

Redwood Trust, Inc.

Investor Presentation

August 17, 2020

REDWOOD TRUST

Forward-Looking Statements and Pro Forma Information

This presentation contains forward-looking statements, including statements regarding estimated increases in book value per share during July 2020, estimated levered yields on our in-place investment portfolio, and expectations and timing for future SFR and Sequoia securitizations. Forward-looking statements involve numerous risks and uncertainties. Our actual results may differ from our beliefs, expectations, estimates, and projections and, consequently, you should not rely on these forward-looking statements as predictions of future events. Forward-looking statements are not historical in nature and can be identified by words such as “anticipate,” “estimate,” “will,” “should,” “expect,” “believe,” “intend,” “seek,” “plan” and similar expressions or their negative forms, or by references to strategy, plans, or intentions. These forward-looking statements are subject to risks and uncertainties, including, among other things, those described in the Company’s Annual Report on Form 10-K for the year ended December 31, 2019, the Quarterly Report on Form 10-Q for the quarter ended March 31, 2020, and any subsequent Quarterly Reports on Form 10-Q under the caption “Risk Factors.” Many of these risks and uncertainties are, and will be, exacerbated by the COVID-19 pandemic and any worsening of the global business and economic environment as a result. Other risks, uncertainties, and factors that could cause actual results to differ materially from those projected may be described from time to time in reports the Company files with the Securities and Exchange Commission, including reports on Form 8-K.

These materials also contain pro forma financial information, giving effect to new financing transactions entered into during July and August 2020, as if the transactions had occurred on June 30, 2020. The pro forma financial data as of June 30, 2020 reflect our estimates with respect to such information, based on information currently available to management and a number of assumptions, and may vary from our actual results. The pro forma financial information is not necessarily indicative of the expected financial position or results of Redwood’s operations for the second quarter of 2020, the third quarter of 2020, or any future period. Differences could result from numerous factors, including exposure to new or increased risks as a result of the impact of the COVID-19 pandemic, changes in market conditions or benchmark interest rates, changes in Redwood’s capital structure, changes in Redwood’s portfolio of investments, changes in Redwood’s operating expenses, and for other reasons, including those discussed in our Annual Report on Form 10-K for the year ended December 31, 2019, the Quarterly Report on Form 10-Q for the quarter ended March 31, 2020, and any subsequent Quarterly Reports on Form 10-Q under the caption “Risk Factors.”

A Leading Innovator in Housing Credit Investing

We are a specialty finance company with a durable track record of providing financing solutions to the U.S. residential housing market

25+ year History Managing Through Cycles

- Second longest tenured mREIT
- Strong culture of risk management
- Internally managed, incentives aligned with shareholder returns

Unique Operating Platforms

- Market-leading brands in both residential and business purpose lending (BPL)
- Organic asset creation for both RWT portfolios and third-party investors through sales and partnerships
- Fee generation from mortgage banking activities
- Two best-in-class securitization issuance platforms

Core Business Strategies Covering Full Housing Finance Market

- Residential Lending – deep network of sellers and broad distribution capabilities
- Business Purpose Lending – market leader in a growing and underserved area of housing finance
- Third Party Investments – reperforming loans, agency credit-risk transfers, multifamily and other housing credit investments

$8.15 Book Value per Share(1)
estimated 3-5% higher at July 31, 2020 (2)

1.6x Recourse Leverage(3)
90% non-marginable(4)

Redwood is well positioned to capitalize on strong housing fundamentals and mortgage demand through its market-leading operating platforms and current investment capacity

Detailed Endnotes are included at the end of this presentation

Business Update – Second Quarter Recap

We repositioned and strengthened our balance sheet – by materially reducing leverage and marginable debt and generating significant liquidity – and reset our operating platforms

Enhanced Funding Structure	▪ De-levered through asset sales and reduction of overall debt ▪ Completed two new non-marginable facilities and one non-recourse financing facility for residential and business purpose loans ▪ Repurchased $125 million of convertible debt at a $25 million discount
Repositioned Investment Portfolio	▪ Completed the sale of our residential jumbo loans previously held for investment ▪ Executed strategic sales of certain securities in anticipation of prolonged market disruption ▪ Retained securities with highest yield potential, including those backed by more seasoned loans; recovered nearly 30% of first quarter unrealized losses(1) ▪ In aggregate, we estimate our in-place investment portfolio can generate yields in the low to mid-teens to our current basis(2)
Generated Capital Internally	▪ Majority of capital raised by selling portfolio of prime jumbo loans on favorable relative terms ▪ Executed our liquidity strategy without raising dilutive outside capital
Reset Operating Platforms	▪ Completed sales of pre-COVID residential loan inventory and resumed locking residential loans ▪ Securitized significant portion of our pre-COVID SFR loans, enhanced lending terms and structures for BPL products

