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

FORM 10-Q

(Mark One)

[X] **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the Quarterly Period Ended September 30, 2008

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: 000-27816

REDWOOD MORTGAGE INVESTORS VIII, a California Limited Partnership
(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 No.)
900 Veterans Blvd., Suite 500, Redwood City, CA	**94063-1743**
(Address of principal executive offices)	(Zip Code)

(650) 365-5341
(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 ___XX___ No ________

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

Large accelerated filer	[ ]	Accelerated filer	[ ]
Non-accelerated filer (Do not check if a smaller reporting company)	[ ]	Smaller reporting company	[X]

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ________ No ___XX___

Part I – Item 1. FINANCIAL STATEMENTS

REDWOOD MORTGAGE INVESTORS VIII
(A California Limited Partnership)
CONSOLIDATED BALANCE SHEETS
SEPTEMBER 30, 2008 (unaudited) AND DECEMBER 31, 2007 (audited)
(in thousands)

ASSETS

	September 30, 2008	December 31, 2007
Cash and cash equivalents	$ 19,415	$ 11,591
Loans		
Loans, secured by deeds of trust	359,790	305,568
Loans, unsecured	345	345
Allowance for loan losses	(7,186)	(4,469)
Net loans	352,949	301,444
Interest and other receivables		
Accrued interest and late fees	10,132	5,600
Receivable from affiliate	—	764
Advances on loans	10,980	2,358
Total interest and other receivables	21,112	8,722
Real estate owned		
Real estate held	21,035	20,547
Real estate held for sale	6,803	4,479
Allowance for real estate losses	(1,863)	(1,417)
Net real estate owned	25,975	23,609
Loan origination fees, net	95	117
Total assets	$ 419,546	$ 345,483

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

REDWOOD MORTGAGE INVESTORS VIII
(A California Limited Partnership)
CONSOLIDATED BALANCE SHEETS
SEPTEMBER 30, 2008 (unaudited) AND DECEMBER 31, 2007 (audited)
(in thousands)

LIABILITIES AND PARTNERS' CAPITAL

	September 30, 2008	December 31, 2007
Liabilities		
Line of credit	$ 75,000	$ 29,450
Mortgage payable	324	—
Accounts payable	30	62
Deferred revenue	3,895	355
Payable to affiliate	905	557
Total liabilities	80,154	30,424
Minority interest	3,572	3,240
Investors in applicant status	1,264	492
Partners' capital		
Limited partners' capital, subject to redemption net of unallocated syndication costs of $1,767 and $1,791 for September 30, 2008 and December 31, 2007, respectively; and Formation Loan receivable of $13,551 and $13,497 for September 30, 2008 and December 31, 2007, respectively	334,275	311,065
General partners' capital, net of unallocated syndication costs of $18 and $18 for September 30, 2008 and December 31, 2007, respectively	281	262
Total partners' capital	334,556	311,327
Total liabilities and partners' capital	$ 419,546	$ 345,483

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

REDWOOD MORTGAGE INVESTORS VIII
(A California Limited Partnership)
CONSOLIDATED STATEMENTS OF INCOME
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2008 AND 2007 (unaudited)
(in thousands, except for per limited partner amounts)

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2008	2007	2008	2007
Revenues				
Interest on loans	$ 8,750	$ 7,315	$ 24,927	$ 21,074
Interest-interest bearing accounts	40	22	75	63
Late fees, prepayment penalties and fees	69	74	116	221
Imputed interest on Formation Loan	170	176	490	507
Gain on sale of loan	119	—	119	—
Other	22	33	71	53
Total revenues	9,170	7,620	25,798	21,918
Expenses				
Mortgage servicing fees	877	—	1,782	1,310
Interest expense	778	480	1,941	1,455
Amortization of loan origination fees	26	26	80	78
Provisions for losses on loans and real estate owned	1,314	755	3,434	924
Asset management fees	326	293	950	839
Clerical costs through Redwood Mortgage Corp.	84	83	252	249
Professional services	37	208	182	372
Amortization of discount on imputed interest	170	176	490	507
Other	68	47	262	172
Total expenses	3,680	2,068	9,373	5,906
Net income	$ 5,490	$ 5,552	$ 16,425	$ 16,012
Net income: general partners (1%)	$ 55	$ 55	$ 164	$ 160
limited partners (99%)	5,435	5,497	16,261	15,852
	$ 5,490	$ 5,552	$ 16,425	$ 16,012
Net income per $1,000 invested by limited partners for entire period				
-where income is compounded and retained	$ 16	$ 17	$ 48	$ 53
-where partner receives income in monthly distributions	$ 15	$ 17	$ 47	$ 52

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

REDWOOD MORTGAGE INVESTORS VIII
(A California Limited Partnership)
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2008 AND 2007 (unaudited)
(in thousands)

	2008	2007
Cash flows from operating activities		
Net income	$ 16,425	$ 16,012
Adjustments to reconcile net income to net cash provided by operating activities		
Amortization of loan origination fees	80	78
Imputed interest income	(490)	(507)
Amortization of discount	490	507
Gain on sale of loan	(119)	—
Provision for loan and real estate losses	3,434	924
Change in operating assets and liabilities		
Accrued interest and late fees	(4,839)	(1,818)
Advances on loans	(12)	(332)
Receivable from affiliate	764	(668)
Loan origination fees	(58)	—
Accounts payable	(32)	108
Deferred revenue	(355)	—
Payable to affiliate	348	35
Net cash provided by operating activities	15,636	14,339
Cash flows from investing activities		
Loans originated	(115,416)	(94,812)
Principal collected on loans	49,232	69,125
Payments for development of real estate	(569)	(773)
Payment on term loan and related payables		(845)
Proceeds from sale of loan	5,300	—
Proceeds from disposition of real estate	270	5,680
Net cash used in investing activities	(61,269)	(21,625)
Cash flows from financing activities		
Borrowings on line of credit, net	45,550	1,750
Payment on mortgages	(1)	—
Contributions by partner applicants	19,569	24,824
Partners’ withdrawals	(11,541)	(8,769)
Syndication costs paid	(276)	(320)
Formation loan lending	(1,448)	(1,874)
Formation loan collections	1,272	1,167
Increase in minority interest	332	110
Net cash provided by financing activities	53,457	16,888
Net increase in cash and cash equivalents	7,824	9,602
Cash and cash equivalents – beginning of period	11,591	18,096
Cash and cash equivalents – end of period	$ 19,415	$ 27,698
Supplemental disclosures of cash flow information		
Cash paid for interest	$ 1,941	$ 1,455

The accompanying notes are an integral part of these consolidated financial statements.
Please see Note 4 for comments on any significant non-cash transactions.

REDWOOD MORTGAGE INVESTORS VIII
(A California Limited Partnership)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2008 (unaudited)

NOTE 1 – GENERAL

In the opinion of the management of the partnership, the accompanying unaudited consolidated financial statements contain all adjustments, consisting of normal, recurring adjustments, necessary to present fairly the consolidated financial information included therein. These consolidated financial statements should be read in conjunction with the audited consolidated financial statements included in the partnership's Form 10-K for the fiscal year ended December 31, 2007 filed with the Securities and Exchange Commission. The results of operations for the nine month period ended September 30, 2008 are not necessarily indicative of the operating results to be expected for the full year.

Formation Loans

The following summarizes Formation Loan transactions to September 30, 2008 ($ in thousands):

	1st	2nd	3rd	4th	5th	6th	Total
Limited partner contributions	$ 14,932	$ 29,993	$ 29,999	$ 49,985	$ 74,904	$ 99,183	$ 298,996
Formation Loan made	1,075	2,272	2,218	3,777	5,661	7,454	22,457
Discount on imputed interest	—	(40)	(89)	(213)	(752)	(2,016)	(3,110)
Formation Loan made, net	1,075	2,232	2,129	3,564	4,909	5,438	19,347
Repayments to date	(991)	(1,717)	(1,251)	(1,782)	(1,735)	(859)	(8,335)
Early withdrawal penalties applied	(84)	(162)	(127)	(83)	(115	—	(571)
Formation Loan, net at September 30, 2008	—	353	751	1,699	3,059	4,579	10,441
Unamortized discount on imputed interest	—	40	89	213	752	2,016	3,110
Balance September 30, 2008	$ —	$ 393	$ 840	$ 1,912	$ 3,811	$ 6,595	$ 13,551
Percent loaned	7.2%	7.6%	7.4%	7.6%	7.6%	7.5%	7.5%

The Formation Loan has been deducted from limited partners' capital in the consolidated balance sheets. As amounts are collected from Redwood Mortgage Corp., the deduction from capital will be reduced. Interest has been imputed at the market rate of interest in effect at the date of the offerings' close. An estimated amount of imputed interest was recorded for the offerings still outstanding. During the three month periods ended September 30, 2008 and 2007, amortization expense related to the discount on the imputed interest was $170,000 and $176,000, respectively, and for the nine month periods the amounts were $490,000 and $507,000, respectively.

NOTE 1 – GENERAL (continued)

Syndication costs

The partnership bears its own syndication costs, other than certain sales commissions, including legal and accounting expenses, printing costs, selling expenses and filing fees. Syndication costs are charged against partners' capital and are being allocated to the individual partners consistent with the partnership agreement.

