

FLAGSTAR BANCORP INC

Form 11-K

June 29, 2010

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549  
FORM 11-K**

Mark One

**ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE  
ACT OF 1934**

**For the fiscal year ended December 31, 2009**

**OR**

**TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE  
ACT OF 1934**

**Commission File No.: 001-16577**

**A. Full title of the plan and the address of the plan, if different from that of the issuer named below:**

**Flagstar Bank 401(k) Plan**

**B. Name of issuer of the securities held pursuant to the plan and the address of its principal executive office:**

**Flagstar Bancorp, Inc.**

**5151 Corporate Drive**

**Troy, MI 48098**

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| <b>Note:</b> All other schedules required by Section 2520.103-10 of The Department of Labor Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974 have been omitted because they are not applicable. |    |
| <b><u>Signature</u></b>   | 17 |
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**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Participants and Administrator of  
Flagstar Bank 401(k) Plan

We have audited the accompanying statements of net assets available for benefits of Flagstar Bank 401(k) Plan (the Plan ) as of December 31, 2009 and 2008, and the related statement of changes in net assets available for benefits for the year ended December 31, 2009. These financial statements are the responsibility of the Plan s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Plan is not required to have, nor were we engaged to perform an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Plan as of December 31, 2009 and 2008, and the changes in net assets available for benefits for the year ended December 31, 2009, in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedule, Schedule H, line 4i Schedule of Assets (Held at End of Year) as of December 31, 2009, is presented for the purpose of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by the Department of Labor Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. The supplemental schedule is the responsibility of the Plan s management. The supplemental schedule has been subjected to the auditing procedures applied in our audit of the basic 2009 financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic 2009 financial statements taken as a whole.

/s/ Baker Tilly Virchow Krause, LLP  
Southfield, Michigan  
June 29, 2010

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**Flagstar Bank 401(k) Plan**  
**Statements of Net Assets Available for Benefits**

|   | <b>December 31,</b> |               |
|---|---------------------|---------------|
|   | <b>2009</b>         | <b>2008</b>   |
| <b>Assets</b>   |                     |               |
| Investments at fair value   |                     |               |
| Flagstar Bancorp, Inc. common stock   | \$ 3,281,192        | \$ 3,041,504  |
| Mutual funds  | 67,385,569          | 46,463,706    |
| Money market funds  | 8,850,847           | 9,351,460     |
| Common collective trust fund  | 59,217              | 222,661       |
| Participant loans   | 3,191,386           | 3,286,426     |
| <br>  |                     |               |
| Total investments at fair value   | 82,768,211          | 62,365,757    |
| Other   | 86,388              | 936           |
| <br>  |                     |               |
| Total assets  | 82,854,599          | 62,366,693    |
| <br><b>Liabilities</b>  |                     |               |
| Refundable contributions  | 169,307             | 108,374       |
| <br>  |                     |               |
| Total liabilities   | 169,307             | 108,374       |
| Net assets available for benefits reflecting all investments at fair value  | 82,685,292          | 62,258,319    |
| <br>  |                     |               |
| Adjustment from fair value to contract value for interest in common collective trust fund relating to fully benefit responsive investment contracts | 10,909              | 11,855        |
| <br>  |                     |               |
| Net assets available for benefits   | \$ 82,696,201       | \$ 62,270,174 |

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

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**Flagstar Bank 401(k) Plan  
Statement of Changes in Net Assets Available for Benefits**

|   | <b>For the Year<br/>Ended<br/>December 31, 2009</b> |
|---|---|
| <b>Additions</b>  |   |
| Additions to net assets attributed to:                                |   |
| Net realized and unrealized appreciation in fair value of investments | \$ 15,644,052                                       |
| Interest  | 248,599   |
| Dividends   | 967,524   |
| <br>Total investment income   | <br>16,860,175                                      |
| Contributions:  |   |
| Participant   | 10,097,358  |
| Company   | 3,129,786   |
| Rollovers   | 194,358   |
| <br>Total contributions   | <br>13,421,502                                      |
| <br>Total additions   | <br>30,281,677                                      |
| <b>Deductions</b>   |   |
| Deductions from net assets attributed to:                             |   |
| Participant benefits paid /deemed distributions                       | 9,748,011   |
| Administrative fees   | 107,639   |
| <br>Total deductions  | <br>9,855,650                                       |
| <br>Net increase  | <br>20,426,027                                      |
| Net assets available for benefits:                                    |   |
| Beginning of year   | 62,270,174  |
| <br>End of year   | <br>\$ 82,696,201                                   |

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

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**Flagstar Bank 401(k) Plan  
Notes to Financial Statements  
December 31, 2009 and 2008**

**Note A Description of Plan**

The following description of the Flagstar Bank 401(k) Plan (the Plan ) provides only general information. Participants should refer to the Plan document for a more complete description of the Plan s provisions.

