FORM 10-K

Annual report pursuant to section 13 and 15(d)

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REDWOOD MORTGAGE INVESTORS VIII

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SIC: **6189** Asset-backed securities

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REDWOOD MORTGAGE INVESTORS VIII
(a California Limited Partnership)
Index to Form 10-K

December 31, 1998

Part I

Part II

Part III

Part IV

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Form 10-K
Annual Report Pursuant to Section 13 or 15 (d) of
the Securities Exchange Act of 1934

For the year ended December 31, 1998 Commission file number 333-13113

REDWOOD MORTGAGE INVESTORS VIII

(Exact name of registrant as specified in its charter)

California	94-3158788
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification)
650 El Camino Real Suite G, Redwood City, CA	94063
(address of principal executive offices)	(zip code)
Registrants telephone No. including area code	(650) 365-5341

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Limited Partnership Units	None

Securities registered pursuant to
Section 12(g) of the Act: Limited Partnership Units

Indicate by check mark whether the registrant (1) has filed all reports to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 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	XXXX	NO

As of December 31, 1998, the limited partnership units purchased by non affiliates was 255,901.349 units computed at $100.00 a unit for $25,590,134.90

Documents incorporated by reference:

Portions of the Prospectus came into effect on December 4, 1996, (the Prospectus) are incorporated in Parts II, III, and IV. Exhibits filed as part of Form S-11 Registration Statement #333-13113 are referenced in part IV.

Part I

Item 1 - Business

Redwood Mortgage Investors VIII, a California limited partnership (the Partnership), is organized to engage in business as a mortgage lender, for the primary purpose of making loans secured primarily by first and second deeds of trust on California real estate. Loans are arranged and serviced by Redwood Mortgage Corp., an affiliate of the General Partners. The Partnerships objectives are to make loans that will: (i) yield a high rate of return from mortgage lending; and (ii) preserve and protect the Partnerships capital. Investors should not expect the Partnership to provide tax benefits of the type commonly associated with limited partnership tax shelter investments. The Partnership is intended to serve as an investment alternative for investors seeking current income. However, unlike other investments which are intended to provide current income, an investment in the Partnership will be less liquid, not readily transferable, and not provide a guaranteed return over its investment life.

Initially, a minimum of 2,500 Units ($250,000) and a maximum of 150,000 Units $15,000,000) were sold. This initial offering closed on October 31, 1996. Subsequently, the Partnership commenced a second offering of up to 300,000 additional Units ($30,000,000) commencing on December 4, 1996. All units are being offered on a best efforts basis, which means that no one is guaranteeing that any minimum number of Units will be sold, through broker-dealer member firms of the National Association of Securities Dealers, Inc. (See TERMS OF THE OFFERING and PLAN OF DISTRIBUTION).

The Partnership began selling Units in February, 1993, and began investing in mortgages in April, 1993. At December 31, 1998, the Partnership has investments in Mortgage Investments with principal balances totalling $31,905,958. Interest rates ranged from 8.00% to 14.00%. Currently First Trust Deeds comprise 70.05% of the total amount of the Mortgage Investment portfolio, an increase of 3.64% over 1997 level of 67.59%. Junior loans (2nd and 3rd Trust Deeds) make up 29.95%, a decrease of 2.46% over 1997 level of 32.41%.Owner-occupied homes, combined with non-owner occupied Mortgage Investments, total 47.77% of the Mortgage Investment portfolio. Loans secured by multi-family properties make up 10.20% of the total Mortgage Investments. Commercial Mortgage Investments, now comprise 42.03% of the portfolio, a decrease from 45.68% last year. 74.72% of the total Mortgage Investments, are in six counties of the San Francisco Bay Area. The County of Stanislaus makes up 18.87% of the Mortgage Investments. Stanislaus County is a fringe County to the San Francisco Bay Area. In 1998 the Partnership received many good lending opportunities from this County. The balance of Mortgage Investments are primarily in Northern California. Mortgage Investment size increased this past year, and is now averaging $580,108 per Mortgage Investment, up from $460,091 in 1997. This increase is due to the ability of the Partnership by virtue of its increasing size to invest in larger Mortgage Investments. The average Mortgage Investment as of December 31, 1998, represents 2.14% of Limited Partners capital and 1.82% of outstanding Mortgage Investments, similar to December 31, 1997 average Mortgage Investment size of 2.20% of Limited Partners capital and 1.82% of outstanding Mortgage Investments. Some of the Mortgage Investments are fractionalized between affiliated partnerships with objectives similar to those of the Partnership to further reduce risk. Average equity per loan transaction stood at 40.50%, a decrease in equity of 3.67% from the previous year. This average equity is generally considered very conservative. Generally, the more equity, the more protection for the lender. The General Partners believe the Partnerships Mortgage Investment portfolio is in good condition with no property in foreclosure as of the end of December, 1998.

Item 2 Properties

A summary of the Partnerships Mortgage Investment Portfolio as of December 31, 1998, is set forth below. Mortgage Investments as a Percentage of Total Mortgage Investments

First Trust Deeds	$22,349,185.44
Appraised Value of Properties	39,834,914.00
Total Investment as a % of Appraisal	56.10%
First Trust Deeds	22,349,185.44
Second Trust Deed Mortgage Investments	8,469,460.20
Third Trust Deed Mortgage Investments	1,087,312.76
	31,905,958.40
First Trust Deeds due other Lenders	24,567,947.50
Second Trust Deeds due other Lenders	1,843,148.00
Total Debt	$58,317,053.90
Appraised Property Value	$98,011,150.00
Total Investments as a % of Appraisal	59.50%
Number of Mortgage Investments Outstanding	55
Average Investment	$580,108.33
Average Investment as a % of Net Assets	2.14%
Largest Investment Outstanding	2,600,000.00
Largest Investment as a % of Net Assets	9.61%

Loans as a Percentage of Total Mortgage Investments

First Trust Deeds	70.05%
Second Trust Deeds	26.54%
Third Trust Deeds	3.41%
Total	100.00%

Mortgage Investments by Type of Property	Amount	Percent
Owner Occupied Homes	$6,450,199.30	20.22%
Non-Owner Occupied Homes	8,789,444.65	27.55%
Apartments	3,256,602.28	10.20%
Commercial	13,409,712.17	42.03%
Total	$31,905,958.40	100.00%

The following is a distribution of Mortgage Investments outstanding as of December 31, 1998 by Counties.

County	Total Mortgage Investments	Percent
San Francisco	$10,418,398.60	32.65%
Stanislaus	6,022,000.00	18.87%
San Mateo	5,377,296.75	16.85%
Santa Clara	3,372,148.70	10.57%
Alameda	2,437,266.64	7.64%
Marin	1,278,414.93	4.01%
San Joaquin	1,188,750.02	3.73%
Contra Costa	955,639.66	3.00%
Monterey	679,413.15	2.13%
Fresno	128,363.57	0.40%
Sacramento	48,266.38	0.15%
Total	$31,905,958.40	100.00%

Statement of Condition of Mortgage Investments
Number of Mortgage Investments in Foreclosure -0-

Scheduled maturity dates of mortgage investments as of December 31, 1998 are as follows:

Year Ending December 31,	
1999	$11,815,481
2000	9,576,318
2001	5,540,542
2002	1,515,906
2003	1,336,291
Thereafter	2,121,420
	$31,905,958

The scheduled maturities for 1999 include approximately $265,376 in Mortgage Investments which are past maturity at December 31, 1998. Interest payment on only one of these loans was delinquent.

In 1995, the Partnership chose to allow a senior lender to foreclose out its deed of trust on one of its Mortgage Investments. The Partnership commenced a legal action to collect this debt. A settlement was reached for this debt collection. As of December 31, 1998, $30,000 of the amount due has been collected. The remaining balance due has been recorded as an account receivable in the financial statements. Additional payments are expected in year 1999.

As of December 31, 1998, the Partnership owned a vacant lot acquired through the foreclosure of Mortgage Investment. The vacant lot is valued at $66,000. Additionally, the Partnership wholly owns a limited liability company (LLC) whose sole asset is a partially completed single family residence. This partially completed single family residence was originally foreclosed upon by the Partnership and subsequently transferred to the LLC at a cost of $181,139. Additional expenditures over the $181,139 basis, have been primarily for completion of the construction.

Item 3 - Legal Proceedings

In the normal course of business, the Partnership may become involved in various types of legal proceedings such as assignment of rents, bankruptcy proceedings, appointment of receivers, unlawful detainers, judicial foreclosure, etc., to enforce the provisions of the deeds of trust, collect the debt owed under the promissory notes, or to protect/ recoup its investment from the real property secured by the deeds of trust. None of these actions would typically be of any material importance. As of the date hereof, the Partnership is not involved in any legal proceedings other than those that would be considered part of the normal course of business.

Item 4 - Submission of matters to vote of Security Holders (Partners).

No matters have been submitted to a vote of the Partnership.

Part II

Item 5 - Market for the Registrants Units and Related Partnership Matters.

300,000 units at $100 each (minimum 20 units) are being offered (150,000 units were previously offered and sold) through broker-dealer member firms of the National Association of Securities Dealers on a best efforts basis (as indicated in Part I item 1). Investors have the option of withdrawing earnings on a monthly, quarterly, or annual basis or reinvesting and compounding the earnings. Limited Partners may withdraw from the Partnership in accordance with the terms of the Partnership Agreement subject to possible early withdrawal penalties. There is no established public trading market.

A description of the Partnership units, transfer restrictions and withdrawal provisions is more fully described under the section entitled Description of Units and summary of Limited Partnership Agreement, pages 67 through 75 of the Prospectus, a part of the referenced Registration Statement, which is incorporated by reference.

Item 6 - Selected Financial Data

Redwood Mortgage Investors VIII began operations in April 1993. Financial results for years 1984 through December 31, 1997, for prior partnerships are incorporated by reference to the Prospectus (S-11) dated December 4, 1996, Table III pages 104 through 138, and in Supplement No.4 dated April 24, 1998.

