

COMPENSATION COMMITTEE CHARTER

I. PURPOSE

The Compensation Committee (the “Committee”) shall provide assistance to the Board of Directors (the “Board of Directors”) of Velocity Financial, Inc. (the “Company”) by fulfilling the Committee’s responsibilities and duties outlined in this Charter.

II. STRUCTURE AND OPERATIONS

Composition and Qualifications

The Committee shall be composed of three or more members of the Board of Directors, and, subject to the applicable transition periods, each member shall be determined by the Board of Directors to be “independent” under the applicable rules of the New York Stock Exchange.

Appointment and Removal

The members of the Committee shall be appointed by the Board of Directors and each member shall serve until such member’s successor is duly elected and qualified or until such member’s earlier resignation, removal, retirement, disqualification or death. The members of the Committee may be removed, with or without cause, by action of the Board of Directors.

Chairperson

Unless a chairperson of the Committee (the “Chairperson”) is selected by the Board of Directors, the members of the Committee shall designate a Chairperson by the majority vote of the full Committee membership. The Chairperson of the Committee will chair all regular sessions of the Committee and is responsible for setting the agendas for Committee meetings. In the absence of the Chairperson of the Committee, the Committee shall select another member to preside.

Delegation to Subcommittees

The Committee may form subcommittees composed of one or more of its members for any purpose that the Committee deems appropriate and may delegate to such subcommittees such power and authority as the Committee deems appropriate; provided, however, that when appropriate to satisfy the requirements of Section 16b-3 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), any such subcommittee shall be composed solely of two or more members that have been determined to be “Non-Employee Directors” within the meaning of Rule 16b-3 under the Exchange Act.

The Committee may delegate to one or more officers of the Company the authority to make grants and awards of cash or options or other equity securities to any non-executive officer (as defined below) of the Company under the Company’s incentive-compensation or

other equity-based plans as the Committee deems appropriate and in accordance with the terms of such plan; provided that such delegation is in compliance with the plan and the laws of the state of the Company's incorporation.

III. MEETINGS

The Committee shall meet periodically as circumstances dictate. The Chairperson of the Board of Directors or any member of the Committee may call meetings of the Committee. Unless otherwise restricted by the Company's certificate of incorporation or bylaws, meetings of the Committee may be held telephonically. In addition, unless otherwise restricted by the Company's certificate of incorporation or bylaws, the Committee may act by written consent in lieu of a meeting.

As part of its review and establishment of the performance criteria and compensation of executives officers, the Committee should meet separately with the Chief Executive Officer and any other corporate officers, as it deems appropriate. However, the Committee should meet regularly without such officers present, and shall deliberate and vote with respect to such officers' compensation without such officers being present.

All non-management directors that are not members of the Committee may attend meetings of the Committee but may not vote. Additionally, the Committee may invite to its meetings any director, management of the Company and such other persons as it deems appropriate in order to carry out its responsibilities. The Committee may also exclude from its meetings any persons it deems appropriate in order to carry out its responsibilities.

A majority of the Committee shall constitute a quorum for the transaction of business and the act of a majority of those present at any meeting at which there is a quorum shall be the act of the Committee.

IV. RESPONSIBILITIES AND DUTIES

The following functions are expected to be the common recurring activities of the Committee in carrying out its responsibilities. These functions should serve as a guide with the understanding that the Committee may carry out additional functions and adopt additional policies and procedures as may be required or appropriate in light of changing business, legislative, regulatory, legal or other conditions. The Committee may also carry out any other responsibilities and duties delegated to it by the Board of Directors from time to time.

The Committee, in discharging its oversight role, is empowered to study or investigate any matter of interest or concern that the Committee deems appropriate and may, in its sole discretion, retain, obtain the advice of and terminate any compensation consultant, legal counsel or other adviser to the Committee. The Committee shall be directly responsible for the appointment, compensation and oversight of any compensation consultant, legal counsel or other adviser retained by the Committee. The Company shall provide appropriate funding, as determined by the Committee, for payment of reasonable compensation to any compensation consultant, legal counsel or other adviser retained by

the Committee, as well as funding for the payment of ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties.

The Committee shall undertake an independence assessment prior to selecting any compensation consultant, legal counsel or other advisers that will provide advice to the Committee taking into consideration all factors relevant to such adviser's independence from management, including the factors as may be required by the New York Stock Exchange from time to time.

It is expected that the Committee will evaluate, on at least an annual basis, whether any work provided by the Committee's compensation consultant raised any conflict of interest. Finally, it is expected that the Committee shall pre-approve any services to be provided to the Company or its subsidiaries by any of the Committee's compensation consultants.

