

## **ACCREDITED HOME LENDERS HOLDING CO.**

### **CHARTER OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS**

#### **PURPOSE**

The Audit Committee (the “Committee”) of the Board of Directors (the “Board”) of Accredited Home Lenders Holding Co. (the “Company”) was established to assist the Board in fulfilling its oversight responsibilities by reviewing and reporting to the Board on the integrity of the financial reports and other financial information provided by the Company. This charter specifies the scope of authority and responsibility of the Committee.

#### **ORGANIZATION, MEMBERSHIP AND MEETINGS**

1. The Committee shall be comprised of at least three directors who meet the independence and experience requirements contained in the Nasdaq listing standards, such independence and experience to be decided by the Corporate Governance and Nominating Committee of the Board (the “Governance Committee”), provided that one director who does not meet the independence criteria of Nasdaq, but is not a current employee or officer, or an immediate family member of an employee or officer, may be appointed to the Committee, subject to the approval of the Board pursuant to, and subject to the limitations under, the “exceptional and limited circumstances” exceptions as provided under the rules of Nasdaq. The Committee shall not include any member who accepts any consulting, advisory, or other compensatory fees, directly or indirectly, from the Company, other than in his or her capacity as a member of the Committee, the Board, or any other committee of the Board, or in a similar capacity as a member of the Board or any committee of the Board of any subsidiary of the Company. In addition, at least one member shall have past employment experience in finance or accounting, professional certification in accounting, or other comparable experience or background resulting in the individual being financially sophisticated, which may include being or having been a chief executive, chief financial or other senior officer with financial oversight responsibilities.
2. Members of the Committee, including the chairperson of the Committee, shall be appointed annually by the Board on the recommendation of the Governance Committee. Members may be replaced by the Board at any time, but shall otherwise serve until a successor has been named.
3. The Committee shall meet at least four times a year, with the authority to convene additional meetings, as circumstances require. The Committee may invite members of management, internal auditors, independent auditors, legal counsel or others to attend meetings and to provide relevant information. The Committee may include non-Committee members at its meetings, but shall also hold an executive session at each meeting at which only independent directors are present.

4. The Committee may form and delegate authority to subcommittees when appropriate, or to one or more members of the Committee.
5. The Committee shall maintain written minutes of its meetings, which minutes will be filed in the corporate minute book.

## **COMMITTEE AUTHORITY AND RESPONSIBILITIES**

To fulfill its responsibilities and duties hereunder, the Committee shall:

### *Independent Auditor Oversight*

1. Be directly and solely responsible for the oversight, engagement and termination of any independent auditor employed by the Company for the purpose of preparing or issuing an audit report or related work. Each independent auditor shall report directly to the Committee.
2. Meet with the independent auditor prior to the audit and discuss the planning and staffing of the audit.
3. Approve in advance the engagement of the independent auditor for all audit services and non-audit services and approve the fees and other terms of any such engagement, provided, however, that (i) the Committee may establish pre-approval policies and procedures for any engagement to render such services, provided that such policies and procedures (x) are detailed as to particular services, (y) do not involve delegation to management of the Committee's responsibilities hereunder and (z) provide that, at its next scheduled meeting, the Committee is informed as to each such service for which the independent auditor is engaged pursuant to such policies and procedures, and (ii) the Committee may delegate to one or more members of the Committee the authority to grant pre-approvals for such services, provided that (a) the decisions of such member(s) to grant any such pre-approval shall be presented to the Committee at its next scheduled meeting and (b) the Committee has established policies and procedures for such pre-approval of services consistent with the requirements of clauses (i)(x) and (y) above.
4. Obtain periodically from the independent auditor (i) a formal written statement of the matters required to be discussed by Statement of Auditing Standards No. 61, as amended, and (ii) any formal written statements received from the independent auditor consistent with and in satisfaction of Independence Standards Board Standard No. 1, as amended, including without limitation, descriptions of (x) all relationships between the auditor and the Company, (y) any disclosed relationships or services that may impact the independent auditor's objectivity and independence and (z) whether any of the Company's senior finance personnel were recently employed by the independent auditor. Evaluate annually the qualifications, performance and independence of the independent auditor.
5. Establish policies for the hiring of employees or former employees of the independent auditor, taking into account the impact of such policies on auditor independence.

