

October 27, 2008

Regulation Comments  
Chief Counsel's Office  
Office of Thrift Supervision  
1700 G. Street, NW  
Washington, DC 20552  
Attn: OTS-2008-0002

Sent Via Facsimile: 202-906-6518

**Re: Risk-Based Capital Guidelines, Capital Adequacy Guidelines: Standardized Framework; Proposed Rule and Notice; OTS Docket No. 2008-0002**

Dear Chief Counsel:

Flagstar Bank, FSB (Flagstar) appreciates the opportunity to comment on and seek clarification, regarding 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.

The proposal states that any gain recorded on the sale of securitizations of loans sold would be deducted from capital. It is not clear whether that would include gains recorded on sales through FHA, Fannie Mae, Freddie Mac or other government sponsored programs. It would not appear to be the intent of the proposal to exclude loan sales of that nature which are at the core of the mortgage finance industry, but as drafted, the language can be read to include such sales as they are, in fact, securitizations. Flagstar believes that it would be helpful to add language that clarifies that sales through GSEs are not subject to the deduction from capital for any gains that would otherwise be recorded.

The proposal also states that, with respect to warehouse loans and other commitments to lend, there will be capital applied to undrawn commitments unless the line is unconditionally cancelable. As you know, under the current rules, commitments extending out less than one year were typically not counted in capital. Flagstar believes that that the proposal should include this exclusionary language so that undrawn commitments with an expiration period of less than one year would not be included in the "undrawn commitments" to which capital must be applied.

Again, 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  
Attorney At Law