

## Risk Factors Comparison 2025-03-03 to 2024-02-29 Form: 10-K

**Legend:** **New Text** ~~Removed Text~~ Unchanged Text **Moved Text** Section

The risk factors summarized and detailed below could materially harm our business, operating results and / or financial condition, impair our future prospects and / or cause the price of our common stock to decline. These are not all of the risks we face and other factors not presently known to us or that we currently believe are immaterial may also affect our business if they occur. Material risks that may affect our business, operating results and financial condition include, but are not necessarily limited to, those relating to: Risks Related to our Business and Industry **(Page 7)** • general economic conditions and trends and the performance of the housing, real estate, mortgage finance, and broader financial markets; • changing benchmark interest rates, and the Federal Reserve's actions and statements regarding monetary policy; • federal, state and local legislative and regulatory developments and the actions of governmental authorities and entities; • our ability to compete successfully; • our ability to adapt our business model and strategies to changing circumstances; • strategic business and capital deployment decisions we make; • our use of financial leverage; • our exposure to a breach of our cybersecurity or data security; • the impact of public health issues such as ~~the COVID-19 pandemic~~ **pandemics**; Risks Related to our Investments and Investing Activity **(Page 18)** • 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, and our exposure to environmental and climate- related risks; • 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 or mortgage prepayment rates; • investment and reinvestment risk; • asset performance, interest rate volatility, changes in credit spreads, and changes in liquidity in the market for real estate securities and loans; • 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; • we may enter into new lines of business, acquire other companies, or engage in other new strategic initiatives; Operational and Other Risks **(Page 33)** • changes in the demand from investors for residential **consumer** and ~~business purpose residential investor~~ mortgages and investments, and our ability to distribute residential **consumer** and ~~business purpose residential investor~~ mortgages through our whole- loan distribution channels; • our involvement in loan and HEI origination and securitization transactions, the profitability of those transactions, and the risks we are exposed to in engaging in loan origination or securitization transactions; • foreclosure activity may expose us to risks associated with real estate ownership and operation; • exposure to claims and litigation, including litigation arising from loan or HEI origination and securitization transactions; • acquisitions or new business initiatives may fail to improve our business and could expose us to new or increased risks; • whether we have sufficient liquid assets to meet short- term needs; • changes in our investment, financing, and hedging strategies and new risks we may be exposed to if we expand or reorganize; • our ability to successfully retain or attract key personnel; • we are dependent on third- party information systems and third-party service providers; • our exposure to a disruption of our or a third party's technology infrastructure and systems; • our failure to maintain appropriate internal controls over financial reporting and disclosure controls and procedures; • our risk management efforts may not be effective; • we could be harmed by misconduct or fraud; • inadvertent errors, system failures or cybersecurity incidents could disrupt our business; • the impact on our reputation that could result from our actions or omissions or from those of others; • accounting rules related to certain of our transactions and asset valuations are highly complex and involve significant judgment and assumptions; • the future realization of our deferred tax assets is uncertain, and the amount of valuation allowance we may apply against our deferred tax assets may change materially in future periods; Risks Related to Legislative and Regulatory Matters Affecting our Industry **(Page 50)** • the impact of changes to U. S. federal income tax laws on the U. S. housing market, mortgage finance markets, and our business; • our failure to comply with applicable laws and regulation, including our ability to obtain or maintain required governmental licenses; Risks Related to Redwood's Capital, REIT and Legal / Organizational Structure **(Page 53)** • our ability to maintain our status as a REIT for tax purposes; • decisions about raising, managing, and distributing capital; • limitations imposed on our business due to our REIT status and our status as exempt from registration under the Investment Company Act of 1940; • provisions in our charter and bylaws and provisions of Maryland law may limit a change in control or deter a takeover; • the ability to take action against our directors and officers is limited by our charter and bylaws and provisions of Maryland law and we may indemnify them against certain losses; Other Risks Related to Ownership of Our Capital Stock **(Page 57)** • our stock may experience losses, volatility, and poor liquidity, and we may reduce our dividends; • **a** limited number of institutional shareholders own a significant percentage of our common stock; • future sales of our stock or other securities by us or our officers and directors may have adverse consequences for investors; • the change- in- control- related conversion rights of our preferred stock may be detrimental to holders of our common stock; • dividend distributions and the timing and character of such dividends may change; • payment of dividends in common stock could place downward pressure on market price; and • other factors not yet identified, including broad market fluctuations. General economic conditions and trends and the performance of the housing, real estate, mortgage finance, and broader financial markets have adversely affected, and may continue to adversely affect, our business and the value of, and returns on, real estate- related and other assets we own or may acquire and could also negatively impact our business and financial results. Our level of business activity and the profitability of our business, as well as the values of, and the cash flows from, the assets we own, are affected by developments in the U. S. economy and the broader global economy. As a result, negative economic developments are likely to negatively impact our business and financial results. There are a number of factors that could contribute to negative economic developments, including, but not limited to, inflation, **tariffs**, slower

economic growth or recession, U. S. or international fiscal and monetary policy changes, including Federal Reserve policy shifts and changes in benchmark interest rates, international geopolitical dynamics, political dynamics associated with the **upcoming incoming Trump administration**, U. S. presidential election in November 2024, a **any potential or actual** shutdown of the U. S. federal government as a result of Congressional inaction, complications caused by recurring U. S. federal budget deficits, ongoing sufficiency of the U. S. federal debt ceiling and the U. S. federal government's ability to continue servicing national debt, changing U. S. consumer spending patterns, **bank failures**, negative developments in the housing, single-family rental (SFR), multifamily, and real estate markets, home price depreciation, rising unemployment, rising government debt levels, or adverse global political and economic events, such as the outbreak of pandemic, epidemic disease, or warfare (including the ongoing wars between Russia and Ukraine, and Israel and Hamas). Elevated levels of inflation during the past several years have led to higher benchmark interest rates, and may lead to **even higher the sustained elevation of interest rates and more volatile** interest rates in the future. Higher and more volatile interest rates have adversely affected, and may continue to adversely affect, our overall business, income, and our ability to pay dividends, including by reducing the fair value of many of our assets. This has adversely affected, and may continue to adversely affect, our earnings results, our volume of loan originations and acquisitions, our ability to securitize, re-securitize, or sell our assets, our cost of capital and our liquidity. Elevated interest rates have adversely affected, and may continue to adversely affect, the ability of certain borrowers to make interest payments or to refinance their loans, including loans we hold in our investment portfolio, loans we hold in anticipation of sale or securitization, and loans underlying our investments in mortgage-backed securities (MBS) and similar investments. **See, as further discussed within the these risk Risk factor Factors** below under the heading "Interest rate fluctuations have had, and may continue to have, various negative effects on us by leading to, among other things, reduced earnings or increased volatility in our earnings." Moreover, with respect to **business purpose residential investor** loans we hold in our investment portfolio and in anticipation of sale or securitization, and **business purpose residential investor** loans underlying mortgage-backed securities we own, elevated interest rates and higher costs to own and maintain properties (including in certain cases real estate taxes and insurance) have contributed to financial stress among certain cohorts of borrowers by increasing their monthly interest payments on floating rate loans, as well as reducing net cash flow generated by rental properties and increasing the costs, and inhibiting the sale of financed properties, associated with renovation- and- resale / rental projects and ground-up construction projects, contributing to increased delinquency rates and losses on loans to impacted borrowers. Our business and financial results may be harmed by our inability to accurately anticipate developments associated with changes in, or the outlook for, interest rates. Real estate values, home price appreciation trends, and the ability to generate returns by owning or taking credit risk on loans secured by real estate, are important to our business. The government's support of mortgage markets through its support of Fannie Mae and Freddie Mac has contributed to Fannie Mae's and Freddie Mac's continued dominance of mortgage finance and securitization activity, inhibiting the growth of private sector mortgage securitization. This support may continue for some time and could have potentially negative consequences to us, since we have traditionally taken an active role in assuming credit risk in the private sector mortgage market, including through investments in SEMT® (Sequoia) and CAFL® (CoreVest) securitizations we sponsor. Congress and executive branch officials have periodically proposed various plans for reform of Fannie Mae and Freddie Mac (and the broader role of the government in the U. S. mortgage markets), **and the reform or privatization of Fannie Mae and Freddie Mac (including through the termination of the conservatorship of these two GSEs) appears to be a priority for the Trump administration**; however, it is unclear which reforms will ultimately be implemented, if any, what the time frame for any such reform would be, and what the impact on our business would be. **The reform or privatization of Fannie Mae and Freddie Mac could, however, have a negative impact on our ability to compete with these very large enterprises**. In addition, the Federal Reserve's termination of its program to purchase Agency MBS, and subsequent reduction in the amount of MBS held on its balance sheet, has adversely affected the overall demand for mortgage-backed securities, including private-label mortgage-backed securities such as those issued by us, and any further reduction of the Federal Reserve's holdings of MBS, including through sales of MBS on its balance sheet, could continue to negatively impact the demand for such securities. Our ability to fund our business and our investment strategy depends on our ability to raise and maintain sufficient levels of capital, which itself depends upon prevailing economic and financial market conditions. We cannot assure you that market conditions will allow us to establish sufficient sources of capital when needed. If, as a result of market disruption or otherwise, we are unable to obtain and maintain adequate sources and amounts of capital, we may not have sufficient capital available to fund the growth of our business, resulting in harm to our business and financial results caused by our inability to achieve forecasted growth. Changing benchmark interest rates, and the Federal Reserve's actions and statements regarding monetary policy, have affected and may continue to affect the fixed income and mortgage finance markets in ways that adversely affect our business and financial results, our volume of loan originations and acquisitions, and the value of, and returns on, real estate-related investments and other assets we own or may acquire. Actions taken by the Federal Reserve to set or adjust monetary policy, and statements it makes regarding monetary policy, have adversely affected, and may continue to affect, the expectations and outlooks of market participants in ways that disrupt our business, and the value of, and returns on, our portfolio of real-estate related investments and the pipeline of mortgage loans we own or may originate or acquire. For example, the Federal Reserve significantly tightened monetary policy **during from 2022 and through 2023-2024** by terminating its program to purchase Agency MBS and by increasing the federal funds rate numerous times due to rising inflation and tight labor market conditions, among other reasons. **The In 2024, the Federal Reserve began to gradually loosen monetary policy, but more recently, in late 2024, the** Federal Reserve has signaled **its expectation to maintain tighter monetary policy, that the pace of benchmark interest rate cuts may slow or be paused for as long** as needed, until inflation **and unemployment** rates **decline sufficiently reach satisfactory levels**. Although the Federal Reserve has indicated that additional rate increases may be unnecessary in the near-to-medium-term, the Federal Reserve could **maintain rates at their current elevated levels for a prolonged period of time and could**, at any time, decide to **continue**

**change course and increasing increase** the federal funds rate based on economic indicators or for any other reason. Increasing **and sustained elevated** rates have led to, and could continue to cause, a significant and sustained reduction in mortgage loan origination volumes, particularly the volume of mortgage refinancings, and the value of fixed- rate mortgage loans and securities we own. **Sustained elevated rates or Additional additional** rate increases may further reduce loan volumes and asset values, and dampen or reverse home- price appreciation trends, which would have an adverse effect on our earnings, our business, and financial condition. **When To the extent** benchmark interest rates **continue to** rise, one of the immediate potential impacts on our business **would be is generally** a reduction in the overall value of the pool of mortgage loans that we own and the overall value of the pipeline of mortgage loans that we have identified for origination or purchase. **Elevated or Rising rising** benchmark interest rates also generally have a negative impact on the overall cost of short- and long- term borrowings we use to finance our acquisitions and holdings of mortgage loans and our business more broadly, including existing adjustable- rate borrowings and potential future borrowings. For example, as of December 31, **2023-2024**, we had \$ **300-124** million in outstanding unsecured corporate debt maturing in **2024 and** 2025 that we may repay (all or in part) with the proceeds of new unsecured debt that has been or would be expected to be incurred at significantly higher interest rates than the maturing borrowings. Furthermore, declining values of mortgage loans may trigger a requirement to post additional margin (or collateral) to lenders to offset any associated decline in value of the mortgage loans we finance with short- term borrowings that are subject to market value- based margin calls. Most of the short- term borrowing facilities we use to finance our acquisitions and holdings of mortgage loans are uncommitted and all such short- term facilities have a limited term, which could result in these types of borrowings not being available in the future to fund our acquisitions and holdings and could result in our being required to sell holdings of mortgage loans and incur losses. Similar impacts would also be expected with respect to the short- term borrowings we use to finance our acquisitions and holdings of residential **consumer, business purpose residential investor**, and multifamily MBS. In addition, any inability to fund originations or acquisitions of mortgage loans could damage our reputation as a reliable counterparty in the mortgage finance markets. To the extent benchmark interest rates continue **at their current elevated levels or begin** to rise **again**, it could further impact the volume of mortgage loans available for purchase **or origination** in the marketplace and our ability to compete to acquire or originate mortgage loans as part of our mortgage banking activities. These impacts could result from, among other things, a lower overall volume of mortgage refinance activity by mortgage borrowers and an increased level of competition from large commercial banks that may operate with a lower cost of capital than we do, including as a result of Federal Reserve monetary policies that may impact banks more favorably than us and other non- bank institutions. In addition, certain aspects of our business may be negatively impacted by declining interest rates. A decline in benchmark rates could, for example, result in a decline in values of our mortgage servicing rights, interest- only certificates and related assets, and could lead to substantial increases in borrower prepayments under our higher- coupon loans. Or, to the extent financial markets interpret statements from or actions of the Federal Reserve as indicative of the potential for a loosening of monetary policy and begin to price in expectations for upcoming reduction (s) in interest rates, if such rate reductions fail to materialize, we may experience a market correction in the values of our corporate securities. These and other impacts or developments of the type described above may have a negative impact on our business and results of operations and we cannot accurately predict the full extent of these impacts or for how long they may persist. Federal, state and local legislative and regulatory developments and the actions of governmental authorities and entities may adversely affect our business and the value of, and the returns on, mortgages, mortgage- related securities, home equity investments, and other assets we own or may acquire in the future, including as a result of any negative impact on the availability of warehouse mortgage financing facilities to us and / or the cost of borrowing under such facilities. As noted above, our business is affected by conditions in the housing and real estate markets and the broader financial markets, as well as by the financial condition and resources of other participants in these markets. These markets and many of the participants in these markets are subject to, or regulated under, various federal, state and local laws **and, regulations and executive orders**. In some cases, the government or government- sponsored entities, such as Fannie Mae and Freddie Mac, directly participate in these markets. In particular, because issues relating to residential housing (including both owner- occupied and rental housing), and real estate finance can be areas of political focus, federal, state and local governments may be more likely to take actions that affect residential housing, the markets for financing residential housing, landlord and tenant rights, lender rights, and the participants in residential housing- related industries than they would with respect to other industries. Other changes or actions by **regulators, judges or legislators** regarding mortgage loans and contracts **or other housing- related contracts, including home equity investments (HEI)**, including the voiding of certain portions of these agreements, **adverse determinations regarding enforceability of HEI or their recharacterization or regulation as mortgage loans,** or the promulgation of additional restrictions on mortgage foreclosures, may reduce our earnings **and the value of assets in our investment portfolio**, impair our ability to mitigate losses, or increase the probability and severity of losses. For example, during 2025, **lawmaking bodies in several different states have proposed legislation intended to restrict certain business entities, pooled investment funds, and institutional purchasers from acquiring, owning, or, in some cases, obtaining an interest in, single- family residential real estate within their state. These proposals generally attempt to prohibit restricted entities from purchasing residential real estate, and / or establish a maximum allowable number of single- family residential homes that can be purchased or held in inventory by certain specified types of entities. Some of these proposals would establish statutory penalties for violations, while others attempt to establish significant tax penalties to be levied upon specified purchasers and owners of single- family residential homes. Whether accomplished through outright prohibition, taxation, zoning restrictions, or otherwise, many of these proposals fail to include properly tailored exclusions and exemptions. If certain of these proposals were to become law, they could have broad consequences on participants in the mortgage or general real estate industries. Such consequences could include, without limitation, restricting single- family rental owners and / or operators from acquiring or owning single- family residential properties, forced divestiture of single- family real estate already owned, restricting entities**

from holding security interests in single- family real estate, restricting parties from taking ownership of single- family real estate through foreclosure of a security interest, or levying substantial transfer and other taxes on these and other activities. Depending on the individual law, restricted parties could be read to include certain issuers of mortgage-backed securities and other pooled investment entities. If certain of these proposals become law, it could have a significant detrimental impact on actual and prospective borrowers under our residential investor loan programs as well as residential investor loan origination, acquisition, and securitization or sale opportunities. Additionally, certain of these proposals may cause originators of, and investors in, residential consumer loans to curtail or potentially cease originating, purchasing, selling, or securitizing loans collateralized by properties in specific states. These and other potential consequences of this type of legislation may reduce the volume of loans we originate or acquire and may reduce our earnings and the value of assets in our investment portfolio, impair our ability to mitigate losses, or increase the probability or severity of losses, which could result in negative impacts on our business, assets, financial condition, and results of operations, which could be material. Moreover, to the extent we participate in markets that as- yet do not have fully developed regulatory frameworks or responsibilities, such as the market for home equity investments (HEI), we are subject to regulatory uncertainty and a heightened risk of new, enhanced, or changing regulation that is adverse to our business or burdensome to comply with. For example, on January 15, 2025, the CFPB took several coordinated actions relating to HEI (the “ January 2025 CFPB Actions ”), including issuing a consumer advisory on home equity contracts, publishing an HEI market overview, and filing an amicus curiae (“ friend of the court ”) brief in a federal district court case regarding one specific consumer’ s HEI contract with a third- party provider (Roberts v. Unlock Partnership Solutions AOI Inc., et al., No. 24- cv- 01374 (D. N. J. March 4, 2024)). In its amicus brief, the CFPB expressed certain non- binding views on the particular HEI contract at issue in the case, including that the provider’ s HEI is a “ residential mortgage loan ” and therefore “ credit ” under the Truth in Lending Act. Although none of the January 2025 CFPB Actions is binding or amounts to enforceable law or regulation, the materials are illuminating as to how the CFPB could approach these issues with respect to different types of HEI products. While the materials may not reflect the CFPB’ s current views following the recent change in U. S. presidential administration, there is no assurance that the CFPB’ s opinions will change, or that the CFPB will not act upon these opinions through formal rulemaking, enforcement, or other official activity. Additionally, the CFPB released a comprehensive report outlining recommendations to strengthen state- level consumer protection laws and to provide a roadmap to enforcement strategies for state lawmakers and regulators. If the CFPB, or another federal or state regulator, were to regulate HEI as a form of credit, our compliance costs would increase, and such regulation could negatively, and materially, impact on our business, assets, financial condition, and results of operations. As a result of the government’ s statutory and regulatory oversight of the markets we participate in and the government’ s direct and indirect participation in these markets, federal, state and local governmental actions, policies, and directives can have an adverse effect on these markets and on our business and the value of, and the returns on, mortgages, mortgage- related securities, and other assets we own or may acquire in the future, which effects may be material. For example, on July 27, 2023, the Federal Reserve System (“ Fed- Federal Reserve ”), Federal Deposit Insurance Corporation (“ FDIC ”), and Office of the Comptroller of the Currency (“ OCC ”) issued a notice of proposed rulemaking and request for comment on a proposal to implement the final components of the Basel III Capital Accords in the United States (“ Basel III Endgame proposal ”). The Basel III Endgame proposal, if adopted, would apply a broader set of capital requirements to banking organizations with \$ 100 billion or more in assets and, generally, require such organizations to reserve additional capital against certain of their assets. More recently, in late 2024, the Vice Chair for Supervision at the Federal Reserve called for changes to the Basel III Endgame proposal that would decrease the contemplated capital requirements. The potential impact of the Basel III Endgame proposal and its many components are hotly debated issues among bankers, regulators, asset managers, and mortgage industry participants, among others. Many stakeholders suggest that this proposal, if adopted, would lead to an overall reduction in mortgage loan origination and sale volumes, and increased borrowing costs for loan borrowers and mortgage industry participants, including as a result of the proposal’ s potential impact on the cost and availability of wholesale mortgage financing, such as the warehouse mortgage financing facilities we use to finance our short- and long- term holdings of mortgage loans. Whether the Basel III Endgame proposal becomes effective and, if so, in what form, is subject to significant uncertainty, as is the potential impact any such enactment might have on the U. S. and global economy, mortgage and real estate markets, and on our business, our loan origination and acquisition volumes, and the value of, and returns on, mortgages, mortgage- backed securities, and other assets we own or may acquire in the future. The Basel III Endgame proposal, if enacted, may have a negative impact on our business, financial condition, and results of operations, and that impact may be material. As another example, Fannie Mae and Freddie Mac conforming loan limits increased significantly on January 1, 2023-2024 and again on January 1, 2024-2025. These increases, as well as future increases in conforming loan limits, may adversely impact the amount and / or value of non- Agency loans available for purchase, which could have a material adverse effect on our residential business. As another example, during 2022 in recent years, the Securities and Exchange Commission proposed certain rules to enhance public company disclosure requirements, including with respect to climate- related risk and greenhouse gas emissions, and in 2023, the Commission adopted rules requiring enhanced disclosure relating to cybersecurity events and risk management. The Also in 2023, the state of California has also enacted legislation mandating certain corporate disclosures of climate- and emissions- related information. In addition, in 2021, Congress enacted the Corporate Transparency Act (“ CTA ”), which, among other things, requires certain legal entities to disclose their “ beneficial ownership information ” through a reporting system administered by FinCEN. The CTA went into effect in January 2024, including a gradual phasing- in of the reporting requirement for entities formed prior to 2024, allowing such reports to be filed at any time prior to January 1, 2025. Since going into effect, the CTA has faced numerous legal challenges, one of which led to a stay of enforcement; however, as of the date of this Report, enforcement has resumed, with FinCEN extending the compliance

**date for most organizations to March 21, 2025.** If and when the **Securities and Exchange** Commission or other governmental or regulatory bodies adopt and implement final rules or laws on these or other topics, such disclosure requirements would increase the cost, potentially significantly, of maintaining our status as a public company and of hiring third-party auditors and other consultants, as well as enhancing the risk of incorrectly reporting newly mandated metrics (such as our direct and indirect greenhouse gas emissions, or the climate-related impacts on our financial statements at the line-item level). Furthermore, as a result of the economic and market disruption caused by the COVID-19 pandemic, federal and state governmental authorities encouraged and, in certain cases, mandated, responses to forbearance requests from borrowers with respect to monthly mortgage payment obligations by enacting statutes, including the federal CARES Act, and promulgating various orders, regulations, and guidance to enable borrowers to defer and reschedule monthly mortgage payments, coupled with enacting or extending nationwide and / or local foreclosure and eviction moratoria. As another example, the financial crisis of 2007-2008 and subsequent financial turmoil prompted the federal government to put into place new statutory and regulatory frameworks and policies for reforming the U. S. financial system. Implementation of financial reforms, whether through law, regulations, or policy, including changes to the manner in which financial institutions, financial products, and financial markets operate and are regulated and any related changes in the accounting or capital standards that govern them, could adversely affect our business and financial results by subjecting us to regulatory oversight, making it more expensive to conduct our business, reducing or eliminating any competitive advantage we may have, or limiting our ability to expand, or could have other adverse effects on us. Moreover, policy changes aimed at enhancing regulatory scrutiny and enforcement priorities around, for example, mortgage servicing, real estate valuations, credit reporting, automated decision-making, and anti-discrimination, including by the Consumer Financial Protection Bureau ("CFPB"), the Federal Trade Commission ("FTC"), the Department of Justice ("DOJ"), state financial and real estate regulators, and state attorneys general, could further increase our compliance costs and the costs of loans or other assets we acquire. Ultimately, we cannot assure you of the impact that governmental actions may have on our business or the financial markets and, in fact, they may adversely affect us, possibly materially. We cannot predict whether or when such actions may occur or what unintended or unanticipated impacts, if any, such actions could have on our business and financial results. Even after governmental actions have been taken and we believe we understand the impacts of those actions, prevailing interpretations may shift, or we may not be able to effectively respond to them so as to avoid a negative impact on our business or financial results. We are subject to intense competition and we may not compete successfully. We are subject to intense competition in seeking investments, acquiring, originating, and selling loans, engaging in securitization transactions, and in other aspects of our business. Our competitors include commercial banks, other mortgage REITs, Fannie Mae, Freddie Mac, regional and community banks, broker-dealers, investment advisors, insurance companies, **residential investor loan business purpose lending (BPL)**-originators and HEI originators, and other specialty finance companies and financial institutions, as well as investment funds, venture capital investors, and other investors in real estate-related assets. In addition, other companies may be formed (including, on occasion, by **our** former employees **of ours**) that will compete with us. Some of our competitors have greater resources than us and we may not be able to compete successfully with them. Some of our competitors may have higher risk tolerances or different risk assessments, which could allow them to consider a wider variety of investments and establish more favorable relationships than we can. Furthermore, competition for investments, making loans, acquiring and selling loans, and engaging in securitization transactions may lead to a decrease in the opportunities and returns available to us. In addition, there are significant competitive threats to our business from governmental actions and initiatives that have already been undertaken or which may be undertaken in the future. Sustained competition from governmental actions and initiatives could have a material adverse effect on us. For example, Fannie Mae and Freddie Mac are, among other things, engaged in the business of acquiring loans and engaging in securitization transactions. Until 2008, competition from Fannie Mae and Freddie Mac was limited to some extent due to the fact that they were statutorily prohibited from purchasing loans for single unit residences in the continental United States with a principal amount in excess of \$ 417, 000, while much of our business had historically focused on acquiring residential loans with a principal amount in excess of that amount. Since 2008, this loan size limit has been elevated above the historical loan size limit, and as of January 1, **2024-2025**, the maximum loan size limit was \$ 1, **149-209, 825-750** for loans made to secure single unit real estate purchases in certain high-cost areas of the U. S. In addition, since 2008, Fannie Mae and Freddie Mac have been in conservatorship and have become, in effect, instruments of the U. S. federal government. It is unclear whether any future federal legislation or executive or regulatory actions regarding Fannie Mae and Freddie Mac will continue to maintain, or increase, the role of those entities in the housing finance market, **including whether the incoming Trump administration will take steps to end the conservatorship and privatize Fannie Mae and Freddie Mac**. As long as there is governmental support for these entities to continue to operate and provide financing to a significant portion of the mortgage finance market, they will represent significant business competition due to, among other things, their large size and low cost of funding. To the extent **the Trump administration moves forward with terminating the conservatorships and privatizing, in whole or in part, Fannie Mae and Freddie Mac, these enterprises could expand their business and become even more formidable as competitors. Regardless of whether their conservatorships are terminated and / or these enterprises are privatized, to the extent** that laws, regulations, **executive orders** or policies governing the business activities of Fannie Mae and Freddie Mac are not changed to limit their role in housing finance (such as a change in these loan size limits or in the guarantee fees they charge), the competition from these two governmental entities will remain significant or could increase. In addition, to the extent that property values decline while loan size limits remain the same, it may have the same effect as an increase in these limits, as a greater percentage of loans would likely be within the size limit. Any increase in the loan size limit, or in the overall percentage of loans that are within the limit, allows Fannie Mae and Freddie Mac to compete against us to a greater extent than they previously had been able to compete and our business could be adversely affected. Additionally, the Federal Housing Administration (FHA) and the Department of Veterans Affairs (VA) guarantee qualified residential mortgages, and FHA and VA loans accounted for approximately **18-25** % of the aggregate dollar value of

residential loans originated in the U. S. in ~~2022~~ **2023**. The federal government's ability to provide financing to a significant portion of the mortgage finance market through these entities represents significant business competition due to, among other things, their size and low cost of funding. Our business model and business strategies, and the actions we take (or fail to take) to implement them and adapt them to changing circumstances involve risk and may not be successful. U. S. real estate markets, the mortgage industry and the related capital markets have undergone significant changes since the U. S. financial crisis of 2007-08, including due to the significant governmental interventions in these areas and changes to the laws and regulations that govern the banking and mortgage finance industry. Additionally, it remains unclear how any future federal legislation or executive or regulatory actions regarding Fannie Mae and Freddie Mac and the housing finance market more broadly, including the Basel III Endgame proposal, if it becomes effective, will impact these markets and our business. Additional factors, including a rising ~~(or stable)~~ **sustained elevated** interest rate environment, which has caused, and may continue to cause, the volume of refinance loans to decline, and secular trends in consumer demand for renting versus owning a residence, as well as trends in the cost and supply of available housing, **including as a result of potential action by the incoming Trump administration to build houses on surplus federal land**, may also contribute to evolving conditions in the mortgage industry and capital markets. Our methods of, and model for, doing business and financing our investments are changing and if we fail to develop, enhance, and implement strategies to adapt to changing conditions in the mortgage finance industry and capital markets, our business and financial results may be adversely affected. For example, as benchmark interest rates have risen over recent ~~quarters~~ **years**, we have continued to focus on investing in HEI and in platforms that originate HEI, including our own HEI origination platform, Aspire, as we believe that there is and will continue to be increasing consumer demand for HEI as an alternative for homeowners to access equity in their homes and for home buyers to fund a portion of a home purchase down payment. However, our beliefs and assumptions about the market for HEI may not anticipate changing circumstances or certain risks, **including regulatory risks**, associated with a direct- to- consumer product of this nature, and may not be successful. Furthermore, new business ventures and changes we make to our business to respond to changing circumstances may expose us to new or different risks than those to which we were previously exposed, and we may not effectively identify or manage those risks. ~~Further discussion is set forth in the risk factor titled "Decisions we make about our business strategy and investments, as~~ **further discussed within these Risk Factors** ~~well as decisions about raising capital or returning capital to shareholders and investors (through dividends or repurchases of common stock, preferred stock, or convertible or other debt), could fail to improve our business and results of operations.~~ Similarly, the competitive landscape in which we operate and the products and investments for which we compete are also affected by changing conditions. There may be trends or sudden changes in our industry or regulatory environment, such as the Basel III Endgame proposal, changes in the role of government- sponsored entities, such as Fannie Mae and Freddie Mac, changes in the role of credit rating agencies or their rating criteria or processes, or changes in the U. S. economy more generally. If we do not effectively respond to these changes ~~or if our strategies to respond to these changes are not successful~~, our ability to effectively compete in the marketplace may be negatively impacted, which would likely result in our business and financial results being adversely affected. We have historically depended upon the issuance of mortgage- backed securities by the securitization entities we sponsor as a significant funding source for our residential **consumer** and ~~business purpose~~ **residential investor** mortgage business. ~~However, due to market conditions, since 2022 our mortgage securitization activity has been limited, and was extremely limited between 2008 and 2011 in the wake of the Great Financial Crisis.~~ While we have engaged in numerous residential **consumer** and ~~business purpose~~ **residential investor** mortgage securitization transactions both before and since the Great Financial Crisis, the amount of securitization activity we engage in varies from year to year, and we do not know if market conditions will allow us to continue to regularly engage in these types of securitization transactions. Additionally, ~~in~~ ~~since~~ ~~2023~~ ~~2022~~ we **have** co- sponsored ~~a two~~ **securitization securitizations** of HEI, began originating HEI and **have** purchased HEI from third parties with the expectation that we would continue to aggregate HEI for future securitization. A prolonged disruption of these securitization markets may adversely affect our earnings, growth, and liquidity. Even if regular residential **consumer** and ~~business purpose~~ **residential investor** mortgage loan securitization activity continues among market participants other than government- sponsored entities, we do not know if it will continue to be on terms and conditions that will permit us to participate or be favorable to us. And even if conditions are favorable to us, we may not be able to achieve and sustain the volume of securitization activity we previously conducted. Additionally, securities collateralized by ~~business purpose~~ **residential investor** loans, such as those issued by ~~our~~ CoreVest ~~subsidiaries~~ under the CAFL ® label, make up a small portion of the total market- wide volume of mortgage- backed securities issued, and the market for securities collateralized by HEI has only recently come into existence. The markets for such securities are not as mature as the market for residential mortgage- backed securities and dislocations in these markets or a change in the risk tolerance of investors or the perception of risk related to ~~business purpose~~ **residential investor** mortgage- backed securities or HEI- backed securities may negatively impact our ability to grow or sustain the volume of ~~business purpose~~ **residential investor** mortgage- backed or HEI- backed securitization transactions we engage in, which may result in our business and financial results being adversely affected. We have also historically depended on the sale of whole loans ~~in the whole loan market~~ as a channel for distributing loans and as an alternative to engaging in securitization transactions. However, for reasons similar to those described above with respect to securitization, market conditions have **at times** limited our whole loan sale activity ~~since 2022~~ **in recent years**. A prolonged disruption of the market for whole loans may adversely affect our earnings, growth, and liquidity. Even if regular residential **consumer** and ~~business purpose~~ **residential investor** whole loan purchase and sale activity continues among market participants, we do not know if such transaction activity will continue to be on terms and conditions that will permit us to participate or be favorable to us. And even if conditions are favorable to us, we may not be able to achieve and sustain the volume of whole loan sale activity we previously conducted. We may also pursue joint ventures or initiatives to form investment vehicles or funds with third- party investors to purchase loans, HEI, or other assets from us or from other sources, and to earn fees, incentives or other income in connection with these initiatives. For example, ~~in~~ ~~since~~ **2023**,

