

FLAGSTAR BANCORP INC

Form 11-K

June 28, 2011

**Table of Contents**

**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, 2010**

**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

---

**TABLE OF CONTENTS**

|   |    |
|---|----|
| <u>Report of Independent Registered Public Accounting Firm</u>  | 1  |
| <b>Financial Statements</b>   |    |
| <u>Statements of Net Assets Available for Benefits as of December 31, 2010 and 2009</u>   | 2  |
| <u>Statements of Changes in Net Assets Available for Benefits for the years ended December 31, 2010 and 2009</u>  | 3  |
| <u>Notes to Financial Statements as of and for the years ended December 31, 2010 and 2009</u>   | 4  |
| <b><u>Supplemental Schedule</u></b>   | 11 |
| <u>Form 5500, Schedule H, Part IV, line 4(i) Schedule of Assets (Held at End of Year) as of December 31, 2010</u>   | 12 |
| <u>EX-23</u>  |    |
| <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. |    |

---

**Table of Contents**

**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, 2010 and 2009, and the related statements of changes in net assets available for benefits for the years then ended. 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, 2010 and 2009, and the changes in net assets available for benefits for the years then ended, 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, as listed in the table of contents, 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 2010 financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic 2010 financial statements taken as a whole.

/s/ Baker Tilly Virchow Krause, LLP  
Southfield, Michigan  
June 28, 2011

**Table of Contents**

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

|   | <b>December 31,</b> |              |
|---|---------------------|--------------|
|   | <b>2010</b>         | <b>2009</b>  |
| <b>Assets</b>   |                     |              |
| Investments at fair value   |                     |              |
| Flagstar Bancorp, Inc. common stock   | \$ 2,085,212        | \$ 3,281,192 |
| Mutual funds  | 71,700,891          | 67,385,569   |
| Money market funds  | 7,659,192           | 8,850,847    |
| Common collective trust fund  | 76,992              | 59,217       |
| <br>  |                     |              |
| Total investments at fair value   | 81,522,287          | 79,576,825   |
| Receivables   |                     |              |
| Notes receivable from participants  | 3,076,019           | 3,191,386    |
| Other   | 2,617               | 86,388       |
| <br>  |                     |              |
| Total receivables   | 3,078,636           | 3,277,774    |
| <br>  |                     |              |
| Total assets  | 84,600,923          | 82,854,599   |
| <br>  |                     |              |
| <b>Liabilities</b> Refundable contributions   | 125,644             | 169,307      |
| <br>  |                     |              |
| Net assets available for benefits reflecting all investments at fair value  | 84,475,279          | 82,685,292   |
| <br>  |                     |              |
| Adjustment from fair value to contract value for interest in common collective trust fund relating to fully benefit responsive investment contracts | 9,182               | 10,909       |
| <br>  |                     |              |
| Net assets available for benefits   | \$84,484,461        | \$82,696,201 |

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

**Table of Contents**

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

|   | <b>For the Years Ended</b> |                  |
|---|----------------------------|------------------|
|   | <b>December 31,</b>        |                  |
|   | <b>2010</b>                | <b>2009</b>      |
| Income:   |                            |                  |
| Net realized and unrealized appreciation in fair value of investments | \$ 6,438,476               | \$15,644,052     |
| Interest  | 174,933                    | 248,599          |
| Dividends   | 1,040,088                  | 967,524          |
| <br>Total income net  | <br>7,653,497              | <br>16,860,175   |
| Contributions:  |                            |                  |
| Participant   | 7,982,512                  | 10,097,358       |
| Company   |                            | 3,129,786        |
| Rollovers   | 641,116                    | 194,358          |
| <br>Total contributions   | <br>8,623,628              | <br>13,421,502   |
| <br>Total additions   | <br>16,277,125             | <br>30,281,677   |
| Deductions:   |                            |                  |
| Participant benefits paid /deemed distributions                       | 14,336,739                 | 9,748,011        |
| Administrative fees   | 152,126                    | 107,639          |
| <br>Total deductions  | <br>14,488,865             | <br>9,855,650    |
| <br>Net increase in assets available for benefits                     | <br>1,788,260              | <br>20,426,027   |
| Net assets available for benefits:                                    |                            |                  |
| Beginning of year   | 82,696,201                 | 62,270,174       |
| <br>End of year   | <br>\$84,484,461           | <br>\$82,696,201 |

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

**Table of Contents**

**Flagstar Bank 401(k) Plan  
Notes to Financial Statements  
December 31, 2010 and 2009**

**Note 1 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 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 percent of their eligible compensation to the Plan in 2010 and 2009 not to exceed the annual Internal Revenue Service ( IRS ) dollar limitation of \$16,500. Participants who are age 50 or over at the end of the calendar year, were also able to make additional contributions of up to \$5,500 the annual IRS dollar limit on catch-up contributions in 2010 and 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 restates such matching contributions. The Plan made no non-discretionary matching contributions in 2010. The Company may make discretionary contributions to the Plan. No discretionary contributions were made in 2010 and 2009. The Plan was amended as of January 1, 2011, to include a non-discretionary matching contribution. 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 a five-year graded vesting schedule. A participant is credited with 20 percent of the Company contributions each year they are employed by the Company until they become 100 percent vested in Company contributions after five years of credited service.