Detailed Endnotes are included at the end of this presentation

Business Update – Third Quarter Activity

Volume growth at our mortgage banking businesses continues to accelerate and we have completed further enhancements to our funding structure

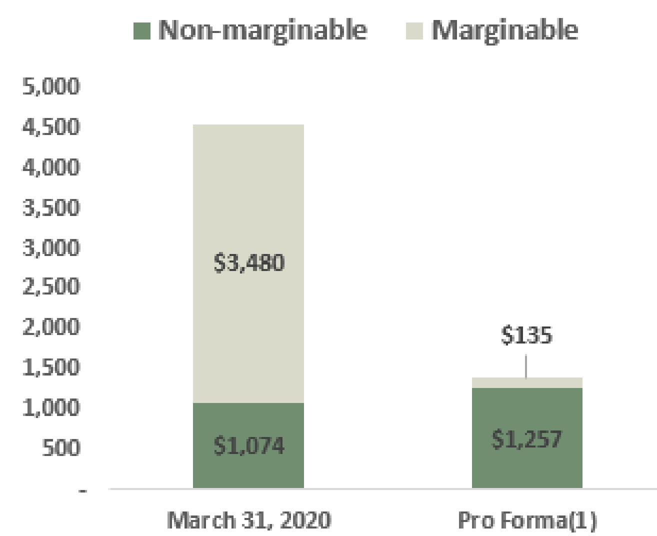
Accelerating Growth at Operating Platforms	▪ Pipeline activity is robust and building at both businesses – BPL loan originations on-pace to approach pre-COVID levels ▪ With increasing volumes, we are on pace to issue SFR and Sequoia securitizations in the fall
Further Enhanced Funding Structure	▪ Completed second non-recourse financing facility for business purpose bridge loans, essentially providing match-funding for most of our in-place portfolio ▪ Completed new non-recourse resecuritization financing for majority of our re-performing loan securities, refinancing over $200 million of short-term marginable securities repo debt ▪ Pro forma for these new financings, at June 30, our marginable debt was approximately $135 million and our cash to marginable debt ratio was 3.7x(1)
Increased Liquidity	▪ New non-recourse and non-marginable facilities have allowed us to reduce our risk capital reserves, increasing capital available for investment
Increased Book Value	▪ We estimate book value increased 3-5% during July(2), as spreads continued to tighten, particularly in assets such as reperforming loan securities that experienced slower price recoveries in the second quarter

Detailed Endnotes are included at the end of this presentation

Enhanced Funding Structure

Our strategic initiative of recasting our debt is nearly complete as we have predominantly shifted to a mix of non-marginable secured and corporate unsecured borrowings

Recourse Debt Pro Forma Balances at June 30, 2020[1] ($ in millions)	Scheduled Maturity				Total Recourse Debt
	Q3 2020	Q4 2020	2021	Beyond 2021	
Securities repurchase debt	$ 31	$ 41	$ -	$ -	$ 72
Warehouse/secured revolving debt	-	-	43	21	64
Non-marginable warehouse debt	-	-	14	296	309
Non-marginable secured term debt	-	-	-	285	285
Non-marginable corporate unsecured debt	-	-	-	661	661
Total debt	**$ 31**	**$ 41**	**$ 56**	**$ 1,264**	**$ 1,392**



- Since the onset of the pandemic, we have significantly reduced our overall recourse debt and shifted our recourse funding structure almost entirely to non-marginable debt, minimizing our associated contingent liquidity risk
- We established several new non-marginable facilities and expect to finance the bulk of our mortgage banking operations with non-marginable facilities going forward
- We refinanced short-term, marginable borrowings for the majority of our BPL bridge loans and reperforming loan securities with long-term, non-recourse debt
- We repurchased $125 million of convertible debt below face value, reducing debt service costs and further reducing total leverage

Detailed Endnotes are included at the end of this presentation

Opportunities Going Forward

Our mortgage banking businesses are poised for significant growth and our investment portfolios are carried at a very attractive basis