we have established a two joint venture-ventures with large institutional investors a global investment manager to invest in BPL residential investor bridge loans originated by our CoreVest subsidiary. To the extent we pursue additional, similar initiatives to establish joint ventures or form investment vehicles or funds with third- party investors, our efforts may not be successful, including any efforts we make to engage in the investment advisory business. **Decisions we make about our business strategy and investments, as well as decisions about raising capital or returning capital to shareholders and investors (through dividends or repurchases of common stock, preferred stock, or convertible or other debt), could fail to improve our business and results of operations.** Over recent years, we have announced several new initiatives to expand our mortgage banking activities and alter our investment portfolio, including by expanding our mortgage banking activities to include, for example, acquiring and originating loans secured by non- owner occupied rental properties generally made up of one to four units and residential bridge loans (which we collectively refer to as “business purpose residential investor” real estate loans), and optimizing the size and target returns of our investment portfolio. As examples, since 2019, we have completed the acquisitions of three business purpose residential investor real estate loan origination platforms, CoreVest, 5 Arches, LLC (“5 Arches”), and Riverbend Funding, LLC (“Riverbend”), which we combined into a single platform, through which we now originate, acquire, and sell or securitize business purpose residential investor loans. We have also completed strategic investments in, may make additional investments in, or raise or allocate additional capital to fund, internal or third- party residential consumer and business purpose residential investor mortgage origination platforms, HEI origination platforms, including the launch of our internal Aspire HEI origination platform in 2023, investment advisory or asset management initiatives, and our RWT Horizons® venture investing initiative, through which we invest in early- stage companies strategically aligned with our business across the lending, real estate, and financial technology sectors to drive innovations across our residential consumer and business purpose lending residential investor mortgage loan platforms. Other new investment initiatives include investing in residential securities collateralized by re- performing and non- performing mortgage loans, multifamily loans and securities, subordinate lien residential loans and securities, HEI, investments in excess mortgage servicing rights (“MSRs”) and servicer advance investments related to pools of single- family and small- balance multifamily residential mortgage loans, and a multifamily investment fund to acquire workforce housing properties. We also occasionally sell lower- yielding securities in our investment portfolio in order to redeploy capital into higher- yielding securities as part of our portfolio and capital management strategies. In addition, we have completed and may continue to pursue initiatives to form joint ventures or investment vehicles or funds with third- party investors to purchase loans, HEI, or other assets from us or from other sources and to earn fees, incentives or other income in connection with these initiatives. These new initiatives are intended to grow our mortgage banking businesses, expand the scope of our operations, and enhance our investment portfolio, allocate capital to profitable business and investment opportunities, and support innovation in real estate and financial technology. These initiatives are premised on our outlook for economic and market conditions, secular trends in consumer demand for housing, as well as competitive considerations. Over the long term, the assumptions underlying these trends and changes, or assumptions regarding the risk profile of these initiatives and investments, could turn out to be incorrect, we could be unable to compete effectively with more established market participants, or economic and market conditions could develop in a manner that is not consistent with our assumptions. For example, during 2020, the composition of our investment portfolio changed significantly as a result of asset sales undertaken in response to the financing market disruptions resulting from the pandemic. As a result, the risk profile of the assets held in our investment portfolio is materially different than it was prior to onset of the pandemic. Moreover, we may determine to undertake significant additional asset sales in the future, including in response to adverse economic or financial market conditions. If we are unable to adapt our strategic and capital deployment decisions and maintain an appropriately diversified or liquid investment portfolio, our achievement of growth and revenue goals, our profitability, and competitiveness in the market may be adversely impacted. Additionally, these initiatives may have more risks, and different risks, than our traditional mortgage banking activities and investment portfolio. For example, our portfolio and capital management strategies may include selling securities and reinvesting in securities with greater exposure to credit risk due to their structural credit enhancement of senior securities, as well as more limited payment histories. As other examples, originating and investing in HEI, originating and investing in business purpose residential investor mortgage loans, pursuing initiatives to form joint ventures or investment vehicles or funds with third- party investors, and incorporating blockchain technology into our operations and / or the securitization transactions we sponsor exposes us to new and different risks than our traditional residential mortgage banking activities, including potential uncertainty with respect to regulatory matters or litigation (with respect to HEI, investment advisory initiatives and blockchain, AI, or other technology initiatives), and higher rates of delinquency, default, foreclosure and litigation (with respect to business purpose residential investor mortgage loans and subordinate- lien financing). Our RWT Horizons® venture investing platform also exposes us to new and different risks, including risks related to making equity investments in early- stage companies that may not have substantial operating histories, and initiatives we have completed and may continue to pursue to form joint ventures or investment vehicles or funds with third- party investors to purchase loans, HEI, or other assets from us or from other sources – and to earn fees, incentives or other income in connection with these initiatives – may not be successful, including any efforts we make to engage in the investment advisory business. Moreover, investing in, and expanding the scope of, our operating platforms and pursuing these types of initiatives can expose us to new and different risks, including regulatory and compliance risks, as well as operational risks. As a result, these new initiatives could fail to improve the long- term profitability of Redwood, could fail to result in capital being available for or deployed into more profitable businesses and investments, could result in dilutive issuances of equity, warrants, or options to acquire equity, or debt securities convertible into equity to fund our business and investment activities, or could otherwise damage our business, our reputation, our ability to access financing, and our ability to raise capital, or could have other unforeseen consequences, any or all of which could result in a material adverse effect on our business and results of operations in the future. Decisions we make in the future about our business strategy and investments, as

well as decisions about raising capital or returning capital to shareholders or investors (through dividends or repurchases of common stock, preferred stock, or convertible or other debt), could also fail to improve our business and results of operations.

**To the extent they disagree with decisions we have made about our business, strategy, investments, financing or capital raising, significant activist stockholders may attempt to effect changes at our company, which could impact the pursuit of business strategies and initiatives and could negative adversely affect our business and results of operations. Campaigns by stockholders to effect changes at publicly- traded companies are sometimes led by investors seeking to increase short-term stockholder value through actions such as financial restructuring, increased debt, special dividends, stock repurchases or sales of assets or the entire company. Responding to proxy contests and other actions by activist stockholders can be costly and time- consuming and could divert the attention of our board of directors and senior management from the management of our operations and the pursuit of our business strategies.**

Our Board of Directors has approved authorizations for the repurchase of Redwood common stock, preferred stock, and convertible and exchangeable debt securities, **including debt securities convertible or exchangeable into common stock** issued by Redwood. In 2022, we repurchased approximately \$ 56 million of our common stock at an average price of \$ 7. 91. We did not repurchase any common stock or preferred stock during 2023-2024. In 2023-2024, we repurchased and repaid \$ 193-72 million of our outstanding debt securities, **and in 2022 we repurchased \$ 32 million of our outstanding debt securities.** At December 31, 2023-2024, we continued to have authorization to repurchase up to approximately \$ 101 million of shares of common stock, up to \$ 70 million of shares of preferred stock, and continued to be separately authorized to repurchase our outstanding debt securities. If we repurchase shares of Redwood common stock, preferred stock or other securities issued by Redwood, it is generally because at the time we believe the shares or securities are trading at attractive levels relative to other uses of capital or investment opportunities then available to us and / or because we believe it contributes to a more robust capitalization structure for our company; however, it is possible that other uses of this capital could have been more accretive to our earnings or book value or that subsequent capital needs arise that were not contemplated at the time we made these decisions. Our past and future decisions relating to the repurchases of Redwood common stock, preferred stock or other securities issued by Redwood could fail to improve our results of operations or could negatively impact our ability to execute our business plans, meet financial obligations, access financing, or raise additional capital, any or all of which could result in a material adverse effect on our business and results of operations. In addition, we periodically raise capital by issuing common stock, preferred stock, or debt securities (including debt securities convertible into common stock), through underwritten public offerings, in at- the- market (“ ATM ”) offerings, under our direct stock purchase and dividend reinvestment plan, or in private placement transactions. For example, in 2023, we issued \$ 70 million of preferred stock in an underwritten public offering and \$ 124 million of common stock through ATM offerings. **In And in early 2024, we issued \$ 60-145 million of unsecured debt securities, \$ 40 million of convertible notes, and \$ 15 million of warrants to purchase common stock.** We may issue additional shares of common stock upon conversion of our convertible debt or upon exchange of our exchangeable debt, upon the exercise of any options or warrants for common stock we issue, to our directors, officers and employees under our employee stock purchase plan and our incentive plan, including upon the exercise of, or in respect of, distributions on equity awards previously granted thereunder, and to fund merger and acquisition activity. It may not be possible for existing stockholders to participate in future share issuances, which may dilute existing stockholders’ interests in us. To the extent we raise capital to fund our operations and investment activities, our approach to raising capital is based on what we believe to be in the best interests of the company and, therefore, our stockholders. However, it is possible that our use of the proceeds of such capital raising transactions may not yield a significant return or any return at all for our stockholders. If we are not able to make prudent decisions about raising, managing, and distributing our capital, our business and financial results may be adversely impacted. Our use of financial leverage exposes us to increased risks, including liquidity risks from margin calls and potential breaches of the financial covenants under our borrowing facilities, which could result in our being required to immediately repay all outstanding amounts borrowed under these facilities and these facilities being unavailable to use for future financing needs, as well as triggering cross- defaults under other debt agreements. We use a variety of borrowing facilities and derivatives agreements to fund or hedge assets in our investment portfolio and mortgage banking pipelines that present us with liquidity risks. Under our borrowing facilities, interest rate swaps and other derivatives agreements, we pledge assets as security for our payment obligations, make various representations and warranties, and agree to certain covenants, events of default, and other terms. In addition, many of our borrowing facilities are uncommitted, meaning that each time we request a new borrowing under such a facility, the lender has the option to decline to extend credit to us. The terms of these facilities and agreements typically include financial covenants (such as covenants to maintain a minimum amount of tangible net worth or stockholders’ equity and / or a minimum amount of liquid assets and / or a maximum ratio of recourse debt to tangible net worth or stockholders’ equity), margin requirements (which typically require us to pledge additional collateral, usually in the form of cash, loans or securities, if and when the value of previously pledged collateral declines), operating covenants (such as covenants to conduct our business in accordance with applicable laws and regulations and covenants to provide notice of certain events to creditors), representations and warranties (such as representations and warranties relating to characteristics of pledged collateral, our exposure to litigation and / or regulatory enforcement actions and the absence of material adverse changes to our financial condition, our operations, or our business prospects), and events of default (such as the failure to make a payment when due, a breach of covenant or representation / warranty, and cross- defaults, pursuant to which an event of default or similar event under a borrowing facility triggers an event of default under one or more other facilities). For example, due to volatility in financial markets resulting from the pandemic, the market value of loans and securities financed under our borrowing facilities declined significantly in the first half of 2020; in particular, over a compressed time frame near end of the first quarter of 2020. As a result, we received a material increase in margin calls from counterparties under our marginable borrowing facilities (i. e., borrowing facilities subject to margin calls based solely on the lender’ s determination, in its discretion, of the market value of the underlying collateral that is

non- delinquent). We satisfied these margins calls by pledging additional collateral, such as cash or additional loans or securities, with a value equal to the decline in value of the collateral, adjusted for the percentage of the asset value financed (our haircut percentage), or by repaying the outstanding borrowings against such collateral. In some cases, we sold assets under adverse market conditions to generate liquidity in response to such margin calls. We also maintain borrowing facilities that we describe as non- marginable, because they are not subject to market- value based margin calls subject to the lender’ s determination, in its sole discretion, of the market value of the underlying collateral. Non- marginable debt may be subject to a margin call due to delinquency or another credit event related to the mortgage loan or security being financed, a decline in the value of the underlying property securing the mortgage loan **or HEI being financed**, as determined by an appraisal, broker price opinion, or similar objective source, an extended dwell time (i. e., period of time financed using a particular financing facility) for certain types of mortgage loans, concentration limits as to asset type or the geographic location of the underlying property, **or a change in the interest rate of a specified reference security relative to a base interest rate amount**, **or an adverse regulatory change impacting the HEI being financed**. For example, we could be subject to a margin call on non- marginable debt if an appraisal or broker price opinion indicates a decline in the estimated value of the property securing the mortgage loan that is financed, or based on the occurrence of a triggering credit event impacting the financed mortgage loan which is followed by a decline in the market value of the financed mortgage loan (as determined by the lender). If U. S. home prices experience widespread declines, as a result of increased benchmark interest rates, declining economic conditions, or for other reasons, our non- marginable borrowing facilities, and mortgage loans **, HEI**, or securities financed thereunder during recent periods of elevated home prices, could be particularly exposed to lender margin calls. Margin calls expose us to a number of significant risks, including that we may be unable to meet these margin calls, we may again sell assets under adverse market conditions in response to such margin calls, or we may breach financial covenants under our borrowing facilities requiring maintenance of a minimum amount of liquid assets, as a result of a decrease in the values of the assets pledged as collateral. Additionally, significant and widespread decreases in the values of our assets could cause us to breach the financial covenants under our borrowing facilities related to net worth and leverage. Such covenants, if breached, can result in our being required to immediately repay all outstanding amounts borrowed under these facilities and these facilities being unavailable to use for future financing needs, as well as triggering cross- defaults under other borrowing agreements. During 2020 and since, we have amended financial covenants in several borrowing agreements and remained in compliance; however, we cannot be certain whether we will continue to be able to remain in compliance with these financial covenants, or whether our financing counterparties will negotiate terms or agreements in respect of these financial covenants in the future. While we take great effort to achieve uniformity across our financial covenants with various counterparties, variances between facilities may expose us to the risk of default and cross- default. Our borrowing facilities also contain representations, warranties, and / or covenants related to litigation that could be breached, for example, if we are subject to litigation proceedings and claims in excess of specified dollar thresholds or that could have a material adverse effect on our business. For instance, in connection with the impact of the **COVID** pandemic on the non- Agency mortgage finance market and on our business and operations, one of our loan seller counterparties subjected us to litigation and others made demands regarding perceived obligations to them. If the individual or aggregate amount of such litigation or any threatened litigation exceeded specified dollar thresholds or could have had a material adverse effect on our business, we could have breached representations, warranties, or covenants under our borrowing agreements, which breach could result in our being required to immediately repay all outstanding amounts borrowed under these facilities and these facilities being unavailable to use for future financing needs, as well as triggering cross- defaults under other borrowing agreements. Volatility in the mortgage credit markets, including continued volatility due to macroeconomic, geopolitical, **regulatory**, or other events ~~may~~ cause the market value of loans **, HEI**, and securities we own, and that are pledged to secure financing, to decline again as they did in 2020, and our financing counterparties may make additional margin calls. Furthermore, if other market participants fail to meet margin calls associated with mortgage loans **, HEI**, or securities they finance, their financing counterparties could terminate their financing and seek to sell significant amounts of loans **, HEI**, and securities, which could again depress the market value of these types of assets and result in additional margin calls on us and other borrowers. Additionally, as described above, securities financed under our short- term securities repurchase facilities, and loans **and HEI** financed under certain whole- loan warehouse / secured revolving borrowing facilities, are subject to mark- to- market treatment and may incur margin calls or may require us to repurchase such loans in the event the loans become delinquent. **For example, the rapid increase in benchmark interest rates during 2022 and 2023 contributed to financial stress among certain cohorts of borrowers on residential investor bridge loans in our investment portfolio and increases in delinquencies within this portfolio, which has resulted in margin calls on certain financed loans that have become delinquent and, in some cases, ineligibility for financing which has required us to repay the entire amounts borrowed against such ineligible loans. Additionally, increased delinquencies associated with alleged breaches of representations and warranties with respect to certain residential investor term loans in securitization transactions have caused us to repurchase impacted loans out of securitization structures. This in turn may adversely affect our liquidity and other aspects of our business, including our ability to securitize, finance, or otherwise sell, real estate loans and securities.** We may receive additional margin calls in the future and there is no assurance that we will be able to meet such margin calls. We may experience an event of default under some or all of our short- and long- term debt and financing facilities if we do not meet future margin calls or maintain compliance with financial covenants and other terms of these debt obligations, which would permit the holders of the affected indebtedness to accelerate the maturity of such indebtedness and could cause defaults under our other indebtedness, which could lead to an event of bankruptcy or insolvency, which would have a material adverse effect on our business, results of operations and financial condition. Additionally, at the end of the fixed period applicable to the financing of a security under a securities repurchase facility (which generally does not exceed 90 days), we may request the same counterparty to renew the financing for an additional fixed period. If the same counterparty renews the financing, it may not be on terms that are as

favorable to us as the expiring financing and the counterparty may require us to post additional collateral to renew the financing (which requirement would impact our liquidity in the same manner as a margin call). If the same counterparty does not renew the financing, it may be difficult for us to obtain financing for that security under one of our other securities repurchase facilities, due to the fact that the financial institution counterparties to our securities repurchase facilities generally only provide financing for securities that we purchased from them or one of their affiliates. If we are not able to obtain additional financing when we need it, we could be exposed to liquidity risks of the types described above. Our use of leverage increases our exposure to liquidity risks, including liquidity risks related to unforeseen economic developments such as the pandemic, and may adversely impact our liquidity, cash balances, and financial results. For additional information regarding our exposure to liquidity risks and other risks related to our use of leverage, refer to Part II, Item 7 of this Annual Report ~~on Form 10-K under the headings “Risks Relating to Debt Incurred under Short- and Long- Term Borrowing Facilities” and “Margin Call Provisions Associated with Short- Term Debt and Other Debt Financing”~~. Maintaining information security and complying with data privacy **and technology** laws and regulations are important to our business and a cybersecurity or data breach, or a violation of data privacy **or technology** laws, could result in serious harm to our reputation and have a material adverse impact on our business and financial results. When we acquire or originate real estate mortgage loans, or the rights to service mortgage loans, we come into possession of non- public borrower or borrower- principal personal information that a bad actor or an identity thief could utilize ~~in-when~~ **engaging** in fraudulent activity or theft. We also come into possession of similar personal information about customers when we acquire or originate HEI. We may share this information with third parties, such as loan or HEI sub- servicers, outside vendors, third parties interested in acquiring such loans or HEI from us, or lenders extending credit to us collateralized by such loans or HEI. We have acquired more than 100, 000 residential mortgage loans and rights to service residential mortgage loans since 2010 in addition to acquiring or originating other types of mortgage loans (including ~~business purpose~~ **residential investor** loans) and HEI throughout our operating history. While we have information security measures in place to protect this information and detect and prevent security breaches, such measures may be inadequate in protecting against threats, or these security measures may be compromised as a result of third- party action, including intentional misconduct by computer hackers, cyber- attacks," phishing", social engineering, or ransomware attacks, employee, service provider or vendor error, or malfeasance or other intentional or unintentional acts by employees, third parties and bad actors, including third- party service providers. **Threat actors continue to use increasingly sophisticated techniques and tools, including artificial intelligence, to gain unauthorized access to enterprise data and information systems.** Borrower, customer, or consumer data, including personal information, may be lost, exposed, or subject to unauthorized access or use as a result of accidents, errors, or malfeasance by our employees, independent contractors, or others working with us or on our behalf. Even highly sophisticated protective measures may fail as a result of human error; for instance, an employee of ours or a third party' s may succumb to a phishing or social engineering attack resulting in unauthorized access to our or their information technology systems. Additionally, our servers and systems, and those of our service providers, may be vulnerable to computer malware, break- ins, denial- of- service **attacks, ransomware** attacks, and similar disruptions from unauthorized tampering with our computer systems, which could result in someone obtaining unauthorized access to borrower, customer or consumer data, other personal information, or other company data, including confidential or proprietary business information. In the past, we have experienced unauthorized access to certain data and information. We have also experienced fraudulent activity initiated through social engineering attacks by malicious third- party actors. As an example, wire transfers are an attractive target of fraudulent activity due to the speed and finality of payment, and the nature of our mortgage banking and HEI activities requires us frequently to transfer funds to various counterparties in connection with the origination or acquisition of mortgage loans and HEI. Although we have policies and procedures in place to mitigate risks related to wire transfers, we have experienced fraudulent and erroneous activity in our business operations and have incurred immaterial financial losses related to such activity. Our response to these incidents has been to take immediate steps to investigate and address the unauthorized access or fraudulent activity, and past unauthorized access and fraudulent activity related to “ phishing ” or social engineering has not had a material effect on our business and financial results. Although we have designed and implemented information security systems and processes to protect sensitive information from bad actors, such systems or processes may not be effective in preventing unauthorized access or activity in the future. While past unauthorized access and activity has been immaterial to our business and financial results, there can be no assurance that future incidents would also be immaterial. Furthermore, because of frequent changes in **, and increasing sophistication of,** the techniques **and tools** used by bad actors to obtain unauthorized access to, or to sabotage, systems or data, or to deceive our or our service providers' employees to allow unauthorized or fraudulent access or activity, we may be unable to anticipate these techniques **, or to** implement adequate preventative measures. We may also experience security breaches that may remain undetected for an extended period, including breaches or attacks that are effectively dormant or undetectable until activated against us. In addition to the risks described above, we are subject to certain federal and state laws and regulations (collectively, “ Data Privacy Laws ”) relating to the collection, retention, use, transfer, and / or protection of various types of ‘ personal information ’ or ‘ personal data ’ (or similar term (s), each as defined under applicable law), and which grant data subjects certain rights in, to, and over their personal information. In some cases, Data Privacy Laws apply not only to our interactions with and data transfers to third parties, but may also restrict transfers of personal information between Redwood and its subsidiaries depending on the purpose of the transfer. Legislators in a variety of jurisdictions have passed laws and corresponding regulators have promulgated rules and regulations in this area; some of these jurisdictions are considering imposing additional restrictions, and they and others have laws that are being developed or are pending review and / or decision (including the federal government, which continues to consider enacting additional comprehensive federal privacy laws). ~~These-~~ **In addition, with the recent proliferation of artificial intelligence- enabled products and services, certain state and federal lawmakers and regulators have begun developing, or have developed and promulgated,** laws **regarding the development and use of artificial intelligence (“ AI Laws ”).** For example, the State

of Colorado passed the Colorado AI Act during 2024, which will require developers and deployers of “ high- risk ” AI systems to abide by statutory requirements, such as developing comprehensive policies and procedures around the use or development of AI systems and managing the risks associated therewith. The Colorado AI Act primarily focuses on the prevention of algorithmic discrimination in connection with certain “ consequential decisions, ” which include decisions that have a material impact on, e. g., consumer financial or lending services and housing. Most provisions of the Colorado AI Act are expected to come into effect in February 2026. Other jurisdictions have followed Colorado in proposing or enacting their own AI legislation. Data Privacy, AI, and other such laws governing the use of technology continue to develop and may be inconsistent from jurisdiction to jurisdiction or from sector to sector, expensive or difficult to comply with, or unclear due to a lack of regulatory guidance. Complying with emerging and changing requirements of Data Privacy Laws or AI Laws may cause us to incur substantial costs, and has required and may again in the future require us to change our business practices. Noncompliance could result in significant penalties, fines, or legal liability, including as a result of private civil action or regulatory enforcement. Furthermore, we make statements in the form of privacy notices about our collection, use and disclosure of personal information, including statements provided on our website websites and other privacy notices provided to consumers, borrowers, customers, third- party vendors, employees or job applicants. Any failure by us to comply with these statements, as well as any failure to provide comprehensive and transparent disclosure in such statements, or to comply with other federal, state, local or international privacy or data protection laws and regulations could result in inquiries or proceedings against us by governmental entities, regulators, consumer organizations, and private litigants, as well as potential fines, penalties, and monetary or other liability, any of which could have a material adverse effect on our business, results of operations, and financial condition. Under Data Privacy Laws, we may be liable for statutory, actual, or other damages suffered by individuals whose personal information is compromised or stolen as a result of a breach of the security of the systems upon which we or third parties and service providers of ours store this information, and any such liability could be material. Even if we are not liable for such losses, any breach of these systems could expose us to material costs, including, but limited to, costs relating to investigating and notifying affected individuals and providing credit monitoring services or other services or compensation to them, as well as regulatory fines or penalties and, or, in the event of a ransomware attack, any ransom payment we decide to make in order to restore our systems and data following such a ransomware attack. In addition, any breach of these systems could disrupt our normal business operations and expose us to reputational damage and lost business, revenues, and profits. Furthermore, several federal and /or state regulators have begun mandating the reporting of certain security incidents in a particular format and within required timeframes, including, without limitation, the Securities and Exchange Commission, the Federal Trade Commission, and the New York State Department of Financial Services. Our failure to comply with applicable reporting obligations could subject us to fines, penalties, or legal action. In addition, security breaches could also significantly damage our reputation with existing and prospective loan sellers, loan buyers, borrowers, customers, investors, and third parties with whom we do business. Any publicized security problems affecting our businesses, or those of third parties with whom we do business, may negatively impact the market perception of our products and discourage market participants from doing business with us. These risks may increase in the future as we continue to increase our reliance on web-based product offerings, cloud service providers, and on the use of cybersecurity tools and vendors. Furthermore, our business is highly dependent on communications and information systems, including systems we use for our loan acquisition and origination activity and systems we use for liability management and interest rate hedging activities, and many of our internal controls rely on our financial, accounting and other data processing systems to be effective. Any failure or interruption of either our own systems or critical third- party systems, including due to a ransomware attack, could negatively impact our ability to transact business and manage our liabilities and interest rate exposure and, if prolonged, could have a material adverse effect on our business, results of operations and financial condition -, as Further further discussed within information is contained in the risk factor titled, “ Our technology infrastructure and systems are important and any significant disruption or breach of the security of this infrastructure or these Risk Factors systems could have an adverse effect on our business. We also rely on technology infrastructure and systems of third parties who provide services to us and with whom we transact business. ” The U. S. and global economy and financial markets, and our financial condition and core aspects of our business operations have been and may continue to be adversely affected or disrupted by public health issues, including epidemics or pandemics such as COVID- 19. The U. S. and global economy and financial markets, real estate markets, and our financial condition and core aspects of our business operations have been and may again be adversely affected or disrupted by public health issues outside of our control, including epidemics or pandemics. A public health crisis such as a pandemic, and efforts taken in response to it have affected, and may again affect, the core aspects of our business, including the acquisition, origination and distribution of mortgages, activities and valuations within our investment portfolio, our liquidity, and our employees. For example, since 2020, the COVID- 19 pandemic (the “ COVID pandemic ”) caused, and in some ways continues to cause, significant volatility and repercussions across regional, national and global economies, financial markets, and supply chains. The pandemic impacted our mortgage banking operations, and it or another public health crisis may impact our operations again. For example, as a result of government measures taken to slow the spread of COVID- 19 (such as temporary business closures, shelter- in- place orders, quarantines and travel restrictions), many businesses were forced to close, furlough, and lay off employees, and U. S. unemployment claims rose dramatically and remained elevated at times during the pandemic. If the a pandemic or any subsequent outbreak of epidemic disease were to lead to another prolonged economic downturn with sustained high unemployment rates, we would anticipate real estate financing transactions to may decrease, which may materially decrease the volume of mortgages we acquire, originate and distribute through our mortgage banking businesses. Further, in light of the impact of the pandemic on the overall economy, including with respect to unemployment levels and consumer behavior related to loans and tenancies, as well as government policies and pronouncements, borrowers and tenants experienced, and may again experience -, difficulties meeting their obligations and have sought or may seek to forbear payment on their loans or leases -

Future government-sponsored liquidity or stimulus programs in response to the pandemic or another public health crisis may not be available to our borrowers or to us and, if available, may nevertheless be insufficient to address the impacts of such event. Thus, the credit risk profile of our assets may be more pronounced during severe market disruptions in the mortgage, housing or related sectors. Additionally, interest rates could rise or decline materially and / or credit spreads could widen as a result governmental activities taken in response to macroeconomic events, such as those taken by the Federal Reserve during the pandemic, one or more of which could cause asset values to decrease and / or prepayments on our assets to increase or decrease due to refinancing activity, which could have a material adverse effect on our results of operations. The pandemic impacted our access to the capital markets and our liquidity, and it or another public health crisis may impact us again. Pandemic-related disruptions to the normal operation of mortgage finance markets impacted, and may again impact, our mortgage banking operations **and our investment portfolio** by, among other factors, limiting access to short-term or long-term financing for mortgage loans, **mortgage-backed securities, and other real estate assets**, disrupting the market for securitization transactions, or restricting our ability to access these markets or execute securitization transactions. ~~In addition, we finance many of the mortgage loans, mortgage-backed securities, and other real estate assets in our investment portfolio with borrowings under loan warehouse facilities, securities repurchase facilities, and other financing arrangements. Given the broad and unpredictable impact of a public health crisis, such as the pandemic or a future outbreak of epidemic disease, on the financial markets, specific details around our future ability to finance our investment portfolio are unknowable.~~ Our liquidity could also be impacted as our lenders reassess their exposure to mortgage-related investments and either curtail access to uncommitted financing capacity or impose higher costs to access such capacity. ~~For example, as further discussed within see the risk factor below under the heading “Our use of financial leverage exposes us to increased risks, including liquidity risks from margin calls and potential breaches of the financial covenants under our borrowing facilities, which could result in our being required to immediately repay all outstanding amounts borrowed under these Risk Factors facilities and these facilities being unavailable to use for future financing needs, as well as triggering cross-defaults under other debt agreements.”~~ Our liquidity may be further constrained as there may be less demand by investors to acquire mortgage loans we originate or acquire for re-sale, mortgage-backed securities we issue, including through our SEMT<sup>®</sup> and CAFL<sup>®</sup> securitization platforms, or other assets we own or may acquire in the future. The **impact** rapid development and fluidity of **a** the circumstances resulting from the pandemic or another public health crisis **like** precludes any prediction as to the ultimate adverse impact of such events. ~~If new or dangerous variants of COVID-19 or other epidemic disease proliferate or sufficient amounts of vaccines or treatments are not available, not widely administered, or otherwise prove ineffective, the impact of the pandemic or a similar crisis on the global economy and, in turn, on our financial condition, liquidity, and results of operations could be material. Moreover, each of the risk factors discussed in this Item 1A would likely also be impacted directly or indirectly by a pandemic, as was the case with COVID-19, and could again be impacted in the event of a resurgence or the emergence of another epidemic disease.~~ Future developments associated with COVID-19 or any other public health crisis, and the attendant economic and other impacts, present material uncertainty and risk with respect to our performance, financial condition, results of operations and cash flows. The nature of the assets we hold and the investments we make expose us to credit risk that could negatively impact the value of those assets and investments, our earnings, dividends, cash flows, and access to liquidity, or otherwise negatively affect our business. Overview of credit risk We assume credit risk primarily through the ownership of securities backed by residential **consumer**, **business purpose residential investor**, and multifamily real estate loans and through direct investments in residential **consumer**, **business purpose residential investor**, and multifamily real estate loans. We may also assume similar credit risks through other types of transactions with counterparties who are seeking to reduce their exposure to credit risk or who are seeking financing for their own holdings of residential **consumer**, **business purpose residential investor**, and multifamily real estate loans or servicing rights relating to residential **consumer**, **business purpose residential investor**, and multifamily real estate loans. Credit losses on these types of real estate loans can occur for many reasons, including **but not limited to**: fraud; poor underwriting; poor servicing practices; weak economic conditions; increases in payments required to be made by borrowers; declines in the value of real estate, **including due to a failure to properly maintain real estate**; declining rents **and** / or elevated delinquencies associated with single- and multifamily rental housing; the outbreak of highly infectious or contagious diseases; natural disasters, the effects of climate change (including flooding, drought, wildfires, and severe weather) and other natural events; uninsured property loss; over-leveraging of the borrower; costs of remediation of environmental conditions, such as indoor mold; changes in zoning or building codes and the related costs of compliance; acts of war or terrorism; changes in legal protections for lenders and other changes in law or regulation; and personal events affecting borrowers, such as reduction in income, job loss, divorce, or health problems. In addition, the amount and timing of credit losses could be affected by loan modifications, delays in the liquidation process, documentation errors, and other action by servicers or sub-servicers. Among other factors, weakness in the U. S. economy or the housing market could cause our credit losses to increase beyond levels that we currently anticipate. In addition, rising interest rates may increase the credit risks associated with certain residential real estate loans. For example, the interest rate is adjustable for some of the loans held at securitization entities we have sponsored and for a portion of the loans underlying securities we have acquired from securitizations sponsored by others. In addition, a portion of the loans we own and have pledged to secure short-term warehouse borrowings and a portion of the **business purpose residential investor** and multifamily real estate loans and loans underlying multifamily securities we have acquired may have adjustable interest rates. Accordingly, as short-term interest rates rise, required monthly payments from borrowers will rise under the terms of these adjustable-rate mortgages, and this may increase borrowers' delinquencies and defaults. Credit losses on **business purpose residential investor** and multifamily real estate loans and real estate loans collateralizing **business purpose residential investor** and multifamily securities can occur for many of the reasons noted above for residential real estate loans. For example, the rapid increase in benchmark interest rates during 2022 and 2023 contributed to financial stress among certain cohorts of borrowers on **BPL residential investor** bridge loans in our investment portfolio and

