

FLAGSTAR BANCORP INC

Form 11-K

June 26, 2006

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**UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549  
FORM 11-K  
FOR ANNUAL REPORTS OF EMPLOYEE STOCK  
PURCHASE, SAVINGS AND SIMILAR PLANS  
PURSUANT TO SECTION 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934**

Mark One

**ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE  
ACT OF 1934**

**For the fiscal year ended December 31, 2005**

**OR**

**TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE  
ACT OF 1934**

**Commission File No.: 001-16577**

A. Full title of the plan and the address of the plan, if different from that of the issuer named below:

**Flagstar Bank 401(k) Plan**

B. Name of issuer of the securities held pursuant to the plan and the address of its principal executive office:

**Flagstar Bancorp, Inc.**

5151 Corporate Drive

Troy, MI 48098

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**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Participants and Administrator of  
Flagstar Bank 401(k) Plan

We have audited the accompanying statement of net assets available for benefits of Flagstar Bank 401(k) Plan (the Plan ) as of December 31, 2005, and the related statement of changes in net assets available for benefits for the year ended December 31, 2005. These financial statements are the responsibility of the Plan s management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Plan is not required to have, nor were we engaged to perform an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan s internal control over financial reporting.

Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Plan as of December 31, 2005, and the changes in net assets available for benefits for the year ended December 31, 2005, in conformity with accounting principles generally accepted in the United States of America.

Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedule, Schedule H, line 4i Schedule of Assets (Held at End of Year), is presented for the purpose of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by the Department of Labor Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. This supplemental schedule is the responsibility of the Plan s management. The supplemental schedule has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

/s/ Virchow, Krause & Company, LLP  
Southfield, Michigan  
June 12, 2006

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Participants and Administrator of  
Flagstar Bank 401(k) Plan

We have audited the accompanying statement of net assets available for benefits of Flagstar Bank 401(k) Plan (the Plan ) as of December 31, 2004. This financial statement is the responsibility of the Plan s management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Plan is not required to have, nor were we engaged to perform an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan s internal control over financial reporting.

Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the net assets available for benefits of the Plan as of December 31, 2004, in conformity with accounting principles generally accepted in the United States of America.

/s/ Grant Thornton LLP

Southfield, Michigan

June 27, 2005

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**Flagstar Bank 401(k) Plan  
Statements of Net Assets Available for Benefits**

|                                       | <b>December 31,</b> |                  |
|---------------------------------------|---------------------|------------------|
|                                       | <b>2005</b>         | <b>2004</b>      |
| <b>Assets</b>                         |                     |                  |
| Investments at fair value             |                     |                  |
| Flagstar Bancorp, Inc. common stock   | \$ 12,381,408       | \$ 18,204,390    |
| Mutual funds                          | 55,748,380          | 46,926,740       |
| Money market funds                    | 6,973,753           | 6,566,992        |
| Common/Collective trusts              | 20,936              | 19,424           |
| Participant loans                     | 2,723,215           | 2,453,374        |
| <br>Total investments                 | <br>77,847,692      | <br>74,170,920   |
| Receivables:                          |                     |                  |
| Employer contributions                | 126,623             |                  |
| Participant contributions             | 300,864             | 1,886            |
| Other                                 | 4,185               | 76,212           |
| <br>Total receivables                 | <br>431,672         | <br>78,098       |
| <br>Total assets                      | <br>78,279,364      | <br>74,249,018   |
| <b>Liabilities</b>                    |                     |                  |
| Refundable contributions              | 13,253              | 138,931          |
| <br>Total liabilities                 | <br>13,253          | <br>138,931      |
| <br>Net assets available for benefits | <br>\$78,266,111    | <br>\$74,110,087 |