Business Purpose Mortgage Banking	▪ Sizable opportunity as an established leader in an underserved market, including in cross-collateralized SFR loans and strategic bridge lending products for top-quality sponsors ▪ Origination pipeline building to pre-COVID levels; strong margins benefitting from enhancements to already strong loan structures ▪ Best-in-class SFR securitization platform – increasing demand from institutional investors looking for exposure to the asset class; expect to remain a consistent issuer in the market
Residential Mortgage Banking	▪ Jumbo lock volumes accelerating as liquidity returns to the market ▪ Substantial opportunities in an expected refinance wave as originators refocus on the jumbo market ▪ Market-leading Sequoia securitization platform a competitive advantage as markets normalize and demand increases for quality housing credit with strong underwriting
Investment Portfolios	▪ Investment portfolios still have significant embedded discount from unrealized losses recorded in the first quarter with potential for further meaningful recovery ▪ Deploying capital into third-party investments where we find assets at attractive prices

Detailed Endnotes are included at the end of this presentation

Business Purpose Mortgage Banking

Volumes and margins remain strong as the single-family rental market is growing with increased demand for quality homes in attractive geographies

- Market-leading brand for business purpose loan origination; generates fee income and creates durable long-term portfolio investments organically
- Embedded intrinsic value in platform; our underlying housing thesis is strengthening as lending standards are tightening for prospective owner occupants and emerging consumer preference for detached single-family homes
- Strategic advantage as established market leader in business purpose lending (only lender with significant track record in multi-borrower single-family rental)
- Only mortgage REIT with best-in-class SFR securitization platform; attractive risk-adjusted returns have kept BPL assets in strong demand

Target Market	Products	Procurement[2]
▪ Sophisticated small and mid-sized real estate investors ▪ Highly fragmented lending environment ▪ 30.1M unit addressable market (16.1M are single-family rentals (SFRs)[1]	▪ Multi-product strategy across bridge and term loans creates long-term borrower relationships ▪ Term loans for stabilized portfolio investors ▪ Bridge loans for acquisitions, renovations and portfolio aggregation	▪ Highly scalable infrastructure with proprietary processes and technology ▪ Unique approach to client acquisition that results in better client selection and outcomes ▪ Over 3,000 borrowers ▪ Over 50,000 properties financed across 47 states and D.C.

Detailed Endnotes are included at the end of this presentation

Residential Mortgage Banking

Loan lock volumes are increasing, spurred by low rates for homeowners and originators refocusing on the jumbo market

- Have begun to see a pickup in lock activity and expect this to grow meaningfully as we head into the fall; deep network of sellers (banks and independent mortgage companies) increasing capacity to refocus on jumbo market as jumbo rates converge back near conforming rates
- Increased demand in the whole loan and securitization markets for high quality residential housing credit sourced from a reputable aggregator with strong underwriting
- Market-leading brand for jumbo residential loan aggregation; generates fee income and creates durable long-term portfolio investments organically
- Best-in-class securitization platform for jumbo residential; opportunity for increased investment income generated from Sequoia securitizations as volumes increase

Key Strategic Priorities
▪ Continue investment in technology to improve efficiencies and operations
▪ Refine how and how quickly we can purchase loans in a safe and sound manner
▪ Broaden our loan distribution methods to compliment traditional whole-loan sales and securitizations

Detailed Endnotes are included at the end of this presentation

Investment Portfolio Overview

We are taking a measured approach to deploying capital in order to remain agile and respond appropriately as market conditions evolve

Combined Investment Portfolio at June 30, 2020 Pro Forma (1) ($ in millions)	Fair Value of Assets	Recourse Debt	Non Recourse Debt (2)	Net Capital Invested
Sequoia Securities	$ 345	$ (226)	$ 0	$ 119
SFR securities	203	(103)	0	100
Third-party Securities	532	(28)	(210)	294
Total Securities	1,081	(358)	(210)	513
Business Purpose Bridge Loans	814	(67)	(545)	202
Other Investments	172	(20)	0	152
Total Investment Portfolio	**$ 2,066**	**$ (445)**	**$ (755)**	**$ 867**

- At June 30, 2020 had $529 million of unrestricted cash. New non-recourse and non-marginable facilities have allowed us to reduce our risk capital reserves, making a substantial majority of our cash available for investment
- We expect to focus our capital deployment in the near-term around our operating businesses, which will include increased operating capital to support growing volumes, and organically generated long-term investments for our portfolios that currently offer the most attractive risk-adjusted returns available to us
- We will continue to monitor markets for opportunistic third-party investments
- In aggregate, we estimate our in-place investment portfolio can generate yields in the low to mid-teens, to our current basis(3)