increases in delinquencies within this portfolio, which has resulted in realized and unrealized credit losses and could result in additional realized and unrealized credit losses in the future. Moreover, these types of real estate loans may not be fully amortizing (e. g., interest- only loans) and, therefore, the borrower' s ability to repay the principal when due may depend upon the ability of the borrower to refinance the loan or sell the property at maturity. ~~Business purpose residential investor~~ term loans and multifamily real estate loans and real estate loans collateralizing ~~business purpose residential investor~~ and multifamily securities are particularly sensitive to conditions in the rental housing market and to demand for residential rental properties. **Additionally, increased delinquencies associated with alleged breaches of representations and warranties with respect to certain residential investor term loans in securitization transactions have resulted in our repurchase of certain impacted loans out of securitization structures. This in turn may adversely affect our liquidity and other aspects of our business, including our ability to securitize, finance, or otherwise sell, real estate loans and securities.** We may have heightened credit losses associated with certain securities and investments we own. Within a securitization of residential ~~consumer~~, multifamily, or ~~business purpose residential investor~~ real estate loans, various securities are created, each of which has varying degrees of credit risk. We may often own the securities in which there is more (or the most) concentrated credit risk associated with the underlying real estate loans. In general, losses on an asset securing a residential ~~consumer~~, multifamily, or ~~business purpose residential investor~~ real estate loan included in a securitization will be borne first by the owner of the property (i. e., the owner will first lose any equity invested in the property) and, thereafter, by the first- loss security holder, and then by holders of more senior securities. In the event the losses incurred upon default on the loan exceed any classes of securities junior to those in which we invest (if any), we may not be able to recover all of our investment in the securities we hold. In addition, if the underlying properties have been overvalued by the originating appraiser or if the values subsequently decline and, as a result, less collateral is available to satisfy interest and principal payments due on the related security, then the first- loss securities may suffer a total loss of principal, followed by losses on the second- loss and then third- loss securities (or other residential ~~consumer~~, ~~business purpose residential investor~~, and multifamily securities that we own). In addition, with respect to residential securities we own, we may be subject to risks associated with the determination by a loan servicer to discontinue servicing advances (advances of mortgage interest payments not made by a delinquent borrower) if they deem continued advances to be unrecoverable, which could reduce the value of these securities or impair our ability to project and realize future cash flows from these securities. For loans or other investments we own directly (not through a securitization structure), we will most likely be in a position to incur credit losses, should they occur, only after losses are borne by the owner of the property (e. g., by a reduction in the owner' s equity stake in the property). Similar to our exposure to credit losses on loans we own directly, we have committed to assume credit losses – but only up to a specified amount – on certain conforming residential mortgage loans that we acquired and then sold to Fannie Mae and Freddie Mac pursuant to risk- sharing arrangements we entered into with those entities, to the extent any such losses exceed the owner' s equity investment in the property. We may take actions available to us in an attempt to protect our position and mitigate the amount of credit losses, but these actions may not prove to be successful and could result in our increasing the amount of credit losses we ultimately incur on a loan. Additionally, loans to small, privately owned businesses such as borrowers from our ~~BPL residential investor~~ platforms involve a high degree of business and financial risk. Often, there is little or no publicly available information about these businesses. Accordingly, we must rely on our own due diligence to obtain information in connection with our investment decisions. Our failure to undertake sufficiently thorough or comprehensive due diligence, inadequacies in or errors during our due diligence process, or borrower ~~fraud or~~ misrepresentations may lead us to extend credit to borrowers, ~~or secured by to~~ **accept** assets **as collateral, that** we otherwise would not have. Furthermore, a borrower' s ability to repay its loan may be adversely impacted by numerous factors, including a downturn in its industry or other negative local or more general economic conditions. Deterioration in a borrower' s financial condition and prospects may be accompanied by deterioration in the collateral for the loan. These factors may have an impact on loans involving such businesses, and can result in substantial losses, which in turn could have a material and adverse effect on our business, results of operations and financial condition. The nature of the assets underlying some of the securities and investments we own or acquire could increase the credit risk of those securities. For certain types of loans underlying securities we may own or acquire, the loan interest rate or borrower payment rate may increase over time, increasing the potential for default. For example, securities may be backed by residential real estate loans that have negative amortization features. The rate at which interest accrues on these loans may change more frequently or to a greater extent than payment adjustments on an adjustable- rate loan, and adjustments of monthly payments may be subject to limitations or may be limited by the borrower' s option to pay less than the full accrual rate. As a result, the amount of interest accruing on the remaining principal balance of the loans at the applicable adjustable mortgage loan rate may exceed the amount of the monthly payment. To the extent we are exposed to it, this is particularly a risk in a rising interest rate environment. Negative amortization occurs when the resulting excess (of interest owed over interest paid) is added to the unpaid principal balance of the related adjustable mortgage loan. For certain loans that have a negative amortization feature, the required monthly payment is increased after a specified number of months or after a maximum amount of negative amortization has occurred in order to fully amortize the loan by the end of its original term. Other negative amortizing loans limit the amount by which the monthly payment can be increased, which results in a larger final payment at maturity. As a result, negatively amortizing loans have performance characteristics similar to those of balloon- payment loans. Negative amortization may result in increases in delinquencies, loan loss severity, and loan defaults, which may, in turn, result in payment delays and credit losses on our investments. Other types of loans and investments to which we are exposed, such as hybrid loans and adjustable- rate loans, may also have greater credit risk than more traditional amortizing fixed- rate mortgage loans. Many of the real estate loans collateralizing ~~business purpose residential investor~~ and multifamily securities and ~~business purpose residential investor~~ and multifamily real estate loans we own or may acquire are only partially amortizing or do not provide for any principal amortization prior to a balloon principal payment at maturity. Real estate loans that only partially amortize or that have a balloon

principal payment at maturity may have a higher risk of default at maturity than fully amortizing loans. In addition, since most of the principal of these loans is repaid at maturity, the amount of loss upon default is generally greater than on other loans that provide for more principal amortization. We have concentrated credit risk in certain geographical regions and may be disproportionately affected by an economic or housing downturn, natural disaster, terrorist event, climate change, or any other adverse event specific to those regions. A decline in the economy or difficulties localized within certain regional real estate markets, such as a high level of foreclosures in a particular area, are likely to cause a decline in the value of single- family and multifamily residential properties in that market. This, in turn, will increase the risk of delinquency, default, and foreclosure on real estate underlying securities and loans we hold with properties in those regions, and it will increase the risk of loss on other investments we own. This may then adversely affect our credit loss experience and other aspects of our business, including our ability to securitize (or otherwise sell) real estate loans and securities. The occurrence of a natural disaster (such as an earthquake, tornado, hurricane, flood, landslide, or wildfire), or the effects of climate change (including flooding, drought, **heatwaves** and severe weather), may cause decreases in the value of real estate (including sudden or abrupt changes) and would likely reduce the value of the properties collateralizing real estate loans we own or those underlying the securities or other investments we own. For example, in recent years, hurricanes have caused widespread flooding in Florida and Texas and wildfires and mudslides in California have destroyed or damaged thousands of homes. Since certain natural disasters may not typically be covered by the standard insurance policies maintained by borrowers, or borrowers may not be able to purchase insurance against certain hazards at all, the borrowers themselves may have to pay for repairs due to the disasters. Borrowers may not repair their property or may stop paying their mortgage loans under those circumstances, especially if the property is damaged. This would likely cause foreclosures to increase and lead to higher credit losses on our loans or other investments or on the pool of mortgage loans underlying securities we own. A significant number of residential real estate loans that we own, or that underlie the securities we own, are secured by properties in California and, thus, we have a higher concentration of credit risk within California than in other states. Additional states where we have concentrations of residential **consumer** loan credit risk are set forth in Note **6-7** to the Financial Statements within this Annual Report on Form 10- K. **Business purpose Residential investor** loans we own, originate, or acquire, or that underlie the securities we own, as well as real estate loans collateralizing multifamily securities we own, generally have larger balances than residential loans and in the past we have had, and may have in the future, a geographically concentrated portfolio of such loans and securities. Real estate loans collateralizing consolidated multifamily securities and **business purpose residential investor** real estate loans we currently own, or that underlie the securities we currently own, are generally concentrated in Connecticut, Florida, Georgia, Illinois, New Jersey, Ohio, and Texas. Additional states where we have concentrations of **business purpose residential investor** loan and multifamily credit risk are set forth in ~~Notes - Note 7 and 8, respectively~~, to the Financial Statements within this Annual Report on Form 10- K. The timing of credit losses can harm our economic returns. The timing of credit losses can be a material factor in our economic returns from real estate loans, investments, and securities. If unanticipated losses occur within the first few years after a loan is originated, an investment is made, or a securitization is completed, those losses could have a greater negative impact on our investment returns than unanticipated losses on more seasoned loans, investments, or securities. In addition, higher levels of delinquencies and cumulative credit losses within a securitized loan pool can delay our receipt of principal and interest that is due to us under the terms of the securities backed by that pool. This would also lower our economic returns. The timing of credit losses could be affected by the creditworthiness of the borrower, the borrower's willingness and ability to continue to make payments, and new legislation, legal actions, or programs that allow for the modification of loans or rental obligations, or ability for borrowers or tenants to get relief through forbearance, bankruptcy or other avenues. Our efforts to manage credit risks may fail. We attempt to manage risks of credit losses by **continually regularly** evaluating our investments for impairment indicators and establishing reserves under GAAP for credit and other risks based upon our assessment of these risks. We cannot establish credit reserves for tax accounting purposes. The amount of reserves, **if any**, that we establish may prove to be insufficient, which would negatively impact our financial results and would result in decreased earnings. In addition, cash and other capital we hold to help us manage credit and other risks and liquidity issues may prove to be insufficient. If these increased credit losses are greater than we anticipated and we need to increase our credit reserves, our GAAP earnings might be reduced. Increased credit losses may also adversely affect our cash flows, ability to invest, dividend distribution requirements and payments, asset fair values, access to short- term borrowings, and ability to securitize or finance assets. Despite our efforts to manage credit risk, there are many aspects of credit risk that we cannot control **or predict**. Our quality control and loss mitigation policies and procedures may not be successful in limiting future delinquencies, defaults, and losses, or they may not be cost effective. Our underwriting reviews may not be effective. The securitizations in which we have invested may not receive funds that we believe are due from **title insurance or** mortgage insurance companies and other counterparties. Loan servicing companies may not cooperate with our loss mitigation efforts, or those efforts may be ineffective. Service providers to securitizations, such as trustees, loan servicers, bond insurance providers, and custodians, may not perform in a manner that promotes our interests. Delay of foreclosures could delay resolution and increase ultimate loss severities, as a result. The value of the homes or properties collateralizing or underlying real estate loans or investments may decline, and rents on single- family and multifamily rental properties may decline or fail to keep pace with increasing financing or other costs. The frequency of default and the loss severity on loans upon default may be greater than we anticipate. Interest- only loans, negative amortization loans, adjustable- rate loans, larger balance loans, reduced documentation loans, subprime loans, Alt- A quality loans, second lien loans, loans in certain locations, residential mortgage loans that are not " qualified mortgages " under regulations promulgated by the CFPB, re- performing and non- performing loans, and loans or investments that are partially collateralized by non- real estate assets may have increased risks and severity of losses. If property securing or underlying loans becomes real estate owned as a result of foreclosure, we bear the risk of not being able to sell the property and recover our investment and of being exposed to the risks attendant to the ownership of real property. Changes in consumer behavior, bankruptcy laws, tax laws, regulation of the

mortgage industry, foreclosure and other laws may exacerbate loan or investment losses. Changes in rules that would cause loans owned by a securitization entity to be modified may not be beneficial to our interests if the modifications reduce the interest we earn and increase the eventual severity of a loss. In some states and circumstances, the securitizations in which we invest have recourse as owner of the loan against the borrower's other assets and income in the event of loan default. However, in most cases, the value of the underlying property will be the sole effective source of funds for any recoveries. Other changes or actions by judges or legislators regarding mortgage loans and contracts, including the voiding of certain portions of these agreements or the promulgation of additional restrictions on loan foreclosures, may reduce our earnings, impair our ability to mitigate losses, or increase the probability and severity of losses. Any expansion of our loss mitigation efforts could increase our operating costs, lead to enhanced regulatory scrutiny or additional legal claims, and such expanded loss mitigation efforts may not reduce our future credit losses. Credit ratings assigned to debt securities by the credit rating agencies may not accurately reflect the risks associated with those securities. Furthermore, downgrades in credit ratings could increase our credit risk, reduce our cash flows, or otherwise adversely affect our business and operations. We generally do not consider credit ratings in assessing our estimates of future cash flows and desirability of our investments (although our assessment of the quality of an investment may prove to be inaccurate and we may incur credit losses in excess of our initial expectations). The assignment of an "investment grade" rating to a security by a rating agency does not mean that there is not credit risk associated with the security or that the risk of a credit loss with respect to such security is necessarily remote. Many of the securities we own do have credit ratings and, to the extent we securitize loans, HEI, and securities, we may retain credit rating agencies to provide ratings on the securities created by these securitization entities (as we have at times in the past). Rating agencies rate debt securities based upon their assessment of the safety of the receipt of principal and interest payments or, in the case of HEI, the safety of the equity investment in the underlying property. Rating agencies do not consider the risks of fluctuations in fair value or other factors that may influence the value of debt securities and, therefore, any assigned credit rating may not fully reflect the true risks of an investment in securities. Also, rating agencies may fail to make timely adjustments to credit ratings based on available data or changes in economic outlook or may otherwise fail to make changes in credit ratings in response to subsequent events, so that our investments may be better or worse than the ratings indicate. Credit rating agencies may change their methods of evaluating credit risk and determining ratings on securities backed by real estate loans, HEI, and securities. These changes may occur suddenly and often. With respect to HEI in particular, rating agencies have only recently developed a methodology and begun issuing ratings for securitizations backed by HEI; as rating agencies gather more data and gain more experience with rating HEI-backed securities, the criteria and models used to rate such securities may change, and these changes may be adverse to issuers of such securities or investors in such securities. The market's ability to understand and absorb changes and the impact to the securitization market in general are difficult to predict. Such changes may have an impact on the amount of investment-grade and non-investment-grade securities that are created or placed on the market in the future. Downgrades to the ratings of securities could have an adverse effect on the value of some of our investments and our cash flows from those investments. Residential mortgage loan borrowers may not make payments of principal and interest relating to their mortgage loans on a timely basis, or at all, which could negatively impact our business. Residential mortgage loan borrowers may not remit payments of principal and interest relating to their mortgage loans on a timely basis, or at all. This could be due to an inability to make such payments caused by individual or broader economic conditions, an unwillingness to make such payments, or a temporary or permanent waiver of the requirement to make such payments, including under the terms of any applicable forbearance, modification, or maturity extension agreement or program. Such forbearance, waiver, or maturity extension may be available as a result of a government-sponsored or -imposed program or under any such agreement or program we or our sub-servicers may otherwise offer to mortgage borrowers. For example, in 2020, federal legislation in response to the **COVID** pandemic included provisions allowing many residential mortgage loan borrowers to request forbearance relief, which would permit such borrowers to stop making payments, and during which time lenders could not charge penalties or fees, or report missed payments to credit reporting agencies. To the extent mortgage loan borrowers do not make payments on their loans, the value of residential mortgage loans and residential mortgage-backed securities we own will likely be impaired, potentially materially. Additionally, to the extent local, regional or national economic conditions decline, due to an exogenous event, such as the **COVID** pandemic, or for other reasons, the value of residential real estate may decline, which would also likely negatively impact the value of mortgage loans and mortgage-backed securities we own, potentially materially. We are exposed to the negative financial impact of payment forbearances with respect to loans securitized in Sequoia transactions, loans held for investment or sale, and a variety of other investments, including third-party issued mortgage-backed securities, mortgage servicing rights and related cash flows, re-performing residential **consumer** mortgage loans, and **business purpose residential investor** loans. In addition, transactions we have entered into, including to finance loans with warehouse financing providers and to sell whole loans to third parties, may be negatively impacted by payment forbearances, including by reducing our proceeds from these transactions or if we are required to repurchase impacted loans. With respect to MSRMs we own that are associated with mortgage loans that become delinquent (including MSRMs retained for jumbo mortgage loans that we securitize through our SEMT® (Sequoia) securitization platform and investments we have made in excess MSRMs and servicing advances), cash flows we would otherwise expect to receive from our retained investments in Sequoia securitization transactions or other investments may be redirected to other investors in mortgage backed securities issued in those securitization transactions (or may be otherwise not remitted to us) or we may be obligated to fund loan servicers' principal and interest advances, as well as advances of property taxes, insurance and other amounts. Additionally, through our investment in servicer advances and associated excess MSRMs, we may fund an increased amount of servicer advances on loans underlying the associated transactions. Further, any federal assistance programs available to mortgage loan servicers may not be available to us because our business and investments generally are not focused on mortgage loans that are eligible to be purchased or guaranteed by Fannie Mae, Freddie Mac or governmental agencies such as the Federal Housing Administration or

Department of Veteran Affairs. To the extent our otherwise expected cash flows are so impaired or to the extent we are required to fund loan servicers' advances, it may have a material adverse effect on our financial condition, results of operations and cash flows. Multifamily and **business purpose residential investor** mortgage loan borrowers may not make payments of principal and interest relating to their mortgage loans on a timely basis, or at all, which could negatively impact our business. Multifamily and **business purpose residential investor** loans and securities backed by multifamily and **business purpose residential investor** mortgage loans we own are subject to similar risks as those described above with respect to residential mortgage loans, and will likely be impaired, potentially materially, to the extent multifamily and **business purpose residential investor** loan borrowers do not timely remit payments of principal and interest relating to their mortgage loans. In addition, if tenants who rent their residence from a multifamily or **business purpose residential investor** loan borrower are unable to make rental payments, are unwilling to make rental payments, or a waiver of the requirement to make rental payments on a timely basis, or at all, is available under the terms of any applicable forbearance or waiver agreement or program (which rental payment forbearance or waiver program may be available as a result of a government-sponsored or imposed program or under any such agreement or program a landlord may otherwise offer to tenants), then the value of multifamily and **business purpose residential investor** loans and multifamily and **business purpose residential investor** mortgage backed securities we own will likely be impaired, potentially materially. Moreover, to the extent local, regional or national economic conditions decline, due to an exogenous event, such as the **COVID** pandemic, or for other reasons, the value of single-family and multifamily residential real estate that secures multifamily and **business purpose residential investor** loans is likely to **decline, which would also likely negatively impact the value of mortgage loans and mortgage-backed securities we own, potentially materially.** Additionally, a significant amount of the **business purpose residential investor** loans that we own are short-term **BPL residential investor** bridge loans that are secured by residential properties that are undergoing rehabilitation or construction and not occupied by tenants. As noted above, **during since 2023, we have** observed increased delinquencies within our portfolio of **BPL residential investor** bridge loans **compared to the historical performance of this portfolio**. Because these properties are generally not income-producing (e. g., from rental revenue), in order to fund principal and interest payments, these borrowers may seek to renegotiate the terms of their mortgage loan, including by seeking payment forbearances, waivers, interest rate reductions, or maturity extensions as a result of being negatively impacted by adverse economic conditions. For example, during **2023-2024**, **BPL residential investor** bridge loans with a cumulative unpaid principal balance of **approximately \$ 295-663** million were subject to modifications of certain terms, including reductions in interest rates (including, in certain cases, deferrals of interest), combined with infusions of fresh capital from either the existing sponsor or third-party sources. In addition to loans for which we completed these types of modifications, during **2023-2024**, we extended the maturities of loans with approximately \$ **232-402** million of unpaid principal balance at December 31, **2023-2024**. Moreover, planned construction or rehabilitation of these properties may not be able to proceed on a timely basis or at all due to operating disruptions or government mandated moratoriums on construction, development or redevelopment. All of the foregoing factors would also likely negatively impact the value of mortgage loans and mortgage-backed securities we own, potentially materially. Changes in prepayment rates of mortgage loans or HEI, or payment amounts under HEI agreements, could reduce our earnings, dividends, cash flows, and access to liquidity. The economic returns we earn from most of the real estate securities and loans or HEI we own (, directly or indirectly ), are affected by the rate of prepayment, **including both the early payoff of mortgage loans and the early termination and settlement of HEI contracts**, of the underlying mortgage loans or HEI, and the amounts of such payments (, if any ), under HEI agreements (we generally refer to both the early payoff of mortgage loans and the early termination and settlement of HEI contracts as "prepayments"). In general, in a rising interest-rate environment, the rate of loan or HEI prepayments is expected to be slower than in a stable or declining interest-rate environment. However, loan or HEI prepayments are difficult to accurately predict and adverse changes in the rate or amount of such payments could reduce our cash flows, earnings, and dividends. Adverse changes in cash flows would likely reduce the fair values of many of our assets, which could reduce our ability to borrow against our assets and may cause market valuation adjustments for GAAP purposes, which could reduce our reported earnings. While we estimate loan and HEI prepayment rates to determine the effective yield of our assets and valuations, these estimates are not precise and payment rates do not necessarily change in a predictable manner as a function of interest rate changes. Loan and HEI prepayment rates can change rapidly. As a result, changes can cause volatility in our financial results, affect our ability to securitize assets, affect our ability to fund acquisitions, and have other negative impacts on our ability to generate earnings. We may own securities backed by residential loans that are particularly sensitive to changes in prepayments rates. These securities include interest-only securities (IOs) that we acquire from third parties and from securitization transactions we sponsor. Faster prepayments than we anticipated on the underlying loans backing these IOs will have an adverse effect on our returns on these investments and may result in losses. Similarly, we own mortgage servicing rights, or MSR, associated with residential mortgage loans, and excess MSR investments associated with single-family and multifamily residential mortgage loans, all of which are particularly sensitive to changes in prepayment rates. As the owner of an MSR (or excess MSR investment), we are entitled to a portion of the interest payments made by the borrower in respect of the associated loan and, in the case of MSR, we are responsible for hiring and compensating a sub-servicer to directly service the associated loan. Faster prepayments than we anticipate on loans associated with MSR and excess MSR investments we own will have an adverse effect on our returns from these MSR and may result in losses. Some of the **business purpose residential investor** loans we originate or hold may allow the borrower to make prepayments without incurring a prepayment penalty and some may include provisions allowing the borrower to extend the term of the loan beyond the originally scheduled maturity. Because the decision to prepay or extend a **business purpose residential investor** loan is controlled by the borrower under these circumstances, we may not accurately anticipate the timing of these events, which could affect the earnings and cash flows we anticipate and could impact our ability to finance these assets. **Interest rate fluctuations have had, and may continue to have, various negative effects on us by leading to, among other things, reduced earnings or increased**

**volatility in our earnings**. Changes in interest rates, the interrelationships between various interest rates, and interest rate volatility have had, and could continue to have, negative effects on our earnings and the fair value of our assets and liabilities. Further changes in these rates, relationships, or increased volatility may have negative effects on loan prepayment rates and our access to liquidity. Changes in interest rates can also harm the credit performance of our assets. We generally seek to hedge some but not all interest rate risks. Our hedging may not ~~work be effectively~~ **effective** and we may change our hedging strategies or the degree or type of interest rate risk we assume. Some of the loans and securities we own or may acquire have adjustable- rate coupons (i. e., they may earn interest at a rate that adjusts periodically based on an interest rate index). The cash flows we receive from these assets may vary as a function of interest rates, as may the reported earnings generated by these assets. We also acquire loans and securities for future sale, as assets we are accumulating for securitization, or as a longer- term investment. We expect to fund assets with a combination of equity, fixed- rate debt and adjustable- rate debt. To the extent we use adjustable- rate debt to fund assets that have a fixed interest rate (or use fixed- rate debt to fund assets that have an adjustable interest rate), an interest rate mismatch could exist and we could, for example, earn less (and fair values could decline) if interest rates change, at least for a time. We may or may not seek to mitigate interest rate mismatches for these assets with hedges such as interest rate agreements and other derivatives and, to the extent we do use hedging techniques, they may not be successful. Higher interest rates generally reduce the fair value of many of our assets, with the exception of our IOs, MSRs, excess MSR investments, and adjustable- rate assets. This has resulted in, and may continue to result in, decreased earnings results, reductions in our ability to securitize, re- securitize, or sell our assets, or reductions in our liquidity. Higher interest rates could reduce, or further reduce, the ability or desire of borrowers to make interest payments or to refinance their loans, or to finance a home purchase in the first instance. For example, as noted above, the rapid increase in benchmark interest rates during 2022 and 2023 ~~has~~ contributed to increased delinquencies in our portfolio of ~~BPL~~ **residential investor** bridge loans, which ~~has~~ resulted in, and may continue to result in, decreased earnings results and realized credit losses. Higher interest rates at times have reduced, and could again reduce, property values and increased credit losses could result. Higher interest rates have reduced, and could continue to reduce, mortgage originations, and in particular, originations of refinance loans, effectively reducing our opportunities to acquire new assets. With respect to ~~business purpose~~ **residential investor** loans we originate, acquire, or securitize that are secured by an underlying rental property, to the extent borrowers of these loans experience increased interest expense that is not or cannot be offset by increases in rental income, the value of these loans or securities collateralized by them may decline and / or rates of delinquency may increase. In addition, higher interest rates also generally increase our financing costs as we renew or replace borrowing facilities or maturing debt. When short- term interest rates are high relative to long- term interest rates, an increase in adjustable- rate residential loan prepayments may occur, which would likely reduce our returns from owning interest- only securities backed by adjustable- rate residential loans. It can be difficult to predict the impact on interest rates of unexpected and uncertain global political and economic events, such as the outbreak of pandemic or epidemic disease, warfare (including ~~the outbreak of~~ hostilities between Russia and Ukraine and between Israel and Hamas), economic and international trade conflicts, **tariffs** or sanctions, economic indicators such as the rate of inflation or employment statistics, the change in the U. S. presidential administration and political makeup of Congress, government shutdowns, or changes in the credit rating of the U. S. government, the United Kingdom, or one or more Eurozone nations; however, increased uncertainty or changes in the economic outlook for, or rating of, the creditworthiness of the U. S. government, the United Kingdom, Eurozone nations, or China may have adverse impacts on, among other things, the U. S. economy, financial markets, the cost of borrowing, the financial strength of counterparties with whom we transact business, and the value of assets we hold. Any such adverse impacts could negatively impact the availability to us of short- term debt financing, our cost of short- term debt financing, our business, and our financial results. We have significant investment and reinvestment risks. New assets we acquire or originate may not generate yields as attractive as yields on our current assets, which could result in a decline in our earnings per share or stockholders' equity over time. Assets we acquire, originate, or invest in may not generate the economic returns and GAAP yields we expect. Realized cash flows could be significantly lower than expected and returns from new investments, originations, and acquisitions could be negative. In order to maintain our portfolio size and our earnings, we must reinvest into new assets a portion of the cash flows we receive from principal, interest, and sales. We receive monthly payments from many of our assets, consisting of principal and interest. In addition, occasionally some of our mortgage- backed securities are called (redeemed prior to maturity). We may also sell assets from time to time as part of our portfolio and capital management strategies. ~~For example, during 2020, the composition of our investment portfolio changed significantly as a result of asset sales undertaken in response to the financing market disruptions during the early portions of the pandemic.~~ Principal payments, calls, and sales generate cash for us and reduce the size of our current portfolio. If the assets we invest in or acquire in the future earn lower GAAP yields than do the assets we currently own, our reported earnings per share could decline over time as the older assets are paid down, are called, or are sold, assuming comparable expenses. Under the effective yield method of accounting that we use for GAAP purposes for some of our assets, we recognize yields on assets based on our assumptions regarding future cash flows. A portion of the cash flows we receive may be used to reduce our basis in these assets. As a result of these various factors, our basis for GAAP accretion / amortization purposes may be lower than the current fair values of these assets. Assets with a lower GAAP basis than current fair values generate higher GAAP yields, and such yields are not necessarily available on newly acquired assets. Future economic conditions, including credit results, prepayment patterns, and interest rate trends, are difficult to project with accuracy over the life of the assets we acquire, so there will be volatility in the reported returns over time. Our growth may be limited if assets are not available or not available at attractive prices. To reinvest the proceeds from payments we receive on our existing investments and deploy capital we raise, we may seek to originate, invest in, or acquire new assets. If the availability of new assets is limited or if the pricing of such assets is unfavorable, we may not be able to originate, invest in, or acquire assets that will generate attractive returns. Generally, asset supply can be reduced if originations of a particular product are reduced or if there are fewer sales in the secondary market of seasoned product from existing

portfolios. In particular, assets we believe have a favorable risk / reward ratio may not be available for purchase (or origination by our **BPL-residential investor loan** or HEI origination platforms). We do not originate residential loans; rather, we rely on the origination market to supply the types of residential loans we seek to invest in. At times, due to increases in interest rates, heightened credit concerns, strengthened underwriting standards, increased regulation, and / or concerns about economic growth or housing values, the volume of originations may decrease significantly. For example, in 2019 and 2020, residential mortgage interest rates generally declined, and remained at these lower levels throughout 2021, with the result that a significant portion of high industry- wide origination volumes were related to residential borrowers refinancing existing mortgage loans. On the other hand, ~~since from 2022 through 2023~~, the Federal Reserve ~~has~~ enacted several increases to the federal funds rate, resulting in substantially elevated mortgage interest rates relative to ~~other~~ recent years. ~~Higher~~ **Although the Federal Reserve began decreasing short- term benchmark** interest rates ~~starting~~ **have led to a sharp decline in September 2024**, the overall volume of residential loan- ~~long - term mortgage interest rates remained elevated~~ refinancings as well as loan origination volume in general. To the extent ~~long- term~~ interest rates remain elevated or ~~continue to~~ increase, refinance and purchase loan volume is likely to ~~decrease~~ remain at current levels or decline further-, and this volume may not return to previous levels. A reduced volume of loan originations may make it increasingly difficult for us to acquire loans and securities. Similar factors may contribute to reduced volumes of loan originations by our **BPL-residential investor loan** platform, which would otherwise be available for transfer to our investment portfolio, sale, or securitization. We originate ~~business purpose-residential investor~~ loans, but we may not be willing to provide the level of loan proceeds to the borrower or interest rate that borrowers find acceptable or that matches our competitors, which would likely reduce the volume of these types of loans that we originate. The supply of new issue residential mortgage- backed securities (RMBS) collateralized by jumbo mortgage loans available for purchase could be adversely affected if the economics of executing securitizations are not favorable or if the regulations governing the execution of securitizations discourage or preclude certain potential market participants from engaging in these transactions. ~~For example, since 2022, interest- rate and market volatility have led to a substantial reduction in new RMBS issuances.~~ In addition, if there is not a robust market for triple- A rated securities, the supply of real estate subordinate securities could be significantly diminished. We have entered into risk- sharing arrangements with Fannie Mae and Freddie Mac and have invested in credit risk transfer (~~CRT~~) securities issued by Fannie Mae and Freddie Mac under which we are compensated for agreeing to absorb credit losses on new conforming loans or for engaging in similar types of credit risk- sharing or- transfer structures. We may continue to make these types of credit- related investments and may also continue recent initiatives to grow our investment portfolio, including investing in residential securities collateralized by re- performing and non- performing mortgage loans, multifamily securities, HEI and securities collateralized by HEI, and investments in excess MSR and servicer advance investments related to pools of single- family and small- balance multifamily residential mortgage loans. While these initiatives represent potential opportunities for future capital deployment, ultimately these initiatives may not produce sizable or attractive investment opportunities due to competition from other investors, regulatory issues, or federal housing finance reform initiatives that impact Fannie Mae and Freddie Mac. Investments in diverse types of assets and businesses could expose us to new, different, or increased risks. We have invested in and may in the future invest in a variety of real estate and non- real estate related assets that may not be closely related to the types of investments we have traditionally made or, as described below, may in some ways be considered riskier, for example, as a result of being in a subordinate lien position. Additionally, we may enter into or engage in various types of securitizations, transactions, **joint ventures**, services, **investment fund management**, and other operating businesses that are different than the types we have traditionally entered into or engaged in. For example, in recent years we began expanding our mortgage loan purchase activity to include **BPL-residential investor** bridge loans and **BPL-residential investor** term loans. Also, since 2019, we have completed the acquisitions of three ~~business purpose~~ **residential investor** real estate loan origination platforms, CoreVest (2019), 5 Arches (2019), and Riverbend (2022), which we combined into a single platform through which we originate ~~business purpose~~ **residential investor** loans. As a result of these acquisitions, our holdings of ~~business purpose~~ **residential investor** whole loans have increased as have our issuances and ownership of securities backed by ~~business purpose~~ **residential investor** loans under the CAFL® securitization label. We have also completed strategic investments in, may make additional investments in, or raise or allocate additional capital to fund, internal or third- party residential **consumer** and ~~business purpose~~ **residential investor** mortgage origination platforms, HEI origination platforms, and our RWT Horizons® venture investing initiative. In recent years, we have also made investments in subordinate securities backed by re- performing and non- performing residential loans, multifamily securities, HEI and securities collateralized by HEI, excess MSR investments collateralized by single- family and multifamily residential loans, servicer advance investments related to residential mortgage loans, and a multifamily investment fund to acquire workforce housing properties. In addition, we have and may continue to pursue initiatives to form joint ventures or investment vehicles or funds with third- party investors to purchase loans, HEI, or other assets from us or from other sources and to earn fees, incentives or other income in connection with these initiatives. Any of these actions may expose us to new, different, or increased investment, operational, financial, **regulatory**, or management risks. Several of these investments were complex, highly structured, and involve partnerships and joint ventures with co- investors or co- sponsors, any or all of which may limit the liquidity of such investments. Additionally, when investing in transactions with complex or novel structures, the risks associated with the transactions and structures may not be fully known to buyers and sellers. For example, during 2023, we co- sponsored our second securitization of HEI, and continue to originate, purchase and / or hold HEI either for investment, sale or securitization, all of which expose us to risk of loss related to home price appreciation (or depreciation). In addition, financing for such new and non- traditional investments may be unavailable or expensive, which could lead to reduced liquidity and investable capital. If our assumptions regarding the valuation and rate of appreciation in value of the property securing an HEI are wrong, our returns will be reduced, and if the value of the property securing the HEI decreases **or our ability to enforce the terms of HEI are limited**, we may suffer losses, up to the total loss of our investment. Additionally, HEI may be subject to regulatory risk from