Through September 30, 2008, syndication costs of $4,961,000 had been incurred by the partnership with the following distribution (in thousands):

Costs incurred	$	4,961
Early withdrawal penalties applied		(174)
Allocated to date		(3,002)
September 30, 2008 balance	$	1,785

The sixth offering of 100,000,000 units ($100,000,000) commenced August 4, 2005. Syndication costs attributable to the sixth offering will be limited to the lesser of 10% of the gross proceeds or $4,000,000 with excess to be paid by the general partners. As of September 30, 2008, the sixth offering had incurred syndication costs of $1,703,000 (1.72% of contributions). Syndication costs are typically higher in the early stages of an offering.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The partnership's consolidated financial statements include the accounts of its 100%-owned subsidiaries, Russian Hill Property Company, LLC ("Russian") and Borrette Property Company, LLC ("Borrette"), and its 72.5%-owned subsidiary, Larkin Property Company, LLC ("Larkin"). All significant intercompany transactions and balances have been eliminated in consolidation.

Loans secured by deeds of trust

At September 30, 2008 and December 31, 2007, the partnership had nineteen loans past due more than 90 days in interest payments ("90 Day Past Due Loans") totaling $83,748,000 and $49,672,000, respectively.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Loans secured by deeds of trust (continued)

Most of the partnership's loans contain balloon payments at their maturity date, meaning a lump sum payment of principal and interest is due at the maturity date. Borrowers occasionally are not able to pay the full amount due at the maturity date. The partnership may allow these borrowers to continue making the previously regularly scheduled monthly payments for periods of time to assist the borrower in meeting the balloon payment obligation. These loans for which the principal and/or any accrued interest is due and payable, but the borrower has failed to make such payment of principal and/or accrued interest are called "Past Maturity Loans". At September 30, 2008 and December 31, 2007, the partnership had eleven and seven loans totaling $57,462,000 and $35,472,000, respectively, which were Past Maturity Loans. Some of the Past Maturity Loans are also categorized and included in the totals of the 90 Day Past Due Loans when they are both past their maturity date and they are more than 90 days late on regularly scheduled monthly payments. The total combined number of 90 Day Past Due Loans and Past Maturity Loans at September 30, 2008 and December 31, 2007 was twenty and twenty-one, totaling $85,724,000 and $65,852,000, respectively. Accrued interest, advances and late charge receivables on these loans totaled $15,849,000 and $5,095,000 as of September 30, 2008 and December 31, 2007, respectively. Four of these loans at September 30, 2008 totaling $9,043,000 are considered impaired, are not accruing additional interest, and have specific loss reserves of $344,000. The other sixteen loans are not considered impaired because, in the opinion of management, there is sufficient collateral to cover the outstanding amount due to the partnership and interest is still accruing. At December 31, 2007, there were no loans categorized as impaired by the partnership.

Allowance for loan losses

The composition of the allowance for loan losses as of September 30, 2008 and December 31, 2007 was as follows (in thousands):

	September 30, 2008		December 31, 2007	
	Amount	Percent to total loans	Amount	Percent to total loans
Real estate mortgage				
Single-family (1-4 units)	$ 5,791	73%	$ 3,028	63%
Apartments (5+ units)	109	3%	76	3%
Commercial	1,151	23%	1,210	33%
Land	49	1%	73	1%
Total real estate-mortgage	7,100	100%	4,387	100%
Total unsecured	86	100%	82	100%
Total allowance for loan losses	$ 7,186	100%	$ 4,469	100%

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Allowance for loan losses (continued)

Activity in the allowance for loan losses for the nine months ended September 30, 2008 and for the year ended December 31, 2007 was as follows (in thousands):

	September 30, 2008	December 31, 2007
Balance at beginning of period	$ 4,469	$ 2,786
Charge-offs		
Domestic		
Real estate - mortgage		
Single family (1-4 units)	(39)	(13)
Apartments (5+ units)	—	(11)
Commercial	(100)	(363)
Land	—	(46)
	(139)	(433)
Recoveries		
Domestic		
Real estate - mortgage		
Single family (1-4 units)	—	—
Apartments (5+ units)	—	—
Commercial	—	—
Land	—	—
	—	—
Net charge-offs	(139)	(433)
Additions charged to operations	2,881	1,788
Transfer from (to) real estate owned reserve	(25)	328
Balance at end of period	$ 7,186	$ 4,469
Ratio of net charge-offs during the period to average secured loans outstanding during the period	0.04%	0.14%

Cash and cash equivalents

The partnership considers all highly liquid financial instruments with maturities of three months or less at the time of purchase to be cash equivalents. Periodically, the partnership cash balances exceed federally insured limits.

Income taxes

No provision for federal and state income taxes (other than an $800 state minimum tax) is made in the consolidated financial statements since income taxes are the obligation of the limited partners if and when income taxes apply.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Net income per $1,000 invested

Amounts reflected in the consolidated statements of income as net income per $1,000 invested by limited partners for the entire period are amounts allocated to limited partners who held their investment throughout the period and have elected to either leave their earnings to compound or have elected to receive periodic 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 selected other options.

Profits and losses

Profits and losses are allocated among the limited partners according to their respective capital accounts monthly after 1% of the profits and losses are allocated to the general partners.

Management estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions about the reported amounts of assets and liabilities, and disclosures of contingent assets and liabilities, at the date of the financial statements and the reported amounts of revenues and expenses during the reported periods. Such estimates relate principally to the determination of the allowance for loan losses, including the valuation of impaired loans and the valuation of real estate owned. Actual results could differ significantly from these estimates.

NOTE 3 – GENERAL PARTNERS AND RELATED PARTIES

The following are commissions and/or fees, which are paid to the general partners.

Mortgage brokerage commissions

For fees in connection with the review, selection, evaluation, negotiation and extension of loans, Redwood Mortgage Corp. may collect an amount equivalent to 12% of the loaned amount until six months after the termination date of the offering. Thereafter, loan brokerage commissions (points) will be limited to an amount not to exceed 4% of the total partnership assets per year. The loan brokerage commissions are paid by the borrowers and thus, are not an expense of the partnership.

Mortgage servicing fees

Monthly mortgage servicing fees of up to 1/8 of 1% (1.5% annual) of the unpaid principal are paid to Redwood Mortgage Corp., based on the unpaid principal balance of the loan portfolio, or such lesser amount as is reasonable and customary in the geographic area where the property securing the mortgage is located. Once a loan is categorized as impaired, mortgage servicing fees are no longer accrued thereon. Additional service fees are recorded upon the receipt of any subsequent payments on impaired loans.

NOTE 3 – GENERAL PARTNERS AND RELATED PARTIES (continued)

Asset management fees

The general partners receive monthly fees for managing the partnership's loan portfolio and operations in an amount up to 1/32 of 1% of the "*net asset value*" (3/8 of 1% annually), which is the partnership's total assets less its total liabilities.

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 the general partners.

Clerical costs through Redwood Mortgage Corp.

Redwood Mortgage Corp., a general partner, is reimbursed by the partnership for all operating expenses incurred 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.

NOTE 4 – REAL ESTATE OWNED

Periodically, management reviews the status of the owned properties to evaluate among other things, their asset classification. Properties are purchased or acquired through foreclosure. Several factors are considered in determining the classification of owned properties as "real estate held" or "real estate held for sale". These factors include, but are not limited to, real estate market conditions, status of any required permits, repair, improvement or development work to be completed, rental and lease income and investment potential. Real estate owned is classified as held for sale in the period in which the criteria of Statement of Financial Accounting Standards (SFAS) No. 144, *Accounting for the Impairment or Disposal of Ling-Lived Assets*, are met. As a property's status changes, reclassifications may occur.

NOTE 4 – REAL ESTATE OWNED (continued)

Real estate held

The following schedule for real estate held reflects the cost of the properties and recorded reductions to estimated fair values, at September 30, 2008 and December 31, 2007 (in thousands):

Real estate held	September 30, 2008	December 31, 2007
Costs of properties	$ 21,035	$ 20,547
Reduction in value	(920)	(917)
Real estate held, net	$ 20,115	$ 19,930

During the first quarter of 2007, the partnership acquired a single family residence through foreclosure. This resulted in an increase in asset value of real estate held of $2,640,000, an increase in notes payable of $844,000 and a decrease of $1,796,000 in loans receivable, accrued interest, advances and late charge receivables. The partnership has been pursuing legal remedies surrounding title conditions not disclosed to the partnership at the time of making the original loan. In July, 2008 the partnership received $941,000 as a partial settlement of claims from the title insurance company. Combined with a previous recovery the partnership has now received $1,149,000. The partnership continues to seek further recoveries. As of September 30, 2008 and December 31, 2007 the partnership's investment net of recoveries in this property totaled $1,825,000 and $2,679,000, respectively.

