

FLAGSTAR BANCORP INC

Form 11-K

June 29, 2009

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 11-K
FOR ANNUAL REPORTS OF EMPLOYEE STOCK
PURCHASE, SAVINGS AND SIMILAR PLANS
PURSUANT TO SECTION 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934**

Mark One

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

For the fiscal year ended December 31, 2008

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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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, 2008 and 2007, and the related statement of changes in net assets available for benefits for the year ended December 31, 2008. 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, 2008 and 2007, and the changes in net assets available for benefits for the year ended December 31, 2008, 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), 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 2008 financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic 2008 financial statements taken as a whole.

/s/ Baker Tilly Virchow Krause, LLP
Southfield, Michigan
June 29, 2009

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

	December 31,	
	2008	2007
Assets		
Investments at fair value		
Flagstar Bancorp, Inc. common stock	\$ 3,041,504	\$10,815,307
Mutual funds	46,463,706	72,982,751
Money market funds	9,351,460	6,995,741
Common collective trust fund	222,661	11,124
Participant loans	3,286,426	3,204,057
Total investments at fair value	62,365,757	94,008,980
Other	936	3,484
Total assets	62,366,693	94,012,464
Liabilities		
Refundable contributions	108,374	205,744
Total liabilities	108,374	205,744
Net assets available for benefits reflecting all investments at fair value	62,258,319	93,806,720
Adjustment from fair value to contract value for interest in common collective trust fund relating to fully benefit responsive investment contracts	11,855	
Net assets available for benefits	\$62,270,174	\$93,806,720

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**

	For the Year Ended December 31, 2008
Additions	
Additions to net assets attributed to:	
Interest and dividends	\$ 456,104
Contributions:	
Participant	11,486,147
Company	4,373,364
Rollovers	1,274,115
Total contributions	17,133,626
Total additions	17,589,730
Deductions	
Deductions from net assets attributed to:	
Net depreciation in fair value of investments	41,913,108
Participant benefits paid /deemed distributions	7,123,912
Administrative fees	89,256
Total deductions	49,126,276
Net decrease	31,536,546
Net assets available for benefits:	
Beginning of year	93,806,720
End of year	\$ 62,270,174

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, 2008 and 2007**

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 covering all employees of Flagstar Bancorp, Inc. (the Company) who have met the eligibility service requirements. 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% in 2008 up to the statutory limits (\$15,500 in 2008) per annum, of their eligible compensation to the Plan. Participants that meet certain criteria may make additional catch-up contributions of up to \$5,000 in 2008. Participants may also contribute amounts representing rollover contributions from other qualified defined benefit or defined contribution plans. The Company matches employee contributions up to 3% per annum of the employee s compensation, up to a maximum contribution of \$6,900, excluding the catch-up contributions. The Company may make discretionary contributions to the Plan. No discretionary contributions were made in 2008. All contributions are invested in accordance with the participant s directive.

Vesting

Participants are immediately vested in their voluntary contributions. 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 employee s account balance. 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 5.00% 9.25%, as determined by the Plan administrator.

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 based on 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.

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**Flagstar Bank 401(k) Plan
Notes to Financial Statements Continued
December 31, 2008 and 2007**

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 \$406,000 at December 31, 2008. In 2008, Company contributions were reduced by \$535,000 from forfeited non-vested accounts.

Administrative Expenses

The Company pays a portion of the Plan's administrative expenses.

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 reported amounts of assets and liabilities and changes therein, and the disclosure of contingent assets and liabilities. 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 Plan's investment in the Fidelity Managed Income Portfolio (the Stable Return Fund), a common collective trust sponsored by Fidelity Management Trust Company consists of benefit responsive investment contracts. Benefit-responsive 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 contract value is the amount the participants would receive if they were to initiate permitted transactions under the terms of the Plan. The Statements of Net Assets Available for Benefits present the fair value of the investment in the common collective trust fund as well as the adjustment of the investment in the common collective trust fund from fair value to contract value relating to the investment contracts. Contract value approximated fair value as of December 31, 2007. 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 Stable Return Fund invests in a variety of investment contracts such as guaranteed investment contracts (GICs) issued by insurance companies and other financial institutions and other investment products (synthetic GICs and collective investment trusts) with similar characteristics. The Stable Return Fund primarily holds investments in fully benefit-responsive investment contracts that provide that the Plan may make withdrawals at contract value for benefit-responsive requirements.