**Participant accounts**

Individual accounts are maintained for each of the Plan s participants. 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.

**Notes receivable from participants**

Notes receivable from participants ( loans ) are permitted by the Plan. Participants may borrow a minimum of \$1,000 up to the lesser of \$50,000 or 50 percent 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 percent of a participant s account balance and bear interest at rates ranging from 4.25 percent to 9.25 percent, as determined by the Plan administrator at the date of issuance of the loan. Payment of the loan is made in substantially level payments through payroll deductions. Payments of principal and interest are allocated to the investment funds elected for current contributions. A participant may continue to contribute to the Plan while he/she has an outstanding loan balance. Notes receivable from participants are recorded at unpaid principal balance plus accrued but unpaid interest. Upon default, termination of employment or death, loans must be repaid or rolled over within 60 days, or a taxable distribution will be declared. Other loan provisions may apply as defined by the plan document.

**Table of Contents**

**Flagstar Bank 401(k) Plan  
Notes to Financial Statements Continued  
December 31, 2010 and 2009**

**Investment options**

Upon enrollment in the Plan, a participant may direct contributions in 1 percent 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 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 \$675,000 and \$216,000 at December 31, 2010 and 2009, respectively. In 2010, administrative expenses were reduced by \$54,000 from forfeited non-vested accounts. 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 loan 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 percent vested in their Company contributions.

**Note 2 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.



**Table of Contents**

**Flagstar Bank 401(k) Plan  
Notes to Financial Statements Continued  
December 31, 2010 and 2009**

**Investment valuation and income recognition**

Investments are stated at fair value using the methods described in Note 3. The Statements of Net Assets Available for Benefits and the Statements of Changes in Net Assets Available for Benefits are 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 participant withdrawals and administrative expenses. The Statements of Net 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 \$76,992 and \$59,217 as of December 31, 2010 and 2009, respectively. The contract value of the Plan's investment in the Managed Income Portfolio Fund was \$86,174 and \$70,216 as of December 31, 2010 and 2009, respectively.

**Payment of benefits**

Benefits are recorded upon distribution.

**Notes receivable from participants**

Notes receivable from participants are valued at unpaid principal balance, plus any accrued but unpaid interest. Delinquent notes receivable from participants are recorded as distributions based on the terms of the Plan document.

**Recently adopted accounting standards**

In January 2010, the Financial Accounting Standards Board ( FASB ) issued Accounting Standards Update ( ASU ) No. 2010-06, *Fair Value Measurements and Disclosures (Topic 820): Improving Disclosures about Fair Value Measurements* which requires new disclosures and clarifies existing disclosures required under current fair value guidance. Under the new guidance, a reporting entity must disclose separately gross transfers in and gross transfers out of Levels 1, 2, and 3 and describe the reasons for the transfers. A reporting entity must also disclose and consistently follow its policy for determining when transfers between levels are recognized. There were no transfers between levels during the years ended December 31, 2010 and 2009, respectively. The new guidance also requires separate presentation of purchases, sales, issuances, and settlements rather than net presentation in the Level 3 reconciliation. The ASU also makes clear the appropriate level of disaggregation for fair value disclosures, which is generally by class of assets and liabilities, as well as clarifies the requirement to provide disclosures about valuation techniques and inputs for both recurring and nonrecurring fair value measurements that fall under Level 2 or Level 3. The new disclosure requirements were effective for the Plan year ending December 31, 2010 with the exception of the requirement to separately disclose purchases, sales, issuances, and settlements which will be effective for the Plan year ending December 31, 2011. The Plan adopted the new guidance for the years ended December, 31 2010 and 2009, respectively, and the adoption did not materially affect the Plan's financial statements.

**Table of Contents**

**Flagstar Bank 401(k) Plan**  
**Notes to Financial Statements – Continued**  
**December 31, 2010 and 2009**

In September 2010, the FASB issued ASU No. 2010-25, *Plan Accounting – Defined Contribution Pension Plans (Topic 962): Reporting Loans to Participants by Defined Contribution Pension Plans*, which requires that participant loans be classified as notes receivable and measured at unpaid principal balance plus accrued but unpaid interest. Previously these participant loans were classified as Plan investments, and were subject to the fair value measurement and disclosure requirements of FASB Accounting Standards Codification (ASC) 820, *Fair Value Measurements and Disclosures*. This new standard eliminated the need to calculate fair values and present disclosures for these loans in accordance with FASB ASC 820. The guidance is effective for fiscal years ending after December 15, 2010, with early adoption permitted. The guidance is applied retrospectively to all periods presented. The Plan adopted this guidance as of January 1, 2010, and reclassified participant loans from plan investments to a component of receivables for both periods presented in the Statements of Net Assets Available for Benefits. Other than the reclassification requirements, the adoption of this standard did not have a material impact on the Plan's financial statements.

