interest rate environment was a net positive for our origination segment, due to higher lot volume and higher gain on sale margins. The positive to our financing segment due to higher funded units offsetting lower net interest margins, and a net negative for our servicing segment, which saw a negative fair market value adjustment to the MSR assets, as well as increased payoffs and amortization of the servicing portfolio. We describe our three segments as a natural hedge, and you can see that played out as expected during this period. Slide six provides a brief overview of the financial and operational performance during Q1. Adjusted net income was $4.3 million, or $0.17 per share in the first quarter. The decline in interest rates resulted in a negative $24.4 million pretax fair market value adjustment to the MSR, which produced a GAAP net loss of $11.1 million, or $0.43 per share. On the operational side of our business, originations declined 16% from the prior quarter to $2.8 billion, which is 17% growth rate from the same period last year. Retail originations were up 5% from the prior quarter, and comprised 21% of our origination volume. Interest rate locks increased 41% from the prior year, and 22% from the prior quarter to $4.9 billion. Retail lock volume of $1.2 billion comprised 25% of our total lock volume, with about half of that contributed by Stonegate Direct. Wholesale lock volume $1.1 billion was up 17% from the prior quarter, and comprised 23% of our total lock volume. In our servicing segment we executed a $2.7 billion MSR sale during the quarter, so our servicing UPB was down 7% overall from the end of 2014. We have monetized over $70 million of invested capital from our servicing segment in the last three quarters, which demonstrates the liquidity of this asset at current market multiples, and also shows our commitment to freeing up equity to invest in our originations and financing segment, as I discussed earlier. Like originations, the financing segment also executed well as it grew its outstanding commitments by 10% and funded volume by 35% from the prior quarter.

Turn to slide seven, where we talk about our diversified origination business. Once again although originations were down during the quarter, locks were up 22% over the prior quarter, and 41% over the prior year which resulted in strong financial results which Rob will discuss shortly. Focusing on the channel mix of our origination business, you can see that our retail channel grew at an increase by 5% over the fourth quarter. A lot of the retail performance can be attributed to the recent launch of our Stonegate Direct business, which we will discuss on the next page. You can also see in the chart the corresponding volume decline by 28% during the quarter, as we remained focused on producing core profitability in this channel, not just origination volume. These operational metrics produced the net income we desired in this channel.

Please turn to slide eight. Our retail channel represented a record 25% of lock volume in the first quarter as our distributed and direct consumer models are performing well together. During the same period last year, retail lock volume represented 12%, which accounts for the strong revenue growth we experienced year-over-year. We launched Stonegate Direct on October 1, 2014, and in the short period of time that it has been up and running it has produced strong results. The locks averaged $203.7 million per month in the first quarter, which slightly outpaced retail distributed average monthly locks for the quarter.

Stonegate Direct benefited from the strong refinance market during the quarter, while distributing performed strongly as well, and maintained a lock mix of over 54% purchased transactions. We believe there continues to be a lot of opportunity for this channel, as productivity and brand awareness continues to ramp up. March productivity per tenured mortgage advisor was the highest we have experiences since the acquisition of Crossline, and the Nationstar distributive retail assets. We are also seeing the benefits of the significant investments we have made in our infrastructure and employees, while Rob will discuss that in more detail later. We are focused on digital marketing, radio and social media to drive prospective home owners to our site. Developing a relationship that positions us to gain the mortgage when they renter the market.

As shown on slide nine, our nonagency product line continues to perform well nonagency locks represented 8.2% of our locks in the first quarter, and were up 35% from the prior quarter. We currently have 15 nonagency investors and plan to continue to add additional investors to the platform. We believe the ability to access the market through Stonegate Connect will be a differentiator. Additionally we completed rating agency platform reviews during the quarter with three agencies. This will help facilitate both whole loan sales, as well as set us up for future potential securitization.