Setting Compensation for Executive Officers and Directors

1. Establish and review the overall compensation philosophy of the Company.
2. Review and approve corporate goals and objectives relevant to Chief Executive Officer and other executive officers' compensation, including annual performance objectives, if any ("executive officer" has the same meaning specified for the term "officer" in Rule 16a-1(f) under the Exchange Act).
3. Evaluate the performance of the Chief Executive Officer in light of such goals and objectives and, either as a committee or together with the other independent directors (as directed by the Board of Directors), determine and approve the annual salary, bonus, equity-based incentives and other benefits, direct and indirect, of the Chief Executive Officer.
4. Review and approve, or recommend to the Board of Directors, the annual salary, bonus, equity and equity-based incentives and other benefits, direct and indirect, of the executive officers other than the Chief Executive Officer.
5. In connection with executive compensation programs:
 - (i) review and approve, or recommend to the full Board of Directors, new or modified executive compensation programs;
 - (ii) review on a periodic basis the operations of the Company's executive compensation programs to determine whether they are effective in achieving their intended purpose(s);
 - (iii) establish and periodically review policies for the administration of executive compensation programs; and

- (iv) take steps to modify any executive compensation program to enhance the alignment of payments and benefits with executive and corporate performance and the Company's business strategy.
6. Establish and periodically review policies in the area of senior management perquisites.
7. Consider policies and procedures pertaining to expense accounts of senior executives.
8. Oversee the Company's compliance with rules and regulations of the Securities and Exchange Commission (the "SEC") regarding stockholder advisory votes on executive compensation and the frequency of such votes.
9. Review and recommend to the Board of Directors the form and amount of director compensation , as well as make recommendations regarding director's and officer's indemnification and insurance matters.
10. Review and approve or recommend to the Board of Directors, any employment or service-related contracts or transaction involving current or former directors and executive officers of the Company, and any related compensation, including consulting arrangements, employment contracts, severance or termination arrangements.
11. Consider, on at least an annual basis, whether risks arising from the Company's compensation policies and practices for all employees, including non-executive officers, are reasonably likely to have a material adverse effect on the Company.

Monitoring Incentive and Equity-Based Compensation Plans

12. Review and approve, or recommend to the Board of Directors, the Company's equity-based plans and, to the extent subject to the approval of the Board of Directors, incentive-compensation plans, and administer the plans in accordance with their terms or oversee the activities of the individuals responsible for administering those plans, as applicable.
13. Review and approve, or recommend to the Board of Directors, all equity-based awards, including pursuant to the Company's equity-based plans, subject to the ability of the Committee to delegate authority pursuant to Section II of this Charter.
14. Monitor the Company's regulatory compliance with respect to compensation matters.
15. Monitor compliance by executives with the rules and guidelines of the Company's equity-based plans.
16. Review and approve any stock ownership guidelines for directors and executive officers of the Company and any "clawback" policy of the Company and monitor compliance therewith.

17. Review and monitor any employee retirement, profit sharing and benefit plans.

Reports

18. Review and discuss with management the “Compensation Discussion and Analysis” (the “CD&A”) required to be included in the Company’s annual proxy statement or annual report on Form 10-K, in accordance with the rules of the SEC and, based on that review and discussion, determine whether or not to recommend to the Board of Directors that the CD&A be included in the Company’s annual proxy statement or annual report on Form 10-K, as applicable.
19. Prepare the compensation committee report on executive officer compensation as required by the SEC to be included in the Company’s annual proxy statement or annual report on Form 10-K filed with the SEC.
20. Report regularly to the Board of Directors including:
 - (i) following meetings of the Committee; and
 - (ii) with respect to such other matters as are relevant to the Committee’s discharge of its responsibilities.

The Committee shall provide such recommendations to the Board of Directors as the Committee may deem appropriate. The report to the Board of Directors may take the form of an oral report by the Chairperson or any other member of the Committee designated by the Committee to make such report.

21. Maintain minutes or other records of meetings and activities of the Committee.

V. ANNUAL PERFORMANCE EVALUATION

The Committee shall perform a review and evaluation, at least annually, of the performance of the Committee and its members, including by reviewing the compliance of the Committee with this Charter. In addition, the Committee shall periodically review and reassess the adequacy of this Charter and recommend to the Board of Directors any proposed changes to this Charter that the Committee considers necessary or appropriate. The Committee shall conduct such evaluations and reviews in such manner as it deems appropriate.