**General**

The Plan is a defined contribution plan available to all employees of Flagstar Bancorp, Inc. (the Company ) who have met the eligibility service requirements. The Plan includes a salary deferral feature under section 401(k) of the Internal Revenue Code ( IRC ). An employee is eligible to participate in the Plan after three months of service and is age 21 or older. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 ( ERISA ), as amended.

**Contributions**

Eligible employees may contribute up to 60% of their eligible compensation to the Plan in 2009 not to exceed the annual Internal Revenue Service ( IRS ) dollar limitation of \$16,500. Participants were also able to make additional contributions of up to \$5,500 the annual IRS dollar limit on catch-up contributions in 2009. Certain participants were also able to contribute amounts representing rollover contributions from other qualified defined benefit or defined contribution plans. In 2009, the Plan was amended to suspend all employer matching contributions effective October 1, 2009 until such time as the Company affirmatively reinstates such matching contributions. The Company may make discretionary contributions to the Plan. No discretionary contributions were made in 2009. All contributions are invested in accordance with the participant s directive.

**Vesting**

Participants are immediately vested in their voluntary contributions and related earnings. Vesting in the Company contributions and related earnings is based on years of service. A participant becomes 100% vested in Company contributions after five years of credited service.

**Participants Accounts**

Each participant s account is credited with the participant s contribution, the Company contribution made on the employee s behalf and an allocation of Plan earnings based on the participant s share of net earnings or losses of their respective elected investment options. The benefit to which a participant is entitled is the benefit that can be provided from the participant s vested account.

**Participant Loans**

Participant loans are permitted by the Plan. Participants may borrow a minimum of \$1,000 up to the lesser of \$50,000 or 50% of the participant s vested account balance, reduced by the highest outstanding loan balance in the preceding 12 months. All loans must be repaid in level payments through after-tax payroll deductions over a five-year period or up to 10 years for the purchase of a primary residence. The loans are collateralized by up to 50% of a participant s account balance and bear interest at rates ranging from 4.25% to 9.25%, as determined by the Plan administrator at the date of issuance of the loan.

**Investment Options**

Upon enrollment in the Plan, a participant may direct contributions in 1% increments in any of the available investment options. Participants may change their designation daily.

**Payment of Benefits**

Upon termination of services, retirement, attainment of age 59-1/2, death or disability, the participant or his or her beneficiaries are entitled to receive a distribution or rollover to an IRA or other eligible plan a single lump sum

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**Flagstar Bank 401(k) Plan  
Notes to Financial Statements Continued  
December 31, 2009 and 2008**

amount equal to the vested amount of his or her account. A participant may also receive a distribution of his or her vested account balance in the case of financial hardship subject to the discretion of the Plan's administrator

**Forfeitures**

If a participant terminates employment, any non-vested portion of the participant's account is forfeited. Forfeitures are applied to plan expenses and any amounts remaining are then used to reduce the contributions of the Company.

Forfeited non-vested accounts totaled \$216,000 at December 31, 2009. In 2009, Company contributions were reduced by \$343,000 and administrative expenses were reduced by \$13,000 from forfeited non-vested accounts.

**Administrative Expenses**

The Company pays a portion of the Plan's administrative expenses. Participants pay the applicable fees associated with their loans distributions, withdrawals and stock transactions.

**Plan Termination**

Although it has not expressed any intent to do so, the Company has the right under the Plan to discontinue its contributions at any time and to terminate the Plan, subject to provisions of the IRC and ERISA. In the event of termination of the Plan, the assets of the Plan shall be distributed to all participants to the extent of the value of each participant's account after adjustment for liquidation expenses, which were not paid by the Company. In the event of the Plan termination, participants would become 100% vested in their Company contributions.

**Note B Summary of Accounting Policies**

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

**Basis of Accounting**

The accompanying financial statements have been prepared using the accrual method of accounting in accordance with accounting principles generally accepted in the United States of America ( U.S. GAAP ).

**Use of Estimates**

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

**Investment Valuation and Income Recognition**

Investments are stated at fair value using the methods described in Note C. The Statement of Changes in Net Assets Available for Benefits is presented on a contract value basis. Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

**Fidelity Managed Income Portfolio**

The Plan has an investment in the Managed Income Portfolio, a common trust fund of the Fidelity Group Trust for the Employee Benefit Plans (the Managed Income Portfolio Fund ), which includes benefit-responsive investment contracts. Investment contracts held by a defined-contribution plan are required to be reported at fair value. However, contract value is the relevant measurement attribute for that portion of the net assets available for benefits of a defined-contribution plan attributable to fully benefit-responsive investment contracts because the contract value is the amount participants would receive if they were to initiate permitted transactions under the terms of the Plan. Contract value represents contributions plus earnings, less participants withdrawals and administrative



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**Flagstar Bank 401(k) Plan  
Notes to Financial Statements Continued  
December 31, 2009 and 2008**

expenses. The statements of assets available for benefits present the fair value of the Managed Income Portfolio Fund and the adjustment from fair value to contract value.