**Reclassifications**

Certain amounts previously reported have been reclassified to conform with current presentation.

**Subsequent Events**

Management has evaluated the impact of all subsequent events through June 28, 2011, the date the Plan's financial statements were issued, and determined that all subsequent events have been appropriately recognized and disclosed in the accompanying financial statements.

**Note 3 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, Inc. 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. The net asset value is based on the fair value of the underlying assets of the assets of the trust, minus its liabilities divided by the number of units outstanding.

*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

**Table of Contents**

**Flagstar Bank 401(k) Plan**  
**Notes to Financial Statements Continued**  
**December 31, 2010 and 2009**

value of the fund's investments in externally managed collective investment funds as determined by those funds trustees.

The following tables present the Plan's investments carried at fair value as of December 31, 2010 and 2009, by valuation hierarchy (as described above):

| <b>December 31, 2010</b>            | <b>Investments at</b> |                    |                | <b>Fair Value</b>   |
|-------------------------------------|-----------------------|--------------------|----------------|---------------------|
|                                     | <b>Level 1</b>        | <b>Level 2</b>     | <b>Level 3</b> |                     |
| Flagstar Bancorp, Inc. common stock | \$ 2,085,212          | \$                 | \$             | \$ 2,085,212        |
| Mutual funds                        | 71,700,891            |                    |                | 71,700,891          |
| Money market funds                  |                       | 7,659,192          |                | 7,659,192           |
| Common collective trust fund        |                       | 76,992             |                | 76,992              |
| <b>Total assets at fair value</b>   | <b>\$73,786,103</b>   | <b>\$7,736,184</b> | <b>\$</b>      | <b>\$81,522,287</b> |

| <b>December 31, 2009</b>            | <b>Investments at</b> |                    |                | <b>Fair Value</b>   |
|-------------------------------------|-----------------------|--------------------|----------------|---------------------|
|                                     | <b>Level 1</b>        | <b>Level 2</b>     | <b>Level 3</b> |                     |
| Flagstar Bancorp, Inc. 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              |
| <b>Total assets at fair value</b>   | <b>\$70,666,761</b>   | <b>\$8,910,064</b> | <b>\$</b>      | <b>\$79,576,825</b> |

**Note 4 Investments**

The following tables present investments that represent 5 percent or more of the Plan's net assets:

| <b>December 31, 2010</b>                         | <b>Number of Shares</b> | <b>Fair Value</b> |
|--|-------------------------|-------------------|
| Fidelity Retirement Government Money Market Fund | 6,356,849               | \$6,356,849       |
| Mutual funds:                                    |                         |                   |
| Fidelity Growth Company Fund                     | 105,508                 | 8,772,999         |
| Fidelity Dividend Growth Fund                    | 264,671                 | 7,524,594         |
| Fidelity Diversified International Fund          | 213,940                 | 6,450,295         |
| Fidelity Mid-Cap Stock                           | 249,365                 | 7,194,179         |
| Spartan 500 Index Investor Class                 | 96,914                  | 4,310,713         |
| <b>December 31, 2009</b>                         | <b>Number of 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                           | 278,683   | 6,526,755   |
| Fidelity U.S. Bond Index                         | 395,110   | 4,369,913   |
| Fidelity Spartan U.S. Equity Index Fund          | 109,134   | 4,303,173   |

8

---

**Table of Contents**

**Flagstar Bank 401(k) Plan**  
**Notes to Financial Statements Continued**  
**December 31, 2010 and 2009**

During the years ended December 31, 2010 and 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 unrealized appreciation<br/>(depreciation), in fair value of investments</b> | <b>For the Years Ended December</b> |                     |
|--|-------------------------------------|---------------------|
|  | <b>2010</b>                         | <b>31,<br/>2009</b> |
| Flagstar Bancorp, Inc. common stock  | \$(2,692,510)                       | \$ (677,645)        |
| Mutual funds   | 9,134,440                           | 16,321,697          |
| Total  | \$ 6,441,930                        | \$ 15,644,052       |

**Note 5 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 \$54,000 and \$53,000 for the years ended December 31, 2010 and 2009, respectively. In addition, the Plan trades in the common stock of the Company.

The Plan held 1,279,271 and 5,468,654 shares of Flagstar Bancorp, Inc. common stock as of December 31, 2010 and 2009, respectively. During 2010 and 2009, Flagstar Bancorp, Inc. did not declare or pay any common stock dividends.

