



5151 Corporate Drive
Troy, Michigan 48098-2639
Phone: (248) 312-2000
www.flagstar.com

June 3, 2011

Ms. Jennifer J. Johnson
Secretary, Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, NW
Washington, DC 20551

RE: Regulation CC Proposed Rule Comment - Docket R-1409

Dear Ms. Johnson:

Flagstar Bank, FSB (Flagstar) appreciates consideration of our comments, regarding the recently published proposed amendments to Regulation CC. Flagstar is a subsidiary of Flagstar Bancorp (NYSE: FBC), which, with \$13.6 billion in total assets as of December 31, 2010, is the largest savings bank headquartered in the Midwest and the largest financial institution headquartered in Michigan. As of December 31, 2010 Flagstar operated 162 banking centers in Michigan, Indiana and Georgia and 27 home loan centers in 13 states, and had \$8.0 billion in deposits.

We certainly believe that amending and updating Regulation CC is necessary and are appreciative of efforts to do so. There are a few proposed changes, however, which we believe require additional clarity or modification. For example, we believe the requirement to provide an electronic exception hold notice no later than the first business day after the date of the deposit for those customers that have agreed to receive notifications electronically will be problematic. Rather than requiring the electronic notice, we believe that it would be advisable to allow a bank to provide an electronic notice if a customer has agreed to receive notices electronically but to also allow written notice sent via the U.S. mail. This will enable banks that don't necessarily have the ability to easily differentiate between customers that have provided such consent and those that have not to comply with the requirement by sending the written notice. This would also allow banks the option to utilize written notices in circumstances where the available technology and systems aren't capable of sending notices electronically and the enhancements needed to do so would require undue burden and costs.

We also believe that banks should be given until the second day after the date of deposit. This additional day will address those situations where Saturday may be a business day but not a day on which the areas of the bank that would review reports and make determinations, regarding the placement of exception holds, are staffed.

Flagstar also believes that the final rule should address situations where an email is returned because the email address on file at the bank is no longer valid. In that situation would the bank have fulfilled its responsibility by sending the email or would it be required, when the email was returned, to send a written notification? If written notification is required, when would it be required to be sent? Would the bank have to send on the day it received the return email or would it have an additional one or two business days from that date to send the written notice?

Flagstar also asks that the Board reconsider its proposal to eliminate the distinction between proprietary and non-proprietary ATMs. Because of the additional time required for the bank that owns/operates the ATM to timely forward a returned deposited item to the card holder's bank, Flagstar believes that it is appropriate and advisable to retain this differentiation.



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If you have any questions about Flagstar's comments, please feel free to contact me at 248-312-5007 or Michele.K.Spear@flagstar.com.

Sincerely,

A handwritten signature in blue ink that reads "Michele K. Spear".

Michele K. Spear