<TABLE>

Financial condition and results of operation for the Partnership for three years to December 31, 1998 were:

<CAPTION>

Balance Sheet
Assets

	December 31, 1998	December 31, 1997	December 31, 1996
<S>	<C>	<C>	<C>
Cash	$528,688	$663,159	$664.434
Accounts Receivable:			
Mortgage Investments secured by Deeds of Trust	31,905,958	25,304,989	15,642,990
Accrued interest and other fees	459,418	341,976	196,530
Advances on Mortgage Investments	211,145	205,804	8,679
Other receivables - Unsecured	48,849	62,844	75,334
Less allowance for losses	(414,073)	(257,500)	(117,803)
Investment in Limited Liability Corporation	304,139	251,139	191,139
Real estate owned, net	66,000	70,138	66,991
Organization cost net of amortization	0	1,875	4,375
Prepaid Expenses	11,835	10,151	20,720
Due from General Partners/Related Companies	0	2,999	311
	$33,121,959	$26,657,574	$16,753,700

Liabilities and Partners Capital

	December 31, 1998	December 31, 1997	December 31, 1996
Liabilities:			
Deferred interest	$124,805	$83,066	$217,480
Note payable - Bank	5,947,000	5,640,000	1,500,000
Accounts payable	2,500	3,355	20,625
Subscriptions to partnership in applicant status	0	0	310,937
	$6,074,305	$5,726,421	$2,049,042
Partners Capital			
Limited partners subject to redemption	27,025,331	20,914,721	14,693,293
General Partners	22,323	16,432	11,365
	27,047,654	$20,931,153	$14,704,658
	$33,121,959	$26,657,574	$16,753,700

</TABLE>

<TABLE>

<CAPTION>

Statement of Income

	December 31, 1998	December 31, 1997	December 31, 1996
<S>	<C>	<C>	<C>
Gross Revenue	$3,406,021	$2,629,457	$1,726,635
Expenses	1,127,439	820,937	493,110

Income before interest credited to Partners in applicant status	2,278,582	1,808,520	1,233,525
Interest credited to Partners in applicant status	4,454	9,562	2,618
Net Income	$2,274,128	$1,798,958	$1,230,907
Net income to General Partners (1%)	$22,741	$17,990	$12,309
Net Income to Limited Partners (99%)	$2,251,387	$1,780,968	$1,218,598
Net Income per $1,000 invested by Limited Partners for entire period (annualized)			
- where income is reinvested and compounded	$84	$84	$84
- where partner receives income in monthly distributions	$81	$81	$81

<FN>
Annualized yield for 1996 was 8.39%, 1997 was 8.40% and for 1998 was 8.40%. An average annualized yield since inception through December 31, 1998, was 8.36%.
</FN>
</TABLE>

Item II

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

On December 31, 1998, the Partnership was in the offering stage of its second offering, ($30,000,000). Contributed capital totalled $14,932,017 for the first offering and $10,658,118 for the second offering an aggregate of $25,590,135 (Limited Partners) as of December 31, 1998. Of this amount, none remained in applicant status. Accordingly, together with initial approved offering of $15,000,000 the Partnership has approval for an aggregate offering of $45,000,000 in Units of $100 each.

At December 31, 1998, the Partnerships Mortgage Investments outstanding totalled $31,905,958. The primary reason for an increase in Mortgage Investments Outstanding from $6,484,707 in 1994, to $12,047,252 in 1995, to $15,642,990 in 1996, to $25,304,989 in 1997, and to $31,905,958 to December 31, 1998, was the additional capital admitted to the Partnership through sale of Limited Partnership Units and reinvestment of Limited Partners earnings. Additional Limited Partners Capital contributions have totalled $4,508,824, $3,834,799, $3,863,536, $5,565,372 and $5,100,458, and the reinvestment of earnings by Limited Partners who have elected to reinvest earnings have totalled $239,956, $524,988, $800,218, $1,119,465 and $1,440,687 for the years ended December 31, 1994, December 31, 1995, December 31, 1996, December 31, 1997, and December 31, 1998, respectively. To a lesser extent, Mortgage Investments outstanding have also increased through the utilization of the Partnerships line of credit. The effect of more outstanding Mortgage Investments raised the interest earned on Mortgage Investments for the years ended December 31, 1994, 1995, 1996, 1997, and 1998 to $480,110, $1,031,029, $1,718,208, $2,613,008 and $3,376,293 respectively. Interest rates on Mortgage Investments ranged from 8.00% to 14.00%. The Partnership began funding Mortgage Investments on April 14, 1993 and as of December 31, 1998, distributed earnings at an average annualized yield of 8.36%.

Currently, mortgage interest rates have decreased from those prevalent at the inception of the Partnership. New Mortgage Investments will be originated at these lower interest rates which could reduce the average return across the entire Mortgage Investment portfolio held by the Partnership. In the future, interest rates likely will change from their current levels. The General Partners cannot at this time predict at what levels interest rates will be in the future. Although the rates charged by the Partnership are influenced by the level of interest rates in the market, the General Partners do not anticipate that rates charged by the Partnership to its borrowers will change significantly from the beginning of 1999 over the next 12 months. Based upon the rates payable in connection with the existing Mortgage Investments, the current and anticipated interest rates to be charged by the Partnership and the General Partners experience, the General Partners anticipate that the annualized yield will range between eight & nine percent (8% - 9%).

In 1995, the Partnership established a line of credit with a commercial bank secured by its Mortgage Investments and since its inception has increased the limit from $3,000,000 to $8,000,000. For the years ended December 31, 1996, and 1997, and December 31, 1998, interest on Note Payable-Bank was $188,638, $340,633 and $513,566 respectively. For 1997, and the twelve months ended December 31, 1998, the increase in interest on notes payable-Bank has been attributed to a higher overall credit facility utilization. As of December 31, 1998 the Partnership has borrowed $5,947,000 at an interest rate of prime + 1/2%. This facility could again increase as the Partnerships capital increases. This added source of funds will help in maximizing the Partnership yield by allowing the Partnership to minimize the amount of funds in lower yield investment accounts when appropriate Mortgage Investments are not currently available. Additionally, the Mortgage Investments made by the Partnership bear interest at a rate in excess of the rate payable to the bank which extended the line of credit, the amount to be retained by the Partnership, after payment of the line of credit cost, will be greater than without the use of the line of credit. As of December 31, 1998, the balance remained at $5,947,000 and in accordance with the line of credit, the Partnership paid all accrued interest as of that date.

The Partnerships income and expenses, accruals and delinquencies are within the normal range of the General Partners expectations, based upon their experience in managing similar partnerships over the last twenty-one years. Mortgage servicing fees increased from $155,912 to $189,692, and to $295,052 for the years ended December 31, 1996, 1997 and 1998. The mortgage servicing fees increased primarily due to increase in the outstanding Mortgage Investment portfolio. Asset Management fees increased from $17,053 to $24,966, and to $31,651 for the years ended December 31, 1996, 1997 and 1998, respectively. The Asset Management fee increase was due primarily to the increased Partners capital which the General Partners are managing. All other Partnership expenses fluctuated within a narrow range commonly expected to occur, except for interest on note payable bank which is discussed earlier in the Management Discussion and Analysis of Financial Condition and Results of Operations. Borrowers foreclosures, as set forth under Results of Operations, are a normal aspect of Partnership operations and the General Partners anticipate that they will not have a material effect on liquidity. Cash is constantly being generated from interest earnings, late charges, pre-payment penalties, amortization of principal and pay-off on Mortgage Investments. Currently, cash flow exceeds Partnership expenses and earnings payout requirements. Excess cash flow will be invested in new Mortgage Investment opportunities when available, used to reduce the Partnership credit line or in other Partnership business.

The General Partners regularly review the Mortgage Investments portfolio, examining the status of delinquencies, the underlying collateral securing these Mortgage Investments, borrowers payment records, etc. Data from the local real estate market and of the national and local economy are reviewed. Based upon this information and other data, loss reserves are increased or decreased. In 1996, 1997, and 1998, the Partnership made provisions for doubtful accounts of $55,383, $139,804, and $162,969 respectively. These provisions for doubtful accounts were made primarily as a prudent action to guard against unidentified collection losses. The provision for doubtful accounts as of December 31, 1998, of $414,073 is considered by the General Partners to be adequate. Because of the number of variables involved, the magnitude of the swings possible and the General Partners inability to control many of these factors actual results may and do sometimes differ significantly from estimates made by the General Partners.

The December 1998 issue of Western Economic Developments, published by the Federal Reserve Bank of San Francisco, said the following about the California economy:

The pace of economic growth in California was solid in recent months, despite continued contraction in some major industries. Total payroll employment rose 3.2 percent on an annual basis in October and November. This is above the average growth rate for the first eleven months of 1998, but it is below the 3.8 percent pace from last year. Faced by declining export demand and rising import competition, durable goods manufacturers cut employment in November. Manufacturers of computers and electronic components have been particularly hard hit this year, and aerospace employment has contracted. However, the pace of job creation has remained strong in sectors other than manufacturing, and this has helped to lower the state unemployment rate to 5.7 percent in November.

Californias state and local governments have created new jobs at about a 2.5 percent annual pace this year, a pickup from prior years that is due in part to improved fiscal capacity. About 21,000 of the 29,000 jobs created this year were for educators at local schools.

To the Partnership, the above evaluation of the California economy means an increase in property values, job growth, personal income growth, etc., which all translates into more loan activity, which of course, is healthy for the Partnerships lending activity.

At the time of subscription to the Partnership, Limited Partners make an irrevocable decision to either take distributions of earnings monthly, quarterly or annually or to compound earnings in their capital account. For the years ended December 31, 1996, December 31, 1997, and December 31, 1998, the Partnership made distributions of earnings to Limited Partners after allocation of syndication costs of, $418,380, $495,480 and $614,383 respectively. Distribution of Earnings to Limited Partners after allocation of syndication costs for the years ended December 31, 1996, December 31, 1997, and December 31, 1998,

to Limited Partners capital accounts and not withdrawn was $800,218, $1,119,465 and $1,440,687 respectively. As of December 31, 1996, December 31, 1997, and December 31, 1998, Limited Partners electing to withdraw earnings represented 34%, 30% and 30%, respectively of the Limited Partners outstanding capital accounts. The decreases in percentage of Limited Partners electing to withdraw earnings is due to an increase in percent of new Limited Partners choosing to compound earnings and the dilution effect occurring when compounding Limited Partners capital accounts grow through earnings reinvestment compared to Limited Partners that have chosen to liquidate earnings.