During 2005, the partnership acquired a multi-unit property through foreclosure. At the time the partnership took ownership of the property, the partnership's investment, together with three other affiliate partnerships, totaled $10,595,000, including accrued interest and advances. Upon acquisition, the property was transferred via a statutory warranty deed to a new entity named Larkin Street Property Company, LLC ("Larkin"). The partnership owns a 72.50% interest in the property and the other three affiliates collectively own the remaining 27.50%. No valuation allowance has been established against this property as management is of the opinion the property will have adequate equity to allow the partnership and its affiliates to recover all of their investments. The assets, liabilities and any development or sales expenses of Larkin have been consolidated into the accompanying consolidated financial statements of the partnership. As of September 30, 2008, approximately $2,915,000 in costs related to the development of this property have been capitalized. During 2006, the partnership recovered $431,000 from one of the guarantors of the original note. As of September 30, 2008 and December 31, 2007, the partnership's investment, together with the other affiliated partnerships, totaled $13,079,000 and $11,872,000, respectively.

In December 2004, the partnership acquired land through a deed in lieu of foreclosure. At the date of acquisition, the partnership's investment totaled $4,377,000 including accrued interest and advances. During 2006, management established a $490,000 reserve against this property to reduce the carrying amount to management's estimate of the ultimate net realizable value of the property. In 2006, one of the parcels comprising the property was sold. The partnership incurred a loss of $73,000 on this sale, which had been previously reserved for. The partnership's total investment at September 30, 2008 was $3,220,000, net of a reserve of $420,000 and at December 31, 2007, the partnership's total investment in this property was $3,222,000, net of a reserve of $417,000.

NOTE 4 – REAL ESTATE OWNED (continued)

Real estate held for sale (continued)

In September 2004, the partnership acquired a single-family residence through a foreclosure sale. At the time the partnership took ownership of the property, the partnership's investment totaled $1,937,000 including accrued interest and advances. The borrower had begun a substantial renovation of the property, which was not completed at the time of foreclosure. The partnership has decided to pursue development of the property by processing plans for the creation of two condominium units on the property. These plans will incorporate the majority of the existing improvements currently located on the property. At September 30, 2008 and December 31, 2007, the partnership's total investment in this property was $1,991,000 and $1,857,000, respectively, net of a valuation allowance of $500,000.

The following schedule for real estate held for sale, reflects the cost of the properties and recorded reductions to estimated fair values, including estimated costs to sell, at September 30, 2008 and December 31, 2007 (in thousands):

Real estate held for sale	September 30, 2008	December 31, 2007
Costs of properties	$ 6,803	$ 4,479
Reduction in value	(943)	(500)
Real estate held for sale, net	$ 5,860	$ 3,979

In April, 2008, the partnership acquired a single family residence through a deed in lieu of foreclosure. The total investment, including loan principal balance, accrued interest, late charges and advances, was $1,269,000 at foreclosure. The partnership has capitalized an additional $62,000 in improvements and furnishings. The total investment at September 30, 2008 was $1,157,000, net of a valuation allowance of $174,000.

In April, 2008, the partnership acquired a single family residence through foreclosure. On the date of acquisition the total investment was $985,000, comprised of $660,000 of loan principal, accrued interest, late fees and advances held by the partnership and $325,000 of a first lien held by another lender. The partnership will make the monthly payment due on the first lien until the property is sold. The total investment at September 30, 2008 was $729,000, net of a valuation allowance of $269,000.

In February, 2008, the partnership acquired a single family residence through foreclosure. The total investment, including loan principal balance, accrued interest, late charges and advances, was $391,000 at foreclosure. Additional expenditures of $11,000 were needed to make the residence saleable. In July of 2008 the property was sold and the net proceeds were $270,000. The remaining balance of $132,000 was charged against the previously established reserve for losses.

During 2002, a single-family residence that secured a partnership loan totaling $4,402,000, including accrued interest and advances, was transferred via a statutory warranty deed to a new entity named Russian Hill Property Company, LLC ("Russian"). Russian was formed by the partnership to complete the development and sale of the property. The assets, liabilities and any development or sales expenses of Russian have been consolidated into the accompanying consolidated financial statements of the partnership. Costs related to the sale and development of this property were capitalized during 2003. Commencing January 2004, costs related to sales and maintenance of the property were being expensed. At September 30, 2008 and December 31, 2007, the partnership's total investment in Russian was $3,974,000 and $3,979,000, respectively, net of a valuation allowance of $500,000.

NOTE 5 – BORROWINGS

Bank line of credit

The partnership has a bank line of credit in the maximum amount of the lesser of (1) $85,000,000, (2) one-third of partners' capital, or (3) the borrowing base as defined in the agreement. The line of credit matures on June 30, 2010, with borrowings at prime less 0.50% and secured by the partnership's loan portfolio. The outstanding balances were $75,000,000 and $29,450,000 at September 30, 2008 and December 31, 2007, respectively. The interest rate was 4.50% at September 30, 2008 and 6.75% at December 31, 2007. The partnership may also be subject to a 0.5% fee on specified balances in the event the line is not utilized. The line of credit requires the partnership to comply with certain financial covenants. The partnership was in compliance with these covenants at September 30, 2008 and December 31, 2007. The partnership may, at its option, convert the line of credit to a term loan payable over 36 months.

Mortgage payable

In April, 2008 the partnership acquired a single family residence through foreclosure. This property was subject to a first lien by another lender, and the partnership reached an agreement with the holder of this lien, for the partnership to continue to make the monthly payments. Please see Note 4 above for further details of the transaction. The balance at September 30, 2008 was $324,000.

NOTE 6 – FAIR VALUE

On January 1, 2008, the Partnership adopted SFAS No. 157, "*Fair Value Measurements*" (SFAS 157). SFAS 157 defines fair value, establishes a framework for measuring fair value and expands disclosure requirements for fair value measurements. The Partnership deferred the application of SFAS 157 for nonfinancial assets and nonfinancial liabilities as provided for by FASB Staff Position (FSP) FAS 157-2, "*Effective Date of FASB Statement No. 157*." FSP FAS 157-2 defers the effective date of SFAS 157 to fiscal years beginning after November 15, 2008, and interim periods within those fiscal years for nonfinancial assets and nonfinancial liabilities, except items that are recognized or disclosed at fair value in an entity's financial statements on a recurring basis (at least annually).

SFAS 157 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The partnership determines the fair values of its financial assets and financial liabilities based on the fair value hierarchy established in SFAS 157. The standard describes three levels of inputs that may be used to measure fair value (Level 1, Level 2 and Level 3). Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Partnership has the ability to access at the measurement date. An active market is a market in which transactions occur with sufficient frequency and volume to provide pricing information on an ongoing basis. Level 2 inputs are inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for the asset or liability. Unobservable inputs reflect the partnership's own assumptions about the assumptions market participants would use in pricing the asset or liability (including assumptions about risk). Unobservable inputs are developed based on the best information available in the circumstances and may include the partnership's own data.

In October 2008, the FASB issued FSP FAS 157-3, *"Determining the Fair Value of a Financial Asset When the Market for that Asset is Not Active"*, with an immediate effective date. The purpose of this release was to provide further clarification regarding Level 3 inputs and the assumptions management may make when the market for the asset in not active. The adoption of FSP FAS 157-3 did not have a material effect on the partnership's results of operations, financial position or liquidity.

NOTE 6 – FAIR VALUE (continued)

The partnership does not record loans at fair value on a recurring basis.

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 accounts, are subject to immediate withdrawal.

(b) Secured loans (Level 2). The fair value of these loans of $359,887,000 and $307,654,000 at September 30, 2008 and December 31, 2007, respectively, was 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 loan losses along with accrued interest and advances related thereto should also be considered in evaluating the fair value versus the carrying value. For loans in which a specific allowance is established based on the fair value of the collateral, the Partnership records the loan as nonrecurring Level 2 if the fair value of the collateral is based on an observable market price or a current appraised value. If an appraised value is not available or the fair value of the collateral is considered impaired below the appraised value and there is no observable market price, the Partnership records the loan as nonrecurring Level 3.

(c) Unsecured loans (Level 3). Unsecured loans are valued at their principal less any discount or loss reserves management establishes after taking into account the borrower's creditworthiness and their ability to repay the loan.

(d) Line of credit and loan commitments (Level 2). The carrying amount equals fair value. All amounts, including interest payable, are subject to immediate repayment.

NOTE 7 – ASSET CONCENTRATIONS AND CHARACTERISTICS

At September 30, 2008 and December 31, 2007 the loans secured by recorded deeds of trust had the following characteristics ($ in thousands):

	September 30, 2008	December 31, 2007
Number of secured loans outstanding	142	116
Total secured loans outstanding	$ 359,790	$ 305,568
Average secured loan outstanding	$ 2,534	$ 2,634
Average secured loan as percent of total secured loans	0.70%	0.86%
Average secured loan as percent of partners' capital	0.76%	0.85%
Largest secured loan outstanding	$ 38,976	$ 34,383
Largest secured loan as percent of total secured loans	10.83%	11.25%
Largest secured loan as percent of partners' capital	11.65%	11.04%
Largest secured loan as percent of total assets	9.29%	9.95%
Number of counties where security is located (all California)	35	32
Largest percentage of secured loans in one county	23.51%	23.63%
Number of secured loans in foreclosure status	5	5
Amount of secured loans in foreclosure	$ 5,369	$ 5,169

NOTE 7 – ASSET CONCENTRATIONS AND CHARACTERISTICS (continued)

The following secured loan categories were held at September 30, 2008 and December 31, 2007 ($ in thousands):

	September 30, 2008	December 31, 2007
First Trust Deeds	$ 188,126	$ 138,965
Second Trust Deeds	170,867	166,103
Third Trust Deeds	797	500
Total loans	359,790	305,568
Prior liens due other lenders at time of loan	363,294	433,797
Total debt	$ 723,084	$ 739,365
Appraised property value at time of loan	$ 1,052,680	$ 1,098,743
Average secured loan to appraised value of security based on appraised values and prior liens at time loan was consummated	68.69%	67.29%
Secured loans by type of property		
Single-family (1-4 units)	$ 264,580	$ 191,608
Apartments (5+ units)	10,763	9,369
Commercial	81,968	100,933
Land	2,479	3,658
	$ 359,790	$ 305,568

The interest rates on the loans range from 5.00% to 12.50% at September 30, 2008 and 7.00% to 13.00% at December 31, 2007. This range of interest rates is typical of our portfolio.