Detailed Endnotes are included at the end of this presentation

Investment Portfolio – Securities

Current embedded discount provides opportunity for attractive go-forward returns

Securities Investments at June 30, 2020
($ in millions)

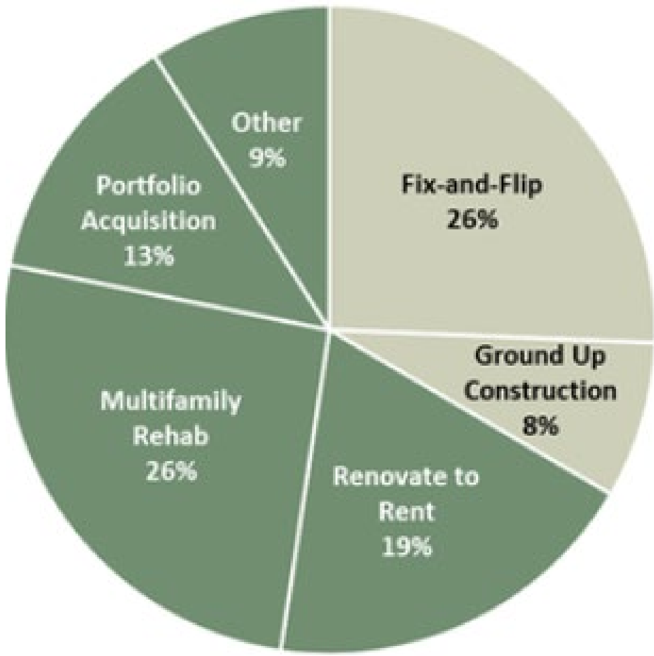
	Interest Only Securities	Subordinate & Other Securities	Total Securities	Q1 2020 Unreazlied Loss	Q2 2020 Change in Value	% Recovered
Sequoia securities	$ 28	$ 317	$ 345	$ (162)	$ 80	49%
SFR securities	51	152	203	(68)	15	22%
Third-Party Securities						
Reperforming Loan Securities	40	354	394	(175)	32	18%
Multifamily Securities	4	48	52	(19)	3	17%
Agency CRT Securities	0	50	50	(58)	39	67%
Other third-Party Securities	0	36	36	(29)	13	43%
Total	**$ 123**	**$ 957**	**$ 1,081**	**$ (511)**	**$ 182**	**$ 35%**

- We estimate that as of June 30, 2020, approximately $3.00 per share of the unrealized losses we recorded in the first quarter, remained outstanding
- As markets recovered throughout the second quarter, our most liquid assets were the quickest to rebound, with spreads tightening substantially in several areas of the portfolio
- In July, we saw a continuation of the trend, with certain areas of the portfolio, such as reperforming loan securities, beginning to see increased liquidity
- The weighted average carrying price of our subordinate securities at June 30, 2020 was approximately 60% of face value, compared to 50% at March 31, 2020

Detailed Endnotes are included at the end of this presentation

Investment Portfolio – BPL Bridge Loans

Bridge lending is a key strategic focus that drives long-term value for our BPL segment, including through attractive risk-adjusted returns for our portfolio and sponsor conversion rates into adjacent products



Bridge Portfolio by Borrower Strategy [1]	
Borrower Strategy	UPB %
Strategic Lending	
Renovate to Rent	19%
Multifamily Light Lift	17%
Portfolio Acquisition	13%
Multifamily Heavy Lift	9%
Build to Rent	6%
Model Home Lease	3%
Total Strategic	67%
Opportunistic Lending	
Fix-and-Flip	26%
Ground Up Construction	8%
Total Opportunistic	**33%**

- Nearly 70% of our current bridge loan investments are comprised of strategic products tailored toward experienced sponsors with a longer-term approach to real-estate investing (i.e. stabilization versus immediate sale)
- Our multi-product approach facilitates high levels of repeat business with our top customers; since platform inception in 2014, ~30% of SFR origination volume has been generated by refinancing a CoreVest bridge loan and over 70% of total funded dollar volume overall is from repeat sponsors
- Focusing on experienced sponsors and strategic products has resulted in strong bridge loan performance; as of June 30, 2020, 90+ days delinquencies (including REO) in the bridge book totaled 4.6% across all strategies