**The accompanying notes are an integral part of these statements.**

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**Flagstar Bank 401(k) Plan  
Statement of Changes in Net Assets Available for Benefits  
For the year ended December 31,**

|   | <b>2005</b>       |
|---|-------------------|
| <b>Additions</b>                              |                   |
| Additions to net assets attributed to:        |                   |
| Investment income:                            |                   |
| Net depreciation in fair value of investments | \$ (2,336,700)    |
| Interest and dividends                        | 1,778,271         |
| <br>Total investment loss                     | <br>(558,429)     |
| Contributions:                                |                   |
| Participant                                   | 9,227,184         |
| Employer                                      | 3,285,530         |
| Rollovers                                     | 473,449           |
| <br>Total contributions                       | <br>12,986,163    |
| <br>Total additions                           | <br>12,427,734    |
| <b>Deductions</b>                             |                   |
| Deductions from net assets attributed to:     |                   |
| Participant benefits paid                     | 8,204,247         |
| Administrative fees                           | 55,638            |
| Deemed distributions                          | 11,825            |
| <br>Total deductions                          | <br>8,271,710     |
| <br>Net increase                              | <br>4,156,024     |
| Net assets available for benefits:            |                   |
| Beginning of year                             | 74,110,087        |
| <br>End of year                               | <br>\$ 78,266,111 |

**The accompanying notes are an integral part of this statement.**

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**Flagstar Bank 401(k) Plan  
Notes to Financial Statements  
December 31, 2005 and 2004**

**Note A Description of Plan**

The following description of the Flagstar Bank 401(k) Plan (the Plan ) provides only general information. Participants should refer to the Plan document for a more complete description of the Plan s provisions.

**General**

The Plan is a defined contribution plan covering all employees of Flagstar Bancorp, Inc. (the Company ) who have met the eligibility service requirements. An employee is eligible to participate in the Plan after three months of service and is age 21 or older. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 ( ERISA ), as amended.

**Contributions**

Eligible employees may contribute up to 60% in 2005 and 2004 up to the statutory limits (\$14,000 in 2005 and \$13,000 in 2004) per annum, of their eligible compensation to the Plan. Effective in 2004, participants that meet certain criteria are able to make additional catch-up contributions of \$4,000 in 2005 and \$3,000 in 2004. Participants may also contribute amounts representing distributions from other qualified defined benefit or defined contribution plans. The Company matches employee contributions up to 3% per annum of the employee s compensation, up to a maximum of \$6,300, excluding the catch-up contributions. The Company may make discretionary contributions to the Plan. No discretionary contributions were made in 2005. All contributions are invested in accordance with the participant s directive.

**Vesting**

Participants are immediately vested in their voluntary contributions. Vesting in the Company contributions and related earnings is based on years of service. A participant becomes 100% vested in Company contributions after five years of credited service.

**Participants Accounts**

Each participant s account is credited with the participant s contribution, the Company contribution made on the employee s behalf and an allocation of Plan earnings based on the employee s account balance. The benefit to which a participant is entitled is the benefit that can be provided from the participant s vested account.

**Participant Loans**

Participant loans are permitted by the Plan. Participants may borrow a minimum of \$1,000 up to the lesser of \$50,000 or 50% of the participant s vested account balance, reduced by the highest outstanding loan balance in the preceding 12 months. All loans must be repaid in level payments through after-tax payroll deductions over a five-year period or up to 10 years for the purchase of a primary residence. The loans are collateralized by up to 50% of a participant s account balance and bear interest at rates ranging from 5.00%-10.50%, as determined by the Plan administrator.



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**Flagstar Bank 401(k) Plan  
Notes to Financial Statements Continued  
December 31, 2005 and 2004**

**Payment of Benefits**

Upon termination of services, retirement, attainment of age 59-1/2, death or disability, the participant or his or her beneficiaries are entitled to receive a distribution based on the vested amount of his or her account. A participant may also receive a distribution of his or her vested account balance in the case of financial hardship subject to the discretion of the Plan's administrator.

**Forfeitures**

If a participant terminates employment, any non-vested portion of the participant's account is forfeited. Forfeitures are applied to reduce the contributions of the Company. Forfeited non-vested accounts totaled \$160,000 at December 31, 2005 and \$136,000 at December 31, 2004. In 2005, employer contributions were reduced by \$499,000 from forfeited non-vested accounts.

**Note B Summary of Accounting Policies**

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows.

**Basis of Accounting**

The accompanying financial statements have been prepared using the accrual method of accounting in accordance with accounting principles generally accepted in the United States of America.

