

May 10, 2010

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

Redwood Trust Announces Commencement of Flow Loan Program

MILL VALLEY, Calif., May 10 /PRNewswire-FirstCall/ -- Redwood Trust, Inc. (NYSE: RWT) today announced the commencement of its flow mortgage loan program through which the Company purchases prime residential mortgage loans from banking companies and other selected originators. The flow purchase program is currently operating with a small number of mortgage loan originators that have national platforms.

"Redwood Trust is developing strategic relationships with targeted banks and other originators that will enable them to provide additional competitively priced residential mortgage loan products to their customers while at the same time allowing the originators to retain their customer relationships," said Brett D. Nicholas, Redwood's Chief Investment Officer. Mr. Nicholas added, "Redwood has sufficient capital to invest in residential mortgage credit risk and we are seeking additional relationships with established originators of prime mortgage loans."

Redwood recently securitized \$238 million of jumbo prime residential mortgage loans through its Sequoia securitization program in the first non-government sponsored residential mortgage securitization since mid-2008. Redwood has sponsored 48 prime jumbo residential mortgage securitizations totaling \$35 billion through its Sequoia securitization program dating back to 1997.

About Redwood Trust, Inc.

Redwood Trust, Inc. is a publicly traded company structured as a real estate investment trust. Redwood Trust, Inc. together with its subsidiaries invests in, finances, and manages residential and commercial real estate loans and in asset-backed securities backed by real estate loans. Redwood seeks to invest in assets that have the potential to generate sufficient long-term cash flow returns to support its goal of distributing an attractive level of dividends per share to shareholders over time. For tax purposes, Redwood is structured as a real estate investment trust (REIT). Redwood commenced operations in August 1994. Its executive offices are located in Mill Valley, California and it maintains an office in New York City.

Cautionary Statement: This press release contains forward-looking statements within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. 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 our Annual Report on Form 10-K for the year ended December 31, 2009, under the caption "Risk Factors." 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 we file with the Securities and Exchange Commission (SEC), including reports on Forms 10-Q and 8-K. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

Important factors, among others, that may affect our actual results include: general economic trends, the performance of the housing, mortgage, credit, and broader financial markets, and their effects on the prices of earning assets and the credit status of borrowers; federal and state legislative and regulatory developments, and the actions of governmental authorities, including those affecting the mortgage industry or our business; our exposure to credit risk and the timing of credit losses within our portfolio; the concentration of the credit risks we are exposed to, including due to the structure of assets we hold and the geographical concentration of real estate underlying assets we own; our exposure to adjustable-rate and negative amortization mortgage loans; the efficacy and expense of our efforts to manage or hedge credit risk, interest rate risk, and other financial and operational risks; changes in credit ratings on assets we own and changes in the rating agencies' credit rating methodologies; changes in interest rates; changes in mortgage prepayment rates; the availability of high-quality assets for purchase at attractive prices and our ability to reinvest cash we hold; changes in the values of assets we own; changes in liquidity in the market for real estate securities; our ability to finance the acquisition of real estate-related assets with short-term debt; the ability of counterparties to satisfy their obligations to us; our involvement in securitization transactions and the risks we are exposed to in executing securitization transactions; exposure to litigation arising from our involvement in securitization transactions; whether we have sufficient liquid assets to meet short-term needs; our ability to successfully compete and retain or attract key personnel; our ability to adapt our business model and strategies to changing circumstances; changes in our investment, financing, and hedging strategies and new risks we may be exposed to if we expand our business activities; exposure to environmental liabilities and the effects of global climate change; failure to comply with applicable laws and regulations; our failure to maintain appropriate internal controls over financial reporting and disclosure controls and procedures; changes in accounting principles and tax rules; our ability to maintain our status as a real estate investment trust (REIT) for tax purposes; limitations imposed on our business due to our REIT status and our status as exempt from registration under the Investment Company Act of 1940; decisions about raising, managing, and distributing capital; and other factors not presently identified.

SOURCE Redwood Trust, Inc.