



# FBR Capital Markets

## 2012 Fall Investor Conference

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Michael J. Tierney  
President and Chief Executive Officer

Paul D. Borja  
Chief Financial Officer

Matthew A. Kerin  
Executive Vice President, Managing Director – Mortgage Banking and Warehouse

November 27, 2012



This presentation contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, as amended. Forward-looking statements, by their nature, involve estimates, projections, goals, forecasts, assumptions, risks and uncertainties that could cause actual results or outcomes to differ materially from those expressed in a forward-looking statement. Examples of forward-looking statements include statements regarding our expectations, beliefs, plans, goals, objectives and future financial or other performance. Words such as "expects," "anticipates," "intends," "plans," "believes," "seeks," "estimates" and variations of such words and similar expressions are intended to identify such forward-looking statements. Any forward-looking statement speaks only as of the date on which it is made. Except to fulfill our obligations under the U.S. securities laws, we undertake no obligation to update any such statement to reflect events or circumstances after the date on which it is made.

There are a number of important factors that could cause future results to differ materially from historical performance and these forward-looking statements. Factors that might cause such a difference include:

- (1) Volatile interest rates that impact, amongst other things, (i) the mortgage banking business, (ii) our ability to originate loans and sell assets at a profit, (iii) prepayment speeds and (iv) our cost of funds, could adversely affect earnings, growth opportunities and our ability to pay dividends to stockholders;
- (2) Competitive factors for loans could negatively impact gain on loan sale margins;
- (3) Competition from banking and non-banking companies for deposits and loans can affect our growth opportunities, earnings, gain on sale margins, market share and ability to transform business model;
- (4) Changes in the regulation of financial services companies and government-sponsored housing enterprises, and in particular, declines in the liquidity of the residential mortgage loan secondary market, could adversely affect our business;
- (5) Changes in regulatory capital requirements or an inability to achieve or maintain desired capital ratios could adversely affect our growth and earnings opportunities and our ability to originate certain types of loans, as well as our ability to sell certain types of assets for fair market value or to transform our business model;
- (6) General business and economic conditions, including unemployment rates, movements in interest rates, the slope of the yield curve, any increase in mortgage fraud and other related criminal activity and the further decline of asset values in certain geographic markets, may significantly affect our business activities, loan losses, reserves, earnings and business prospects;
- (7) Factors concerning the implementation of proposed refinements and transformation of our business model could result in slower implementation times than we anticipate and negate any competitive advantage that we may enjoy;
- (8) Actions of mortgage loan purchasers, guarantors and insurers regarding repurchases and indemnity demands and uncertainty related to foreclosure procedures could adversely affect our business activities and earnings;
- (9) The Dodd-Frank Wall Street Reform and Consumer Protection Act has resulted in the elimination of the Office of Thrift Supervision ("OTS"), tightening of capital standards, and the creation of a new Consumer Financial Protection Bureau ("CFPB") and has resulted, or will result, in new laws, regulations and regulatory supervisors that are expected to increase our costs of operations. In addition, the change to the Office of the Comptroller of the Currency ("OCC") as Flagstar Bank, FSB's primary federal regulator may result in interpretations affecting our operations different than those of the OTS;

(10) Both the volume and the nature of consumer actions and other forms of litigation against financial institutions have increased and to the extent that such actions are brought against us or threatened, the cost of defending such suits as well as potential exposure could increase our costs of operations;

(11) Our compliance with the terms and conditions of the agreement with the U.S. Department of Justice, the impact of performance and enforcement of commitments under, and provisions contained in the agreement, and our accuracy and ability to estimate the financial impact of that agreement, including the fair value of the future payments required, could accelerate our litigation settlement expenses relating thereto;

(12) The downgrade by Standards & Poor's of the long-term credit rating of the U.S. could materially affect global and domestic financial markets and economic conditions, which may affect our business activities, financial condition, and liquidity;

(13) The Bank has entered into a Consent Order with the OCC, which requires the Bank to adopt or review and revise various plans, policies and procedures related to, among other things, regulatory capital, enterprise risk management and liquidity. While subject to the Consent Order, the Bank's management and Board of Directors will be required to focus a substantial amount of time on complying with its terms, which could adversely affect the Company's financial performance. Non-compliance with the Consent Order may lead to additional corrective actions by the OCC which could negatively impact our operations and financial performance; and

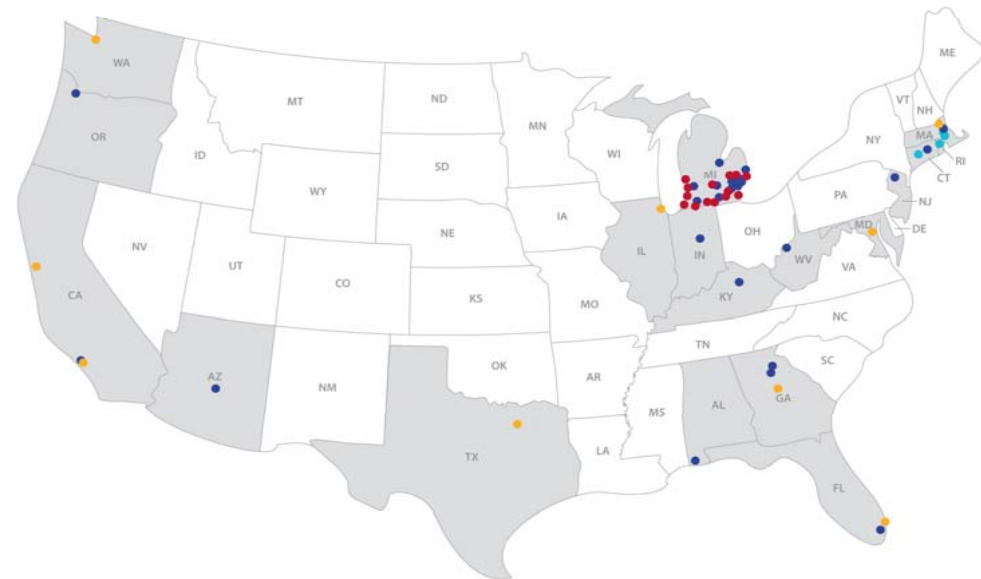
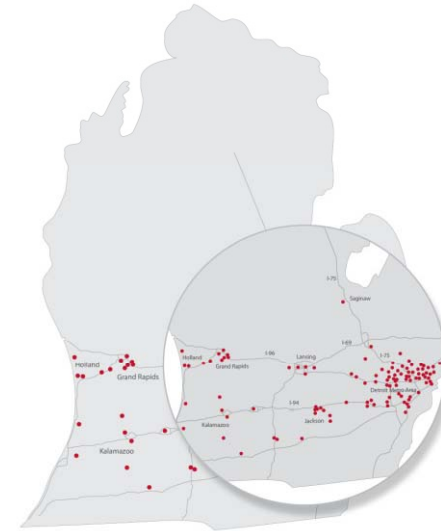
All of the above factors are difficult to predict, contain uncertainties that may materially affect actual results, and may be beyond our control. New factors emerge from time to time, and it is not possible for our management to predict all such factors or to assess the effect of each such factor on our business.

Please also refer to Item 1A to Part I of our Annual Report on Form 10-K, which are incorporated by reference herein, for further information on these and other factors affecting us. Although we believe that the assumptions underlying the forward-looking statements for the fiscal year ended December 31, 2011 and Item 1A to Part II of our Quarterly Report on Form 10-Q for the three months ended September 30, 2012 contained herein are reasonable, any of the assumptions could be inaccurate, and therefore any of these statements included herein may prove to be inaccurate. In light of the significant uncertainties inherent in the forward-looking statements included herein, the inclusion of such information should not be regarded as a representation by us or any other person that the results or conditions described in such statements or our objectives and plans will be achieved.

# About Flagstar

## 2012 FBR Fall Investor Conference

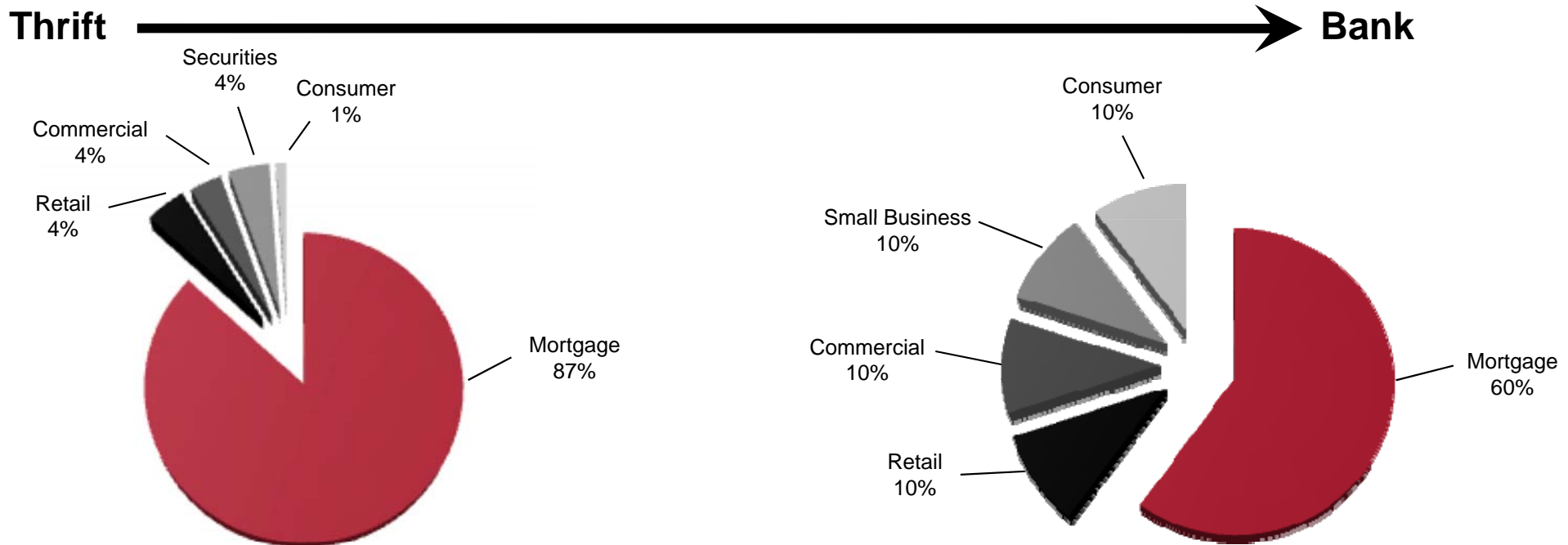
- Headquartered in Troy, Michigan
- Federally chartered, FDIC-insured savings bank
- Traded on the New York Stock Exchange under the symbol FBC
- Over 3,500 employees
- \$14.9 billion in assets, \$9.5 billion in deposits
  - Largest bank headquartered in Michigan
  - Among 100 largest U.S. financial institutions and 15 largest U.S. thrifts
  - Ranked 6th in deposit market share in Michigan for 2012
- Originating residential mortgages since 1987, lending in all 50 states
  - 8<sup>th</sup> largest overall mortgage originator
  - 6<sup>th</sup> largest conventional conforming mortgage producer
  - 4<sup>th</sup> largest FHA mortgage producer

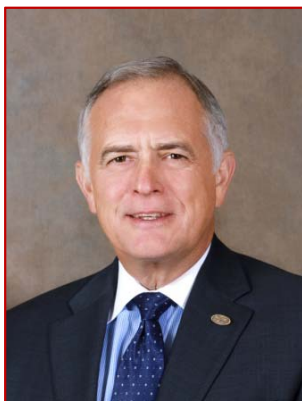


• Commercial Banking Offices      • Home Lending Offices      • Wholesale Offices      • Branch Offices



- Flagstar is focused on:
  - Remaining a top-tier national **MORTGAGE** lender and servicer
  - Emphasizing its super-community bank model in **MICHIGAN**
    - Leveraging its award-winning customer service driven branch model
    - Winding down New England-based operations and re-investing in Michigan-based commercial banking platform (middle market, business banking and commercial real estate)



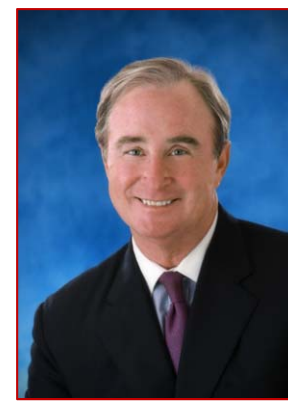


**Michael J. Tierney**  
**President and CEO**

Michael J. Tierney was named president of Flagstar Bancorp and Flagstar Bank on October 1, 2012. On November 1, 2012, he assumed the additional responsibility of Chief Executive Officer of both entities and became a director of the Company and the Bank. Prior to his most recent appointments, he was executive vice president and managing director, personal financial services from February 2011 to October 2012.