The fair value of the Plan's investment in the Managed Income Portfolio Fund was \$59,217 and \$222,661 as of December 31, 2009 and 2008, respectively. The contract value of the Plan's investment in the Managed Income Portfolio Fund was \$70,216 and \$234,516 as of December 31, 2009 and 2008, respectively..

**Payment of Benefits**

Benefits are recorded when paid.

**Subsequent Events**

Management evaluates the impact of all subsequent events through the issuance date of the Plan's financial statements for the year ended December 31, 2009. Management has evaluated subsequent events through June 29, 2010, and has determined that all subsequent events have been appropriately recognized and disclosed in the accompanying financial statements.

**Note C Fair Value Accounting**

The Plan assets, which are recorded at fair value, are grouped into three levels based on the markets in which the assets are traded and the reliability of the assumptions used to determine fair value. An asset's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement (with Level 1 considered highest and Level 3 considered lowest). A brief description of each level follows:

Level 1 Fair value is based upon quoted prices for identical instruments in active markets.

Level 2 Fair value is based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market.

Level 3 Fair value is generated from model-based techniques that use at least one significant assumption not observable in the market. These unobservable assumptions reflect estimates that market participants would use in pricing that asset or liability. Valuation techniques may include discounted cash flow models and similar techniques.

The following is a description of the valuation methodologies used by the Plan for instruments measured at fair value, as well as the general classification of such instruments pursuant to the valuation hierarchy.

*Flagstar Bancorp common stock:* Valued at the closing price reported on the active market on which the security is traded.

*Mutual funds:* Valued at the net asset value of the shares held by the Plan at year end.

*Money market funds:* Valued at cost which approximates the net asset value of the shares held by the Plan at year end.

*Common collective trust fund:* Valued as the sum of (a) the fair value of the investments in guaranteed investment contracts (traditional GICs) and security-backed investment contracts that are wrapped by an insurance company, bank or other financial institution as determined by that fund's trustee (synthetic GICs) and (b) the fair value of the fund's investments in externally managed collective investment funds as determined by those funds' trustees.

*Participant loans:* Valued at the amortized cost plus accrued interest, which approximates fair value. The methods described above may produce a fair value estimate that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair

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**Flagstar Bank 401(k) Plan**  
**Notes to Financial Statements Continued**  
**December 31, 2009 and 2008**

value of certain financial instruments could result in different estimates of fair values of the same financial instruments at the reporting date.

The following tables presents the Plans investments carried at fair value as of December 31, 2009 and 2008, by valuation hierarchy (as described above):

| <b>December 31, 2009</b>          | <b>Level 1</b>       | <b>Level 2</b>      | <b>Level 3</b>      | <b>Investments at Fair Value</b> |
|-----------------------------------|----------------------|---------------------|---------------------|----------------------------------|
| Flagstar Bancorp common stock     | \$ 3,281,192         | \$                  | \$                  | \$ 3,281,192                     |
| Mutual funds                      | 67,385,569           |                     |                     | 67,385,569                       |
| Money market funds                |                      | 8,850,847           |                     | 8,850,847                        |
| Common collective trust fund      |                      | 59,217              |                     | 59,217                           |
| Participant loans                 |                      |                     | 3,191,386           | 3,191,386                        |
| <b>Total assets at fair value</b> | <b>\$ 70,666,761</b> | <b>\$ 8,910,064</b> | <b>\$ 3,191,386</b> | <b>\$ 82,768,211</b>             |

| <b>December 31, 2008</b>          | <b>Level 1</b>       | <b>Level 2</b>      | <b>Level 3</b>      | <b>Investments at Fair Value</b> |
|-----------------------------------|----------------------|---------------------|---------------------|----------------------------------|
| Flagstar Bancorp common stock     | \$ 3,041,504         | \$                  | \$                  | \$ 3,041,504                     |
| Mutual funds                      | 46,463,706           |                     |                     | 46,463,706                       |
| Money market funds                |                      | 9,351,460           |                     | 9,351,460                        |
| Common collective trust fund      |                      | 222,661             |                     | 222,661                          |
| Participant loans                 |                      |                     | 3,286,426           | 3,286,426                        |
| <b>Total assets at fair value</b> | <b>\$ 49,505,210</b> | <b>\$ 9,574,121</b> | <b>\$ 3,286,426</b> | <b>\$ 62,365,757</b>             |

The following table provides a summary of changes in the fair value of the Plan's level 3 assets for the year ended December 31, 2009.

|   | <b>Participant Loans</b> |
|---|--------------------------|
| Balance January 1, 2009                               | \$ 3,286,426             |
| New loans issued, interest earned and repayments, net | (95,040)                 |
| <b>Balance December 31, 2009</b>                      | <b>\$ 3,191,386</b>      |

**Note D Investments**

The following presents investments that represent 5% or more of the Plan's net assets.

