

FRIEDMAN, BILLINGS, RAMSEY GROUP, INC.

AUDIT COMMITTEE CHARTER

Adopted by the Board of Directors on April 16, 2003

Revised by the Board of Directors on April 26, 2006

I. ORGANIZATION

There shall be constituted a standing committee of the board of directors (the “Board”) of Friedman, Billings, Ramsey Group, Inc. (the “Corporation”) to be known as the audit committee (the “Audit Committee”).

II. COMPOSITION AND SELECTION

The Audit Committee shall be comprised of three or more directors, each of whom shall meet the independence requirements of the New York Stock Exchange for Audit Committee members.

All members of the Audit Committee shall be financially literate, as determined by the Board. At least one member of the Committee shall be an “audit committee financial expert,” as determined by the Board in accordance with Securities and Exchange Commission rules.

No member of the Audit Committee may serve on the audit committees of more than three public companies unless, in each case, the Board of Directors determines that such simultaneous service would not impair the ability of such member to effectively serve on the Audit Committee and such determination is disclosed in the Corporation’s annual proxy statement.

The members of the Audit Committee shall be appointed by the Board at the Board’s annual meeting and may be removed by the Board. The members of the Audit Committee shall serve for one year or until their successors are duly elected and qualified. The full Board shall elect a Chairman and, if a Chairman is not elected by the full Board, the members of the Audit Committee shall designate a Chairman by majority vote of the full Committee.

III. STATEMENT OF PURPOSE

The primary function of the Audit Committee shall be to represent and assist the Board in discharging its oversight responsibilities relating to: (1) the accounting and financial reporting practices, and internal control systems, of the Corporation and its subsidiaries; (2) the reliability and integrity of the Corporation’s financial statements, accounting policies, and financial reporting and disclosure practices; (3) the Corporation’s compliance with legal and regulatory

requirements; (4) the independent auditor's qualifications, independence and performance; and (5) the staffing, qualifications and performance of the Corporation's internal audit function.

In addition, the Audit Committee is responsible for preparing the report required by the rules of the Securities and Exchange Commission to be included in the Corporation's annual proxy statement.

#### IV. COMMITTEE AUTHORITY AND RESPONSIBILITIES

Among its specific duties and responsibilities, the Audit Committee shall:

##### Financial Statement and Disclosure Matters

1. Review and discuss with management and the independent auditor: (a) accounting policies and financial reporting issues and judgments that may be viewed as critical; and (b) analyses prepared by management and the independent auditor setting forth significant financial reporting issues and judgments made in connection with the preparation of financial statements, including analyses of the effects of alternative GAAP methods on the financial statements;
2. Consider and approve, when appropriate, any significant changes in the Corporation's accounting and auditing policies, and review with the Corporation's independent auditor, the internal auditing department and management the extent to which changes or improvements in financial or accounting practices and standards, as approved by the Audit Committee, have been implemented;
3. Meet to review and discuss with management and the independent auditor the annual audited financial statements and the Corporation's disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations," and recommend to the Board whether the audited financial statements should be included in the Corporation's Annual Report on Form 10-K;
4. Meet to review and discuss with management and the independent auditor the Corporation's quarterly financial statements, including the Corporation's disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations," and the results of the independent auditor's reviews of the quarterly financial statements, prior to the filing of the Corporation's Quarterly Reports on Form 10-Q;
5. Review and discuss: (a) the adequacy and effectiveness of the Corporation's internal controls, including any significant changes or deficiencies in internal controls reported to the Audit Committee by the independent auditor or management and any special audit steps adopted in light of material control deficiencies; and (b) the adequacy and effectiveness of the Corporation's disclosure controls and procedures;
6. Review and discuss with management its policies and practices regarding: (a) earnings press releases; and (b) financial information and earnings guidance given to analysts and ratings agencies;

7. Discuss with management and the independent auditor the effect of regulatory and accounting initiatives, and any accounting and financial reporting proposals that may have a significant impact on the Corporation's financial reports;

#### Oversight of the Corporation's Relationship with the Independent Auditor

8. Be directly responsible, in its capacity as a committee of the Board, for the appointment, retention, compensation and oversight of the work of the independent auditor, which shall report directly to the Audit Committee. In this regard, the Audit Committee shall have the sole authority to appoint, and shall appoint and retain, (subject to ratification by the Corporation's shareholders) and terminate, when appropriate, the independent auditor;
9. Obtain and review a formal written report by the independent auditor, at least annually, describing: a) the independent auditor's internal quality-control procedures; and b) any material issues raised by the most recent internal quality control review, or peer review, or by any inquiry or investigation by governmental or professional authorities in the preceding five years respecting one or more independent audits carried out by the auditing firm and any steps taken to deal with such issues;
10. Consider, at least annually, the independence of the outside auditing firm, including whether the firm's performance of permissible non-audit services is compatible with independence, and obtain and review a report by the firm describing all relationships between the firm and the Corporation and any other relationships that may adversely affect the independence of the auditing firm;
11. Approve in advance all audit services to be provided by the independent auditor, including all audit engagement fees and terms. (By approving the audit engagement, an audit service within the scope of the engagement shall be deemed to have been approved in advance);
12. Approve in advance all permissible non-audit services to be provided by the independent auditor and establish policies and procedures for the engagement of the independent auditor to provide audit services and permissible non-audit services;
13. Review and discuss with the independent auditor: (a) the audit planning and procedures, including the scope, fees, staffing and timing of the audit; (b) the results of the audit exam, including any problems or difficulties encountered in the course of the audit work and management's response, and any management letters; and (c) any reports of the independent auditor with respect to any interim period;
14. Review with the Corporation's internal auditors and the independent auditor the coordination of their audit efforts to provide for completeness of coverage, reduction of redundant efforts and effective use of audit resources;
15. Establish hiring policies for employees and former employees of the independent auditor;

## Oversight of the Corporation's Internal Audit Function

16. Review and discuss with the senior internal audit executive the scope and results of the internal audit program, including the internal audit department's responsibilities, budget and staffing;

## Compliance Oversight Responsibilities

17. Receive reports from management, the Risk Policy and Compliance Committee, the Corporation's senior internal auditing executive, the Chief Legal Officer, the independent auditor and such other persons as they may deem appropriate regarding compliance with applicable legal and regulatory requirements and the Corporation's Statement of Business Principles and receive reports from the Nominating and Governance Committee concerning the Corporation's Statement of Business Principles as it concerns directors;
18. Review any material pending legal proceedings involving the Corporation and other contingent liabilities;
19. Establish procedures for: (a) the receipt, retention, and treatment of complaints received by the Corporation regarding accounting, internal accounting controls, or auditing matters; and (b) the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters;
20. Discuss with the Risk Policy and Compliance Committee that committee's assessment of the Corporation's policies with respect to risk assessment and risk management that are within scope of the Risk Policy and Compliance Committee's responsibilities; and

## Other Matters

21. Review and reassess the adequacy of this Charter annually and recommend any proposed changes to the Board for approval, and annually review the Committee's performance.

## V. MEETINGS

The Audit Committee shall meet at least four times per year, which meetings shall include meeting separately, at least quarterly, with the Corporation's Chief Financial Officer, Chief Legal Officer and such other senior management as it deems necessary, internal auditor and independent auditor. The Chairman or a majority of the members of the Audit Committee may call meetings of the Committee upon reasonable notice to all members of the Committee. The Audit Committee shall report regularly to the Board with respect to its activities.

## VI. OUTSIDE ADVISORS

The Audit Committee shall have the sole authority, to the extent it deems necessary, to retain outside legal, accounting or other advisors to advise the Audit Committee.