Scheduled loan maturity dates as of September 30, 2008 are as follows:

	Amount
Year ending December 31, 2008	$ 123,367
2009	102,450
2010	55,272
2011	12,243
2012	47,277
Thereafter	19,181
	$ 359,790

NOTE 7 – ASSET CONCENTRATIONS AND CHARACTERISTICS (continued)

The scheduled maturities for 2008 include eleven past maturity loans totaling $57,462,000, and representing 15.97% of the portfolio at September 30, 2008. Interest payments on ten of these loans were categorized as more than 90 days past due. Occasionally the partnership allows borrowers to continue to make the payments on Past Maturity Loans for periods of time. It is the partnership's experience loans are sometimes refinanced or repaid before the maturity date. Therefore, the above tabulation for scheduled maturities is not a forecast of future cash receipts. None of the Past Maturity Loans is in foreclosure as of September 30, 2008.

The partnership had 19.45% of its receivable balance due from one borrower at September 30, 2008. Interest revenue for this borrower accounted for approximately 14.59% of interest revenue for the nine months ended September 30, 2008.

NOTE 8 – COMMITMENTS AND CONTINGENCIES

Construction/rehabilitation loans

The partnership makes construction and rehabilitation loans which are not fully disbursed at loan inception. The partnership approves the borrowers up to a maximum loan balance; however, disbursements are made periodically during completion phases of the construction or rehabilitation or at such other times as required under the loan documents. At September 30, 2008 there were $1,460,000 of undisbursed loan funds which will be funded by a combination of borrower monthly mortgage payments, line of credit draws, retirement of principal on current loans, cash and capital contributions from investors. The partnership does not maintain a separate cash reserve to hold the undisbursed obligations, which are intended to be funded.

Workout agreements

The partnership has negotiated various contractual workout agreements with borrowers whose loans are past maturity or who are delinquent in making payments. The partnership was not obligated to fund additional money on these loans as of September 30, 2008. There were seven loans totaling $10,706,000 in workout agreements as of September 30, 2008.

Legal proceedings

From time to time, the partnership is involved in various legal actions arising in the normal course of business. In the opinion of management, such matters will not have a material effect upon the financial position of the partnership.

Part I – Item 2.

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION OF THE PARTNERSHIP

Critical Accounting Policies.

In preparing the consolidated 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 dates and revenues and expenses for the reporting periods. Such estimates relate principally to the determination of (1) the allowance for loan losses (i.e. the amount of allowance established against loans receivable as an estimate of potential loan losses) including the accrued interest and advances that are estimated to be unrecoverable based on estimates of amounts to be collected plus estimates of the value of the property as collateral and (2) the valuation of real estate acquired through foreclosure. At September 30, 2008 the partnership owned eight real estate properties, which were taken back from defaulted borrowers.

Loans and the related accrued interest, late fees and advances are analyzed on a periodic basis for recoverability. Delinquencies are identified and followed as part of the loan system. Delinquencies are determined based upon contractual terms. A provision is made for loan losses to adjust the allowance for loan losses to an amount considered by management to be adequate, with due consideration to collateral values, to provide for unrecoverable loans and receivables, including impaired loans, other loans, accrued interest, late fees and advances on loans and other accounts receivable (unsecured). The partnership charges off uncollectible loans and related receivables directly to the allowance account once it is determined that the full amount is not collectible.

If the probable ultimate recovery of the carrying amount of a loan, with due consideration for the fair value of collateral, is less than amounts due according to the contractual terms of the loan agreement and the shortfall in the amounts due are not insignificant, the carrying amount of the investment will be reduced to the present value of future cash flows discounted at the loan's effective interest rate. If a loan is collateral dependent, it is valued at the estimated fair value of the related collateral.

If events and/or changes in circumstances cause management to have serious doubts about the collectibility of the contractual payments, a loan may be categorized as impaired and interest is no longer accrued. A specific loss reserve will be established if warranted. Any subsequent payments on impaired loans are applied to reduce the outstanding loan balances, including accrued interest and advances.

Real estate acquired through foreclosure is stated at the lower of the recorded investment in the loan, plus any senior indebtedness, or at the property's estimated fair value, less estimated costs to sell. The partnership periodically compares the carrying value of real estate to expected undiscounted future cash flows for the purpose of assessing the recoverability of the recorded amounts. If the carrying value exceeds future undiscounted cash flows, the assets are reduced to estimated fair value.

Recent trends in the economy have been taken into consideration in the aforementioned process of arriving at the allowance for loan losses and real estate owned. Actual results could vary from the aforementioned provisions for losses.

Forward-Looking Statements.

Certain statements in this Report on Form 10-Q which are not historical facts may be considered forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities and Exchange Act of 1934, as amended, including statements regarding the partnership's expectations, hopes, intentions, beliefs and strategies regarding the future. Forward-looking statements include statements regarding future interest rates and economic conditions and their effect on the partnership and its assets, trends in the California real estate market, estimates as to the allowance for loan losses and the valuation of real estate, anticipated loan fundings, estimates of future limited partner withdrawals, additional foreclosures in 2008 and their effects on liquidity, the partnership's plans to develop certain properties and recovering certain values for properties through sale and the estimated timeframe for selling certain properties held for sale. Actual results may be materially different from what is projected by such forward-looking statements. Factors that might cause such a difference include unexpected changes in economic conditions and interest rates, including such conditions in California, the impact of competition and competitive pricing, unexpected shortfalls in cash flow required to develop certain properties and downturns in the real estate markets in which the partnership has made loans. All forward-looking statements and reasons why results may differ included in this Form 10-Q are made as of the date hereof, and we assume no obligation to update any such forward-looking statement or reason why actual results may differ.

Related Parties.

The general partners of the partnership are Redwood Mortgage Corp., Gymno Corporation and Michael R. Burwell. Most partnership business is conducted through Redwood Mortgage Corp., which arranges, services and maintains the loan portfolio for the benefit of the partnership. The fees received by the general partners are paid pursuant to the partnership agreement and are determined at the sole discretion of the general partners, subject to limitations imposed by the partnership agreement. In the past the general partners have elected not to take the maximum compensation. The following is a list of various partnership activities for which related parties are compensated.

- ***Mortgage Brokerage Commissions*** For fees in connection with the review, selection, evaluation, negotiation and extension of loans, Redwood Mortgage Corp. may collect an amount equivalent to 12% of the loaned amount until six months after the termination date of the offering. Thereafter, the loan brokerage commissions (points) will be limited to an amount not to exceed 4% of the total partnership assets per year. The loan brokerage commissions are paid by the borrowers, and thus, are not an expense of the partnership. Loan brokerage commissions paid by the borrowers were $503,000 and $301,000 for the three month periods and $865,000 and $2,064,000 for the nine month periods ended September 30, 2008 and 2007, respectively.

- ***Mortgage Servicing Fees*** Monthly mortgage servicing fees of up to 1/8 of 1% (1.5% on an annual basis) of the unpaid principal of the partnership's loans are paid to Redwood Mortgage Corp., or such lesser amount as is reasonable and customary in the geographic area where the property securing the mortgage is located. The table below summarizes the results for the three and nine month periods ended September 30, 2008 and 2007.

	Three months ended September 30,		Nine months ended September 30,	
	2008	2007	2008	2007
Maximum chargeable	$ 1,316,000	$ 1,085,000	$ 3,799,000	$ 3,051,000
Waived	(439,000)	(1,085,000)	(2,017,000)	(1,741,000)
Net charged	$ 877,000	$ —	$ 1,782,000	$ 1,310,000

- ***Asset Management Fees*** The general partners receive monthly fees for managing the partnership's portfolio and operations up to 1/32 of 1% of the '*net asset value*' (3/8 of 1% on an annual basis). The table below summarizes the results for the three and nine month periods ended September 30, 2008 and 2007.