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and changes there in, and the disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

**Investment Valuation and Income Recognition**

Investments are stated at fair value based upon the current quoted market prices. Shares of mutual funds are valued at the net asset value of shares held by the Plan at year end. Participant's loans are valued at their outstanding balances, which approximate fair value. Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

**Payment of Benefits**

Benefits are recorded when paid.

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**Flagstar Bank 401(k) Plan**  
**Notes to Financial Statements Continued**  
**December 31, 2005 and 2004**

**Note C Investments**

The following presents investments that represent 5% or more of the Plan's net assets.

| December 31, 2005  | Number of<br>Shares | Fair Value    |
|--|---------------------|---------------|
| Flagstar Bancorp, Inc. Common Stock  | 859,820             | \$ 12,381,408 |
| Fidelity Retirement Government Money Market<br>Mutual Funds  | 5,207,792           | 5,207,792     |
| Fidelity Growth Company Fund   | 134,261             | 8,543,024     |
| Fidelity Dividend Growth Fund  | 264,514             | 7,615,354     |
| Fidelity Mid-Cap Stock Fund  | 245,456             | 6,521,767     |
| Spartan U.S. Equity Index Fund   | 122,668             | 5,417,011     |
| Fidelity Diversified International Fund  | 163,592             | 5,323,271     |
|  |                     |               |
| December 31, 2004  | Number of<br>Shares | Fair Value    |
| Flagstar Bancorp, Inc. Common Stock  | 805,504             | \$ 18,204,390 |
| Fidelity Retirement Government Money Market<br>Mutual Funds  | 4,984,830           | 4,984,830     |
| Fidelity Growth Company Fund   | 141,941             | 7,958,630     |
| Fidelity Dividend Growth Fund  | 260,731             | 7,428,229     |
| Fidelity Mid-Cap Stock Fund  | 226,894             | 5,320,659     |
| Spartan U.S. Equity Index Fund   | 119,162             | 5,107,286     |
| Fidelity Diversified International Fund  | 143,864             | 4,120,268     |
| During 2005, the Plan's investments (including gains and losses on investments bought and sold, as well as held during the year) depreciated in value by \$2,336,700 as follows: |                     |               |
| Flagstar Bancorp, Inc. Common Stock  |                     | (\$5,838,438) |
| Mutual funds   |                     | 3,501,738     |
| Total  |                     | (\$2,336,700) |

**Note D Parties-In-Interest**

Certain plan investments are shares of mutual funds managed by Fidelity Management Trust Company. Fidelity Management Trust Company is the trustee as defined by the Plan and, therefore, those transactions qualify as party-in-interest transactions. Pursuant to the Plan agreement, the Company may pay a portion of the administrative expenses of the Plan, at its discretion. Expenses paid to the trustee by the Company amounted to \$87,200 and \$127,800 in 2005 and 2004, respectively. In addition, the Plan trades in the common stock of the Company.

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**Flagstar Bank 401(k) Plan**  
**Notes to Financial Statements Continued**  
**December 31, 2005 and 2004**

**Note E Plan Termination**

Although it has not expressed any intent to do so, the Company has the right under the Plan to discontinue its contributions at any time and to terminate the Plan, subject to provisions of ERISA. In the event of termination of the Plan, the assets of the Plan shall be distributed to all participants to the extent of the value of each participant's account after adjustment for liquidation expenses, which were not paid by the Company. In the event of the Plan termination, participants would become 100% vested in their employer contributions.

**Note F Tax Status**

The Internal Revenue Service has determined and informed the Company by a letter dated January 16, 2002, that the Plan and related trusts are designed in accordance with applicable sections of the Internal Revenue Code (IRC). The Plan was amended, subsequent to the application for favorable determination above, however, the Plan administrator believes that the Plan is designed and is currently being operated in compliance with applicable requirements of the IRC.

**Note G Risks and Uncertainties**

The Plan provides for various investment options in any combination of equity securities, bonds, fixed income securities and other investments with market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect participants' account balances and the amounts reported in the statement of net assets available for benefits.

**Note H Amount Owned to Participants Withdrawing from the Plan**

The Plan had no liability to participants who had withdrawn from the Plan as of December 31, 2005 and 2004, respectively.