On slide ten, our financing segment continued to grow, funded volume and total commitments during the quarter, and generated positive pretax net income for the first time since we started the segment reporting. We believe this will begin to have a bigger impact on our financial results over the next year, as it adds more correspondent participants to the platform. Funded volume came in at 2,615 units and $638.1 million in the first quarter, up 35% from the prior quarter. Our NattyMac platform continues to drive additional volume from our correspondents, increasing wallet share from the customers. Loans funded through NattyMac represented 44% of total Stonegate correspondent origination if the first quarter, up 24% from the prior quarter. We have recently increased the funding sources for NattyMac, as banks and other financial institutions like the net interest spread that it generates for excess deposits. We believe offering the ability for investors, which can range from traditional to nontraditional warehouse lenders, to access through Stonegate Connect, and be a differentiator, and on that will result in market share and financial gain. This approach also offers us more stability, liquidity and diversification of funding, allowing us to do more business with the same balance sheet. As we continue to add funding sources, we can continue to grow the platform independently over our origination volume, increasing our fee and net interest income generated by this segment.

Turning to our servicing segment on slide 11, our portfolio ended the quarter at $17 billion in UPB, following the $2.7 billion MSR sale. We closed the sale on the third MSR portfolio in the first quarter. We plan to continue to look for ways to monetize the MSR asset through strategic bulk, and potentially flow sales based on current market pricing. We will provide another update on this strategy at the end of the presentation. Giving this is a capital intensive asset, we are best served by packaging MSRs to meet the investment criteria of our investors. For example, specific geographic areas where they have an interest, we also believe there is an opportunity to partner with strategic buyers who desire the cash flows, but do not want to service the loans. We are planning on making this possible through Stonegate Connect Marketplace in 2015. We introduced Stonegate Connect on our call last quarter and slide 12 will provide an update on the progress we have made on the implementation. Stonegate Connect is proprietary technology designed to facilitate transactions in the residential real estate asset class. We are beginning to roll out Stonegate Connect to a TPO portal to all of our broker and correspondent clients. We believe this will allow them to have greater access and transparency into the loan process, and make their interaction with us more efficient. We are also working on implementing Stonegate Connect investor portal, where investors will have the ability to access the marketplace through a single logon, and can participate in warehouse financing, whole loan purchases, both agency and nonagency, MSR purchases, and MSR financings. They will have the ability to target specific asset types, geographic areas, required yields through one platform, which is more efficient for them, versus traditional asset acquisition methods.

We are currently working to expand the asset classes based on investor demand. We intend to position ourselves as an intermediary earning fee income as an originator and servicer of the asset, and an asset manager. Given our wide distribution network or retail and third-party originators, we believe we will be able to source assets more efficiently and effectively for our marketplace participants, who consist of banks, REITs, hedge funds, insurance companies, and other financial institutions. We believe Stonegate Connect will allow us to expand our origination business, especially TPO by offering our clients indirect access to secondary market investors through our platform.

On slide 13 we highlight the different mortgage assets to which we originate and allow investors to passively invest. Each of these assets have different return and risk characteristics, and can attract a wide variety of investors. The chart demonstrates the transactions currently taking place, involving each of these assets, during the quarter we funded $638 million for NattyMac clients, and $2.8 billion for Stonegate on warehouse lines, generating short-term returns for the participants in those lines. We also carried a balance of $71 million on two different MSR facilities, as they ended the first quarter and sold $162 million of nonagency whole loans to multiple investors during the quarter. We are in the process of expanding those facilities and adding additional investors. Finally as I mentioned earlier, we completed a $2.7 billion MSR sale to a third party investor, our third consecutive quarterly sale. At this point, I will turn the call back over to Rob to discuss the financial results.

Rob Eastep - *Stonegate Mortgage Corporation - CFO*

Thanks Jim. Turning to slide 14. Our first quarter adjusted revenue of $68.7 million was up 17% from the previous quarter. The increase in revenue was primarily attributable to higher interest rate locks, and gain on sale margins on those locks, resulting in a $15.2 million increase to gain on mortgage loans held for sale. GAAP revenue was $44.3 million for Q1, which is a 67% increase from the previous quarter. The increased gain on sale of revenue of $52.8 million outpaced the $24.4 million negative adjustment to the MSR, and $13.8 million amortization expense on the servicing portfolio. A result of the lower interest rate environment during Q1. This shows the financial impact of the natural hedge of our business, which Jim spoke to at the start of this call. On the following slide I will provide more context around the change in revenue.