**Number of**

| <b>December 31, 2009</b>                         | <b>Shares</b> | <b>Fair Value</b> |
|--|---------------|-------------------|
| Fidelity Retirement Government Money Market Fund | 7,047,420     | \$ 7,047,420      |
| Mutual Funds                                     |               |                   |
| Fidelity Growth Company Fund                     | 116,530       | 8,038,269         |
| Fidelity Dividend Growth Fund                    | 306,698       | 7,259,548         |
| Fidelity Diversified International Fund          | 238,388       | 6,674,874         |
| Fidelity Mid-Cap Stock Fund                      | 278,683       | 6,526,755         |
| Fidelity U.S. Bond Index Funds                   | 395,110       | 4,369,913         |
| Fidelity Spartan U.S. Equity Index Fund          | 109,134       | 4,303,173         |

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**Flagstar Bank 401(k) Plan**  
**Notes to Financial Statements Continued**  
**December 31, 2009 and 2008**

| <b>December 31, 2008</b>   | <b>Number of<br/>Shares</b> | <b>Fair Value</b>  |
|--|-----------------------------|--|
| Fidelity Retirement Government Money Market Fund   | 7,736,897                   | \$ 7,736,897   |
| Mutual Funds   |                             |  |
| Fidelity Growth Company Fund   | 112,779                     | 5,521,645  |
| Fidelity Diversified International Fund  | 212,612                     | 4,573,293  |
| Fidelity Dividend Growth Fund  | 288,659                     | 4,557,920  |
| Fidelity Mid-Cap Stock Fund  | 262,787                     | 4,102,097  |
| Fidelity U.S. Bond Index Funds   | 355,627                     | 3,837,215  |
| Fidelity Spartan U.S. Equity Index Fund  | 104,380                     | 3,329,709  |
| During 2009, the Plan's investments (including gains and losses on investments bought and sold, as well as held during the year) appreciated in fair value as determined by quoted market prices as follows: |                             |  |
|  |                             | <b>Net Realized and<br/>Unrealized<br/>Appreciation<br/>(Depreciation),<br/>in<br/>fair value of</b> |
| Flagstar Bancorp, Inc. common stock  |                             | \$ (677,645)   |
| Mutual funds   |                             | 16,321,697   |
| Total  |                             | \$ 15,644,052  |

**Note E Parties-In-Interest**

Certain Plan investments are shares of mutual funds managed by Fidelity Management Trust Company. Fidelity Management Trust Company is the trustee as defined by the Plan and, therefore, those transactions qualify as party-in-interest transactions. Pursuant to the Plan agreement, the Company may pay a portion of the administrative expenses of the Plan, at its discretion. Expenses paid to the trustee by the Company amounted to \$53,000 in 2009. In addition, the Plan trades in the common stock of the Company.

The Plan held 5,468,654 and 4,283,809 shares of Flagstar Bancorp, Inc. common stock as of December 31, 2009 and 2008, respectively. During 2009, Flagstar Bancorp, Inc. did not declare or pay any common stock dividends.

**Note F Tax Status**

The Internal Revenue Service has determined and informed the Company by a letter dated December 5, 2001, that the Plan and related trusts are designed in accordance with applicable sections of the Internal Revenue Code ( IRC ). The Plan was amended, subsequent to the application for favorable determination above, however, the Plan administrator believes that the Plan is designed and is currently being operated in compliance with applicable requirements of the IRC.

**Note G Risks and Uncertainties**

The Plan provides for various investment options in any combination of equity securities, bonds, fixed income securities and other investments with market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect participants' account balances and the amounts reported in the financial statements.



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**Flagstar Bank 401(k) Plan  
Notes to Financial Statements Continued  
December 31, 2009 and 2008**

**Note H Amounts Owed to Participants Withdrawing from the Plan**

The Plan had no liability to participants who had withdrawn from the Plan as of December 31, 2009 and 2008, respectively.

