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

FORM 10-Q

(Mark one)

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

For the quarterly period ended March 31, 2017

☐ **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: 000-55601

REDWOOD MORTGAGE INVESTORS IX, LLC
(Exact name of registrant as specified in its charter)

Delaware **(State or other jurisdiction of incorporation or organization)**	**26-3541068** **(I.R.S. Employer Identification Number)**
1825 S. Grant Street, Suite 250, San Mateo, CA **(Address of principal executive offices)**	**94402-2678** **(Zip Code)**

(650) 365-5341
(Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). ☒ YES ☐ NO

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

Large accelerated filer	☐		Accelerated filer	☐
Non-accelerated filer	☐	(Do not check if a smaller reporting company)	Smaller reporting company	☒
Emerging growth company	☐			

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

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

Part I – FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

REDWOOD MORTGAGE INVESTORS IX, LLC
Balance Sheets
March 31, 2017 (unaudited) and December 31, 2016 (audited)

	2017	2016
ASSETS		
Cash and cash equivalents	$ 2,968,251	$ 2,194,854
Loans		
Principal	43,494,606	40,123,393
Advances	33,691	24,550
Accrued interest	286,429	287,767
Loan balances secured by deeds of trust	43,814,726	40,435,710
Loan administrative fees, net	20,818	30,282
Total loans	43,835,544	40,465,992
Other Assets	5,000	5,000
Total assets	$ 46,808,795	$ 42,665,846
LIABILITIES, INVESTORS IN APPLICANT STATUS, AND MEMBERS' CAPITAL		
Liabilities – Accounts payable	$ 97	$ 89
Investors in applicant status	1,908,812	1,408,185
Members' capital, net	47,734,762	43,777,010
Receivable from manager (formation loan)	(2,834,876)	(2,519,438)
Members' capital, net, less formation loan	44,899,886	41,257,572
Total liabilities, investors in applicant status and members' capital	$ 46,808,795	$ 42,665,846

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

REDWOOD MORTGAGE INVESTORS IX, LLC
Statements of Income
For the Three Months Ended March 31, 2017 and 2016 (unaudited)

	2017	2016
Revenues, net		
Interest income	$ 835,980	$ 594,992
Late fees	6,189	3,254
Total revenues	842,169	598,246
Provision for loan losses	—	—
Operations Expense		
Mortgage servicing fees	24,310	17,256
Asset management fees, net (Note 3)	—	—
Costs from Redwood Mortgage Corp., net (Note 3)	—	—
Professional services, net (Note 3)	—	6,625
Other	1,039	4,206
Total operations expense	25,349	28,087
Net income	$ 816,820	$ 570,159
Members (99%)	808,652	564,457
Managers (1%)	8,168	5,702
	$ 816,820	$ 570,159

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

REDWOOD MORTGAGE INVESTORS IX, LLC
Statement of Changes in Members' Capital
For the Three Months Ended March 31, 2017 (unaudited)

		Members' Capital, net			
	Investors In Applicant Status	Members' Capital	Manager's Capital	Unallocated Organization and Offering Expenses	Members' Capital, net
Balance at December 31, 2016	$ 1,408,185	$ 45,405,776	$ 69,965	$ (1,698,731)	$ 43,777,010
Contributions on application	4,530,466	—	—	—	—
Contributions admitted to members' capital	(4,029,139)	4,029,139	4,038	—	4,033,177
Premiums paid on application by RMC	8,400	—	—	—	—
Premiums admitted to members' capital	(9,100)	9,100	—	—	9,100
Net income	—	808,652	8,168	—	816,820
Earnings distributed to members	—	(757,355)	—	—	(757,355)
Earnings distributed used in DRIP	—	422,715	—	—	422,715
Members' redemptions	—	(400,310)	—	—	(400,310)
Organization and offering expenses	—	—	—	(181,310)	(181,310)
Organization and offering expenses allocated	—	(47,473)	—	47,473	—
Manager reimbursement	—	—	—	14,556	14,556
Early withdrawal penalties	—	—	—	359	359
Balance at March 31, 2017	$ 1,908,812	$ 49,470,244	$ 82,171	$ (1,817,653)	$ 47,734,762

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

REDWOOD MORTGAGE INVESTORS IX, LLC
Statements of Cash Flows
For the Three Months Ended March 31, 2017 and 2016 (unaudited)

