

FLAGSTAR BANCORP INC

Form 10-Q

May 10, 2012

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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT  
OF 1934

For the quarterly period ended March 31, 2012

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT  
OF 1934

Commission File Number: 001-16577

FLAGSTAR BANCORP, INC.

(Exact name of registrant as specified in its charter).

Michigan

(State or other jurisdiction of  
Incorporation or organization)

38-3150651

(I.R.S. Employer  
Identification No.)

5151 Corporate Drive, Troy, Michigan

(Address of principal executive offices)

(248) 312-2000

(Registrant's telephone number, including area code)

48098-2639

(Zip code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past ninety days.

Yes ☒ No ☐.

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☐

Non-accelerated filer ☐ (Do not check if smaller reporting company)

Accelerated filer

Smaller reporting company

☒

☐

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Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).  
Yes ☐ No ☒.

As of May 9, 2012, 557,313,489 shares of the registrant's common stock, \$0.01 par value, were issued and outstanding.

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### FORWARD – LOOKING STATEMENTS

This report contains “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995, as amended. Forward-looking statements, by their nature, involve estimates, projections, goals, forecasts, assumptions, risks and uncertainties that could cause actual results or outcomes to differ materially from those expressed in a forward-looking statement. Examples of forward-looking statements include statements regarding our expectations, beliefs, plans, goals, objectives and future financial or other performance. Words such as “expects,” “anticipates,” “intends,” “plans,” “believes,” “seeks,” “estimates” and variations of such words and similar expressions are intended to identify such forward-looking statements. Any forward-looking statement speaks only as of the date on which it is made. Except to fulfill our obligations under the U.S. securities laws, we undertake no obligation to update any such statement to reflect events or circumstances after the date on which it is made.

There are a number of important factors that could cause future results to differ materially from historical performance and these forward-looking statements. Factors that might cause such a difference include:

Volatile interest rates that impact, amongst other things, (i) the mortgage banking business, (ii) our ability to (1) originate loans and sell assets at a profit, (iii) prepayment speeds and (iv) our cost of funds, could adversely affect earnings, growth opportunities and our ability to pay dividends to stockholders;

(2) Competitive factors for loans could negatively impact gain on loan sale margins;

(3) Competition from banking and non-banking companies for deposits and loans can affect our growth opportunities, earnings, gain on sale margins, market share and ability to transform business model;

Changes in the regulation of financial services companies and government-sponsored housing enterprises, and in (4) particular, declines in the liquidity of the residential mortgage loan secondary market, could adversely affect our business;

Changes in regulatory capital requirements or an inability to achieve or maintain desired capital ratios could (5) adversely affect our growth and earnings opportunities and our ability to originate certain types of loans, as well as our ability to sell certain types of assets for fair market value or to transform business model;

General business and economic conditions, including unemployment rates, movements in interest rates, the (6) slope of the yield curve, any increase in fraud and other related criminal activity and the further decline of asset values in certain geographic markets, may significantly affect our business activities, loan losses, reserves, earnings and business prospects;

(7) Factors concerning the implementation of proposed refinements and transformation of our business model could result in slower implementation times than we anticipate and negate any competitive advantage that we may enjoy;

(8) Actions of mortgage loan purchasers, guarantors and insurers regarding repurchases and indemnity demands and uncertainty related to foreclosure procedures could adversely affect our business activities and earnings;

The Dodd-Frank Wall Street Reform and Consumer Protection Act has resulted in the elimination of the Office of Thrift Supervision (the “OTS”), tightening of capital standards, and the creation of a new Consumer Financial (9) Protection Bureau and has resulted, or will result, in new laws, regulations and regulatory supervisors that are expected to increase our costs of operations. In addition, the change to the Office of the Comptroller of the Currency as our primary federal regulator may result in interpretations affecting our operations different than those of the OTS;

(10) Both the volume and the nature of consumer actions and other forms of litigation against financial institutions have increased and to the extent that such actions are brought against us or threatened, the cost of defending such suits as well as potential exposure could increase our costs of operations;

(11) Our compliance with the terms and conditions of the agreement with the U.S. Department of Justice, the impact of performance and enforcement of commitments under, and provisions contained in the agreement, and our accuracy and ability to estimate the financial impact of that agreement, including the fair value of the future payments required, could accelerate our litigation settlement expenses relating thereto;

(12) The recent downgrade by Standards & Poor's of the long-term credit rating of the U.S. could materially affect global and domestic financial markets and economic conditions, which may affect our business activities, financial condition, and liquidity; and



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(13) If we do not regain compliance with the New York Stock Exchange (“NYSE”) continued listing requirements, our common stock may be delisted from the NYSE.