Mr. Tierney has more than 33 years of experience in retail, consumer, and commercial banking in Michigan and throughout the Midwest, most recently as president and chief executive officer of the Bluewater Bank Group, an investment group formed to purchase Michigan banks. Prior to that, he was the president and chief executive officer for Peoples State Bank, and was also the senior vice president and managing director for Midwest Business Banking at Chase.

Mr. Tierney began his career at Comerica Bank, where he served for 28 years in various senior leadership roles, most notably as senior vice president, personal financial services, where he oversaw 256 Michigan branches and was responsible for more than \$13.5 billion in small business and consumer deposits.



**John D. Lewis**  
**Chairman**  
**(Proposed)**

John D. Lewis has been appointed a director of the Company and the Bank and will serve as Non-Executive Chairman of their Boards of Directors, in each case subject to receipt of regulatory non-objection.

Mr. Lewis has extensive financial services expertise, having worked for 36 years at Comerica, where he served as Vice Chairman through 2006.

Mr. Lewis was instrumental in building and expanding Comerica's presence in Michigan. Flagstar's Board recognizes the importance of strong independent leadership on the Board and believes that having a Non-Executive Chairman is consistent with best practices in corporate governance.

- Top-tier player in most important asset class in the U.S. economy
- Continue to gain market share as the mortgage industry consolidates

	2007	2008	2009	2010	2011	YTD 3Q 2012
<b>Mortgage Originations (\$B)</b>	\$26.4	\$27.9	\$33.5	\$26.6	\$26.6	\$38.2
<b>Total Mortgage Market Share (%)</b>	1.1%	1.9%	1.8%	1.7%	2.0%	2.9%
<b>Total Mortgage Ranking</b>	19	13	12	11	9	8

## Mortgage Originations—2007

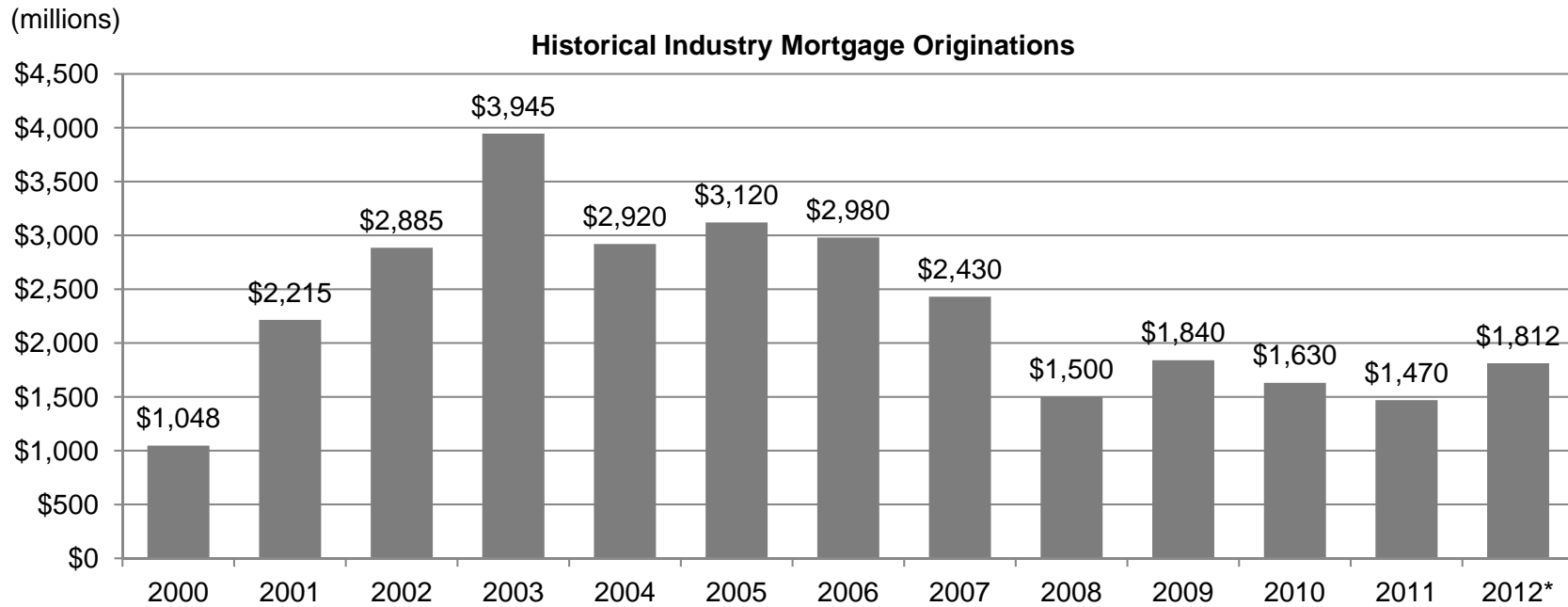
Rank	Company	Volume (\$ Bn)	Market Share (%)
1	Countrywide Fin. (CA)	\$ 408.2	16.8
2	Wells Fargo & Co (CA)	271.9	11.2
3	JPMorgan Chase & Co (NY)	210.1	8.6
4	Citigroup Inc (NY)	198.0	8.1
5	Bank of America (NC)	190.1	7.8
6	Washington Mutual (WA)	137.9	5.7
7	Wachovia Corporation (NC)	97.1	4.0
8	Residential Capital LLC (NY)	94.0	3.9
9	IndyMac (CA)	76.9	3.2
10	Sun Trust Banks Inc (GA)	59.4	2.4
11	Lehman Brothers (NY)	48.5	2.0
12	National City (OH)	46.4	1.9
13	PHH Corp (NJ)	38.4	1.6
14	Taylor Bean & Whitaker (FL)	35.3	1.5
15	American Home Mortgage (NY)	34.6	1.4
16	EMC Mortgage (TX)	32.2	1.3
17	First Horizon National Corp(TN)	30.6	1.3
18	US Bancorp (MN)	27.0	1.1
<b>19</b>	<b>Flagstar Bancorp Inc (MI)</b>	<b>26.4</b>	<b>1.1</b>
20	AmTrust Bank (OH)	25.0	1.0
<b>Total Mortgage Originations</b>		<b>\$ 2,430.0</b>	



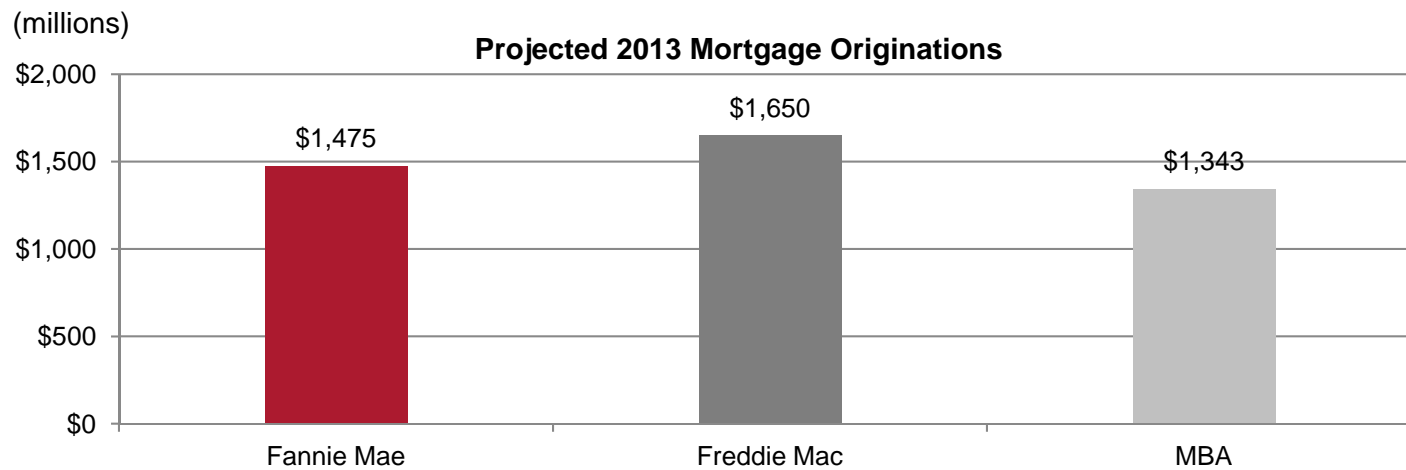
## Mortgage Originations—YTD 3Q 2012

Rank	Company	Volume (\$ Bn)	Market Share (%)
1	Wells Fargo & Company (IA)	\$ 402.4	30.3
2	Chase (NJ)	137.6	10.3
3	US Bank Home Mortgage (MN)	65.2	4.9
4	Bank of America Home Loans (NC)	56.2	4.2
5	Citi (MO)	46.5	3.5
6	Quicken Loans Inc. (MI)	44.9	3.4
7	PHH Mortgage (NJ)	41.2	3.1
<b>8</b>	<b>Flagstar Bank (MI)</b>	<b>38.2</b>	<b>2.9</b>
9	Provident Funding Associates (CA)	26.3	2.0
10	BB&T Mortgage (NC)	24.5	1.8
11	SunTrust Mortgage Inc (VA)	24.1	1.8
12	Ally Financial (MI)	21.0	1.6
13	Fifth Third Bank (OH)	17.8	1.3
14	Franklin American Mortgage Company (TN)	16.1	1.2
15	USAA Federal Savings Bank (TX)	12.4	0.9
16	PennyMac Mortgage Investment Trust (CA)	11.2	0.8
17	PNC Mortgage (OH)	10.8	0.8
18	PrimeLending (TX)	9.8	0.7
19	Guaranteed Rate Inc. (IL)	9.6	0.7
20	Steams Lending Inc. (CA)	8.1	0.6
<b>Total Mortgage Originations</b>		<b>\$ 1,330.0</b>	





\* 2012 represents YTD Sep 2012 actual volume, plus the average of the projected Q4 2012 volume from Fannie Mae, Freddie Mac and MBA





- Ranked 6th in total Michigan deposit market share for 2012, moving up one position from 2011
- Outperformed the total Michigan market <sup>(1)</sup> with year-over-year deposit growth of 30% versus an average of 5.7% for the state (the second highest competitor was at 14%)

### Michigan Deposit Market Share

	Number of Branches	Deposits	Branch Market Share	Deposit Market Share	Power Ratio	Branch Chg	Deposit Chg	Br Market Share Chg	Deposit Market Share Chg	Power Ratio Chg
Chase	308	29,175,141	10.4%	17.5%	168%	1	14.0%	0.13%	1.28%	10.26%
Comerica	218	23,674,354	7.4%	14.2%	192%	0	8.8%	0.07%	0.41%	3.75%
PNC	241	14,947,726	8.2%	9.0%	110%	(3)	-0.7%	-0.02%	-0.58%	-6.71%
Bank of America	214	13,731,428	7.3%	8.2%	114%	(7)	-3.9%	-0.17%	-0.82%	-8.48%
Fifth Third	249	13,661,826	8.4%	8.2%	97%	0	4.6%	0.08%	-0.09%	-1.97%
<b>Flagstar</b>	<b>111</b>	<b>9,096,053</b>	<b>3.8%</b>	<b>5.5%</b>	<b>145%</b>	<b>(2)</b>	<b>30.2%</b>	<b>-0.03%</b>	<b>1.03%</b>	<b>28.30%</b>
Huntington	140	7,843,109	4.7%	4.7%	99%	11	10.2%	0.41%	0.20%	-4.97%
Citizens	156	5,923,119	5.3%	3.6%	67%	1	-1.7%	0.08%	-0.27%	-6.19%
Charter One	104	4,711,827	3.5%	2.8%	80%	(5)	1.2%	-0.13%	-0.12%	-0.44%
Chemical	143	4,383,781	4.8%	2.6%	54%	0	3.1%	0.05%	-0.07%	-1.87%
All Other	1,066	39,478,958	36.1%	23.7%	66%	(24)	1.5%	-0.47%	-0.97%	-1.82%
Total Market	2,950	166,627,322	100%	100%		(28)	5.7%			