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**Flagstar Bank 401(k) Plan
Notes to Financial Statements Continued
December 31, 2008 and 2007**

In determining the net assets available for benefits, the Stable Return Fund is carried at fair value based on information provided by the issuer of the common collective trust fund, by discounting the related cash flows based on current yields of similar instruments with the comparable durations considering the credit-worthiness of the issuer of the specific instruments held by the fund at year end.

The interest crediting rate is the periodic interest rate accrued to participants and is either set at the beginning of the contract and held constant, or reset periodically to reflect the performance of the underlying securities. The crediting interest rate for the Stable Return Fund was 3.04% at December 31, 2008. The average yield for the years ended December 31, 2008 was 3.57%.

Participants may ordinarily direct the withdrawal or transfer of all or a portion of their investment in the Stable Return Fund at contract value. Certain events may limit the ability of the Plan to transact at contract value with the issuer. Such events include the following: (i) amendments to the Plan documents (including complete or partial Plan termination or merger with another plan); (ii) changes to the Plan's prohibition on competing investment options or deletion of equity wash provisions; (iii) bankruptcy of the Plan sponsor or other Plan sponsor events (e.g., divestitures or spin-offs of the trust to qualify for exemption from federal income taxes or any required prohibited transaction exemption under ERISA). The plan administrator does not believe that the occurrence of any such value event, which would limit the Plan's ability to transact at contract value with participants, is probable.

Payment of Benefits

Benefits are recorded when paid.

Note C Fair Value Accounting

On January 1, 2008, the Plan adopted Statement of Financial Accounting Standards Boards (SFAS) No. 157, *Fair Value Measurements*. SFAS 157 establishes a framework for measuring fair value and expands disclosures about fair value measurements. SFAS 157 was issued to establish a uniform definition of fair value. The definition of fair value under SFAS 157 is market-based as opposed to company-specific.

SFAS 157 establishes a three-level valuation hierarchy for disclosure of fair value measurements. The valuation hierarchy favors the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows.

Level 1 Fair value is based upon quoted prices (unadjusted) for identical assets or liabilities in active markets in which the Plan can participate.

Level 2 Fair value is based upon quoted prices for similar (i.e., not identical) assets and liabilities in active markets, and other inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3 Fair value is based upon financial models using primarily unobservable inputs.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

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.

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Flagstar Bank 401(k) Plan
Notes to Financial Statements Continued
December 31, 2008 and 2007

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 at fair value, based on information provided by the issuer of the common collective trust fund, by discounting the related cash flows based on current yields of similar instruments with the comparable durations considering the credit-worthiness of the issuer of the specific instruments held by the fund at year end.

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

The following table presents the Plans investments carried at fair value as of December 31, 2008, by SFAS 157 valuation hierarchy (as described above):

	Level 1	Level 2	Level 3	Investments at Fair Value
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
Total assets at fair value	\$49,505,210	\$9,574,121	\$3,286,426	\$62,365,757

The following table provides a summary of changes in the fair value of the Plan's level 3 assets.

	Participant Loans
Balance January 1, 2008	\$ 3,204,057
New loans issued, interest earned and repayments, net	82,369
Balance December 31, 2008	\$ 3,286,426

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Flagstar Bank 401(k) Plan
Notes to Financial Statements Continued
December 31, 2008 and 2007

Note D Investments

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

December 31, 2008	Number of Shares	Fair Value
Fidelity Retirement Government Money Market Fund	7,736,897	\$7,736,897
Flagstar Bancorp, Inc. Common Stock	4,283,809	3,041,504
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

December 31, 2007	Number of Shares	Fair Value
Flagstar Bancorp, Inc. Common Stock	1,551,694	\$10,815,307
Fidelity Retirement Government Money Market Fund	5,445,684	5,445,684
Mutual Funds		
Fidelity Growth Company Fund	118,569	9,838,844
Fidelity Dividend Growth Fund	263,244	7,739,360
Fidelity Mid-Cap Stock Fund	263,343	7,700,150
Fidelity Spartan U.S. Equity Index Fund	115,435	5,991,055
Fidelity Diversified International Fund	193,116	7,705,322

During 2008, the Plan's investments (including gains and losses on investments bought and sold, as well as held during the year) depreciated in fair value as determined by quoted market prices as follows:

	Net Realized and Unrealized Depreciation, in fair value of investments
Flagstar Bancorp, Inc. common stock	\$ (12,877,609)
Mutual funds	(29,035,499)

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 \$78,300 in 2008. In addition, the Plan trades in the common stock of the Company.