federal, state, and local regulators, including the risk of being recharacterized **or regulated** as a mortgage loan by courts ~~or~~, legislation, **or federal or state regulatory agencies. Several states have implemented regulatory changes applying to certain HEI by expanding their definitions of “ mortgage loan ” to include “ shared appreciation agreements ” (or similar terminology), and there continues to be focus at both the state and federal level on the HEI asset class and larger, third- party HEI originators**. In Connecticut, **Illinois**, and Maryland, for instance, state legislators have expanded their definition of mortgage loan to include “ shared appreciation agreements ” such as HEI. As a result, offering a shared appreciation agreement like an HEI requires a mortgage lending license in Connecticut, **Illinois**, and Maryland. **Additional states’ mortgage regulators, without legislation or formal rulemaking of any kind, have taken a position that HEI originators should hold a residential mortgage lending license to originate HEI in their state, including, for example, Georgia and North Carolina. Such informal interpretive positions are often non- public, and only disclosed during direct contact with a particular regulator**. If a state mortgage regulator determines that entering into, or investing in, HEI is activity covered by that state’s mortgage licensing statute (or another state licensing statute), our investment may be at risk if we, and / or our purchase and sale counterparty who enters into the HEI with the homeowner, do not possess the applicable license. Aside from Maryland, **Illinois**, and Connecticut, there is **little, if an any** absence of, **guidance or precedent regarding HEI providers’ compliance with state mortgage laws, such as** government- prescribed disclosures, regulatory disclosure guidance, or case law concerning material disclosures to consumers relating to products like HEI, which means that there can be no assurance that the steps we or our counterparties take to inform and educate consumers about the risks, benefits, costs, terms, and conditions of an HEI will be viewed as legally sufficient in the event of litigation or governmental action. In addition, federal regulatory agencies or a civil litigant may attempt to recharacterize **or regulate** the Options as mortgage loans under federal law. If the Options are recharacterized **or regulated** as mortgage loans, a number of additional Federal laws and regulations may apply, such as the Equal Credit Opportunity Act (ECOA), the Home Mortgage Disclosure Act (HMDA), the Real Estate Settlement Procedures Act (RESPA), or the Truth in Lending Act (TILA), among others, as well as regulations promulgated thereunder. Violations of, or noncompliance with, additional laws and regulations carry the risk of significant penalties, damages, and other remedies that may be sought by governmental authorities or civil litigants. Such remedies, if imposed, could have a negative impact on our financial or operational results, the validity of HEI we own or securitize, and / or the ability to collect on such HEI, any of which could have a negative impact on the value of HEI and HEI- related assets we own. **To the extent state or federal agencies take further regulatory action with respect to us or third- party HEI originators and / or provide remedies for consumers who have entered into an HEI with us or one of these originators, such actions or remedies, if applicable, could negatively impact the value of HEI we are invested in and our business activity related to HEI, as further discussed within these Risk Factors. For example, as further discussed within discussion, refer to the these risk Risk factor Factors titled, the January 2025 CFPB Actions expressed non- binding views by the CFPB regarding HEI, including that one particular consumer’ s HEI contract is a “ Originating, transacting in and / or funding HEI exposes us to new and different risks than our other residential mortgage banking activities loan ” and therefore “ credit ” under TILA. If the CFPB, or another federal or state including potential uncertainty with respect to licensing requirements, regulatory- regulator, were to regulate HEI as a form of credit, our compliance costs would increase, enforcement, litigation and such regulation could claims; and the value of our investments in HEI may be negatively, and materially, impacted-- impact by these same factors on our business, assets, financial condition, and results of operations.**” As another example, one of our excess MSR investments includes an associated investment in servicer advances financed with non- recourse debt. Non- recourse financing generally limits our exposure to losses to the value of the collateral securing the financing (in this case, the servicer advances). However, a default on such non- recourse financing of servicer advances could result in a complete loss of our servicer advance investments and the related excess MSRs. **When Additionally,** this non- recourse financing is short- term. When it reaches maturity, we may not be able to renew **if this financing** on favorable terms, or at all, which may have a negative impact on the value of our investment. A more detailed discussion of the risks related to this servicer advance financing is described below in Part II, Item 7 of this Annual Report ~~on Form 10- K under the heading, “ Risks Relating to Debt Incurred under Short- and Long- Term Borrowing Facilities ”.~~” As another example, in connection with our acquisitions of CoreVest, 5 Arches, and Riverbend, we made assumptions about the cash flows and investments that will be generated from these acquisitions. Additionally, originating and investing in ~~business purpose residential investor~~ mortgage loans exposes us to new and different risks than our traditional residential mortgage banking activities, including higher rates of delinquency, default, foreclosure and litigation. Similarly, in 2023, we began originating HEI, which also exposes us to new and different risks, including regulatory and compliance risk, partially due to the direct- to- consumer nature of the business. Additionally, investments in junior lien residential **consumer** or ~~business purpose residential investor~~ mortgage loans or other assets (including HEI), or securities collateralized by such loans or assets, present risks that are absent from, or lessened in the case of, traditional senior- lien products, such as foreclosure or default risks or losses that may be enhanced as a result of holding a subordinate lien position. Our assumptions may prove wrong, market conditions may change, or we may be exposed to higher- than- expected rates of delinquency, default, foreclosure, or litigation, any of which could have a negative impact on our financial or operational results related to these acquisitions and to our business as a whole. We may invest in non- real estate asset- backed securities (ABS), corporate debt, or equity. We have invested in diverse types of IOs from residential **consumer**, ~~business purpose residential investor~~, and multifamily securitizations sponsored by us or by others. The higher credit and prepayment risks associated with these types of investments may increase our exposure to losses. We may invest in non- U. S. assets that may expose us to currency risks (which we may choose not to hedge) and different types of credit, prepayment, hedging, interest rate, liquidity, legal, and other risks. In addition, our RWT Horizons® venture investing platform invests primarily in early- stage businesses focused in the real estate, lending, and financial technology markets. These venture investments may come in many forms and structures including convertible debt or equity, each of which exposes us to a

unique set of risks, including the risk of a total loss of the amount invested. These types of investments could expose us to new, different, or increased risks that we did not anticipate, which could have a negative impact on the financial returns generated. In addition, when investing in assets or businesses we are exposed to the risk that those assets, or interest income or revenue generated by those assets or businesses, result in our not meeting the requirements to maintain our REIT status or our status as exempt from registration under the Investment Company Act of 1940, as amended (“ Investment Company Act ”), as further ~~described in~~ **discussed within the these risk-Risk factors-Factors** titled “ We have elected to be taxed as a REIT and, as such, are required to meet certain tests in order to maintain our REIT status. This adds complexity and costs to running our business and exposes us to additional risks ” and “ Conducting our business in a manner so that we are exempt from registration under, and in compliance with, the Investment Company Act may reduce our flexibility and could limit our ability to pursue certain opportunities. At the same time, failure to continue to qualify for exemption from the Investment Company Act could adversely affect us. ” Our capital strategy continues to include a focus on initiatives to enter into joint ventures or form investment vehicles or funds with third- party investors that would purchase loans, HEIs, or other assets originated by our operating platforms or sourced through our mortgage banking and investment activities and, where applicable, to earn fees, incentives or other income in connection with these initiatives. These initiatives may expose us to new and different risks than our traditional mortgage banking activities, and may not be successful, including any efforts we make to engage in the investment advisory business. Additionally, these initiatives may require us to register as an investment advisor with federal or state regulatory authorities, which would expose us to increased regulatory compliance costs and risks. We may change our investment strategy or financing plans, which may result in riskier investments and diminished returns. We may change our investment strategy or financing plans at any time, which could result in our making investments that are different from, and possibly riskier than, the investments we have previously made or described. A change in our investment strategy or financing plans may increase our exposure to interest- rate and default risk and real estate market fluctuations. Additionally, decisions to employ additional leverage could increase the risk inherent in our investment strategy. Conversely, decisions to reduce leverage could reduce the returns we earn on our investments. Additionally, a portion of our recent investment activity includes financing incurred by a joint- venture ~~entity~~ **entities** that we do not control and thus is not reflected on our balance sheet prior to the repayment of such financing. Furthermore, a change in our investment strategy could result in our making investments in new asset categories or in different proportions among asset categories than we previously have. For example, as noted above, since December 2017, we have announced several new initiatives to expand our mortgage banking and investment activities, including by expanding our mortgage banking activities to include the acquisition and origination of **BPL residential investor** term loans and **BPL residential investor** bridge loans, completing the acquisitions of three ~~business purpose residential investor~~ real estate loan origination platforms, CoreVest, 5 Arches, and Riverbend, incorporating blockchain technology into securitization transactions we sponsor, and optimizing the size and target returns of our investment portfolio. We have also completed strategic investments in, may make additional investments in, or raise or allocate additional capital to fund, internal or third- party residential **consumer** and ~~business purpose residential investor~~ mortgage origination platforms, HEI origination platforms, and our RWT Horizons ® venture investing initiative. We have also made investments in subordinate securities backed by re- performing and non- performing residential loans, multifamily securities, HEI and securities collateralized by HEI, excess MSR and servicer advance investments collateralized by single- family and multifamily residential loans, a whole loan investment fund created to acquire light- renovation multifamily loans, a multifamily investment fund to acquire workforce housing properties. In addition, **since 2023**, we have ~~completed~~ **formed joint ventures with large institutional investors to purchase loans we originate**, and **we** may continue to pursue initiatives to form joint ventures or investment vehicles or funds with third- party investors to purchase loans, HEI, or other assets from us or from other sources – and to earn fees, incentives or other income in connection with these initiatives – and these initiatives may target investments with different return profiles or utilize financial leverage in a different manner than we have in the past. As another example, in the future, we could determine to invest a greater proportion of our assets in securities backed by non- prime or subprime residential mortgage loans, or loans or assets secured by junior liens. These changes could result in our making riskier investments, which could ultimately have an adverse effect on our financial returns. Alternatively, we could determine to change our investment strategy or financing plans to be more risk averse, resulting in potentially lower returns, which could also have an adverse effect on our financial returns. The performance of the assets we own and the investments we make will vary and may not meet our earnings or cash flow expectations. In addition, the cash flows and earnings from, and market values of, securities, loans, and other assets we own may be volatile. We seek to manage certain of the risks associated with acquiring, originating, holding, selling, and managing real estate loans and securities, HEI, and other real estate- related investments. No amount of risk management or mitigation, however, can change the variable nature of the cash flows of, fair values of, and financial results generated by these loans, securities, HEI, and other assets. Changes in the credit performance of, or the rates of prepayments or settlements of, these investments, including real estate loans and the loans underlying real estate securities, as well as changes in interest rates, impact the cash flows on these securities and investments, and the impact could be significant for our loans, securities, HEI, and other assets with concentrated risks. For instance, cash flows from HEI we originate, acquire, or securitize depend on the rate at which such HEI are terminated or “ settled, ” which usually occurs upon a sale or refinance of the underlying home but can take as long as, or longer than, thirty (30) years. If, during a prolonged period, few or no HEI settle, or if those HEI that do settle do not result in significant cash flows due to depreciation in the value of a property or the occurrence of other events or circumstances that adversely affect real property values, cash flows from HEI we own, or those underlying securities we own, could be significantly lower than forecasted and may be negative. Changes in cash flows lead to changes in our return on investment and also to potential variability in and level of reported income. The revenue recognized on some of our assets is based on an estimate of the yield or change in value over the remaining life of the asset. Thus, changes in our estimates of expected cash flows from an asset will result in changes in our reported earnings on that asset in the current reporting period. We may be forced to recognize adverse

changes in expected future cash flows as a current expense, further adding to earnings volatility. Additionally, our non- GAAP measures of financial performance and our earnings calculated in accordance with GAAP may be subject to volatility. Moreover, the Securities and Exchange Commission's focus on the use of non- GAAP financial metrics has required us to change the presentation or method of calculation of our non- GAAP metrics, and we may be required to change the presentation or method of calculation again, which may result in variability and volatility. Changes in the fair values of our assets, liabilities, and derivatives can have various negative effects on us, including reduced earnings, increased earnings volatility, and volatility in our book value. Fair values for our assets and liabilities, including derivatives, can be volatile and our revenue and income can be impacted by changes in fair values. The fair values can change rapidly and significantly and changes can result from changes in interest rates, perceived risk, supply, demand, and actual and projected cash flows, including from prepayments and credit performance. A decrease in fair value may not necessarily be the result of deterioration in future cash flows. Fair values for illiquid assets can be difficult to estimate, which may lead to volatility and uncertainty of earnings and book value. For example, real estate- related securities in our investment portfolio may be subject to changes in credit spreads. Credit spreads measure the yield demanded on securities by the market based on their credit relative to a specific benchmark, and are a measure of the perceived risk of the investment. Many fixed- rate securities are valued based on a market credit spread over the rate payable on fixed- rate swaps or fixed- rate U. S. Treasuries of like maturity. Until recently, many floating- rate securities were typically valued based on a market credit spread over LIBOR and, recently (due to the cessation of LIBOR in 2023), another floating- rate index such as the Secured Overnight Financing Rate (" SOFR ") or the American Interbank Offered Rate (" Ameribor "), and such valuations are affected similarly by changes in SOFR, Ameribor, or other index spreads. Excessive supply of, or reduced demand for, these securities may cause the market to require a higher yield on these securities, resulting in the use of a higher, or " wider, " spread over the benchmark rate to value such securities. Under such conditions, the value of our securities portfolios would tend to decline. For example, due to the volatility in financial markets resulting from the COVID pandemic or, more recently, the regional banking crisis in early 2023, the market value of our securities portfolio declined significantly, during compressed time frames during 2020 and 2023. Due to interest- rate volatility and other economic factors since 2022, including the regional banking crisis, spreads again widened, leading to reductions in the market value of our securities portfolio. Conversely, if the spread used to value such securities were to decrease, or " tighten, " the value of our real estate and other securities portfolio would tend to increase. Such changes in the market value of our real estate- related securities portfolio may affect our net equity, net income or cash flow, whether directly, through their impact on unrealized gains or losses on available- for- sale securities and therefore our ability to realize gains on such securities, or indirectly, through their impact on our ability to borrow and access capital. Widening credit spreads have contributed to, and could continue to contribute to or cause, net unrealized losses on our securities and derivatives, recorded in accumulated other comprehensive income or retained earnings, and therefore our book value per share has decreased and may continue to decrease as a result. For GAAP purposes, we mark to market most of the assets and some of the liabilities on our consolidated balance sheets. In addition, valuation adjustments on certain consolidated assets and liabilities and most of our derivatives are reflected in our consolidated statements of income (loss). Assets that are funded with certain liabilities and hedges may have differing mark- to- market treatment than the liability or hedge. If we sell an asset that has not been marked to market through our consolidated statements of income (loss) at a reduced market price relative to its cost basis, we may be required to realize a loss and our reported earnings will be reduced accordingly. Our loan sale profit margins are generally reflective of gains (or losses) over the period from when we identify a loan for purchase until we subsequently sell or securitize the loan. These profit margins may encompass elements of positive or negative market valuation adjustments on loans, hedging gains or losses associated with related risk management activities, and any other related transaction expenses; however, under GAAP, the differing elements may be realized unevenly over the course of one or more quarters for financial reporting purposes, with the result that our financial results may be more volatile and less reflective of the underlying economics of our business activity. Our calculations of the fair value of the securities, loans, HEI, MSRs, derivatives, and certain other assets we own or consolidate are based upon assumptions that are inherently subjective and involve a high degree of management judgment. We report the fair values of securities, loans, HEI, MSRs, derivatives, and certain other assets on our consolidated balance sheets. In computing the fair values for these assets we may make a number of market- based assumptions, including assumptions regarding future interest rates, prepayment rates, home price appreciation rates, discount rates, credit loss rates, and the timing of credit losses. These assumptions are inherently subjective and involve a high degree of management judgment, particularly for illiquid securities and other assets for which market prices are not readily determinable. For further information regarding our assets recorded at fair value see Note 5 to the Financial Statements within this Annual Report on Form 10- K. Use of different assumptions could materially affect our fair value calculations and our financial results -, as Further further discussion of discussed within the these risk Risk Factors. of our ownership and valuation of illiquid securities is set forth under the heading " Investments we make, hedging transactions that we enter into, and the manner in which we finance our investments and operations expose us to various risks, including liquidity risk, risks associated with the use of leverage, market risks, and counterparty risk ." Changes in banks' inter- bank lending rate reporting practices, the method pursuant to which SOFR or other benchmarks is / are determined, or the discontinuation of one or more benchmarks may adversely affect the value of the financial obligations to be held or issued by us that are linked to those benchmarks. Until recently, LIBOR, and more recently due to the cessation of LIBOR in 2023, other indices which are deemed " benchmarks " (such as SOFR or Ameribor) have been the subject of recent national, international, and other regulatory guidance and proposals for reform. These reforms and associated changes to behavior may cause such benchmarks to perform differently than in the past, or have other consequences which cannot be predicted. For example, U. S. banking regulators issued supervisory guidance encouraging banks to cease entering into new contracts that use U. S. Dollar LIBOR as a reference rate by December 31, 2021, but certain rates based on U. S. Dollar LIBOR continued to be published through June 2023 at which point LIBOR was officially discontinued. The end of LIBOR precipitated the need for an alternative benchmark rate, and in March

2022, Congress enacted the Adjustable Interest Rate (LIBOR) Act (the "LIBOR Act"), which provided a process for and protections from transitioning to an alternative rate in contracts with terms that did not provide for a clear transition. The Federal Reserve Board adopted a final rule in December 2022 implementing the LIBOR Act and specified benchmarks based on SOFR as the replacement rates. During the transition period, many other regulators recommended U. S. Dollar LIBOR be replaced by SOFR as published by the Federal Reserve Bank of New York. Given the nascency of the shift away from LIBOR, market participants may not yet have a complete sense of the appropriateness and impacts of the shift. Not all of our financial instruments transitioned away from LIBOR at the same time, and not all of our financial instruments transitioned to the same alternative reference rate, resulting in potential for future consequences that may not be apparent in the early stages of the shift away from LIBOR. For example, switching existing financial instruments and hedging transactions from LIBOR to SOFR required calculations of a spread. Industry organizations attempted to structure the spread calculation in a manner that minimized the possibility of value transfer between counterparties, borrowers, and lenders by virtue of the transition, but there is no assurance that the calculated spread will be fair and accurate. We and other market participants have less experience understanding and modeling SOFR-based assets and liabilities than LIBOR-based assets and liabilities, increasing the difficulty of investing, hedging, and risk management. At this time, it is not possible to predict the full effects of such changes. Uncertainty as to the nature of alternative reference rates or other reforms may adversely affect the market for or value of any securities on which the interest or dividend is determined by reference to a replacement benchmark, loans, derivatives and other financial obligations or on our overall financial condition or results of operations. More generally, any changes similar to the above or any other consequential changes to any other "benchmark" or index as a result of international, national or other proposals for reform or other initiatives, or any uncertainty in relation to the timing and manner of implementation of such changes, could have a material adverse effect on the value of and return on any securities based on or linked to a "benchmark" or index. Many of our investments have limited liquidity. Many of the residential **consumer**, **business purpose residential investor**, multifamily, and other securities we own or may own are generally illiquid – that is, there is not a significant pool of potential investors that are likely to invest in these, or similar, securities, particularly on short notice. This illiquidity can also exist for the real estate loans or HEI we may hold and the **business purpose residential investor** loans or HEI we originate. At times, the vast majority of the assets we own are likely to be illiquid. In turbulent markets, it is likely that the securities, loans, and other assets we own may become even less liquid. As a result, we may not be able to sell certain assets at opportune times or at attractive prices or we may incur significant losses upon sales of these assets, should we want or need to sell them. Our level of indebtedness and liabilities could limit cash flow available for our operations, expose us to risks that could adversely affect our business, financial condition and results of operations, and impair our ability to satisfy our obligations under our convertible notes and other debt instruments. At December 31, **2023-2024**, our total consolidated liabilities (excluding indebtedness associated with asset-backed securities issued and other liabilities of consolidated entities, for which we are not liable) was approximately \$ **10.3**, **+5** billion. We may also incur additional indebtedness to meet future financing needs. Our indebtedness could have significant negative consequences for our business, results of operations and financial condition, including: • increasing our vulnerability to adverse economic and industry conditions; • limiting our ability to obtain additional financing; • requiring the dedication of a substantial portion of our cash flows from operations to service our indebtedness, thereby reducing the amount of our cash flows available for other purposes; • requiring asset sales to fund the repayment of maturing debt or to meet margin calls; • limiting our flexibility in planning for, or reacting to, changes in our business; • dilution experienced by our existing stockholders as a result of the **exercise of outstanding warrants or the** conversion of outstanding convertible notes or exchangeable securities into shares of common stock; and • placing us at a possible competitive disadvantage with less leveraged competitors and competitors that may have better access to capital resources or access to such resources on more favorable terms. We cannot assure you that we will be able to continue to maintain sufficient cash reserves or continue to generate cash flow from operations at levels sufficient to permit us to pay principal, premium, if any, and interest on our indebtedness, or that our cash needs will not increase. If we are unable to generate sufficient cash flows or otherwise obtain funds necessary to make required payments, or if we fail to comply with the various requirements of our indebtedness then outstanding, we would be in default, which would permit the holders of the affected indebtedness to accelerate the maturity of such indebtedness and could cause defaults (known as cross- defaults) under our other, related or unrelated, indebtedness. Any default under any indebtedness could have a material adverse effect on our business, results of operations and financial condition. For an additional discussion of our outstanding indebtedness, see Part II, Item 7 of this Annual Report **on Form 10-K** under the heading "Risks Relating to Debt Incurred under Short- and Long- Term Borrowing Facilities." "Our use of financial leverage could expose us to increased risks. We **generally** fund the residential **consumer** and **business purpose residential investor** loans we acquire or originate in anticipation of a future sale or securitization with a combination of equity and short-term debt. In addition, we also make investments in securities and loans financed with short- and long- term debt. By incurring this debt (i. e., by applying financial leverage), we expect to generate more attractive returns on our invested equity capital. However, as a result of using financial leverage (whether for the accumulation of loans or related to longer- term investments), we could also incur significant losses if our borrowing costs or costs of any related hedges increase relative to the earnings on our assets. Financing facility creditors may also make margin calls, which could force us to sell assets pledged as collateral under adverse market conditions, for example, in the event of a decrease in the fair values of the assets pledged as collateral **;** **as** Further **further discussed** discussion of the risks associated with **within** our use of leverage is set forth under the heading "Our use of financial leverage exposes us to increased risks, including liquidity risks from margin calls and potential breaches of the financial covenants under our borrowing facilities, which could result in our being required to immediately repay all outstanding amounts borrowed under these **Risk Factors** facilities and these facilities being unavailable to use for future financing needs, as well as triggering cross- defaults under other debt agreements." "Liquidation of the collateral could create negative tax consequences and raise REIT qualification issues. Further discussion of the risk associated with maintaining our

REIT status is set forth under the heading “We have elected to be taxed as a REIT and, as such, are required to meet certain tests in order to maintain our REIT status. This adds complexity and costs to running our business and exposes us to additional risks.”<sup>22</sup> In addition, we make financial covenants to creditors in connection with incurring short- and long- term debt, such as covenants relating to our maintaining a minimum amount of tangible net worth or stockholders’ equity and / or a minimum amount of liquid assets, and / or a maximum ratio of recourse debt to tangible net worth or stockholders’ equity. If we fail to comply with these financial covenants we would be in default under our financing facilities, which could result in, among other things, the liquidation of collateral we have pledged pursuant to these facilities under adverse market conditions and the inability to incur additional borrowings to finance our business activities. ~~A, as further~~ **discussed** discussion of financial covenants we are subject to and related risks associated with our use of short- term debt is set forth under the heading “Our use of financial leverage exposes us to increased risks, including liquidity risks from margin calls and potential breaches of the financial covenants under our borrowing facilities, which could result in our being required to immediately repay all outstanding amounts borrowed under these **Risk Factors** facilities and these facilities being unavailable to use for future financing needs, as well as triggering cross- defaults under other debt agreements”<sup>22</sup> and in Part II, Item 7 of this Annual Report on Form 10- K under the heading, “Risks Relating to Debt Incurred Under Short- and Long- Term Borrowing Facilities.”<sup>22</sup> Additionally, our ability to increase our borrowing limits under our debt financing facilities (and therefore increase our investment capacity) may be limited by our ability to raise equity capital, which we may not be able to raise at attractive prices or at all. The inability to access financial leverage through warehouse and repurchase facilities, credit facilities, or other forms of debt financing may inhibit our ability to execute our business plan, which could have a material adverse effect on our financial results, financial condition, and business. Our ability to fund our business and our investment strategy depends on our securing warehouse, repurchase, or other forms of debt financing (or leverage) on acceptable terms. For example, during aggregation and pending the sale or securitization of a pool of mortgage loans or other assets we generally fund those mortgage loans or other assets through borrowings from warehouse, repurchase, and credit facilities, and other forms of short- term financing. We cannot assure you that we will be successful in establishing sufficient sources of short- term debt when needed. Many of our short- term debt sources offer financing that is not committed, meaning, the lender could choose not to allow us to increase our borrowings under a financing facility for any reason or no reason at all. In addition, because of its short- term nature, lenders may decline to renew our short- term debt upon maturity or expiration, and it may be difficult for us to obtain continued short- term financing. During certain periods, such as during 2020 when there were, at times, severe market dislocations resulting from the pandemic, or during early 2023 when certain large regional banks faced insolvency and were seized by regulators, lenders may curtail their willingness to provide financing, as liquidity in short- term debt markets, including repurchase facilities and commercial paper markets, can be withdrawn suddenly, making it difficult or expensive to renew short- term borrowings as they mature. In addition, banking and mortgage industry commentators **have predict predicted** that the Basel III Endgame proposal, if it becomes effective, could lead to significant increases in borrowing costs under loan warehouse financing facilities. To the extent our business or investment strategy calls for us to access financing and counterparties are unable or unwilling to lend to us, or if borrowing costs under such financing significantly increase on a relative basis, then our business and financial results will be adversely affected. It is also possible that lenders who provide us with financing could experience changes in their ability to advance funds to us, independent of our performance or the performance of our investments, in which case funds we had planned to be able to access may not be available to us. For example, following the regional banking crisis in early 2023, one of our borrowing facilities was impacted by lender insolvency. Additionally, our ability to increase borrowing limits under our debt financing facilities (and therefore increase our investment capacity) may be limited by our ability to raise equity capital, which we may not be able to raise at attractive prices or at all. Hedging activities may reduce earnings, may fail to reduce earnings volatility, and may fail to protect our capital in difficult economic environments. We attempt to hedge certain interest- rate risks (and, at times, prepayment risks and fair values) by balancing the characteristics of our assets and associated (existing and anticipated) liabilities with respect to those risks and entering into various interest rate agreements. The number and scope of the interest rate agreements we utilize may vary significantly over time. We generally seek to enter into interest rate agreements that provide an appropriate and efficient method for hedging certain risks related to changes in interest rates. The use of interest rate agreements and other instruments to hedge certain of our risks may have the effect over time of lowering long- term earnings to the extent these risks do not materialize. To the extent that we hedge, it is usually to seek to protect us from some of the effects of short- term interest rate volatility, to reduce short- term earnings volatility, to stabilize liability costs or fair values, to stabilize our economic returns from a securitization transaction, or to stabilize the future cost of anticipated issuance of securities by a securitization entity. Hedging may not achieve our desired goals. For example, in response to market dislocations during 2020 resulting from the **COVID** pandemic, we made the determination that our interest rate hedges were no longer effective in hedging asset market values, and we terminated or closed out substantially all of our outstanding interest rate hedges and, overall, incurred realized losses. Although we have re- established certain interest rate risk hedging activities, there can be no assurance that future market conditions and our financial condition in the future will enable us to maintain an effective interest rate risk hedging program. Even in times of ordinary market and economic conditions, hedging with respect to the pipeline of loans we plan to purchase may not be effective due to loan fallout or other reasons. Using interest rate agreements as a hedge may increase short- term earnings volatility, especially if we do not elect certain accounting treatments for our hedges or hedged items. Reductions in fair values of interest rate agreements may not be offset by increases in fair values of the assets or liabilities being hedged. Conversely, increases in fair values of interest rate agreements may not fully offset declines in fair values of assets or liabilities being hedged. Changes in fair values of interest rate agreements may require us to pledge significant amounts of cash or other acceptable forms of collateral. We also may hedge by taking short, forward, or long positions in U. S. Treasuries, mortgage securities, or other financial instruments. We may take both long and short positions in credit derivative transactions linked to real estate assets. These derivatives may have additional risks to us, such as: liquidity risk, due to the fact

that there may not be a ready market into which we could sell these derivatives if needed; basis risk, which could result in a decline in value or a requirement to make a cash payment as a result of changes in interest rates; and counterparty risk, if a counterparty to a derivative is not willing or able to perform its obligations to us due to its financial condition or otherwise. Our earnings may be subject to fluctuations from quarter to quarter as a result of the accounting treatment for certain derivatives or for assets or liabilities whose terms do not necessarily match those used for derivatives, or as a result of our inability to meet the requirements necessary to obtain specific hedge accounting treatment for certain derivatives. ~~Additionally, the interest rate agreements and other instruments that we may use to hedge certain risks are also subject to risks related to the transition away from the use of LIBOR or a substitute benchmark as a floating rate index, as further described above under the risk factor titled “~~~~The performance of the assets we own and the investments we make will vary and may not meet our earnings or cash flow expectations. In addition, the cash flows and earnings from, and market values of, securities, loans, and other assets we own may be volatile—Changes in banks’ inter-bank lending rate reporting practices, the method pursuant to which SOFR or other benchmarks is / are determined, or the discontinuation of one or more benchmarks may adversely affect the value of the financial obligations to be held or issued by us that are linked to those benchmarks.”~~~~We enter into derivative contracts that may expose us to contingent liabilities and those contingent liabilities may not appear on our balance sheet. We may invest in synthetic securities, credit default swaps, and other credit derivatives, which expose us to additional risks. We enter into derivative contracts, including interest rate swaps, options, “to- be- announced” forward contracts (TBAs), and futures, that could require us to make cash payments in certain circumstances. Such potential payment obligations would be contingent liabilities and may not appear on our balance sheet. Our ability to satisfy these contingent liabilities depends on the liquidity of our assets and our access to capital and cash. The need to fund these contingent liabilities could adversely impact our financial condition. We may in the future invest in synthetic securities, credit default swaps, and other credit derivatives that reference other real estate securities or indices. These investments may present risks in excess of those resulting from the referenced security or index. These investments are typically contractual relationships with counterparties and not acquisitions of referenced securities or other assets. In these types of investments, we have no right directly to enforce compliance with the terms of the referenced security or other assets and we have no voting or other consensual rights of ownership with respect to the referenced security or other assets. In the event of insolvency of a counterparty, we will be treated as a general creditor of the counterparty and will have no claim of title with respect to the referenced security. Hedging activities may subject us to increased regulation. Under the Dodd- Frank Act, there is increased regulation of companies, such as Redwood and certain of our subsidiaries, that enter into interest rate hedging agreements and other hedging instruments and derivatives. This increased regulation could result in Redwood or certain of our subsidiaries being required to register and be regulated as a commodity pool operator or a commodity trading advisor. If we are not able to maintain an exemption from these regulations, it could have a negative impact on our business or financial results. Moreover, rules requiring central clearing of certain interest rate swap and other transactions, as well as rules relating to margin and capital requirements for swap transactions and regulated participants in the swap markets, as well as other swap market regulatory reforms, may increase the cost or decrease the availability to us of hedging transactions, and may also limit our ability to include swaps in our securitization transactions. Our results could be adversely affected by counterparty credit risk. We have credit risks that are generally related to the counterparties with which we do business. There is a risk that counterparties will fail to perform under their contractual arrangements with us and this risk is usually more pronounced during an economic downturn. The economic impacts of the pandemic and the regional banking crisis of early 2023, and the associated volatility in the financial markets at times triggered, and may again trigger, additional periods of economic slowdown or recession, and such conditions have jeopardized, and could again jeopardize, the solvency of counterparties with whom we do business. Counterparties may seek to eliminate credit exposure by entering into offsetting, or “back- to- back,” hedging transactions, and the ability of a counterparty to settle a synthetic transaction may be dependent on whether the counterparties to the back- to- back transactions perform their delivery obligations. Those risks of non- performance may differ materially from the risks entailed in exchange- traded transactions, which generally are backed by clearing organization guarantees, daily mark- to- market and settlement of positions, and segregation and minimum capital requirements applicable to intermediaries. Transactions entered into directly between parties generally do not benefit from those protections, and expose the parties to the risk of counterparty default. Furthermore, there may be practicality, timing, or other problems associated with enforcing our rights to assets in the case of an insolvency of a counterparty. In the event a counterparty to our borrowings becomes insolvent, we may fail to recover the full value of our pledged collateral, thus reducing our earnings and liquidity. In addition, the insolvency of one or more of our financing counterparties could reduce the amount of financing available to us, which would make it more difficult for us to leverage the value of our assets, and we may not be able to obtain substitute financing on attractive terms or at all. For example, following the regional banking crisis in early 2023, one of our borrowing facilities was impacted by lender insolvency. A material reduction in our financing sources or an adverse change in the terms of our financings could have a material adverse effect on our financial condition and results of operations. In the event a counterparty to our interest rate agreements or other derivatives becomes insolvent or interprets our agreements with it in a manner unfavorable to us, our ability to realize benefits from the hedge transaction may be diminished, any cash or collateral we pledged to the counterparty may be unrecoverable, and we may be forced to unwind these agreements at a loss. In the event a counterparty that sells us residential **consumer** or **business purpose residential investor** mortgage loans becomes insolvent or is acquired by a third party, we may be unable to enforce our rights to have such counterparty repurchase loans in connection with a breach of loan representations and warranties, and we may suffer losses if we must repurchase delinquent loans. In the event that one of our sub- servicers becomes insolvent or fails to perform, loan delinquencies and credit losses may increase and we may not receive the funds to which we are entitled in a timely manner, or at all. We attempt to diversify our counterparty exposure and (except with respect to loan- level representations and warranties) attempt to limit our counterparty exposure to counterparties with investment- grade credit ratings, although we may not always be able to do so. Our counterparty risk~~