The Partnership also allows the Limited Partners to withdraw their capital account subject to certain limitations (see liquidation provisions of Partnership Agreement). Once a Limited Partners initial five year hold period has passed the General Partners expect to see an increase in liquidations due to the ability of Limited Partners to withdraw without penalty. This ability to withdraw five years after a Limited Partners investment has the effect of providing Limited Partner liquidity which the General Partners then expect a portion of the Limited Partners to avail themselves of. This has the anticipated effect of the Partnership growing, primarily through reinvestment of earnings in years one through five. The General Partners expect to see increasing numbers of Limited Partner withdrawals in years five through eleven, at which time the bulk of those Limited Partners who have sought withdrawal have been liquidated. After year eleven, liquidation generally subsides and the Partnership capital again tends to increase through earnings reinvestment. Since the five year hold period for most of the investors has yet to expire, as of December 31, 1998, many Limited Partners may not as yet avail themselves of this provision for liquidation. Earnings and capital liquidations including early withdrawals since inception, 1993 through December 31, 1998 were:
<TABLE>

	1993	1994	1995	1996	1997	1998
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Earnings Liquidation	$46,855	$165,814	$303,477	$418,380	$495,480	$614,383
Capital Liquidation	0	0	$5,640	$146,755	$132,619	$257,344
Total	$46,855	$165,814	$309,117	$565,135	$628,099	$871,727

</TABLE>

Additionally, Limited Partners may withdraw over a period of one year subject to certain limitations and penalties. For the years ended December 31, 1996, December 31, 1997, and December 31, 1998, $146,755, $132,619 and $244,213 respectively were liquidated subject to the 10% penalty for early withdrawal. This represents only 1.00%, 0.63% and 0.90% of the Limited Partners ending capital for the years ended December 31, 1996, 1997 and 1998, respectively. These withdrawals are within the normally anticipated range that the General Partners would expect in their experience in this and other Partnerships. The General Partners expect that a small percentage of Limited Partners will elect to liquidate their capital accounts over one year with a 10% early withdrawal penalty. In originally conceiving the Partnership, the General Partners wanted to provide Limited Partners needing their capital returned a degree of liquidity. Generally, Limited Partners electing to withdraw over one year need to liquidate investment to raise cash. The trend the Partnership is experiencing in withdrawals by Limited Partners electing a one year liquidation program represents a small percentage of Limited Partner capital as of December 31, 1996, December 31, 1997, and December 31, 1998, respectively, and is expected by the General Partners to commonly occur at these levels.

The Year 2000 will be a challenge for the entire world, with respect to the conversion of existing computerized operations. The Partnership is completing an assessment of Year 2000 hardware and software issues. This assessment is not yet fully complete. The Partnership relies on Redwood Mortgage Corp., an affiliate of the Partnership, and third parties to provide loan and investor services and other computerized functions, effected by Year 2000 computerized operations. Major services provided to the Partnership by these companies are loan servicing, accounting and investor services. The vendors that supply the software for loan servicing have already confirmed compliance with Year 2000 issues. Installation of accounting software that is Year 2000 compliant will begin after the 1998-year ends.

The investor servicing software Year 2000 compliance is still under assessment. Existing investor servicing software maintenance agreements provide for conversion to Year 2000 compliance to be provided by the vendor. Additionally, the Partnership has contacted several vendors that provide investor services as a possible alternative to continuing to provide investors services in house. It would appear that these service providers would be more expensive than the current in house systems but they do provide a back-up alternative in the event of our own failure to fully convert. Hardware utilized by Redwood Mortgage Corp., is currently being tested to insure that modifications necessary to be made prior to Year 2000 can be accomplished. At this juncture, existing hardware appears to be substantially compliant with Year 2000 issues.

The costs of updating the various software systems will be borne by the various companies that supply the Partnership with services. Therefore, no significant capital outlays are anticipated and the Partnership expects only incidental costs of conversion for Year 2000 issues.

The Partnership is in the business of making Mortgage Investments secured by real estate. The most important factor in making the Mortgage Investments is the value of the real estate security. Year 2000 issues have some potential to effect industries and businesses located in the marketplaces in which the Partnership places its Mortgage Investments. This would only have an affect on the Partnership if Year 2000 issues cause a significant downturn in the northern California economy. In fact, Silicon Valley is located in our marketplace. There may be significant increased demand for Silicon Valley type services and goods as companies make ready for the Year 2000 conversion.

Although not fully developed, if all or any accounting, loan servicing and investor services conversions should fail, the size and scope of the Partnerships activities are such that they could be handled at an equal or higher cost on a manual basis or outsourced to other servicers existing in the industry, while correcting systems problems and are likely to be temporarily in nature. While this would entail some initial set up costs, these costs would likely not be so significant as to have a material effect upon the Partnership. Shifting portions of daily operations to manual or outsourced systems may result in time delays. Time delays in providing accurate and pertinent information could negatively affect customer relations and lead to the potential loss of new loans and Limited Partner investments.

The foregoing analysis of Year 2000 issues includes forward-looking statements and predictions about possible or future events, results of operations and financial condition. As such, this analysis may prove to be inaccurate because of the assumptions made by the General Partner or the actual development of future events. No assurance can be given that any of these forward-looking statements and predictions will ultimately prove to be correct or even substantially correct.

Various other risks and uncertainties could also affect the Year 2000 analysis causing the effect on the Partnership to be more severe than discussed above. The General Partners Year 2000 compliance testing cannot guarantee that all computer systems will function without error beyond the Year 2000. Risks also exist with respect to Year 2000 compliance by external parties who may have no relationship to the Partnership or the General Partners, but who have a significant relationship with one or more third parties, and may have a system failure that adversely affects the Partnerships ability to conduct business. While the General Partners are attempting to identify such external parties, no assurance can be given that it will be able to do so. Furthermore, third parties with direct relationships with the Partnership, whose systems have been identified as likely to be Year 2000 compliant, may suffer a breakdown due to unforeseen circumstances. It is also possible that the information collected by the General Partners for these third parties regarding their compliance with Year 2000 issues may be incorrect. Finally, it should be noted that the foregoing discussion of Year 2000 issues assumes that to the extent the General Partners systems fail, whether because of unforeseen complications or because of third parties failure, switching to manual operations will allow the Partnership to continue to conduct its business. While the General Partner believes this assumption to be reasonable, if it is incorrect, the Partnerships results of operations would likely be adversely affected.

Item 8 - Financial Statements and Supplementary Data

Redwood Mortgage Investors VIII, a California Limited Partnership's list of Financial Statements and Financial Statement schedules:

A-Financial Statements

The following financial statements of Redwood Mortgage Investors VIII are included in Item 8:

- Independent Auditors Report,
- Balance Sheets - December 31, 1998, and December 31, 1997,
- Statements of Income for the three years ended December 31, 1998.
- Statements of Partners Capital for the three years ended December 31, 1998.
- Statements of Cash Flows for the three years ended December 31, 1998.
- Notes to Financial Statements - December 31, 1998.

B-Financial Statement Schedules

The following financial statement schedules of Redwood Mortgage Inventors VIII are included in Item 8.

- Schedule II, - Amounts receivable from related parties and underwriters, promoters, and employees other than related parties
- Schedule VIII - Valuation of Qualifying Accounts,
- Schedule IX - Short Term Borrowings.
- Schedule XII - Mortgage Investments on real estate.

All other schedules for which provision is made in the applicable accounting regulations of the Securities and Exchange Commission are not required under the related instructions or are inapplicable, and therefore have been omitted.

REDWOOD MORTGAGE INVESTORS VIII
(A California Limited Partnership)
FINANCIAL STATEMENTS
DECEMBER 31, 1998
(With Auditors Report Thereon)

PARODI & CROPPER
CERTIFIED PUBLIC ACCOUNTANTS
3658 Mount Diablo Blvd., Suite #205
Lafayette CA 94549
(925) 284-3590

INDEPENDENT AUDITORS REPORT

THE PARTNERS
REDWOOD MORTGAGE INVESTORS VIII

We have audited the financial statements and related schedules of REDWOOD MORTGAGE INVESTORS VIII (A California Limited Partnership) listed in Item 8 on form 10-K including balance sheets as of December 31, 1998 and 1997 and the statements of income, changes in partners capital and cash flows for the three years ended December 31, 1998. These financial statements are the responsibility of the Partnerships management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of REDWOOD MORTGAGE INVESTORS VIII as of December 31, 1998 and 1997, and the results of its operations and cash flows for the three years ended December 31, 1998, in conformity with generally accepted accounting principles. Further, it is our opinion that the schedules referred to above present fairly the information set forth therein in compliance with the applicable accounting regulations of the Securities and Exchange Commission.

/s/ Bruce Cropper
PARODI & CROPPER

Lafayette, California
March 3, 1999

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REDWOOD MORTGAGE INVESTORS VIII
(A California Limited Partnership)
BALANCE SHEETS
DECEMBER 31, 1998 AND 1997

ASSETS

<S>	1998 <C>	1997 <C>
Cash	$528,688	$663,159
Accounts receivable:		
Mortgage Investments, secured by deeds of trust	31,905,958	25,304,989
Accrued Interest on Mortgage Investments	459,418	341,976
Advances on Mortgage Investments	211,145	205,804
Accounts receivables, unsecured	48,849	62,844
	32,625,370	25,915,613
Less allowance for doubtful accounts	414,073	257,500
	32,211,297	25,658,113
Real Estate owned, acquired through foreclosure, held for sale	66,000	70,138
Investment in limited liability corporation, at cost which approximates market	304,139	251,139
Organization costs, less accumulated amortization of $12,500 and $10,625, respectively	0	1,875
Due from related companies	0	2,999
Prepaid expense-deferred loan fee	11,835	10,151
	$33,121,959	$26,657,574

<FN>

See accompanying notes to financial statements
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REDWOOD MORTGAGE INVESTORS VIII
(A California Limited Partnership)
BALANCE SHEETS
DECEMBER 31, 1998 AND 1997

LIABILITIES AND PARTNERS CAPITAL

	1998	1997
Liabilities:		
<S>	<C>	<C>
Accounts payable and accrued expenses	$2,500	$3,355
Note payable - bank line of credit	5,947,000	5,640,000
Deferred interest income	124,805	83,066