During 2008, Flagstar Bancorp, Inc. did not declare or pay any dividends.

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**Flagstar Bank 401(k) Plan
Notes to Financial Statements Continued
December 31, 2008 and 2007**

Note F 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 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 G 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 H 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 statement of net assets available for benefits.

Note I 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, 2008 and 2007, respectively.

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Flagstar Bank 401(k) Plan
Notes to Financial Statements Continued
December 31, 2008 and 2007

Note J 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 Form 5500.

	December 31, 2008	2007
Net assets available for benefits per financial statements	\$62,270,174	\$93,806,720
Adjustment to fair value from contract-value for investment relating to fully benefit-responsive investment contracts	(11,855)	
Net assets available for benefits per Form 5500	\$62,258,319	\$93,806,720

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 Form 5500.

	December 31, 2008
Contributions per financial statements	\$ 17,133,626
Refundable contributions	(108,374)
Contributions per Form 5500	\$ 17,025,252
Net decrease in net assets available for benefits per Financial Statements	\$ (31,536,546)
Change in adjustment to fair value from contract value for investment relating to fully benefit investment contracts	11,855
Net loss per Form 5500	\$ (31,548,401)

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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, 2008

(b) Identity of issue, borrower, or lessor or similar party	(c) Description of investment including maturity date, rate of interest, collateral, par, or maturity value	(d) Cost	(e) Current value
Flagstar Bancorp, Inc	4,283,809 shares of Common Stock	**	\$3,041,504
Hartford	International Growth Y	**	40
ABF	International Equity PA	**	6,019
ABF	Large Cap Value Portfolio	**	14,033
AIM	Basic Value A	**	298
AIM	Constellation Class A	**	185
AIM	Dynamics Investment Fund	**	102
AIM	Global Small and Mid Cap Growth A	**	12,532
AIM	Mid Cap Core Equity Fund Class A	**	7,941
AIM	Small Cap Growth Is	**	170
ALL/BERN	Small/ Mid Cap Val A	**	785
ALLNZ	CCM Mid Cap Administrative Fund	**	5,155
ALLNZ	NFJ Small Cap Value Fund Administrative Class	**	184
AM	CENT VISTA INV	**	13,438
AM	Central Ultra Investment Fund	**	1,956
Ariel	Appreciation Fund	**	19,564
Ariel	Fund	**	22,052
Artisan	International Fund	**	41,188
Artisan	Mid Cap Value Fund	**	58,073
Baron	Asset Fund	**	23,070
Baron	Small Cap Fund	**	35,777
Calvert	Cap Acc A	**	56
Calvert	SIF Equity A	**	108
Col	Consolidated High Yield Z	**	57
Col/Acorn	Select Fund Class Z	**	38,041
Credit Suisse	Global Fixed Income Fund Common Shares	**	17,759
Credit Suisse	Large Cap Growth Com	**	2,650
DWS	Dividend High Return Equity Class A	**	3,263
DWS	Global Opps S	**	3,762
DWS	International S	**	8,557
Fidelity	Aggressive Growth Fund	**	27,365
Fidelity	Asset Mgr 70%	**	8,670
Fidelity	Asset Mgr 85%	**	5,766
Fidelity	Balanced Fund	**	74,393
Fidelity	Blue Chip Growth Fund	**	24,461
Fidelity	Blue Chip Value Fund	**	6,797
Fidelity	Canada Fund	**	423,024
Fidelity	Capital & Income Fund	**	130,118
Fidelity	Capital Appreciation Fund	**	56,365
Fidelity	Contra-fund	**	690,072
Fidelity	Convertible Securities Fund	**	3,680
Fidelity	Disciplined Equity Fund	**	70,587

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Fidelity	Diversified International Fund	**	4,573,293
Fidelity	Dividend Growth Fund	**	4,557,920
Fidelity	Emerging Markets Fund	**	262,678
Fidelity	Equity-Income Fund	**	1,393,187
Fidelity	Equity-Income II Fund	**	1,713,187
Fidelity	Europe Cap Appreciation Fund	**	15,840,187
Fidelity	Europe Fund	**	38,750,187
Fidelity	Export and Multinational Fund	**	40,114,187

