

Charter of the Compensation Committee of the Board of Directors of Franklin Credit Holding Corporation

I. Purpose. The Compensation Committee ("Committee") of the Board of Directors ("Board") of Franklin Credit Holding Corporation ("Company") is designated by and generally acts on behalf of the Board pursuant to Article II, Section 9 of the Company's Amended and Restated Bylaws ("Bylaws"). The Committee's purposes shall be to:

- A. Establish and periodically review the Company's compensation philosophy and the adequacy of compensation plans and programs for senior executives and other employees;
- B. Administer the Company's stock and incentive compensation plans;
- C. Establish compensation arrangements and incentive goals for senior executives;
- D. Review senior executive performance and award incentive compensation and adjust compensation arrangements as appropriate based upon performance;
- E. Review and monitor management development and succession plans and activities; and
- F. Prepare a report on executive compensation for inclusion in the Company's annual proxy statement in accordance with Securities and Exchange Commission rules and regulations.

II. Membership.

- A. The Committee shall be composed of at least three (3) directors, each of whom shall be free from any relationship that, in the opinion of the Board, would interfere with his or her exercise of independent judgment and must be found by the board to qualify as an "independent director" under applicable rules, unless the Board determines that an exemption to such qualification is available under applicable rules. In addition, for purposes of meeting the requirements of Section 162(m) of the Internal Revenue Code of 1986, as amended ("Code"), or any successor Code section, the Committee, or a sub-committee approving the performance goals to which certain of the executive compensation is tied, shall consist of at least two "outside" directors, as defined in Treasury Regulation 1.162-27(e)(3) of the Code. Finally, for purposes of meeting the requirements of SEC Rule 16b-3, the Committee, or a subcommittee approving compensation decisions related to equity-based awards made to directors and executive officers, shall consist of at least two "non-employee" directors, as defined in Rule 16b-3.
- B. The members of the Committee shall be nominated by the Nominating and Corporate Governance Committee and appointed by the Board for one-year terms. The Nominating and Corporate Governance Committee shall recommend, and the

Board shall designate, one member of the Committee to serve as Chairperson. The members of the Committee shall serve until their resignation, retirement, or removal by the Board or until their successors shall be appointed.

III. Meetings and Procedures

- A. The Committee shall meet as often as it may deem necessary and appropriate in its judgment, but not less than annually. A majority of the members of the Committee shall constitute a quorum.
- B. The Chairperson of the Committee or a majority of the members of the Committee may call a special meeting of the Committee.
- C. The Committee may delegate authority to one or more members of the Committee when appropriate, but no such delegation shall be permitted if the authority is required by a law, regulation, or listing standard to be exercised by the Committee as a whole.
- D. The Committee may request that any directors, officers, or employees of the Company, or other persons whose advice and counsel are sought by the Committee, attend any meeting to provide such information as the Committee requests.
- E. The Committee shall fix its own rules of procedure, which shall be consistent with the Bylaws of the Company and this Charter.
- F. The Committee shall keep written minutes of its meetings, which minutes shall be maintained with the books and records of the Company.
- G. The Committee shall report to the Board on the matters discussed at each meeting of the Committee, including describing all actions taken by the Committee at the meeting.

IV. Duties and Responsibilities. The Committee shall have the following resources, duties and responsibilities:

- A. Resources. The Committee shall have:
 - 1. Sole responsibility, and necessary funding, to retain, set compensation and retention terms for, and terminate any consultants, legal counsel or other advisors that the Committee determines to employ to assist in the performance of its duties.
 - 2. Access to internal advisors and all other resources within the Company to assist it in carrying out its duties and responsibilities.