management strategy may prove ineffective and, accordingly, our earnings and cash flows could be adversely affected. Through certain of our wholly-owned subsidiaries we have engaged in the past and plan to continue to engage in acquiring residential **consumer** and **residential investor** ~~business-purpose~~ mortgage loans and HEI, and originating **residential investor** ~~business-purpose~~ mortgage loans and HEI with the intent to sell these loans or HEI to third parties or hold them as investments. Similarly, we have engaged in the past, and may continue to engage, in acquiring residential MSR. These types of transactions and investments expose us to potentially material risks. Acquiring and originating mortgage loans, HEI, and other assets with intent to sell these loans, HEI, or other assets to third parties generally requires us to incur **debt, including** short-term debt, either on a recourse or non-recourse basis, to finance the accumulation of loans, HEI, or other assets prior to sale. This type of debt may not be available to us, or may only be available to us on an uncommitted basis, including in circumstances where a line of credit had previously been made available or committed to us. In addition, the terms of any available debt may be unfavorable to us or impose restrictive covenants that could limit our business and operations or the violation of which could lead to losses and inhibit our ability to borrow in the future. We expect to pledge assets we acquire to secure the **debt we incur, including** short-term debt ~~we incur~~. To the extent this debt is recourse to us, if the value of the assets pledged as, or underlying our, collateral declines, we may be required to increase the amount of collateral pledged to secure the debt or to repay all or a portion of the debt. In addition, when we originate or acquire assets for a sale, we make assumptions about the cash flows that will be generated from those assets and the market values of those assets. If these assumptions are wrong, or if market values change or other conditions change, it could result in a sale that is less favorable to us than initially assumed, which would typically have a negative impact on our financial results. Furthermore, if we are unable to complete the sale of these types of assets, it could have a negative impact on our business and financial results. We have a limited capacity to hold residential **consumer** and ~~business-purpose~~ **residential investor** loans and HEI on our balance sheet as investments, and our business is not structured to buy- and- hold the full volume of loans or HEI that we routinely acquire or originate with the intent to sell. If demand for buying whole- loans or HEI weakens, we may be forced to incur additional debt on unfavorable terms or may be unable to borrow to finance these assets, which may in turn impact our ability to continue acquiring or originating loans or HEI over the short or long term. Additionally, mortgage loan borrowers that have been or continue to be negatively impacted by rising interest rates, ~~the~~ **pandemic disease, natural disasters**, or other adverse economic conditions may not remit payments of principal and interest relating to their mortgage loans on a timely basis, or at all. To the extent mortgage loan borrowers do not make payments on their loans, the value of mortgage loans we own will likely be impaired, potentially materially, as further **discussed within** described above under the **these Risk Factors** headings “Residential mortgage loan borrowers may not make payments of principal and interest relating to their mortgage loans on a timely basis, or at all, which could negatively impact our business” and “Multifamily and business-purpose mortgage loan borrowers may not make payments of principal and interest relating to their mortgage loans on a timely basis, or at all, which could negatively impact our business”. Prior to originating or acquiring loans, **HEI**, or other assets for sale, we may undertake underwriting and due diligence efforts with respect to various aspects of the loan, **HEI**, or asset. When underwriting or conducting due diligence, we rely on resources and data available to us, which may be limited, and we rely on investigations by third parties. We may also only conduct due diligence on a sample of a pool of loans, **HEI**, or assets we are acquiring and assume that the sample is representative of the entire pool. Our underwriting and due diligence efforts may not reveal matters which could lead to losses. If our underwriting process is not sufficiently robust or if we do not conduct adequate due diligence **(or third parties we rely on provide us with inaccurate or fraudulent information)**, or the scope of our underwriting or due diligence is limited, we may incur losses. Losses could occur due to the fact that a counterparty that sold us a loan or other asset (or that is the obligor or a party related to an obligor of a ~~business-purpose~~ **residential investor** loan we originate or acquire) refuses or is unable (e. g., due to its financial condition) to repay or repurchase that loan or asset or pay damages to us if we determine subsequent to purchase that one or more of the representations or warranties made to us in connection with the sale or origination was inaccurate. **In addition, when we originate mortgage loans and HEI we rely on title insurance companies and their agents to conduct title review and issue, when applicable, title insurance relating to the validity and priority of any mortgage or lien interest on real property that we receive as collateral. If this title review process is not accurate or if the title insurance company or its agent otherwise fails to properly carry out its procedures (whether due to error, misconduct or fraud) we may not successfully establish the mortgage or lien (or the appropriate mortgage or lien priority) that is contemplated in our underwriting process, which could result in a failure in our ability to realize on the value of the real property collateral securing the loan repayment or HEI obligations owed to us in the event the borrower or HEI optionee fails to fulfill their obligations to us. Moreover, to the extent we seek recourse to title insurance, we may not be successful in receiving insurance proceeds and may expend resources in pursuing title insurance claims**. Our ability to operate our business in the manner described above depends on the availability and productivity of our personnel and the personnel of third-party vendors. To the extent our management or personnel, or those of our key vendors, are impacted in significant numbers by natural disaster, outbreak of pandemic or epidemic disease, or other force majeure event, our business and operating results may be negatively impacted. In addition, when selling mortgage loans **or HEI**, or acquiring servicing rights associated with residential mortgage loans, we typically make representations and warranties to the purchaser or to other third parties regarding, among other things, certain characteristics of those assets, including characteristics we seek to verify through our underwriting and due diligence efforts. If our representations and warranties are inaccurate with respect to any asset, we may be obligated to repurchase that asset or pay damages, which may result in a loss. We generally only establish reserves for potential liabilities relating to representations and warranties we make if we believe that those liabilities are both probable and estimable, as determined in accordance with GAAP. As a result, we may not have reserves relating to these potential liabilities or any reserves we may establish could be inadequate. Even if we obtain representations and warranties from the counterparties from whom we acquired the loans, **HEI**, or other assets or the borrowers to whom we made the loans, or their related parties, they may not parallel the

representations and warranties we make or may otherwise not protect us from losses, including, for example, due to the fact that the counterparty may be insolvent or otherwise unable to make a payment to us at the time we make a claim for repayment or damages for a breach of representation or warranty. Furthermore, to the extent we claim that counterparties we have acquired loans **or HEI** from or borrowers to whom we made the loans **or consumers to whom we have originated HEI**, or their related parties, have breached their representations and warranties to us, it may adversely impact our business relationship with those counterparties, including by reducing the volume of business we conduct with those counterparties, which could negatively impact our ability to acquire loans and our business. To the extent we have significant exposure to representations and warranties made to us by one or more counterparties we acquire loans **or HEI** from, we may determine, as a matter of risk management, to reduce or discontinue loan acquisitions from those counterparties, which could reduce the volume of residential loans we acquire and negatively impact our business and financial results. Our portfolio of **residential investor business-purpose** loans and, to a lesser extent, HEI held for investment represents a **growing-substantial** portion of our overall investment portfolio, and such loans and HEI expose us to new and different risks from our traditional investments in jumbo residential **consumer** mortgage loans. A **growing-substantial** portion of our portfolio of loans held for investment is made up of **business purpose residential investor** mortgage loans, especially **BPL-residential investor** bridge loans. **Business purpose residential investor** mortgage loans are directly exposed to losses resulting from default and foreclosure. Therefore, the value of the underlying property, the creditworthiness and financial position of the borrower and / or its guarantor (s) and the priority and enforceability of the lien will significantly impact the value of such mortgages. Whether or not we have participated in the negotiation of the terms of any such mortgages, there can be no assurance as to the adequacy of the protection of the terms of the loan, including the validity or enforceability of the loan and any associated guaranty, and the maintenance of the anticipated priority and perfection of the applicable security interests. Furthermore, claims may be asserted that might interfere with the enforcement of our rights. In the event of a foreclosure, we may assume direct ownership of the underlying real estate. The liquidation proceeds upon sale of such real estate may not be sufficient to recover our cost basis in the loan, resulting in a loss to us. Any costs or delays involved in the completion of a foreclosure of the loan or a liquidation of the underlying property would further reduce the proceeds and thus increase the loss. **Business purpose Residential investor** loans we own are subject to similar risks as those described above with respect to residential mortgage loans, to the extent **business purpose residential investor** loan borrowers that have been negatively impacted by rising interest rates, **the pandemic disease, natural disasters**, or other adverse economic conditions do not timely remit payments of principal and interest relating to their mortgage loans. In addition, if tenants who rent their residence from a multifamily or **business purpose residential investor** loan borrower are unable to make rental payments, are unwilling to make rental payments, or a waiver of the requirement to make rental payments on a timely basis, or at all, is available under the terms of any applicable forbearance or waiver agreement or program (which rental payment forbearance or waiver program may be available as a result of a government- sponsored or- imposed program or under any such agreement or program a landlord may otherwise offer to tenants), then the value of multifamily and **business purpose residential investor** loans and multifamily and **business purpose residential investor** mortgage- backed securities we own will likely be impaired, potentially materially, as further discussed **under within the these Risk Factors heading “Multifamily and business purpose mortgage loan borrowers may not make payments of principal and interest relating to their mortgage loans on a timely basis, or at all, which could negatively impact our business.”** <sup>22</sup>A portion of our **business purpose residential investor** loan portfolio currently is, and in the future may be, delinquent and subject to increased risks of credit loss for a variety of reasons, including, without limitation, because the underlying property is too highly leveraged, the borrower experiences financial distress, or borrower debt service costs increase. Delinquent loans may require a substantial amount of workout negotiations or restructuring, which may entail, among other things, a reduction in the interest rate, deferral or capitalization of past due interest, and maturity extension. However, even if restructurings are successfully accomplished, risks still exist that borrowers will not be able or willing to maintain the restructured payments or refinance the restructured mortgages upon maturity. If restructuring is not successful, we may find it necessary to foreclose on the underlying property, and the foreclosure process may be lengthy and expensive, including out- of- pocket costs and increased use of our internal resources. Borrowers may resist mortgage foreclosure actions by asserting numerous claims, counterclaims and defenses against us including, without limitation, numerous lender liability claims and defenses, even when such assertions may have no basis in fact, or by filing for bankruptcy protection, in an effort to prolong the foreclosure action and exert negotiating pressure on us to agree to a modification of the loan or a favorable buy- out of the borrower’ s position. In some states, foreclosure actions can sometimes take several years or more to litigate. Under certain state laws, such as New York’ s, if a foreclosure action is abandoned or dismissed without prejudice, reinstating any such action may be difficult or impossible due to **the** relevant statutes of limitations. In addition, foreclosure may create a negative public perception of the related mortgaged property, resulting in a decrease in its value. Even if we are successful in foreclosing on a loan, the liquidation proceeds upon sale of the underlying real estate may not be sufficient to recover our cost basis in the loan, resulting in a loss to us. Furthermore, any costs or delays involved in the completion of a foreclosure of the loan or a liquidation of the underlying property would further reduce the proceeds and thus increase the loss. Any such losses could, in the aggregate, have a material and adverse effect on our business, **results of** operations and financial condition. Additionally, **BPL-residential investor** bridge loans on properties in transition may involve a greater risk of loss than traditional mortgage loans. This type of loan is typically used for acquiring and rehabilitating or improving the quality of single- family residential **investor** or multi- family investment properties and generally serves as an interim financing solution for borrowers and / or properties prior to the borrower selling the property or stabilizing the property and obtaining long- term permanent financing. The typical borrower under these **BPL-residential investor** bridge loans has often identified what they believe is an undervalued asset that has been under- managed or is located in a recovering market. If the market in which the asset is located fails to improve according to the borrower’ s projections, or if the borrower fails to improve the quality of the asset’ s management or the value of the asset, the borrower may not receive a sufficient return

on the asset to satisfy the transitional loan, and we bear the risk that we may not recover some or all of our loan principal or anticipated cash flows. In addition, borrowers often use the proceeds of a conventional mortgage to repay a bridge loan. **BPL residential investor** bridge loans therefore are subject to risks of a borrower's inability or unwillingness to obtain permanent financing to repay the loan. **BPL residential investor** bridge loans, like other loans, are also subject to risks of borrower defaults, bankruptcies, fraud, and other losses. In the event of any default under **BPL residential investor** bridge loans that may be held by us, we bear the risk of loss of principal and non-payment of interest and fees to the extent of any deficiency between the value of the mortgage collateral, and the principal amount and unpaid interest of the transitional loan and other loans on the property (if any) that are senior to ours. To the extent we suffer such losses with respect to these loans, our business, results of operations and financial condition may be materially adversely affected. In addition, since 2018, we have increased our portfolio of HEI and securities backed by HEI that we hold for investment and, in 2023, we began originating HEI, which exposes us to new and different risks, including regulatory and compliance risks, the risk of HEI being recharacterized as mortgage loans **and / or being characterized as an unfair, deceptive or abusive financial product under federal or state consumer protection laws**, and financial risks related to the junior or subordinate liens typically associated with HEI, including risks related to foreclosure, default and losses, as further discussed **in within the these risk Risk factor Factors** titled "We have significant investment and reinvestment risks—Investments in diverse types of assets and businesses could expose us to new, different, or increased risks." Through certain of our wholly-owned subsidiaries we have engaged in the past, and expect to continue to engage in, securitization transactions relating to real estate mortgage loans and HEI. In addition, we have invested in and continue to invest in mortgage-backed securities and other ABS issued in securitization transactions sponsored by other companies. These types of transactions and investments expose us to potentially material risks. Engaging in securitization transactions and other similar transactions generally requires us to incur short-term debt on a recourse basis to finance the accumulation of loans or other assets (including HEI) prior to securitization. If demand for investing in securitization transactions weakens, we may be unable to complete the securitization of loans or other assets accumulated for that purpose, which would reduce our liquidity and investable capital, and may harm our business or financial results. In addition, in connection with engaging in securitization transactions, we engage in due diligence with respect to the loans or other assets we are securitizing and make representations and warranties relating to those loans and assets. The risks associated with incurring this type of debt in connection with securitization activity, the risks related to our ability to complete securitization transactions after we have accumulated loans or assets for that purpose, and the risks associated with the due diligence we conduct and the representations and warranties we make in connection with securitization activity are similar to the risks associated with acquiring and originating loans with the intent to sell them to third parties, as **further discussed** described in the immediately preceding risk factor titled "Through certain of our wholly-owned subsidiaries we have engaged in the past and plan to continue to engage in acquiring residential and business-purpose mortgage loans and HEI, and originating business-purpose mortgage loans and HEI with **within** the intent to sell these **Risk Factors** loans or HEI to third parties or hold them as investments. Similarly, we have engaged in the past, and may continue to engage, in acquiring residential MSRs. These types of transactions and investments expose us to potentially material risks." When engaging in securitization transactions, we also prepare marketing and disclosure documentation, including term sheets, offering documents, and prospectuses or offering memorandums that include disclosures regarding **risks of the offered securities**, the securitization transactions and the underlying assets being securitized. If our marketing and disclosure documentation are alleged or found to contain inaccuracies or omissions, we may be liable under federal and state securities laws (or under other laws) for damages to third parties that invest in these securitization transactions, including in circumstances where we relied on a third party in preparing accurate disclosures, or we may incur other expenses and costs in connection with disputing these allegations or settling claims (whether merited or meritless). For certain of our securitization transactions, we rely on an exemption from the risk retention requirements applicable under federal securities laws and regulations, which, for these exempt transactions, requires that we ensure all mortgage loans underlying these securitization transactions meet certain criteria. On occasion, we may be subject to risk retention requirements of other jurisdictions, including internationally, based on the locations of transaction investors. Such requirements are unique and may materially differ from requirements in the United States. Our process for ensuring we comply with risk retention requirements applicable to securitization transactions we sponsor or co-sponsor may not correctly identify loans that do not meet the applicable criteria, including due to data entry or calculation errors during the review of these criteria for specific loans or due to errors in our interpretation of these requirements. Failure to comply with risk retention requirements applicable to securitization transactions we have sponsored or co-sponsored could expose us to losses, including, for example, as a result of a requirement to repurchase securitized loans **or assets** that did not meet these criteria, regulatory enforcement actions and / or reputational damages. We have also engaged in selling or contributing commercial and multifamily real estate loans to third parties who, in turn, have securitized those loans. In these circumstances, we have in the past and may in the future also prepare or assist in the preparation of marketing and disclosure documentation, including documentation that is included in term sheets, offering documents, and prospectuses relating to those securitization transactions. We could be liable under federal and state securities laws (or under other laws) for damages to third parties that invest in these securitization transactions, including liability for disclosures prepared by third parties or with respect to loans that we did not sell or contribute to the securitization. Additionally, we typically retain various third-party service providers when we engage in securitization transactions, including underwriters or initial purchasers, trustees, administrative and paying agents, and custodians, among others. We frequently contractually agree to indemnify these service providers against various claims and losses they may suffer in connection with the provision of services to us and / or the securitization **trust issuer**. To the extent any of these service providers are liable for damages to third parties that have invested in these securitization transactions, we may incur costs and expenses as a result of our indemnification obligations. In addition, the securitization trusts or other securitization entities that own collateral underlying securitization transactions may be held liable for acts of third parties **and may be required to obtain**

**state mortgage lending licenses**. For example, the CFPB has asserted the power to investigate and bring enforcement actions directly against securitization entities for the bad acts of the entities' servicers or sub-servicers. On ~~December 13~~ **March 19, 2021-2024**, in an action brought by the CFPB, the U. S. ~~District Court~~ **District of Appeals** for the ~~District of Delaware~~ **Third Circuit** in *CFPB v. Nat'l Collegiate Master Student Loan Trust, No. 22-1-17-1864 ev-1323-SB-(D-3d Cir. 2024 Del.)* (the "Student Loan ABS Litigation"), **held that** ~~denied a motion to dismiss filed by a securitization trust trusts~~, **holding student loans are that the trust could be a "covered person-persons" under subject to the Dodd-Frank Act CFPB's enforcement and investigative powers** because ~~it they "engages-engage"~~ **they "engage-engage" in offering or providing consumer financial products or the servicing of loans, even if through third-party servicers-services or sub-servicers**. The ~~district court~~ **district court** **focused on language in** ~~did not decide at this time whether the relevant trust could be held liable for agreement, which provided that the trust's~~ **conduct of its servicer(s) or sub-servicer(s), only that purpose was to "engage in" certain activities relating to the ownership of the trust assets could be subject to an enforcement action related to the acts of its servicer**. **Before a decision on** ~~the defendant has taken an interlocutory appeal to the merits~~ **U. S. Court of Appeals for the case, in January 2025, the parties settled. Regardless, the CFPB may rely on** ~~the Third Circuit's~~, **which heard oral argument in the matter on May 17, 2023. If upheld on appeal, the CFPB may rely on the decision as precedent in investigating and bringing future enforcement actions against other securitization entities, including entities we sponsor or invest in**. **As another example, in January 2025, the Maryland Office of Financial Regulation ("OFR") issued emergency regulations and formal guidance relating to a ruling by the Appellate Court of Maryland, which held that the assignee of a home equity line of credit, a statutory trust, was required to obtain certain state lending licenses to have legal authority to foreclose on mortgage debt. The formal guidance published by OFR provides that, absent an otherwise applicable statutory exemption to licensure, "mortgage trusts, including, passive trusts, must comply with the OFR's licensing requirements as clarified by the emergency regulations". While the emergency regulations became effective immediately, OFR has suspended the enforcement deadline until July 6, 2025. OFR and industry representatives recently proposed legislation that would provide a licensing exemption for entities that acquire mortgage loans by assignment but do not originate, service, or collect these loans on their own behalf (e. g., securitization trusts), but there is no assurance this proposed legislation will become law. Unless exempt or otherwise not so required, failure of an issuer of mortgage-backed securities to obtain the appropriate Maryland licenses could result in OFR administrative action against the issuer and / or other transaction parties, including potential assessment of civil monetary penalties and issuance of cease- and- desist orders. Further, there can be no assurance that any other state or local jurisdictions will not enact similar laws or regulations or otherwise assert that securitization trusts must obtain a particular license or permit. Any civil penalties imposed and the costs of compliance may be borne by the securitization issuer and, accordingly, could reduce amounts otherwise available for distribution to investors and / or the value of the underlying securities. Absent superseding action by OFR or the Maryland legislature, mortgage securitization trusts holding Maryland loans — including trusts that have issued Redwood- or CoreVest-sponsored securities — will be expected to obtain the appropriate licenses, which could be complicated, time consuming, costly, and / or lead to enforcement activity or litigation. In addition, the Securities and Exchange Commission (SEC) and the Federal Deposit Insurance Corporation (FDIC) have published regulations relating to the issuance of ABS, including RMBS; and recently, the SEC finalized regulations prohibiting certain conflicts of interest in securitization transactions which will require us, as a sponsor of securitization transactions, to adopt policies and procedures for reviewing, approving and tracking transactions that could be considered "conflicted transactions" and these regulations could limit certain risk mitigating practices we might otherwise seek to engage in and / or increase the cost and operational burden of compliance**. There may be defects in the legal process and legal documents governing transactions in which securitization trusts and other secondary purchasers take legal ownership of residential mortgage loans or other assets and establish their rights as first- priority lienholders on underlying mortgaged property or other assets. To the extent there are problems with the manner in which title and lien priority rights were established or transferred, securitization transactions that we sponsored and third- party sponsored securitizations in which we hold investments may experience losses, which could expose us to losses and could damage our ability to engage or invest in future securitization transactions. Furthermore, we may sponsor or invest in securitization transactions of a type that are either new to Redwood or new securitization products entirely. For example, during 2021, we co- sponsored a securitization of HEI and completed our first securitization collateralized by ~~BPL~~ **residential investor** bridge loans, and during 2023, we co- sponsored a securitization of HEI that was among the first ever to receive a rating from a ratings agency. As another example, we have ~~explored incorporating~~ **incorporated** blockchain technology into securitization transactions we sponsor, ~~including~~ **including** for reporting purposes and, potentially, the issuance of "tokenized" digital securities. The risks described above may be particularly pronounced with new transactions (or those new to Redwood) given the lower degree of institutional or industry knowledge of, experience with, and / or lack of a mature market for, these products. Adverse economic conditions, ~~including as a result of the pandemic,~~ **including as a result of the pandemic,** have at times negatively impacted, and could again negatively impact, our operating platforms including our ~~business purpose~~ **residential investor** loan origination and residential loan purchase activities, as well as our HEI origination and investment activities. Adverse economic conditions, ~~including as a result of rising interest rates or the pandemic,~~ **including as a result of rising interest rates or the pandemic,** have at times adversely impacted, and could again adversely impact, our business and operations. Such impact may be due to temporary or lasting changes involving the status, practices and procedures of our operating platforms, including with respect to loan origination and loan purchase activities, as well as our HEI investment **and origination** activities. For example, in the first half of 2020, the impacts of the pandemic caused us to temporarily limit our residential loan purchases and reduce our ~~business purpose~~ **residential investor** loan origination activities. Certain counterparties believed that we breached actual or perceived obligations to them, and subjected us to litigation and claims, for which we accrued estimated costs or subsequently resolved. Any future adverse impacts on our business or operations due to changes in the status, practices and procedures of our operating platforms could have a material adverse effect

on our reputation, business, financial condition, results of operations and cash flows. More recently, as a result of disruptions to the normal operation of mortgage finance markets due to inflation, changes in U. S. monetary policy, including shifts in Federal Reserve policy and changes in benchmark interest rates, and the impact of the regional banking crisis **that occurred in early 2023**, our operations focused on acquiring and distributing residential mortgage loans and originating, acquiring and distributing ~~business-purpose residential investor~~ loans **and HEI** have been adversely impacted, and in the future may not be able to function efficiently because of, among other factors, an inability to access short- term or long- term financing for mortgage loans **or HEI** on attractive terms (or at all), a disruption to the market for securitization transactions, or our inability to access these markets or execute securitization transactions. Additionally, during and after periods of adverse economic conditions, we may not be able to acquire or originate residential **consumer** or ~~business-purpose residential investor~~ mortgage loans in sufficient volume and on sufficiently economical terms to operate our mortgage banking businesses at a profitable scale, and we may be forced to reduce operating expenses, including expenses related to employee headcount, to a degree that impairs our ability to scale up our operations when economic conditions and the operating environment improve – and our HEI origination or investment activities could be similarly impacted. Any or all of these impacts negatively impact our financial results, including our mortgage banking income, gain on sale income, and net interest income. In connection with our operating and investment activity, we rely on third parties to perform certain services, comply with applicable laws and regulations, and carry out contractual covenants and terms, the failure of which by any of these third parties may adversely impact our business and financial results. In connection with our business of acquiring and originating loans and HEI, engaging in securitization transactions, and investing in third- party issued securities and other assets, we rely on third- party service providers to perform certain services, comply with applicable laws and regulations, and carry out contractual covenants and terms. As a result, we are subject to the risks associated with a third party’ s failure or inability to perform, including failure to perform due to the impact of certain force majeure events, such as the **COVID** pandemic, on such third party’ s ability to operate, due to the bankruptcy of one or more loan or HEI servicers, or reasons such as fraud, negligence, errors, miscalculations, workforce or supply chain disruptions, or insolvency. For example, as a result of the **COVID** pandemic, residential mortgage subservicers received an unprecedented level of requests from mortgage borrowers for payment forbearances and, as a result, their operational infrastructures may not have properly processed the increased volume of requests effectively or in a manner that is in our best interests. Many loan servicers have been accused of improprieties in the handling of loan modification or foreclosure processes with respect to residential mortgage loans that have gone into default. To the extent a third- party loan servicer or HEI servicer fails to fully and properly perform its obligations, loans, HEI, and securities that we hold as investments may experience losses, securitizations that we have sponsored may experience poor performance, and our ability to engage in future securitization transactions could be harmed. Moreover, the CFPB and U. S. Department of Justice have recently indicated and **may** continue to indicate that they intend to ~~revitalize-expand~~ enforcement of fair lending laws, including, in the case of the CFPB, through supervisory and enforcement activity directed at mortgage sub- servicer performance, and the use of artificial intelligence or automated valuation methods / algorithms in underwriting decisions. As another example, our **Sequoia residential consumer** and **CoreVest residential investor** mortgage banking businesses, as well as our HEI- focused initiatives, utilize third- party appraisals or other valuation tools during the underwriting process, obtained on the collateral underlying each prospective mortgage or HEI. The quality of these appraisals may vary widely in accuracy and consistency. The appraiser may feel pressure from the broker or originator to provide an appraisal in the amount necessary to enable the originator to make the loan or HEI, whether or not the value of the property justifies such an appraised value. Inaccurate or inflated appraisals may result in an increase in the severity of losses on the mortgage loans or HEI, which could have a material and adverse effect on our business, results of operations and financial condition. Additionally, our **BPL residential investor** platform may utilize third- party inspectors in connection with funding advances on **BPL residential investor** bridge loans for rehabilitation or ground- up construction. These third parties may be required to certify a borrower’ s eligibility for advances based on the satisfaction of construction milestones. **We also utilize title insurance companies to obtain title insurance policies to protect against damages and financial losses associated with defects in the legal title to a property relating to mortgage loans and / or HEI.** In the past we have experienced, and may in the future experience, fraudulent or negligent activity among borrowers and certain of these third parties that has led to the disbursement of under- collateralized funds and could cause us to incur financial losses on loans we have originated. For some of the loans **and HEI** that we hold and for some of the loans **and HEI** we sell or securitize, we hold the right to service those loans and we retain a sub- servicer to service those loans. In these circumstances we are exposed to certain risks, including, without limitation, that we may not be able to enter into subservicing agreements on terms favorable to us, or at all, that the sub- servicer may not properly service the loan **or HEI** in compliance with applicable laws and regulations or the contractual provisions governing their sub- servicing role, and that we would be held liable for the sub- servicer’ s improper acts or omissions, whether resulting from a change in law effected or prompted by the Student Loan ABS Litigation, or otherwise, as **further** discussed **within** above under the **these Risk Factor Factors** titled “Through certain of our wholly- owned subsidiaries we have engaged in the past, and expect to continue to engage in, securitization transactions relating to real estate mortgage loans and HEI. In addition, we have invested in and continue to invest in mortgage- backed securities and other ABS issued in securitization transactions sponsored by other companies. These types of transactions and investments expose us to potentially material risks.” Additionally, in its capacity as a servicer of residential mortgage loans **or HEI**, a sub- servicer will have access to borrowers’ non- public personal information, and we could incur liability in connection with a data breach relating to a sub- servicer, as discussed further **herein** under the risk factor titled “Maintaining information security and complying with data privacy laws and regulations are important to our business and a cybersecurity or data breach, or a violation of data privacy laws, could result in serious harm to our reputation and have a material adverse impact on our business and financial results.” When we retain a sub- servicer we are generally also obligated to fund any obligation of the sub- servicer to make advances on behalf of a delinquent loan **or HEI** obligor. To the extent any one sub- servicer counterparty

services a significant percentage of the loans **or HEI** with respect to which we own the servicing rights, the risks associated with our use of that sub- servicer are concentrated around this single sub- servicer counterparty. To the extent that there are significant amounts of advances that need to be funded in respect of loans **or HEI** where we own the servicing rights, it could have a material adverse effect on our business and financial results. In addition, we have participated in various investments structured as joint ventures or partnerships with unaffiliated third parties. Some of these joint venture entities rely, in part, on their members or partners to make committed capital contributions in order to pay the purchase price for investments, to fund shortfalls in capital under related financing agreements, or to fund indemnification or repurchase obligations related to securitization. A failure by one of the members to make such capital contributions for amounts required could result in events of default under the terms of the investment or the related financing and a loss of our investment in the joint venture entity and its related investments. For example, in connection with our servicer advance investments, we consolidate an entity that was formed to finance servicing advances and for which we, through our control of an affiliated partnership entity (the "SA Buyer") formed to invest in servicer advance investments and excess MSR, are the primary beneficiary. SA Buyer has agreed to purchase all future arising servicer advances under certain residential mortgage servicing agreements. SA Buyer relies, in part, on its members to make committed capital contributions in order to pay the purchase price for future servicer advances. A failure by any or all of the members to make such capital contributions for amounts required to fund servicer advances could result in an event of default under our servicer advance financing and a complete loss of our investment in SA Buyer and its servicer advance investments and excess MSR. Additionally, to the extent that the servicer of the underlying mortgage loans (who is unaffiliated with us except through their co- investment in SA Buyer and the related financing entity) fails to recover the servicer advances in which we have invested, or takes longer than we expect to recover such advances, the value of our investment could be adversely affected and we could fail to achieve our expected returns and suffer losses. We also rely on corporate trustees to act on behalf of us and other holders of ABS in enforcing our rights as security holders. Under the terms of most ABS we hold, we do not have the right to directly enforce remedies against the issuer of the security, but instead must rely on a trustee to act on behalf of us and other security holders. Should a trustee not be required to take action under the terms of the securities, or should they fail to take action, we could experience losses. Our business could also be negatively impacted by the inability of other third- party vendors we rely on to perform and operate effectively, including vendors that provide IT services, legal, **audit** and accounting services, or other operational support services. Further, an inability of our counterparties to make or satisfy the conditions or representations and warranties in agreements they have entered into with us could also have a material adverse effect on our financial condition, results of operations and cash flows. Our ability to execute or participate in future securitization transactions, including, in particular, securitizations of residential **consumer** and **business purpose residential investor** mortgage loans or HEI, could be delayed, limited, or precluded by legislative and regulatory reforms applicable to asset- backed securities and the institutions that sponsor, service, rate, or otherwise participate in or contribute to the successful execution of a securitization transaction. Other factors could also limit, delay, or preclude our ability to execute securitization transactions. These legislative, regulatory, and other factors could also reduce the returns we would otherwise expect to earn in connection with executing securitization transactions. Various federal and state laws and regulations impact our ability to execute securitization transactions, including the Dodd- Frank Act. Provisions of the Dodd- Frank Act relate to, among other things, the legal and regulatory framework under which ABS, including RMBS and securities backed by **business purpose residential investor** mortgage loans and HEI, are issued through the execution of securitization transactions. In addition, the Securities and Exchange Commission (SEC) and the Federal Deposit Insurance Corporation (FDIC) have published regulations relating to the issuance of ABS, including RMBS; and recently, the SEC finalized regulations prohibiting certain conflicts of interest in securitization transactions which will require us, as a sponsor of securitization transactions, to adopt policies and procedures for reviewing, approving and tracking transactions that could be considered " conflicted transactions " and these regulations could limit certain risk mitigating practices we might otherwise seek to engage in and / or increase the cost and operational burden of compliance. **Furthermore, as further discussed within these Risk Factors, in January 2025, the Maryland OFR issued emergency regulations and formal guidance providing that, unless exempt or otherwise not so required, an issuer of mortgage- backed securities must obtain the appropriate Maryland licenses or face OFR administrative action against the issuer and / or other transaction parties, including potential assessment of civil monetary penalties and issuance of cease- and- desist orders. OFR and industry representatives recently proposed legislation that would provide a licensing exemption for entities that acquire mortgage loans by assignment but do not originate, service, or collect these loans on their own behalf (e. g., securitization trusts), but there is no assurance this proposed legislation will become law. Absent superseding action by OFR or the Maryland legislature, mortgage securitization trusts holding Maryland loans — including trusts that have issued Redwood- or CoreVest- sponsored securities — will be expected to obtain the appropriate licenses, which could be complicated, time consuming, costly, and / or lead to enforcement activity or litigation.** Additional federal or state laws and regulations that could affect our ability to execute future securitization transactions could be proposed, enacted, or implemented. In addition, various federal and state agencies and law enforcement authorities, as well as private litigants, have initiated and may, in the future, initiate additional broad- based enforcement actions or claims, the resolution of which may include industry- wide changes to the way mortgage loans and HEI are originated, transferred, serviced, and securitized, and any of these changes could also affect our ability to execute future securitization transactions. ~~For additional discussion, please refer to~~ **as further discussed within the these risk Risk factor Factors** titled "Federal, state and local legislative and regulatory developments and the actions of governmental authorities and entities may adversely affect our business and the value of, and the returns on, mortgages, mortgage- related securities, home equity investments, and other assets we own or may acquire in the future." Rating agencies can affect our ability to execute or participate in a securitization transaction, or reduce the returns we would otherwise expect to earn from executing securitization transactions, not only by deciding not to publish ratings for our securitization transactions (or deciding