**Note 6 Tax Status**

The Internal Revenue Service has determined and informed the Company by a letter dated March 31, 2008, that the Plan and related trusts are designed in accordance with applicable sections of the 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. Therefore, no provision for income taxes has been included in the Plan's financial statements.

Accounting principles generally accepted in the United States require plan management to evaluate uncertain tax positions taken by the Plan. The financial statement effects of a tax position are recognized when the position is more likely than not, based on the technical merits to be sustained upon examination by the IRS. The plan administrator has analyzed the tax positions taken by the Plan, and has concluded that as of December 31, 2010 and 2009, there were no uncertain positions taken or expected to be taken. The Plan has recognized no interest or penalties related to uncertain tax positions. The Plan is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The plan administrator believes the Plan is no longer subject to income tax examinations for years prior to 2007.

**Note 7 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.

**Note 8 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, 2010 and 2009, respectively.



**Table of Contents**

**Flagstar Bank 401(k) Plan**  
**Notes to Financial Statements Continued**  
**December 31, 2010 and 2009**

**Note 9 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.

|   | <b>December 31,</b> |              |
|---|---------------------|--------------|
|   | <b>2010</b>         | <b>2009</b>  |
| Net assets available for benefits per financial statements  | \$84,484,461        | \$82,696,201 |
| Adjustment to fair value from contract-value for investment relating to fully benefit-responsive investment contracts | (9,182)             | (10,909)     |
| Net assets available for benefits per Form 5500   | \$84,475,279        | \$82,685,292 |

The following is a reconciliation of the activity reported within the Statements of Changes in Net Assets Available for Benefits per the financial statements to the Form 5500.

|  | <b>For the Years Ended December</b> |              |
|--|-------------------------------------|--------------|
|  | <b>31,</b>                          |              |
|  | <b>2010</b>                         | <b>2009</b>  |
| Net increase in net assets available for benefits per financial statements   | \$1,788,260                         | \$20,426,027 |
| Change in adjustment to fair value from contract value for investment relating to fully benefit investment contracts | 1,727                               | 946          |
| Net income per Form 5500   | \$1,789,987                         | \$20,426,973 |

**Table of Contents**

**Supplemental Schedule**

11

---



**Table of Contents**

**Flagstar Bank 401(k) Plan**  
**EIN #38-3150651 Plan #47689**  
**Form 5500, Schedule H, Part IV, line 4(i) Schedule of Assets (Held at End of Year)**  
**December 31, 2010**

| (a)                 | (b) Identity of issue,<br>borrower, lessor<br>or similar party | (c) Description of investment including maturity date, rate of<br>Interest, collateral, par or maturity date | (d)<br>Cost | (e) Current<br>value |
|---------------------|--|--|-------------|----------------------|
| <b>Common Stock</b> |  |  |             |                      |
| *                   | Flagstar Bancorp, Inc  | 5,468,654 shares of Common Stock   | **          | \$ 2,085,212         |
| <b>Mutual Funds</b> |  |  |             |                      |
|                     | Aberdeen   | Aberdeen Global Fixed Income Institutional Class   | **          | 22,220               |
|                     | Alliance Bern  | Alliance Bern Small Mid Cap Value Class A  | **          | 31,486               |
|                     | Allianz  | Allianz NFJ Small-Cap Value Fund A   | **          | 686                  |
|                     | American Beacon  | American Beacon International Equity Investor Class  | **          | 13,530               |
|                     | American Beacon  | American Beacon Large Cap Value Investor Class   | **          | 60,893               |
|                     | American Center  | American Center Ultra Investor Class   | **          | 7,434                |
|                     | American Center  | American Center Vista Investor Class   | **          | 7,260                |
|                     | Ariel  | Ariel Appreciation   | **          | 109,319              |
|                     | Ariel  | Ariel Fund   | **          | 53,222               |
|                     | Artisan  | Artisan International Investor Class   | **          | 72,881               |
|                     | Artisan  | Artisan Mid Cap Value Class  | **          | 48,661               |
|                     | Baron  | Baron Asset Fund   | **          | 44,110               |
|                     | Baron  | Baron Small Cap  | **          | 79,087               |
|                     | Calvert  | Calvert Cap Accumulation Class A   | **          | 3,085                |
|                     | Calvert  | Calvert Balanced A   | **          | 1,130                |
|                     | Columbia   | Columbia High Yield Bond Z   | **          | 1,870                |
|                     | Columbia Acorn   | Columbia Acorn Select Fund Class Z   | **          | 71,265               |
|                     | Domini   | Domini Social Equity Investor Class  | **          | 1,305                |
|                     | DWS  | DWS Global Small Cap Growth Fund Class S   | **          | 15,477               |
|                     | DWS  | DWS International Fund Class S   | **          | 3,249                |
|                     | DWS  | DWS Strategic Value Class A  | **          | 4,767                |
| *                   | Fidelity   | Fidelity Asset Manager 20%   | **          | 351                  |
| *                   | Fidelity   | Fidelity Asset Manager 50%   | **          | 540                  |
| *                   | Fidelity   | Fidelity Asset Manager 70%   | **          | 20,255               |
| *                   | Fidelity   | Fidelity Asset Manager 85%   | **          | 10,328               |
| *                   | Fidelity   | Fidelity Balanced Fund   | **          | 108,665              |
| *                   | Fidelity   | Fidelity Blue Chip Growth Fund   | **          | 129,777              |
| *                   | Fidelity   | Fidelity Blue Chip Value Fund  | **          | 34,873               |
| *                   | Fidelity   | Fidelity Canada Fund   | **          | 504,818              |
| *                   | Fidelity   | Fidelity Cap & Income Fund   | **          | 270,039              |
| *                   | Fidelity   | Fidelity Cap Appreciation Fund   | **          | 30,645               |
| *                   | Fidelity   | Fidelity Contra Fund   | **          | 1,410,870            |
| *                   | Fidelity   | Fidelity Convertible Securities Fund   | **          | 13,034               |
| *                   | Fidelity   | Fidelity Disciplined Equity Fund   | **          | 74,670               |