	6,074,305	5,726,421
Partners Capital:		
Limited partners capital, subject to redemption (note 4E): Net of unallocated syndication costs of $353,875 and $431,994 for 1998 and 1997, respectively: and formation loan receivable of $1,640,904 and $1,386,693 for 1998 and 1997, respectively	27,025,331	20,914,721
General Partners Capital, net of unallocated syndication costs of $3,574 and $4,364 for 1998 and 1997, respectively	22,323	16,432
Total Partners Capital	27,047,654	20,931,153
Total Liabilities and Partners Capital	$33,121,959	$26,657,574

<FN>
See accompanying notes to financial statements.
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REDWOOD MORTGAGE INVESTORS VIII
(A California Limited Partnership)
STATEMENTS OF INCOME
FOR THE THREE YEARS ENDED DECEMBER 31, 1998

	YEARS ENDED DECEMBER 31,		
	1998	1997	1996
Revenues:			
<S>	<C>	<C>	<C>
Interest on Mortgage Investments	$3,376,293	$2,613,008	$1,718,208
Interest on bank deposits	8,946	9,487	4,083
Late charges	19,384	6,432	3,847
Miscellaneous	1,398	530	497
	3,406,021	2,629,457	1,726,635
Expenses:			
Mortgage servicing fees	295,052	189,692	155,912
Interest on note payable - bank	513,566	340,633	188,638
Amortization of loan origination fees	11,415	16,819	11,999
Provision for doubtful accounts and losses on real estate acquired through foreclosure	162,969	139,804	55,383
Asset management fee - General Partner	31,651	24,966	17,053
Amortization of organization costs	1,875	2,500	2,500
Clerical costs through Redwood Mortgage	67,453	54,549	38,799
Professional services	27,462	36,717	17,687
Printing, supplies and postage	7,089	9,584	1,192
Other	8,907	5,673	3,947
	1,127,439	820,937	493,110
Income before interest credited to partners in applicant status	2,278,582	1,808,520	1,233,525
Interest credited to partners in applicant status	4,454	9,562	2,618
Net Income	$2,274,128	$1798,958	$1,230,907
Net income: To General Partners(1%)	$22,741	$17,990	$12,309
To Limited Partners (99%)	2,251,387	1,780,968	1,218,598
Total - net income	$2,274,128	$1,798,958	$1,230,907

Net income per $1,000 invested by Limited Partners for entire period:			
-where income is reinvested and compounded	$84	$84	$ 84
-where partner receives income in monthly distributions	$81	$81	$ 81

<FN>
See accompanying notes to financial statements.
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REDWOOD MORTGAGE INVESTORS VIII
(A California Limited Partnership)
STATEMENTS OF CHANGES IN PARTNERS CAPITAL
FOR THE THREE YEARS ENDED DECEMBER 31, 1998

		PARTNERS CAPITAL			
		LIMITED PARTNERS CAPITAL			
	Partners In Applicant Status	Capital Account Limited Partners	Unallocated Syndication Costs	Formation Loan Receivable	Total
<S>	<C>	<C>	<C>	<C>	<C>
Balances at December 31, 1995	$0	$11,784,937	$(322,677)	$(775,229)	$10,687,031
Contributions on Application	4,172,718	0	0	0	0
Formation Loan increases	0	0	0	(314,996)	(314,996)
Formation Loan payments	0	0	0	8,961	8,961
Interest credited to partners in applicant status	2,618	0	0	0	0
Upon admission to Partnership:					
Interest withdrawn	(863)	0	0	0	0
Transfers to Partners capital	(3,863,536)	3,859,312	0	0	3,859,312
Net Income	0	1,218,598	0	0	1,218,598
Syndication costs incurred	0	0	(212,542)	0	(212,542)
Allocation of syndication costs	0	(116,523)	116,523	0	0
Partners withdrawals	0	(553,027)	0	0	(553,027)
Early withdrawal penalties	0	(12,108)	4,506	7,558	(44)
Balances at December 31, 1996	$310,937	$16,181,189	$ (414,190)	$ (1,073,706)	$14,693,293
Contributions on Application	5,251,969	0	0	0	0
Formation Loan increases	0	0	0	(420,510)	(420,510)
Formation Loan payments	0	0	0	98,999	98,999
Interest credited to partners in applicant status	9,562	0	0	0	0
Upon admission to Partnership:					
Interest withdrawn	(1,849)	0	0	0	0
Transfers to Partners capital	(5,570,619)	5,565,372	0	0	5,565,372
Net Income	0	1,780,968	0	0	1,780,968
Syndication costs incurred	0	0	(188,517)	0	(188,517)
Allocation of syndication costs	0	(166,023)	166,023	0	0
Partners withdrawals	0	(614,837)	0	0	(614,837)
Early withdrawal penalties	0	(13,261)	4,690	8,524	(47)
Balances at December 31, 1997	$0	$22,733,408	$(431,994)	$(1,386,693)	$20,914,721
Contributions on Application	5,105,559	0	0	0	0
Formation Loan increases	0	0	0	(403,518)	(403,518)
Formation Loan payments	0	0	0	133,580	133,580
Interest credited to partners in applicant status	4,454	0	0	0	0
Upon admission to Partnership:					
Interest withdrawn	(1,553)	0	0	0	0

Transfers to Partners capital	(5,108,460)	5,103,359	0	0	5,103,359
Net Income	0	2,251,387	0	0	2,251,387
Syndication costs incurred	0	0	(126,453)	0	(126,453)
Allocation of syndication costs	0	(196,317)	196,317	0	0
Partners withdrawals	0	(847,661)	0	0	(847,661)
Early withdrawal penalties	0	(24,066)	8,255	15,727	(84)
Balances at December 31, 1998	$0	$29,020,110	$(353,875)	$(1,640,904)	$27,025,331

<FN>
See accompanying notes to financial statements
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REDWOOD MORTGAGE INVESTORS VIII
(A California Limited Partnership)
STATEMENTS OF CHANGES IN PARTNERS CAPITAL
FOR THE THREE YEARS ENDED DECEMBER 31, 1998

	PARTNERS CAPITAL			
	GENERAL PARTNERS CAPITAL			
	Capital Account General Partners	Unallocated Syndication Costs	Total	Total Partners Capital
<S>	<C>	<C>	<C>	<C>
Balances at December 31, 1995	$11,325	$(3,258)	$8,067	$10,695,098
Contributions on Application	0	0	0	0
Formation loan increases	0	0	0	(314,996)
Formation loan payments				8,961
Interest credited to partners in applicant status	0	0	0	0
Upon admission to partnership:				
Interest withdrawn	0	0	0	0
Transfers to Partners capital	4,224	0	4,224	3,863,536
Net Income	12,309	0	12,309	1,230,907
Syndication costs incurred	0	(2,147)	(2,147)	(214,689)
Allocation of syndication costs	(1,177)	1,177	0	0
Partners withdrawals	(11,132)	0	(11,132)	(564,159)
Early withdrawal penalties	0	44	44	0
Balances at December 31, 1996	$15,549	$ (4,184)	$11,365	$14,704,658
Contributions on Application	0	0	0	0
Formation Loan increases	0	0	0	(420,510)
Formation Loan payments	0	0	0	98,999
Interest credited to partners in applicant status	0	0	0	0
Upon admission to partnership:				
Interest withdrawn	0	0	0	0
Transfers to Partners capital	5,247	0	5,247	5,570,619
Net Income	17,990	0	17,990	1,798,958
Syndication costs incurred	0	(1,904)	(1,904)	(190,421)
Allocation of syndication costs	(1,677)	1,677	0	0
Partners withdrawals	(16,313)	0	(16,313)	(631,150)
Early withdrawal penalties	0	47	47	0
Balances at December 31, 1997	$20,796	$(4,364)	$16,432	$20,931,153
Contributions on Application	0	0	0	0
Formation Loan increases	0	0	0	(403,518)
Formation Loan payments	0	0	0	133,580
Interest credited to partners in applicant status	0	0	0	0
Upon admission to partnership:				

Interest withdrawn	0	0	0	0
Transfers to Partners capital	5,101	0	5,101	5,108,460
Net Income	22,741	0	22,741	2,274,128
Syndication costs incurred	0	(1,277)	(1,277)	(127,730)
Allocation of syndication costs	(1,983)	1,983	0	0
Partners withdrawals	(20,758)	0	(20,758)	(868,419)
Early withdrawal penalties	0	84	84	0
Balances at December 31, 1998	$25,897	$(3,574)	$22,323	$27,047,654

<FN>
See accompanying notes to financial statements
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REDWOOD MORTGAGE INVESTORS VIII
(A California Limited Partnership)
STATEMENTS OF CASH FLOWS
FOR THE THREE YEARS ENDED DECEMBER 31, 1998

	1998	1997	1996
Cash flows from operating activities:			
<S>	<C>	<C>	<C>
Net income	$2,274,128	$1,798,958	$1,230,907
Adjustments to reconcile net income to net cash provided by operating activities:			
Amortization of organization costs	1,875	2,500	2,500
Provision for doubtful accounts.	156,573	139,804	78,651
Provision for losses (gains) on real estate held for sale	6,396	0	(23,268)
Increase (decrease) in accounts payable	(855)	(17,270)	16,615
(Increase) in accrued interest & advances	(122,783)	(342,571)	(83,477)
(Increase) decrease in amount due from related companies	2,999	(2,688)	2,738
(Increase) decrease in deferred loan fee	(1,684)	10,569	(3,002)
Increase (decrease) in deferred interest income	41,739	(134,414)	217,480
Net cash provided by operating activities	2,358,388	1,454,888	1,439,144
Cash flows from investing activities:			
Principal collected on Mortgage Investments	14,262,838	10,279,337	9,019,190
Mortgage Investments made	(20,863,807)	(19,941,336)	(13,148,944)
Disposition of real estate held for sale	0	0	299,154
Additions to real estate held for sale	(2,258)	(3,254)	0
Additions to Limited Liability Corporation	(53,000)	(60,000)	0
Accounts receivables, unsecured - (disbursements) receipts	13,995	12,490	(4,018)
Net cash used in investing activities	(6,642,232)	(9,712,763)	(3,834,618)
Cash flows from financing activities			
Increase (decrease) in note payable-bank	307,000	4,140,000	(410,000)
Contributions by partner applicants	5,105,559	5,251,969	4,172,718
Interest credited to partners in applicant status	4,454	9,562	2,618
Interest withdrawn by partners in applicant status	(1,553)	(1,849)	(863)
Partners withdrawals	(868,419)	(631,150)	(564,159)
Syndication costs incurred	(127,730)	(190,421)	(214,689)
Formation Loan increases	(403,518)	(420,510)	(314,996)
Formation Loan collections	133,580	98,999	8,961
Net cash provided by financing activities	4,149,373	8,256,600	2,679,590
Net increase (decrease) in cash and cash equivalents	(134,471)	(1,275)	284,116
Cash - beginning of period	663,159	664,434	380,318
Cash - end of period	$528,688	$663,159	$664,434

<FN>
See accompanying notes to financial statements.