**Note I Reconciliation of Financial Statements to Form 5500**

The following is a reconciliation of statements of net assets available for benefits per the financial statements to the 2009 Form 5500.

|   | <b>December 31,</b> |               |
|---|---------------------|---------------|
|   | <b>2009</b>         | <b>2008</b>   |
| Net assets available for benefits per financial statements  | \$ 82,696,201       | \$ 62,270,174 |
| Adjustment to fair value from contract-value for investment relating to fully benefit-responsive investment contracts | (10,909)            | (11,855)      |
| Net assets available for benefits per Form 5500   | \$ 82,685,292       | \$ 62,258,319 |

The following is a reconciliation of the activity reported within the statement of changes in net assets available for benefits per the financial statements to the 2009 Form 5500.

|  | <b>December 31,</b> |            |
|--|---------------------|------------|
|  | <b>2009</b>         |            |
| Contributions per financial statements   | \$                  | 13,421,502 |
| Refundable contributions   |                     | (169,307)  |
| Contributions per Form 5500  | \$                  | 13,252,195 |
| Net increase in net assets available for benefits per Financial Statements   | \$                  | 20,426,027 |
| Change in adjustment to fair value from contract value for investment relating to fully benefit investment contracts |                     | 946        |
| Net income per Form 5500   | \$                  | 20,426,973 |

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**Supplemental Information**

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**Flagstar Bank 401(k) Plan**  
**Schedule H, line 4i Schedule of Assets (Held at End of Year)**  
**December 31, 2009**

| (a) lessor or similar party | (b) Identity of issue, borrower, | (c) Description of investment including maturity date, rate of interest, collateral, par, or maturity value | (d) Cost | (e) Current value |
|-----------------------------|----------------------------------|---|----------|-------------------|
| <b>Common Stock</b>         |                                  |   |          |                   |
| *                           | Flagstar Bancorp, Inc            | 5,468,654 shares of Common Stock  | **       | \$ 3,281,192      |
| <b>Mutual Funds</b>         |                                  |   |          |                   |
|                             | ABDN                             | Glbl FX Inc Is  | **       | 18,522            |
|                             | ABF                              | International Equity Investment   | **       | 10,741            |
|                             | ABF                              | Large Cap Value Portfolio   | **       | 48,750            |
|                             | AIM                              | Basic Value A   | **       | 2,548             |
|                             | AIM                              | Constellation Class A   | **       | 853               |
|                             | AIM                              | Dynamics Investment Fund  | **       | 299               |
|                             | AIM                              | Global Small and Mid Cap Growth A   | **       | 17,305            |
|                             | AIM                              | Mid Cap Core Equity Fund Class A  | **       | 41,514            |
|                             | AIM                              | Small Cap Growth Is   | **       | 471               |
|                             | ALL/BERN                         | Small/ Mid Cap Val A  | **       | 1,947             |
|                             | ALLNZ                            | CCM Mid Cap Administrative Fund   | **       | 1,461             |
|                             | ALLNZ                            | NFJ Small Cap Value Fund Administrative Class   | **       | 468               |
|                             | AM                               | CEN LG CO VAL INV   | **       | 157               |
|                             | AM                               | CENT VISTA INV  | **       | 10,329            |
|                             | AM                               | Central Ultra Investment Fund   | **       | 4,983             |
|                             | Ariel                            | Appreciation Fund   | **       | 73,256            |
|                             | Ariel                            | Fund  | **       | 42,920            |
|                             | Artisan                          | International Fund  | **       | 107,564           |
|                             | Artisan                          | Mid Cap Value Fund  | **       | 38,600            |
|                             | Baron                            | Asset Fund  | **       | 33,915            |
|                             | Baron                            | Small Cap Fund  | **       | 61,222            |
|                             | Calvert                          | Cap Acc A   | **       | 286               |
|                             | Calvert                          | SIF Equity A  | **       | 82                |
|                             | Col                              | Consolidated High Yield Z   | **       | 310               |
|                             | Col/Acorn                        | Select Fund Class Z   | **       | 79,755            |
|                             | Credit Suisse                    | Large Cap Growth Com  | **       | 3,655             |
|                             | Credit Suisse                    | Mid Cap Core Com  | **       | 446               |
|                             | DOMINI                           | Social Eq Inv   | **       | 647               |
|                             | DWS                              | Global Opps S   | **       | 22,251            |
|                             | DWS                              | International S   | **       | 5,304             |
|                             | DWS                              | Strategic Val A   | **       | 2,719             |
| *                           | Fidelity                         | Asset Mgr 20%   | **       | 81                |
| *                           | Fidelity                         | Asset Mgr 50%   | **       | 12,641            |
| *                           | Fidelity                         | Asset Mgr 70%   | **       | 15,232            |
| *                           | Fidelity                         | Asset Mgr 85%   | **       | 10,782            |