Edgar Filing: FLAGSTAR BANCORP INC - Form 11-K

|   |          |   |    |           |
|---|----------|---|----|-----------|
| * | Fidelity | Fidelity Diversified International Fund | ** | 6,450,295 |
| * | Fidelity | Fidelity Dividend Growth Fund           | ** | 7,524,594 |
| * | Fidelity | Fidelity Emerging Asia Fund             | ** | 277,231   |
| * | Fidelity | Fidelity Emerging Markets Fund          | ** | 368,841   |
| * | Fidelity | Fidelity Equity Income Fund             | ** | 2,040,276 |
| * | Fidelity | Fidelity Equity Income II Fund          | ** | 1,567     |
| * | Fidelity | Fidelity Europe Fund                    | ** | 38,292    |
| * | Fidelity | Fidelity Europe Cap Appreciation Fund   | ** | 17,785    |
| * | Fidelity | Fidelity Export & Multinational Fund    | ** | 54,771    |
| * | Fidelity | Fidelity Fidelity Fund                  | ** | 59,099    |

12

---

**Table of Contents**

**Flagstar Bank 401(k) Plan**  
**EIN #38-3150651 Plan #47689**  
**Form 5500, Schedule H, Part IV, line 4(i) Schedule of Assets (Held at End of Year)**  
**December 31, 2010**

| (a) | (b) Identity of issue,<br>borrower, lessor<br>or similar party | (c) Description of investment including maturity date, rate of<br>Interest, collateral, par or maturity date | (d)<br>Cost | (e) Current<br>value |
|-----|--|--|-------------|----------------------|
| *   | Fidelity   | Fidelity Fifty   | **          | 9,827                |
| *   | Fidelity   | Fidelity Focused High Inc  | **          | 3,359                |
| *   | Fidelity   | Fidelity Focused Stock Fund  | **          | 22,264               |
| *   | Fidelity   | Fidelity Freedom 2000 Fund   | **          | 422,413              |
| *   | Fidelity   | Fidelity Freedom 2005 Fund   | **          | 16,014               |
| *   | Fidelity   | Fidelity Freedom 2010 Fund   | **          | 1,255,087            |
| *   | Fidelity   | Fidelity Freedom 2015 Fund   | **          | 315,243              |
| *   | Fidelity   | Fidelity Freedom 2020 Fund   | **          | 2,585,146            |
| *   | Fidelity   | Fidelity Freedom 2025 Fund   | **          | 622,890              |
| *   | Fidelity   | Fidelity Freedom 2030 Fund   | **          | 2,509,691            |
| *   | Fidelity   | Fidelity Freedom 2035 Fund   | **          | 825,653              |
| *   | Fidelity   | Fidelity Freedom 2040 Fund   | **          | 1,885,399            |
| *   | Fidelity   | Fidelity Freedom 2045 Fund   | **          | 198,044              |
| *   | Fidelity   | Fidelity Freedom 2050 Fund   | **          | 296,422              |
| *   | Fidelity   | Fidelity Freedom Income Fund   | **          | 587,842              |
| *   | Fidelity   | Fidelity Global Balanced Fund  | **          | 8,286                |
| *   | Fidelity   | Fidelity GNMA Fund   | **          | 138,451              |
| *   | Fidelity   | Fidelity Growth & Income Portfolio   | **          | 36,119               |
| *   | Fidelity   | Fidelity Growth Company Fund   | **          | 8,772,999            |
| *   | Fidelity   | Fidelity Growth Strategies Fund  | **          | 38,132               |
| *   | Fidelity   | Fidelity Independence Fund   | **          | 1,942,631            |
| *   | Fidelity   | Fidelity Inflation Protected Bond  | **          | 54,812               |
| *   | Fidelity   | Fidelity Institutional Short Intermediate Government Fund  | **          | 24,312               |
| *   | Fidelity   | Fidelity Intermediate Bond Fund  | **          | 24,032               |
| *   | Fidelity   | Fidelity International Cap Appreciation Fund   | **          | 15,272               |
| *   | Fidelity   | Fidelity International Discovery Fund  | **          | 125,720              |
| *   | Fidelity   | Fidelity International Real Estate Fund  | **          | 52,572               |
| *   | Fidelity   | Fidelity Investment Grade Bond   | **          | 39,091               |
| *   | Fidelity   | Fidelity Japan Fund  | **          | 11,504               |
| *   | Fidelity   | Fidelity Large Cap Growth Fund   | **          | 73,251               |
| *   | Fidelity   | Fidelity Large Cap Stock   | **          | 9,362                |
| *   | Fidelity   | Fidelity Large Cap Value   | **          | 73,905               |
| *   | Fidelity   | Fidelity Latin America Fund  | **          | 672,481              |
| *   | Fidelity   | Fidelity Leveraged Company Stock Fund  | **          | 656,151              |
| *   | Fidelity   | Fidelity Low Priced Stock Fund   | **          | 2,069,326            |
| *   | Fidelity   | Fidelity Mega Cap Stock Fund   | **          | 8,375                |
| *   | Fidelity   | Fidelity Mid Cap Growth Fund   | **          | 29,001               |
| *   | Fidelity   | Fidelity Mid Cap Stock   | **          | 7,194,179            |
| *   | Fidelity   | Fidelity Mid Cap Value Fund  | **          | 55,758               |