**Note I Reconciliation of Financial Statements to Form 5500**

The following is a reconciliation of statements of net assets available for benefits and the statement of changes in net assets available for benefits per the financial statements to the Form 5500.

|  | December 31, |              |
|--|--------------|--------------|
|  | 2005         | 2004         |
| Net assets per financial statements    | \$78,266,111 | \$74,110,087 |
| Refundable contributions               | 13,253       | 138,931      |
| Net assets per Form 5500               | \$78,279,364 | \$74,249,018 |
| Contributions per financial statements | \$12,986,163 | \$12,765,331 |
| Refundable contributions               | 13,253       | 138,931      |
| Contributions per Form 5500            | \$12,999,416 | \$12,904,262 |

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**Supplemental Information**

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**Flagstar Bank 401(k) Plan**  
**Schedule H, line 4i Schedule of Assets (Held at End of Year)**  
**December 31, 2005**

| (a) lessor or similar party | (b) Identity of issue, borrower, (c) Description of investment including maturity date,<br>rate of interest, collateral, par, or maturity value | (d) Cost | (e) Current value |
|-----------------------------|---|----------|-------------------|
| * Flagstar Bancorp, Inc.    | Common Stock  | **       | \$12,381,408      |
| * Fidelity                  | Retirement Government Money Market  | **       | 5,207,792         |
| * Fidelity                  | Retirement Money Market Portfolio   | **       | 793,173           |
| * FMTC                      | Institutional Cash Portfolio  | **       | 972,788           |
| * Fidelity                  | Managed Income Portfolio  | **       | 20,936            |
| ABF                         | Balance Portfolio   | **       | 101               |
| ABF                         | Large Cap Value Portfolio   | **       | 15,518            |
| AIM                         | Small Company Growth Investment   | **       | 16                |
| AIM                         | Blue Chip Fund Class A  | **       | 659               |
| AIM                         | Mid Cap Core Equity Fund Class A  | **       | 6,765             |
| AIM                         | Dynamics Investment Fund  | **       | 16                |
| AIM                         | Global Aggressive Growth Class A Fund   | **       | 843               |
| ALLNZ                       | CCM Cap Ap Administrative Fund  | **       | 1,378             |
| ALLNZ                       | CCM Mid Cap Administrative Fund   | **       | 5,965             |
| ALLNZ                       | NFJ Small Cap Value Fund Administrative Class   | **       | 16                |
| AM                          | Central Ultra Investment Fund   | **       | 5,312             |
| Ariel                       | Appreciation Fund   | **       | 18,688            |
| Ariel                       | Fund  | **       | 98,895            |
| Artisan                     | International Fund  | **       | 12,013            |
| Artisan                     | Mid Cap Value Fund  | **       | 80,757            |
| Baron                       | Small Cap Fund  | **       | 27,312            |
| Baron                       | Asset Fund  | **       | 59,477            |
| Calvert                     | SIF Equity Fund-Class A   | **       | 20                |
| Calvert                     | SIF Bond Fund Class A   | **       | 32                |
| Calvert                     | New Vision Small Cap Fund Class A   | **       | 90                |
| Col                         | Consolidated High Yield Z Fund  | **       | 24,359            |
| Col/Acorn                   | Select Fund Class Z   | **       | 58,171            |
| Credit Suisse               | Global Fixed Income Fund Common Shares  | **       | 12,858            |
| Credit Suisse               | Cap Appreciation Com Fund   | **       | 4,010             |
| DWS                         | International S   | **       | 21,940            |
| DWS                         | Global Opps S   | **       | 14,510            |
| DWS                         | Dividend High Return Equity Class A   | **       | 2,115             |
| * Fidelity                  | Aggressive International Fund   | **       | 19,407            |
| * Fidelity                  | Asset Manager Growth Fund   | **       | 4,968             |
| * Fidelity                  | Disciplined Equity Fund   | **       | 22,708            |
| * Fidelity                  | Real Estate Investment Portfolio Fund   | **       | 295,149           |
| * Fidelity                  | Structured Large Cap Growth Fund  | **       | 15,630            |
| * Fidelity                  | Structured Mid Cap Growth Fund  | **       | 33,711            |
| * Fidelity                  | Total Bond Fund   | **       | 752,599           |
| * Fidelity                  | Aggressive Growth Fund  | **       | 25,963            |
| * Fidelity                  | Balanced Fund   | **       | 97,478            |