(1) Based on year-over-year total deposit growth (June 30, 2011 to June 30, 2012) among banks with at least 5 branches and \$400 million in deposits

<i>(\$ in millions, except per share data)</i>		3Q 2012	2Q 2012	1Q 2012	4Q 2011
<b>Net gain on loan sales</b>		\$ 334.4	\$ 212.7	\$ 204.9	\$ 106.9
Primary credit-related costs <sup>(1)</sup>	-	\$ 189.6	\$ 125.3	\$ 212.0	\$ 165.3
Net interest income	+	\$ 73.1	\$ 75.5	\$ 74.7	\$ 75.9
Non-interest expense <sup>(2)</sup>	-	\$ 221.0	\$ 148.6	\$ 152.0	\$ 173.4
Other <sup>(3)</sup>	+	\$ 84.2	\$ 73.2	\$ 77.1	\$ 80.7
<b>Net income</b>		<b>\$ 79.7</b>	<b>\$ 86.0</b>	<b>\$ (8.7)</b>	<b>\$ (78.2)</b>
<hr/>					
<b>Earnings per share (diluted)</b>		<b>\$ 1.36</b>	<b>\$ 1.47</b>	<b>\$ (0.22)</b>	<b>\$ (1.41)</b>

(1) Includes provision for loan losses, representation and warranty reserve – change in estimate and asset resolution

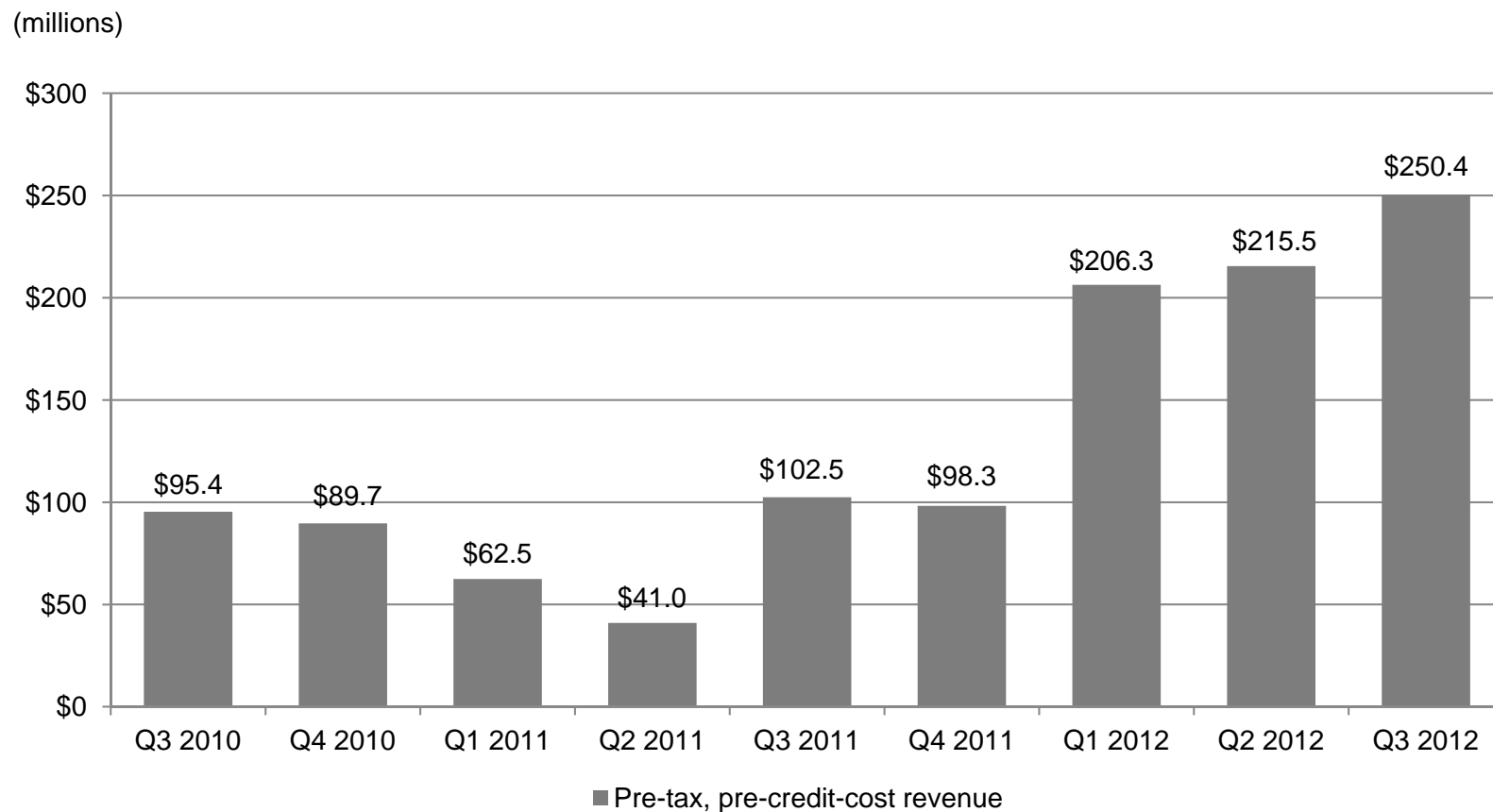
(2) Excludes asset resolution, which is included in credit-related costs

(3) Includes non-interest income (other than net gain on loan sales and representation and warranty reserve -- change in estimate) plus miscellaneous items

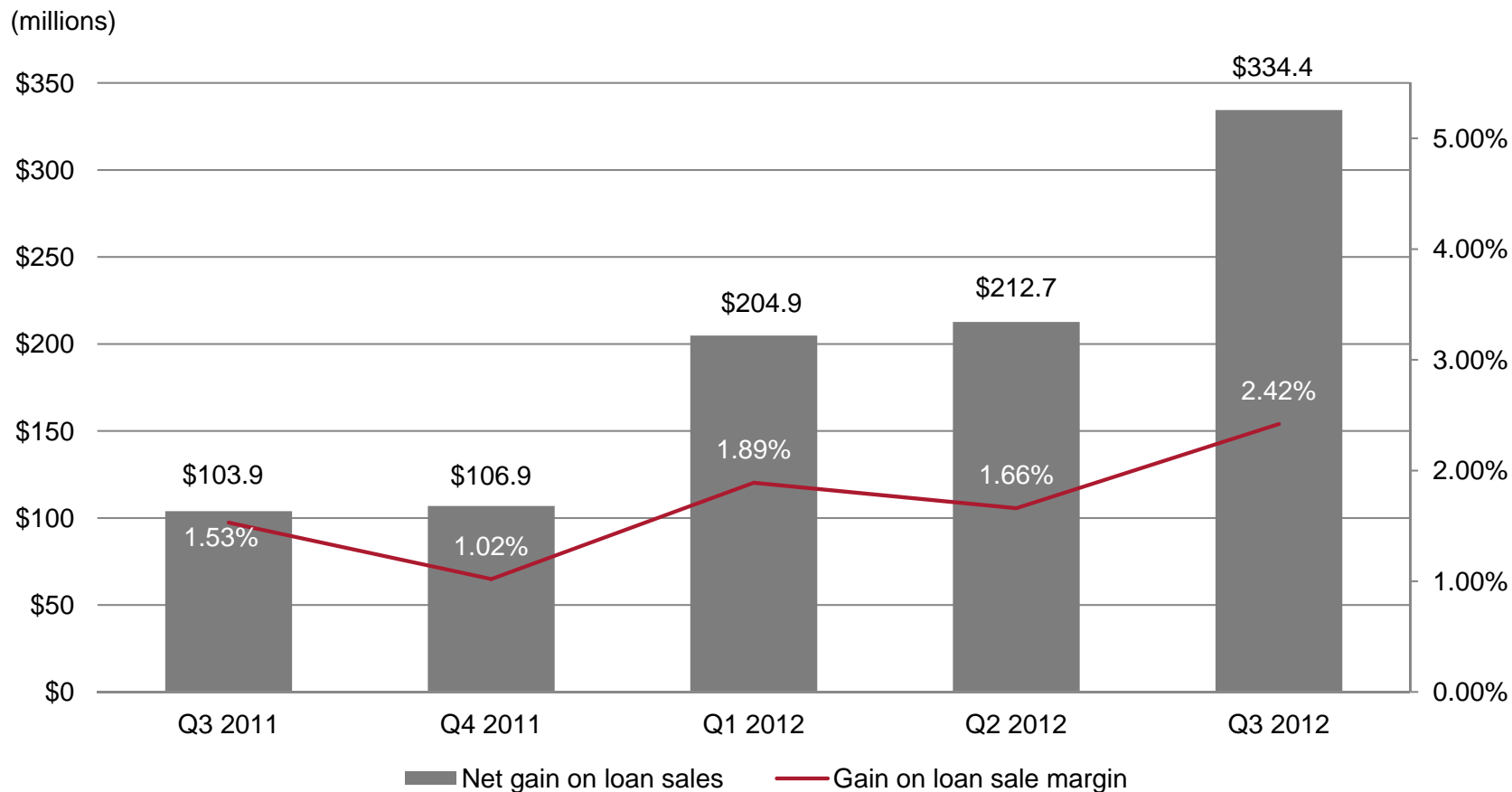
Totals may not foot due to rounding



**-- Pre-tax, pre-credit-cost revenue continues to grow, driven by the strength of the mortgage banking business...**



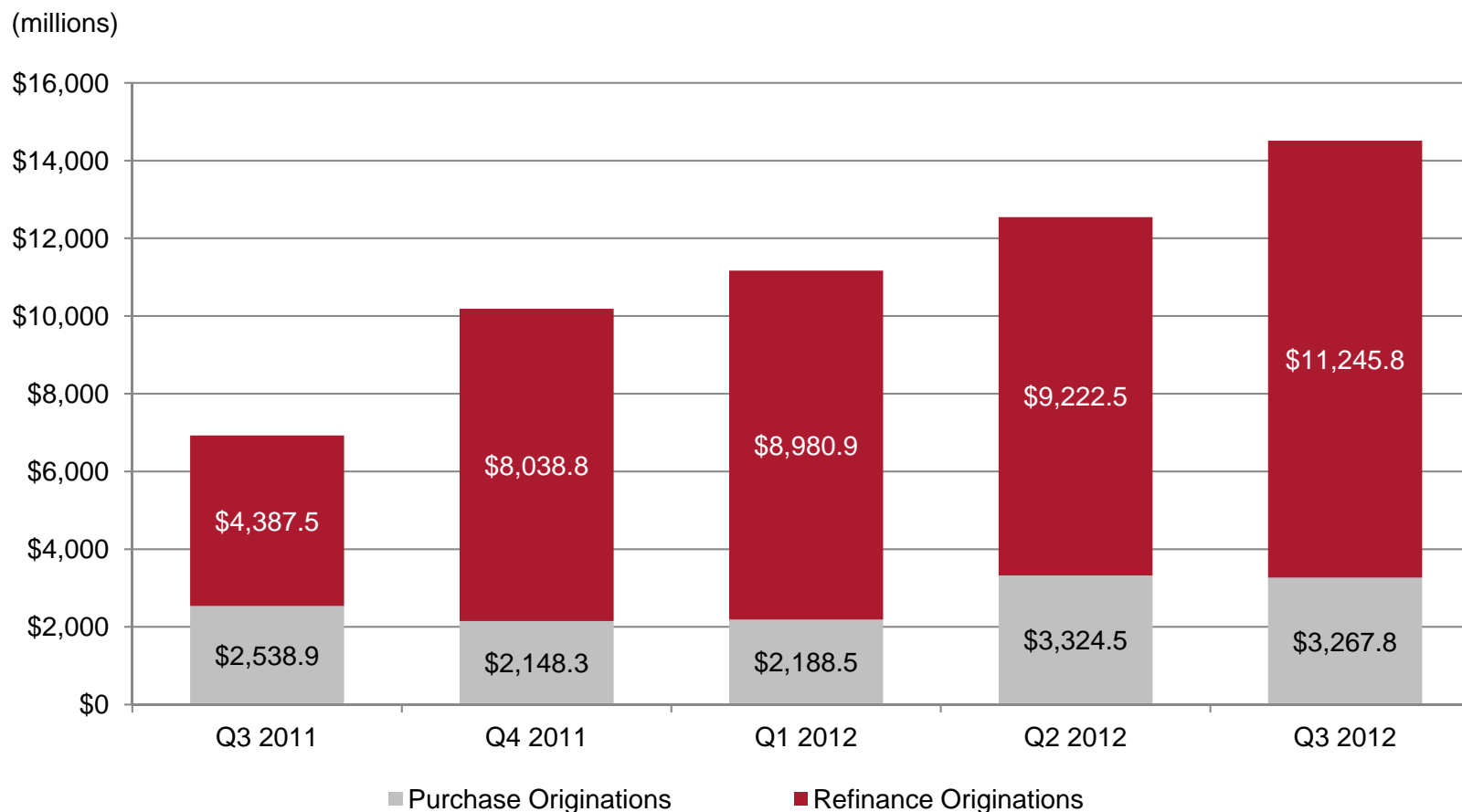
**-- Net gain on loan sales continued to increase, driven by higher margins and increasing volume...**