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REDWOOD MORTGAGE INVESTORS VIII
(A California Limited Partnership)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1998

NOTE 1 - ORGANIZATION AND GENERAL

Redwood Mortgage Investors VIII, (the Partnership) is a California Limited Partnership, of which the General Partners are D. Russell Burwell, Michael R. Burwell and Gymno Corporation, a California corporation owned and operated by the individual General Partners. The Partnership was organized to engage in business as a mortgage lender for the primary purpose of making Mortgage Investments secured by Deeds of Trust on California real estate. Mortgage Investments are being arranged and serviced by Redwood Mortgage Corp., an affiliate of the General Partners. At December 31, 1998, the Partnership was in the offering stage, wherein contributed capital totalled $25,590,135 in limited partner contributions of an approved aggregate offering of $45,000,000, in units of $100 each (255,902).

A minimum of 2,500 units ($250,000) and a maximum of 150,000 units ($15,000,000) were initially offered through qualified broker-dealers. This initial offering was closed in October, 1996. In December 1996, the Partnership commenced a second offering of an additional 300,000 Units ($30,000,000) As Mortgage Investments are identified, partners are transferred from applicant status to admitted partners participating in Mortgage Investment operations. Each months income is distributed to partners based upon their proportionate share of partners capital. Some partners have elected to withdraw income on a monthly, quarterly or annual basis.

A. Sales Commissions - Formation Loan Sales commissions are not paid directly by the Partnership out of the offering proceeds. Instead, the Partnership loans to Redwood Mortgage, an affiliate of the General Partners, amounts to pay all sales commissions and amounts payable in connection with unsolicited orders. This loan is referred to as the Formation Loan. It is unsecured and non-interest bearing.

The Formation Loan relating to the initial $15,000,000 offering totalled $1,074,840, which was 7.2% of limited partners contributions of $14,932,017 (under the limit of 9.1% relative to the initial offering). It is to be repaid, without interest, in ten annual installments of principal, which commenced on January 1, 1997, following the year the initial offering closed, which was in 1996.

The Formation Loan relating to the second offering ($30,000,000) totalled $839,413 at December 31, 1998, which was 7.9% of the limited partners contributions of $10,658,118. Sales commissions range from 0% (units sold by General Partners) to 9% of gross proceeds. The Partnership anticipates that the sales commissions will approximate 7.6% based on the assumption that 65% of investors will elect to reinvest earnings, thus generating 9% commissions. The principal balance of the Formation Loan will increase as additional sales of units are made each year. The amount of the annual installment payment to be made by Redwood Mortgage, during the offering stage, will be determined at annual installments of one-tenth of the principal balance of the Formation Loan as of December 31 of each year. Such payment shall be due and payable by December 31 of the following year with the first such payment beginning December 31, 1997. Upon completion of the offering, the balance will be repaid in ten equal annual installments.

<TABLE>
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REDWOOD MORTGAGE INVESTORS VIII
(A California Limited Partnership)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1998

The following summarizes Formation Loan transactions to December 31, 1998:

<S>	Initial Offering of <C> $15,000,000	Subsequent Offering of <C> $30,000,000	<C> Total
Limited Partner contributions	$14,932,017	$10,658,117	$25,590,134

Formation Loan made	$1,074,840	839,413	1,914,253
Payments to date	(198,316)	(43,223)	(241,539)
Early withdrawal penalties applied	(31,810)	0	(31,810)
Balance December 31, 1998	$844,714	$796,190	$1,640,904
Percent loaned of Partners contributions	7.2%	7.9%	7.5%

The Formation Loan, which is receivable from Redwood Mortgage, an affiliate of the General Partners, has been deducted from Limited Partners Capital in the balance sheet. As amounts are collected from Redwood Mortgage, the deduction from capital will be reduced.

B. Other Organizational and Offering Expenses Organizational and offering expenses, other than sales commissions, (including printing costs, attorney and accountant fees, registration and filing fees and other costs), will be paid by the Partnership.

Through December 31, 1998, organization costs of $12,500 and syndication costs of $988,761 had been incurred by the Partnership with the following distribution:

<CAPTION>

	Syndication Organization Costs	Costs	Total
<S>	<C>	<C>	<C>
Costs incurred	$988,761	$12,500	$1,001,261
Early withdrawal penalties applied	(17,790)	0	(17,190)
Allocated and amortized to date	(613,522)	(12,500)	(626,022)
December 31, 1998 balance	$357,449	0	$357,449

</TABLE>

Organization and syndication costs attributable to the initial offering ($15,000,000) were limited to the lesser of 10% of the gross proceeds or $600,000 with any excess being paid by the General Partners. Applicable gross proceeds were $14,932,017. Related expenditures totalled $582,365 ($569,865 syndication costs plus $12,500 organization expense) or 3.90%.

As of December 31, 1998, syndication costs attributable to the subsequent offering ($30,000,000) totalled $418,896, (3.93% of contributions), with the costs of the offering document being greater at the initial stages. The syndication costs payable by the Partnership are estimated to be $1,200,000 if the maximum is sold (4% of $30,000,000). The General Partners will pay any syndication expenses (excluding selling commissions) in excess of ten percent of the gross proceeds or $1,200,000.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A Accrual Basis

Revenues and expenses are accounted for on the accrual basis of accounting wherein income is recognized as earned and expenses are recognized as incurred. Once a Mortgage Investment is categorized as impaired, interest is no longer accrued thereon.

B. Management Estimates

In preparing the financial statements, management is required to make estimates based on the information available that affect the reported amounts of assets and liabilities as of the balance sheet date and revenues and expenses for the related periods. Such estimates relate principally to the determination of the allowance for doubtful accounts, including the valuation of impaired mortgage investments, and the valuation of real estate acquired through foreclosure. Actual results could differ significantly from these estimates.

C. Mortgage Investments, Secured by Deeds of Trust

The Partnership has both the intent and ability to hold the Mortgage

Investments to maturity, i.e., held for long-term investment. They are therefore valued at cost for financial statement purposes with interest thereon being accrued by the simple interest method.

Financial Accounting Standards Board Statements (SFAS) 114 and 118 (effective January 1, 1995) provide that if the probable ultimate recovery of the carrying amount of a Mortgage Investment, with due consideration for the fair value of collateral, is less than the recorded investment and related amounts due and the impairment is considered to be other than temporary, the carrying amount of the investment (cost) shall be reduced to the present value of future cash flows. The adoption of these statements did not have a material effect on the financial statements of the Partnership because that was the valuation method previously used on impaired loans.

At December 31, 1998, 1997, and 1996, there were no Mortgage Investments categorized as impaired by the Partnership. Had there been a computed amount for the reduction in carrying values of impaired loans, the reduction would have been included in the allowance for doubtful accounts.

As presented in Note 10 to the financial statements, the average Mortgage Investment to appraised value of security at the time the losses were consummated was 59.50%. When a loan is valued for impairment purposes, an updating is made in the valuation of collateral security. However, such a low loan to value ratio has the tendency to minimize reductions for impairment.

D. Cash and Cash Equivalents

For purposes of the statements of cash flows, cash and cash equivalents include interest bearing and non-interest bearing bank deposits.

E. Real Estate Owned, Held for Sale

Real Estate owned, held for sale, includes real estate acquired through foreclosure and is stated at the lower of the recorded investment in the property, net of any senior indebtedness, or at the propertys estimated fair value, less estimated costs to sell. At December 31, 1998, there was one such piece of property with costs totaling $77,396 less a reduction of $11,396 to arrive at the net fair value of $66,000.

Effective January 1, 1996, the Partnership adopted the provisions of Statement No 121 (SFAS 121) of the Financial Accounting Standards Board, Accounting for the Impairment of Long Lived Assets and for Long Lived Assets to be disposed of. The adoption of SFAS 121 did not have a material impact on the Partnerships financial position because the methods indicated were essentially those previously used by the Partnership.

F. Investment in Limited Liability Corporation (see Note 7)

The Partnership carries its investment in a Limited Liability Corporation as investment in real estate, which is at the lower of costs or fair value, less estimated costs to sell.

G. Income Taxes

No provision for Federal and State income taxes is made in the financial statements since income taxes are the obligation of the partners if and when income taxes apply.

H. Organization and Syndication Costs

The Partnership bears its own organization and syndication costs (other than certain sales commissions and fees described above) including legal and accounting expenses, printing costs, selling expenses, and filing fees. Organizational costs have been capitalized and were amortized over a five year period. Syndication costs are charged against partners capital and are being allocated to individual partners consistent with the partnership agreement.

I. Allowance for Doubtful Accounts

Mortgage Investments and the related accrued interest, fees, and advances are analyzed on a continuous basis for recoverability. Delinquencies are identified and followed as part of the Mortgage Investment system. A provision is made for doubtful accounts to adjust the allowance for doubtful accounts to an amount considered by management to be adequate, with due consideration to collateral values, to provide for unrecoverable accounts receivable, including impaired Mortgage Investments, unspecified mortgage investments, accrued interest and advances on Mortgage Investments, and other accounts receivable (unsecured). The composition of the allowance for doubtful accounts as of December 31, 1998, and 1997 was as follows:

	December 31, 1998	December 31, 1997
Impaired mortgage investments	$0	$0
Unspecified mortgage investments	370,073	213,500
Amounts receivable, unsecured	44,000	44,000
	$414,073	$257,500

J. Net Income Per $1,000 Invested

Amounts reflected in the statements of income as net income per $1,000 invested by Limited Partners for the entire period are actual amounts allocated to Limited Partners who have their investment throughout the period and have elected to either leave their earnings to compound or have elected to receive monthly distributions of their net income. Individual income is allocated each month based on the Limited Partners pro rata share of Partners Capital. Because the net income percentage varies from month to month, amounts per $1,000 will vary for those individuals who made or withdrew investments during the period, or select other options. However, the net income per $1,000 average invested has approximated those reflected for those whose investments and options have remained constant.