	Three months ended September 30,		Nine months ended September 30,	
	2008	2007	2008	2007
Maximum chargeable	$ 326,000	$ 293,000	$ 950,000	$ 839,000
Waived	—	—	—	—
Net charged	$ 326,000	$ 293,000	$ 950,000	$ 839,000

- ***Other Fees*** The partnership agreement provides that the general partners may receive other fees such as processing and escrow, reconveyance, mortgage assumption and mortgage extension fees. Such fees are incurred by the borrowers and are paid to the general partners. Such fees totaled $88,000 and $8,000 for the three month periods and $151,000 and $40,000 for the nine month periods, all ended September 30, 2008 and 2007, respectively.

- ***Income and Losses*** All income and losses are credited or charged to partners in relation to their respective partnership interests. The allocation of income and losses to the general partners (combined) is a total of 1%, which was $55,000 and $55,000 for the three month periods and $164,000 and $160,000 for the nine month periods, all ended September 30, 2008 and 2007, respectively.

- ***Clerical Costs through Redwood Mortgage Corp.*** Redwood Mortgage Corp. is reimbursed by the partnership for all operating expenses actually incurred 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. Operating expenses totaled $84,000 and $83,000 for the three month periods and $252,000 and $249,000 for the nine month periods, all ended September 30, 2008 and 2007, respectively, and were reimbursed to Redwood Mortgage Corp.

- ***Contributed Capital*** The general partners jointly and severally were to contribute 1/10 of 1% in cash contributions as proceeds from the offerings are received from the limited partners. As of September 30, 2008 and December 31, 2007, a general partner, Gymno Corporation, had contributed $299,000 and $280,000, respectively, as capital in accordance with Section 4.02(a) of the partnership agreement.

- ***Sales Commission – "Formation Loan" to Redwood Mortgage Corp.*** Sales commissions relating to the capital contributions by limited partners are not paid directly by the partnership out of the offering proceeds. Instead, the partnership loans to Redwood Mortgage Corp., a general partner, amounts necessary to pay all sales commissions and amounts payable in connection with unsolicited orders. The loan is referred to as the "Formation Loan". It is unsecured and non-interest bearing and is applied to reduce limited partners' capital in the consolidated balance sheets. The sales commissions range between 0% (for units sold by the general partners) and 9%. It is estimated the total amount of the Formation Loan will approximate 7.6% based on the assumption that 65% of the investors will reinvest earnings, which qualify for the higher commission percentage.

  The amounts paid by Redwood Mortgage Corp. are determined at annual installments of one-tenth of the principal balance of each Formation Loan at December 31 of each year until the offering period is closed. Thereafter, the remaining Formation Loan is paid in ten equal amortizing payments over a period of ten years.

Results of Operations

Changes in the partnership's operating results are tabulated for reference and are discussed below ($ in thousands):

	Changes during the three months ended September 30, 2008 versus 2007		Changes during the nine months ended September 30, 2008 versus 2007	
	Dollars	Percent	Dollars	Percent
Revenue				
Interest on loans	$ 1,435	20 %	$ 3,853	18 %
Interest-interest bearing accounts	18	82	12	19
Late fees, prepayment penalties and fees	(5)	(7)	(105)	(48)
Imputed interest on Formation Loan	(6)	(3)	(17)	(3)
Gain on sale of loan	119	—	119	—
Other	(11)	(33)	18	34
Total revenue	1,550	20	3,880	18
Expenses				
Mortgage servicing fees	877	—	472	36
Interest expense	298	62	486	33
Amortization of loan origination fees	—	—	2	3
Provisions for losses on loans and real estate owned	559	74	2,510	272
Asset management fees	33	11	111	13
Clerical costs through Redwood Mortgage Corp.	1	1	3	1
Professional services	(171)	(82)	(190)	(51)
Amortization of discount on imputed interest	(6)	(3)	(17)	(3)
Other	21	45	90	52
Total expenses	1,612	78	3,467	59
Net income	$ (62)	(1) %	$ 413	3 %

The increase in interest on loans for the three and nine month periods ended September 30, 2008 as compared to the same periods in 2007, was due primarily to the increased size of the partnership's average secured loan portfolio offset by declines in the weighted average interest rates. Please see the table below for the numbers related to each period ($ in thousands).

	Three months ended September 30,		Nine months ended September 30,	
	2008	2007	2008	2007
Average loan balance	$ 359,241	$ 288,816	$ 340,605	$ 276,366
Average interest rate	9.28 %	10.04 %	9.49 %	9.92 %

The decrease in late fee income for the three month and nine month periods ended September 30, 2008 as compared to the same periods in 2007 was due to management's decision to only accrue additional fees on loans where collectibility is deemed highly likely. In a weak real estate environment management may waive late fees in an attempt to allow the borrower to catch up on delinquent payments or help in keeping real estate holding costs more affordable.

The increase to gain on sale of loan relates to a premium obtained upon the sale of a mortgage loan.

The increase in mortgage servicing fees for the three month period ended September 30, 2008 as compared to the same period in 2007 was due to a 21% increase in chargeable fees caused by the increase in the average loan balance. Also the amount waived by Redwood Mortgage Corp. decreased by 60%. The increase for the nine month period ended September 30, 2008 compared to the same period in 2007, results from a 25% increase in chargeable fees partially offset by a 16% increase in the waived amount. Please see the table in the discussion on interest income above for the actual portfolio balances and the table in Related Parties for the actual fees charged and waived.

The increase in interest expense for the three month and nine month periods ended September 30, 2008 as compared to the same periods in 2007 was primarily due to an increase in the daily average borrowing from $22,173,000 for the third quarter of 2007 to $71,717,000 for 2008 and from $19,860,000 for the first nine months of 2007 to $53,050,000 for 2008. Also, the interest rates declined from 8.25% for both periods in 2007, to 4.24% for the third quarter and 4.59% for the first nine months of 2008.

The increase in the provision for losses on loans and real estate for the three and nine month periods ended September 30, 2008 as compared to the same periods in 2007 was due to management's decision to increase the allowances for losses for loans and real estate due to increased loan portfolio size. Management's decision was also based upon general weakness of the U.S. economy of late, and in particular, the declines in the real estate market related to property values and available liquidity.

The decrease in professional fees is primarily related to start-up costs related to the required Sarbanes-Oxley work which began in mid-2007.

At September 30, 2008, there were five outstanding secured loans totaling $5,369,000 with a filed notice of default as compared to five outstanding secured loans totaling $5,170,000 at September 30, 2007. Foreclosures are not an unusual occurrence in the segment of the lending industry in which we operate.

The general partners received mortgage brokerage commissions from loan borrowers of $503,000 and $301,000 for the three month periods and $865,000 and $2,064,000 for the nine month periods, all ended September 30, 2008 and 2007, respectively. The nine month decrease is due to reduced volume of new loans earning a commission.

Allowance for Losses.

The general partners periodically review the loan portfolio, examining the status of delinquencies, borrowers' payment records, as well as other factors. Based upon this information and other data, the allowance for loan losses is increased or decreased. Borrower foreclosures are a normal aspect of partnership operations. The partnership is not a credit based lender and hence while it reviews the credit history and income of borrowers, and if applicable, the income from income producing properties, the general partners expect the partnership will on occasion take back the real estate securing the loan. As of September 30, 2008, the partnership had twenty loans past due more than 90 days on interest payments and/or past maturity, totaling $85,724,000. As of September 30, 2008 the partnership has filed notices of default, beginning the process of foreclosure against five loans all included above in the more than 90 day delinquent payment category, none of which is a matured loan. The principal amounts of the loans with filed notices of default total $5,369,000 or 1.49% of the loan portfolio.

The partnership periodically enters into workout agreements with borrowers who are past maturity or delinquent in their regular payments. As of September 30, 2008 the partnership had seven loans totaling $10,706,000 subject to workout agreements. Typically, a workout agreement allows the borrower to extend the maturity date of the balloon payment and/or allows the borrower to make current monthly payments while deferring for periods of time, past due payments, and allows time to pay the loan in full. These workout agreements and foreclosures generally exist within our loan portfolio to varying degrees, depending primarily on the health of the economy. The number of foreclosures and workout agreements will generally rise during difficult economic times and conversely fall during good economic times. Workouts and foreclosures are considered when management arrives at appropriate loan loss reserves and based on our experience, are reflective of our loan marketplace segment. In 2008, we may initiate foreclosure proceedings on delinquent borrowers or borrowers who become delinquent during the balance of the year. We may take back additional real estate through the foreclosure process in 2008. Borrower foreclosures are a normal aspect of partnership operations and the general partners anticipate they will not have a material effect on our results of operations or liquidity. As a safeguard against potential losses, the general partners have established reserves for losses on loans and real estate owned of $9,049,000 as of September 30, 2008. These reserves were made to protect against collection losses. These reserves for losses as of September 30, 2008 are 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 materially from estimates made by the general partners.

PORTFOLIO REVIEW – For the nine months ended September 30, 2008 and 2007

Loan Portfolio.

The partnership's loan portfolio consists primarily of short-term (one to five years), fixed rate loans secured by real estate. As of September 30, 2008 and 2007, the partnership's loans secured by real property collateral in the nine San Francisco Bay Area counties (San Francisco, San Mateo, Santa Clara, Alameda, Contra Costa, Napa, Solano, Sonoma and Marin) represented $198,556,000 (55%) and $170,467,000 (60%), respectively, of the outstanding secured loan portfolio. As of September 30, 2008 and 2007 an additional $48,646,000 (14%) and $49,772,000 (17%) were in counties adjacent to the San Francisco Bay Area, totaling, with the loans in the nine San Francisco Bay Area counties, $247,202,000 (69%) and $220,239,000 (77%), respectively. The remainder of the portfolio represented loans secured primarily by Southern California real estate.