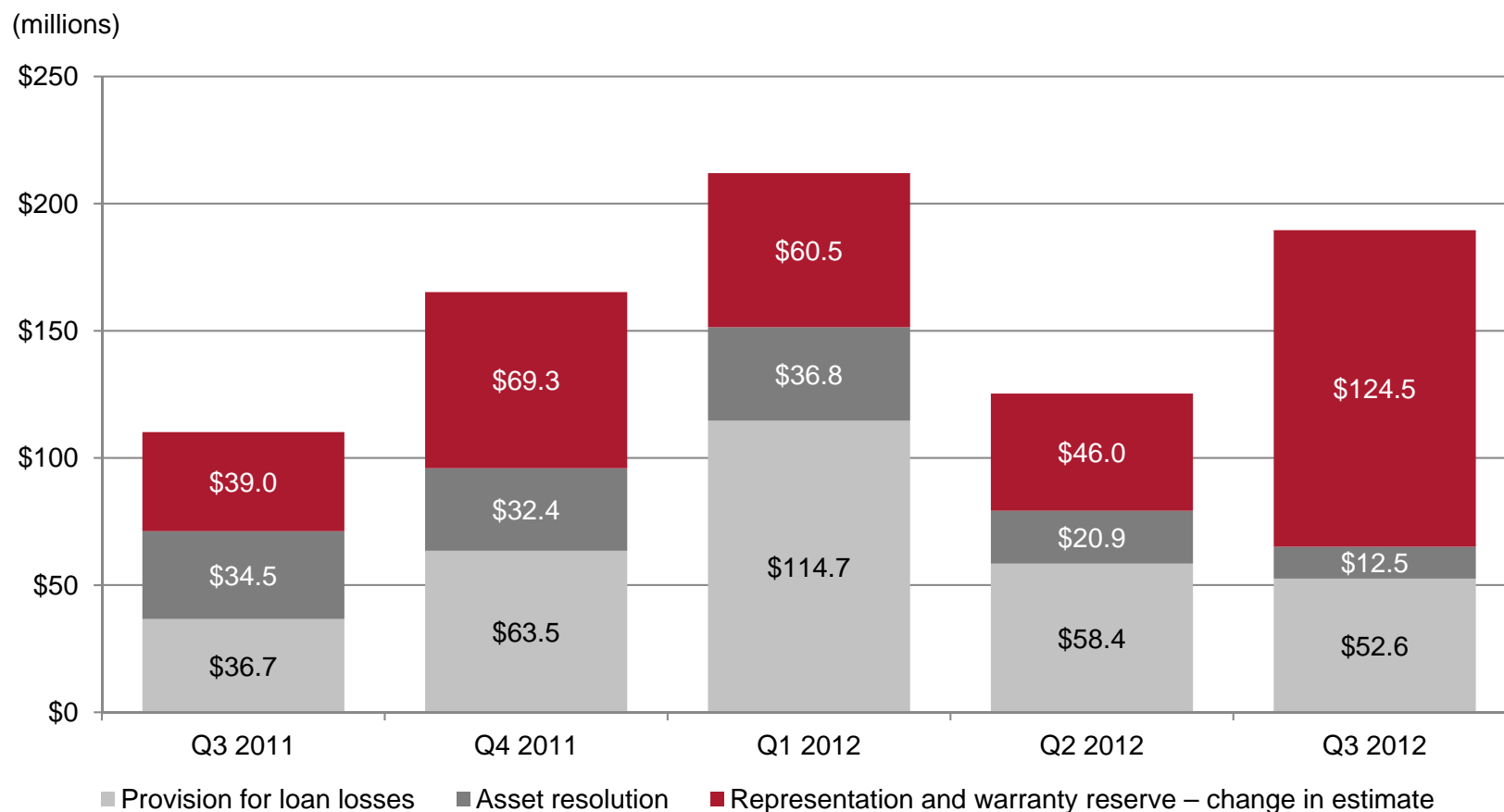
## Mortgage Originations

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*-- Mortgage originations continued to grow overall, with increasing refinance business and continued demand for purchase loans similar to the prior quarter...*



**-- Credit costs for the quarter were primarily affected by expenses for the representation and warranty reserve, as we increased our reserve in light of new information obtained from the GSEs, as well as current trends in repurchase demands, appeal rates and loss severity...**



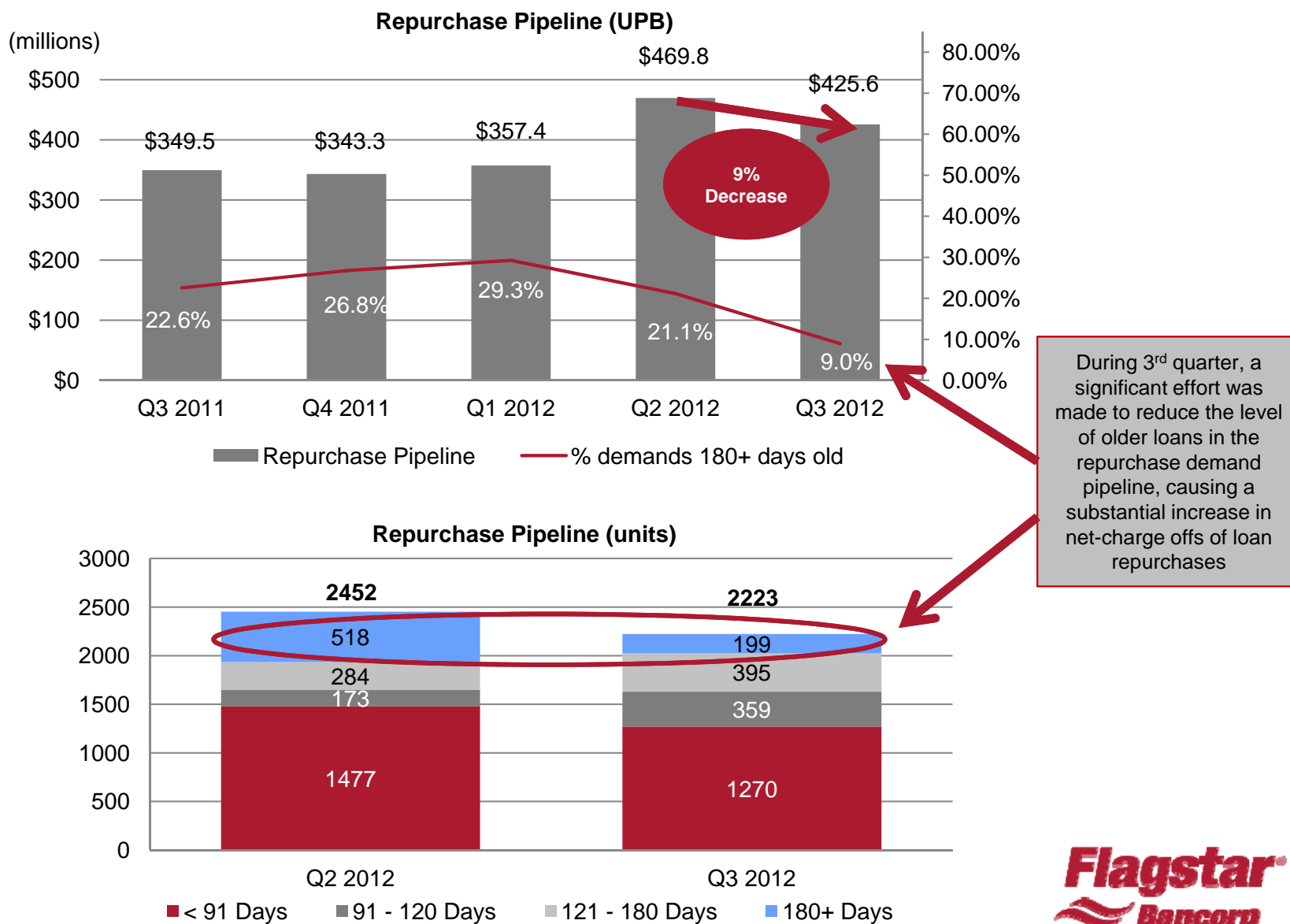
*-- The R&W reserve was increased to reflect an updated forecast for future demands based on the latest available data...*

(\$ in millions)	3Q11	4Q11	1Q12	2Q12	3Q12
Beginning balance	\$79.4	\$85.0	\$120.0	\$142.0	\$161.0
Additions	\$40.8	\$72.8	\$65.6	\$51.7	\$130.9
Net charge-offs	(\$35.2)	(\$37.8)	(\$43.6)	(\$32.7)	(\$89.9)
<b>Ending Balance</b>	<b>\$85.0</b>	<b>\$120.0</b>	<b>\$142.0</b>	<b>\$161.0</b>	<b>\$202.0</b>