\* Fidelity

Blue Chip Growth Fund  
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21,732

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**Flagstar Bank 401(k) Plan**  
**Schedule H, line 4i Schedule of Assets (Held at End of Year) Continued**  
**December 31, 2005**

| (a) lessor or similar party | (b) Identity of issue, borrower, rate of interest, collateral, par, or maturity value | (c) Description of investment including maturity date, | (d) Cost | (e) Current value |
|-----------------------------|---|--|----------|-------------------|
| * Fidelity                  | Canada Fund   |  | **       | 209,374           |
| * Fidelity                  | Capital & Income Fund   |  | **       | 34,058            |
| * Fidelity                  | Capital Appreciation Fund   |  | **       | 52,976            |
| * Fidelity                  | Dividend Growth Fund  |  | **       | 7,615,354         |
| * Fidelity                  | Diversified International Fund  |  | **       | 5,323,271         |
| * Fidelity                  | Equity-Income II Fund   |  | **       | 2,250             |
| * Fidelity                  | Equity-Income Fund  |  | **       | 1,630,791         |
| * Fidelity                  | Europe Fund   |  | **       | 33,394            |
| * Fidelity                  | Export and Multinational Fund   |  | **       | 153,549           |
| * Fidelity                  | Fifty Fund  |  | **       | 1,218             |
| * Fidelity                  | Freedom 2000 Fund   |  | **       | 337,512           |
| * Fidelity                  | Freedom 2010 Fund   |  | **       | 1,050,329         |
| * Fidelity                  | Freedom 2020 Fund   |  | **       | 1,196,775         |
| * Fidelity                  | Freedom 2030 Fund   |  | **       | 1,437,472         |
| * Fidelity                  | Freedom 2040 Fund   |  | **       | 682,679           |
| * Fidelity                  | Freedom Income Fund   |  | **       | 256,961           |
| * Fidelity                  | Ginnie Mae Fund   |  | **       | 21,392            |
| * Fidelity                  | Growth Company Fund   |  | **       | 8,543,024         |
| * Fidelity                  | Independence Fund   |  | **       | 1,437,641         |
| * Fidelity                  | International Discovery Fund  |  | **       | 122,444           |
| * Fidelity                  | Japan Fund  |  | **       | 70,033            |
| * Fidelity                  | Low-Priced Stock Fund   |  | **       | 2,966,710         |
| * Fidelity                  | Mid-Cap Stock Fund  |  | **       | 6,521,767         |
| * Fidelity                  | Mortgage Securities Fund  |  | **       | 1,736             |
| * Fidelity                  | New Markets Income Fund   |  | **       | 167,966           |
| * Fidelity                  | Puritan Fund  |  | **       | 3,221             |
| * Fidelity                  | Small Cap Stock Fund  |  | **       | 50,137            |
| * Fidelity                  | Small Capital Retirement Fund   |  | **       | 1,240,029         |
| * Fidelity                  | Trend Fund  |  | **       | 8,801             |
| * Fidelity                  | U.S. Bond Index Fund  |  | **       | 2,734,440         |
| * Fidelity                  | Value Fund  |  | **       | 261,901           |
| * Fidelity                  | Worldwide Fund  |  | **       | 109               |
| * Fidelity                  | Large Cap Stock Fund  |  | **       | 14,476            |
| * Fidelity                  | Fidelity Fund   |  | **       | 345               |
| * Fidelity                  | Contrafund  |  | **       | 665,110           |
| * Fidelity                  | Investment Growth Bond Fund   |  | **       | 22,868            |
| * Fidelity                  | Growth and Income Fund  |  | **       | 10,332            |
| * Fidelity                  | Government Income Fund  |  | **       | 1,013             |
| * Fidelity                  | Overseas Fund   |  | **       | 16,770            |
| * Fidelity                  | Leveraged Company Stock Fund  |  | **       | 608,449           |