Detailed Endnotes are included at the end of this presentation

Investment Portfolio – Credit Characteristics

Residential Investments Credit Characteristics [1] June 30, 2020 ($ in millions, except where noted)	Sequoia Select Securities	Sequoia Choice Securities	Re-Performing Loan Securities
Market value	$ 121	$ 196	$ 394
Average FICO (at origination)	770	743	609
HPI updated LTV [2]	43%	66%	68%
Average loan size (in thousands)	$ 660	$ 711	$ 178
Gross weighted average coupon	4.0%	4.9%	4.5%
Current 3-month prepayment rate	36%	34%	5%
90+ days delinquency (as a % of UPB)	0.3%	0.8%	9.9%
Investment thickness [3]	4%	12%	23%

Business Purpose and Multifamily Investments Credit Characteristics [1] June 30, 2020 ($ in millions, except where noted)	Multifamily B-Pieces	SFR Securities	BPL Bridge Loans
Market value	$ 52	$ 203	$ 814
Average current DSCR [4]	1.5x	1.4x	N/A
LTV (at origination) [5]	72%	69%	68%
Average loan size (in thousands)	$ 21,044	$ 2,344	$ 368
Gross weighted average coupon	3.3%	5.5%	8.0%
90+ days delinquency (as a % of UPB)	0.0%	1.8%	4.6%
Investment thickness [3]	10%	10%	N/A

- Sequoia securities have strong underlying homeowner credit profiles, significant estimated underlying equity in homes, and excellent historical performance
- Reperforming loan securities (mostly from Freddie Mac-issued securitizations) are primarily backed by seasoned re-performing residential mortgage loans (RPLs)
  - Performance in the underlying portfolios has been stable relative to current market conditions, with overall delinquencies about 4% higher than earlier in the year and overall cash-flow velocity reflecting strong borrower engagement
- SFR securities are backed by loans that benefit from strong debt service coverage, low loan-to-value ratios, and multi-property cross-collateralization
- Bridge loans are backed by one or more underlying properties, including cross-collateralized lines of credit. Initial terms typically range between 12-18 months. Bridge loan 90+ days delinquency presented in the table include REO assets.

Detailed Endnotes are included at the end of this presentation

Appendix

2020 Second Quarter Financial Recap

Key Financial Results and Metrics				
	Three Months Ended			
	6/30/2020		3/31/2020	
Earnings (Loss) per Share	$	1.00	$	(8.28)
Book Value per Share	$	8.15	$	6.32
Dividend per Share	$	0.125	$	0.32
Economic Return on Book Value [1]		31 %		(58)%
Unrestricted Cash (in millions)	$	529	$	375
Recourse Leverage Ratio [2]		2.1x		6.9x

Q2 2020 Overview:

- Results benefited from a rebound in asset prices, as the COVID-19 induced spread widening experienced in the first quarter partially reversed, benefiting our investment portfolio
- Repositioned our secured debt structure; significantly reducing total recourse debt from $4.6 billion at March 31, 2020 to $1.8 billion at June 30, 2020 and marginable debt from $3.5 billion at March 31, 2020 to $375 million at June 30, 2020
- Book value recovered nearly one-third of unrealized losses recorded in the first quarter
- Repurchased $125 million of convertible debt below carrying value, resulting in realized gains of $25 million
- Paid second quarter dividend of $0.125 per share

Detailed Endnotes are included at the end of this presentation

Capital Allocation

Capital Allocation Detail

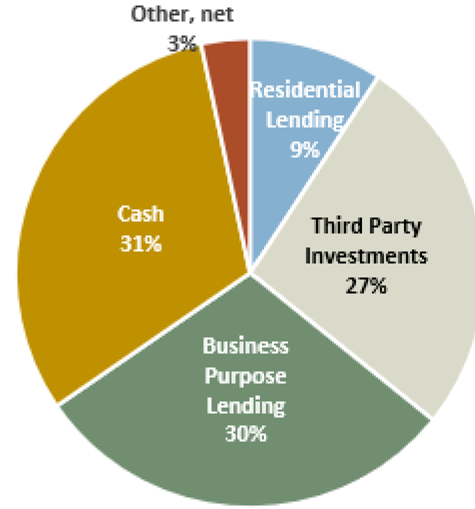
By Investment Type

($ in millions)