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Flagstar Bank 401(k) Plan
Schedule H, line 4i Schedule of Assets (Held at End of Year)
December 31, 2008

(b) Identity of issue, borrower,	(c) Description of investment including maturity date, rate of interest,	(d) Cost	(e) Current value
a) lessor or similar party	collateral, par, or maturity value		
Fidelity	Fidelity Fund	**	4,613
Fidelity	Fifty Fund	**	3,925
Fidelity	Focused Stock Fund	**	21,287
Fidelity	Freedom 2000 Fund	**	274,068
Fidelity	Freedom 2005 Fund	**	13,777
Fidelity	Freedom 2010 Fund	**	1,234,100
Fidelity	Freedom 2015 Fund	**	161,398
Fidelity	Freedom 2020 Fund	**	1,326,340
Fidelity	Freedom 2025 Fund	**	341,052
Fidelity	Freedom 2030 Fund	**	1,514,052
Fidelity	Freedom 2035 Fund	**	393,627
Fidelity	Freedom 2040 Fund	**	1,103,079
Fidelity	Freedom 2045	**	73,138
Fidelity	Freedom 2050	**	132,414
Fidelity	Freedom Income Fund	**	421,702
Fidelity	Ginnie Mae Fund	**	163,018
Fidelity	Global Balanced Fund	**	2,173
Fidelity	Government Income Fund	**	309,609
Fidelity	Growth and Income Fund	**	23,631
Fidelity	Growth Company Fund	**	5,521,645
Fidelity	Independence Fund	**	1,334,920
Fidelity	Inflation Prot Bond Fund	**	29,962
Fidelity	Institutional Shares Int Govt	**	11,523
Fidelity	Intermediate Bond Fund	**	21,966
Fidelity	Intermediate Government Income	**	117,923
Fidelity	International Cap Appreciation	**	6,126
Fidelity	International Discovery Fund	**	108,608
Fidelity	Intl Real Estate	**	91,864
Fidelity	Investment Growth Bond Fund	**	5,712
Fidelity	Japan Fund	**	22,650
Fidelity	Large Cap Growth Fund	**	32,396
Fidelity	Large Cap Stock Fund	**	82,304
Fidelity	Large Cap Value Fund	**	87,835
Fidelity	Latin America Fund	**	694,362
Fidelity	Leveraged Company Stock Fund	**	394,527
Fidelity	Low-Priced Stock Fund	**	1,406,029
Fidelity	Managed Income Portfolio	**	222,661
Fidelity	Mega Cap Stock	**	5,891
Fidelity	Mid Cap Growth Fund	**	10,472
Fidelity	Mid Cap Value Fund	**	22,525
Fidelity	Mid-Cap Stock Fund	**	4,102,097

Fidelity	Mortgage Securities Fund	**	3,692
Fidelity	NASDAQ Comp Index	**	1,685
Fidelity	New Markets Income Fund	**	137,087
Fidelity	OTC Portfolio	**	4,069
Fidelity	Overseas Fund	**	128,811
Fidelity	Pacific Basin Fund	**	44,835
Fidelity	Puritan Fund	**	17,421
Fidelity	Real Estate Income Fund	**	20,471

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Flagstar Bank 401(k) Plan
Schedule H, line 4i Schedule of Assets (Held at End of Year)
December 31, 2008