\* Fidelity

Pacific Basin Fund

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11,409

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**Flagstar Bank 401(k) Plan**  
**Schedule H, line 4i Schedule of Assets (Held at End of Year) Continued**  
**December 31, 2005**

| (a) lessor or similar party | (b) Identity of issue,<br>borrower, | (c) Description of investment including maturity date,<br>rate of interest, collateral, par, or maturity value | (d) Cost | (e) Current<br>value |
|-----------------------------|-------------------------------------|--|----------|----------------------|
| *                           | Fidelity                            | Asset Manager Growth Fund  | **       | 59,061               |
| *                           | Fidelity                            | Convertible Securities Fund  | **       | 7,891                |
| *                           | Fidelity                            | Utilities Fund   | **       | 23,226               |
| *                           | Fidelity                            | Emerging Markets Fund  | **       | 387,937              |
| *                           | Fidelity                            | Focused Stock Fund   | **       | 1,518                |
| *                           | Fidelity                            | Global Balanced Fund   | **       | 8,484                |
| *                           | Fidelity                            | Small Cap Independent Fund   | **       | 8,923                |
| *                           | Fidelity                            | Latin America Fund   | **       | 338,146              |
| *                           | Fidelity                            | Southeast Asia Fund  | **       | 32,412               |
| *                           | Fidelity                            | Strategic Income Fund  | **       | 68,424               |
| *                           | Fidelity                            | Short Term Bond Fund   | **       | 6,634                |
| *                           | Fidelity                            | Structured Large Cap Value Fund  | **       | 40,479               |
| *                           | Fidelity                            | Inflation Prot Bond Fund   | **       | 34,709               |
| *                           | Fidelity                            | Real Estate Income Fund  | **       | 15,434               |
| *                           | Fidelity                            | Blue Chip Value Fund   | **       | 6,380                |
| *                           | Fidelity                            | Mid Cap Value Fund   | **       | 4,484                |
| *                           | Fidelity                            | Freedom 2005 Fund  | **       | 1,864                |
| *                           | Fidelity                            | Freedom 2015 Fund  | **       | 115,605              |
| *                           | Fidelity                            | Freedom 2025 Fund  | **       | 29,440               |
| *                           | Fidelity                            | Freedom 2035 Fund  | **       | 83,386               |
| *                           | Fidelity                            | Europe Cap Appreciation Fund   | **       | 7,489                |
| *                           | Fidelity                            | Growth and Income Fund II  | **       | 328                  |
| *                           | Fidelity                            | Strategic Dividend and Income Fund   | **       | 96                   |
| *                           | Fidelity                            | Small Cap Growth Fund  | **       | 3,114                |
| *                           | Fidelity                            | Small Cap Value Fund   | **       | 1,094                |
| *                           | Fidelity                            | Value Strategies Fund  | **       | 19,361               |
| *                           | Fidelity                            | Intermediate Bond Fund   | **       | 1,028                |
|                             | FMA                                 | Small Company IS   | **       | 5,451                |
|                             | Franklin                            | Small-Mid Cap Growth Fund Class A  | **       | 758                  |
|                             | Hartford                            | Growth Y Fund  | **       | 1,097                |
|                             | Hartford                            | Small Cap Growth Y   | **       | 837                  |
|                             | LD Abbett                           | Small Cap Build Class A  | **       | 24,354               |
|                             | LM                                  | Value Trust Fidelity Class   | **       | 31,726               |
|                             | Loomis                              | Small Cap Value R  | **       | 1,268                |
|                             | Managers                            | Bond Fund  | **       | 5,587                |
|                             | Managers                            | Value Fund   | **       | 11,062               |
|                             | Mutual                              | Discovery Fund Class A   | **       | 130,065              |
|                             | Mutual                              | Shares Class A   | **       | 6,690                |
|                             | MSI                                 | Emerging Markets Fund Class B  | **       | 21,182               |
|                             | MSIFT                               | High Yield Advance Fund  | **       | 140                  |