	March 31, 2020 Fair Value of Assets [2]	March 31, 2020 Total Recourse Debt	June 30, 2020 Fair Value of Assets [2]	June 30, 2020 Total Recourse Debt	June 30, 2020 Pro Forma [1] Fair Value of Assets [2]	June 30, 2020 Pro Forma [1] Total Recourse Debt
Residential Lending						
Residential loans	$ 1,437	(1,190)	$ -	$ -	$ -	$ -
Sequoia securities	275	(259)	345	(224)	345	(226)
MSR's/Other	44	(30)	41	(20)	41	(20)
Mortgage banking residential loan inventory	894	(841)	20	(14)	20	(14)
Total Residential Lending	**2,650**	**(2,321)**	**407**	**(258)**	**407**	**(260)**
Business Pupose Lending						
SFR securities	167	(103)	203	(103)	203	(103)
Bridge loans	817	(626)	372	(256)	118	(67)
Net investment in bridge loans [3]	-	-	87	-	151	-
Mortgage banking SFR loan inventor	415	(308)	380	(272)	380	(272)
Platform Premium	69	-	65	-	65	-
Total Business Purpose Lending	**1,469**	**(1,037)**	**1,106**	**(632)**	**917**	**(443)**
Third-Party Investments						
RPL Investments	369	(300)	394	(242)	184	-
CRT & third-party securities	73	(32)	86	-	86	-
Multifamily securities	49	(76)	52	(28)	52	(28)
Other Investments	141	-	131	-	131	-
Total Third-Party Investments	**632**	**(408)**	**663**	**(269)**	**453**	**(28)**
Cash and cash equivalents [4]	378	-	529	-	499	-
Other assets/liabilties, net	151	-	54	-	54	-
Corporate debt	-	(786)	-	(661)	-	(661)
Total Corporate / Other	**529**	**(786)**	**582**	**(661)**	**553**	**661**
Totals	**$ 5,279**	**$ (4,554)**	**$ 2,759**	**$ (1,821)**	**$ 2,329**	**$ (1,392)**
GAAP Equity		**$ 725**		**$ 937**		**$ 937**

Pro Forma Capital Allocation [1][5]

($ in millions)



Detailed Endnotes are included at the end of this presentation

Forbearance and Mortgage Servicing Advance Obligations[1]

As of June 30, 2020 we had received approximately 96% of payments due in June for loans underlying our Sequoia securitizations

- Late in the second quarter we observed a substantial decrease in inquiries about, and requests for, forbearance from borrowers underlying our Sequoia securitizations; forbearance rates for our Sequoia portfolio had stabilized in the 6.5% - 7.0% range of outstanding balances as of July 24, 2020
- At June 30, 2020, mortgage loans in a delinquent status (whether or not subject to forbearance) accounted for approximately 4.0% of the aggregate principal (or notional) balance of Sequoia securitized loans for which we had servicing advance funding obligations
- As of June 30, 2020, we had no servicing advances outstanding related to principal and interest on Sequoia securitized loans for which we had servicing advance funding obligations
- Servicing advances are recoverable senior in securitization waterfall and are generally readily financeable
- Principal and interest (P&I) servicing advance obligations equate to approximately $3 million per month for each additional 5% of delinquencies in underlying portfolios (e.g. 2% to 7%)

Detailed Endnotes are included at the end of this presentation

Corporate Responsibility

Redwood is committed to best-in-class corporate governance. In our 25+ year operating history, we have built a reputation for the highest standards of integrity and responsibility

Corporate Governance	Business Sustainability Through Human Capital

▪ Director Independence and Board Leadership
  ▪ Majority of directors are independent
  ▪ Separation of Chair and CEO
▪ Declassified Board
▪ Internally managed; incentives aligned to shareholder returns
	▪ Culture and values aligned to corporate strategy
	▪ Diversity and inclusion programs designed to foster success
	▪ Data driven programs designed to enhance employee competency and engagement
	▪ Infrastructure and protocols in place to support business continuity through the pandemic

Endnotes

Pro Forma Note

This investor deck contains selected pro forma financial information, giving effect to two new financing agreements entered into during July and August 2020, as if the transactions had occurred on June 30, 2020. The first financing arrangement is a non-recourse, non-marginable facility to finance business purpose bridge loans with a two-year term. The second financing arrangement is a non-recourse resecuritization transaction that refinanced the majority of our reperforming loan securities that were previously financed with short-term securities repo borrowings.

