

August 22, 2007

REDWOOD
TRUST

Redwood Trust, Inc. Declares a \$0.75 Per Share Dividend for the Third Quarter of 2007

MILL VALLEY, Calif.--(BUSINESS WIRE)--

Redwood Trust, Inc. (NYSE:RWT) today announced that its Board of Directors authorized the declaration of a third quarter regular dividend for common shareholders of \$0.75 per share. The third quarter 2007 dividend is payable on October 22, 2007 to stockholders of record on September 28, 2007.

"We are pleased to once again declare our regular dividend. Sustaining our regular dividend remains one of our primary goals," said George Bull, Redwood's Chairman and CEO.

Bull continued, "Through our ownership of residential credit-enhancement securities, we currently credit-enhance \$228 billion high-quality residential loans and \$70 billion institutional-quality commercial real estate loans. Our depth and breadth of experience over the past thirteen years, our conservative underwriting, our credit reserve policies, and the strength of our balance sheet all give us confidence in our ability to continue to credit-enhance new high-quality real estate loans. With our current excess capital and cash position, we have the capacity to provide significant additional credit-enhancement coverage for mortgage originators of new high-quality loans and, in addition, to acquire attractive assets that may become available during this period of market turmoil. We remain confident about our ability to grow Redwood Trust and to meet the needs of high-quality borrowers for many years to come."

For more information about Redwood Trust, Inc., please visit our website at:
www.redwoodtrust.com.

CAUTIONARY STATEMENT: This press release contains forward-looking statements within the safe harbor provisions of the Private Securities Litigation Reform Act of 1995.

Statements that are not historical in nature, including the words "anticipated," "estimated," "should," "expect," "believe," "intend," and similar expressions, are intended to identify forward-looking statements. These forward-looking statements are subject to risks and uncertainties, including, among other things, those described in our 2006 Annual Report on Form 10-K under Item 1A "Risk Factors." Other risks, uncertainties, and factors that could cause actual results to differ materially from those projected are detailed from time to time in reports filed by us with the Securities and Exchange Commission, including Forms 10-K, 10-Q, and 8-K. Important factors that may impact our actual results include changes in interest rates and market values; changes in prepayment rates; general economic conditions, particularly as they affect the price of earning assets and the credit status of borrowers; the

level of liquidity in the capital markets as it affects our ability to finance our real estate asset portfolio; and other factors not presently identified. In light of these risks, uncertainties, and assumptions, the forward-looking events mentioned in, discussed in, or incorporated by reference into this press release might not occur. Accordingly, our actual results may differ from our current expectations, estimates, and projections. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

Source: Redwood Trust, Inc.