NOTE 3 - GENERAL PARTNERS AND RELATED PARTIES

The following are commissions and/or fees which are paid to the General Partners and/or related parties.

A. Mortgage Brokerage Commissions

For fees in connection with the review, selection, evaluation, negotiation and extension of Partnership Mortgage Investments in an amount up to 12% of the Mortgage Investments until 6 months after the termination date of the offering. Thereafter, Mortgage Investment brokerage commissions will be limited to an amount not to exceed 4% of the total Partnership assets per year. The Mortgage Investment brokerage commissions are paid by the borrowers, and thus, are not an expense of the Partnership. In 1998 and 1997, Mortgage Investment brokerage commissions paid by the borrowers were $604,836 and $837,399, respectively.

B. Mortgage Servicing Fees

Monthly mortgage servicing fees of up to 1/8 of 1% (1.5% annual) of the unpaid principal, is paid to Redwood Mortgage, or such lesser amount as is reasonable and customary in the geographic area where the property securing the mortgage is located. Mortgage servicing fees of $295,052, $189,692 and $155,912 were incurred for years 1998, 1997 and 1996, respectively.

C. Asset Management Fee

The General Partners receive monthly fees for managing the Partnerships Mortgage Investment portfolio and operations up to 1/32 of 1% of the net asset value (3/8 of 1% annual). Management fees of $31,651, $24,966 and $17,053 were incurred for years 1998, 1997 and 1996, respectively.

D. Other Fees

The Partnership Agreement provides for other fees such as reconveyance, mortgage assumption and mortgage extension fees. Such fees are incurred by the borrowers and are paid to parties related to the General Partners.

E. Income and Losses

All income will be credited or charged to partners in relation to their respective partnership interests. The partnership interest of the General Partners (combined) shall be a total of 1%.

F. Operating Expenses

The General Partners or their affiliate (Redwood Mortgage) are reimbursed by the Partnership for all operating expenses actually incurred by them on behalf of the Partnership, including without limitation, out-of-pocket general and administration expenses of the Partnership, accounting and audit fees, legal fees and expenses, postage and preparation of reports to Limited Partners. Such reimbursements are reflected as expenses in the Statement of Income.

The General Partners collectively or severally were to contribute 1/10 of 1% in cash contributions as proceeds from the offering are admitted to limited Partner capital. As of December 31, 1998 a General Partner, GYMNO Corporation, had contributed $25,588, as capital in accordance with Section 4.02(a) of the Partnership Agreement.

NOTE 4 - OTHER PARTNERSHIP PROVISIONS

A. Applicant Status

Subscription funds received from purchasers of units are not admitted to the Partnership until appropriate lending opportunities are available. During the period prior to the time of admission, which is anticipated to be between 1-120 days in most cases, purchasers subscriptions will remain irrevocable and will earn interest at money market rates, which are lower than the anticipated return on the Partnerships Mortgage Investment portfolio.

During the periods ending December 31, 1998, 1997 and 1996, interest totalling $4,454, $9,562 and $2,618 respectively, was credited to partners in applicant status. As Mortgage Investments were made and partners were transferred to regular status to begin sharing in income from Mortgage Investments secured by deeds of trust, the interest credited was either paid to the investors or transferred to partners capital along with the original investment.

B. Term of the Partnership

The term of the Partnership is approximately 40 years, unless sooner terminated as provided. The provisions provide for no capital withdrawal for the first five years, subject to the penalty provision set forth in (E) below. Thereafter, investors have the right to withdraw over a five-year period, or longer.

C. Election to Receive Monthly, Quarterly or Annual Distributions

Upon subscriptions, investors elect either to receive monthly, quarterly or annual distributions of earnings allocations, or to allow earnings to compound. Subject to certain limitations, a compounding investor may subsequently change his election, but an investors election to have cash distributions is irrevocable.

D. Profits and Losses

Profits and losses are allocated among the Limited Partners according to their respective capital accounts after 1% is allocated to the General Partners.

E. Liquidity, Capital Withdrawals and Early Withdrawals

There are substantial restrictions on transferability of Units and accordingly an investment in the Partnership is illiquid. Limited Partners have no right to withdraw from the Partnership or to obtain the return of their capital account for at least one year from the date of purchase of Units. In order to provide a certain degree of liquidity to the Limited Partners after the one-year period, Limited Partners may withdraw all or part of their Capital Accounts from the Partnership in four quarterly installments beginning on the last day of the calendar quarter following the quarter in which the notice of withdrawal is given, subject to a 10% early withdrawal penalty. The 10% penalty is applicable to the amount withdrawn as stated in the Notice of Withdrawal and will be deducted from the Capital Account and the balance distributed in four quarterly installments. Withdrawal after the one-year holding period and before the five-year holding period will be permitted only upon the terms set forth in the Partnership Agreement.

Limited Partners will also have the right after five years from the date of purchase of the Units to withdraw from the Partnership on an installment basis, generally over a five year period in twenty (20) quarterly installments or longer. Once this five year period expires, no penalty will be imposed if withdrawal is made in twenty (20) quarterly installments or longer. Notwithstanding the five-year (or longer) withdrawal period, the General Partners will liquidate all or part of a Limited Partners capital account in four quarterly installments beginning on the last day of the calendar quarter following the quarter in which the notice of withdrawal is given, subject to a 10% early withdrawal penalty applicable to any sums withdrawn prior to the time when such sums could have been withdrawn pursuant to the five-year (or longer) withdrawal period.

The Partnership will not establish a reserve from which to fund withdrawals and, accordingly, the Partnerships capacity to return a Limited Partners capital is restricted to the availability of Partnership cash flow.

F. Guaranteed Interest Rate For Offering Period

During the period commencing with the day a Limited Partner is admitted to the Partnership and ending 3 months after the offering termination date, the General Partners shall guarantee an earnings rate equal to the greater of actual earnings from mortgage operations or 2% above The Weighted Average cost of Funds Index for the Eleventh District Savings Institutions (Savings & Loan & Thrift Institutions) as computed by the Federal Home Loan Bank of San Francisco on a monthly basis, up to a maximum interest rate of 12%. To date, actual realization exceeded the guaranteed amount for each month.

NOTE 5- LEGAL PROCEEDINGS

The Partnership is not a defendant in any legal actions.

NOTE 6 - NOTE PAYABLE - BANK LINE OF CREDIT

The Partnership has a bank line of credit expiring September 30, 2000, of up to $8,000,000 at .5% over prime secured by its Mortgage Investment portfolio. The note payable balances were $5,947,000 and $5,640,000 at December 31, 1998, and 1997, respectively, and the interest rate was 8.25% at December 31, 1998, (7.75% prime plus .50%).

NOTE 7 - INVESTMENT IN LIMITED LIABILITY CORPORATION

As a result of acquiring real property through foreclosure, the Partnership has contributed its interest (principally land) to a Limited Liability Corporation, which is owned 100% by the Partnership, and which will complete the construction and sell the property. The Partnership expects to realize a profit from the venture.

NOTE 8 - INCOME TAXES

The following reflects a reconciliation from net assets (Partners Capital) reflected in the financial statements to the tax basis of those net assets:
<TABLE>
<CAPTION>

<S>	December 31, 1998 <C>	December 31, 1997 <C>
Net Assets - Partners Capital per financial statements	$27,047,654	$20,931,153
Unamortized syndication costs	357,449	436,358
Allowance for doubtful accounts	414,073	257,500
Formation loans receivable	1,640,904	1,386,693
Net assets tax basis	$29,460,080	$23,011,704

</TABLE>

In 1998 and 1997, approximately 61% and 61% of taxable income was allocated to tax exempt organizations, i.e., retirement plans, respectively. Such plans do not have to file income tax returns unless their unrelated business income exceeds $1,000. Applicable amounts become taxable when distribution is made to participants.

NOTE 9 - FAIR VALUE OF FINANCIAL INVESTMENTS

The following methods and assumptions were used to estimate the fair value of financial instruments:

(a) Cash and Cash Equivalents The carrying amount equals fair value. All amounts, including interest bearing, are subject to immediate withdrawal.

(b) The carrying value of mortgage investments (see note 2(c) is $31,905,958. The fair value of these investments of $32,231,632 is estimated based upon projected cash flows discounted at the estimated current interest rates at which similar loans would be made. The applicable amount of the allowance for doubtful accounts along with accrued interest and advances related thereto should also be considered in evaluating the fair value versus the carrying value.

<TABLE>
<CAPTION>

NOTE 10- ASSET CONCENTRATIONS AND CHARACTERISTICS

The Mortgage Investments are secured by recorded deeds of trust. At December 31, 1998, there were 55 Mortgage Investments outstanding with the following characteristics:

Number of Mortgage Investments outstanding	55
<S>	<C>
Total Mortgage Investments outstanding	$31,905,958
Average Mortgage Investment outstanding	$580,108
Average Mortgage Investment as percent of total	1.82%
Average Mortgage Investment as percent of Partners Capital	2.14%
Largest Mortgage Investment outstanding	2,600,000
Largest Mortgage Investment as percent of total	8.15%
Largest Mortgage Investment as percent of Partners Capital	9.61%
Number of counties where security is located (all California)	11
Largest percentage of Mortgage Investments in one county	32.65%
Average Mortgage Investment to appraised value of security at time loan was consummated	59.50%
Number of Mortgage Investments in foreclosure status	-0-
Amount of Mortgage Investments in foreclosure	-0-

<FN>
The following categories of mortgage investments are pertinent at December 31, 1998 and 1997:
</FN>
</TABLE>
<TABLE>
<CAPTION>

	December 31, 1998	December 31, 1997
<S>	<C>	<C>
First Trust Deeds	$22,349,185	$17,103,865
Second Trust Deeds	8,469,460	8,163,624
Third Trust Deeds	1,087,313	37,500
Total mortgage investments	31,905,958	25,304,989
Prior liens due other lenders	26,411,096	24,224,566
Total debt	$58,317,054	$49,529,555
Appraised property value at time of loan	$98,011,150	$88,714,541
Total investments as a percent of appraisals	59.50%	55.83%

Investments by Type of Property

Owner occupied homes	$6,450,199	$2,445,423
Non-Owner occupied homes	8,789,445	5,318,722
Apartments	3,256,602	5,982,649
Commercial	13,409,712	11,558,195
	$31,905,958	$25,304,989

<FN>
The interest rates on the mortgage investments range from 8.00% to 14.00% at December 31, 1998.
</FN>
</TABLE>

REDWOOD MORTGAGE INVESTORS VIII
(A California Limited Partnership)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1998

Scheduled maturity dates of mortgage investments as of December 31, 1998 are as follows:

Year Ending December 31,	
1999	$11,815,481
2000	9,576,318
2001	5,540,542
2002	1,515,906
2003	1,336,291
Thereafter	2,121,420
	$31,905,958

The scheduled maturities for 1999 include approximately $265,376 in Mortgage Investments which are past maturity at December 31, 1998. Interest payment on only one of these loans was delinquent.

