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March 26, 2009

Ms. Jennifer J. Johnson  
Secretary, Board of Governors of the Federal Reserve System  
20<sup>th</sup> Street and Constitution Avenue, N.W.  
Washington, D.C. 20551

Re: Docket No. R-1343

Dear Ms. Johnson,

Flagstar Bank, FSB (Flagstar) appreciates the opportunity to comment on this proposed rule. Flagstar is a subsidiary of Flagstar Bancorp, a bank holding company headquartered in Troy, Michigan, with more than \$14 billion in assets. As of December 31, 2008, Flagstar operated 175 banking centers in Michigan, Indiana, and Georgia and 104 home loan centers in 21 states. Flagstar had approximately 300,900 deposit accounts, including checking, savings, MMB and CD accounts, representing approximately \$5.2 billion in deposits at year-end 2008.

While we share the concerns of the Board that the practices of some in the industry with respect to overdraft protection services may mislead customers, it is our belief that this proposal will have a significant adverse impact on our ability, and the ability of other financial institutions, to provide valuable benefits to our customers.

Specifically we are concerned that the operational burdens that will result from the portion of the rule that prohibits assessing an overdraft fee if the overdraft was caused by a debit hold will be excessive and costly. We believe that this prohibition will require institutions to retroactively monitor, and, in many instances, adjust, overdraft fees that have been assessed to a consumer's account. While we appreciate the Board's efforts to modify the rule by excluding certain debit holds from the prohibition, it is our belief that, even with this exclusion, there will be burdensome and costly operational issues associated with this portion of the rule.

Flagstar believes that a better alternative – both from the perspective of the customer and the financial institution – is to adopt a disclosure-based rule that requires merchants to provide customer notice prior to placing a debit hold. This will provide the customer with the exact amount of the debit hold, which will enable him/her to use his/her debit card so as to avoid overdraft fees. At the same time, it will eliminate the operational burden that this rule will impose on financial institutions.

If you have any questions or would like any additional information, please contact me at 248-312-5007 or [Michele.K.Spear@flagstar.com](mailto:Michele.K.Spear@flagstar.com).

Sincerely,

Michele K. Spear  
Chief Compliance Officer