Totals may not foot due to rounding

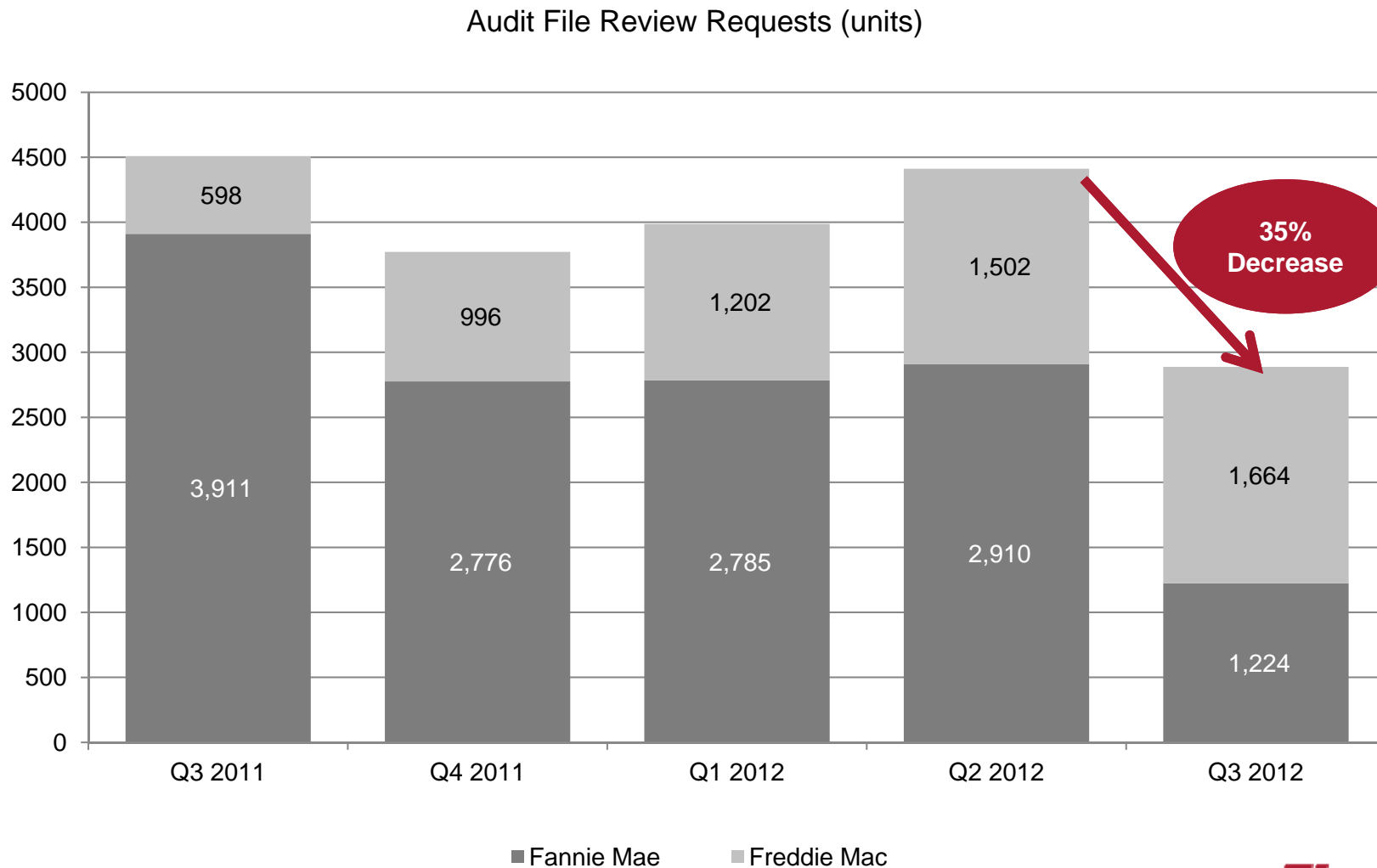


-- Focus on pipeline demands during the quarter substantially reduced both the overall pipeline and the level of demands aged 180+ days...

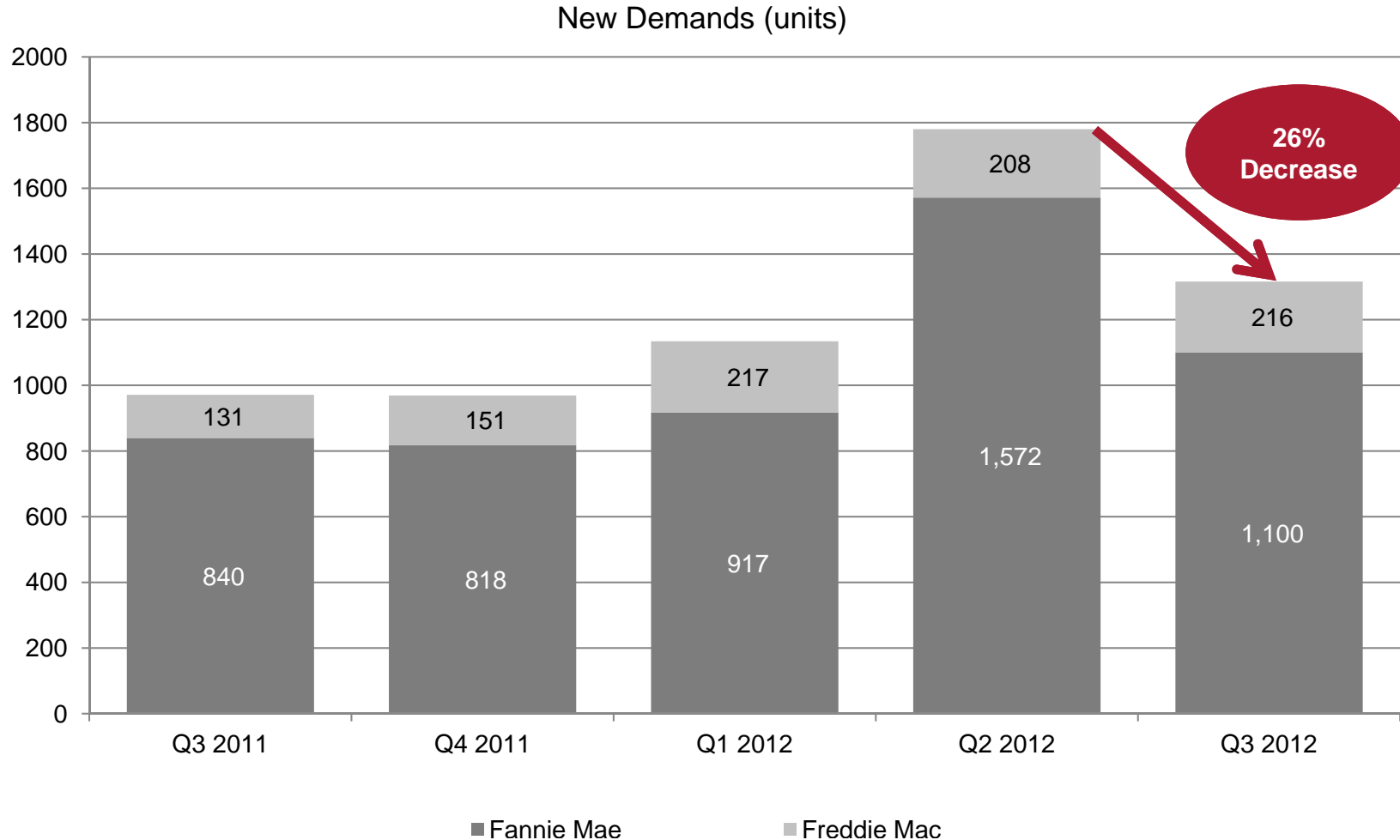




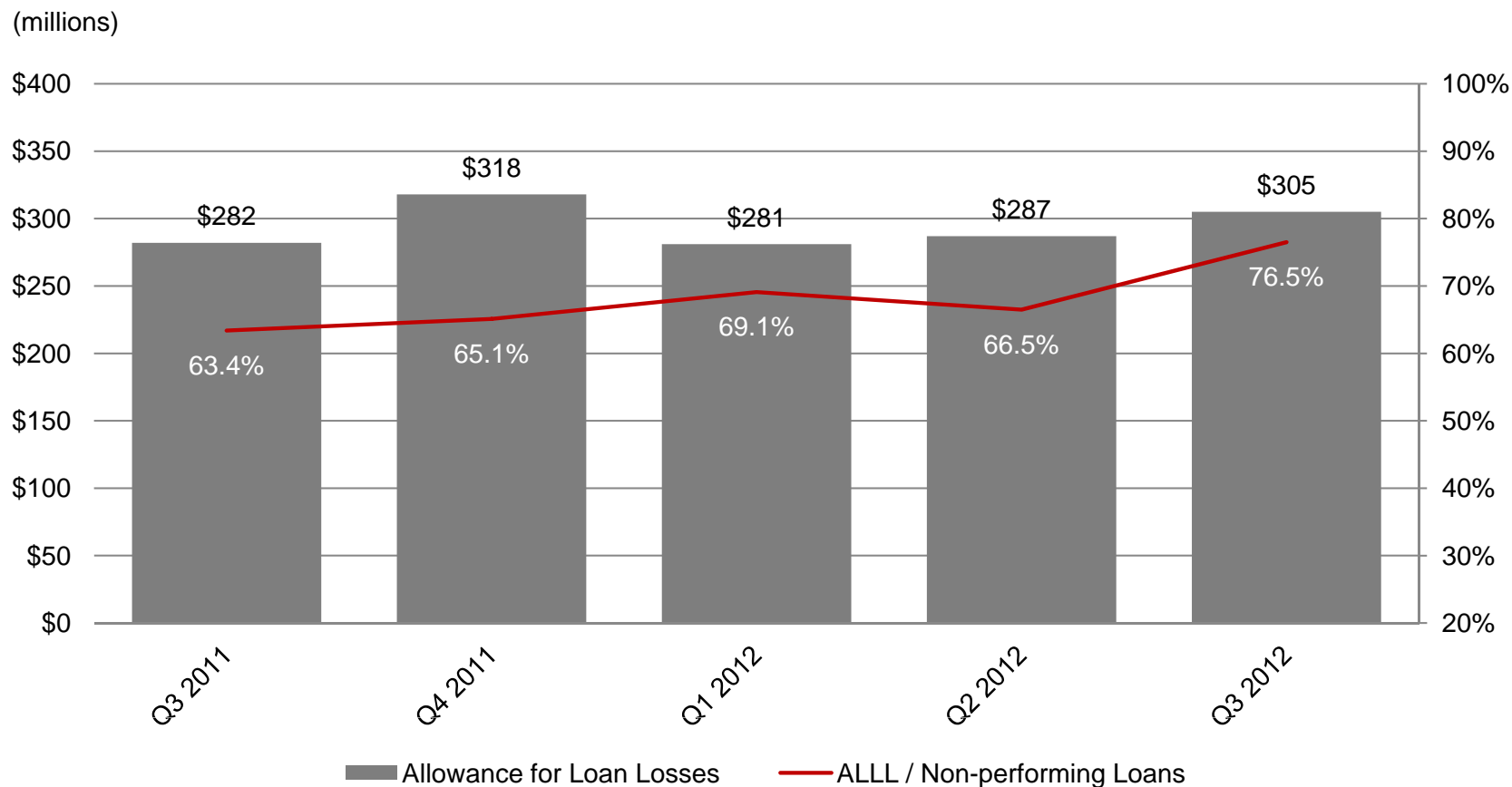
-- Fannie Mae audit file review requests, a leading indicator of repurchase demands, decreased significantly from the prior quarter, with Freddie Mac file review requests increasing slightly...



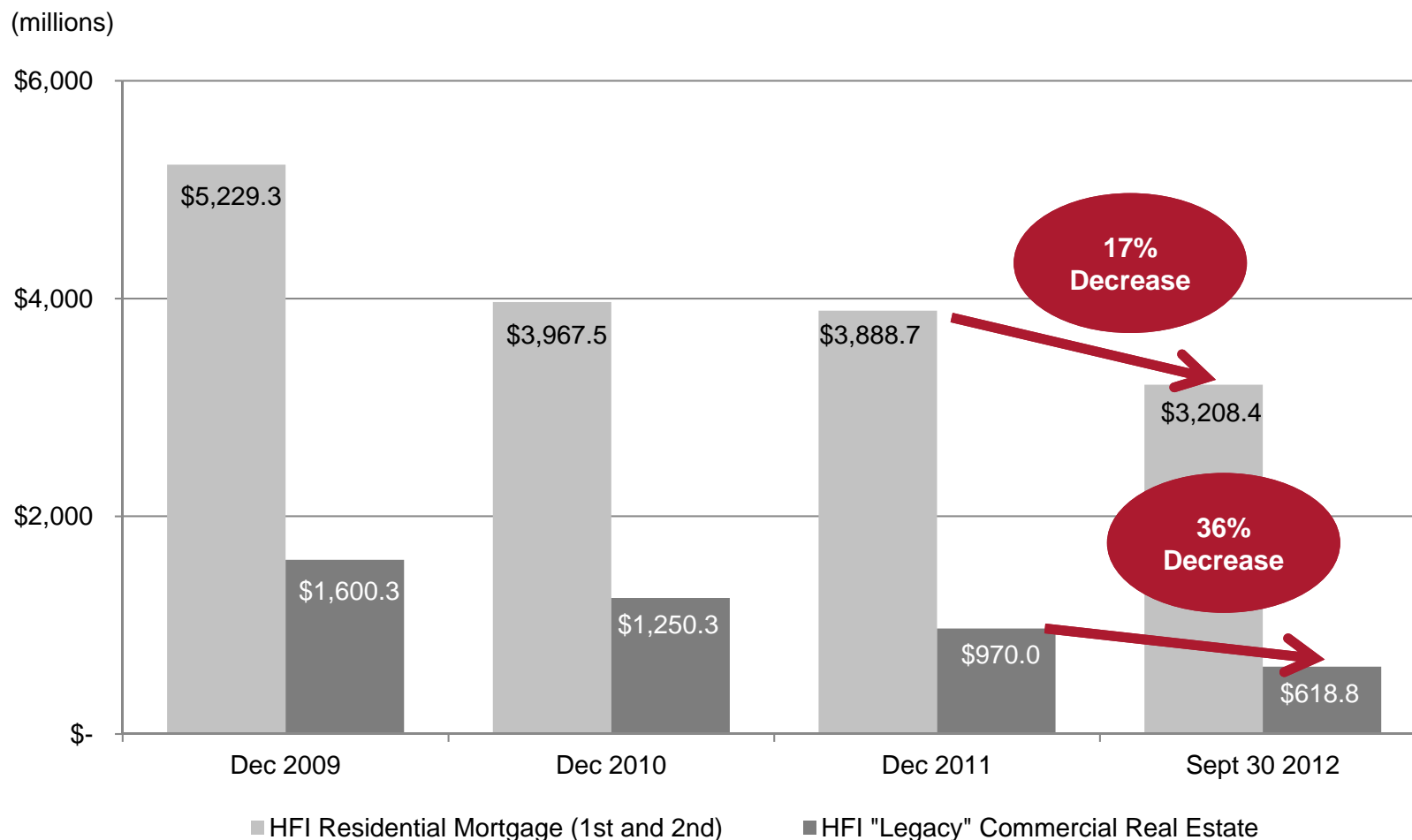
-- New demands made by the GSEs following audit file reviews have declined with Fannie Mae, and have remained relatively flat over the last three quarters with Freddie Mac...