As you can see on slide 15, the primary reason for the GAAP revenue increase, was the increase on gain on mortgage loans held for sale, as well as higher servicing fees, and a reduced negative adjustment to the MSR valuation as compared to last quarter. The gain on sale bridge on the bottom right, shows the change in the different components that make up the gain on mortgage loans held for sale. Overall gain on sale margins of 186 basis points was up 74 basis points compared to prior quarter, due to higher locks, and higher cash gain on sale, partially offset by lower MSR and capitalization rates. Retail composing a higher percentage of our locks and fundings, generally has a positive impact on our cash gain on sale margins and pipeline valuation. We were also a benefactor of the drop in market interest rates during the first quarter, as overall market gain on sale margins expanded due to wider primary secondary spreads. We are pleased with where our gain on sale margins are running, as the mix of our origination channels continues to become more diversified. Retail has less exposed market margin pressures, while the third party channels can be exposed to more competitive pressures from other market participants.

Slide 16 shows the quarterly trend in GAAP and adjusted net income for Stonegate. When computing adjusted or quarter net income, we back out the impact of the fair market value changes to the MSR asset along with other one-tile charges. We do not however adjust for MSR amortization. After making these adjustments, we recorded a positive net income of $4.3 million, or $0.17 per diluted share, compared to Q4 adjusted net loss of $1.2 million, or $0.05 per share. On a GAAP basis we recorded a net loss of $11.1 million, or $0.43 per diluted share. By far the largest contributor of the net loss was the fair market value changes to the MSR asset of $24.4 million, driven again by the lower and flatter yield curve at March 31st compared to December 31st. In addition, we had MSR amortization of $13.8 million, which impacts both GAAP net income and adjusted net income. The bridge on the bottom right of the slide, provides the primary components of adjusted pretax income change from Q4. As you can see the increase and gain on mortgage loans held for sale more than offset the other items. This is the result of allocating a higher percentage of our equity into the origination segment, which we discussed at the onset of the call. On the following pages, we will take a look at each of our segments results. Move to slide 17. The originations segment produced an adjusted pretax income of $18.1 million, more than a three-fold increase from the prior quarter. There were no adjustments made to the origination pretax income in the current quarter. Total dollars to expenses remained relatively flat in the first quarter compared to the fourth quarter, despite the shift to a higher retail mix, which carries the highest expense base. When comparing to prior year, it is important to note that the first quarter 2014 adjusted noninterest expense excludes $9.6 million in adjustments for ramp and other non-routine expenses. On an unadjusted basis, noninterest expenses were $38 million for the first quarter of 2014, when our retail mix was just 12%. As we discussed last quarter, throughout the last two years we have made significant investments into our origination business, that were reported through our income statement.

The results of these investments running through the P&L was an elevated expense structure, prior to having the revenue associated with the more profitable retail channel. Now that the retail and wholesale channels are representing nearly 50% of our business, we are benefiting from the increased revenue without much expense growth. We do not anticipate significant incremental investments in our origination infrastructure, and now are in a position to see the benefits from those investments.

We discuss the financing segment on slide 18. Segment revenue net of interest expenses increased $1 million, up 25% from the fourth quarter, primarily due to the higher funded volume partially offset by the flattening of the yield curve. This resulted in pretax income of $115,000 for the quarter. Our focus is on growing this segment by adding additional correspondents and investors. The growth in NattyMac is not solely dependent on Stonegate origination volume.

Our servicing segment financials are highlighted on slide 19. Adjusted segment revenue and adjusted segment pretax income declined to $800,000, and a loss of $4.8 million respectively in the first quarter. Payoffs and principle amortization increased from $9.4 million in Q4 to $13.8 million in

Q1, this was a function of interest rate environment and additional seasoning of the portfolio. Our current production has lower interest rates than the weighted average coupon rate in our servicing portfolio which would suggest a more valuable asset if interest rates rise.