The cash balance at December 31, 1998 of $528,688 was in one bank with interest bearing balances totalling $492,951. The balances exceeded FDIC insurance limits (up to $100,000 per bank) by $428,688. This bank is the same financial institution that has provided the Partnership with the $8,000,000 limit line of credit. At December 31, 1998, draw down against this facility was $5,947,000. As and when deposits in the Partnerships bank accounts increase significantly beyond the insured limit, the funds are either placed on new Mortgage Investments or used to pay-down on the line of credit balance.

<TABLE>
<CAPTION>

SCHEDULE II AMOUNTS RECEIVABLE FROM RELATED PARTIES AND UNDERWRITERS, PROMOTERS, AND EMPLOYEES OTHER THAN RELATED PARTIES. Rule 12-03

Column A Name of Debtor	Column B Balance Beginning of period 12/31/97	Column C Additions	Column D Deductions (1) Amounts collected	(2) Amounts written off	Column E Balance at end of period (1) Current	(2) Not Current 12/31/98
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Redwood Mortgage Corp.	$1,386,693	$403,518	$133,580	$15,727	0	$1,640,904
Total	$1,386,693	$403,518	$133,580	$15,727	0	$1,640,904

<FN>
The above schedule represents the Formation Loan borrowed by Redwood Mortgage Corp. from the Partnership to pay for the selling commissions on units. It is an unsecured loan and will not bear interest. It will be repaid to the Partnership in ten annual installments as described in Note 1 A to the financial statements. The amount written off in column D (2) represents the proportionate

amount of early withdrawal penalties allocated to the Formation Loan as provided
in the prospectus.
</FN>
</TABLE>

<TABLE>
<CAPTION>

SCHEDULE VIII - VALUATION AND QUALIFYING ACCOUNTS
REDWOOD MORTGAGE INVESTORS VIII

Column A Description	Column B Balance beginning of of period	Column C Additions (1) Charged to Costs & Expenses	Column C Additions (2) Charged (credited) to Other accounts - Describe	Column D Deductions Describe	Column E Balance at End of Period
Year Ended 12/31/98					
Deducted from Asset accounts:					
Allowance for					
<S>	<C>	<C>	<C>	<C>	<C>
Doubtful accts	$257,500	$156,573	0	0	$414,073
Cumulative write-down of Real Estate held for sale (REO)	$5,000	$6,396	0	0	$11,396
Totals	$262,500	$162,969	0	0	$425,469

<FN>
(a) represents loss realized
</FN>
</TABLE>

<TABLE>
<CAPTION>

SCHEDULE XII

MORTGAGE INVESTMENTS ON REAL ESTATE.
RULE 12-29 MORTGAGE LOANS ON REAL ESTATE

Col. A Descp.	Col. B Interest Rate	Col. C Final Maturity Date	Col. D Periodic Payment Terms	Col. E Prior Liens	Col. F Face Amt. of Mortgage Investments (original amount)	Col. G Carrying amount of Mortgage Investments	Col. H Principal amount of Mortgage Investments subject to Delinq. Principal or Interest	Col. I Type of Lien	Col. J Geographic County Location
<S>	<C>	<C> <C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Comm	13.75	11/01/99	2,044.77	156,750.00	175,500.00	167,868.51	0.00	2nd mtg	Alameda
Comm	13.75	10/01/96	458.33	0.00	40,000.00	40,000.00	0.00	1st mtg	Santa Clara
Comm	12.00	09/01/03	848.61	0.00	82,500.00	80,397.94	0.00	1st mtg	Alameda
Comm	11.00	09/01/05	846.15	846,019.00	67,500.00	48,266.38	0.00	2nd mtg	Sacramento
Comm	12.00	11/01/98	2,057.23	5,635.00	200,000.00	35,656.54	0.00	2nd mtg	San Francisco
Comm	10.00	12/01/98	1,689.33	0.00	192,500.00	189,719.44	8,446.65	1st mtg	Alameda
Comm	12.00	02/01/99	5,131.14	0.00	503,457.45	503,457.45	0.00	1st mtg	Santa Clara
Apts	11.00	11/01/99	1,980.58	713,917.00	200,000.00	196,026.80	0.00	2nd mtg	San Joaquin
Res	11.00	12/01/03	3,185.37	1,060,486.00	325,000.00	312,953.37	0.00	2nd mtg	San Francisco
Res	11.00	04/01/99	4,999.70	775,649.00	525,000.00	514,203.86	0.00	2nd mtg	Contra Costa
Apts	11.00	04/01/05	330.09	0.00	400,000.00	33,333.33	0.00	1st mtg	San Joaquin
Comm	12.00	07/01/00	1,387.44	0.00	130,000.00	128,363.57	0.00	1st mtg	Fresno
Res	11.75	07/01/10	802.36	74,551.00	66,000.00	61,041.72	0.00	2nd mtg	Alameda

Apts	12.00	08/01/00	6,951.28	3,033,304.00	660,000.00	642,827.22	0.00	2nd mtg	San Joaquin
Comm	12.00	01/01/06	3,415.23	0.00	320,000.00	316,562.67	0.00	1st mtg	San Joaquin
Comm	11.75	02/01/99	1,018.34	0.00	104,000.00	103,935.80	0.00	1st mtg	Contra Costa
Comm	12.00	03/01/01	789.92	0.00	75,000.00	73,336.90	0.00	1st mtg	San Mateo
Comm	12.00	12/31/01	10,106.91	5,492,794.00	955,000.00	1,010,691.25	0.00	2nd mtg	Santa Clara
Res	11.00	04/01/06	1,039.81	0.00	105,000.00	103,234.28	0.00	1st mtg	San Francisco
Comm	12.00	03/01/01	684.60	74,754.00	65,000.00	63,930.02	0.00	2nd mtg	San Mateo
Comm	12.00	02/01/99	186.00	46,800.00	18,000.00	18,000.00	0.00	2nd mtg	Santa Clara
Land	12.00	01/01/00	14,500.00	880,313.00	1,450,000.00	1,450,000.00	43,500.00	2nd mtg	Stanislaus
Comm	14.00	04/01/06	12,160.05	0.00	700,000.00	664,719.00	0.00	1st mtg	San Francisco
Res	11.00	05/01/99	359.38	1,660,639.00	37,500.00	37,500.00	0.00	3rd mtg	Contra Costa
Comm	11.75	05/01/02	3,828.76	0.00	370,000.00	315,906.53	0.00	1st mtg	San Mateo
Res	12.00	06/01/99	500.00	262,342.00	50,000.00	50,000.00	1,000.00	2nd mtg	Alameda
Comm	12.00	07/01/02	10,500.00	0.00	1,350,000.00	1,050,000.00	0.00	1st mtg	San Francisco
Res	11.00	07/01/00	1,787.50	0.00	195,000.00	195,000.00	0.00	1st mtg	San Francisco
Res	12.00	01/01/99	6,726.86	350,000.00	712,500.00	679,413.15	0.00	2nd mtg	Monterey
Res	10.00	07/01/00	5,068.88	0.00	579,300.00	579,300.00	0.00	1st mtg	San Francisco
Comm	12.00	10/01/02	1,562.50	0.00	150,000.00	150,000.00	0.00	1st mtg	San Francisco
Res	11.00	04/01/99	11,661.04	579,300.00	1,320,000.00	1,229,459.90	0.00	2nd mtg	San Francisco
Apts	11.00	10/01/99	18,944.44	0.00	2,200,000.00	2,000,000.00	0.00	1st mtg	San Mateo
Comm	11.00	10/01/07	6,190.11	0.00	650,000.00	646,554.51	0.00	1st mtg	San Francisco
Res	8.00	11/01/27	1,834.42	0.00	250,000.00	247,707.97	0.00	1st mtg	San Mateo
Res	12.00	05/01/99	11,310.80	0.00	2,400,000.00	1,178,418.38	0.00	1st mtg	San Francisco
Comm	12.00	01/01/03	9,736.79	0.00	1,075,000.00	942,939.03	0.00	1st mtg	Alameda
Res	11.00	01/01/00	9,361.09	0.00	945,300.00	945,300.00	0.00	1st mtg	Alameda
Land	11.00	09/01/99	3,354.17	0.00	350,000.00	350,000.00	0.00	1st mtg	Stanislaus
Res	11.00	05/01/00	3,226.67	0.00	352,000.00	352,000.00	0.00	1st mtg	San Francisco
Res	12.00	04/01/00	8,940.00	1,500,000.00	894,000.00	894,000.00	17,880.00	3rd mtg	Marin
Comm	12.00	12/01/99	3,000.00	1,124,681.00	300,000.00	300,000.00	0.00	2nd mtg	Contra Costa
Land	11.00	12/01/00	10,273.34	0.00	1,072,000.00	1,072,000.00	0.00	1st mtg	Stanislaus
Land	11.00	07/01/99	11,720.99	3,143,154.00	1,515,000.00	1,237,406.63	0.00	2nd mtg	San Francisco
Apts	12.00	08/01/99	3,771.25	0.00	390,000.00	384,414.93	0.00	1st mtg	Marin
Res	11.00	03/01/00	1,126.59	2,122,800.00	950,700.00	155,812.76	0.00	3rd mtg	San Francisco
Res	12.00	09/01/01	12,778.56	0.00	1,137,500.00	1,242,583.71	0.00	1st mtg	San Francisco