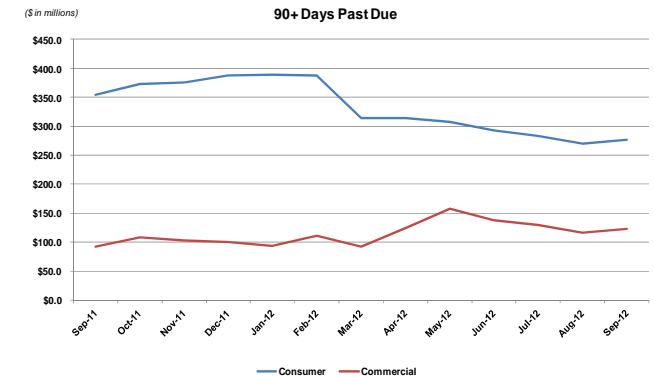
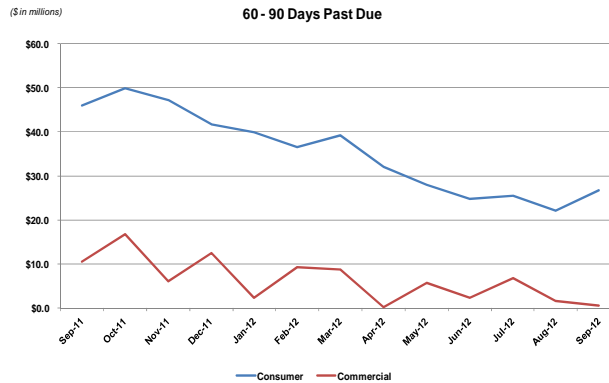
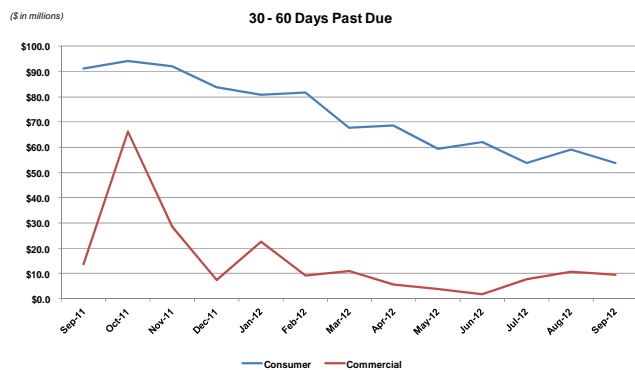
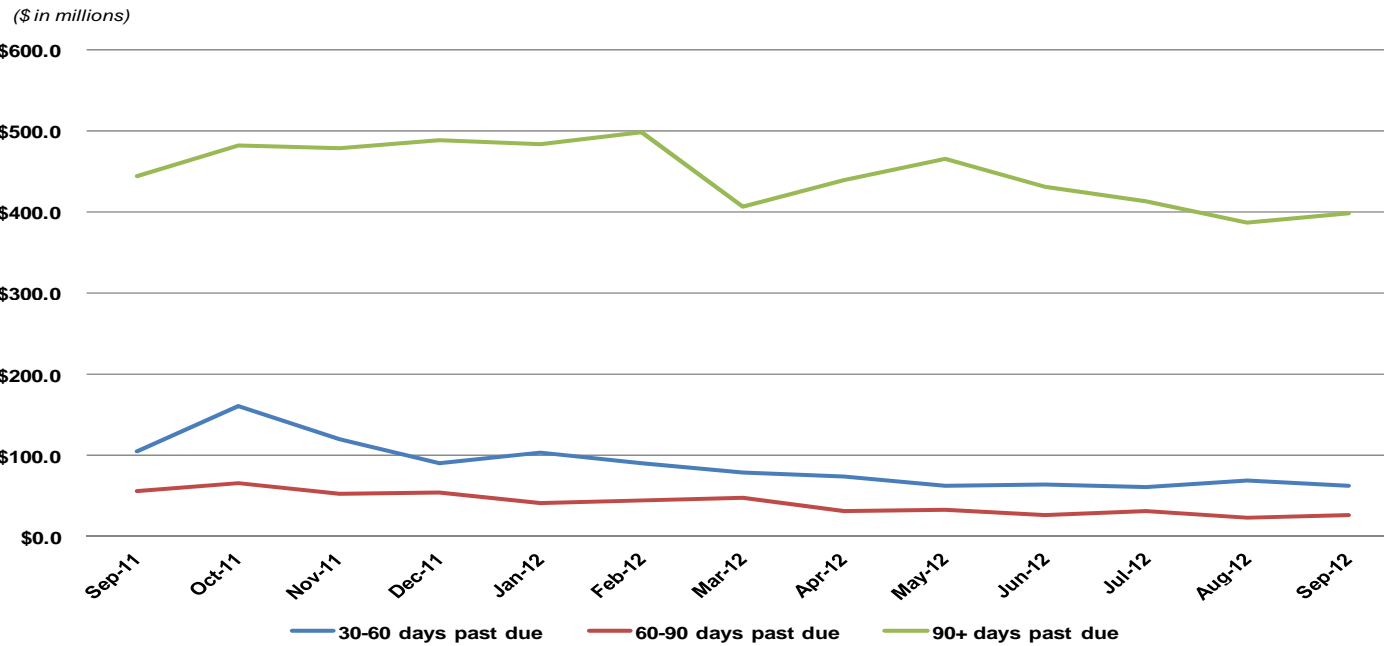
-- Loan loss reserves continue to strengthen, both in total and as a percentage of non-performing loans...



**-- Overall legacy assets continue to decline, reflecting pay-downs, dispositions and mitigation efforts...**



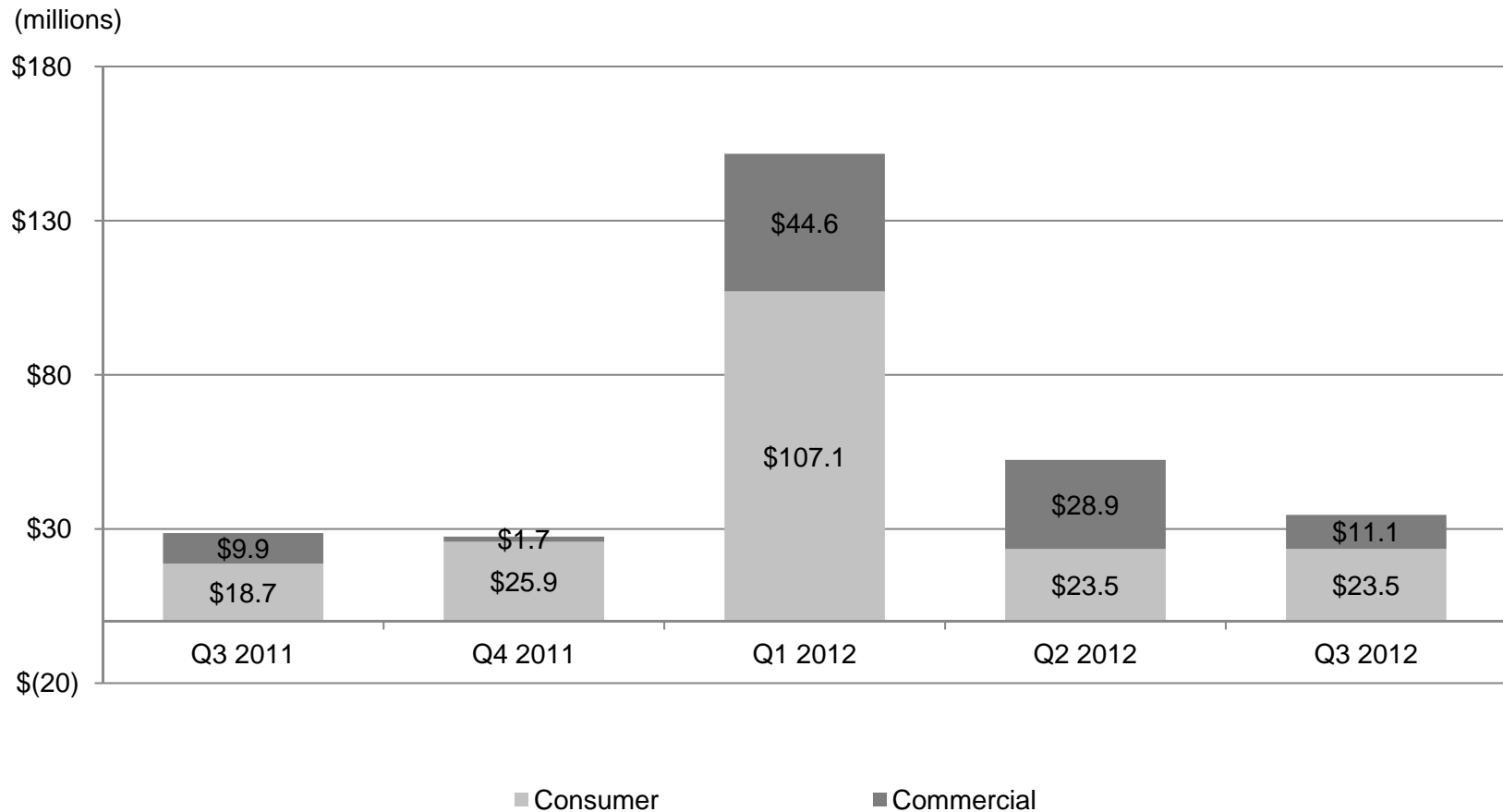
**-- Despite intra-quarter fluctuations, non-performing loans (i.e., 90+ days past due) declined from the prior quarter...**



Note: Consumer loans include: residential first mortgage, second mortgage, construction, warehouse lending, HELOC, and other consumer loans. Commercial loans include: commercial real estate, commercial and industrial, and commercial lease financing loans.