Finally on slide 20 we focus on our liquidity stats. Our cash and equivalents at March 31 was $52.5 million, or 19.5% of total equity. We feel this is a strong liquidity position, and an improvement over the strong position at year end 2014. The approximately $2.7 billion MSR sale has enhanced our liquidity position further. With that, I would like to turn the call back over to Jim to wrap up, before we open the line up for questions.

Jim Cutillo - *Stonegate Mortgage Corporation - CEO*

Thanks Rob. As interest rates rose in April, our locks tapered slightly from the first quarter to $71 million per day, but remained in line with our 2015 operating plan. The quick jump in rates has resulted in increased valuation of our lock pipeline, but we expect refinance volumes to slow, and return to forecasted levels. Our retail lock mix again represented a higher overall percentage, as it composed 26% of our locks in April. Our goal in 2014 was to hit 25% retail, and we have accomplished that goal. As I mentioned earlier, we are focused on growing our TPO channel as well. We will continue to roll out new products and delivery options that will allow us to gain market share over the next 12 to 18 months.

We continue to see elevated levels of prepayment in April 2015, through prepayment speeds have slowed slightly from the first quarter. Lastly at the end of April we executed another $2 billion UPB MSR sale. While the first few sales we conducted were conventional products, this sale is composed of government MSRs. Just as with prior sales we plan to redeploy the proceeds into origination and financing with the intent of establishing a low cost basis in new MSRs. To recap, our first quarter results were in line with our expectations for the quarter, and our segment performed directionally as we anticipated, given the interest rate environment. We remain focused on building a long term sustainable business model, that will allow us to be successful and profitable in any market environment. Our goal is to drive core earnings and generate a larger percentage of our revenue from fee and net interest income. We plan to continue to facilitate transactions to provide investors with the opportunity to participate in the residential real estate asset class through Stonegate Connect, which we believe will become a true differentiator for our business in years to come. I would like to open up the call now for questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions). Our first question comes from the line of Bose George with KBW.

Bose George - *Keefe, Bruyette & Woods - Analyst*

Hi, guys. Good morning. On the gain on sale margin by channel was there much change quarter-over-quarter, or was that the improvement this you saw really more on the mix?

Jim Cutillo - *Stonegate Mortgage Corporation - CEO*

I think was a combination of mix and margin. As we indicated on the call, we look to manage capacity by increasing the margin.

Bose George - *Keefe, Bruyette & Woods - Analyst*

And actually then specifically on the correspondent channel, the decline that you had there is that reasonable to think that led to some improvement in margin as you basically moved away from stuff that was less profitable?

Jim Cutillo - *Stonegate Mortgage Corporation - CEO*

Well, less or more profitable isn't the way to look at it, Bose. The way we are looking at it is, we have an investment threshold based on our NCO, so we set that and that is the correspondent knob that we can turn, that is the easiest right, to either get to that NCO level we need to be at, or not.

Bose George - *Keefe, Bruyette & Woods - Analyst*

And then actually just in terms of FHA gain on sale margins versus conventional, can you characterize the differences there just on profitability?

Jim Cutillo - *Stonegate Mortgage Corporation - CEO*

Well, I think from an industry perspective, so not speaking from a Stonegate perspective, you would expect that the gain on sale margins in the FHA business and the VA business to be stronger than conventional, and we have a pretty strong mix of government origination volume, as you know. And then with the change in the FHA-MIP premium, we saw a lot of opportunity and a lot of lock volume in our Stonegate Direct call center as a result of that.

Bose George - *Keefe, Bruyette & Woods - Analyst*

Okay. Great. One more just on the FHA. The FHA refis that you saw, were they mostly streamlined FHA refis?

Jim Cutillo - *Stonegate Mortgage Corporation - CEO*

Yes, for the vast majority.

Bose George - *Keefe, Bruyette & Woods - Analyst*

Okay. Great. Thanks.

