

ACCREDITED HOME LENDERS HOLDING CO.
CHARTER OF THE COMPENSATION COMMITTEE OF
THE BOARD OF DIRECTORS

I. STATEMENT OF POLICY

This Charter specifies the scope of the responsibilities of the Compensation Committee (the “Committee”) of the Board of Directors (the “Board”) of Accredited Home Lenders Holding Co., a Delaware corporation (the “Company”), and how the Committee carries out those responsibilities, including the structure, processes, and membership requirements. The primary function of the Committee is to assist the Board in managing executive compensation. The Committee’s primary duties and responsibilities are to:

- A. Make recommendations and reports with respect to executive compensation.
- B. Ensure that all components of executive compensation are consistent with the Company’s compensation philosophy as in effect from time to time.

The Committee will primarily fulfill these responsibilities, and others as may be prescribed by the Board from time to time, by carrying out the activities enumerated in Section IV of this Charter.

II. ORGANIZATION AND MEMBERSHIP REQUIREMENTS

The Committee shall be comprised of at least two directors, who are not and never have been employees of the Company, each of whom shall satisfy the independence requirements of the NASD, provided that one director who does not meet the independence criteria of the NASD may, subject to approval of the Board, serve on the Committee pursuant to, and subject to the limitations under, the “exceptional and limited circumstances” exception as provided under the rules of the NASD. A director shall not serve as a member of the Committee if the Chief Executive Officer or another executive officer of the Company serves on the compensation committee of another company that employs that director as an executive officer. The Chief Executive Officer of the Company (the “CEO”) may be a non-voting advisor to the Committee, but shall not participate in any decisions or deliberations relating to his or her own compensation.

The members shall be appointed by the Board on the recommendation of the Nominating and Corporate Governance Committee and shall serve until their successors are duly elected and qualified or their earlier resignation or removal. Any member of the Committee may be replaced by the Board on the recommendation of the Nominating and Corporate Governance Committee. Unless a chairman is elected by the Board, the members of the Committee may designate a chairman by the majority vote of the full Committee membership.

The Committee may from time to time delegate duties or responsibilities to subcommittees or to one member of the Committee.

A majority of the members present shall represent a quorum of the Committee, and, if a quorum is present, any action approved by at least a majority of the members shall represent the valid action of the Committee.

III. MEETINGS

The Committee shall meet from time to time as it deems necessary to carry out its functions.

IV. SPECIFIC DUTIES

The Committee is to:

- A. Conduct and report the results of the review of the CEO, and determine CEO compensation, including incentive-based and equity-based compensation.
- B. Conduct and report the results of the review of the executive officers and determine the executive officers' compensation, including incentive-based and equity-based compensation. For purposes of this Charter, the term "executive officer" shall mean the Company's president, any vice president in charge of a principal business unit, division or function or any other officer or person who performs a policy making function.
- C. Approve all employment, severance, or change-in-control agreements, special or supplemental benefits, or provisions including the same, applicable to executive officers.
- D. Review and approve policies with respect to the salary and other compensation of all executive officers, including cash and equity-based incentive compensation programs, and review and approve the award of stock options to all executive officers.
- E. Review and approve policies and programs with respect to salary compensation and incentive compensation programs for other employees, as requested by management or the Board.
- F. Review on an annual basis the adequacy of director compensation and recommend any necessary changes to the Board.
- G. Review and approve establishment or amendment of plans, policies and procedures with respect to the award of options to purchase stock and other equity-based incentive programs for executive officers, and otherwise as requested by management or the Board.

- H. Periodically review executive employee benefits and recommend adjustments to existing programs and the establishment of others, as requested by management or the Board.
- I. Conduct such compensation reviews, investigations and/or surveys as the Committee may reasonably deem will provide such information as could reasonably and properly be required by the Committee in the exercise of its functions.
- J. Review, adopt and approve a report describing the policies of the Company regarding executive compensation for the Company's proxy statement in connection with each annual meeting of stockholders.
- K. Regularly report to the Board on compensation activities.
- L. Maintain written minutes of its meetings, which minutes will be filed with the minutes of the meetings of the Board. The Committee will also record its summaries of recommendations to the Board in written form that will be incorporated as part of the minutes of the Board meeting at which those recommendations are presented.
- M. Perform such other activities consistent with this Charter, the Company's By Laws and governing law, as the Committee or the Board deems necessary or appropriate.
- N. Review and reassess the adequacy of this Charter as appropriate and recommend any proposed changes to the Board for approval.
- O. Review and evaluate the Committee's own performance on an annual basis.

V. GENERAL

The Committee shall have the authority to obtain advice or assistance from consultants, legal counsel, accounting or other advisors as appropriate, to perform its duties hereunder and to determine the terms, costs and fees for such engagements. Without limitation, the Committee shall have the sole authority to retain or terminate any consulting firm used to evaluate director, CEO or executive compensation, and to determine and approve the terms of engagement the fees and costs for such engagements. The fees and costs of any consultant or advisor engaged by the Committee to assist in it in performing any duties hereunder shall be borne by the Company.