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November 14, 2008

Robert E. Feldman  
Executive Secretary  
Attention: Comments  
Federal Deposit Insurance Corporation  
550 17<sup>th</sup> Street, NW  
Washington, DC 20552

**Re: Notice of Proposed Rulemaking and Request for Comment**  
**Attn: RIN 3064-AD35**

Dear Executive Secretary:

Flagstar Bank, FSB (Flagstar) appreciates the opportunity to comment on this proposed rule. Flagstar is a subsidiary of Flagstar Bancorp, a bank holding company headquartered in Troy, Michigan, with more than \$14 billion in assets. As of June 30, 2008, Flagstar operated 170 banking centers in Michigan, Indiana, and Georgia and 121 home loan centers in 26 states. Flagstar originates home loans nationwide, and, as one of the nation's leading originators of residential mortgages, originated over \$ 25 billion in residential mortgages in 2007. As of September 30, 2008, Flagstar had total deposits of approximately \$7.4 million.

Flagstar's comments cover two points: FDIC's conclusion that "brokered deposits" are inherently risky, and Flagstar's belief that programs such as CDARS should be excluded from the definition of "brokered deposits."

First, Flagstar disagrees with the FDIC's assessment that "brokered deposits" are inherently more risky than traditional deposits. Flagstar concedes that it may be true that some banks have used brokered deposits in the past as a means to grow very rapidly and, to that end, have invested them in what may be considered a risky fashion. However, when brokered deposits are used to fill a short-term liquidity need or to match investment options in a way that reduces the bank's interest rate risk, then Flagstar believes that brokered deposits can actually reduce a bank's overall risk exposure.

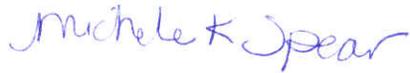
Second, Flagstar believes that deposits that are received through a network that divides large deposits and places them at more than one institution to ensure that the deposit is fully insured, such as the CDARS program, are not "brokered deposits" and, therefore, should be excluded from that definition. The only difference between a traditional deposit and a CDARS deposit is that the customer can gain additional insurance coverage. Therefore,

rather than aligning CDARS and similar programs with “brokered deposits,” Flagstar believes that it is more appropriate to align those programs with traditional deposits.

Additionally, while the bank of deposit for a “brokered deposit” has no relationship with the owner of the funds, banks that utilize the CDARS program, or a similar, program have an existing and ongoing relationship with the depositor. Flagstar believes that these differences are significant and, as a result, support its conclusion that such deposits are not “brokered deposits.”

We appreciate the opportunity to comment on this proposed rule. If our letter raises any questions, please feel free to contact me.

Sincerely,



Michele K. Spear  
Chief Compliance Officer  
Attorney at Law

