

FLAGSTAR BANCORP INC
Form 10-Q
November 06, 2015
Table of Contents

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 September 30, 2015

OR

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

For the transition period from _____ to _____

Commission File Number: 001-16577

(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)
--	--------------------------

Not applicable
(Former name, former address and formal fiscal year, if changed since last report)

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 90 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

Edgar Filing: FLAGSTAR BANCORP INC - Form 10-Q

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

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 November 3, 2015, 56,441,157 shares of the registrant's common stock, \$0.01 par value, were issued and outstanding.

Table of Contents

FLAGSTAR BANCORP, INC.
 FORM 10-Q
 FOR THE QUARTER ENDED SEPTEMBER 30, 2015
 TABLE OF CONTENTS

PART I. – FINANCIAL INFORMATION

Item 1.	<u>Financial Statements</u>	
	Consolidated Statements of Financial Condition – September 30, 2015 (unaudited) and December 31, 2014	<u>4</u>
	Consolidated Statements of Operations – For the three and nine months ended September 30, 2015 and 2014 (unaudited)	<u>5</u>
	Consolidated Statements of Comprehensive Income (Loss) – For the three and nine months ended September 30, 2015 and 2014 (unaudited)	<u>6</u>
	Consolidated Statements of Stockholders’ Equity – For the nine months ended September 30, 2015 and 2014 (unaudited)	<u>6</u>
	Consolidated Statements of Cash Flows – For the nine months ended September 30, 2015 and 2014 (unaudited)	<u>8</u>
	<u>Notes to the Consolidated Financial Statements (unaudited)</u>	
	<u>Note 1 - Basis of Presentation</u>	<u>9</u>
	<u>Note 2 - Investment Securities</u>	<u>9</u>
	<u>Note 3 - Loans Held-for-Sale</u>	<u>11</u>
	<u>Note 4 - Loans with Government Guarantees</u>	<u>11</u>
	<u>Note 5 - Loans Held-for-Investment</u>	<u>11</u>
	<u>Note 6 - Variable Interest Entities ("VIEs")</u>	<u>20</u>
	<u>Note 7 - Mortgage Servicing Rights</u>	<u>21</u>
	<u>Note 8 - Derivative Financial Instruments</u>	<u>23</u>
	<u>Note 9 - Federal Home Loan Bank Advances</u>	<u>26</u>
	<u>Note 10 - Long-Term Debt</u>	<u>27</u>
	<u>Note 11 - Representation and Warranty Reserve</u>	<u>29</u>
	<u>Note 12 - Stockholders' Equity</u>	<u>29</u>
	<u>Note 13 - Earnings (Loss) Per Share</u>	<u>30</u>
	<u>Note 14 - Income Taxes</u>	<u>31</u>
	<u>Note 15 - Regulatory Matters</u>	<u>32</u>
	<u>Note 16 - Legal Proceeding, Contingencies, and Commitments</u>	<u>33</u>
	<u>Note 17 - Fair Value Measurements</u>	<u>35</u>
	<u>Note 18 - Segment Information</u>	<u>47</u>
	<u>Note 19 - Recently Issued Accounting Standards</u>	<u>51</u>
	<u>Note 20 - Restatement of Consolidated Statements of Cash Flows</u>	<u>52</u>
Item 2.	<u>Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>54</u>
Item 3.	<u>Quantitative and Qualitative Disclosures about Market Risk</u>	<u>100</u>
Item 4.	<u>Controls and Procedures</u>	<u>101</u>

Table of Contents

FLAGSTAR BANCORP, INC.
FORM 10-Q
FOR THE QUARTER ENDED SEPTEMBER 30, 2015
TABLE OF CONTENTS (continued)

PART II. – OTHER INFORMATION

Item 1.	<u>Legal Proceedings</u>	<u>102</u>
Item 1A.	<u>Risk Factors</u>	<u>102</u>
Item 2.	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>102</u>
Item 3.	<u>Defaults upon Senior Securities</u>	<u>102</u>
Item 4.	<u>Mine Safety Disclosures</u>	<u>102</u>
Item 5.	<u>Other Information</u>	<u>102</u>
Item 6.	<u>Exhibits</u>	<u>102</u>
	<u>SIGNATURES</u>	<u>104</u>

Table of Contents

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

Flagstar Bancorp, Inc.

Consolidated Statements of Financial Condition

(In millions, except share data)

	September 30, 2015 (Unaudited)	December 31, 2014
Assets		
Cash and cash equivalents		
Cash	\$65	\$47
Interest-earning deposits	130	89
Total cash and cash equivalents	195	136
Investment securities available-for-sale	1,150	1,672
Investment securities held-to-maturity	1,108	—
Loans held-for-sale (\$2,164 and \$1,196 measured at fair value, respectively)	2,408	1,244
Loans with government guarantees	509	1,128
Loans held-for-investment, net		
Loans held-for-investment (\$132 and \$211 measured at fair value, respectively)	5,514	4,448
Less: allowance for loan losses	(197) (297
Total loans held-for-investment, net	5,317	4,151
Mortgage servicing rights	294	258
Federal Home Loan Bank stock	113	155
Premises and equipment, net	243	238
Net deferred tax asset	372	442
Other assets	810	416
Total assets	\$12,519	\$9,840
Liabilities and Stockholders' Equity		
Deposits		
Noninterest bearing	\$1,749	\$1,209
Interest bearing	6,388	5,860
Total deposits	8,137	7,069
Federal Home Loan Bank advances (includes both short-term and long-term)	2,024	514
Long-term debt (\$32 and \$84 measured at fair value, respectively)	279	331
Representation and warranty reserve	45	53
Other liabilities (\$84 and \$82 measured at fair value, respectively)	530	500
Total liabilities	11,015	8,467
Stockholders' Equity		
Preferred stock \$0.01 par value, liquidation value \$1,000 per share, 25,000,000 shares authorized; 266,657 issued and outstanding, respectively	267	267
Common stock \$0.01 par value, 70,000,000 shares authorized; 56,436,026 and 56,332,307 shares issued and outstanding, respectively	1	1
Additional paid in capital	1,484	1,482
Accumulated other comprehensive income	12	8
Accumulated deficit	(260) (385
Total stockholders' equity	1,504	1,373
Total liabilities and stockholders' equity	\$12,519	\$9,840

The accompanying notes are an integral part of these Consolidated Financial Statements.

Table of Contents

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

	Three Months Ended September		Nine Months Ended September	
	30,		30,	
	2015	2014	2015	2014
Interest Income	(Unaudited)			
Loans	\$77	\$64	\$216	\$185
Investment securities	14	11	43	28
Interest-earning deposits and other	—	—		