As of September 30, 2008 and 2007 the partnership held 142 and 108 secured loans, respectively, in the following categories ($ in thousands):

	September 30,			
	2008		2007	
Single family homes (1-4 units)	$ 264,580	73%	$ 189,737	66%
Apartments (5+ units)	10,763	3%	13,422	5%
Commercial	81,968	23%	79,525	28%
Land	2,479	1%	2,408	1%
Total	$ 359,790	100%	$ 285,092	100%

The following table sets forth the priorities, asset concentrations and maturities of the loans held by the partnership as of September 30, 2008 ($ in thousands).

	# of Secured Loans		Amount	Percent
First trust deeds	72	$	188,126	52%
Second trust deeds	66		170,867	47%
Third trust deeds	4		797	1%
Total	142	$	359,790	100%
Maturing prior to 12/31/08	20	$	123,367	35%
Maturing during 2009	25		102,450	28%
Maturing during 2010	22		55,272	15%
Maturing after 12/31/10	75		78,701	22%
Total	142	$	359,790	100%
Average secured loan as a % of secured loan portfolio		$	2,534	0.70%
Largest secured loan as a % of secured loan portfolio			38,976	10.83%
Smallest secured loan as a % of secured loan portfolio			35	0.01%
Average secured loan-to-value at time of loan based on appraisals and prior liens at time of loan				68.69%
Largest secured loan as a percent of total assets			38,976	9.29%

Liquidity and Capital Resources.

Partnership capital continued to increase during the nine month period ended September 30, 2008. The partnership received new limited partner capital contributions of $19,576,000 for the nine month period ended September 30, 2008 as compared to $24,786,000 for the nine month period ended September 30, 2007. Retained earnings of limited partners that chose to compound earnings were $9,509,000 for the nine month period ended September 30, 2008, as compared to $9,672,000 for the same period ended September 30, 2007. The increased partnership capital assisted in the partnership's ability to increase loans outstanding to $359,790,000 at September 30, 2008, as compared to $285,092,000 at September 30, 2007.

The partnership relies upon purchases of units, loan payoffs, borrowers' mortgage payments, and to a lesser degree, its line of credit for the source of funds for loans and for the undisbursed portion of Construction Loans and Rehabilitation Loans (see the discussion under the caption "Asset Quality" in Item 3 of Part I of this Form 10-Q). Mortgage interest rates have decreased somewhat from those available at the inception of the partnership. If interest rates were to increase substantially, the yield of the partnership's loans may provide lower yields than other comparable debt-related investments. As such, additional limited partner unit purchases could decline, which would reduce the overall liquidity of the partnership. Additionally, since the partnership has made primarily fixed rate loans, if interest rates were to rise, the likely result would be a slower prepayment rate for the partnership. This could cause a lower degree of liquidity as well as a slowdown in the ability of the partnership to invest in loans at the then current interest rates. Conversely, in the event interest rates were to decline, the partnership could experience a surge of unit purchases by prospective limited partners, and/or significant borrower prepayments. In such event, if the partnership can only obtain the then existing lower rates of interest, there may be a dilution of the partnership's yield on loans, thereby lowering the partnership's overall yield to the limited partners. The partnership to a lesser degree relies upon its line of credit to fund loans. Generally, the partnership's loans are fixed rate, whereas the credit line is a variable rate loan. In the event of a significant increase in overall interest rates, the credit line rate of interest could increase to a rate above the average portfolio rate of interest. Should such an event occur, the general partners would desire to pay off the line of credit and would generally not use it to fund loans. This could reduce the overall liquidity of the partnership. Cash is constantly being generated from borrower payments of interest, principal and loan payoffs. Currently, cash flow greatly exceeds partnership expenses and cash distribution requirements to limited partners. Excess cash flow is invested in new loan opportunities, and for funding the undisbursed portion of Construction and Rehabilitation Loans, and is used to reduce the partnership credit line or for other partnership business.

At the time of subscription to the partnership, limited partners must elect either to receive monthly, quarterly or annual cash distributions from the partnership, or to compound earnings in their capital account. If an investor initially elects to receive monthly, quarterly or annual distributions, such election, once made, is irrevocable. If the investor initially elects to compound earnings in his/her capital account, in lieu of cash distributions, the investor may, after three (3) years, change the election and receive monthly, quarterly or annual cash distributions. Earnings allocable to limited partners, who elect to compound earnings in their capital account, will be retained by the partnership for making further loans or for other proper partnership purposes; and such amounts will be added to such limited partners' capital accounts.

During the three and nine month periods ended September 30, 2008 and 2007, the partnership, after allocation of syndication costs, made the following allocation of earnings both to the limited partners who elected to compound their earnings, and those that chose to distribute: ($ in thousands)

	Three months ended September 30,						Nine months ended September 30,					
	2008			2007			2008			2007		
Compounding	$	3,156	59%	$	3,337	62%	$	9,509	59%	$	9,672	62%
Distributing	$	2,189	41%	$	2,071	38%	$	6,482	41%	$	5,916	38%

The percentages for limited partners electing compounding or distribution of earnings have remained relatively stable. The general partners anticipate after all capital has been raised, the percentage of limited partners electing to withdraw earnings will decrease due to the dilution effect which occurs when compounding limited partners' capital accounts grow through compounded earnings.

The partnership also allows the limited partners to withdraw their capital account subject to certain limitations and penalties. Once a limited partner's 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 partner's investment has the effect of providing limited partner liquidity and the general partners expect a portion of the limited partners to avail themselves of this liquidity. The general partners expect to see increasing numbers of limited partner withdrawals during a limited partner's 5th through 10th anniversary, at which time the bulk of those limited partners who have sought withdrawal have been liquidated. Since the five-year hold period for many limited partners has yet to expire, as of September 30, 2008, many limited partners may not have yet opted for such liquidation. Limited partners may liquidate their investment over a one-year period subject to certain limitations and a 10% penalty for early withdrawal. Capital liquidations including early withdrawals during the three and nine month periods ended September 30, 2008 and 2007 were: ($ in thousands)

	Three months ended September 30,				Nine months ended September 30,			
	2008		2007		2008		2007	
Capital liquidations – without penalty	$	1,114	$	718	$	3,440	$	1,995
Capital liquidations – with penalty	$	689	$	223	$	1,690	$	777

These withdrawals are within the normally anticipated range and represent a small percentage of limited partner capital.

In some cases in order to satisfy broker dealers and other reporting requirements, the general partners have valued the limited partners' interest in the partnership on a basis which utilizes a per unit system of calculation, rather than based upon the investors' capital account. This information has been reported in this manner in order to allow the partnership to integrate with certain software used by the broker dealers and other reporting entities. In those cases, the partnership will report to broker dealers, trust companies and others a "reporting" number of units based upon a $1.00 per unit calculation. The number of reporting units provided will be calculated based upon the limited partner's capital account value divided by $1.00. Each investor's capital account balance is set forth periodically on the partnership account statement provided to investors. The reporting units are solely for broker dealers requiring such information for their software programs and do not reflect actual units owned by a limited partner or the limited partners' right or interest in cash flow or any other economic benefit in the partnership. Each investor's capital account balance is set forth periodically on the partnership account statement provided to investors. The amount of partnership earnings each investor is entitled to receive is determined by the ratio that each investor's capital account bears to the total amount of all investor capital accounts then outstanding. The capital account balance of each investor should be included on any FINRA member client account statement in providing a per unit estimated value of the client's investment in the partnership in accordance with NASD Rule 2340.

While the general partners have set an estimated value for the partnership units, such determination may not be representative of the ultimate price realized by an investor for such units upon sale. No public trading market exists for the partnership units and none is likely to develop. Thus, there is no certainty the units can be sold at a price equal to the stated value of the capital account. Furthermore, the ability of an investor to liquidate his or her investment is limited subject to certain liquidation rights provided by the partnership, which may include early withdrawal penalties.

Current Economic Conditions.

The partnership makes mortgage loans in California. The bulk of its lending is concentrated in the San Francisco Bay Area and outlying communities. The economic health of California and the San Francisco Bay Area are significant in determining the performance of the real estate industry and property values in general, which provide the underlying collateral for our loans. California's economic vitality is driven by numerous diverse industries, including tourism, finance, entertainment, shipping, technology, agriculture and government. Alone, California is the eighth largest economy in the world and as such is a major contributor to the overall United States economic health.

Both the United States' and California's economies have encountered difficult economic times over the last year. A proximate cause of the financial difficulties has been the rise in housing prices during 2003 to 2006 and the subsequent declines. As residential real estate values declined, borrowers that had obtained subprime mortgages began to default on their mortgage obligations. These defaults were due to a variety of reasons, including inability to manage their mortgage payments, dramatic increases in mortgage payments, stricter underwriting standards and reduced equity. This has led to what many are calling the "Credit Crisis."