	2017	2016
Operations		
Interest received	$ 837,318	$ 574,310
Other loan income	6,189	3,304
Loan administrative fee reimbursed (paid)	9,464	—
Operations expense	(24,476)	(28,538)
Total cash provided by (used in) operations	828,495	549,076
Investing – loan principal/advances		
Principal collected on loans	5,236,520	3,818,945
Loans originated	(8,607,733)	(6,092,500)
Advances on loans	(9,141)	2,205
Total cash provided by (used in) investing	(3,380,354)	(2,271,350)
Financing – members' capital		
Contributions by members, net		
Contributions by members	4,542,913	3,650,241
Organization and offering expenses paid, net	(166,756)	(105,837)
Formation loan funding	(315,951)	(245,350)
Total cash provided by members, net	4,060,206	3,299,054
Distributions to members		
Earnings distributed	(334,640)	(242,576)
Redemptions	(400,310)	(232,208)
Cash distributions to members	(734,950)	(474,784)
Total cash provided by (used in) financing	3,325,256	2,824,270
Net increase (decrease) in cash	773,397	1,101,996
Cash, beginning of period	2,194,854	1,808,839
Cash, end of period	$ 2,968,251	$ 2,910,835

Reconciliation of net income to net cash provided by (used in) operating activities

	2017	2016
Net income	$ 816,820	$ 570,159
Adjustments to reconcile net income to net cash provided by (used in) operating activities		
Amortization of loan administrative fees	—	18,340
Change in operating assets and liabilities		
Accrued interest	1,338	(39,022)
Loan administrative fees reimbursed (paid)	9,464	—
Accounts payable	—	2,124
Other	873	(2,525)
Total adjustments	11,675	(21,083)
Net cash provided by (used in) operating activities	$ 828,495	$ 549,076

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

NOTE 1 – ORGANIZATION AND GENERAL

In the opinion of the manager, the accompanying unaudited financial statements contain all adjustments, consisting of normal, recurring adjustments, necessary to present fairly the financial information included therein. These financial statements should be read in conjunction with the audited financial statements included in the company's Form 10-K for the fiscal year December 31, 2016 filed with the U.S. Securities and Exchange Commission (or SEC). The results of operations for the three month period ended March 31, 2017 are not necessarily indicative of the operations results to be expected for the full year.

Redwood Mortgage Investors IX, LLC (or we, RMI IX or the company) is a Delaware limited liability company formed in October 2008 to engage in business as a mortgage lender and investor by making and holding-for-investment mortgage loans secured by California real estate, primarily through first and second deeds of trust.

Our primary investment objectives are to

- Yield a favorable rate of return from the company's business of making and/or investing in loans,
- Preserve and protect the company's capital by making and/or investing in loans secured by California real estate, preferably income-producing properties geographically situated in the San Francisco Bay Area and the coastal metropolitan regions of Southern California, and
- Generate and distribute cash flow from these mortgage lending and investing activities.

The ongoing sources of funds for loans are the proceeds (net of redemption of members' capital) from

- sale of members' units (net of reimbursement to RMC of organization and offering expenses), including units sold by reinvestment of distributions,
- loan payoffs,
- borrowers' monthly principal and interest payments, and
- to a lesser degree and, if obtained, a line of credit.

Profits and losses are allocated among the members according to their respective capital accounts monthly after one percent (1%) of the profits and losses are allocated to the manager. The monthly results are subject to subsequent adjustment as a result of quarterly and year-end accounting and reporting. Investors should not expect the company to provide tax benefits of the type commonly associated with limited liability company tax shelter investments. Federal and state income taxes are the obligation of the members, if and when taxes apply, other than the annual California franchise tax and any California LLC cash receipts taxes paid by the company.

The company is externally managed by Redwood Mortgage Corp. (or RMC or the manager). The manager is solely responsible for managing the business and affairs of the company, subject to the voting rights of the members on specified matters. The manager acting alone has the power and authority to act for and bind the company. RMC provides the personnel and services necessary for us to conduct our business as we have no employees of our own. The mortgage loans the company funds and/or invests in are arranged and generally are serviced by RMC. The manager is required to contribute to capital one tenth of one percent (0.1%) of the aggregate capital accounts of the members.

The rights, duties and powers of the members and manager of the company are governed by the company's operating agreement, the Delaware Limited Liability Company Act and the California Revised Uniform Limited Liability Company Act. Members should refer to the company's operating agreement for complete disclosure of its provisions. Members representing a majority of the outstanding units may, without the concurrence of the managers, vote to: (i) dissolve the company, (ii) amend the operating agreement, subject to certain limitations, (iii) approve or disapprove the sale of all or substantially all of the assets of the company or (iv) remove or replace one or all of the managers. Where there is only one manager, a majority in interest of the members is required to elect a new manager to continue the company business after a manager ceases to be a manager due to its withdrawal.

Distribution policy

Cash available for distribution at the end of each calendar month is allocated ninety-nine percent (99%) to the members and one percent (1%) to the manager. Cash available for distribution means cash flow from operations (excluding repayments for loan principal and other capital transaction proceeds) less amounts set aside for creation or restoration of reserves. The manager may withhold from cash available for distribution otherwise distributable to the members with respect to any period the respective amounts of organization and offering expenses allocated to the members for the applicable period pursuant to the company's reimbursement and allocation of organization and offering expenses policy. Per the terms of the company's operating agreement, cash available for distribution allocated to the members is allocated among the members in proportion to their percentage interests (except with respect to differences in the amounts of organization and offering expenses allocated to the respective members during the applicable period) and in proportion to the number of days during the applicable month that they owned such percentage interests.