Edgar Filing: FLAGSTAR BANCORP INC - Form 11-K

|   |          |   |    |         |
|---|----------|---|----|---------|
| * | Fidelity | Fidelity Mortgage Securities Fund         | ** | 9,023   |
| * | Fidelity | Fidelity Nasdaq Composite Index Fund      | ** | 19,501  |
| * | Fidelity | Fidelity New Markets Income Fund          | ** | 307,276 |
| * | Fidelity | Fidelity OTC Portfolio                    | ** | 110,101 |
| * | Fidelity | Fidelity Overseas Fund                    | ** | 74,528  |
| * | Fidelity | Fidelity Pacific Basin                    | ** | 69,931  |
| * | Fidelity | Fidelity Puritan Fund                     | ** | 78,883  |
| * | Fidelity | Fidelity Real Estate Income Fund          | ** | 25,360  |
| * | Fidelity | Fidelity Real Estate Investment Portfolio | ** | 204,387 |

13

---

**Table of Contents**

**Flagstar Bank 401(k) Plan**  
**EIN #38-3150651 Plan #47689**  
**Form 5500, Schedule H, Part IV, line 4(i) Schedule of Assets (Held at End of Year)**  
**December 31, 2010**

| (a) | (b) Identity of issue,<br>borrower, lessor<br>or similar party | (c) Description of investment including maturity date, rate of<br>Interest, collateral, par or maturity date | (d)<br>Cost | (e) Current<br>value |
|-----|--|--|-------------|----------------------|
| *   | Fidelity   | Fidelity Short Term Bond   | **          | 8,857                |
| *   | Fidelity   | Fidelity Small Cap Discovery Fund  | **          | 2,335,855            |
| *   | Fidelity   | Fidelity Small Cap Growth Fund   | **          | 52,007               |
| *   | Fidelity   | Fidelity Small Cap Stock   | **          | 92,605               |
| *   | Fidelity   | Fidelity Small Cap Value Fund  | **          | 82,871               |
| *   | Fidelity   | Fidelity Stock Selector All Cap Fund   | **          | 16,166               |
| *   | Fidelity   | Fidelity Stock Selector Small Cap Fund   | **          | 13,617               |
| *   | Fidelity   | Fidelity Strategic Dividend & Income Fund  | **          | 1,712                |
| *   | Fidelity   | Fidelity Strategic Income Fund   | **          | 153,566              |
| *   | Fidelity   | Fidelity Telecom & Utilities Fund  | **          | 137,868              |
| *   | Fidelity   | Fidelity Total Bond Fund   | **          | 32,963               |
| *   | Fidelity   | Fidelity Trend Fund  | **          | 79,097               |
| *   | Fidelity   | Fidelity Ultra Short Bond Fund   | **          | 11,985               |
| *   | Fidelity   | Fidelity Value Fund  | **          | 204,542              |
| *   | Fidelity   | Fidelity Value Strategies Fund   | **          | 84,197               |
| *   | Fidelity   | Fidelity Worldwide Fund  | **          | 8,470                |
| *   | Fidelity   | Fidelity Government Income Fund  | **          | 154,408              |
| *   | Fidelity   | Fidelity Intermediate Government Income Fund   | **          | 111,946              |
| *   | Fidelity   | Fidelity US Bond Index   | **          | 3,928,206            |
|     | Franklin   | Franklin Small Mid Cap Growth Class A  | **          | 6,023                |
|     | Franklin Mutual  | Franklin Mutual Global Discovery Class A   | **          | 177,339              |
|     | Franklin Mutual  | Franklin Mutual Shares Class A   | **          | 227,414              |
|     | Hartford   | Hartford Growth Fund Class Y   | **          | 4,201                |
|     | Hartford   | Hartford International Growth Fund Class Y   | **          | 41,616               |
|     | Hartford   | Hartford Small Cap Growth Fund Y   | **          | 2,841                |
|     | Invesco  | Invesco Constellation Class A  | **          | 1,715                |
|     | Invesco  | Invesco Cvan Kampen Growth & Income Class A  | **          | 63,820               |
|     | Invesco  | Invesco Global Small & Mid Cap Growth Class A  | **          | 24,211               |
|     | Invesco  | Invesco Mid Cap Core Equity Class A  | **          | 37,568               |
|     | Invesco  | Invesco Van Kampen Equity & Income Class A   | **          | 64,381               |
|     | Invesco  | Invesco Basic Value A  | **          | 2,499                |
|     | Invesco  | Invesco Dynamics Fund Investor   | **          | 249                  |
|     | Invesco  | Invesco Small Cap Growth Institutional Fund  | **          | 701                  |
|     | Invesco  | Invesco Value II A   | **          | 7,097                |
|     | John Hancock   | John Hancock III Small Company Fund Class A  | **          | 23,626               |
|     | Legg Mason   | Legg Mason Cap Management Value Trust, Inc. Class Fund   | **          | 21,893               |
|     | Legg Mason   | Legg Mason Clearbridge Aggressive Growth Fund Class A  | **          | 1,840                |
|     | Legg Mason   | Legg Mason Clearbridge Large Cap Growth Fund Class A   | **          | 4,722                |
|     | Loomis Sayles  | Loomis Sayles Growth Class A   | **          | 1,810                |

