



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

September 3, 2008

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

Re: Flagstar Comment on FACT Act Risk-Based Pricing Rule (Docket No. R-1316).

Dear Ms. Johnson,

Flagstar Bank, FSB (Flagstar) appreciates consideration of our comments regarding the recently published Risk-Based Pricing proposed rule. Flagstar Bank is a subsidiary of Flagstar Bancorp (NYSE: FBC), a bank holding company headquartered in Troy, Mich., with \$14.6 billion in total assets. At 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 is one of the leading residential mortgage lenders. Flagstar originates home loans nationwide, and, as one of the leading originators of residential mortgages, we originated \$25.7 billion in residential mortgages for the calendar year, ending December 31, 2007.

Given the havoc the credit crisis has wreaked on borrowers, lenders and the economy, Flagstar certainly understands the need to take action at this time. We acknowledge that it is critical for consumers to understand their credit score, and how it is calculated, so they may be able to verify its accuracy.

Toward that end, we offer the following comments: We believe a more objective standard needs to be used for determining who receives this notification. Requiring the disclosure based on the credit scores of each individual lender's pool of borrowers, or each individual lender's pricing tiers creates a subjective standard that is inefficient to manage and may not accomplish the desired goal of the rule.

Use of each lender's pool of borrowers, or each lender's pricing tiers, to determine which consumers get this disclosure creates a subjective standard. Each lender's cutoff will be relative to their other borrowers and will not be based on the probability that an adverse mark exists on the consumer's credit report. This makes the goal of this rule – to help consumers understand their credit report and verify its accuracy – tough to accomplish. With such an unclear standard for cutoff, the opportunity will exist where a consumer that may be the aim of this rule may not receive the disclosure solely because he applied for credit with a lender that focuses on lower credit-worthy borrowers.

Further, basing the standard for this disclosure on lender-specific information introduces additional costs for the lender to determine what their appropriate cutoffs are, as well as costs associated with monitoring those cutoffs on an ongoing basis. Where making this determination adds complexity and cost to the lender, the consumer's costs will most likely increase accordingly.



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

We think the best way to create a more objective standard for lenders is for the Federal Reserve / Federal Trade Commission to make the determination corresponding to the appropriate cutoff credit score / pricing tier scores. This will create a uniform standard across the industry, and allow for the targeting of consumers that are the aim of this rule without incorrectly including those meant to be excluded, and incorrectly excluding those meant to be included. Additionally, relying on a score designated by the Federal Reserve / Federal Trade Commission will negate costs incurred by lenders associated with determining their credit score cutoffs, and maintaining those cutoffs.

Again, we appreciate the opportunity to comment on this proposal. If our letter raises any questions, please feel free to contact me.

Sincerely,

Jeff Midbo
Assistant Vice President
Mortgage Lending Operations