

REDWOOD TRUST INC  
Form 10-Q  
November 08, 2018

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UNITED STATES OF AMERICA  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)  
 OF THE SECURITIES EXCHANGE ACT OF 1934  
For the Quarterly Period Ended: September 30, 2018

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)  
 OF THE SECURITIES EXCHANGE ACT OF 1934

For the Transition Period from \_\_\_\_\_ to \_\_\_\_\_.  
Commission File Number 1-13759

REDWOOD TRUST, INC.  
(Exact Name of Registrant as Specified in Its Charter)  
Maryland 68-0329422  
(State or Other Jurisdiction of (I.R.S. Employer  
Incorporation or Organization) Identification No.)

One Belvedere Place, Suite 300 94941  
Mill Valley, California  
(Address of Principal Executive Offices) (Zip Code)

(415) 389-7373  
(Registrant's Telephone Number, Including Area Code)  
Not Applicable  
(Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer   
Non-accelerated filer  Smaller reporting company

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Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Common Stock, \$0.01 par value per share 82,965,298 shares outstanding as of November 5, 2018

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REDWOOD TRUST, INC.  
2018 FORM 10-Q REPORT  
TABLE OF CONTENTS

	Page
<u>PART I</u> FINANCIAL INFORMATION	
Item 1. <u>Financial Statements</u>	<u>2</u>
<u>Consolidated Balance Sheets at September 30, 2018 (Unaudited) and December 31, 2017</u>	<u>2</u>
<u>Consolidated Statements of Income for the Three and Nine Months Ended September 30, 2018 and 2017 (Unaudited)</u>	<u>3</u>
<u>Consolidated Statements of Comprehensive Income for the Three and Nine Months Ended September 30, 2018 and 2017 (Unaudited)</u>	<u>4</u>
<u>Consolidated Statements of Changes in Stockholders' Equity for the Nine Months Ended September 30, 2018 and 2017 (Unaudited)</u>	<u>5</u>
<u>Consolidated Statements of Cash Flows for the Nine Months Ended September 30, 2018 and 2017 (Unaudited)</u>	<u>6</u>
<u>Notes to Consolidated Financial Statements (Unaudited)</u>	<u>7</u>
<u>Note 1. Organization</u>	<u>7</u>
<u>Note 2. Basis of Presentation</u>	<u>7</u>
<u>Note 3. Summary of Significant Accounting Policies</u>	<u>8</u>
<u>Note 4. Principles of Consolidation</u>	<u>14</u>
<u>Note 5. Fair Value of Financial Instruments</u>	<u>19</u>
<u>Note 6. Residential Loans</u>	<u>30</u>
<u>Note 7. Business Purpose Loans</u>	<u>32</u>
<u>Note 8. Multifamily Loans</u>	<u>33</u>
<u>Note 9. Real Estate Securities</u>	<u>33</u>
<u>Note 10. Derivative Financial Instruments</u>	<u>38</u>
<u>Note 11. Other Assets and Liabilities</u>	<u>40</u>
<u>Note 12. Short-Term Debt</u>	<u>43</u>
<u>Note 13. Asset-Backed Securities Issued</u>	<u>44</u>
<u>Note 14. Long-Term Debt</u>	<u>47</u>
<u>Note 15. Commitments and Contingencies</u>	<u>49</u>
<u>Note 16. Equity</u>	<u>53</u>
<u>Note 17. Equity Compensation Plans</u>	<u>56</u>
<u>Note 18. Mortgage Banking Activities</u>	<u>57</u>
<u>Note 19. Investment Fair Value Changes, Net</u>	<u>58</u>
<u>Note 20. Operating Expenses</u>	<u>59</u>
<u>Note 21. Taxes</u>	<u>59</u>
<u>Note 22. Segment Information</u>	<u>60</u>
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>64</u>
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	<u>101</u>
Item 4. <u>Controls and Procedures</u>	<u>102</u>
 <u>PART</u>	
<u>II</u> — OTHER INFORMATION	
Item 1. <u>Legal Proceedings</u>	<u>103</u>
Item 1A. <u>Risk Factors</u>	<u>105</u>
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>105</u>
Item 3. <u>Defaults Upon Senior Securities</u>	<u>105</u>
Item 4. <u>Mine Safety Disclosures (Not Applicable)</u>	<u>105</u>

Item 5. <u>Other Information</u>	<u>105</u>
Item 6. <u>Exhibits</u>	<u>106</u>
<u>Signatures</u>	<u>107</u>

## PART I. FINANCIAL INFORMATION

## Item 1. Financial Statements

REDWOOD TRUST, INC. AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS

(In Thousands, except Share Data) (Unaudited)	September 30, 2018	December 31, 2017
<b>ASSETS <sup>(1)</sup></b>		
Residential loans, held-for-sale, at fair value	\$ 866,444	\$ 1,427,945
Residential loans, held-for-investment, at fair value	5,055,815	3,687,265
Business purpose loans, at fair value	115,620	—
Multifamily loans, held-for-investment, at fair value	942,165	—
Real estate securities, at fair value	1,470,084	1,476,510
Cash and cash equivalents	173,516	144,663
Restricted cash	27,253	2,144
Accrued interest receivable	35,644	27,013
Derivative assets	87,219	15,718
Other assets	365,875	258,564
<b>Total Assets</b>	<b>\$ 9,139,635</b>	<b>\$ 7,039,822</b>
<b>LIABILITIES AND EQUITY <sup>(1)</sup></b>		
<b>Liabilities</b>		
Short-term debt <sup>(2)</sup>	\$ 1,424,275	\$ 1,938,682
Accrued interest payable	31,076	18,435
Derivative liabilities	42,724	63,081
Accrued expenses and other liabilities	102,278	67,729
Asset-backed securities issued, at fair value	3,406,985	1,164,585
Long-term debt, net	2,770,970	2,575,023
<b>Total liabilities</b>	<b>7,778,308</b>	<b>5,827,535</b>
<b>Equity</b>		
Common stock, par value \$0.01 per share, 180,000,000 shares authorized; 82,930,281 and 76,599,972 issued and outstanding	829	766
Additional paid-in capital	1,785,957	1,673,845
Accumulated other comprehensive income	72,327	85,248
Cumulative earnings	1,410,854	1,290,341
Cumulative distributions to stockholders	(1,908,640 )	(1,837,913 )
<b>Total equity</b>	<b>1,361,327</b>	<b>1,212,287</b>
<b>Total Liabilities and Equity</b>	<b>\$ 9,139,635</b>	<b>\$ 7,039,822</b>

Our consolidated balance sheets include assets of consolidated variable interest entities (“VIEs”) that can only be used to settle obligations of these VIEs and liabilities of consolidated VIEs for which creditors do not have recourse to Redwood Trust, Inc. or its affiliates. At September 30, 2018 and December 31, 2017, assets of (1) consolidated VIEs totaled \$3,693,140 and \$1,259,774, respectively. At September 30, 2018 and December 31, 2017, liabilities of consolidated VIEs totaled \$3,417,835 and \$1,167,157, respectively. See Note 4 for further discussion.

(2) At December 31, 2017, balance includes \$250 million of convertible notes, which matured in April 2018. See Note 12 for further discussion.

The accompanying notes are an integral part of these consolidated financial statements.



REDWOOD TRUST, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF INCOME

	Three Months Ended September 30, 2018	Nine Months Ended September 30,
(In Thousands, except Share Data)		
(Unaudited)		