B. Duties with respect to Compensation Philosophy, Plans, and Programs. The Committee shall:

1. Periodically review and approve the compensation philosophy for the Company's senior executives and employees.
2. Periodically establish compensation plans and programs for senior executives and other employees, including incentive and equity-based plans and programs, and establish appropriate employment contracts, special retirement benefits, and severance or change in control arrangements.
3. Annually review the adequacy of such compensation plans and programs, compare such plans and programs to those of the Company's peer group, review the appropriateness of management incentives and the alignment of management's incentives with the interests of stockholders, and report the results of, and recommendations resulting from, such reviews to the Board.
4. Review and approve employment agreements, arrangements or transactions with the Chairman of the Board, Chief Executive Officer, President and Chief Financial Officer, including any arrangements having any compensatory effect or purpose.
5. Administer the Company's incentive and equity-based plans and programs.
6. Review and recommend to the Board appropriate director compensation programs for service as directors, committee chairs and committee members.
7. Monitor the requirements of Section 162(m) of the Code, and determine the extent to which the Company should comply with its provisions and any steps that the Committee must take in order to comply with such provisions.

C. Duties with respect to Specific Compensation Amounts and Incentives. The Committee shall:

1. Establish annual base salary amounts for senior executives, including the CEO, and, based upon discussions with the CEO prior to or within 120 days after the commencement of the fiscal year, establish annual incentive opportunity levels and the financial and any other goals to be met to earn annual and long-term incentive awards, and recommend, where appropriate, Board approval of such salary amounts and incentive levels and goals. The CEO shall not be permitted to participate in any discussions or processes concerning his or her compensation, but may participate in a non-voting capacity in discussions or processes concerning the compensation of other executive officers.
2. Annually review and evaluate (taking into account the views of the other members of the Board) the performance and leadership of the CEO and

determine, in light of the corporate goals and objectives relevant to the compensation of the CEO, and recommend, where appropriate, Board approval of, the amounts of annual and any long-term incentive awards and any adjustments to the annual salary amounts based upon such evaluation.

3. Review with the CEO his/her evaluation of the performance of the other senior executives and determine with the CEO, and recommend, where appropriate, Board approval of, the amounts of annual and any long-term incentive awards and any adjustments to the annual salary amounts based upon such performance and consistent with the achievement of the established goals.
4. Annually review management's summary report on all other officer and key management compensation actions.
5. Approve stock option grants and other equity-based or incentive awards under the Company's stock and incentive compensation plans, including any performance criteria relating to the plans or awards, and otherwise assist the Board in administering awards under these plans. Such duties may include, but not be limited to, approving issuances of equity pursuant to tax qualified, non-discriminatory benefit plans and to new employees as an inducement to hiring, where such issuances are not otherwise approved or to be approved by shareholders.

D. Responsibilities with respect to Management Development and Succession. The Committee shall:

1. Review and monitor management development plans and activities.
2. Annually review the process and results for identifying key executive managers of the Company.
3. Annually review the CEO's evaluation of each member of senior management and the CEO's proposed succession plan for each member of senior management, and present a senior management evaluation and succession plan to the Board for review.
4. Review with the Board the Company's succession plan for the CEO, including plans for emergency succession in case of the unexpected disability of the CEO.

E. Other Responsibilities.

1. Annually review and assess the adequacy of this Charter and recommend any proposed changes to the Nominating and Corporate Governance Committee, which shall, if appropriate, recommend such changes to the Board for its approval.

2. Under the guidance of the Nominating and Corporate Governance Committee, annually review and assess the performance of the Committee and deliver a report to the Nominating and Corporate Governance Committee which will then deliver a report to the Board setting forth the results of the evaluation. In conducting the evaluation, the Committee shall address matters that it considers relevant to its performance, including at a minimum, the adequacy, appropriateness and quality of the information and recommendations presented to the Committee, the manner in which they were discussed or debated, and whether the number and length of meetings of the Committee were adequate for the Committee to complete its work in a thorough and thoughtful manner.
3. Prepare and approve a report of the Committee for inclusion in the Company's proxy statement with respect to its annual meeting of stockholders, as and to the extent required by any applicable law or the listing standards.
4. Perform any other activities consistent with this Charter, the Company's Amended and Restated Certificate of Incorporation, the Company's Bylaws, and governing law, as the Committee or the Board deems necessary or appropriate.