Operator

The next question is from the line of Kevin Barker with Compass Point.

Kevin Barker - *Compass Point Research & Trading - Analyst*

Thank you for taking my question. Do you expect significant further investments in your origination segment, or will you see the benefits of the investments that you made going forward? In other words, could you just give us more color surrounding what you view as like fixed expenses versus variable expenses, and whether there is room to bring the fixed expense base down from current levels?

Jim Cutillo - *Stonegate Mortgage Corporation - CEO*

Well, as a percentage they will go down as we increase our origination volume. To answer your question, I don't anticipate additional fixed cost investments in our origination business going forward.

Kevin Barker - *Compass Point Research & Trading - Analyst*

So when looking at the margins, you would expect retail originations to continue to move higher while your fixed expense base should remain flat over the next year, given the investments you have already made?

Jim Cutillo - *Stonegate Mortgage Corporation - CEO*

Yes, year or more, yes.

Kevin Barker - *Compass Point Research & Trading - Analyst*

Okay. And then you continue to target what about 40% of your lock and origination numbers to come from the retail channel. Given your higher origination estimates going forward, would that imply roughly, what type of growth rates are you expecting on the retail channel going forward?

Jim Cutillo - *Stonegate Mortgage Corporation - CEO*

I think as I indicated Kevin in the script, we said that our goal was to kind of end the year at 25% retail for 2014, we accomplished that goal on a go-forward basis, we see retail being hopefully by the end of the year, roughly 30% to 40% of our overall business. So we'll see more growth in retail, both in our distributed platform and in our direct platform, but we also intend to continue to grow our third-party origination channel as well.

Kevin Barker - *Compass Point Research & Trading - Analyst*

So do you have an idea of like where you think the growth in retail, do you expect additional growth in retail, or just to continue to go for that 30% to 40% in percentage?

Jim Cutillo - *Stonegate Mortgage Corporation - CEO*

We expect to continue to grow retail. We have made obviously significant investments in that platform in 2014, both in the distributed side and in the call center side. We feel like we are now at, where we may be climbing to the top of the hill, if you will, but we are going to continue to invest and continue to grow that platform without additional fixed cost investment.

Kevin Barker - *Compass Point Research & Trading - Analyst*

All right. Thank you for taking my questions.

Operator

Our next question comes from the line of Doug Harter with Credit Suisse.

Doug Harter - *Credit Suisse - Analyst*

You guys highlighted your strong liquidity position. In light of that, can you talk about how you are thinking about the desire to continue to sell MSR assets versus retaining them?

Jim Cutillo - *Stonegate Mortgage Corporation - CEO*

If you look at the current returns on the MSR assets right now, you are looking at probably 8% to 9% pretax return if all things go well. Our goal is to monetize that. We have been doing that as a sale, right. So a bulk sale, in the script and in the deck, I think you will see what we are talking about now, is shifting more towards a flow retained servicing strategy going forward, which kind of gives us the ability to continue to own the relationship with the customer, which is important not only to us but to our sales team, but then going forward get the cash flows to the investors who actually want them. So whether that is an IO sale or a flow servicing sale, I think you will see some stuff from us on that in the coming quarters. We don't believe having our equity tied up in an 8% returned asset, or a 9% pretax return asset is where we need to be.

Doug Harter - *Credit Suisse - Analyst*

Is there a point where your liquidity builds to a certain level that keeping that 8% or 10% return is better than sort of having it sit in cash?

Jim Cutillo - *Stonegate Mortgage Corporation - CEO*

No. I mean we see plenty of opportunity to grow our origination franchise and our financing franchise, where we can redeploy that equity, as we indicated at a much higher return for our investors. Really, Doug, what we are saying is, we don't anticipate going back to the market and needing to raise additional equity or debt.

Doug Harter - *Credit Suisse - Analyst*

Right. That makes sense.

Jim Cutillo - *Stonegate Mortgage Corporation - CEO*

To grow our business.