Edgar Filing: FLAGSTAR BANCORP INC - Form 11-K

|                |  |    |         |
|----------------|--|----|---------|
| Loomis Sayles  | Loomis Sayles Small Cap Value Retail Class                     | ** | 12,659  |
| Lord Abbett    | Lord Abbett Affiliated Class A                                 | ** | 40,637  |
| Lord Abbett    | Lord Abbett Small Cap Blend Class A                            | ** | 5,489   |
| Managers       | Managers Bond Fund   | ** | 68,010  |
| Managers       | Managers Cadence Cap Appreciation Administrative               | ** | 280     |
| Managers       | Managers Cadence Mid Cap Fund Administrative Class             | ** | 1,477   |
| Managers       | Managers Special Equity Investor Class                         | ** | 8,853   |
| Morgan Stanley | Morgan Stanley Institutional Emerging Markets Fund Class P     | ** | 112,357 |
| Morgan Stanley | Morgan Stanley Institutional Fund Growth Portfolio Class P     | ** | 60,739  |
| Morgan Stanley | Morgan Stanley Institutional International Equity Fund Class P | ** | 1,140   |

14

---

**Table of Contents**

**Flagstar Bank 401(k) Plan**  
**EIN #38-3150651 Plan #47689**  
**Form 5500, Schedule H, Part IV, line 4(i) Schedule of Assets (Held at End of Year)**  
**December 31, 2010**