During the year 2008, numerous events have buffeted the economy, the financial system and the business sector. These include: the failure of brokerage firm Lehman Bros; the forced merger of the brokerage firm Bear Stearns; the governmental bailout of insurance giant AIG; the government takeover of both Fannie Mae and Freddie Mac, (the largest holders of residential mortgages in the United States); the merger of Bank of America with Countrywide, (the third largest holder of residential mortgages in the United States) and the forced merger of Wachovia Bank. Wall Street, in particular, has been hard hit with various stock indices having dropped significantly in 2008. The Dow Jones Industrial Average has dropped 30 percent, the Standard and Poor's 500 has dropped 34 percent and the NASDAQ has dropped 35 percent, all through October 31, 2008. These factors have contributed to shrinking credit availability and exposed the financial system to increased risks.

In response to the strife in the financial markets, and to help bolster the financial system and the economy, the United States government, through the Federal Reserve and Treasury has enacted many measures. Some of these measures include a financial stimulus package, the temporary raising of limits on the Federal Deposit Insurance Corporation and National Credit Union Administration from $100,000 to $250,000 per account, the Troubled Asset Relief Program to provide capital to financial institutions and purchase or guarantee troubled mortgage related and possibly other assets, increasing the amount of funds it auctions to banks, reducing the Federal Funds rate, placing a temporary guarantee for balances held in money market mutual funds and the Emergency Economic Stabilization Act. The results of these actions and future actions will take time to have their intended effect.

The United States Gross Domestic Product (GDP) increased at an annual rate of 0.9 percent during the first quarter of 2008 and continued in positive territory during the second quarter of 2008, rising at an annual rate of 2.8 percent. During the third quarter of 2008 GDP fell to a negative 0.3 percent raising fears the credit crisis will cause the economy to fall into a recession.

Inflation as measured by the Consumer Price Index (CPI) accelerated in the first and second quarters of 2008. Consumer prices advanced at a seasonally adjusted annualized rate of 7.9 percent in the second quarter after increasing at a 3.1 percent rate in the first three months of 2008. The cost of energy has been a leading contributor to advances in the CPI. However, the price of crude oil fell from its July highs of approximately $145 per barrel to less than $70 per barrel in October 2008. Recent reductions in the price of oil and lower housing costs have driven increases in the CPI downward to 2.6% during the third quarter of 2008. This brings the year-to-date annual rate to an increase of 4.5 percent, compared with an increase of 4.1 percent in all of 2007. The outlook for continued inflation has diminished with the recent strong reductions in the cost of oil and other commodity prices during July, August, September and October of 2008.

Unemployment, a factor in borrowers' ability to service their indebtedness, increased during the third quarter of 2008. Both the United States and the California unemployment rates increased to 6.1 percent and 7.7 percent, respectively, during September 2008. These rates evidence the steady increase in unemployment, particularly when compared to the unemployment rates in September 2007 of 4.7 percent and 5.6 percent for the United States and California, respectively.

In September 2007, after having left the Federal Funds Rate unchanged at 5.25 percent for more than two years, the Federal Reserve began to react to the slowing economy, rising unemployment, and turmoil created by contractions in the credit market and lowered the rate to 4.75 percent. In lowering the Federal Funds Rate, the Federal Reserve's initial goals were to stimulate the economy while keeping inflation in check, create jobs and increase liquidity in the financial system. Since the September 2007 reduction, the Federal Funds Rate has been lowered several times. The most recent reduction on October 29, 2008 was to 1.0 percent in an effort to loosen the flow of credit, counter weakening economic activity and reduced inflationary pressures. This is the lowest Federal Funds Rate in over four years. Like the Federal Funds Rate, banks have lowered their Prime Rate to 4.00 percent from its most recent high of 8.25 percent.

Short-term Treasury yields have also fallen, but longer term yields represented by the 10 year treasury bonds have not decreased as dramatically. In September 2008, the Federal Reserve reported the 10 year treasury yield was 3.69 percent, as compared to 4.52 percent for September 2007. During most of 2008, the 10 year treasury yield has remained within a range of 3.50 percent of 4.25 percent. Mortgage interest rates have not been significantly affected by the Federal Reserve's actions, but are nevertheless lower than one year ago. Freddie Mac reports during the week ending October 23, 2008, the 30-year fixed-rate mortgage averaged 6.04 percent with an average 0.6 point fee. One year ago, the 30-year fixed-rate mortgage averaged 6.33 percent with a 0.4 point fee. The current 30-year mortgage rate is slightly higher than the rates that existed during the spring of 2008, when comparable mortgage rates were in the high 5.00 percent range.

On a national and local level, both residential sales volumes and median home prices have declined from their highs in 2005 and 2006. However, starting in July 2008, residential sales volumes began to increase over the previous month’s activity. Compared to a year ago July, August and September residential sales volumes were 43.4 percent, 56.7 percent and 96.7 percent ahead of the same periods in 2007. The increased sales volumes helped to decrease the California Association of Realtors Unsold Inventory Index for existing, single-family detached homes to 6.5 months from the 16 months for the same period a year ago. This falling index, which indicates the months needed to deplete the market supply of homes at the current sales rate, is a good omen indicating the market may be moving toward balance with normal amounts of inventory available for real estate buyers to select from. The California Association of Realtors reported the median price of an existing, single-family detached home in California decreased 40.9 percent to $316,480 in September of 2008 when compared to September of 2007. The significant decline in the median price is largely due to a dramatic shift in the sales mix since the onset of the credit crunch and the increase in the share of distressed sales. The greater percentage of lower priced homes included in the median skews the median price dramatically lower. By region, the median prices and year over year price changes varied dramatically. The San Francisco Bay had a September median price of an existing, single family detached home of $554,730, down 29.2 percent from September 2007. Los Angeles had a September 2008 median price of an existing, single family detached home of $376,790, down 35.3 percent from the previous year. Condominium median prices faired somewhat better than existing, single family detached homes with a median price of $292,620 for September 2008, down 29.0 percent from September 2007.

Data on loan delinquencies and foreclosures on residential real estate have been mixed. Mortgage loan servicers recorded 94,240 "notice of default" filings during the July-through-September period. This was down from 113,809 and 121,673 for this year's first and second quarters, but up 29.9 percent from 72,571 in the third quarter of 2007, according to DataQuick Information Systems.

In the current environment, borrowers owning residential properties may find it difficult to refinance or sell their properties should they encounter difficulty in making their mortgage payments. In these circumstances, the lender will have to decide whether to work with the borrowers to assist them through a period of financial difficulty or proceed with remedies incorporated into the loan documents, often resulting in a foreclosure of the property. Slow and longer sales periods and often lower property values, coupled with a general lack of financing alternatives and tough underwriting standards have forced many borrowers and lenders to make difficult choices. The partnership’s loans outstanding as of September 30, 2008 carried an average loan-to-value ratio of 68.69 percent based on appraised value and senior liens as of the date the loan was made. The partnership’s average loan to value ratio will help provide sufficient equity to recoup individual outstanding loan balances should foreclosure of properties become necessary.

Commercial real estate has continued to fare well in 2008. Rents have continued to rise but vacancy has begun to increase. NAIBT Commercial reported the San Francisco Bay Area office market posted a moderate increase in vacancy. Vacancy has increased throughout 2008, rising from 11.00 percent at the close of 2007 to 13.7 percent in the third quarter of 2008. Average asking rental rates, though now leveling, pushed slightly further above the $3.00 mark to $3.11 per square foot full service during the third quarter of 2008. Commercial sales volumes have declined significantly during 2008 as heightened lending standards and the volatile reports on the economy widen the gap between buyer and seller expectations. A stable commercial rental market helps keep values stable, a benefit to the partnership. Stable rents and stable property values provide comfort loans secured by these properties will perform well.

Rental apartments continued with stable rents and stable prices. Rents and occupancy were virtually unchanged over the past quarter. Realfacts reported nationwide rents inched up from an average of $1,000 per month for the second quarter of 2008 to $1,002 in the third quarter of 2008. In June, the average occupancy rate for apartments in all areas was 92.7%, and in September it was 92.9%. San Jose and Los Angeles were reported to have the fourth and fifth highest average rental rates at $1,708 and $1,661, respectively. These level rental rates and occupancy rates suggest the apartment sector is in balance and should continue with stability and stable pricing. Stable rents, occupancy and values benefit the partnership by helping borrowers maintain mortgage payments on multifamily collateral.

Contractual Obligations.

A summary of the contractual obligations of the partnership as of September 30, 2008 is set forth below (in thousands):

Contractual Obligation	Total	Less than 1 Year	1-3 Years	3-5 Years
Line of credit	$ 75,000	$ —	$ 58,338	$ 16,662
Construction loans	—	—	—	—
Rehabilitation loans	1,460	1,460	—	—
Total	$ 76,460	$ 1,460	$ 58,338	$ 16,662

Part I – Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The following table contains information about the cash held in money market accounts, loans held in the partnership's portfolio and loans to the partnership pursuant to its line of credit as of September 30, 2008. The presentation, for each category of information, aggregates the assets and liabilities by their maturity dates for maturities occurring in each of the years 2008 through 2012 and separately aggregates the information for all maturities arising after 2011. The carrying values of these assets and liabilities approximate their fair market values (in thousands):

	2008	2009	2010	2011	2012	Thereafter	Total
Interest earning assets:							
Money market accounts	$ 16,349						$ 16,349
Average interest rate	1.96%						1.96%
Loans secured by deeds of trust	$ 123,367	102,450	55,272	12,243	47,277	19,181	$ 359,790
Average interest rate	9.82%	9.25%	9.82%	9.56%	7.13%	8.75%	9.24%
Interest bearing liabilities:							
Line of credit		$ —	14,585	25,002	35,414		$ 75,000
Interest rate	4.50%						4.50%

Market Risk.