</TABLE>

<TABLE>
<CAPTION>

Col. A Descp.	Col. B Interest Rate	Col. C Final Maturity Date	Col. D Periodic Payment Terms	Col. E Prior Liens	Col. F Face Amt. of Mortgage Investments (original amount)	Col. G Carrying amount of Mortgage Investments	Col. H Principal amount of Mortgage Investments subject to Delinq. Principal or Interest	Col. I Type of Lien	Col. J Geographic County Location
<S>	<C>	<C> <C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Res	11.00	10/01/01	22,916.66	0.00	2,500,000.00	2,500,000.00	0.00	1st mtg	Stanislaus
Res	11.00	05/01/00	8,720.83	0.00	910,000.00	910,000.00	0.00	1st mtg	San Francisco
Res	11.00	06/01/00	11,068.75	1,320,000.00	1,155,000.00	185,565.98	0.00	2nd mtg	San Francisco
Res	10.00	11/01/00	1,750.00	277,207.50	210,000.00	76,415.33	0.00	2nd mtg	San Mateo
Res	11.00	05/01/00	9,132.92	910,000.00	953,000.00	189,733.54	0.00	2nd mtg	San Francisco
Comm	11.00	12/01/00	16,500.00	0.00	1,800,000.00	1,800,000.00	0.00	1st mtg	Santa Clara
Res	10.87	12/01/99	23,562.50	0.00	2,600,000.00	2,600,000.00	0.00	1st mtg	San Mateo
Comm	11.50	12/05/01	6,229.17	0.00	650,000.00	650,000.00	0.00	1st mtg	Stanislaus
			$334,058.21	$26,411,095.50	$37,383,257.45	$31,905,958.40			

<FN>
Notes:

None of the above Mortgage Investments is considered impaired. Therefore, none of them has been written down. The allowance for doubtful accounts includes $370,073 relating to the above Mortgage Investments and accrued interest receivable and advances related thereto.

Amounts reflected in column G (carrying amount of Mortgage Investments) represents both cost and the tax basis of the loans.
</FN>
</TABLE>

<TABLE>
<CAPTION>

Schedule XII

Reconciliation of carrying amount (cost) of Mortgage Investments at close of periods

<S>	Year ended December 31, 1998 <C>	1997 <C>	1996 <C>
Balance at beginning of year	$25,304,989	$15,642,990	$12,047,252
Additions during period:			
New Mortgage Investments	20,863,807	19,941,336	13,148,944
Other	0	0	0
Total Additions	20,863,807	19,941,336	13,148,944
Deductions during period:			
Collections of principal	14,262,838	10,279,337	9,019,190
Foreclosures	0	0	534,016
Cost of Mortgage Investments sold	0	0	0
Amortization of Premium	0	0	0
Other	0	0	0
Total Deductions	14,262,838	10,279,337	9,553,206
Balance at close of year	$31,905,958	$25,304,989	$15,642,990

</TABLE>

<TABLE>
<CAPTION>

SCHEDULE IX

SHORT TERM BORROWINGS
REDWOOD MORTGAGE INVESTORS VIII - RULE 12-10

Column A Category of Aggregate Short-Term Borrowings	Column B Balance at End of Period	Column C Weighted Average Interest Rate	Column D Maximum Amount Outstanding During the Period	Column E Average Amount Outstanding During the Period	Column F Weighted Average Interest Rate during the period
<S>	<C>	<C>	<C>	<C>	<C>
Year-Ended 12/31/98	$5,947,000	8.92%	$6,547,000	$5,757,315	8.92%

</TABLE>

Item 9 - Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

The Partnership has neither changed its accountants nor does it have any disagreement on any matter of accounting principles, practices or financial statement disclosures.

Part III

Item 10 - Directors and Executive Officers of the Registrant

The Partnership has no Officers or Directors. Rather, the activities of the Partnership are managed by the three General Partners of which two individuals are D. Russell Burwell and Michael R. Burwell. The third General Partner is Gymno Corporation, a California corporation, formed in 1986. The Burwells are the two shareholders of Gymno Corporation, a California corporation, on an equal (50-50) basis.

Item 11 - Executive Compensation

COMPENSATION OF THE GENERAL PARTNERS AND AFFILIATES BY PARTNERSHIP

As indicated above in Item 10, the Partnership has no officers or directors. The Partnership is managed by the General Partners. There are certain fees and other items paid to management and related parties.

A more complete description of management compensation is found in the Prospectus, pages 6-7, under the section Compensation of the General Partners and the Affiliates, which is incorporated by reference. Such compensation is summarized below.

The following compensation has been paid to the General Partners and Affiliates for services rendered during the year ended December 31, 1998. All such compensation is in compliance with the guidelines and limitations set forth in the Prospectus.
<TABLE>
<CAPTION>

Entity Receiving Compensation	Description of Compensation and Services Rendered	Amount
I. Redwood Mortgage.	Mortgage Servicing Fee for servicing	
<S>		<C>
	Mortgage Investments	$295,052
General Partners &/or Affiliate	Asset Management Fee for managing assets	$31,651
General Partners	1% interest in profits.....................	$22,741
	Less allocation of syndication costs........	1,983
		$20,758

</TABLE>

II. FEES PAID BY BORROWERS ON MORTGAGE LOANS PLACED BY COMPANIES RELATED TO THE GENERAL PARTNERS WITH THE PARTNERSHIP (EXPENSES OF BORROWERS NOT OF THE PARTNERSHIP)

Redwood Mortgage	Mortgage Brokerage Commissions for services in connection with the review, selection, evaluation, negotiation, and extension of the Mortgage Investments paid by the borrowers and not by the Partnership	$604,836
Redwood Mortgage	Processing and Escrow Fees for services in connection with notary, document preparation, credit investigation, and escrow fees payable by the borrowers and not by the Partnership	$13,813

III. IN ADDITION, THE GENERAL PARTNERS AND/OR RELATED COMPANIES PAY CERTAIN EXPENSES ON BEHALF OF THE PARTNERSHIP FOR WHICH IT IS REIMBURSED AS NOTED IN THE STATEMENT OF INCOME. $67,453

Item 12 - Security Ownership of Certain Beneficial Owners and Management

The General Partners are to own a combined total of 1% of the Partnership including a 1% portion of income and losses.

Item 13 - Certain Relationships and Related Transactions

Refer to footnote 3 of the notes to financial statements in Part II item 8 which describes related party fees and data.

Also refer to the Prospectus dated December 4, 1996, (incorporated herein by reference) on pages 4-5 Compensation of General Partners and Affiliates and page 5 Conflicts of Interest.

Part IV

Item 14 - Exhibits, Financial Statements and Schedules, and Reports on Form 8-K.

A. Documents filed as part of this report are incorporated:

1. In Part II, Item 8 under A - Financial Statements.

2. The Financial Statement Schedules are listed in Part II - Item 8 under B - Financial Statement

Schedules.

3. Exhibits.

Exhibit No.	Description of Exhibits
3.1	Limited Partnership Agreement
3.2	Form of Certificate of Limited Partnership Interest
3.3	Certificate of Limited Partnership
10.1	Escrow Agreement
10.2	Servicing Agreement
10.3	(a) Form of Note secured by Deed of Trust for Construction Loans which provides for principal and interest payments. (b) Form of Note secured by Deed of Trust for Commercial and Multi-Family loans which provides for principal and interest payments (c) Form of Note secured by Deed of Trust for Commercial and Multi-Family loans which provides for interest only payments (d) Form of Note secured by Deed of Trust for Single Family Residential Loans which provides for interest and principal payments. (e) Form of Note secured by Deed of Trust for Single Family Residential loans which provides for interest only payments.
10.4	(a) Deed of Trust, Assignment of Leases and Rents, Security Agreement and Fixture Filing to accompany Exhibits 10.3 (a), and (c). (b) Deed of Trust, Assignment of Leases and Rents, Security Agreement and Fixture Filing to accompany Exhibit 10.3 (b). (c) Deed of Trust, Assignment of Leases and Rents, Security Agreement and Fixture Filing to accompany Exhibit 10.3 (c).
10.5	Promissory Note for Formation Loan
10.6	Agreement to Seek a Lender
24.1	Consent of Parodi & Cropper
24.2	Consent of Stephen C. Ryan & Associates

All of these exhibits were previously filed as the exhibits to Registrants Statement on Form S-11 (Registration No. 333-13113 and incorporated by reference herein).

B. Reports of Form 8-K.

No reports on Form 8-K have been filed during the last quarter of the period covered by this report.

C. See A (3) above.

D. See A (2) above. Additional reference is made to the prospectus (S-11 filed as part of the Registration Statement) to pages 94 through 97, revised Prospectus dated December 4, 1996, Supplement No. 3 dated November 26, 1997,and Supplement No. 4 dated April 24, 1998 for financial data related to Gymno Corporation, a General Partner.

SIGNATURES

Pursuant to the requirements of Section 13 or 15 (d) of the Securities Exchange Act of 1934 the registrant has duly caused this report to be signed on its behalf by the undersigned, thereto duly authorized on the 24th day of March, 1999.

REDWOOD MORTGAGE INVESTORS VIII

By: /S/ D. Russell Burwell
D. Russell Burwell, General Partner

By: /S/ Michael R. Burwell

Michael R. Burwell, General Partner

By: Gymno Corporation, General Partner

By: /S/ D. Russell Burwell

D. Russell Burwell, President

By: /S/ Michael R. Burwell

Michael R. Burwell, Secretary/Treasurer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacity indicated on the 24th day of March, 1999.

Signature	Title	Date
/S/ D. Russell Burwell --------------------------------- D. Russell Burwell	General Partner	March 24, 1999
/S/ Michael R. Burwell --------------------------------- Michael R. Burwell	General Partner	March 24, 1999
/S/ D. Russell Burwell --------------------------------- D. Russell Burwell	President of Gymno Corp., (Principal Executive Officer); Director of Gymno Corporation	March 24, 1999
/S/ Michael R. Burwell --------------------------------- Michael R. Burwell	Secretary/Treasurer of Gymno Corporation (Principal Financial and Accounting Officer); Director of Gymno Corporation	March 24, 1999

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