

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 |
| FMTIC | 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 |