

Flagstar Bank, FSB

Audit Committee Charter

1. PURPOSE

The Audit Committee (the "Committee") is charged with assisting the board of directors in fulfilling its oversight responsibilities for the financial reporting process, the system of internal controls, the audit process, and the company's process for monitoring compliance with laws and regulations, and the organization's Code of Ethics and Conduct, policies, procedures and guidelines thereunder.

It is intended that the Committee will coordinate its oversight of financial reporting and internal controls with the Audit Committee of the Board of Directors of the sole shareholder of the Bank, Flagstar Bancorp, Inc. (the "Company" and the "Company Audit Committee"), and that the Committee may rely on the Company Audit Committee for various matters, including the assessment of the Company's and the Bank's policies and procedures generally and specifically procedures regarding compliance with applicable laws and regulations and with the Company's Code of Ethics and Conduct, policies, procedures and guidelines thereunder.

2. AUTHORITY

The Committee has authority to conduct or authorize investigations into any matters within its scope of responsibility. It is empowered to:

- Appoint, compensate, and oversee the work of the independent external auditing firm retained by the organization.
- Resolve any disagreements between management and the independent external auditing firm regarding financial reporting.
- Pre-approve all auditing and permitted non-audit services provided by the independent external auditing firm and any registered public accounting firm engaged to assist and/or supplement the internal auditors.
- Retain independent counsel, accountants, or others to advise the Committee or assist in the conduct of an investigation.
- Seek any information it requires from management or external parties as necessary to perform its duties.
- Meet with members of management, independent external auditing firm or outside counsel, as necessary to perform its duties.

3. COMPOSITION

The Committee will consist of at least three and no more than six members of the board of directors.

The board or its nominating committee will appoint Committee members and the Committee chair. Each Committee member will be both independent, as determined pursuant to the rules and regulations of the U.S. Securities and Exchange Commission ("SEC"), as well as the listing requirements of the New York Stock Exchange. Each Committee member must be annually deemed by the Board to be "financially literate," as defined by applicable regulation and listing requirements. At least one member shall be annually deemed by the Board to be a "financial expert," as defined by applicable regulation and listing requirements. The subsequent failure of a Committee member to satisfy the independence requirement as listed herein during the year shall not invalidate any action of the Committee taken prior to becoming aware of such failure.

No member of the Committee shall simultaneously serve on the audit committees of more than two public companies, unless the Board determines that simultaneous service would not impair the ability of the member to effectively serve the Committee and the Company discloses this determination in its proxy statement. Each member shall promptly inform the Committee of any facts or any change in circumstances that disqualifies, or has the potential to disqualify, the member from service on the Committee.

4. MEETINGS

The Committee will meet at least four times a year, with authority to convene additional meetings, as circumstances require. All Committee members are expected to attend each meeting in person or via tele- or video-conference. The Committee will invite members of management, auditors or others to attend meetings and provide pertinent information, as necessary. It will conduct executive sessions with the external auditor without members of management present, and will also conduct executive sessions with the chief audit officer as the Committee deems appropriate. Meeting agendas will be prepared and provided in advance to members, along with appropriate briefing materials. Minutes of all meetings will be prepared.

5. RESPONSIBILITIES

The Committee, jointly with the Company Audit Committee, will carry out the following responsibilities:

Financial Statements

- Review significant accounting and reporting issues, including complex or unusual transactions and highly judgmental areas, and recent professional and regulatory pronouncements, and understand their impact on the financial statements.
- Review with management and the independent external auditing firm the results of the audit, including any difficulties encountered.
- Review the annual financial statements, and consider whether they are complete, consistent with information known to Committee members, and reflect appropriate accounting principles.
- Review other sections of the annual report and related regulatory filings before release and consider the accuracy and completeness of the information.
- Review with management and the independent external auditing firm all matters required to be communicated to the committee under generally accepted auditing standards.
- Understand how management develops interim financial information, and the nature and extent of internal and external auditor involvement.
- Review interim financial reports with management and the independent external auditing firm before filing with regulators, and consider whether they are complete and consistent with the information known to committee members.

Internal Control

- Consider the effectiveness of the company's internal control system, including information technology security and control.
- Understand the scope of internal review and independent external auditing firm's review of internal control over financial reporting, and obtain reports on significant findings and recommendations, together with management's responses.