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|   |          |                                |    |           |
|---|----------|--------------------------------|----|-----------|
| * | Fidelity | Balanced Fund                  | ** | 97,752    |
| * | Fidelity | Blue Chip Growth Fund          | ** | 101,747   |
| * | Fidelity | Blue Chip Value Fund           | ** | 26,661    |
| * | Fidelity | Canada Fund                    | ** | 416,300   |
| * | Fidelity | Capital & Income Fund          | ** | 171,913   |
| * | Fidelity | Capital Appreciation Fund      | ** | 30,269    |
| * | Fidelity | Contra-fund                    | ** | 1,300,265 |
| * | Fidelity | Convertible Securities Fund    | ** | 9,018     |
| * | Fidelity | Disciplined Equity Fund        | ** | 66,413    |
| * | Fidelity | Diversified International Fund | ** | 6,674,874 |
| * | Fidelity | Dividend Growth Fund           | ** | 7,259,548 |
| * | Fidelity | Emerging Markets Fund          | ** | 396,726   |
| * | Fidelity | Equity-Income Fund             | ** | 1,978,588 |
| * | Fidelity | Equity-Income II Fund          | ** | 2,870     |
| * | Fidelity | Europe Cap Appreciation Fund   | ** | 17,005    |

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**Flagstar Bank 401(k) Plan**  
**Schedule H, line 4i Schedule of Assets (Held at End of Year)**  
**December 31, 2009**

| (a) | (b) Identity of issue, borrower,<br>lessor or similar party | (c) Description of investment including<br>maturity date, rate of interest,<br>collateral, par, or maturity value | (d) Cost | (e) Current<br>value |
|-----|---|---|----------|----------------------|
| *   | Fidelity  | Europe Fund   | **       | 33,321               |
| *   | Fidelity  | Export and Multinational Fund   | **       | 69,199               |
| *   | Fidelity  | Fidelity Fund   | **       | 46,020               |
| *   | Fidelity  | Fifty Fund  | **       | 11,599               |
| *   | Fidelity  | Focused High Inc  | **       | 2,688                |
| *   | Fidelity  | Focused Stock Fund  | **       | 31,133               |
| *   | Fidelity  | Freedom 2000 Fund   | **       | 345,676              |
| *   | Fidelity  | Freedom 2005 Fund   | **       | 18,152               |
| *   | Fidelity  | Freedom 2010 Fund   | **       | 1,159,583            |
| *   | Fidelity  | Freedom 2015 Fund   | **       | 279,402              |
| *   | Fidelity  | Freedom 2020 Fund   | **       | 2,210,403            |
| *   | Fidelity  | Freedom 2025 Fund   | **       | 375,092              |
| *   | Fidelity  | Freedom 2030 Fund   | **       | 2,185,663            |
| *   | Fidelity  | Freedom 2035 Fund   | **       | 757,902              |
| *   | Fidelity  | Freedom 2040 Fund   | **       | 1,661,060            |
| *   | Fidelity  | Freedom 2045  | **       | 138,818              |
| *   | Fidelity  | Freedom 2050  | **       | 257,599              |
| *   | Fidelity  | Freedom Income Fund   | **       | 555,027              |
| *   | Fidelity  | Ginnie Mae Fund   | **       | 179,152              |
| *   | Fidelity  | Global Balanced Fund  | **       | 4,527                |
| *   | Fidelity  | Government Income Fund  | **       | 372,009              |
| *   | Fidelity  | GR Strategies   | **       | 33,748               |
| *   | Fidelity  | Growth and Income Fund  | **       | 30,556               |
| *   | Fidelity  | Growth Company Fund   | **       | 8,038,269            |
| *   | Fidelity  | Independence Fund   | **       | 1,942,045            |
| *   | Fidelity  | Inflation Prot Bond Fund  | **       | 46,462               |
| *   | Fidelity  | Institutional Shares Int Govt   | **       | 18,872               |
| *   | Fidelity  | Intermediate Bond Fund  | **       | 12,048               |
| *   | Fidelity  | Intermediate Government Income  | **       | 104,389              |
| *   | Fidelity  | International Cap Appreciation  | **       | 13,112               |
| *   | Fidelity  | International Discovery Fund  | **       | 156,201              |
| *   | Fidelity  | Intl Real Estate  | **       | 108,413              |
| *   | Fidelity  | Investment Growth Bond Fund   | **       | 13,712               |
| *   | Fidelity  | Japan Fund  | **       | 17,559               |
| *   | Fidelity  | Large Cap Growth Fund   | **       | 22,409               |
| *   | Fidelity  | Large Cap Stock Fund  | **       | 137,101              |
| *   | Fidelity  | Large Cap Value Fund  | **       | 69,916               |
| *   | Fidelity  | Latin America Fund  | **       | 1,071,847            |
| *   | Fidelity  | Leveraged Company Stock Fund  | **       | 618,217              |
| *   | Fidelity  | Low-Priced Stock Fund   | **       | 1,870,721            |