not to consent to the inclusion of those ratings in the prospectuses or other documents we file with the SEC relating to securitization transactions), but also by altering the criteria and process they follow in publishing ratings. Rating agencies could alter their ratings processes or criteria after we have accumulated loans, HEI, or other assets for securitization in a manner that effectively reduces the value of those previously acquired or originated loans or assets or requires that we incur additional costs to comply with those processes and criteria. For example, to the extent investors in a securitization transaction would have significant exposure to representations and warranties made by us or by one or more counterparties we acquire loans or HEI from, rating agencies may determine that this exposure increases investment risks relating to the securitization transaction. Rating agencies could reach this conclusion either because of our financial condition or the financial condition of one or more counterparties from which we acquire loans or HEI, or because of the aggregate amount of loan- related or HEI- related representations and warranties (or other contingent liabilities) we, or one or more counterparties from which we acquire loans or HEI, have made or have exposure to. In addition, our ability to continue to securitize residential mortgage loans or HEI in the future will depend, in part, on the rating agencies' assessment of the investment risks that result from, in the case of loans, the ability- to- repay regulations and the TILA- RESPA Integrated Disclosure Rule (TRID) or, in the case of HEI, assessment of investment risks resulting from an emerging or changing regulatory landscape, such as the risk of HEI being recharacterized **or regulated** as mortgage loans **, for example, as a potential reaction to the January 2025 CFPB Actions**. With respect to residential mortgage loans, this risk includes, for example, how rating agencies assess investment risks associated with non-material errors in loan- related disclosures made to mortgage borrowers and residential mortgage loans that have an interest-only payment feature. As another example, with respect to loans with a debt- to- income ratio greater than 43 %, which, following amendments to the " qualified mortgage" definition in 2021, may now be considered " qualified mortgages " under CFPB rules if they meet the amended definition (including an Annual Percentage Rate (" APR") test), rating agencies may nonetheless decide that such loans pose greater risk to investors. Since these provisions were implemented over the past several years, the rating agencies' assessment of these risks has generally been consistent with ours, but to the extent their assessments diverge from ours, this could negatively impact our ability to execute securitization transactions. Moreover, with respect to securitizations of HEI, ratings agencies only recently began issuing ratings for these transactions; as the ratings agencies gain more experience and data around HEI and securitizations backed by HEI, the ratings framework applicable to HEI may change, and such changes may be significant. If, as a result of any of the foregoing issues, rating agencies place limitations on our ability to execute future securitization transactions or impose unfavorable ratings levels or conditions on our securitization transactions, it could reduce the returns we would otherwise expect to earn from executing these transactions and negatively impact our business and financial results. Furthermore, other matters, such as (i) accounting standards applicable to securitization transactions and (ii) capital and leverage requirements applicable to banks' and other regulated financial institutions' holdings of ABS (as a result of ~~recently~~ proposed " Basel III Endgame " requirements or otherwise), could result in less investor demand for securities issued through securitization transactions we execute or increased competition from other institutions that originate, acquire, and hold single- family and multifamily residential **consumer** and **business purpose residential investor** mortgage loans, HEI and other types of assets and execute securitization transactions. Our ability to profitably execute or participate in future securitization transactions, including, in particular, securitizations of residential **consumer** and **business purpose residential investor** mortgage loans and HEI, is dependent on numerous factors and if we are not able to achieve our desired level of profitability or if we incur losses in connection with executing or participating in future securitizations it could have a material adverse impact on our business and financial results. There are a number of factors that can have a significant impact on whether a securitization transaction that we execute or participate in is profitable to us or results in a loss. One of these factors is the price we pay for (or cost of originating) the mortgage loans or HEI that we securitize, which, in the case of residential mortgage loans, for example, is impacted by the level of competition in the marketplace for acquiring mortgage loans and the relative desirability to originators of retaining mortgage loans as investments or selling them to third parties such as us, as well as the volume, scale, and expense structure of our residential consumer and residential investor operating businesses. Another factor that impacts the profitability of a securitization transaction is the cost to us of the short- term debt that we use to finance our holdings of mortgage loans or HEI prior to securitization, which cost is affected by a number of factors including the availability of this type of financing to us, the interest rate on this type of financing, the duration of the financing we incur, and the percentage of our mortgage loans or HEI for which third parties are willing to provide short- term financing. After we acquire or originate mortgage loans or HEI that we intend to securitize, we can also suffer losses if the value of those loans or HEI declines prior to securitization. Declines in the value of a mortgage loan, for example, can be due to, among other things, changes in interest rates, changes in the credit quality of the loan, and changes in the projected yields required by investors to invest in securitization transactions. In addition, declines in the value of HEI can be due to, among other things, trends in and outlook for home price appreciation, cash flow trends and extension risk, economic **or** regulatory changes, or investor preferences. To the extent we seek to hedge against a decline in loan value due to changes in interest rates, the cost of any such hedges also impacts whether a securitization is profitable. Other factors that can significantly affect whether a securitization transaction is profitable to us include the criteria and conditions that rating agencies apply and require when they assign ratings to the asset- backed securities issued in our securitization transactions, including the percentage of asset- backed securities issued in a securitization transaction that the rating agencies will assign a triple- A rating or highest applicable rating to (also referred to as rating agency subordination level). Rating agency subordination levels can be impacted by numerous factors, including, without limitation, the credit quality of the loans or assets securitized, the geographic distribution of the loans or assets to be securitized, the structure of the securitization transaction, and other applicable rating agency criteria. All other factors being equal, the greater the percentage of the asset- backed securities issued in a securitization transaction that the rating agencies will assign a triple- A rating or highest applicable rating to, the more profitable the transaction will be to us. The price that investors in asset- backed securities will pay for securities issued in our securitization transactions also has a significant impact on the

profitability of the transactions to us, and these prices are impacted by numerous market forces and factors. In addition, the underwriter (s) or placement agent (s) we select for securitization transactions, and the terms of their engagement, can also impact the profitability of our securitization transactions. Also, transaction costs incurred in executing transactions impact the profitability of our securitization transactions and any liability that we may incur, or may be required to reserve for, in connection with executing a transaction can cause a loss to us. To the extent that we are not able to profitably execute future securitizations of residential **consumer** or ~~business purpose~~ **residential investor** mortgage loans, HEI, or other assets, including for the reasons described above or for other reasons, it could have a material adverse impact on our business and financial results. Our past and future loan and HEI origination and securitization activities or other past and future business or operating activities or practices could expose us to litigation, which may adversely affect our business and financial results. Through certain of our wholly- owned subsidiaries we have in the past engaged in or participated in loan and HEI origination and securitization transactions relating to single- family and multifamily residential **consumer** mortgage loans, ~~business purpose~~ **residential investor** mortgage loans, commercial real estate loans, HEI, and other types of assets. In the future we expect to continue to engage in or participate in loan and HEI origination and securitization transactions, including, in particular, securitization transactions relating to residential **consumer** and ~~business purpose~~ **residential investor** mortgage loans and HEI, and may also engage in other types of securitization transactions or similar transactions. Sequoia securitization entities we sponsor issued ABS under our SEMT ® label, backed by residential mortgage loans held by these Sequoia entities. Similarly, CoreVest securitization entities (or “CAFL entities”) we sponsor issued ABS under our CAFL ® label, backed by ~~business purpose~~ **residential investor** mortgage loans held by these CAFL entities. ~~In Acacia securitization transactions we participated in, Acacia securitization entities issued ABS backed by securities and other assets held by these Acacia entities.~~ As a result of declining property values, increasing defaults, changes in interest rates, **changes in regulation**, and other factors, the aggregate cash flows from the loans held by the Sequoia and CAFL entities and the ~~HEI securities and other assets held by the Acacia~~ **HEI securitization** entities ~~may could be, or in some cases are certain to be,~~ insufficient to repay in full the principal amount of ABS issued by these securitization entities. While we are not directly liable for any of the ABS issued by these entities, third parties who hold the ABS issued by these entities may nevertheless ~~try seek~~ **try seek** to hold us liable for any losses they experience, including through claims under federal and state securities laws or claims for breaches of representations and warranties we made in connection with engaging in these securitization transactions. Additionally, holders of ABS issued by CAFL entities prior to our acquisition of CoreVest may make claims against us for losses arising from activities that occurred prior to the acquisition. We have been named in these types of lawsuits in the past and may again be named in such lawsuits in the future. Originating, transacting in and / or funding HEI exposes us to new and different risks than our residential mortgage banking activities, including potential uncertainty with respect to licensing requirements, regulatory compliance, enforcement, litigation and claims. To the extent HEI or HEI- related assets are broadly subjected to new or modified form (s) of regulation, regulatory enforcement, litigation or claims, or are recharacterized as loans — whether such regulation or claims are initiated by federal **(including activity formalizing the January 2025 CFPB Actions)**, state or local governmental, quasi- governmental or consumer rights organizations, by homeowners themselves, or otherwise — we may be unable to continue our HEI transaction volume at current levels (or at all), we may be unable to realize expectations as to revenue or profit from HEI activities or to enforce our rights under HEI we own, or we could be subjected to civil penalties, fines or damages, any of which might be significant. **Additionally, to the extent state or federal agencies take regulatory action with respect to larger, third- party HEI originators and / or provide remedies for consumers who have entered into an HEI with one of these originators, such actions or remedies, if applicable, could negatively impact the value of HEI we are invested in and our business activity related to HEI.** Any such changes, events, or penalties could materially harm the value of our portfolio of HEI and HEI- related assets, as well as our business, cash flows, financial condition and results of operations. ~~For, as further discussed~~ **discussed** discussion, refer to the risk factor titled, “Originating, transacting in and / or funding HEI exposes us to new and different risks than our other residential mortgage banking activities, including potential uncertainty with **within** respect to licensing requirements, regulatory compliance, enforcement, litigation and claims; and the value of our investments in HEI may be negatively impacted by these same **Risk factors Factors**.” In addition, other aspects of our business operations or practices could also expose us to litigation. In the ordinary course of our business we enter into agreements relating to, among other things, loans we originate and acquire, investments we make, assets and loans we sell, financing transactions, venture capital investments, third parties we retain to provide us with goods and services, and our leased office space. We also regularly enter into confidentiality agreements with third parties under which we receive confidential information. If we breach any of these agreements, we could be subject to claims for damages and related litigation. For example, when we sell whole loans in the secondary market, we are required to make customary representations and warranties about such loans to the loan purchaser. Our mortgage loan sale agreements may require us to repurchase or substitute loans or indemnify investors in the event we breach a representation or warranty made to the loan purchaser. In addition, we may be required to repurchase loans as a result of borrower fraud or in the event of early payment default on a mortgage loan. The remedies available to a purchaser of mortgage loans may be broader than those available to us against the borrower or correspondent. Further, if a purchaser enforces its remedies against us, we may not be able to enforce the remedies we have against the borrower or correspondent seller. Financing for repurchased loans may be limited or unavailable, and may incur a steep discount to their repurchase price from financing counterparties. They are also typically sold at a significant discount to the loan' s unpaid principal balance. Significant repurchase activity could harm our business, cash flow, results of operations and financial condition. As a result of past or future actions of our ~~BPL~~ **residential investor loan** platforms, we may be subject to lender liability claims, and if we are held liable under such claims, we could be subject to losses. A number of judicial decisions have upheld the right of borrowers to sue lending institutions on the basis of various evolving legal theories, collectively termed “lender liability.” Generally, lender liability is founded on the premise that a lender has either violated a duty, whether implied or contractual, of good faith and fair

dealing owed to the borrower or has assumed a degree of control over the borrower resulting in the creation of a fiduciary duty owed to the borrower or its other creditors or stockholders. We could also be subject to litigation, including class action litigation, or regulatory enforcement action, including enforcement action initiated by the CFPB, relating to residential mortgage servicer performance failing to adhere to requirements governing forbearance and foreclosure as a result of the pandemic or other servicer misconduct. As **further** discussed **within above under the these Risk Factor Factors heading**, “Through certain of our wholly-owned subsidiaries we have engaged in the past, and expect to continue to engage in, securitization transactions relating to real estate mortgage loans and HEI. In addition, we have invested in and continue to invest in mortgage-backed securities and other ABS issued in securitization transactions sponsored by other companies. These types of transactions and investments expose us to potentially material risks,” the Student Loan ABS Litigation may introduce additional theories of securitization entity liability resulting from third-party servicer misconduct. ~~Additionally, federal regulators under the Biden presidential administration have signaled a renewed focus on fair lending and fair servicing guidelines and practices to identify potential discriminatory loss mitigation and foreclosure practices and hold residential mortgage servicers accountable.~~ We cannot assure investors that such claims will not arise through litigation or regulatory action or that we will not be subject to significant liability if a claim of this type did arise. Additionally, we could be subject to such claims relating to activities that occurred at 5 Arches, CoreVest, and Riverbend prior to, or following, our acquisitions of those platforms. We are also subject to various other laws and regulations relating to our business and operations, including, without limitation, privacy laws and regulations and labor and employment laws and regulations, and if we fail to comply with these laws and regulations we could also be subjected to claims for damages, litigation, and regulatory enforcement actions and penalties. In particular, if we fail to maintain the confidentiality of consumers’ personal or financial information we obtain in the course of our business (such as social security numbers), we could be exposed to losses. ~~A, as further discussed within discussion of some of these risks is set forth in the risk Risk factor Factors titled “Maintaining information security.”~~ **We may also be subject to litigation and complying claims, including claims for injunctive relief, in connection with hiring employees who data privacy laws and regulations are important subject to our business and a cybersecurity or data breach, or a violation of data privacy laws, could result in serious harm to our reputation and have a material adverse impact on non- compete, non- solicitation, our- or business and financial results other restrictive covenants made to their prior employers.**” Defending a lawsuit (whether merited or meritless) can consume significant resources and may divert management’s attention from our operations. We may be required to establish or increase reserves for potential losses from litigation, which could be material. To the extent we are unsuccessful in our defense of any lawsuit, we could suffer losses which could be in excess of any reserves established relating to that lawsuit, and these losses could be material. Litigation of the type initiated during 2017 against various trustees of residential mortgage-backed securitization transactions issued prior to financial crisis of 2007- 2008 (“RMBS trustee litigation”) negatively impacted, and could further negatively impact, the value of securities we hold, could expose us to indemnification claims, and could impact the profitability of our participation in future securitization transactions. Litigation against RMBS trustees has related to, among other things, claims by certain investors in the RMBS issued in those transactions that the trustees of those transactions breached their obligations to investors by, among other things, not appropriately investigating and pursuing remedies against the originators and servicers of the underlying mortgage loans. We have not been a party to any RMBS trustee litigation; however, RMBS trustee litigation has, in the past, negatively impacted the value of certain residential mortgage-backed securities issued prior to the Great Financial Crisis (“legacy RMBS”) that were held in our investment portfolio. The value of other legacy RMBS we continue to hold or acquire could be impacted in the future. In particular, trustees of various legacy RMBS transactions that have been the subject of RMBS trustee litigation have withheld funds from investors in the RMBS issued in those transactions by asserting that, pursuant to their indemnification rights against the securitization trusts established under the applicable transaction documents, they are entitled to apply those funds to offset litigation expenses. Further, certain trustees have asserted that their indemnification rights entitle them to withhold large lump sum amounts to hold and apply to anticipated future litigation expenses. Similar holdbacks by trustees of legacy RMBS transactions could result in losses to the value of our portfolio of securities in the future, which losses could be material. Our acquisitions of 5 Arches, CoreVest, and Riverbend, or future acquisition targets, could fail to improve our business or result in diminished returns, could expose us to new or increased risks, and could increase our cost of doing business. Since 2019, we have completed the acquisitions of three ~~business purpose~~ **residential investor** real estate loan origination platforms, 5 Arches, CoreVest, and Riverbend, all of which we have combined into one platform to originate, acquire and / or distribute ~~business purpose~~ **residential investor** loans. In the future, we may engage in additional business acquisition activity. We have also completed strategic investments in, may make additional investments in, or raise or allocate additional capital to fund, internal or third-party residential **consumer** and ~~business purpose~~ **residential investor** mortgage origination platforms and HEI origination platforms. If we experience challenges related to business acquisitions that we do not anticipate or cannot mitigate, the returns we expected with respect to these investments may not be generated. If our assumptions are wrong, or if market conditions change, we may, as a result, not have capital available for deployment into more profitable businesses and investments. Our ~~business purpose~~ **residential investor** loan origination platform is dependent upon conditions in the investor real estate market, and conditions that negatively impact this market, such as increased borrowing costs or low capitalization rates, may reduce demand for our loans and adversely impact our business, results of operations and financial condition. Our ~~business purpose~~ **residential investor** loan borrowers are primarily owners of single- family and small to medium- sized multifamily residential rental properties, and residential properties for rehabilitation and subsequent resale or rental. Accordingly, the success of our business is closely tied to the overall success of the investors and small business owners in these markets. Various changes in real estate conditions may impact this market. Any negative trends in such real estate conditions may reduce demand for our products and services and, as a result, adversely affect our results of operations. Directly originating mortgage loans also exposes us to increased risks compared to our historical mortgage banking activities, including increased regulation by federal

and state authorities, additional and different types of litigation, challenges in effectively integrating operations, failure to maintain effective internal controls, procedures and policies, and other unknown liabilities and unforeseen increased expenses or delays associated with the acquisitions or the business of originating mortgage loans. Moreover, in the future, we may originate other housing related investments, as we recently began with HEI, which could expose us to similar risks as those described above with respect to originating mortgage loans. Additionally, CoreVest engages in and sponsors securitization transactions under the CAFL ® label relating to **BPL residential investor** term loans and, more recently, **BPL residential investor** bridge loans, and in connection with the acquisition of CoreVest, we acquired, and we expect to continue to retain, mortgage-backed securities issued in CAFL ® securitization transactions. These securitization transactions and investments expose us to potentially material risks, ~~in the same manner as~~ **further discussed within** described in the risk factor titled “Through certain of our wholly-owned subsidiaries we have engaged in the past, and expect to continue to engage in, securitization transactions relating to real estate mortgage loans and HEI. In addition, we have invested in and continue to invest in mortgage-backed securities and other ABS issued in securitization transactions sponsored by other companies. These **these Risk Factors** types of transactions and investments expose us to potentially material risks.” Additionally, in connection with our acquisitions of CoreVest, 5 Arches, and Riverbend, a portion of the purchase price of each acquisition was allocated to goodwill and intangible assets. In any future acquisition transaction, a portion of the purchase price may also be allocated to goodwill and intangible assets. The amount of the purchase price which is allocated to goodwill and intangible assets is determined by the excess of the purchase price over the net identifiable assets acquired. Accounting standards require that we test goodwill and intangible assets for impairment at least annually (or more frequently if impairment indicators arise). For example, in the first quarter of 2020, as a result of the **COVID** pandemic and its impact on our business, following an impairment assessment, we recorded a non-cash goodwill impairment expense and wrote down the entire \$ 89 million remaining value of our goodwill asset associated with our acquisitions of 5 Arches and CoreVest. As of December 31, ~~2023-2024~~, \$ 23 million of goodwill and \$ ~~28-19~~ million of intangible assets were recorded on our consolidated balance sheets. If, in the future, we determine that goodwill or intangible assets are impaired, we will be required to write down the value of these assets, as we did with our goodwill asset in 2020, up to the entire balance. Any such write-down would have a negative effect on our consolidated financial statements. **Originating, transacting in and / or funding HEI exposes us to new and different risks than our other residential mortgage banking activities, including potential uncertainty with respect to licensing requirements, regulatory compliance, enforcement, litigation and claims; and the value of our investments in HEI may be negatively impacted by these same factors.** Directly originating, transacting in and / or funding HEI exposes us to increased risks compared to our historical mortgage banking activities, including risks associated with uncertainty at the federal and / or state level relating to the statutory and regulatory treatment of HEI. Federal and / or state laws or regulations that are enacted or adopted to regulate HEI, or **enforcement or other** actions of regulatory agencies that clarify how HEI will be regulated under existing laws and regulations, may negatively impact our HEI business and investments. In addition, we may be exposed to litigation and claims related to our HEI business and investments, which could result in losses or requirements to change our HEI business in a way that negatively impacts our results of operations or the future prospects of our HEI-related activities. As we expand our business of originating, transacting in and / or funding HEI we may also face challenges in effectively integrating operations, designing and maintaining effective internal controls, procedures and policies, and other unknown or unforeseen operating challenges that may increase expenses, reduce our volume of business, or delay our progress. Our HEI business and investments may be subject to regulatory risk from **federal**, state and local regulators or civil litigants, including the risk of HEI being recharacterized as **a mortgage loans by courts or legislative or regulatory action, or the risk that the origination of HEI is subject to residential mortgage loan disclosure by courts or legislative or regulatory regulations action.** For instance, most states maintain laws and regulations that restrict usurious lending. If HEI are recharacterized **or regulated** as mortgage loans by a **federal or** state regulator or court, there is risk that HEI originated in that state would be unenforceable or subject to rescission, that an originator of HEI not licensed as a mortgage lender would be deemed to have violated state licensing laws, or that the collections under an HEI would be determined to be usurious. While HEI we originate are subject to a maximum investor return (or “ cap ”) determined at origination, which **caps sets** the **maximum** amount a homeowner would need to pay upon settlement of the HEI, there is no guarantee that such caps will ensure compliance with state usury restrictions if HEI are recharacterized as mortgage loans. In addition, state and local governments may require originators, servicers and holders of real estate financing products, like HEI, to obtain certain licenses and permits. In Connecticut, **Illinois, and Maryland**, for instance, ~~with the legislators have passage~~ **passed** of Public Act 21-138 in July 2021, the state implemented amendments to its financial regulatory laws that ~~impacted~~ **impact** HEI, including by expanding the definition of “ residential mortgage loan ” **under the state mortgage lending statute** to include ~~any~~ “ shared appreciation **agreement agreements** , ” including HEI. As a result, offering a shared appreciation agreement like an HEI in ~~the these three states~~ **State of Connecticut** requires a mortgage lending license. In July 2023, Maryland enacted a similar law. **Other states, such as Washington, have considered and / or are considering formalizing legislation or regulation of HEI.** If **, or more likely when,** additional states determine that originating, transacting in, or investing in, HEI is activity covered by that state’s mortgage licensing statute (or another existing or new state licensing statute), our HEI activities and investments relating to those states may be at risk if HEI we originate or acquire are not originated in compliance with the applicable ~~licensing~~ requirements. Aside from the examples of Maryland ~~and~~, Connecticut **and Illinois** noted above, there is limited explicit statutory and regulatory guidance or case law concerning key aspects of operating an HEI business or investing in HEI. For example, there is limited explicit **legislative or regulatory** guidance of the material disclosures that are required to be provided to consumers relating to products like HEI, which means that there can be no assurance that the steps we or our counterparties take to inform and educate consumers about the risks, benefits, costs, terms, and conditions of ~~an~~ HEI, will be viewed as legally sufficient in the event of litigation or governmental action, including with respect to consumer allegations that an HEI originator engaged in unfair or deceptive acts or practices (UDAP) in connection

with originating HEI. Further, there can be no assurance that we or our service providers have obtained all appropriate licenses and permits at the appropriate time in connection with HEI origination, transaction and investment activity. In certain states, loans made by unlicensed entities, or with interest rates in excess of usury limits, are void or voidable and, in addition, under the usury laws of most states, civil monetary penalties, restitution obligations and other penalties can accrue with respect to any person who receives unlawful interest – all of which highlight the risk associated with HEI being recharacterized or regulated as mortgage loans. Certain statutory and regulatory violations related to HEI could also result in imposition of criminal penalties and / or treble damages. Accordingly, we could be subject to claims for damages or disgorgement or we could become subject to enforcement actions relating to our HEI business and investments, which could include determinations that the HEI we originate or purchase could be impaired. In addition, federal lawmakers, regulatory agencies or a civil litigant may **undertake enforcement actions and / or attempt to recharacterize or regulate HEI as mortgage loans under federal law. For example, as further discussed within these Risk Factors, the January 2025 CFPB Actions expressed non-binding views by the CFPB regarding HEI, including that one particular consumer’s HEI contract is a “residential mortgage loan” and therefore “credit” under TILA.** If HEI are recharacterized as mortgage loans **under federal law**, a number of additional federal laws and regulations may apply **to the origination, servicing or ownership of HEI, including, among other things, federal laws** such as ECOA, HMDA, RESPA, or TILA, among others, as well as regulations promulgated thereunder. **If the CFPB, or another federal or state regulator, were to regulate HEI as a form of credit, our compliance costs would increase, and such regulation could negatively, and materially, impact our business, assets, financial condition, and results of operations.** Violations of, or noncompliance with, federal and other laws and regulations **also** carry the risk of significant penalties, damages, and other remedies that may be sought by governmental authorities or civil litigants, including rescission and / or required disgorgement of payments received. Such remedies, if imposed, could have a negative impact on our financial or operational results, the validity or enforceability of HEI we own or securitize, and / or the ability to collect on such HEI, any of which could have a negative impact on the value of HEI and HEI-related assets we own. To the extent HEI or HEI-related assets are broadly subjected to new or modified form (s) of regulation, regulatory enforcement, litigation or claims, or are recharacterized **or regulated** as loans — whether such regulation or claims are initiated by federal, state or local governmental, quasi- governmental or consumer rights organizations, by homeowners themselves, or otherwise — we may be unable to continue our HEI transaction volume at current levels (or at all), we may be unable to realize expectations as to revenue or profit from our HEI business or investments or to enforce our rights under HEI we own, or we could be subjected to civil penalties, fines or damages, any of which might be significant. Any such changes, events, or penalties could materially harm our HEI business and the value of our portfolio of HEI and HEI-related assets, as well as our business, cash flows, financial condition and results of operations. Our cash balances and cash flows may be insufficient relative to our cash needs. We need cash to make interest payments, to post as collateral to counterparties and lenders who provide us with short-term debt financing and who engage in other transactions with us, to fund acquisitions of mortgage loans and HEI, to fund originations of **business purpose residential investor** loans (including to fund construction-related draws on bridge loans) and HEI, to fund investment partnerships to which we have committed capital, for working capital, to fund REIT dividend distribution requirements, to comply with financial covenants and regulatory requirements, to fund **any required repurchases of mortgage loans or HEI, to fund** general and administrative expenses, and for other needs and purposes. We may also need cash to repay short-term borrowings when due or in the event the fair values of assets that serve as collateral for that debt decline, the terms of short-term debt become less attractive, or for other reasons. In addition, we may need to use cash to post in response to margin calls relating to various derivative instruments we hold as the values of these derivatives change. We may also need cash to fund the repayment of outstanding convertible notes, exchangeable securities, and unsecured notes that mature in **2024, 2025, 2027, and 2029, and 2030**. Our sources of cash flow include the principal and interest payments on the loans and securities we own, returns at settlement of HEI we invest in, asset sales, securitizations, short-term borrowings, issuing long-term debt, and issuing stock. Our sources of cash may not be sufficient to satisfy our cash needs. Cash flows from principal repayments could be reduced if prepayments slow or if credit quality deteriorates, or cash flows from HEI settlements could be reduced if the frequency of property sales or refinancings significantly decreases. For example, for some of our assets, cash flows are “locked-out” and we receive less than our pro-rata share of principal payment cash flows in the early years of the investment, or, in the case of HEI, we do not receive periodic payments at all for the duration of the investment. Additionally, the effects of events such as the regional banking crisis **or in early 2023 and the COVID** pandemic have, at times, adversely impacted and could again adversely impact our ability to access debt and equity capital on attractive terms, or at all. Any disruption and instability in the global financial markets or deteriorations in credit and financing conditions may affect our ability and mortgage loan borrowers’ ability to make regular payments of principal and interest (e. g., due to unemployment, underemployment, or reduced income or revenues, including as a result of tenants’ inability to make rental payments) or to access savings or capital necessary to fund business operations or replace or renew maturing liabilities on a timely basis, and may adversely affect the valuation of financial assets and liabilities. Any of the foregoing circumstances could make it difficult or impossible for us to borrow funds, increase margin calls under our borrowing facilities, affect our ability to meet liquidity, net worth, and leverage covenants under our borrowing facilities or have a material adverse effect on the value of investment assets we hold or our business, financial condition, results of operations and cash flows. Our minimum dividend distribution requirements could exceed our cash flows if our income as calculated for tax purposes significantly exceeds our net cash flows. This could occur when taxable income (including non-cash income such as discount amortization and interest accrued on negative amortizing loans) exceeds cash flows received. The Internal Revenue Code provides a limited relief provision concerning certain items of non-cash income; however, this provision may not sufficiently reduce our cash dividend distribution requirement. In the event that our liquidity needs exceed our access to liquidity, we may need to sell assets (including at inopportune times), thus reducing our earnings. In an adverse cash flow situation, we may not be able to sell assets effectively and our REIT status or our solvency could be

threatened. Further discussion of the risk associated with maintaining our REIT status is set forth in the risk factor titled “We have elected to be taxed as **further discussed within these Risk Factors** a REIT and, as such, are required to meet certain tests in order to maintain our REIT status. This adds complexity and costs to running our business and exposes us to additional risks.” Initiating new business activities or significantly expanding or reorganizing our existing business activities may expose us to new risks, could fail to result in the expected benefits, and could increase our cost of doing business. Initiating new business activities or significantly expanding or reorganizing existing business activities, including through acquisitions, corporate structure changes or the forming of new business units or joint ventures, are ways to grow our business, implement our long-term strategy, and respond to changing circumstances in our industry; however, these activities may expose us to new risks and regulatory compliance requirements. We cannot be certain that we will be able to manage these risks and compliance requirements effectively. Furthermore, our efforts may not succeed and any revenues we earn from any new or expanded business initiative or reorganization may not be sufficient to offset the initial and ongoing costs of that initiative or reorganization, which would result in a loss with respect to that initiative or reorganization. For example, in recent years, we have announced several new initiatives to expand our mortgage banking and investment activities, including by expanding our mortgage banking activities to include the acquisition and origination of **BPL residential investor** term loans and **BPL residential investor** bridge loans, completing the acquisitions of three **business purpose residential investor** real estate loan origination platforms, reorganizing those three acquired origination platforms into a single platform, launching our own HEI origination platform, incorporating blockchain technology into securitization transactions we sponsor, including for reporting purposes, and optimizing the size and target returns of our investment portfolio. We have also made investments in subordinate securities backed by re-performing and non-performing residential loans, multifamily securities, HEI and securities collateralized by HEI, excess MSR and servicer advance investments collateralized by residential **consumer** and multifamily loans, a joint venture to acquire CoreVest- originated bridge loans, a whole loan investment fund created to acquire light-renovation multifamily loans, and a multifamily investment fund to acquire workforce housing properties. Additionally, we have made, and continue to make, early-stage venture capital investments through our RWT Horizons ® investment platform. In addition, we have completed and may continue to pursue initiatives to form joint ventures or investment vehicles or funds with third-party investors to purchase loans, HEI or other assets from us or from other sources and to earn fees, incentives or other income in connection with these initiatives. ~~Further further discussion of discussed within these business changes is set forth in the risk Risk factor Factors titled “Decisions we make about our business strategy and investments, as well as decisions about raising capital or returning capital to shareholders and investors (through dividends or repurchases of common stock, preferred stock, or convertible or other debt), could fail to improve our business and results of operations.”~~ In connection with initiating new business activities or expanding or reorganizing existing business activities, to support growth or for other business reasons, we may create new subsidiaries or alter or reorganize our corporate structure. Frequently, these subsidiaries would be wholly-owned, directly or indirectly, by Redwood, but we may also create or participate in partnerships and joint ventures with third-party co-investors and in those cases, the entities may be partially-owned by Redwood. The creation of those subsidiaries or the implementation of any partnership, joint venture or reorganization may increase our administrative costs and expose us to other legal and reporting obligations, including, for example, because new subsidiaries may be incorporated in states other than Maryland or may be established in a foreign jurisdiction, or new or restructured business activities may be subject to additional regulation. Any new corporate subsidiary we create may (i) elect, together with us, to be treated as a taxable REIT subsidiary, (ii) elect to be treated as a REIT or (iii) if it is wholly owned by us, otherwise be treated as a qualified REIT subsidiary. Taxable REIT subsidiaries are wholly-owned or partially-owned subsidiaries of a REIT that pay corporate income tax on the income they generate. A taxable REIT subsidiary is not able to deduct its dividends paid to its parent in determining its taxable income and any dividends paid to the parent are generally recognized as income at the parent level. With respect to subsidiaries formed as partnerships or joint ventures with third-party co-investors, we may be a passive partner or investor, or otherwise unable to exert operational control over these subsidiaries, which may expose us to risks associated with the conduct of those in control, including total loss of our investment. We regularly evaluate our corporate structure in light of our business activities, opportunities and strategic growth plans. For example, growth and expansion of our mortgage banking platforms may reach a scale that requires our current corporate structure to be altered or reorganized to further support our strategic and business plans. Such alteration or reorganization in our corporate structure may require one or more of our subsidiaries to elect to be taxed as a REIT or as a taxable REIT subsidiary, or to be treated or cease to be treated as a qualified REIT subsidiary. As part of these regular evaluations, we generally compare maintaining our current corporate structure and tax elections to a range of alternatives including creating new subsidiaries, altering our tax elections, **altering our internal management structure**, participating in partnerships or joint ventures, and various structural changes that would involve the separation **and / or external management** of one or more of our business units or segments. Any such alteration or reorganization of our corporate structure or our tax elections could be complex, time consuming, and involve significant initial transaction costs. Additionally, any such alteration or reorganization could expose us to new risks or potential liabilities for failure to **address conflicts of interest or** meet regulatory or tax-related requirements, including the maintenance of our REIT status. If we were to determine to pursue an alteration or reorganization of our corporate structure, it is not certain that we would be successful in completing it, or if we did, that we would be able to manage any associated new risks, complexities or compliance requirements. Moreover, the evaluation, analysis and strategic planning that originally supported any such alteration or reorganization could fail to result in the expected benefits, including because of changed circumstances or unanticipated risks, or not be sufficient to offset the initial and ongoing costs of pursuing it. Our business and the markets in which we operate are constantly evolving and our efforts to initiate new business activities or significantly expand or reorganize existing business activities, including through acquisitions, structural changes, or the formation or expansion of business units, as ways to grow our business, implement our long-term strategy, and respond to changing circumstances may not be successful and may expose us to new risks and regulatory compliance