The partnership's line of credit bears interest at a variable rate, tied to the prime rate. As a result, the partnership's primary market risk exposure with respect to its obligations is changes in interest rates, which will affect the interest cost of outstanding amounts on the line of credit. The partnership may also suffer market risk tied to general trends affecting real estate values that may impact the partnership's security for its loans.

The partnership's primary market risk in terms of its profitability is the exposure to fluctuations in general interest rates. The majority of the partnership's mortgage loans earn interest at fixed rates. Changes in interest rates may also affect the value of the partnership's investment in mortgage loans and the rates at which the partnership reinvests funds obtained from loan repayments and new capital contributions from limited partners. If interest rates increase, the interest rates the partnership obtains from reinvested funds will generally increase, but the value of the partnership's existing loans at fixed rates will generally tend to decrease. The risk is mitigated as the partnership does not intend to sell its loan portfolio, rather such loans are held until they are paid off. If interest rates decrease, the amounts becoming available to the partnership for investment due to repayment of partnership loans may be reinvested at lower rates than the partnership had been able to obtain in prior investments, or than the rates on the repaid loans. In addition, interest rate decreases may encourage borrowers to refinance their loans with the partnership at a time where the partnership is unable to reinvest in loans of comparable value.

The partnership does not hedge or otherwise seek to manage interest rate risk. The partnership does not enter into risk sensitive instruments for trading purposes.

Asset Quality

A consequence of lending activities is occasionally losses will be experienced and the amount of such losses will vary from time to time, depending upon the risk characteristics of the loan portfolio as affected by economic conditions and the financial experiences of borrowers. Many of these factors are beyond the control of the general partners. There is no precise method of predicting specific losses or amounts that ultimately may be charged off on particular segments of the loan portfolio, especially in light of the current economic environment.

The conclusion a loan may become uncollectible, in whole or in part, is a matter of judgment. Although institutional lenders are subject to requirements and regulations, among other things, requiring them to perform ongoing analyses of their portfolios, loan-to-value ratios, reserves, and other metrics, and to obtain and maintain current information regarding their borrowers and the securing properties, the partnership is not subject to these regulations and has not adopted all of these practices. Rather, the general partners, in connection with the periodic closing of the accounting records of the partnership and the preparation of the financial statements, determine whether the allowance for loan losses is adequate to cover potential loan losses of the partnership. As of September 30, 2008, twenty loans totaling $85,724,000 were delinquent over 90 days on interest payments or past maturity. This includes eleven matured loans totaling $57,462,000. Four of the twenty loans totaling $9,043,000 are considered impaired, and are no longer accruing interest. As of September 30, 2008 the general partners have determined the allowance for loan losses and real estate of $9,049,000 (2.70% of partner's capital) is adequate in amount. Due to 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 partnership also makes loans requiring periodic disbursements of funds. As of September 30, 2008, there were nine such loans. These loans are divided into two classifications: Construction Loans and Rehabilitation Loans.

- "Construction Loans" are determined by the management to be those loans made to borrowers for the construction of entirely new structures or dwellings, whether residential, commercial or multifamily properties. The partnership typically approves the borrowers up to a maximum loan balance; however, disbursements are made in phases throughout the construction process.

- "Rehabilitation Loans" are used to remodel, add to and/or rehabilitate an existing structure or dwelling, whether residential, commercial or multifamily properties, which, in the determination of management are not Construction Loans. Many of these loans are for cosmetic refurbishment of both interiors and exteriors of existing condominiums. The refurbished units are then sold to new users, and the sales proceeds are used to repay the partnership's loans. While the partnership does not classify Rehabilitation Loans as Construction Loans, Rehabilitation Loans do carry some of the same risks as Construction Loans. There is no limit on the amount of Rehabilitation Loans the partnership may make.

Interest on these loans is computed using a simple interest method and only on the amounts disbursed on a daily basis.

A summary of the status of the partnership's loans which are periodically disbursed, as of September 30, 2008, is set forth below:

	Complete Construction	Rehabilitation
Disbursed funds	$ —	$ 65,179,000
Undisbursed funds	$ —	$ 1,460,000
Total	$ —	$ 66,639,000

Part I – Item 4. CONTROLS AND PROCEDURES

As of September 30, 2008, the partnership carried out an evaluation, under the supervision and with the participation of the general partners of the effectiveness of the design and operation of the partnership's disclosure controls and procedures as defined in Rule 13a-15(e) of the Securities Exchange Act of 1934, as amended. Based upon that evaluation, the general partners concluded as of the end of the period covered by this report, that the partnership's disclosure controls and procedures are effective to ensure that information required to be disclosed by the partnership in the reports that it files or submits under that Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and is accumulated and communicated to the general partners as appropriate to allow timely decisions regarding required disclosure.

There was no change in the partnership's internal control over financial reporting during the three months ended September 30, 2008 that has materially affected, or is reasonably likely to materially affect, the partnership's internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1. **Legal Proceedings**

From time to time the partnership is involved in various legal actions arising in the normal course of business. In the opinion of management, such matters will not have a material effect upon the financial position of the partnership.

Item 1A. **Risk Factors**

Not Applicable.

Item 2. **Unregistered Sales of Equity Securities and Use of Proceeds**

Not Applicable.

Item 3. **Defaults Upon Senior Securities**

Not Applicable.

Item 4. **Submission of Matters to a Vote of Security Holders**

Not Applicable.

Item 5. **Other Information**

None.

Item 6. **Exhibits**

31.1 Certification of General Partner pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2 Certification of General Partner pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1 Certification of General Partner pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2 Certification of General Partner pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

SIGNATURES

Pursuant to the requirements 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 14th day of November, 2008

REDWOOD MORTGAGE INVESTORS VIII

By: /S/ Michael R. Burwell
Michael R. Burwell, General Partner

By: **Gymno Corporation, General Partner**

By: /S/ Michael R. Burwell
Michael R. Burwell, President, Secretary/Treasurer
& Chief Financial Officer

By: **Redwood Mortgage Corp., General Partner**

By: /S/ Michael R. Burwell
Michael R. Burwell,
President, Secretary/Treasurer

Exhibit 31.1

GENERAL PARTNER CERTIFICATION

I, Michael R. Burwell, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Redwood Mortgage Investors VIII, a California Limited Partnership (the “Registrant”);

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;

4. The Registrant’s other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15-d-15(f)) for the Registrant and have:

   (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s forth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant’s internal control over financial reporting; and

5. The Registrant’s other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant’s auditors and the audit committee of the Registrant’s board of directors (or persons performing the equivalent functions):

   (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant’s ability to record, process, summarize and report financial information; and

   (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant’s internal control over financial reporting.

/s/ Michael R. Burwell

Michael R. Burwell, General Partner
November 14, 2008

Exhibit 31.2

PRESIDENT AND CHIEF FINANCIAL OFFICER CERTIFICATION

I, Michael R. Burwell, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Redwood Mortgage Investors VIII, a California Limited Partnership (the "Registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;

4. The Registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15-d-15(f)) for the Registrant and have:

   (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's forth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and

5. The Registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors (or persons performing the equivalent functions):

   (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and

   (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

/s/ Michael R. Burwell

Michael R. Burwell, President, Secretary/Treasurer
and Chief Financial Officer of Gymno Corporation, General
Partner, and Redwood Mortgage Corp., General Partner
November 14, 2008

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Redwood Mortgage Investors VIII (the "Partnership") on Form 10-Q for the period ended September 30, 2008 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, I, Michael R. Burwell, certify, that to the best of my knowledge:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Partnership at the dates and for the periods indicated.

A signed original of this written statement required by Section 906 has been provided to Redwood Mortgage Investors VIII and will be retained by Redwood Mortgage Investors VIII and furnished to the Securities and Exchange Commission or its staff upon request.

/s/ Michael R. Burwell
____
Michael R. Burwell, General Partner
November 14, 2008

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Redwood Mortgage Investors VIII (the “Partnership”) on Form 10-Q for the period ended September 30, 2008 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, I, Michael R. Burwell, certify that to the best of my knowledge:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Partnership at the dates and for the periods indicated.

A signed original of this written statement required by Section 906 has been provided to Redwood Mortgage Investors VIII and will be retained by Redwood Mortgage Investors VIII and furnished to the Securities and Exchange Commission or its staff upon request.

/s/ Michael R. Burwell

Michael R. Burwell, President,
Secretary/Treasurer & Chief Financial
Officer of Gymno Corporation, General Partner,
and Redwood Mortgage Corp., General Partner
November 14, 2008