All of the above factors are difficult to predict, contain uncertainties that may materially affect actual results, and may be beyond our control. New factors emerge from time to time, and it is not possible for our management to predict all such factors or to assess the effect of each such factor on our business.

Please also refer to Item 1A to Part I of our Annual Report on Form 10-K for the fiscal year ended December 31, 2011 and Item 1A to Part II of this Quarterly Report on Form 10-Q, which are incorporated by reference herein, for further information on these and other factors affecting us.

Although we believe that the assumptions underlying the forward-looking statements contained herein are reasonable, any of the assumptions could be inaccurate, and therefore any of these statements included herein may prove to be inaccurate. In light of the significant uncertainties inherent in the forward-looking statements included herein, the inclusion of such information should not be regarded as a representation by us or any other person that the results or conditions described in such statements or our objectives and plans will be achieved.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

The consolidated financial statements of the Company are as follows:

Consolidated Statements of Financial Condition – March 31, 2012 (unaudited) and December 31, 2011

Consolidated Statements of Operations – For the three months ended March 31, 2012 and 2011 (unaudited)

Consolidated Statements of Comprehensive Income (Loss)– For the three months ended  
March 31, 2012 and 2011(unaudited)

Consolidated Statements of Stockholders' Equity – For the three months ended March 31, 2012 and 2011 (unaudited)

Consolidated Statements of Cash Flows – For the three months ended March 31, 2012 and 2011 (unaudited)

Notes to the Consolidated Financial Statements (unaudited)

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Flagstar Bancorp, Inc.

Consolidated Statements of Financial Condition

(In thousands, except share data)

	March 31, 2012 (Unaudited)	December 31, 2011
Assets		
Cash and cash items	\$46,946	\$49,715
Interest-earning deposits	711,002	681,343
Cash and cash equivalents	757,948	731,058
Securities classified as trading	307,355	313,383
Securities classified as available-for-sale	448,147	481,352
Loans held-for-sale (\$2,132,842 and \$1,629,618 at fair value at March 31, 2012 and December 31, 2011, respectively)	2,492,855	1,800,885
Loans repurchased with government guarantees	2,002,999	1,899,267
Loans held-for-investment (\$20,365 and \$22,651 at fair value at March 31, 2012 and December 31, 2011, respectively)	6,659,538	7,038,587
Less: allowance for loan losses	(281,000	) (318,000 )
Loans held-for-investment, net	6,378,538	6,720,587
Total interest-earning assets	12,340,896	11,896,817
Accrued interest receivable	108,143	105,200
Reposessed assets, net	108,686	114,715
Federal Home Loan Bank stock	301,737	301,737
Premises and equipment, net	206,573	203,578
Mortgage servicing rights at fair value	596,830	510,475
Other assets	332,538	455,236
Total assets	\$14,042,349	\$13,637,473
Liabilities and Stockholders' Equity		
Deposits	\$8,599,153	\$7,689,988
Federal Home Loan Bank advances	3,591,000	3,953,000
Long-term debt	248,585	248,585
Total interest-bearing liabilities	12,438,738	11,891,573
Accrued interest payable	10,124	8,723
Representation and warranty reserve	142,000	120,000
Other liabilities (\$19,100 and \$18,300 at fair value at March 31, 2012 and December 31, 2011, respectively)	364,066	537,461
Total liabilities	12,954,928	12,557,757
Commitments and contingencies – Note 20	—	—
Stockholders' Equity		
Preferred stock \$0.01 par value, liquidation value \$1,000 per share, 25,000,000 shares authorized; 266,657 issued and outstanding at March 31, 2012 and December 31, 2011, respectively	256,139	254,732
Common stock \$0.01 par value, 700,000,000 shares authorized; 557,132,814 and 555,775,639 shares issued and outstanding at March 31, 2012 and December 31, 2011, respectively	5,571	5,558
Additional paid in capital	1,467,476	1,466,461
Accumulated other comprehensive income (loss)	6,167	(7,819 )
Accumulated deficit	(647,932	) (639,216 )



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Total stockholders' equity	1,087,421	1,079,716
Total liabilities and stockholders' equity	\$ 14,042,349	\$ 13,637,473
The accompanying notes are an integral part of these Consolidated Financial Statements.		

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Flagstar Bancorp, Inc.  
 Consolidated Statements of Operations  
 (In thousands, except per share data)

	For the Three Months Ended March 31,	
	2012	2011
	(Unaudited)	
Interest Income		
Loans	\$ 113,908	\$ 102,115
Securities classified as available-for-sale or trading	8,571	8,097
Interest-earning deposits and other	412	968
Total interest income	122,891	111,180
Interest Expense		
Deposits	18,986	27,022
FHLB advances	27,394	29,979
Other	1,778	1,606
Total interest expense	48,158	58,60