requirements. Our future success depends on our ability to attract and retain key personnel. Our future success depends on the continued service and availability of skilled personnel, including our executive officers and other **members business leaders that are part** of our management team. To the extent personnel we attempt to hire, or have already hired, are concerned about past workforce reductions or the potential for workforce reductions in the future, or that economic, regulatory, or other factors could impact our ability to maintain or expand our current level of business, it could negatively impact our ability to hire or retain the personnel we need to operate our business. Furthermore, **as to the extent** unemployment rates **have decreased- decrease** and / or **stabilized- stabilize** at normal or below- normal levels, the market for attracting and retaining human resources **has may** become increasingly competitive and costly. We cannot assure you that we will be able to attract and retain key personnel in line with historical cost levels, or at all. Additionally, the **COVID** effects of the pandemic at times adversely impacted, and a **similarly disruptive economic or geopolitical event may in the future adversely impact**, our financial condition and results of operations due to **interrupted service and availability of personnel, and an inability to recruit, attract and retain skilled personnel.** **To the extent our management teams or personnel are impacted in significant numbers by any such event and are not available or allowed to conduct work, our business and operating results may be negatively impacted.** Moreover, the negative impacts of the pandemic and other adverse economic conditions necessitated reductions in our workforce in recent years, and additional reductions in our workforce could become necessary if business or economic conditions deteriorate, which could negatively impact our business and results of operations. Additionally, the pandemic (or another, similarly disruptive economic or geopolitical event) could negatively impact our ability to ensure operational continuity in the event our business continuity plan is not effective or is ineffectually implemented or deployed during a disruption. **Employees are eligible for health insurance, including mental health coverage, prescription drug benefits, dental and vision insurance, flexible spending accounts, paid and unpaid leaves, wellbeing benefits, disability / accident coverage and participation in a 401K plan. We cannot assure you that we will be able to offer similar benefits to employees in the future at a cost comparable to current costs.** Because retaining key personnel is central to our future success, we have entered into restrictive covenant agreements with many of our key personnel, which seek to limit their ability to solicit our employees or customers or to compete with us, in each case, for specified periods following any departure from employment with us. These types of restrictive covenants may not be enforceable in certain states or jurisdictions, or may only be enforceable to a limited extent. Recently, the Federal Trade Commission **proposed-announced** a new rule that **would**, on a nationwide basis, **prohibit-prohibits** employers from imposing non- compete covenants on employees based on a preliminary finding that these types of restrictive covenants constitute an unfair method of competition and therefore violate federal antitrust laws. **Although enforcement of this new rule is suspended by ruling of a federal district court in Texas, the matter is currently on appeal to the U. S. Court of Appeals for the Fifth Circuit, which may choose to reinstate the rule.** In addition, California recently enacted two new state laws that expand the geographic reach of California's existing limitations on the enforceability of certain non- compete and other restrictive covenants and provide for affirmative notice of, and private enforcement rights relating to, the unenforceability of certain non- compete and other restrictive covenants with respect to California- based employees. **Under these, or similar, laws or regulations, we may be subject to litigation and claims, including claims for injunctive relief, for example, in connection with hiring employees who are subject to non- compete, non- solicitation, or other restrictive covenants made to their prior employers.** To the extent these types of non- solicitation and non- competition covenants are not enforceable against employees following any departure from employment with us, our ability to retain key personnel may be diminished and competition for human resources, customers and business may increase, which could adversely affect our financial condition, results of operations and cash flows. **Our technology infrastructure and systems are important and any significant disruption or breach of the security of this infrastructure or these systems could have an adverse effect on our business. We also rely on technology infrastructure and systems of third parties who provide services to us and with whom we transact business.** We are dependent on the secure, efficient, and uninterrupted operation of our technology infrastructure, as well as those of certain third parties and affiliates upon which we rely, including computer systems, hardware, related software applications and data centers. The websites and computer / telecommunications networks we rely upon must accommodate a high volume of traffic and deliver frequently updated information, the accuracy and timeliness of which is critical to our business. Our technology and the technology of our service providers must be able to facilitate loan and HEI application and loan and HEI acquisition experiences that equal or exceed the experience provided by our competitors. We also regularly undertake software development work, conducted either internally or in consultation and with the assistance of third- party individuals or organizations, to improve our technologies, operational efficiency, and customer or end- user experiences. These projects can be time- and resource- consuming and expensive, may experience significant delays, and ultimately may not result in the enhancements, improvements, or efficiencies we expected or forecasted at the outset. Any significant cost overruns, delays, or failures of critical technology projects could have a material adverse effect on our reputation, business, results of operations, or financial condition. In addition, we rely on our computer hardware and software systems in order to analyze, acquire, and manage our investments, manage the operations and risks associated with our business, assets, and liabilities, and prepare our financial statements. Some of these systems are located at our offices and some are maintained by third- party vendors or located at facilities maintained by third parties. We also rely on technology infrastructure and systems of third parties who provide services to us and with whom we transact business. Any significant interruption in the availability or functionality of these systems could impair our access to liquidity, damage our reputation, and have an adverse effect on our operations and on our ability to timely and accurately report our financial results. **These risks may increase in the future as we continue to increase our reliance on web- based product offerings, cloud service providers, and the use of cybersecurity tools and vendors.** We have experienced, and may in the future experience, service disruptions and failures caused by system or software failure, fire, power outages, telecommunications failures, **employee team member- misconduct, human error, computer hackers, artificial intelligence errors, misinformation, ransomware attacks**, computer viruses and disabling devices, malicious or

destructive code, denial of service or information, as well as natural disasters, pandemic or outbreak of epidemic disease, and other similar events, and our business continuity and disaster recovery planning may not be sufficient for all situations. For example, in response to the **COVID** pandemic in March 2020, we shifted to having most of our team members work remotely, with team members remotely accessing our secure networks through their home networks. Many of our employees, depending on their role and job functions, continue to work remotely on a hybrid basis and some on a full- time basis, and our security protocols for remote work may prove to be inadequate to prevent unauthorized access or disruption to information systems. The implementation of technology changes and upgrades to maintain current and integrate new technology systems may also cause service interruptions. **For example, in July 2024, CrowdStrike published a faulty update to its popular security software, resulting in the crash of millions of computer systems worldwide. This particular outage had a limited impact on us, but similar outages may significantly impact our businesses**. Prolonged outages in our or third parties' systems upon which we rely may not have a suitable backup or workaround. Any such disruption could interrupt or delay our ability to provide services to our loan sellers, loan applicants or other customers, counterparties or constituents, and could also impair the ability of third parties to provide critical services to us. In addition, any breach of the security of these systems could have an adverse effect on our operations and the preparation of our financial statements. Steps we have taken to provide for the security of our systems and data may not effectively prevent others from obtaining improper access to our systems or data. Improper access could expose us to risks of data loss or the unavailability of key systems, reputational damage, increased regulatory scrutiny and / or fines / penalties, fraud, litigation, and liabilities to third parties, and otherwise disrupt our operations ~~-, as Further further~~ **discussed** discussion is set forth in the risk factor titled "Maintaining information security and complying with **within these Risk Factors** data privacy laws and regulations are important to our business and a cybersecurity or data breach, or a violation of data privacy laws, could result in serious harm to our reputation and have a material adverse impact on our business and financial results." We may not be able to make technological improvements as quickly as demanded by our loan sellers, borrowers, and customers, which could harm our ability to attract loan sellers, borrowers, and customers, and adversely affect our results of operations, financial condition and liquidity. The financial services industry is undergoing rapid technological changes, with frequent introductions of new technology- driven products and services, including, most recently, solutions powered by artificial intelligence (AI). The effective use of technology increases efficiency and enables financial and lending institutions to better serve clients and reduce costs; however, the use of any emerging technologies, such as those incorporating AI, machine- learning, or algorithmic decision- making, poses an array of risks, both familiar and new. Our future success will depend, in part, upon our ability to address the needs of our loan sellers, borrowers, and customers by using technology, such as mobile and online services, to provide products and services that will satisfy demands for convenience, as well as to create additional efficiencies in our operations. Our future success in such endeavors will also depend, in part, on our ability to incorporate the use of such technologies thoughtfully and in a legally compliant manner. **For example, with the recent proliferation of AI- enabled products and services, certain state and federal lawmakers and regulators have begun developing, or have developed and promulgated, laws regarding the development and use of artificial intelligence (" AI Laws "). For example, the Colorado AI Act will require developers and deployers of " high- risk " AI systems to abide by statutory requirements, such as developing comprehensive policies and procedures around the use or development of AI systems and managing the risks associated therewith. The Colorado AI Act primarily focuses on the prevention of algorithmic discrimination in connection with certain " consequential decisions, " which include decisions that have a material impact on, e. g., consumer financial or lending services and housing. Other jurisdictions have followed, and more will likely follow, Colorado in proposing or enacting their own AI legislation.** We may not be able to effectively implement new technology- driven products and services as quickly, ~~or as safely~~, **or legally compliant** as competitors, ~~or be~~ successful in marketing these products and services to our loan sellers, borrowers, and customers. Failure to successfully keep pace with technological change affecting the financial services industry, or failure to prudently implement such changes, could harm our ability to attract investors, or loan sellers, borrowers, and customers, and adversely affect our results of operations, financial condition and liquidity. Our business could be adversely affected by deficiencies in our disclosure controls and procedures or internal controls over financial reporting. The design and effectiveness of our disclosure controls and procedures and internal controls over financial reporting may not prevent all errors, misstatements, or misrepresentations. While management continues to review the effectiveness of our disclosure controls and procedures and internal controls over financial reporting, there can be no assurance that our disclosure controls and procedures or internal controls over financial reporting will be effective in accomplishing all control objectives all of the time. Deficiencies, particularly material weaknesses or significant deficiencies, in internal controls over financial reporting which have occurred or which may occur in the future could result in misstatements of our financial results or other reportable metrics ~~(for example, disclosure of ESG- related metrics)~~, restatements of our financial statements, a decline in our stock price, or an otherwise material and adverse effect on our business, reputation, financial results, or liquidity and could cause investors and creditors to lose confidence in our reported financial results. Our risk management efforts may not be effective. We could incur substantial losses and our business operations could be disrupted if we are unable to effectively identify, manage, monitor, and mitigate financial risks, such as credit risk, interest- rate risk, prepayment risk, liquidity risk, and other market- related risks, as well as operational risks related to our business, assets, and liabilities, such as mortgage operations risk, legal and compliance risk, human resources- related risk, climate- related risk, data privacy, cybersecurity and technology- related risk, and financial reporting risk. Our risk management policies, procedures, and techniques may not be sufficient to identify all of the risks we are exposed to, mitigate the risks we have identified for mitigation, or to identify additional risks to which we may become subject in the future. Expansion of our business activities, including through acquisitions, generally also results in our being exposed to risks that we have not previously been exposed to or may increase our exposure to certain types of risks and we may not effectively identify, manage, monitor, and mitigate these risks as our business activity changes or increases ~~-, as Further further~~ **discussed within** discussion is set forth in the **these** risk

**Risk factor Factors** titled “Initiating new business activities or significantly expanding or reorganizing our existing business activities may expose us to new risks, could fail to result in the expected benefits, and could increase our cost of doing business.” We could be harmed by misconduct or fraud that is difficult to detect. We are exposed to risks relating to misconduct by our employees, contractors we use, or other third parties with whom we have relationships. For example, our employees could execute unauthorized transactions, use our assets improperly or without authorization, compromise our physical or technological security, perform improper activities, use confidential information for improper purposes, or mis-record or otherwise try to hide improper activities from us. **Additionally, in the past we have experienced, and may in the future experience, fraudulent or negligent activity among borrowers and certain third parties, including construction inspectors and employees of title insurance companies, that has led to the disbursement of under-collateralized funds and could cause us to incur financial losses on loans we have originated.** This type of misconduct could also relate to loan administration or other services that we provide for others. This type of misconduct can be difficult to detect and if not prevented or detected could result in claims or enforcement actions against us or losses. Accordingly, misconduct by employees, contractors, or others could subject us to losses or regulatory sanctions and seriously harm our reputation. Our controls may not be effective in detecting this type of activity. Inadvertent errors, including, for example, errors in the implementation of information technology systems, could subject us to financial loss, litigation, or regulatory action. Our employees, contractors we use, and other third parties with whom we have relationships may make inadvertent errors, or fall prey to social engineering attacks or other fraud schemes, that could subject us to financial losses, claims, or enforcement actions. These types of errors could include, but are not limited to, mistakes in executing, recording, or reporting transactions we enter into for ourselves or with respect to assets we manage for others, or mistakes related to settling payment or funding obligations, including with respect to wire transfers. Although we have policies and procedures in place that seek to mitigate these risks, including risks related to wire transfers, we have experienced fraudulent and erroneous activity in our business operations and have incurred financial losses related to such activity. Errors in the implementation of information technology systems, compliance systems and procedures, or other operational systems and procedures could also interrupt our business or subject us to financial losses, claims, or enforcement actions. Errors could also result in the inadvertent disclosure of mortgage-borrower, HEI-customer, or consumer non-public personal information. Inadvertent errors expose us to the risk of material losses. The risk of errors may be greater for business activities that are new for us or have non-standardized terms, for areas of our business that we have rapidly expanded or are in the process of expanding, or for areas of our business that rely on new employees or on third parties with whom we have only recently established relationships, as **Further further discussed** discussion is set forth in the risk factors titled “Maintaining information security and complying with **within** data privacy laws and regulations are important to our business and a cybersecurity or data breach, or a violation of data privacy laws, could result in serious harm to our reputation and have a material adverse impact on our business and financial results” and “Our technology infrastructure and systems are important and any significant disruption or breach of the security of this infrastructure or these **Risk Factors** systems could have an adverse effect on our business. We also rely on technology infrastructure and systems of third parties who provide services to us and with whom we transact business.” Our business may be adversely affected if our reputation is harmed. Our **brand recognition is important to the success of our business and we are exposed to intellectual property-related risks associated with our brands. Our** business is subject to significant reputational risks. If we fail, or appear to fail, to address various issues that may affect our reputation, our business could be harmed. Issues could include real or perceived legal or regulatory violations or could be the result of a failure in governance, inability to achieve **environmental workforce engagement, governance, or climate risk**, social-, or governance- (“ESG-”) related aspirations **initiatives**, or a failure to accurately report associated metrics, risk-management, technology, or operations. Similarly, market rumors and actual or perceived association with counterparties whose own reputation is under question could harm our business. Lawsuits brought against us (or the resolution of lawsuits brought against us), claims of employee misconduct, claims of wrongful termination, adverse publicity, conflicts of interest, ethical issues, or failure to maintain the security of our information technology systems or to protect personal information could also cause significant reputational damage. Such reputational damage could result not only in an immediate financial loss, but could also result in a loss of business relationships, the ability to raise capital, the ability to recruit and retain human resources, and the ability to access liquidity through borrowing facilities. **Our brand recognition is important to our business. We operate using various brand names, such as Redwood, Sequoia, Aspire, CoreVest®, RWT Horizons®, SEMT®, and CAFL®. We seek to protect the intellectual property that our brand names represent from infringement, however, we may not be able to detect or adequately protect against infringement on our brand names. Moreover, we may be exposed to the risk that third parties allege that we are infringing on their intellectual property rights through the use of our brand names and such third parties may seek to prevent us from using them or restrict the manner in which we use them. We may be involved in legal proceedings to defend our intellectual property rights or to assert claims of infringement against others. These legal proceedings could be costly and time-consuming and may not result in favorable outcomes. An adverse ruling could result in the loss of our intellectual property rights, a requirement to discontinue the use of certain brand names, or financial liabilities. Any such proceeding or unfavorable outcome could result in loss and / or additional expense associated with any rebranding effort.** Our financial results are determined and reported in accordance with generally accepted accounting principles (and related conventions and interpretations), or GAAP, and are based on estimates and assumptions made in accordance with those principles, conventions, and interpretations. Furthermore, the amount of dividends we are required to distribute as a REIT is driven by the determination of our income in accordance with the Internal Revenue Code rather than GAAP. Our reported GAAP financial results differ from the taxable income results that drive our dividend distribution requirements and, therefore, our GAAP results may not be an accurate indicator of taxable income and dividend distributions. Generally, the cumulative income we report relating to an investment asset will be the same for GAAP and tax purposes, although the timing of this recognition over the life of the asset

could be materially different. There are, however, certain permanent differences in the recognition of certain expenses under the respective accounting principles applied for GAAP and tax purposes and these differences could be material. Thus, the amount of GAAP earnings reported in any given period may not be indicative of future dividend distributions to holders of our common stock. Our minimum dividend distribution requirements are determined under the REIT tax laws and are based on our REIT taxable income as calculated for tax purposes pursuant to the Internal Revenue Code. Our Board of Directors may also decide to distribute more dividends than required based on these determinations. One should not expect that our retained GAAP earnings will equal cumulative distributions, as the Board of Directors' dividend distribution decisions, permanent differences in GAAP and tax accounting, and even temporary differences may result in material differences in these balances. Over time, accounting principles, conventions, rules, and interpretations change, which could affect our reported GAAP and taxable earnings and stockholders' equity. Accounting rules for the various aspects of our business change from time to time. Changes in GAAP, or the accepted interpretation of these accounting principles, can affect our reported income, earnings, and stockholders' equity. In addition, changes in tax accounting rules or the interpretations thereof could affect our taxable income and our dividend distribution requirements. Predicting and planning for these changes can be difficult. The future realization of our deferred tax assets is uncertain, and the amount of valuation allowance we may apply against our deferred tax assets may change materially in future periods. We currently have significant net deferred tax assets ("DTAs") primarily resulting from net operating loss ("NOL") carryforwards, capital loss carryforwards, and tax-deductible goodwill. The DTAs may be available to reduce taxes attributable to potential taxable income in future periods. Total net DTAs, for which a valuation allowance has not been established, were \$ 40-27 million as of December 31, 2023-2024. Realization of our DTAs is dependent on many factors, including generating sufficient taxable income prior to the expiration of NOL carryforwards and generating sufficient capital gains in future periods prior to the expiration of capital loss carryforwards. To the extent we determine, in accordance with GAAP, that it is not more likely than not that we will be able to realize a deferred tax asset, then we would establish a valuation allowance, which would reduce the value of our DTAs. At December 31, 2023-2024, we reported net federal ordinary and capital DTAs with no material valuation allowance recorded against them. As of December 31, 2023-2024, we continued to believe it was more likely than not that we would realize all of our federal deferred tax assets; therefore, there was no valuation allowance recorded against our net federal DTAs. ~~We While we earned positive GAAP income at our TRS in 2023, such income was significantly less than the GAAP losses incurred at our TRS in 2022; therefore, we~~ closely evaluated the realizability of our DTAs and will reassess the need for a valuation allowance, in whole or in part, in connection with subsequent reporting periods. This evaluation will be based on all available evidence, including assumptions concerning future taxable income and capital gains income and our ability to rely on these assumptions considering our earnings in recent periods. As a result, significant judgment is required in assessing the possible need for a valuation allowance and changes to our assumptions could result in a material change in the valuation allowance with a corresponding impact on the provision for income taxes in the period including such change. If, based on available evidence, we conclude that it is not more likely than not that our DTAs will be realized, then a valuation allowance would be established with corresponding charges to GAAP earnings and book value per share. Such charges could cause a material reduction, up to the full value of our net DTAs (for which a valuation allowance has not previously been established), to our GAAP earnings and book value per share for the quarterly and annual periods in which they are established and could have a material and adverse effect on our business, financial results, or liquidity. Changes to the U. S. federal income tax laws could have an adverse impact on the U. S. housing market, mortgage finance markets, and our business. From time to time, U. S. federal, state, and local governments make substantive changes to income tax laws, rules and regulations impacting the housing market, mortgage finance markets, and / or our business. For example, the Tax Cuts and Jobs Act, which was enacted in 2017, among other things and subject to certain exceptions, reduced for individuals the annual residential mortgage- interest deduction for purchase money mortgage debt, as well as eliminated for individuals the deduction for interest with respect to home equity indebtedness. Changes such as these, or other unknown or unknowable future changes to income tax laws and regulations, could adversely impact home prices, liquidity among mortgage borrowers, borrower delinquencies, market values of mortgages, mortgage- backed securities, HEI, or other housing or mortgage- related assets, origination volumes or our volume of business activity, and other aspects of the markets within which we operate, all of which could negatively impact our business and financial results. State and / or local rent control or rent stabilization regulations may reduce the value of single- family rental or multifamily properties collateralizing mortgage loans we own, or those underlying the securities or other investments we own. As a result, the value of these types of mortgage loans, securities, and other investments may be negatively impacted, which impacts could be material. Numerous counties and municipalities, including those in which certain of the properties securing single- family rental and multifamily mortgage loans we own, or those underlying the securities or other investments we own, are located, impose rent control or rent stabilization rules on apartment buildings and other rental housing. These ordinances may limit rent increases to fixed percentages, to percentages of increases in the consumer price index, to increases set or approved by a governmental agency, or to increases determined through mediation or binding arbitration. In some jurisdictions, including, for example, New York City, many apartment buildings are subject to rent stabilization and some units are subject to rent control. These regulations, among other things, may limit the ability of single- family rental and multifamily property owners who have borrowed money (including in the form of mortgage debt) to finance their property or properties to raise rents above specified percentages. Any limitations on a borrower' s ability to raise property rents, especially as borrowers face rising or high financing costs, may impair such borrower' s ability to repair or renovate the mortgaged property, make mortgage loan payments or, in the case of a fixed cap on increases, keep pace with a rise in inflation. Some states, counties and municipalities have imposed or may impose in the future stricter rent control regulations. For example, in 2019, the New York State Senate passed the Housing Stability and Tenant Protection Act of 2019 (the "HSTP Act"), which, among other things, limits the ability of landlords to increase rents in rent stabilized apartments in New York State at the time of lease renewal and after a vacancy. The HSTP Act also limits potential rent increases for major capital

improvements and for individual apartment improvements in such rent stabilized apartments. In addition, the HSTP Act permits certain qualified localities in the State of New York to implement the rent stabilization system. In addition, the California State Assembly passed Assembly Bill 1482 (“ AB 1482 ”), which, among other things, will prevent landlords in California from increasing the gross rental rate by more than 5 % plus the percentage change in the cost of living in any 12- month period and require landlords to have “ just cause ” when evicting a tenant that has continuously and lawfully occupied a residential property for 12 months. Such “ just cause ” may include, among other things, the failure to pay rent, causing damage or destruction to the property, and assigning or subletting the premises in violation of the tenant’ s lease. In addition, the Oregon State House passed Senate Bill 608 (“ SB 608 ”), which, among other things, will limit rent increases to 7 % each year, in addition to inflation, and would, in most cases, require landlords to provide notice and give a reason for evicting tenants. The HSTP Act, AB 1482 or SB 608, or similar legislative or regulatory actions, may reduce the value of the single- family rental and multifamily properties collateralizing mortgage loans we own, or those underlying the securities or other investments we own, that are located in the States of New York, California, Oregon, or elsewhere, that are subject to the applicable rent control regulations. The value of **BPL residential investor** term loans and multifamily mortgage loans, securities, and other investments we own may be negatively impacted by rent control or rent stabilization laws, regulations, or ordinances, which impacts may be material. We may not be able to obtain or maintain the governmental licenses or registrations required to operate our business and we may fail to comply with various state and federal laws and regulations applicable to our business, including, for example, our business of acquiring residential mortgage loans and servicing rights and originating **business purpose residential investor** real estate loans or HEI. We seek to maintain ~~the our~~ status of being approved to service residential mortgage loans sold to ~~one or both of~~ Freddie Mac ~~and Fannie Mae~~ and failure to maintain our status as an approved servicer with ~~at least one of~~ Freddie Mac ~~or Fannie Mae~~ could harm our business. While we are not required to obtain licenses to purchase mortgage- backed securities, the purchase of residential **consumer** and **business purpose residential investor** mortgage loans in the secondary market, and the origination of **business purpose residential investor** loans or HEI, as well as the securitization of these assets, ~~may, in some circumstances, either now or in the future, require~~ **requires** us to maintain various state licenses. Acquiring the right to service residential mortgage loans and certain **business purpose residential investor** mortgage loans may also, in some circumstances, require us to maintain various state licenses even though we currently do not expect to directly engage in loan servicing ourselves. In addition, our HEI origination, administration and funding activity may, in some circumstances, either now or in the future, require us to obtain or maintain various state licenses. In addition, initiatives we have completed and may continue to pursue to form joint ventures or investment vehicles or funds with third- party investors to purchase loans, HEI or other assets from us or from other sources – and to earn fees, incentives or other income in connection with these initiatives – may require us to register as an investment advisor with federal or state regulatory authorities. ~~We As a result, we~~ could be delayed in conducting certain business if we were first required to obtain a federal or state license or registration. **For example, as further discussed within these Risk Factors, in January 2025, the Maryland OFR issued emergency regulations and formal guidance providing that, unless exempt or otherwise not so required, an issuer of mortgage- backed securities must obtain the appropriate Maryland licenses or face OFR administrative action against the issuer and / or other transaction parties, including potential assessment of civil monetary penalties and issuance of cease- and- desist orders. OFR and industry representatives recently proposed legislation that would provide a licensing exemption for entities that acquire mortgage loans by assignment but do not originate, service, or collect these loans on their own behalf (e. g., securitization trusts), but there is no assurance this proposed legislation will become law. Absent superseding action by OFR or the Maryland legislature, mortgage securitization trusts holding Maryland loans — including trusts that have issued Redwood- or CoreVest- sponsored securities — will be expected to obtain the appropriate licenses, which could be complicated, time consuming, costly, and / or lead to enforcement activity or litigation**. We cannot assure you that we will be able to obtain or maintain all of the licenses we need or that we would not experience significant delays in obtaining or maintaining these licenses. Furthermore, once licenses are issued we are required to comply with various information reporting and other regulatory requirements to maintain those licenses, and there is no assurance that we will be able to satisfy those requirements or other regulatory requirements applicable to our business of acquiring mortgage loans or HEI, and originating **business purpose residential investor** mortgage loans or HEI on an ongoing basis. Our failure to obtain or maintain required licenses or our failure to comply with regulatory requirements that are applicable to our business of acquiring or originating mortgage loans or HEI may restrict our business and investment options and could harm our business and expose us to penalties or other claims. For example, under the Dodd- Frank Act, the CFPB also has regulatory authority over certain aspects of our business as a result of our residential mortgage banking activities, including, without limitation, authority to bring an enforcement action against us for failure to comply with regulations promulgated by the CFPB that are applicable to our business. ~~One Another~~ of the CFPB’ s areas of focus has been on whether companies like Redwood take appropriate steps to ensure that business arrangements with service providers do not present risks to consumers. The sub- servicers we retain to directly service residential mortgage loans (when we own the associated MSRs) **, or whom we retain to service HEI,** are among our most significant service providers with respect to our residential mortgage banking **and HEI** activities and our failure to take steps to ensure that these sub- servicers are servicing these residential mortgage loans **and HEI** in accordance with applicable law and regulation could result in enforcement action by the CFPB against us that could restrict our business, expose us to penalties or other claims, negatively impact our financial results, and damage our reputation. Furthermore, failure of sub-servicers who service securitized loans **or HEI** could result in the associated securitization entity being held liable for the sub-servicer’ s actions, which could result in losses to us, including as a result of a reduction in the value of mortgage securities issued by such entities that we hold as investments – ~~, as Further further discussed within discussion is set forth in the risk factor titled “ Through certain of our wholly- owned subsidiaries we have engaged in the past, and expect to continue to engage in, securitization transactions relating to real estate mortgage loans and HEI. In addition, we have invested in and continue to~~

invest in mortgage-backed securities and other ABS issued in securitization transactions sponsored by other companies. These **these Risk Factors** types of transactions and investments expose us to potentially material risks.” As another example, rules under the HMDA that took effect in January 2018 impose expanded data collection requirements and additional reporting obligations on mortgage lenders and purchasers of residential mortgage loans. The expanded data collection requirements may result in a higher frequency of data errors, which in turn could be perceived by regulators as an indication of inadequate controls and poor compliance processes, and could lead to monetary civil penalties. Additionally, the availability of increased amounts of data may increase regulatory scrutiny of our mortgage loan purchasing patterns or our data security practices. In addition, ECOA, the Fair Housing Act, Fair Credit Reporting Act, and other Federal and state laws and regulations that apply to certain of our investment and business activities, include consumer protections relating to discrimination, abusive and deceptive practices, and other consumer-related matters. To the extent these laws and regulations apply to us, our failure to comply with them, even if not intentional, could give rise to liabilities, fines, and remediation requirements, which could be material. Failure to comply with these laws and regulations could also result from our, or an advisor’s, incorrect conclusion that certain aspects of our investment and business activities — including, for example, HEI-related activities — are not subject to certain laws or regulations. In addition, we seek to maintain the status of being approved to service residential mortgage loans sold to ~~one or both of Freddie Mac and Fannie Mae~~. Approved servicers are required to conduct certain aspects of their operations in accordance with applicable policies and guidelines published by Freddie Mac ~~and Fannie Mae~~. Failure to maintain our status as an approved servicer would mean we would not be able to service mortgage loans for these entities, or could otherwise restrict our business and investment options and could harm our business and expose us to losses or other claims. With respect to residential mortgage loans **or HEI** we own **or originate**, or which we have purchased and subsequently sold, we may be subject to liability for potential violations of the CFPB’s TILA- RESPA Integrated Disclosure rule (also referred to as “TRID”) or other similar consumer protection laws and regulations, which could adversely impact our business and financial results. Federal consumer protection laws and regulations have been enacted and promulgated that are designed to regulate residential mortgage loan underwriting and originators’ lending processes, standards, and disclosures to borrowers. These laws and regulations include the CFPB’s “TRID”, “ability-to-repay” and “qualified mortgage” regulations. In addition, there are various other federal, state, and local laws and regulations that are intended to discourage predatory lending practices by residential mortgage loan originators. For example, the federal Home Ownership and Equity Protection Act of 1994 (HOEPA) prohibits inclusion of certain provisions in residential mortgage loans that have mortgage rates or origination costs in excess of prescribed levels and requires that borrowers be given certain disclosures prior to origination. Some states have enacted, or may enact, similar laws or regulations, which in some cases may impose restrictions and requirements greater than those in place under federal laws and regulations. In addition, under the anti-predatory lending laws of some states, the origination of certain residential mortgage loans, including loans that are classified as “high cost” loans under applicable law, must satisfy a net tangible benefits test with respect to the borrower. This test, as well as certain standards set forth in the “ability-to-repay” and “qualified mortgage” regulations, may be highly subjective and open to interpretation. In particular, the CFPB’s “qualified mortgage” regulations were in a transition phase that began on March 1, 2021 and ended on October 1, 2022, during which both the current regulations and updated “qualified mortgage” regulations were in effect, which may result in interpretive and implementation questions and challenges. As a result, a court may determine that a residential mortgage loan did not meet the standard or test even if the originator reasonably believed such standard or test had been satisfied. Failure of residential mortgage loan originators or servicers to comply with these laws and regulations could subject us, as an assignee or purchaser of these loans (or as an investor in securities backed by these loans), to monetary penalties and defenses to foreclosure, including by recoupment or setoff of finance charges and fees collected, and could result in rescission of the affected residential mortgage loans, which could adversely impact our business and financial results. **Furthermore, as further discussed within these Risk Factors, the January 2025 CFPB Actions expressed non-binding views by the CFPB regarding HEI, including that one particular consumer’s HEI contract is a “residential mortgage loan” and therefore “credit” under TILA. If the CFPB, or another federal or state regulator, were to regulate HEI as a form of credit, our compliance costs would increase, and such regulation could negatively, and materially, impact on our business, assets, financial condition, and results of operations.** The CFPB may revisit whether additional **regulations, or updates to existing ones,** should be made ~~to regulations~~, and any such updates could negatively impact our **Sequoia residential consumer mortgage banking and / or HEI** business. Environmental protection laws that apply to properties that secure or underlie our loan and investment portfolio could result in losses to us. We may also be exposed to environmental liabilities with respect to properties of which we become direct or indirect owners or to which we take title, which could adversely affect our business and financial results. Under the laws of several states, contamination of a property may give rise to a lien on the property to secure recovery of the cleanup costs. In certain of these states, such a lien has priority over the lien of an existing mortgage against the property, which could impair the value of an investment in a security we own backed by such a property or could reduce the value of such a property that underlies loans we have made or own. In addition, under the laws of some states and under the federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, we may be liable for costs of addressing releases or threatened releases of hazardous substances that require remedy at a property securing or underlying a loan we hold if our agents or employees have become sufficiently involved in the hazardous waste aspects of the operations of the borrower of that loan, regardless of whether or not the environmental damage or threat was caused by us or the borrower. In the course of our business, we may take title to real estate or otherwise become direct or indirect owners of real estate, including in the event of foreclosure on mortgage loans, in exercising rights and remedies available to us under HEI we own, and through our participation in an investment fund to acquire workforce housing properties. If we do take title, and when we are a direct or indirect owner, we could be subject to environmental liabilities with respect to the property, including liability to a governmental entity or third parties for property damage, personal injury, investigation, and clean-up costs. In addition, we may be required to investigate or

clean up hazardous or toxic substances or chemical releases at a property. The costs associated with investigation or remediation activities could be substantial. If we ever become subject to significant environmental liabilities, our business and financial results could be materially and adversely affected. **We have elected to be taxed as a REIT and, as such, are required to meet certain tests in order to maintain our REIT status. This adds complexity and costs to running our business and exposes us to additional risks.** Failure to qualify as a REIT could adversely affect our net income and dividend distributions and could adversely affect the value of our stock. We have elected to be taxed as a REIT for federal income tax purposes for all tax years since 1994. However, many of the requirements for qualification as a REIT are highly technical and complex and require an analysis of particular facts and an application of the legal requirements to those facts in situations where there is only limited judicial and administrative guidance. Thus, we cannot assure you that the Internal Revenue Service (the “ IRS ”) or a court would agree with our conclusion that we have qualified as a REIT historically, or that changes to our investments or business or the law will not cause us to fail to qualify as a REIT in the future. Furthermore, in an environment where assets may quickly change in value, previous planning for compliance with REIT qualification rules may be disrupted. If we failed to qualify as a REIT for federal income tax purposes and did not meet the requirements for statutory relief, we would be subject to federal corporate income tax on our taxable income, and we would not be allowed a deduction for distributions to shareholders in computing our taxable income. In such a case, we may need to borrow money or sell assets in order to pay the taxes due, even if the market conditions are not favorable for such sales or borrowings. In addition, unless we are entitled to relief under applicable statutory provisions, we would not be permitted to elect to be taxed as a REIT for four years thereafter. Failure to qualify as a REIT could adversely affect our dividend distributions and could adversely affect the value of our stock. Maintaining REIT status and avoiding the generation of excess inclusion income at Redwood Trust, Inc. and certain of our subsidiaries may reduce our flexibility and could limit our ability to pursue certain opportunities. Failure to appropriately structure our business and transactions to comply with laws and regulations applicable to REITs could have adverse consequences. To maintain REIT status, we must follow certain rules and meet certain tests. In doing so, our flexibility to manage our operations may be reduced. For instance:

- Compliance with the REIT income and asset rules, or uncertainty about the application of those rules to certain investments, may result in our holding investments in our taxable REIT subsidiaries (where any income they produce is subject to corporate- level taxation) when we would prefer to hold those investments in an entity that is taxed as a REIT (where they generally would not be subject to corporate- level taxation).
- Compliance with the REIT income and asset rules may limit the type or extent of financing or hedging that we can undertake.
- As a REIT, our ability to own non- real estate assets and earn non- real estate related income is limited, and the rules for classifying assets and income are complicated. Our ability to own equity interests in other entities is also limited. If we fail to comply with these limits, we may be forced to liquidate attractive investments on short notice and on unfavorable terms in order to maintain our REIT status.
- We generally use taxable REIT subsidiaries to own non- real estate assets and engage in activities that may give rise to non- real estate related income under the REIT rules. However, our ability to invest in taxable REIT subsidiaries is limited under the REIT rules. No more than 20 % of the value of our total assets can be represented by securities of one or more taxable REIT subsidiaries. Maintaining compliance with this limit could require us to constrain the growth of our taxable REIT subsidiaries (and the business and investing activities they conduct) in the future.
- Meeting minimum REIT dividend distribution requirements could reduce our liquidity. We may earn non- cash REIT taxable income due to timing and / or character mismatches between the computation of our income for tax and accounting purposes. Earning non- cash REIT taxable income could necessitate our selling assets, incurring debt, or raising new equity in order to fund dividend distributions.
- We could be viewed as a “ dealer ” with respect to certain transactions and become subject to a 100 % prohibited transaction tax or other entity- level taxes on income from such transactions. Furthermore, the rules we must follow and the tests we must satisfy to maintain our REIT status may change, or the interpretation of these rules and tests by the IRS may change. In addition, our stated goal has been to not generate excess inclusion income at Redwood Trust, Inc. and certain of its subsidiaries that would be taxable as unrelated business taxable income (“ UBTI ”) to our tax- exempt shareholders. Achieving this goal has limited, and may continue to limit, our flexibility in pursuing certain transactions or has resulted in, and may continue to result in, our having to pursue certain transactions through a taxable REIT subsidiary, which would reduce the net returns on these transactions by the associated tax liabilities payable by such subsidiary. Despite our efforts to do so, we may not be able to avoid creating or distributing UBTI to our common and preferred shareholders. To maintain our REIT status, we may be forced to borrow funds during unfavorable market conditions, and the unavailability of such capital on favorable terms at the desired times, or at all, may cause us to curtail our investment activities and / or to dispose of assets at inopportune times, which could adversely affect our financial condition, results of operations, cash flow and per- share trading price of our stock. To qualify as a REIT, we generally must distribute to our stockholders at least 90 % of our REIT taxable income each year (excluding any net capital gains), and we will be subject to regular corporate income taxes to the extent that we distribute less than 100 % of our REIT taxable income each year. In addition, we will be subject to a 4 % nondeductible excise tax on the amount, if any, by which distributions we pay in any calendar year are less than the sum of 85 % of our ordinary income, 95 % of our net capital gains, and 100 % of our undistributed income from prior years. To maintain our REIT status and avoid the payment of federal income and excise taxes, we may need to borrow funds to meet the REIT distribution requirements, even if the then- prevailing market conditions are not favorable for such borrowings. These borrowing needs could result from differences in timing between the actual receipt of income and inclusion of income for federal income tax purposes. For example, we may be required to accrue interest and discount income on mortgage loans, MBS, and other types of debt securities or interests in debt securities before we receive any payments of interest or principal on such assets. Moreover, our access to third- party sources of capital depends on a number of factors, including the market’ s perception of our growth potential, our current debt levels, the market price of our preferred stock or common stock, and our current and potential future earnings. We cannot assure you that we will have access to capital on favorable terms at the desired times, or at all, which may cause us to curtail our investment activities and / or to dispose of

assets at inopportune times, and could adversely affect our financial condition, results of operations, cash flows and per- share trading price of our stock. Dividends payable by REITs, including us, generally do not qualify for the reduced tax rates available for some dividends. The maximum U. S. federal income tax rate for qualified dividends paid by domestic non- REIT corporations to U. S. stockholders that are individuals, trust or estates is generally 20 %. Although dividends paid by REITs to such stockholders are generally not eligible for that rate (subject to limited exceptions), such stockholders may deduct up to 20 % of ordinary dividends from a REIT for taxable years beginning before January 1, 2026. Although this deduction reduces the effective tax rate applicable to certain dividends paid by REITs, such tax rate is still higher than the tax rate applicable to regular corporate qualified dividends. This may cause investors to view REIT investments as less attractive than investments in non- REIT corporations, which in turn may adversely affect the value of shares of REITs, including the shares of our common stock and preferred stock. The failure of mezzanine loans or, mortgage loans, MBS, or HEI subject to a repurchase agreement to qualify as real estate assets would adversely affect our ability to qualify as a REIT. When we enter into short- term financing arrangements in the form of repurchase agreements, we will sell certain of our assets to a counterparty and simultaneously enter into an agreement to repurchase the sold assets (including, for example, mortgage loans, MBS, or HEI). We believe that we will be treated for U. S. federal income tax purposes as the owner of the assets that are the subject of any such agreements notwithstanding that such agreements may transfer record ownership of these assets to the counterparty during the term of the agreement. It is possible, however, that the IRS could assert that we did not own the assets during the term of the repurchase agreement, in which case we could fail to qualify as a REIT. In addition, we have in the past and may continue in the future to acquire or originate mezzanine loans. Mezzanine loans are loans secured by equity interests in a partnership or limited liability company that directly or indirectly owns real estate. In Revenue Procedure 2003- 65, the IRS provided a safe harbor pursuant to which a mezzanine loan, if it meets each of the requirements contained in the Revenue Procedure, will be treated by the IRS as a real estate asset for purposes of the REIT asset tests, and interest derived from the mezzanine loan will be treated as qualifying mortgage interest for purposes of the REIT 75 % gross income test. Although the Revenue Procedure provides a safe harbor on which taxpayers may rely, it does not prescribe rules of substantive tax law. We believe that the mezzanine loans that we have treated as real estate assets generally met all of the requirements for reliance on this safe harbor. However, there can be no assurance that the IRS will not challenge the tax treatment of these mezzanine loans, and if such a challenge were sustained, we could in certain circumstances be required to pay a penalty tax or fail to qualify as a REIT. Changes in tax rules could adversely affect REITs and could adversely affect the value of our stock. The rules addressing federal income taxation are constantly under review by persons involved in the legislative process and by the IRS and the U. S. Department of the Treasury. Any future changes in the regulations or tax laws applicable to REITs or to mortgage- related or real estate- related financial products could negatively impact our operations or reduce any competitive advantages we may have relative to non- REIT entities, either of which could reduce the value of our stock. The application of the tax laws to our business is complicated, and we may not interpret or apply some of the rules and regulations correctly. In addition, we may not make all available elections, which could result in our not being able to fully benefit from available deductions or benefits. Furthermore, the elections, interpretations and applications we do make could be deemed by the IRS to be incorrect and could have adverse impacts on our GAAP earnings and potentially on our REIT status. The Internal Revenue Code, as well as any rules, regulations, guidance, or procedures promulgated thereunder, may change and / or the interpretation of the code or such rules and regulations by the IRS may change. In circumstances where the application of these rules and regulations affecting our business is not clear, we may have to interpret them and their application to us. We seek the advice of outside tax advisors in arriving at these interpretations, but our interpretations may prove to be wrong, which could have adverse consequences. Our tax payments and dividend distributions, which are intended to meet the REIT distribution requirements, are based in large part on our estimate of taxable income, which includes the application and interpretation of a variety of tax rules and regulations. While there are some relief provisions should we incorrectly interpret certain rules and regulations, we may not be able to fully take advantage of these provisions, and this could have an adverse effect on our REIT status. In addition, our GAAP earnings include tax provisions and benefits based **, in part,** on our estimates of taxable income and should our estimates prove to be wrong, we could have to make an adjustment to our tax provisions and this adjustment could be material. To the extent we hold deferred tax assets, changes in the outlook on our ability to fully realize such deferred tax assets may necessitate the recording of a valuation allowance against them with corresponding charges to GAAP earnings and book value per share, and such charges could be material **-, as Further further discussed within** discussion is set forth in the **these risk-Risk factor Factors** titled “The future realization of our deferred tax assets is uncertain, and the amount of valuation allowance we may apply against our deferred tax assets may change materially in future periods.” Our decisions about raising, managing, and distributing our capital may adversely affect our business and financial results. Furthermore, our growth may be limited if we are not able to raise additional capital. We are required to distribute at least 90 % of our REIT taxable income as dividends to shareholders. Thus, we do not generally have the ability to retain all of the earnings generated by our REIT and, to a large extent, we rely on our ability to raise capital to grow. We may raise capital through the issuance of new shares of our common stock, either through our direct stock purchase and dividend reinvestment plan or through public or private offerings. We may also raise capital by issuing (through public or private offerings) other types of securities, such as preferred stock (for example, the issuance Series A preferred stock we completed in January 2023) or corporate debt (for example, the issuance convertible notes and unsecured notes completed in 2022 and 2024). As of December 31, **2023-2024,** we had approximately **259-260.5** million unissued shares of common stock authorized for issuance under our charter (although approximately **79-76.5** million of these shares were reserved for issuance under our equity compensation plans, dividend reinvestment and stock purchase plan, ATM offering program, outstanding convertible notes and exchangeable notes or for potential change- in- control- related conversions of preferred stock). The number of our unissued shares of stock authorized for issuance establishes a limit on the amount of capital we can raise through issuances of shares of stock or securities convertible into, or exchangeable for, shares of stock, unless we seek and receive approval from our

shareholders to increase the authorized number of our shares authorized under our charter. Also, certain stock change of ownership tests may limit our ability to raise significant amounts of equity capital or could limit our future use of tax losses to offset income tax obligations if we raise significant amounts of equity capital. In addition, we may not be able to raise capital at times when we need capital or see opportunities to invest capital. Many of the same factors that could make the pricing for investments in real estate loans, securities, and other housing and mortgage- related assets attractive, such as the availability of assets from distressed owners who need to liquidate them at reduced prices, and uncertainty about credit risk, housing, and the economy, may limit investors' and lenders' willingness to provide us with additional capital on terms that are favorable to us, or at all. There may be other reasons we are not able to raise capital and, as a result, may not be able to finance growth in our business and in our portfolio of assets. If we are unable to raise capital and expand our business and our portfolio of investments, our growth may be limited, we may have to forgo attractive business and investment opportunities, and our general and administrative expenses may increase significantly relative to our capital base. Alternatively, we may need to raise capital on unfavorable terms, which may lead to greater dilution of existing holders of our preferred stock or common stock, higher interest costs, or higher transaction costs. To the extent we have capital that is available for investment, we have broad discretion over how to invest that capital and our shareholders and other investors will be relying on the judgment of our management regarding its use. To the extent we invest capital in our business or in portfolio assets, we may not be successful in achieving favorable returns.

**Conducting our business in a manner so that we are exempt from registration under, and in compliance with, the Investment Company Act may reduce our flexibility and could limit our ability to pursue certain opportunities. At the same time, failure to continue to qualify for exemption from the Investment Company Act could adversely affect us.**

Under the Investment Company Act, an "investment company" (as defined therein) is required to register with the SEC and is subject to extensive restrictive and potentially adverse regulations relating to, among other things, operating methods, management, capital structure, dividends, and transactions with affiliates. However, companies primarily engaged in the business of acquiring mortgages and other liens on and interests in real estate are generally exempt from the requirements of the Investment Company Act. We believe that we have conducted our business so that we are not subject to the registration requirements of the Investment Company Act. In order to continue to do so, however, Redwood and each of our subsidiaries must either operate so as to fall outside the definition of an investment company under the Investment Company Act or satisfy its own exclusion under the Investment Company Act. For example, to avoid being defined as an investment company, an entity may limit its ownership or holdings of investment securities to less than 40 % of its total assets. In order to satisfy an exclusion from being defined as an investment company, other entities, among other things, maintain at least 55 % of their assets in certain qualifying real estate assets (the 55 % Requirement) and also maintain an additional 25 % of their assets in such qualifying real estate assets or certain other types of real estate- related assets (the 25 % Requirement). Rapid changes in the values of assets we own, however, can disrupt prior efforts to conduct our business to meet these requirements. If Redwood or one of our subsidiaries fell within the definition of an investment company under the Investment Company Act and failed to qualify for an exclusion or exemption, including, for example, if it was required to and failed to meet the 55 % Requirement or the 25 % Requirement, it could, among other things, be required either (i) to change the manner in which it conducts operations to avoid being required to register as an investment company or (ii) to register as an investment company, either of which could adversely affect us by, among other things, requiring us to dispose of certain assets or to change the structure of our business in ways that we may not believe to be in our best interests. Legislative or regulatory changes relating to the Investment Company Act or which affect our efforts to qualify for exclusions or exemptions, including our ability to comply with the 55 % Requirement and the 25 % Requirement, could also result in these adverse effects on us. If we were deemed an unregistered investment company, we could be subject to monetary penalties and injunctive relief, we could be unable to enforce contracts with third parties, and third parties could seek to obtain rescission of transactions undertaken during the period in which we were deemed to be an unregistered investment company. Provisions in our charter and bylaws and provisions of Maryland law may limit a change in control or deter a takeover that might otherwise result in a premium price being paid to our shareholders for their shares in Redwood. In order to maintain our status as a REIT, not more than 50 % in value of our outstanding capital stock may be owned, actually or constructively, by five or fewer individuals (defined in the Internal Revenue Code to include certain entities). In order to protect us against the risk of losing our status as a REIT due to concentration of ownership among our shareholders and for other reasons, our charter generally prohibits any single shareholder, or any group of affiliated shareholders, from beneficially owning (as defined in the charter) more than 9.8 % of the outstanding shares of any class of our stock, unless our Board of Directors waives or modifies this ownership limit. In addition, our articles supplementary for the Series A preferred stock generally prohibit any person from beneficially owning or constructively owning (as such terms are defined in the articles supplementary) shares of the Series A preferred stock in excess of 9.8 % of the outstanding shares of the Series A preferred stock, unless our Board of Directors waives or modifies this ownership limit. These limitations may have the effect of precluding an acquisition of control of us by a third party without the consent of our Board of Directors. Our Board of Directors has granted a limited number of waivers to institutional investors to own shares of our ~~common~~ stock in excess of this 9.8 % limit, which waivers are subject to certain terms and conditions. Our Board of Directors may amend these existing waivers to permit additional share ownership or may grant waivers to additional shareholders at any time. Certain other provisions contained in our charter and bylaws and in the Maryland General Corporation Law ("MGCL") may have the effect of discouraging a third party from making an acquisition proposal for us and may therefore inhibit a change in control. For example, our charter includes provisions granting our Board of Directors the authority to issue preferred stock from time to time, such as the issuance of Series A preferred stock we completed in January 2023 or future preferred stock transaction (s), and to establish the terms, preferences, and rights of the preferred stock without the approval of our shareholders. Provisions in our charter and the MGCL also restrict our shareholders' ability to remove directors and fill the resulting vacancies on our Board of Directors, and restrict control share acquisitions. These provisions and others may deter offers to acquire our stock or large

blocks of our stock upon terms attractive to our shareholders, thereby limiting the opportunity for shareholders to receive a premium for their shares over then- prevailing market prices. The ability to take action against our directors and officers is limited by our charter and bylaws and provisions of Maryland law and we may (or, in some cases, are obligated to) indemnify our current and former directors and officers against certain losses relating to their service to us. Our charter limits the liability of our directors and officers to us and to shareholders for pecuniary damages to the fullest extent permitted by Maryland law. In addition, our charter and bylaws can require us to indemnify our officers and directors (and those of our subsidiaries and affiliates) to the maximum extent permitted by Maryland law in the defense of any proceeding to which he or she is made, or threatened to be made, a party because of his or her service to us. In addition, we have entered into, and may in the future enter into, indemnification agreements with our directors and certain of our officers and with the directors and certain of the officers of certain of our subsidiaries and affiliates, which agreements obligate us to indemnify these parties against certain losses relating to their service to us, or to our subsidiaries or affiliates, and the related costs of defense. Investing in our stock may involve a high degree of risk. Investors in our stock may experience losses, volatility, and poor liquidity, and we may reduce our dividends in a variety of circumstances. An investment in our stock may involve a high degree of risk, particularly when compared to other types of investments. Risks related to the economy, the financial markets, our industry, our investing activity, our **operations and regulatory compliance, our** other business activities, our financial results, the amount of dividends we distribute, the manner in which we conduct our business, and the way we have structured our operations could result in a reduction in, or the elimination of, the value of our stock. The level of risk associated with an investment in our stock may not be suitable for the risk tolerance of many investors. Investors may experience volatile returns and material losses. In addition, the trading volume of our stock (i. e., its liquidity) may be insufficient to allow investors to sell their stock when they want to or at a price they consider reasonable. Our earnings, cash flows, book value, and dividends can be volatile and difficult to predict. Investors in our stock should not rely on our estimates, projections, or predictions, or on management' s beliefs about future events. In particular, the sustainability of our earnings and our cash flows will depend on numerous factors, including our level of business and investment activity, our access to debt and equity financing, the returns we earn, the amount and timing of credit losses, prepayments, the expense of running our business, and other factors, including the risk factors described herein. Additionally, our preferred stock has a preference on dividend payment and liquidating distributions that could limit our ability to pay dividends to the holders of our common stock. As a consequence, although we seek to pay regular stock dividends that are sustainable, we may reduce our common stock dividend rate, stop paying dividends to our common stockholders or defer paying dividends to our preferred stockholders, in the future for a variety of reasons. We may not provide public warnings of dividend reductions or deferrals prior to their occurrence. Although we have paid special dividends in the past, we have not paid a special dividend since 2007 and we may not do so in the future. Changes to the amount or form of dividends we distribute may result in a reduction in the value of our stock. In addition, if dividends on any shares of our Series A preferred stock are in arrears for six or more quarterly dividend periods, whether or not consecutive, the number of directors constituting our board of directors will, subject to the maximum number of directors authorized under our bylaws then in effect, be automatically increased by two and the holders of Series A preferred stock will be entitled to vote for the election of those two additional directors at a special meeting of shareholders, and at each subsequent annual meeting of shareholders until all dividends accumulated on the Series A preferred stock for all past dividend periods and the then- current dividend period shall have been fully paid or declared and a sum sufficient for the payment thereof set aside for payment. A limited number of institutional shareholders own a significant percentage of our common stock, which could have adverse consequences to other holders of our stock. Based on filings of Schedules 13D and 13G with the SEC, we believe that as of December 31, ~~2023~~ **2024**, three institutional shareholders each owned 5 % or more of our outstanding common stock (and we believe these shareholders combined owned approximately ~~37-38~~ % of our outstanding common stock) and we believe based on data obtained from other public sources that, overall, institutional shareholders owned, in the aggregate, more than ~~75-80~~ % of our outstanding common stock. Furthermore, one or more of these investors or other investors could significantly increase their ownership of our preferred stock or common stock, including through the conversion of outstanding convertible or exchangeable notes into shares of common stock. Significant ownership stakes held by these individual institutions or other investors in common stock could have adverse consequences for other shareholders because each of these shareholders will have a significant influence over the outcome of matters submitted to a vote of our shareholders, including the election of our directors and transactions involving a change in control. In addition, should any of these significant shareholders determine to liquidate all or a significant portion of their holdings of our stock or, to the extent our stock is included in an industry or other broad- based market index and ceases to be so included, it could have an adverse effect on the market price of our stock. Although, under our charter, shareholders are generally precluded from beneficially owning (as defined in the charter) more than 9. 8 % of any class of our outstanding stock, and under our articles supplementary for the Series A preferred stock, shareholders are generally precluded from beneficially owning or constructively owning (as such terms are defined in the articles supplementary) more than 9. 8 % of our outstanding Series A preferred stock, our Board of Directors may amend existing ownership limitation waivers or grant new waivers to shareholders in the future, in each case in a manner which may allow for increases in the concentration of the ownership of our stock held by one or more shareholders. Future sales **or issuances** of our common stock, preferred stock or other securities, by us or by our officers, directors, or senior employees, may have adverse consequences for investors. We may issue additional shares of preferred stock, common stock, **warrants to purchase shares of stock,** or securities convertible into, or exchangeable for, shares of common stock, in public offerings or private placements (including, for example, as consideration in an acquisition transaction **or as part of a financing transaction** ), and holders of our outstanding **warrants to purchase common stock,** convertible notes or exchangeable securities may convert those securities into **, or exercise warrants to acquire,** shares of common stock. In addition, we may issue additional shares of common stock to participants in our direct stock purchase and dividend reinvestment plan and to our directors, officers, and employees under our employee stock purchase plan, our incentive

plan, or other similar plans, including upon the exercise of, or in respect of, distributions on equity awards previously granted thereunder. We are not required to offer any such shares to existing shareholders on a preemptive basis. Therefore, it may not be possible for existing shareholders to participate in future share issuances, which may dilute existing shareholders' interests in us. In addition, if market participants buy shares of preferred stock or common stock, **warrants to purchase shares of stock**, or securities convertible into, or exchangeable for, shares of common stock, in issuances by us in the future, it may reduce or eliminate any purchases of our preferred stock or common stock they might otherwise make in the open market, which in turn could have the effect of reducing the volume of shares of our stock traded in the marketplace, which could have the effect of reducing the market price and liquidity of our stock. At December 31, ~~2023~~ **2024**, our directors and executive officers beneficially owned, in the aggregate, ~~approximately 2%~~ **less than 3%** of our common stock. Sales of shares of our stock by these individuals are generally required to be publicly reported and are tracked by many market participants as a factor in making their own investment decisions. As a result, future sales by these individuals could negatively affect the market price of our stock. The change- in- control- related conversion rights of our preferred stock may be detrimental to holders of our common stock. We currently have 2, 800, 000 shares of Series A preferred stock outstanding, which may be converted into common stock upon the occurrence of limited specified change in control transactions. The rate of any such conversion into common stock would be based on the number of shares of common stock with a value equal to the \$ 25. 00 per- share preferred stock liquidation preference, subject to a maximum conversion rate of approximately seven shares of common stock for each share of preferred stock. The conversion of the Series A preferred stock into common stock would dilute stockholder ownership in us, could adversely affect the market price of our common stock, and could impair our ability to raise capital through the sale of additional equity securities. Dividend distributions on our stock may not be declared or paid or dividends on our common stock may decrease over time. Dividends on our common stock may be paid in shares of common stock, in cash, or a combination of shares of common stock and cash. Changes in the amount and timing of dividend distributions we pay or in the tax characterization of dividend distributions we pay may adversely affect the market price of our stock or may result in holders of our stock being taxed on dividend distributions at a higher rate than initially expected. Our dividend distributions are driven by a variety of factors, including our minimum dividend distribution requirements under the REIT tax laws and our REIT taxable income as calculated pursuant to the Internal Revenue Code. We are generally required to distribute to our stockholders at least 90 % of our REIT taxable income, although our reported financial results for GAAP purposes may differ materially from our REIT taxable income. Additionally, our Series A preferred stock has a preference on dividend payments and liquidating distributions that could limit our ability to pay dividends to the holders of our common stock. In the year ended December 31, ~~2023~~ **2024**, we paid approximately \$ ~~84-89~~ million of cash dividends on our common stock, representing cumulative dividends of \$ 0. ~~71-67~~ per share. Dividend payments to holders of our Series A preferred stock are due quarterly on the 15th of January, April, July, and October, each in the amount of \$ 1. 75 million (or \$ 0. 6250 per share of the Series A preferred stock) until the first interest rate reset date (April 15, 2028). Our ability to continue to pay quarterly dividends in the future may be adversely affected by a number of factors, including the risk factors described in this Annual Report on Form 10- K for the year ended December 31, ~~2023~~ **2024**. Further, we may consider paying future dividends to common stockholders, if at all, in shares of common stock, in cash, or a combination of shares of common stock and cash. Any decision regarding the composition of such dividends would be made following an analysis and review of our liquidity, including our cash balances and cash flows, at the time of payment of the dividend. For example, we may determine to distribute shares of common stock in lieu of cash, or in combination with cash, in respect of our dividend obligations to common stockholders, which, among other things, could result in dilution to existing common stockholders. To the extent we determine that future dividends would represent a return of capital to investors or would not be required under applicable REIT tax laws and regulations, rather than the distribution of income, we may determine to discontinue dividend payments on our common stock or Series A preferred stock until such time that dividends would again represent a distribution of income or be required under applicable REIT tax laws and regulations. Any reduction or elimination of our payment of dividend distributions would not only reduce the amount of dividends you would receive as a holder of our stock, but could also have the effect of reducing the market price of our stock and our ability to raise capital in future securities offerings. In addition, if dividends on any shares of our Series A preferred stock are in arrears for six or more quarterly dividend periods, whether or not consecutive, the number of directors constituting our board of directors will, subject to the maximum number of directors authorized under our bylaws then in effect, be automatically increased by two and the holders of Series A preferred stock will be entitled to vote for the election of those two additional directors at a special meeting of shareholders, and at each subsequent annual meeting of shareholders until all dividends accumulated on the Series A preferred stock for all past dividend periods and the then- current dividend period shall have been fully paid or declared and a sum sufficient for the payment thereof set aside for payment. The rate at which holders of our stock are taxed on dividends we pay and the characterization of our dividend — be it ordinary income, qualified dividends, long- term capital gains, or a return of capital — could have an impact on the market price of our stock. After we announce the expected characterization of dividend distributions we have paid, the actual characterization (and, therefore, the rate at which holders of our stock are taxed on the dividend distributions they have received) could vary from our expectations, including due to errors, changes made in the course of preparing our corporate tax returns, or changes made in response to an audit by the IRS, with the result that holders of our stock could incur greater income tax liabilities than expected. We may pay taxable dividends on our common stock in cash and in shares of common stock, in which case stockholders may sell shares of our stock to pay tax on such dividends, placing downward pressure on the market price of our stock. We may satisfy the REIT 90 % distribution test with taxable distributions of our common stock. The IRS has issued Revenue Procedure 2017- 45 authorizing elective cash / stock dividends to be made by “ publicly offered REITs. ” Pursuant to Revenue Procedure 2017- 45, the IRS will treat the distribution of stock pursuant to an elective cash / stock dividend as a distribution of property under Section 301 of the Internal Revenue Code (i. e., a dividend), as long as at least 20 % of the total dividend is available in cash and certain other parameters

detailed in the Revenue Procedure are satisfied. If we make a taxable dividend payable in cash and common stock, taxable stockholders receiving such dividends will be required to include the full amount of the dividend as ordinary income to the extent of our current and accumulated earnings and profits, as determined for U. S. federal income tax purposes. As a result, stockholders may be required to pay income tax with respect to such dividends in excess of the cash dividends received. If a U. S. stockholder sells the common stock that it receives as a dividend in order to pay this tax, the sales proceeds may be less than the amount included in income with respect to the dividend, depending on the market price of our common stock at the time of the sale. Furthermore, with respect to certain non- U. S. stockholders, we may be required to withhold U. S. federal income tax with respect to such dividends, including in respect of all or a portion of such dividend that is payable in common stock. If we make a taxable dividend payable in cash and our common stock and a significant number of our stockholders determine to sell shares of our stock in order to pay taxes owed on dividends, it may put downward pressure on the trading price of our stock. The market price of our stock could be negatively affected by various factors, including broad market fluctuations. The market price of our stock may be negatively affected by various factors, which change from time to time. Some of these factors are: • Our actual or anticipated financial condition, performance, and prospects and those of our competitors. • The market for similar securities issued by other REITs and other competitors of ours. • **The level of demand for assets we originate or acquire, including assets held in our investment portfolio.** • Changes in the manner that investors and securities analysts who provide marketplace research on us analyze the value of our stock. • Changes in recommendations or in estimated financial results published by securities analysts who provide marketplace research on us, our competitors, or our industry. • General economic and financial market conditions, including, among other things, actual and projected interest rates, prepayments, credit performance, and the markets for the types of assets we hold or invest in, **industry- wide volumes of mortgage loan originations, and conditions in casualty insurance (including homeowner' s insurance) markets**. • Proposals to significantly change the manner in which financial markets, banking, financial institutions and related industries, or financial products are regulated under applicable law, or the enactment of such proposals into law or regulation. • Other events or circumstances which undermine confidence in the financial markets or otherwise have a broad impact on financial markets, such as the sudden instability or collapse of large financial institutions or other significant corporations (whether due to fraud, undercapitalization, illiquidity or other factors), terrorist attacks, warfare (including between Russia and Ukraine and Israel and Hamas), natural or man- made disasters, the outbreak of pandemic or epidemic disease, or threatened or actual armed conflicts. Furthermore, these fluctuations do not always relate directly to the financial performance of the companies whose stock prices may be affected. As a result of these and other factors, investors who own our stock could experience a decrease in the value of their investment, including decreases unrelated to our financial results or prospects.