(b) Identity of issue, borrower,	(c) Description of investment including maturity date, rate of interest,	(d) Cost	(e) Current value
a) lessor or similar party	collateral, par, or maturity value		
Fidelity	Real Estate Investment	**	58,744
Fidelity	Retirement Government Money Market	**	7,736,897
Fidelity	Retirement Money Market Portfolio	**	1,283,710
Fidelity	Short Term Bond Fund	**	3,645
Fidelity	Small Cap Growth Fund	**	8,851
Fidelity	Small Cap Independent Fund	**	11,282
Fidelity	Small Cap Stock Fund	**	24,774
Fidelity	Small Cap Value Fund	**	25,459
Fidelity	Small Capital Retirement Fund	**	1,021,977
Fidelity	Southeast Asia Fund	**	581,521
Fidelity	Spartan Extended Market Index	**	30,893
Fidelity	Spartan Total Market Index Fund	**	33,108
Fidelity	Spartan U.S. Equity Index Fund	**	3,329,709
Fidelity	Stock Selector	**	6,656
Fidelity	Strategic Dividend and Income Fund	**	938
Fidelity	Strategic Income Fund	**	64,646
Fidelity	Telcom and Utilities Fund	**	174,114
Fidelity	Total Bond Fund	**	31,554
Fidelity	Trend Fund	**	3,299
Fidelity	U.S. Bond Index Fund	**	3,837,215
Fidelity	Value Fund	**	82,112
Fidelity	Value Strategies Fund	**	55,198
Fidelity	Worldwide Fund	**	1,521
FMA	Small Company IS	**	4,587
FMTC	Institutional Cash Portfolio	**	330,853
Franklin	Small-Mid Cap Growth Fund Class A	**	1,750
Hartford	Growth Y	**	17,404
LD Abbett	Affiliated A	**	34,564
LD Abbett	Small Cap Build Class A	**	64,255
LM	Value Trust Fidelity Class	**	24,098
LMP	Aggressive Growth A	**	38,748
Loomis	Growth A	**	555
Loomis	Small Cap Value R	**	12,936
Managers	Bond Fund	**	57,281
Managers	Special Equity	**	1,862
MSIF	Capital Growth P	**	2,452
MSIFT	Emerging Markets P	**	28,623
MSIFT	Mid Cap Growth P	**	10,788
Mutual	Discovery Fund Class A	**	116,530
Mutual	Shares Class A	**	47,386
NB	Genesis Investment Class	**	4,641

NB	High Income Bond Investment	**	325
NB	International Fund Trust	**	10,729
NB	Partners Trust Fund	**	4,207
NB	Regency Trust	**	147
NB	Socially Responsible Trust	**	762
NB	Core Fund Inv	**	533
PIM	Global Bond AD Un-hedged Fund	**	60,054
PIMCO	High Yield Administration Class	**	5,588

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Flagstar Bank 401(k) Plan
Schedule H, line 4i Schedule of Assets (Held at End of Year)
December 31, 2008

(b) Identity of issue, borrower, lessor or similar party	(c) Description of investment including maturity date, rate of interest, collateral, par, or maturity value	(d) Cost	(e) Current value
PIMCO	Long Term Government Administrative Class	**	75,45
PIMCO	Low DUR Administration Fund	**	42,51
PIMCO	Real Return Bond Admin.	**	86,43
PIMCO	Total Return Fund Administrative Class	**	271,89
Rainier	Small Mid Cap Fund	**	81,86
Royce	Opportunity S Fund	**	2,63
Royce	Total Return SER	**	1,50
Royce	Value Plus Ser	**	91,92
RS	Emerging Growth A	**	1,53
RS	Partners Fund A	**	17,88
RS	Value Fund	**	8,10
Templeton	Dev Markets Fund Class A	**	62,52
Templeton	Foreign Fund Class A	**	45,49
Templeton	Foreign Small Company Class A	**	10,19
Templeton	Global Bond Fund Class A	**	112,89
Templeton	Growth Fund Class A	**	27,27
Templeton	World Fund Class A	**	15,06
The Oakmark	Equity and Income Fund	**	159,33
The Oakmark	Fund I	**	24,63
The Oakmark	Select I	**	571,86
Touchstone	SC SEL GR Z	**	1,35
Van Kampen	Equity Income Class A	**	30,99
Van Kampen	Growth and Income Fund Class A	**	2,29
Virtus	Mid Cap Value A	**	14,59
WFA	Small Cap Value Investment	**	35,62
WFA	C&B Mid Cap Value Fund D	**	1,50
WFA	Mid Cap DSCPLD Investment	**	25
Participant Loans	Interest rates ranging from 5% to 9.25% with various maturity dates		3,286,42
	Total Investments		\$62,365,75

* Party-in-interest
to the Plan

** Participant
Directed

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the trustees (or other persons who administer the employee benefit plan) have duly caused this annual report to be signed on its behalf by the undersigned hereunto duly authorized.

FLAGSTAR BANK 401(k) PLAN

June 29, 2009

By: /s/ Rebecca A. Lucci
Plan Administrator

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EXHIBIT INDEX

Exhibit No.	Description	Page No.
23	Consent of Independent Registered Public Accounting Firm 19	20