

FLAGSTAR BANCORP INC

Form 11-K

June 28, 2004

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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

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

For the fiscal year ended December 31, 2003

OR

- o 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

Board of Directors
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, 2003 and 2002, and the related statement of change in net assets available for benefits for the year ended December 31, 2003. 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 audits.

We conducted our audits 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. An audit 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 audits provide 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, 2003 and 2002, and the changes in net assets available for benefits for the year ended December 31, 2003, in conformity with accounting principles generally accepted in the United States of America.

Our audits were 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 the audits 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/ Grant Thornton LLP

Southfield, Michigan
June 2, 2004

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

| | December 31, | |
|-------------------------------------|---------------------|--------------|
| | 2003 | 2002 |
| Assets | | |
| Investments at fair value | | |
| Flagstar Bancorp, Inc. common stock | \$15,377,354 | \$ 8,419,464 |
| Mutual funds | 36,782,011 | 19,640,256 |
| Money market funds | 6,068,560 | 4,321,108 |
| Common/Collective trusts | 18,589 | |
| Participant loans | 1,622,067 | 1,049,376 |
| | <hr/> | <hr/> |
| Total investments | 59,868,581 | 33,430,204 |
| | <hr/> | <hr/> |
| Receivables: | | |
| Employer contributions | 63,424 | |
| Participant contributions | | |
| Other | 51,010 | 62,555 |
| | <hr/> | <hr/> |
| Total receivables | 114,434 | 62,555 |
| | <hr/> | <hr/> |
| Total assets | 59,983,015 | 33,492,759 |
| Liabilities | | |
| Refundable contributions | | 9,942 |
| Other | | 1,758 |
| | <hr/> | <hr/> |
| Total liabilities | | 11,700 |
| | <hr/> | <hr/> |
| Net assets available for benefits | \$59,983,015 | \$33,481,059 |
| | <hr/> | <hr/> |

The accompanying notes are an integral part of these statements.

Table of Contents**Flagstar Bank 401(k) Plan****Statement of Changes in Net Assets Available for Benefits
For the year ended December 31, 2003**

| | 2003 |
|--|---------------|
| Additions: | |
| Additions to net assets attributed to: | |
| Investment income: | |
| Net appreciation in fair value of investments | \$ 15,863,516 |
| Interest and dividends | 467,811 |
| | <hr/> |
| Total investment income | 16,331,327 |
| Contributions: | |
| Participant | 9,050,686 |
| Employer | 3,700,696 |
| Rollovers | 585,583 |
| | <hr/> |
| Total contributions | 13,336,965 |
| | <hr/> |
| Total additions | 29,668,292 |
| | <hr/> |
| Deductions: | |
| Deductions from net assets: | |
| Participant benefits paid | (3,137,997) |
| Administrative fees | (28,339) |
| | <hr/> |
| Total deductions | (3,166,336) |
| | <hr/> |
| Net increase | 26,501,956 |
| Net assets available for benefits: | |
| Beginning of year | 33,481,059 |
| | <hr/> |
| End of year | \$ 59,983,015 |
| | <hr/> |

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, 2003 and 2002**

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 agreement 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 and have attained the age of 21. An employee is eligible to participate in the Plan after three months of service. The Plan provides for discretionary Company contributions, which are allocated to a participant s individual account based on a formula specified in the Plan. 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 2003 and 15% in 2002 (\$12,000 in 2003 and \$11,000 in 2002) per annum, of their eligible compensation to the Plan. Effective in 2003, participants that meet certain criteria are able to catch-up their contribution up to a maximum of \$14,000 annually. The Company matches employee contributions up to 3% per annum of the employee s compensation, except on the catch-up contributions. The Company may make discretionary contributions to the Plan. No discretionary contributions were made.

Vesting

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

All contributions are invested in accordance with the participant s directive.

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**Flagstar Bank 401(k) Plan
Notes to Financial Statements
December 31, 2003 and 2002**

Participant Loans

Participant loans are permitted by the Plan. Participants may borrow 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.

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 administrative committee.

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 \$107,000 at December 31, 2003 and \$71,000 at December 31, 2002.

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.

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**Flagstar Bank 401(k) Plan
Notes to Financial Statements
December 31, 2003 and 2002**

Investment Valuation and Income Recognition

Investments are stated at fair value based upon the current quoted market prices. 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.