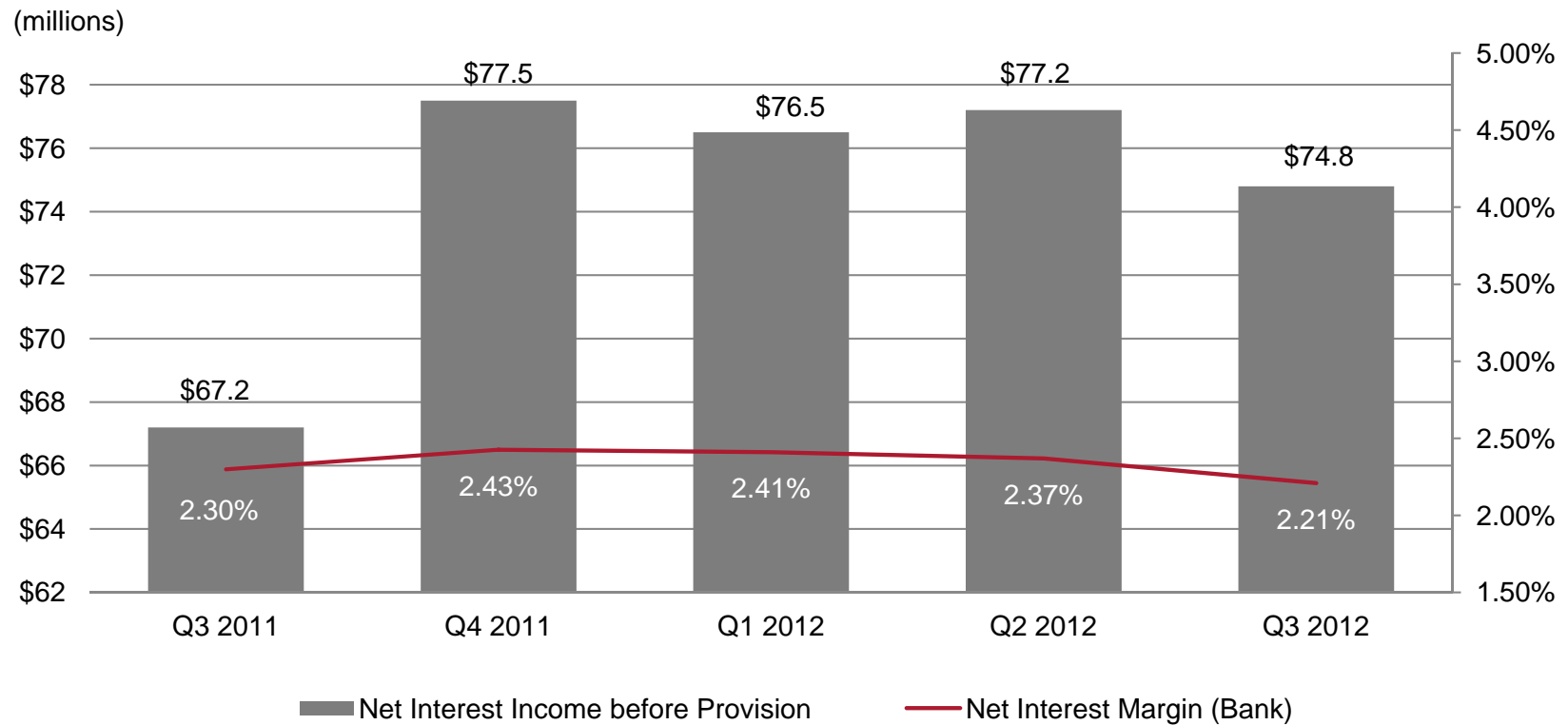
**-- Charge-offs of our held for investment loans declined overall, reflecting a continued focus on loss mitigation strategies and generally improving economic conditions ...**



*Note: Consumer loans include: residential first mortgage, second mortgage, construction, warehouse lending, HELOC, and other consumer loans. Commercial loans include: commercial real estate, commercial and industrial, and commercial lease financing loans.*



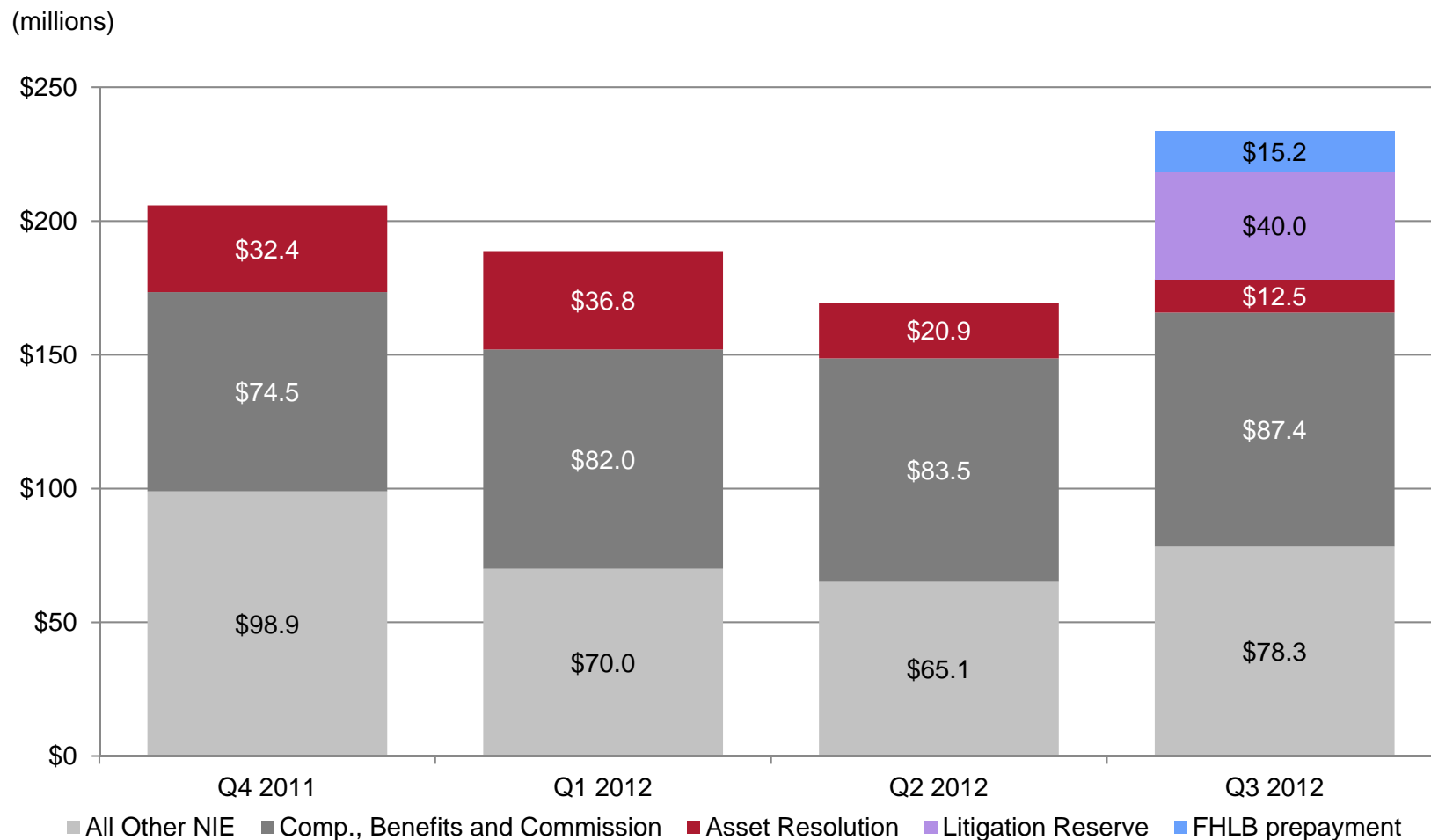
**-- NIM compression reflects declines in variable yields and yields on shorter-duration assets, without any corresponding decline in overall funding costs. Also reflects increased liquidity...**



## Non-interest Expense

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*-- With the exception of compensation, which has increased correspondingly with mortgage production, and several non-recurring expenses, non-interest expense has generally remained flat...*





- Increased industry-wide regulatory burden
- GSE repurchase risk
- Pending litigation
- MSR concentration / Basel III
- Business diversification
- Long-term residential mortgage interest rate resets

- A rapidly improving Michigan economy presents an opportunity to grow deposits and add quality commercial relationships
- Now three years into the transformation, significant time and resources have already been invested to build out the products and systems
- Best-in-class mortgage banking platform and proven ability to gain market share create a unique opportunity to expand and grow the mortgage business
- Earnings model which is much less reliant on spread income than most peers
- Retail and commercial banking franchise are still relatively early in their evolution, with ample room for improvement
- A substantial portion of the larger risks and legacy asset challenges have been addressed
- Revenue generation continues to improve, having earned \$672.2 million in pre-tax, pre-credit-cost income through the first nine months of 2012 (as compared to \$206.0 million through the first nine months of 2011)

# Appendix

- Through 2012, Flagstar has had a higher cumulative total shareholder return than the Dow Jones, the KBW Bank Index and its peers
- Flagstar's stock is still trading at a discount to book value



\* Peers include seven largest banks in Michigan, excluding Flagstar, ranked by total deposits

## Summary of Financial Results

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<i>(\$ in millions, except per share data)</i>			
	<u>Q3 2012</u>	<u>Q2 2012</u>	<u>Q3 2011</u>
Net Interest Income	\$73.1	\$75.5	\$65.6
Provision	\$52.6	\$58.4	\$36.7
Gain on Loan Sale	\$334.4	\$212.7	\$103.9
Net Servicing Revenue <sup>(1)</sup>	\$11.3	\$28.7	\$16.9
<b>Net Income (Loss) Applicable to Common Shareholders</b>	<b>\$79.7</b>	<b>\$86.0</b>	<b>(\$14.2)</b>
Diluted Earnings / (Loss) per Share	\$1.36	\$1.47	(\$0.26)
<hr/>			
Total Assets	\$14,899.2	\$14,368.4	\$13,734.0
Total Stockholders' Equity	\$1,250.6	\$1,178.3	\$1,159.3
<b>Book Value per Common Share</b>	<b>\$17.76</b>	<b>\$16.50</b>	<b>\$16.30</b>
<hr/>			
NPLs / Gross Loans HFI	6.09%	6.59%	6.52%
<b>NPAs / Total Assets (Bank)</b>	<b>3.48%</b>	<b>3.75%</b>	<b>4.09%</b>
<b>ALLL / NPLs</b>	<b>76.45%</b>	<b>66.50%</b>	<b>63.39%</b>
ALLL / Gross Loans HFI	4.65%	4.38%	4.13%
NPAs / Tier 1 Capital + Allowance for Loan Losses <sup>(2)</sup>	30.77%	34.04%	35.88%
<hr/>			
<b>Tier 1 Capital Ratio</b>	<b>9.31%</b>	<b>9.07%</b>	<b>9.31%</b>
Total Risk Based Capital Ratio	17.58%	17.03%	17.64%
Tier 1 Common to Risk Weighted Assets <sup>(2)</sup>	10.32%	9.60%	9.86%
Total Equity / Total Assets	8.39%	8.20%	8.44%

(1) Net servicing revenue includes net loan administration income and net gain (loss) on trading securities.

(2) See Non-GAAP reconciliation.



## Condensed Income Statement

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**-- Net income to common stockholders was \$79.7 million for the third quarter 2012, the second consecutive quarter of profitability...**

*(\$ in millions, except per share data)*

	Q3 2012	Q2 2012	Q3 2011
Net interest income	\$73.1	\$75.5	\$65.6
Provision for loan losses	52.6	58.4	36.7
Net interest income after provision for loan losses	20.5	17.1	28.9
Non-interest income	273.7	240.3	112.6
Non-Interest expense	233.5	169.5	150.7
Income (loss) before federal income taxes	60.7	87.9	(9.2)
(Benefit) provision for federal income taxes	(20.4)	0.5	0.3
Net income (loss)	81.1	87.4	(9.5)
Preferred stock dividend/accretion <sup>(1)</sup>	(1.4)	(1.4)	(4.7)
Net income (loss) applicable to common stockholders	<u><b>\$79.7</b></u>	<u><b>\$86.0</b></u>	<u><b>(\$14.2)</b></u>
Diluted earnings (loss) per Share <sup>(2)</sup>	\$1.36	\$1.47	(\$0.26)

(1) The preferred stock dividend/accretion for Q3 2012 and Q2 2012 represents only the accretion. On January 27, 2012, the Company elected to defer payment of dividends and interest on the preferred stock.

(2) Restated for a one-for-ten reverse stock split announced September 27, 2012 and effective on October 10, 2012.