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**Flagstar Bank 401(k) Plan**  
**Schedule H, line 4i Schedule of Assets (Held at End of Year) Continued**  
**December 31, 2005**

| (a) lessor or similar party | (b) Identity of issue, borrower, | (c) Description of investment including maturity date, rate of interest, collateral, par, or maturity value | (d) Cost | (e) Current value |
|-----------------------------|----------------------------------|---|----------|-------------------|
|                             | NB                               | Partners Trust Fund   | **       | 56,796            |
|                             | NB                               | Regency Trust Fund  | **       | 1,008             |
|                             | NB                               | High Income Bond Investment Fund  | **       | 60                |
|                             | NB                               | International Fund Trust  | **       | 854               |
|                             | The Oakmark                      | Equity and Income Fund  | **       | 69,670            |
|                             | The Oakmark                      | Select I  | **       | 850,045           |
|                             | The Oakmark                      | Fund I  | **       | 17,499            |
|                             | PIM                              | Global Bond AD Unhedged Fund  | **       | 7,491             |
|                             | PIMCO                            | High Yield Administration Class   | **       | 26,740            |
|                             | PIMCO                            | Low Duration Administration Class   | **       | 73                |
|                             | PIMCO                            | Long Term Government Administrative Class   | **       | 14,259            |
|                             | PIMCO                            | Real Return Fund Administrative Class   | **       | 253               |
|                             | PIMCO                            | Total Return Fund Administrative Class  | **       | 86,611            |
|                             | Rainier                          | Small Mid Cap Fund  | **       | 31,329            |
|                             | Royce                            | Value Plus Investment Fund  | **       | 42,332            |
|                             | Royce                            | Opportunity Fidelity Fund   | **       | 4,306             |
|                             | RS                               | Emerging Growth Fund  | **       | 3,588             |
|                             | RS                               | Partners Fund   | **       | 11,673            |
|                             | RS                               | Value Fund  | **       | 8,202             |
|                             | SB                               | Aggressive Growth Class A   | **       | 583               |
|                             | Spartan                          | U.S. Equity Index Fund  | **       | 5,417,011         |
|                             | Spartan                          | Total Market Index Fund   | **       | 31,911            |
|                             | Spartan                          | Extended Market Index   | **       | 58                |
|                             | TCW                              | Select Equity N Fund  | **       | 11,575            |
|                             | Templeton                        | Foreign Fund Class A  | **       | 35,573            |
|                             | Templeton                        | Foreign Small Company Class A   | **       | 13,761            |
|                             | Templeton                        | Dev Markets Fund Class A  | **       | 83,037            |
|                             | Templeton                        | Growth Fund Class A   | **       | 26,618            |
|                             | Templeton                        | World Fund Class A  | **       | 11,764            |
|                             | Templeton                        | Global Bond Fund Class A  | **       | 12,403            |
|                             | Van Kampen                       | Growth and Income Fund Class A  | **       | 14,081            |
|                             | Van Kampen                       | Equity Income Class A   | **       | 238               |
|                             | West                             | Asset Core Fidelity Fund  | **       | 1,668             |
|                             | WFA                              | Small Cap Value Class Z   | **       | 26,374            |
|                             | WFA                              | C&B Mid Cap Value Fund D  | **       | 505               |
| *                           | Participant Loans                | Interest rates ranging from 5% to 10.5% with various maturity dates   | 0        | 2,723,215         |

\$77,847,692

\* Party-in-interest  
to the Plan

\*\* Participant  
Directed

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**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the trustees (or other persons who administer the employee benefit plan) have duly caused this annual report to be signed on its behalf by the undersigned hereunto duly authorized.

FLAGSTAR BANK 401(k) PLAN

FLAGSTAR BANCORP, INC.

June 26, 2006

By: /s/ Mary Kay Ruedisueli

Mary Kay Ruedisueli  
Secretary of Flagstar Bancorp, Inc.,  
Plan Administrator

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EXHIBIT INDEX

| Exhibit No. | Description                               | Page No. |
|-------------|---|----------|
| 23          | Consent of Virchow, Krause & Company, LLP | 18       |
| 23.1        | Consent of Grant Thornton LLP             | 19       |
|             | 17  |          |