

March 8, 2007

**R E D W O O D
T R U S T**

Redwood Trust, Inc. Increases Its Regular Dividend Rate to \$0.75 Per Share for the First 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 first quarter regular dividend of \$0.75 per share. The first quarter 2007 dividend is payable on April 23, 2007 to stockholders of record on March 30, 2007.

"We are pleased to announce this new \$0.75 per share regular dividend rate", said George Bull, Redwood's Chairman and CEO. "This is an increase from the \$0.70 per share per quarter regular dividend we have been paying the last two years. Given the strength of our business model, we believe that our shareholders can reasonably depend on this conservative level of dividends."

Redwood also announced that its Board of Directors has set May 18, 2007 as the date for the annual meeting of stockholders. The meeting will be held at 10:30 a.m. in Mill Valley, California. Stockholders of record as of March 30, 2007 will be entitled to vote at that meeting.

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.