Note C Investments

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

| December 31, 2003 | Number of Shares | Fair Value |
|--|-----------------------------|-------------------|
| Flagstar Bancorp, Inc. Common Stock | 717,897 | \$15,377,354 |
| Fidelity Retirement Government Money Market Mutual Funds | 4,804,886 | 4,804,886 |
| Fidelity Growth Company Fund | 132,776 | 6,648,103 |
| Fidelity Dividend Growth Fund | 232,165 | 6,338,116 |
| Fidelity Mid-Cap Stock Fund | 210,376 | 4,537,815 |
| Spartan U.S. Equity Index Fund | 108,182 | 4,263,443 |
| | Number of Shares | Fair Value |
| December 31, 2002 | | |
| Flagstar Bancorp, Inc. Common Stock | 389,790 | \$8,419,464 |
| Fidelity Retirement Government Money Market Mutual Funds | 3,685,855 | 3,685,855 |
| Fidelity Dividend Growth Fund | 172,639 | 3,853,302 |
| Fidelity Growth Company Fund | 99,611 | 3,528,229 |
| Fidelity Mid-Cap Stock Fund | 152,650 | 2,482,084 |
| Spartan U.S. Equity Index Fund | 86,422 | 2,692,056 |
| Fidelity U.S. Bond Index Fund | 151,221 | 1,699,719 |

During 2003, the Plan's investments (including gains and losses on investments bought and sold, as well as held during the year) appreciated in value by \$15,863,516 as follows:

| | |
|--------------|--------------|
| Common stock | \$ 8,561,798 |
|--------------|--------------|

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| | |
|--------------------------|---------------------|
| Mutual funds | 7,301,465 |
| Common/collective trusts | <u>253</u> |
| Total | <u>\$15,863,516</u> |

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**Flagstar Bank 401(k) Plan
Notes to Financial Statements - Continued
December 31, 2003 and 2002**

Note D Parties In Interest

Pursuant to the Plan agreement, the Company may pay a portion of the administrative expenses of the Plan, at its discretion and this amounted to \$122,000 and \$92,000 in 2003 and 2002, respectively. In addition, the Plan trades in the common stock of the Company.

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.

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 effective January 1, 2002, subsequent to the application for favorable determination, which generated the favorable IRS determination letter referenced above. However, the Plan administrator believes that 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.

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Flagstar Bank 401(k) Plan
Notes to Financial Statements - Continued
December 31, 2003 and 2002

Note H Reconciliation of Financial Statements to Form 5500

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

| | <u>2003</u> | <u>2002</u> |
|---|-----------------------------|---------------------|
| Net assets per financial statements | \$59,983,015 | \$33,481,059 |
| Refundable contributions | <u> </u> | <u>9,942</u> |
| Net assets per Form 5500 | <u>\$59,983,015</u> | <u>\$33,491,001</u> |
| Corrective distributions per financial statements | \$ | \$ |
| Prior year contributions refunded | <u>9,942</u> | <u>22,424</u> |
| Corrective distributions per Form 5500 | <u>\$ 9,942</u> | <u>\$ 22,424</u> |

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Supplemental Information

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Table of Contents**Flagstar Bank 401(k) Plan****Schedule H, line 4i Schedule of Assets (Held at End of Year)
December 31, 2003**

| (a) | (b) Identity of issue, borrower, lessor or similar party | (c) Description of investment including maturity date, rate of interest, collateral, par, or maturity value | (d) Cost | (e) Current value |
|-----|--|---|-------------|----------------------|
| * | Flagstar Bancorp, Inc. | Common Stock | | \$15,377,354 |
| | Fidelity | Retirement Government Money Market | | 4,804,886 |
| | Fidelity | Retirement Money Market Portfolio | | 20,441 |
| | FMTC | Institutional Cash Portfolio | | 1,243,233 |
| | Fidelity | Managed Income Portfolio | | 18,589 |
| | AIM | Blue Chip Fund - Class A | | 27 |
| | AIM | Global Aggressive Growth Fund - Class A | | 2,264 |
| | Alger | Mid-Cap Growth Institutional Portfolio - Institutional Class | | 16,071 |
| | Ariel | Appreciation Fund | | 22,302 |
| | Ariel | Fund | | 10,925 |
| | Baron | Growth Fund | | 27,734 |
| | Calvert | World Values Fund, Inc.-International Equity Fund-Class A | | 26 |
| | Calvert | New Vision Small Cap Fund - Class A | | 26 |
| | Credit Suisse | Global Fixed Income Fund - Common Shares | | 5,254 |
| | Fidelity | Aggressive International Fund | | 978 |
| | Fidelity | Asset Manager Fund | | 53,868 |
| | Fidelity | Asset Manager Income Fund | | 65 |
| | Fidelity | International Small Cap Fund | | 20,000 |
| | Fidelity | Real Estate Investment Portfolio Fund | | 106 |
| | Fidelity | Structured Large Cap Growth Fund | | 64 |
| | Fidelity | Structured Mid Cap Growth Fund | | 5,409 |
| | Fidelity | Total Bond Fund | | 4,592 |
| | Fidelity | Aggressive Growth Fund | | 7,116 |
| | Fidelity | Balanced Fund | | 346 |
| | Fidelity | Blue Chip Growth Fund | | 9,771 |
| | Fidelity | Canada Fund | | 23,184 |
| | Fidelity | Capital & Income Fund | | 28,712 |
| | Fidelity | Capital Appreciation Fund | | 23,155 |
| | Fidelity | Dividend Growth Fund | | 6,338,116 |
| | Fidelity | Diversified International Fund | | 2,873,324 |
| | Fidelity | Equity-Income II Fund | | 16,751 |
| | Fidelity | Equity-Income Fund | | 1,181,994 |
| | Fidelity | Europe Fund | | 3,541 |