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|   |          |                          |    |           |
|---|----------|--------------------------|----|-----------|
| * | Fidelity | Mega Cap Stock           | ** | 23,971    |
| * | Fidelity | Mid Cap Growth Fund      | ** | 14,893    |
| * | Fidelity | Mid Cap Value Fund       | ** | 44,807    |
| * | Fidelity | Mid-Cap Stock Fund       | ** | 6,526,755 |
| * | Fidelity | Mortgage Securities Fund | ** | 7,321     |
| * | Fidelity | NASDAQ Comp Index        | ** | 3,552     |
| * | Fidelity | New Markets Income Fund  | ** | 246,333   |
| * | Fidelity | OTC Portfolio            | ** | 80,785    |
| * | Fidelity | Overseas Fund            | ** | 178,060   |
| * | Fidelity | Pacific Basin Fund       | ** | 32,684    |
| * | Fidelity | Puritan Fund             | ** | 17,962    |
| * | Fidelity | Real Estate Income Fund  | ** | 88,340    |
| * | Fidelity | Real Estate Investment   | ** | 127,289   |
| * | Fidelity | Short Term Bond Fund     | ** | 6,824     |
| * | Fidelity | Small Cap Discovery      | ** | 1,818,969 |

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**Flagstar Bank 401(k) Plan**  
**Schedule H, line 4i Schedule of Assets (Held at End of Year)**  
**December 31, 2009**

| (a) | (b) Identity of issue, borrower,<br>lessor or similar party | (c) Description of investment including<br>maturity date, rate of interest,<br>collateral, par, or maturity value | (d) Cost | (e) Current<br>value |
|-----|---|---|----------|----------------------|
| *   | Fidelity  | Small Cap Growth Fund   | **       | 18,742               |
| *   | Fidelity  | Small Cap Independent Fund  | **       | 17,985               |
| *   | Fidelity  | Small Cap Stock Fund  | **       | 71,191               |
| *   | Fidelity  | Small Cap Value Fund  | **       | 34,211               |
| *   | Fidelity  | Southeast Asia Fund   | **       | 226,624              |
| *   | Fidelity  | Spartan U.S. Equity Index Fund  | **       | 4,303,173            |
| *   | Fidelity  | Stock Selector  | **       | 11,952               |
| *   | Fidelity  | Strategic Dividend and Income Fund  | **       | 2,159                |
| *   | Fidelity  | Strategic Income Fund   | **       | 121,406              |
| *   | Fidelity  | Telcom and Utilities Fund   | **       | 201,880              |
| *   | Fidelity  | Total Bond Fund   | **       | 24,748               |
| *   | Fidelity  | Trend Fund  | **       | 18,434               |
| *   | Fidelity  | U.S. Bond Index Fund  | **       | 4,369,913            |
| *   | Fidelity  | Ultrashort Bond   | **       | 2,730                |
| *   | Fidelity  | Value Fund  | **       | 133,274              |
| *   | Fidelity  | Value Strategies Fund   | **       | 100,293              |
| *   | Fidelity  | Worldwide Fund  | **       | 4,808                |
|     | Franklin  | Small-Mid Cap Growth Fund Class A   | **       | 7,457                |
|     | Hartford  | Growth Y  | **       | 5,018                |
|     | Hartford  | International Growth Y  | **       | 641                  |
|     | JH  | Small Company A   | **       | 18,565               |
|     | LD Abbett   | Affiliated A  | **       | 50,585               |
|     | LD Abbett   | Small Cap Build Class A   | **       | 48,196               |
|     | LM  | CBA AGG GR A  | **       | 58,604               |
|     | LM  | CBA LC GRO A  | **       | 2,058                |
|     | LM  | Value Trust Fidelity Class  | **       | 18,752               |
|     | Loomis  | Growth A  | **       | 1,587                |
|     | Loomis  | Small Cap Value R   | **       | 4,031                |
|     | Managers  | AMG ES LG CP GR   | **       | 37                   |
|     | Managers  | Bond Fund   | **       | 129,326              |
|     | Managers  | Special Equity  | **       | 3,461                |
|     | MSIF  | Capital Growth P  | **       | 6,511                |
|     | MSIF  | Intl Equity P   | **       | 682                  |
|     | MSIF  | Value P   | **       | 863                  |
|     | MSIFT   | Emerging Markets P  | **       | 63,600               |
|     | MSIFT   | Mid Cap Growth P  | **       | 21,548               |
|     | Mutual  | Global Discovery Fund Class A   | **       | 114,508              |
|     | Mutual  | Shares Class A  | **       | 48,757               |
|     | NB  | Core Fund Inv   | **       | 5,795                |
|     | NB  | Genesis Investment Class  | **       | 2,793                |