Recourse Debt Note

Redwood's recourse debt at June 30, 2020 and June 30, 2020 pro forma, excludes $7.5 billion and $7.9 billion, respectively, of consolidated securitization debt (ABS issued and servicer advance financing) and other debt that is non-recourse to Redwood at June 30, 2020.

Slide 2 (A Leading Innovator in Housing Credit Investing)

1. Represents GAAP book value per share as of June 30, 2020.
2. We estimate that GAAP book value per share at July 31, 2020 had increased in the range of 3-5% from June 30, 2020. Our estimated range of GAAP book value per share as of July 31, 2020 reflects management's preliminary estimate with respect to such information, based on information currently available to management, and may vary from the Company's actual GAAP book value per common share as of such date. Further, this preliminary estimate is not a comprehensive statement or estimate of Redwood's financial results or financial condition as of July 31, 2020. This preliminary estimate should not be viewed as a substitute for full interim financial statements prepared in accordance with GAAP and is not necessarily indicative of the results to be achieved in any future period. Accordingly, you should not place undue reliance on this preliminary estimate.
3. Represents recourse leverage ratio at June 30, 2020 on a pro forma basis (see Pro Forma Note above). Recourse leverage ratio is defined as recourse debt (see Recourse Debt Note above) at Redwood divided by tangible stockholders' equity. Tangible stockholders' equity excludes $65 million of intangible assets at June 30, 2020 (see Endnotes to Q2 2020 Redwood Review for additional information on this non-GAAP measure).
4. Represents non-marginable debt (debt that is not subject to market-value based margin calls) as of June 30, 2020 on a pro forma basis (see Pro Forma Note above).

Slide 3 (Business Update – Second Quarter Recap)

1. During the second quarter of 2020, we recovered nearly one-third of the unrealized losses of $(5.36) per share recorded in the first quarter of 2020.
2. We estimate that our investments held at June 30, 2020 can generate economic returns (using effective yields based on the carrying value (generally market value) of our investments at June 30, 2020 and estimated future cash flows) on a levered basis (using our financing currently in-place at June 30, 2020) in the low- to mid-teens. Our estimated range of returns reflects management's estimate with respect to such information, based on our market observations, estimates, and assumptions, including our assumptions regarding the use of leverage, credit losses, prepayment speeds, and market interest rates. Actual returns may differ based on these or other factors.

Slide 4 (Business Update – Third Quarter Activity)

1. Cash to marginable debt ratio represents our ratio of unrestricted cash at June 30, 2020 on a pro forma basis (see Pro Forma Note above), to marginable debt as of June 30, 2020 on a pro forma basis (see Pro Forma Note above).

Endnotes (continued)

2. We estimate that GAAP book value per share at July 31, 2020 had increased in the range of 3-5% from June 30, 2020. Our estimated range of GAAP book value per share as of July 31, 2020 reflects management's preliminary estimate with respect to such information, based on information currently available to management, and may vary from the Company's actual GAAP book value per common share as of such date. Further, this preliminary estimate is not a comprehensive statement or estimate of Redwood's financial results or financial condition as of July 31, 2020. This preliminary estimate should not be viewed as a substitute for full interim financial statements prepared in accordance with GAAP and is not necessarily indicative of the results to be achieved in any future period. Accordingly, you should not place undue reliance on this preliminary estimate.
3. We estimate that our investments held at June 30, 2020 can generate economic returns (using effective yields based on the carrying value (generally market value) of our investments at June 30, 2020 and estimated future cash flows) on a levered basis (using our financing currently in-place at June 30, 2020) in the low- to mid-teens. Our estimated range of returns reflects management's estimate with respect to such information, based on our market observations, estimates, and assumptions, including our assumptions regarding the use of leverage, credit losses, prepayment speeds, and market interest rates. Actual returns may differ based on these or other factors.

Slide 5 (Enhanced Funding Structure)

1. Debt balances presented in the table and chart on this slide are as of June 30, 2020 on a pro forma basis (see Pro Forma Note above).

Slide 7 (Business Purpose Lending)

1. John Burns Real Estate Consulting estimates using 2010 Census and trending data from ACS / HVS (Data: 2Q19, Pub: Dec 2019).
2. Information as of June 30, 2020 since inception in 2014.

Slide 9 (Investment Portfolio Overview)

1. Debt balances presented in table are presented on a pro forma basis (see Pro Forma Note above).
2. Non-recourse debt presented in this table excludes consolidated securitization debt (ABS issued and servicer advance financing).