Internal Audit

- Ensure that the chief audit officer reports directly to the Committee with administrative reporting to the Chief Executive Officer.
- Approve the internal audit charter.
- Approve decisions regarding the appointment and removal of the chief audit officer. Ensure there are no unjustified restrictions or limitations, and review and concur in the appointment, replacement, or dismissal of the chief audit officer.
- Approve the annual audit plan and all major changes to the plan.
- Monitor the lifecycle of audit findings from report to closure.
- Review the internal audit activity's performance relative to its plan.
- Review with the chief audit officer the internal audit budget, resource plan, activities, and organizational structure of the internal audit function to ensure its adequacy in light of the organization's size and complexity.
- At least once per year, review the performance of the chief audit officer and concur with the annual compensation and salary adjustment.
- Review the effectiveness of the internal audit function, including conformance with The Institute of Internal Auditors' the Definition of Internal Auditing, Code of Ethics and the *International Standards for Professional Practice of Internal Auditing*.
- On a regular basis, meet separately with the chief audit officer to discuss any matters that the committee or internal audit believes should be discussed privately.
- Review and approve third party resource agreements, as applicable.

External Audit

- Review the independent external auditing firm's proposed audit scope and approach, including coordination of audit effort with internal audit.
- Review the performance of the independent external auditing firm, and exercise final approval on the appointment or discharge of the auditors.
- Review and confirm the independence of the external auditing firm by obtaining statements from the auditors on relationships between the auditors and the company, including non-audit services, and discussing the relationships with the auditors.
- On a regular basis, meet separately with the independent external auditing firm to discuss any matters that the committee or auditors believe should be discussed privately.

Compliance

- Ensure that the Company has adequate procedures for the confidential, anonymous submission by employees of the Company of concerns regarding potential fraud, accounting, internal controls or auditing matters, and that such concerns are adequately evaluated.
- Review the effectiveness of the system for monitoring compliance with laws and regulations and the results of management's investigation and follow-up (including disciplinary action) of any instances of noncompliance.
- Review the findings of any examinations by regulatory agencies, and any auditor observations, related to financial controls and reporting.

- Review the process for communicating the Code of Ethics and Conduct, as well as policies, procedures and guidelines thereunder, to company personnel, and for monitoring compliance therewith.
- Obtain regular updates from management and company legal counsel regarding compliance matters.
- Review and recommend for approval all policies related to internal controls, financial disclosure and reporting, loan review and auditor independence.

Reporting Responsibilities

- Regularly report to the board of directors about committee activities, issues, and related recommendations.
- Provide an open avenue of communication between internal audit, the independent external auditing firm, and the board of directors.
- Report annually to the shareholders, describing the committee's composition, responsibilities and how they were discharged, and any other information required by rule, including approval of non-audit services.
- Review and approve the Audit Committee Report that is included in the organization's annual report filed with the SEC.
- Review any other reports the company issues that relate to committee responsibilities.

Other Responsibilities

- Perform other activities related to this charter as requested by the board of directors.
- Institute and oversee special investigations as needed.
- Review and assess the adequacy of the committee charter annually, requesting board approval for proposed changes, and ensure appropriate disclosure as may be required by law or regulation.
- Confirm annually that all responsibilities outlined in this charter have been carried out.
- Evaluate the committee's and individual members' performance annually.
- The Committee shall conduct an appropriate review of all related party transactions, as they are defined in Item 404 of Regulation S-K and any applicable banking regulations in order to ensure that such transactions are within regulatory caps and, where applicable, are on terms that are substantially similar to those that could be obtained in arm's-length transactions with independent third parties or are otherwise fair to and in the best interests of the Company. Documentation of such review shall be maintained by the Committee.
- If the composition of the Committee differs from that of the Company Audit Committee, the Committee shall coordinate with the Company Audit Committee regarding matters of interest to the Company Audit Committee, including anything relevant to the assessment of the qualifications, independence, and performance of the Company's independent auditor.
- The Committee may perform any other activities consistent with this charter, the Company's currently effective governance documents and governing law as the Committee or the Board deems necessary or appropriate.