Totals may not foot due to rounding



\$ in millions				
	Q3 2012	Q2 2012	Q3 2011	
	Consumer <sup>(1)</sup>	\$53.9	\$62.1	\$91.3
	Commercial <sup>(1)</sup>	\$9.6	\$1.7	\$13.7
	Total 30 - 59 Days Past Due	\$63.5	\$63.8	\$105.0
<b>-- Past due loans stabilized or improved...</b>	Consumer <sup>(1)</sup>	\$26.7	\$24.8	\$46.0
	Commercial <sup>(1)</sup>	\$0.4	\$2.3	\$10.5
	Total 60 - 89 Days Past Due	\$27.1	\$27.1	\$56.5
	Consumer <sup>(1)</sup>	\$276.3	\$293.5	\$352.4
	Commercial <sup>(1)</sup>	\$122.6	\$138.1	\$92.5
	Total Greater than 90 days Past Due	\$398.9	\$431.6	\$444.9
<b>-- The ratio of NPAs to total assets improved...</b>	Non-performing Assets <sup>(2)</sup>	\$520.5	\$541.3	\$561.6
	To Total Assets (Bank only)	3.48%	3.75%	4.09%
	Provision for Loan Losses	\$52.6	\$58.4	\$36.7
	Charge-offs, Net of Recoveries	\$34.6	\$52.4	\$28.7
<b>-- The coverage of ALLL to NPLs and to total loans improved...</b>	Allowance for Loan Losses	\$305.0	\$287.0	\$282.0
	To Loans Held for Investment	4.65%	4.38%	4.13%
	To Non-performing Loans	76.5%	66.5%	63.4%
	Real Estate Owned	\$119.5	\$107.2	\$113.4

(1) Consumer loans include: residential first mortgage, second mortgage, construction, warehouse lending, HELOC, and other consumer loans. Commercial loans include: commercial real estate, commercial and industrial, and commercial lease financing loans

(2) Includes non-performing loans available-for-sale.

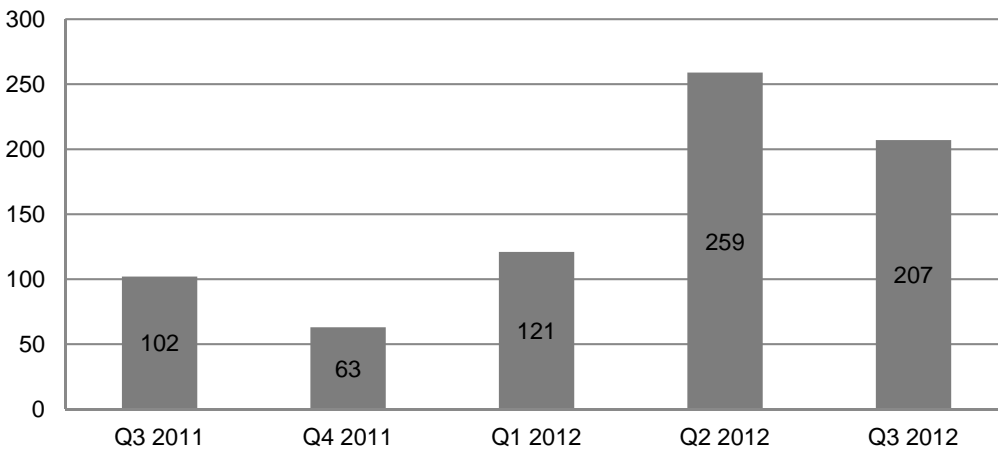
Totals may not foot due to rounding



*-- While new demands in the 2009 – 2012 vintage have increased over the last two quarters, we believe losses associated with those demands will be relatively insignificant...*

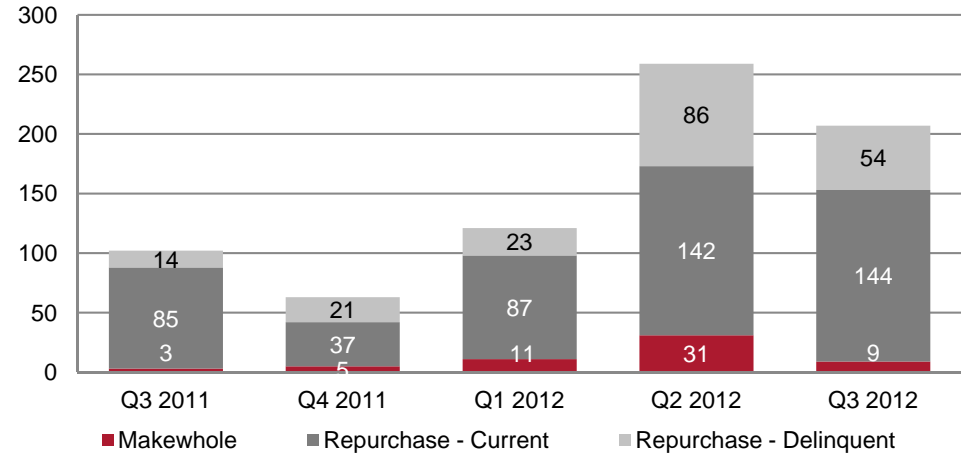
- New demands for these vintages decreased by 20% from the prior quarter
- Substantial percentage (66% on average over last 5 quarters) of these new demands are for performing loans, with a significant portion related to curable documentation and similar issues.

**New Demands (Units)**



*New demands for the 2009-2012 vintages were down 20% from the prior quarter*

**New Demands (Units)**



*Over the last 5 quarters, 66% of the new demands from the 2009 – 2012 vintages are loans that are currently “performing”*



## New Demands by Vintage (UPB)

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*-- New demands by the GSEs reflect a decline in loans across all vintages, with a continued emphasis on 2007 – 2008 vintage loans...*

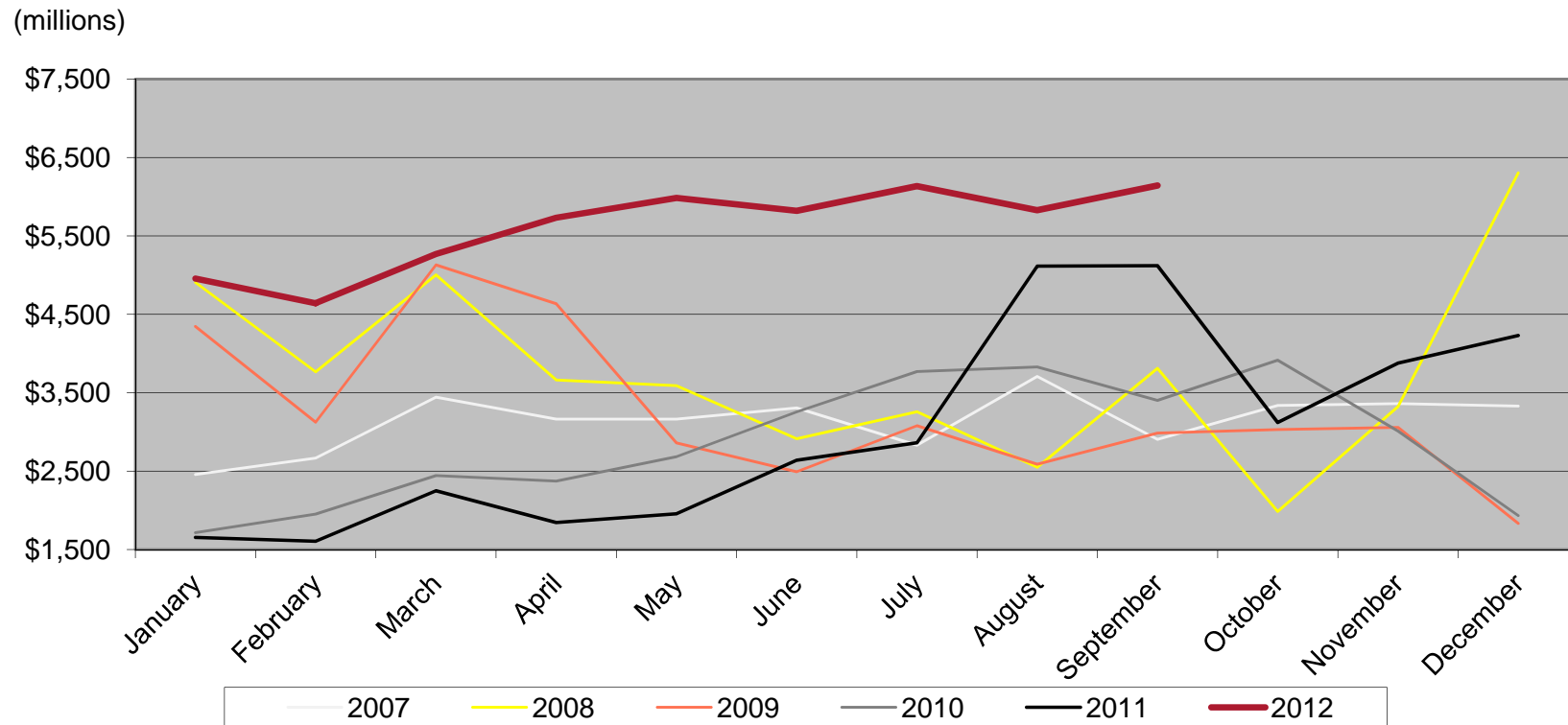
(\$ in millions)	3Q11	4Q11	1Q12	2Q12	3Q12
2005 & Prior	\$13	\$13	\$18	\$26	\$16
2006	31	32	28	34	24
2007	87	87	93	136	113
2008	45	45	63	89	57
2009-2012	24	15	36	62	50
<b>Total</b>	<b>\$201</b>	<b>\$193</b>	<b>\$239</b>	<b>\$347</b>	<b>\$259</b>

Breakout of 3Q12 Demands			
(\$ in millions)	Fannie Mae	Freddie Mac	Total
2005 & Prior	\$14	\$2	\$15
2006	18	5	23
2007	108	5	111
2008	53	4	57
2009-2012	18	32	51
<b>Total</b>	<b>\$211</b>	<b>\$48</b>	<b>\$259</b>

Totals may not foot due to rounding



**-- Current lock volume (see thick red line, below) is well above the 5-year levels for each of the months so far this year...**



\$ in millions

	Q3 2012	Q2 2012	Q1 2012	Q4 2011	Q3 2011	Q2 2011	Q1 2011	Q4 2010	Q3 2010
Gain (loss) before tax provision and dividends	\$60.7	\$87.9	(\$7.3)	(\$74.9)	(\$9.2)	(\$69.9)	(\$26.7)	(\$185.3)	(\$17.9)
Add back:									
Provision for loan losses	52.6	58.4	114.7	63.5	36.7	48.4	28.3	225.4	51.4
Asset resolution	12.5	20.9	36.8	32.4	34.5	23.3	38.1	41.8	44.3
Other than temporary impairment on investments AFS	0.0	1.0	1.2	7.1	1.3	15.6	0.0	1.3	0.0
Representation and warranty reserve	124.5	46.0	60.5	69.3	39.0	21.4	20.4	10.3	13.0
Write down of residual interest	0.1	1.2	0.4	0.8	0.2	2.3	2.4	(3.8)	4.7
Reserve increase for reinsurance	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total credit related costs:	189.7	127.6	213.6	173.2	111.7	110.9	89.2	275.0	113.3
<b>Pre-tax, pre-credit-cost revenue</b>	<b>\$250.4</b>	<b>\$215.5</b>	<b>\$206.3</b>	<b>\$98.3</b>	<b>\$102.5</b>	<b>\$41.0</b>	<b>\$62.5</b>	<b>\$89.7</b>	<b>\$95.4</b>

Totals may not foot due to rounding



\$ in millions			
	Sep 30, 2012	Jun 30, 2012	Sep 30, 2011
Non-performing assets	\$518.4	\$538.8	\$558.3
Tier 1 Capital	1,379.7	1,296.0	1,273.9
Allowance for Loan Losses	305.0	287.0	282.0
<b>Tier 1 Capital + Allowance for Loan Losses</b>	<b>1,684.7</b>	<b>1,583.0</b>	<b>1,555.9</b>
<b>Non-performing assets/ Tier 1 Capital + Allowance for Loan Losses</b>	<b>30.77%</b>	<b>34.04%</b>	<b>35.88%</b>

\$ in millions			
	Sep 30, 2012	Jun 30, 2012	Sep 30, 2011
Tier 1 capital	\$1,379.7	\$1,296.0	\$1,273.9
Preferred stock	(266.7)	(266.7)	(266.7)
Qualifying trust preferred securities	(240.0)	(240.0)	(240.0)
<b>Tier 1 common</b>	<b>873.0</b>	<b>789.3</b>	<b>767.2</b>
<b>Total risk-weighted assets</b>	<b>8,461.1</b>	<b>8,224.3</b>	<b>7,780.8</b>
<b>Tier 1 common/ Total risk-weighted assets</b>	<b>10.32%</b>	<b>9.60%</b>	<b>9.86%</b>

Totals may not foot due to rounding



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