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|         |   |    |         |
|---------|---|----|---------|
| NB      | Guardian Trust                            | ** | 178     |
| NB      | High Income Bond Investment               | ** | 37,409  |
| NB      | International Fund Trust                  | ** | 18,035  |
| NB      | Partners Trust Fund                       | ** | 5,243   |
| NB      | Regency Trust                             | ** | 251     |
| NB      | Socially Responsible Trust                | ** | 304     |
| PIM     | Global Bond AD Un-hedged Fund             | ** | 47,958  |
| PIMCO   | High Yield Administration Class           | ** | 12,920  |
| PIMCO   | Long Term Government Administrative Class | ** | 50,853  |
| PIMCO   | Low DUR Administration Fund               | ** | 45,230  |
| PIMCO   | Real Return Bond Admin.                   | ** | 158,241 |
| PIMCO   | Total Return Fund Administrative Class    | ** | 670,662 |
| Rainier | Small Mid Cap Fund                        | ** | 91,978  |
| Royce   | Total Return SER                          | ** | 4,254   |
| Royce   | Value Plus Ser                            | ** | 155,264 |

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**Flagstar Bank 401(k) Plan**  
**Schedule H, line 4i Schedule of Assets (Held at End of Year)**  
**December 31, 2009**

| (a) | (b) Identity of issue, borrower,<br>lessor or similar party | (c) Description of investment including<br>maturity date, rate of interest,<br>collateral, par, or maturity value | (d) Cost | (e) Current<br>value |
|-----|---|---|----------|----------------------|
|     | RS  | Partners Fund A   | **       | 32,917               |
|     | RS  | Small Cap Grth A  | **       | 3,187                |
|     | RS  | Value Fund  | **       | 17,945               |
|     | SPTN  | Extended Market Index   | **       | 53,967               |
|     | SPTN  | Total Market Index  | **       | 84,588               |
|     | TCW   | Select Equity N   | **       | 41                   |
|     | Templeton   | Dev Markets Fund Class A  | **       | 191,226              |
|     | Templeton   | Foreign Fund Class A  | **       | 128,292              |
|     | Templeton   | Foreign Small Company Class A   | **       | 19,953               |
|     | Templeton   | Global Bond Fund Class A  | **       | 239,259              |
|     | Templeton   | Growth Fund Class A   | **       | 17,513               |
|     | Templeton   | World Fund Class A  | **       | 6,131                |
|     | The Oakmark   | Equity and Income Fund  | **       | 192,406              |
|     | The Oakmark   | Fund I  | **       | 36,971               |
|     | The Oakmark   | Select I  | **       | 1,122,839            |
|     | Touchstone  | SC SEL GR Z   | **       | 34,718               |
|     | Van Kampen  | Equity Income Class A   | **       | 52,766               |
|     | Van Kampen  | Growth and Income Fund Class A  | **       | 20,207               |
|     | Virtus  | Mid Cap Value A   | **       | 15,560               |
|     | WA  | Core Plus Bond Fi   | **       | 139                  |
|     | WEST  | Asset Core Fi   | **       | 2                    |
|     | WFA   | C&B Mid Cap Value Fund D  | **       | 637                  |
|     | WFA   | Mid Cap DSCPLD Investment   | **       | 376                  |
|     | WFA   | Small Cap Value Investment  | **       | 77,912               |
|     | WFA   | Small Co Value A  | **       | 207                  |
|     |   | Total Mutual Funds  |          | 67,385,569           |
|     | <b>Money Market Funds</b>                                   |   |          |                      |
|     | *   | Fidelity Retirement Government Money Market   | **       | 7,047,420            |
|     | *   | Fidelity Retirement Money Market Portfolio  | **       | 1,577,313            |
|     | *   | Fidelity Institutional Cash Portfolio   | **       | 226,114              |
|     |   | Total Money Market Funds  |          | 8,850,847            |
|     | <b>Common Collective Trust Fund</b>                         |   |          |                      |
|     | *   | Fidelity Managed Income Portfolio   | **       | 59,217               |

**Participant Loans**

|                                 |  |               |
|---------------------------------|--|---------------|
| * Participant Loans             | Interest rates ranging from 4.25% to 9.25% with various maturity dates | 3,191,386     |
|                                 | Total Investments  | \$ 82,768,211 |
| * Party-in-interest to the Plan |  |               |
| ** Participant Directed         |  |               |

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**SIGNATURE**

Pursuant to the requirements of the Securities Exchange Act of 1934, the trustees (or other persons who administer the employee benefit plan) who is duly authorized by the Company have signed this annual report on the Plan's behalf.

FLAGSTAR BANK 401(k) PLAN

June 29, 2010

By: /s/ Rebecca A. Lucci  
Plan Administrator



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EXHIBIT INDEX

| <b>Exhibit No.</b> | <b>Description</b>   | <b>Page No.</b> |
|--------------------|--|-----------------|
| 23                 | Consent of Independent Registered Public Accounting Firm<br>18 | 19              |