| (a) | (b) Identity of issue,<br>borrower, lessor<br>or similar party | (c) Description of investment including maturity date, rate of<br>Interest, collateral, par or maturity date | (d)<br>Cost | (e) Current<br>value |
|-----|--|--|-------------|----------------------|
|     | Morgan Stanley   | Morgan Stanley Institutional Mid Cap Growth Fund Class P   | **          | 76,603               |
|     | Neberger Berman  | Neuberger Berman Core Bond Investor Class  | **          | 26,408               |
|     | Neberger Berman  | Neuberger Berman High Inc Bond Investor Class  | **          | 38,359               |
|     | Neuberger Berman   | Neuberger Berman Genesis Investor  | **          | 3,374                |
|     | Neuberger Berman   | Neuberger Berman Guardian Trust Class  | **          | 188                  |
|     | Neuberger Berman   | Neuberger Berman International Trust Class   | **          | 22,416               |
|     | Neuberger Berman   | Neuberger Berman Partners Fund Trust Class   | **          | 6,968                |
|     | Neuberger Berman   | Neuberger Berman Regency Fund Trust Class  | **          | 322                  |
|     | Neuberger Berman   | Neuberger Berman Socially Responsive Trust   | **          | 1,255                |
|     | Oakmark  | Oakmark Class I  | **          | 59,750               |
|     | Oakmark  | Oakmark Equity & Income Class I  | **          | 207,415              |
|     | Oakmark  | Oakmark Select Class I   | **          | 1,236,174            |
|     | PIMCO  | Pimco Global Bond (Unhedged) Fund Administrative Class   | **          | 39,204               |
|     | PIMCO  | Pimco High Yield Fund Administrative Class   | **          | 34,622               |
|     | PIMCO  | Pimco Long-Term U.S. Government Fund Administrative Class  | **          | 52,061               |
|     | PIMCO  | Pimco Low Duration Fund Administrative Class   | **          | 161,698              |
|     | PIMCO  | Pimco Real Return Fund Administrative Class  | **          | 236,823              |
|     | PIMCO  | Pimco Total Return Fund Administrative Class   | **          | 505,818              |
|     | Rainer   | Rainer Small Mid Cap Equity  | **          | 77,992               |
|     | Royce  | Royce Opportunity Fund Service Class   | **          | 75,196               |
|     | Royce  | Royce Total Return Fund Service Class  | **          | 6,485                |
|     | Royce  | Royce Value Plus Service Class   | **          | 101,408              |
|     | RS   | RS Partners Fund Class A   | **          | 39,218               |
|     | RS   | RS Small-Cap Growth Class A  | **          | 4,301                |
|     | RS   | RS Value A   | **          | 17,199               |
|     | Spartan  | Spartan 500 Index Investor Class   | **          | 4,310,713            |
|     | Spartan  | Spartan Extended Market Index Fund Investor Class  | **          | 20,241               |
|     | Spartan  | Spartan Total Market Index Fun Investor Class  | **          | 106,665              |
|     | Templeton  | Templeton Developing Markets Class A   | **          | 43,500               |
|     | Templeton  | Templeton Foreign Class A  | **          | 101,505              |
|     | Templeton  | Templeton Foreign Smaller Cost Class A   | **          | 120,728              |
|     | Templeton  | Templeton Global Bond Class A  | **          | 488,259              |
|     | Templeton  | Templeton Growth Class A   | **          | 17,833               |
|     | Templeton  | Templeton World Class A  | **          | 12,456               |
|     | Touchstone   | Touchstone Sands Cap Select Growth Z   | **          | 1,786                |
|     | Virtus   | Virtus Mid-Cap Value Class A   | **          | 19,532               |
|     | Virtus   | Virtus Small Cap Core Class I  | **          | 3                    |
|     | Wells Fargo  | Wells Fargo Advanced Small Cap Value Investor Class  | **          | 108,334              |
|     | Wells Fargo  | Wells Fargo Advanced Small Company Value Class A   | **          | 549                  |

Edgar Filing: FLAGSTAR BANCORP INC - Form 11-K

|                                 |  |    |            |
|---------------------------------|--|----|------------|
| Wells Fargo                     | Wells Fargo C&B Mid Cap Value Investor Class     | ** | 20         |
| Wells Fargo                     | Wells Fargo Special Mid Cap Value Investor Class | ** | 395        |
| Western Asset                   | Western Asset Core Bond FI Class                 | ** | 9,054      |
| Western Asset                   | Western Asset Core Plus Bond FI Class            | ** | 95,357     |
| <b>Total Mutual Funds</b>       |  |    | 71,700,891 |
| <b>Money Market Funds</b>       |  |    |            |
| * Fidelity                      | Fidelity Retirement Government Money Market      | ** | 6,356,849  |
| * Fidelity                      | Fidelity Retirement Money Market                 | ** | 1,023,561  |
| * Flagstar Bancorp,<br>Inc.     | Interest-Bearing Cash                            | ** | 278,782    |
| <b>Total Money Market Funds</b> |  |    | 7,659,192  |

15



**Table of Contents**

**Flagstar Bank 401(k) Plan**  
**EIN #38-3150651 Plan #47689**  
**Form 5500, Schedule H, Part IV, line 4(i) Schedule of Assets (Held at End of Year)**  
**December 31, 2010**

| (a) or similar party                      | (b) Identity of issue, borrower, lessor | (c) Description of investment including maturity date, rate of Interest, collateral, par or maturity date | (d) Cost | (e) Current value    |
|---|---|---|----------|----------------------|
| <b>Common Collective Trust Fund</b>       |   |   |          |                      |
| *   | Fidelity                                | Fidelity Managed Income Portfolio   | **       | 76,992               |
|   |   | <b>Total Investments at fair value</b>  |          | <b>81,522,287</b>    |
| <b>Notes Receivable from Participants</b> |   |   |          |                      |
| *   | Participants Loans                      | Interest rates ranging from 4.25% to 9.25% with various maturity dates                                    | **       | 3,076,019            |
|   |   |   |          | <b>\$ 84,598,306</b> |

\* **Party-in-interest to the Plan**

\*\* **Participant Directed**

**Table of Contents**

**SIGNATURE**

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 28, 2011

/s/ Rebecca A. Lucci  
Plan Administrator

---

**Table of Contents**

EXHIBIT INDEX

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