Flagstar Bank

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

January 20, 2009

Attention: ID OTS-2008-0012
Chief Counsel's Office
Office of Thrift Supervision
1700 G Street, NW.
Washington, DC 20552

Re: Flagstar Comment on Proposed Interagency Appraisal and Evaluation Guidelines (Docket No. ID OTS-2008-0012).

To Whom It May Concern:

Flagstar Bank, FSB (Flagstar) appreciates consideration of our comments regarding the recently published Interagency Appraisal and Evaluation Guidelines proposed rule. Flagstar Bank is a subsidiary of Flagstar Bancorp (NYSE: FBC), a bank holding company headquartered in Troy, Mich., with $14.2 billion in total assets, is the largest publicly held savings bank headquartered in the Midwest. At September 30, 2008, Flagstar operated 173 banking centers in Michigan, Indiana and Georgia and 111 home loan centers in 21 states. Flagstar Bank originates loans nationwide and is one of the leading originators of residential mortgage loans.

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 to eliminate appraisal misrepresentation and fully support doing so.

Toward that end, we offer the following comments: First, we would like to see the FHFA Home Valuation Code of Conduct regarding appraiser engagement adopted across the board for all loan transactions including: FHA; USDA/GRH; Home Equity; etc. We greatly appreciate the operational accountability this offers regarding appraiser independence on Freddie Mac and Fannie Mae transactions and think that accountability should be extended to all transaction types. This is especially clear with the recent increase in FHA business and HUD's admission to lawmakers that the Federal Housing Authority lacks sufficient staff, technology and legal authority to properly screen for the migration of predatory subprime lenders into the FHA market.

Having a single appraiser engagement process will also create efficiencies for lenders in that they will only be required to manage a single process instead of multiple processes. Having a single process will reduce costs for lenders resulting in lower costs for borrowers.

Second, we fully support the separation of the collateral valuation function from the loan production staff. That said, we would like a clearer definition as to which employees fall into the loan production staff. Our interpretation of the proposed rule is that employees analyzing credit (including appraisals) are not included under that designation.

Flagstar Bank

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

Finally, we would like to see a more objective appraisal ordering standard included into this rule similar to the Appraisal Management Company (AMC) model from the Home Valuation Code of Conduct. It is often difficult to determine whether smaller third party originators are adhering to a truly independent ordering process. By adopting the AMC standard the potential that an additional appraisal may be required by the lender to verify independence is greatly reduced, which ultimately lessens the potential for added cost to the borrower. Further, a more objective standard would allow originators that may not know which lender / investor they are going to utilize at the time of application to order an appraisal that will be acceptable to any of their potential lenders / investors.

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
Associate General Counsel
(248) 312-6251