6. Review with the independent auditor:

- a. Any significant difficulties encountered during the course of the audit, any restrictions on the scope of work or access to required information and any significant disagreement among management and the independent auditor in connection with the preparation of the financial statements.
- b. Any accounting adjustments.
- c. Any communications between the audit team and the auditor's national office respecting auditing or accounting issues.
- d. Any Management Representation letter or Internal Control Recommendation letter or Schedule of Unadjusted Differences issued, or proposed to be issued, by the auditor to the Company, and management's response.

Financial Information Oversight

1. Review and discuss with management and the independent auditor:

- a. The Company's annual audited financial statements.
- b. Any certification, report, opinion or review rendered by the independent auditor.
- c. The Company's disclosure under "Management's Discussion and Analysis of Financial Condition and Results of Operations."
- d. The critical accounting policies and practices used by the Company, all alternative treatments of financial information within generally accepted accounting principles, the ramifications of the use of such alternative disclosures and treatments and the treatment preferred by the independent auditor.
- e. Earnings press releases and other information provided to analysts and rating agencies, including "pro forma" or "core business" or other adjusted financial information.
- f. Any significant judgments made in management's preparation of the financial statements and the view of each as to appropriateness of such judgments.
- g. Any off-balance sheet transactions or structures and their effect on the Company's financial results and operations, as well as the disclosure regarding such transactions and structures in the Company's public filings.
- h. The effect of regulatory and accounting initiatives, improvements and resulting changes to the Company's auditing and accounting principles and practices.

- i. Any correspondence with regulators or governmental agencies that raise material issues regarding the Company's financial statements or accounting policies.
  - j. Any employee complaints or published reports that raise material issues regarding the Company's financial statements or accounting policies.
2. Report to the Board regarding any audit opinions that contain "going concern" qualifications.
3. Review and approve all filings with the Securities and Exchange Commission containing the Company's financial statements, including but not limited to the Quarterly Reports on Form 10-Q and the Annual Report on Form 10-K.
4. Recommend to the Board whether the audited financial statements should be included in the Company's annual report on Form 10-K.

#### Controls Oversight

1. Review and discuss annually with management its assessment of the effectiveness of the Company's internal controls, disclosure controls and procedures for financial reporting.
  - a. Review annually with the independent auditor the attestation to, and report on, the assessment of controls made by management.
  - b. Consider whether any changes to the internal controls or disclosure controls processes and procedures are appropriate in light of management's assessment or the independent auditor's report.
2. Review the internal audit scope, audit plans and relevant process, the results of internal audits, and whether recommendations made in the audits have been implemented by Company management.
3. Review with the principal executive and financial officers of the Company any report on significant deficiencies in the design or operation of internal controls, and any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal controls.

#### Legal Compliance and Ethics Oversight

1. Review and approve all related-party transactions after reviewing each such transaction for potential conflicts of interests and improprieties.
2. Establish procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters, and the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.

3. Adopt a Code of Ethics for employees and directors and provide for the review and prompt disclosure to the public of any change in, or violations or waiver by or for any executive officer or director, of such Code of Ethics. Review conduct alleged to be in violation of such Code of Ethics and adopt as necessary or appropriate, remedial, disciplinary, or other measures with respect to such conduct.
4. Review management's monitoring of compliance with the Foreign Corrupt Practices Act.

#### Other Matters Oversight

1. Review the process by which risk assessment and management is undertaken and handled.
2. Discuss with management the Company's major financial risk exposures and the steps management has taken to monitor and control such exposures.
3. Discuss with management the Company's practices pertaining to foreign exchange, investments and derivatives, if any.
4. Prepare the Committee's report required by the rules of the Securities and Exchange Commission to be included in the Company's annual proxy statement.
5. Regularly report to the Board on the Committee's activities, recommendations and conclusions.
6. Annually review and reassess the Charter's adequacy.
7. Review its own performance, at least annually, for purposes of self-evaluation and to encourage the continuing improvement of the Committee in the execution of its responsibilities.

#### General and Resources

1. Have the authority to pay the fees and expenses of advisors and experts deemed necessary, as determined by the Committee, to permit the Committee to perform its duties under this Charter. The fees and expenses of these advisors and experts shall be paid by the Company.
2. At its discretion, have the authority to initiate investigations, and, if appropriate, hire legal, accounting or other outside advisors or experts to assist the Committee, to fulfill its duties under this Charter.
3. Also perform such other activities consistent with this Charter, the Company's Bylaws and governing law, as the Committee or the Board deems necessary or appropriate.

Adopted, as amended, on January 27, 2005