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Flagstar Bank 401(k) Plan
Schedule H, line 4i Schedule of Assets (Held at End of Year)
December 31, 2003

| (a) | (b) Identity of issue, borrower, lessor or similar party | (c) Description of investment including maturity date, rate of interest, collateral, par, or maturity value | (d) Cost | (e) Current value |
|-----|--|---|-------------|----------------------|
| | Fidelity | Export and Multinational Fund | | 6,163 |
| | Fidelity | Fifty Fund | | 208 |
| | Fidelity | Freedom 2000 Fund | | 362,497 |
| | Fidelity | Freedom 2010 Fund | | 625,299 |
| | Fidelity | Freedom 2020 Fund | | 694,879 |
| | Fidelity | Freedom 2030 Fund | | 769,345 |
| | Fidelity | Freedom 2040 Fund | | 272,116 |
| | Fidelity | Freedom Income Fund | | 204,367 |
| | Fidelity | Ginnie Mae Fund | | 10,193 |
| | Fidelity | Growth Company Fund | | 6,648,103 |
| | Fidelity | Independence Fund | | 1,273,296 |
| | Fidelity | International Growth and Income Fund | | 52,525 |
| | Fidelity | Japan Fund | | 7,050 |
| | Fidelity | Low-Priced Stock Fund | | 1,541,611 |
| | Fidelity | Mid-Cap Stock Fund | | 4,537,815 |
| | Fidelity | Mortgage Securities Fund | | 127 |
| | Fidelity | New Markets Income Fund | | 17,741 |
| | Fidelity | Puritan Fund | | 218 |
| | Fidelity | Small Cap Stock Fund | | 828 |
| | Fidelity | Small Capital Retirement Fund | | 750,323 |
| | Fidelity | Trend Fund | | 51 |
| | Fidelity | U.S. Bond Index Fund | | 2,795,134 |
| | Fidelity | Value Fund | | 25,481 |
| | Fidelity | Worldwide Fund | | 18 |
| | Fidelity | Large Cap Stock Fund | | 7 |
| | Janus | Adviser Balanced Fund - Class I | | 1 |
| | Janus | Adviser International Fund - Class I | | 89 |
| | Janus | Adviser Worldwide Fund | | 120 |
| | Janus | Mid Cap Value Fund Investor Shares | | 5,272 |
| | Legg Mason | Value Trust-FI Class | | 10,570 |
| | Managers | Bond Fund | | 2,056 |
| | Managers | Special Equity Fund | | 459 |
| | Mutual | Discovery Fund-Class A | | 20,157 |
| | The Oakmark | Equity and Income Fund | | 850 |
| | The Oakmark | Select I | | 960,275 |
| | PIMCO | Global Bond Fund - Administrative Class | | 5,000 |
| | PIMCO | Total Return Fund - Administrative Class | | 20,621 |
| | Scudder | Growth and Income Fund - Class S | | 187,677 |

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Flagstar Bank 401(k) Plan
Schedule H, line 4i Schedule of Assets (Held at End of Year)
December 31, 2003

| (a) | (b) Identity of issue, borrower, lessor or similar party | (c) Description of investment including maturity date, rate of interest, collateral, par, or maturity value | (d) Cost | (e) Current value |
|-----|--|---|-------------|----------------------|
| | Spartan | U.S. Equity Index Fund | | 4,263,443 |
| | Spartan | Total Market Index Fund | | 12,175 |
| | Strong | Advisor Small Cap Value Fund-Class Z | | 6,028 |
| | Strong | Advisor Common Stock Fund-Class Z | | 10,751 |
| | Strong | Growth Fund Investor Class | | 35 |
| | Templeton | Foreign Fund-Class A | | 23 |
| | Templeton | Global Bond Fund Class A | | 5,292 |
| * | Participant Loans | Interest rates ranging from 5% to 10.5% with various maturity dates | | 1,622,067 |
| | | | | <u>1,622,067</u> |
| | | | | <u>\$59,868,581</u> |

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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 24, 2004

By: /s/ Mary Kay Ruedisueli
Mary Kay Ruedisueli
Secretary of Flagstar Bancorp, Inc., Plan
Administrator

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EXHIBIT INDEX

| Exhibit No. | Description |
|------------------------|---------------------------|
| 23 | Consent of Grant Thornton |