Doug Harter - *Credit Suisse - Analyst*

That makes sense. And then can you talk about now that rates have started to go up, sort of what that mix between Stonegate Direct and the distributed channel, should we expect that to continue to run pretty consistent, or should Stonegate Direct decline, would you expect that to fare relatively weaker than the distributed?

Jim Cutillo - *Stonegate Mortgage Corporation - CEO*

I think we want to keep those two fairly balanced, so even in a rising interest rate environment, you are going to see the direct channel perform, maybe not as fast in growth rate as they did between Q4 and Q1, distributed continued to grow, because as we indicated they are focused more on purchased transactions, which is obviously important as well. So we like the way the two perform together. But I think one thing you need to also think about, is we had almost $7 million in increased amortization and payoff expense in Q1, because of the increase, the drop in rates in our servicing that hit core and gas net income. So as rates rise those feeds will slow back to maybe a more normalized level. We were fortunate that we had the hedge and we made that up in our origination segment. Maybe next quarter origination doesn't produce as much net income, but then the expense in servicing would be significantly less, from both a GAAP and a core perspective. And I'm not talking about the change in fair market value either for the MSR. We all know how that works. So I'm just talking from a pure amortization and payoff expense base perspective.

Doug Harter - *Credit Suisse - Analyst*

Great. Thank you.

Operator

(Operator Instructions). Our next question comes from the line of Paul Miller with FBR.

Paul Miller - *FBR & Co. - Analyst*

So I mean real quick, you sold another $2 billion of MSRs, Jim, sorry, how are you guys doing?

Jim Cutillo - *Stonegate Mortgage Corporation - CEO*

We are good, Paul, how are you doing?

Paul Miller - *FBR & Co. - Analyst*

Not bad. So you sold another $2 billion of MSR. Which slide is this, on the MSR slide. Now sitting roughly at $15 billion MSRs?

Jim Cutillo - *Stonegate Mortgage Corporation - CEO*

No, no, we contributed a whole another quarter's worth of production. Again, it is probably flat, maybe up slightly because we sold two, but we generated more than that in Q1.

Paul Miller - *FBR & Co. - Analyst*

Okay. And then did you disclose, or I probably can back into it, the CPR rates that you ran in the first quarter?

Jim Cutillo - *Stonegate Mortgage Corporation - CEO*

Should be in the Q.

Rob Eastep - *Stonegate Mortgage Corporation - CFO*

It will be in the 10-Q when we file that.

Jim Cutillo - *Stonegate Mortgage Corporation - CEO*

Yes. It will be out in the Q.

Paul Miller - *FBR & Co. - Analyst*

Okay. And then on the NattyMac, you talked about that you added a lot on the correspondent side you continued to grow that, but also mentioned in the call that you have also are getting more banks to sign up. How many banks are now working with NattyMacs?

Jim Cutillo - *Stonegate Mortgage Corporation - CEO*

I think that is disclosed in the Investor section of the Q as well. As we have several that are in there. Our intent, Paul, is to continue to grow that independently of even our origination business, because quite frankly, there are a lot of correspondents out there that Stonegate doesn't do business with, that NattyMac is in a position to do business with. So we are going to act as a fulfillment provider, generating fee and net interest income in that business, and we want to continue to grow that.

Paul Miller - *FBR & Co. - Analyst*

Okay. Thanks a lot, guys.

Jim Cutillo - *Stonegate Mortgage Corporation - CEO*

Thanks, Paul.

Rob Eastep - *Stonegate Mortgage Corporation - CFO*

Thanks, Paul.

Operator

There appear to be no further questions. Turn over to Michael McFadden for any additional or closing remarks.

Michael McFadden - *Stonegate Mortgage Corporation - SVP, Finance*

Thank you Jackie. A replay of today's call will be available on the Investor Relations website at www.Investors.StonegateMtg.com. Members of the media with additional questions may contact Whit Clyde at 212-446-1864. And analysts can contact myself at 317-663-5904. Thank you again for joining us today.

Operator

Thank you. This concludes today's conference call. You may now disconnect.