Slide 11 (Investment Portfolio – BPL Bridge Loans)

1. See slide 21 that follows for a description of our different bridge portfolio borrower strategies.

Slide 12 (Investment Portfolio – Credit Characteristics)

1. Performance information provided in this table for the loans underlying the securities we own, is generally reported on a one-month lag. As such, the data reported in this table is from June reports, which reflect a loan performance date of May 31.
2. HPI updated LTV is calculated based on the current loan balance and an updated property value amount that is formulaically adjusted from value at origination, based on the FHFA home price index (HPI).
3. Investment thickness represents the size of a subordinate security (on a percentage basis) relative to the total unpaid principal balance of its respective securitization. Amounts in table are presented on a weighted average basis by investment type.
4. Average current debt service coverage ratio (or DSCR) is the ratio by which net operating income of a property exceeds its fixed debt costs.

Endnotes (continued)

5. Average loan to value (or LTV) (at origination) is calculated based on the original loan amount and the property value at the time the loan was originated. Amounts in table represent weighted averages by investment type.

Slide 15 (Capital Allocation)

1. June 30, 2020 pro forma column in table includes recourse debt amounts that have been adjusted on a pro forma basis (see Pro Forma Note above). Values presented in Pro Forma Capital Allocation chart represent our net capital (Fair value of assets, less associated recourse debt) for each investment type, with recourse debt balances adjusted on a pro forma basis (see Pro Forma Note above).
2. Other assets and liabilities are presented on a net basis within this column.
3. Net investment in bridge loans represents our effective economic investment in bridge loans financed with non-recourse debt.
4. Cash and cash equivalents for the June 30, 2020 pro forma column within this table has been adjusted for the net impact from changes in non-recourse debt balances.
5. Pie chart presents the allocation of our corporate capital (which includes $937 million of equity and $661 million of long-term, unsecured corporate debt) at June 30, 2020 Pro Forma.

Slide 16 (Mortgage Servicing Advance Obligations)

1. See our Q1 2020 Redwood Review for additional information about our mortgage servicing obligations.

Bridge Loan Borrower Strategies

Renovate to Rent – Sponsor acquires, renovates and rents out a portfolio of properties. Underlying homes generally require lighter levels of rehabilitation than typical fix-and-flip. As assets stabilize over time, cash-flow coverage builds during the hold period. Exit can be either traditional CoreVest SFR loan or portfolio sale to third-party investor.

Portfolio Acquisition – Sponsor pursuing primary strategies of (i) purchase of underperforming rental portfolio to upgrade homes and drive higher rents, and (ii) refinance of upgraded assets onto line-of-credit for ultimate refinance or sale. Projects typically entail lighter renovation with more experienced, vertically-integrated sponsors.

Build to Rent – Sponsor acquires and develops greenfield lots in a rental and/or for-sale neighborhood. New-build assets tend to be highest-quality for SFR programs. Financing typically occurs in phases to ensure proof of concept from construction through stabilization. Most projects provide tenants with additional indoor and private outdoor space, in keeping with increased demand leading up to and through COVID-19. Sponsor has ability to shift to for-sale product to be responsive to market demand.

Multifamily Light Lift – Sponsor purchases underperforming multifamily property with strategy to upgrade units, and sell or refinance. Project is pre-underwritten for GSE or CoreVest term loan refinance upon completion and stabilization, and typically has some in-place cash-flow during term of the bridge loan. Projects tend to carry reduced renovation risk. Borrowers are typically experienced, vertically-integrated sponsors.

Multifamily Heavy Lift – Sponsor purchases underperforming asset with strategy to meaningfully upgrade units and common areas. Project is usually pre-underwritten for GSE refinance upon completion and stabilization with phased construction for projects with extensive rehab requirements. Property cash-flow typically limited during initial phases of the project. Sponsors typically experienced and vertically integrated.

Model Home Lease – Lender purchases from and leases back model homes to experienced national and regional homebuilders on a triple net basis. Attractive cost basis for lender with reliable exit strategy over several years.

Fix-and-Flip – Typically single-family home purchase with light to medium rehab and exit strategy of sale to end user. Generally quick asset turns with properties located in an existing neighborhood with comparable sales. Standard rehabilitations limit change orders and budget variances, with property management and project completion generally straightforward in the event of default.

Ground-up Construction – Typically involves sponsor building condominium or multifamily projects for ultimate sale, with potential in certain cases to refinance into CoreVest SFR loan or GSE take-out. Program limited to high quality sponsors in high demand markets.