Cash available for distributions allocable to members other than those participating in the distribution reinvestment plan (DRIP) and the manager, is distributed at the end of each calendar month. Cash available for distribution allocable to members who participate in the DRIP is used to purchase additional units at the end of each calendar month. The manager's allocable share of cash available for distribution is also distributed not more frequently than with cash distributions to members.

To determine the amount of cash to be distributed in any specific month, the company relies in part on its annual forecast of profits, which takes into account the difference between the forecasted and actual results in the prior year and the requirement to maintain a cash reserve.

Distribution reinvestment plan

The DRIP provision of the operating agreement permits members to elect to have all or a portion of their monthly distributions reinvested in additional units. Members may withdraw from the DRIP with written notice.

Liquidity and unit redemption program

There is no established public trading and/or secondary market for the units and none is expected to develop. There are substantial restrictions on transferability of units. In order to provide liquidity to members, the company's operating agreement includes a unit redemption program, whereby beginning one year from the date of purchase of the units, a member may redeem all or part of their units, subject to certain limitations.

The price paid for redeemed units is based on the lesser of the purchase price paid by the redeeming member or the member's capital account balance as of the date of each redemption payment. Redemption value is calculated based on the period from date of purchase as follows:

- After one year, 92% of the purchase price or of the capital account balance, whichever is less;
- After two years, 94% of the purchase price or of the capital account balance, whichever is less;
- After three years, 96% of the purchase price or of the capital account balance, whichever is less;
- After four years, 98% of the purchase price or of the capital account balance, whichever is less;
- After five years, 100% of the purchase price or of the capital account balance, whichever is less.

The company redeems units quarterly, subject to certain limitations as provided for in the operating agreement. The number of units that may be redeemed per quarter per individual member is subject to a maximum of the greater of 100,000 units or 25% of the member's units outstanding. For redemption requests requiring more than one quarter to fully redeem, the percentage discount amount that, if any, applies when the redemption payments begin continues to apply throughout the redemption period and applies to all units covered by such redemption request regardless of when the final redemption payment is made.

The company has not established a cash reserve from which to fund redemptions. The company's capacity to redeem units upon request is limited by the availability of cash and the company's cash flow. The company will not, in any calendar year, redeem more than five percent (5%) of the weighted average number of units outstanding during the twelve-month period immediately prior to the date of the redemption.

Manager's interest

If a manager is removed, withdrawn or terminated, the company will pay to the manager all amounts then accrued and owing to the manager. Additionally, the company will terminate the manager's interest in the company's profits, losses, distributions and capital by payment of an amount in cash equal to the then-present fair value of such interest.

Unit sales commissions paid to broker-dealers/formation loan

Commissions for units sales to be paid to broker-dealers (B/D sales commissions) are paid by RMC and are not paid directly by the company out of offering proceeds. Instead, the company advances to RMC, from offering proceeds, amounts sufficient to pay the B/D sales commissions and premiums to be paid to investors. Such advances in total may not exceed seven percent (7%) of offering proceeds. The receivable arising from the advances is unsecured, and non-interest bearing and is referred to as the "formation loan." As of March 31, 2017 the company had made such advances of $3,466,303 , of which $2,834,876 remain outstanding on the formation loan.

Term of the company

The term of the company will continue until 2028, unless sooner terminated as provided in the operating agreement.

Ongoing public offering of units/ SEC Registrations

Gross proceeds from sales of units from inception (October, 2009) through March 31, 2017 are summarized below.

	Proceeds
From investors - admitted	$ 47,737,738
From members under our DRIP	4,668,159
From premiums paid by RMC(1)	170,860
Total proceeds from unit sales	$ 52,576,757

(1) If a member acquired units through an unsolicited sale (i.e. without broker/dealer) the member's capital account is credited with their capital contribution plus a premium paid by RMC equal to the amount of the sales commissions that otherwise would have been paid to a broker-dealer by RMC. This premium is reported in the year paid as taxable income to the member.

As of March 31, 2017, we had sold approximately 52,577,000 units– 39,407,000 units under our previous registration statements and 13,170,000 units under our current registration statement which was effective on June 6, 2016, for gross offering proceeds (including units issued under our distribution reinvestment plan) approximately of $52,577,000 - $39,407,000 and $13,170,000, respectively.

Use of Proceeds from sale of units

We will use the proceeds from the sale of the units to

- make additional loans,
- fund working capital reserves,
- pay RMC up to 4.5% of proceeds from sale of units for organization and offering expenses, and
- fund a formation loan to RMC at up to 7% of proceeds from sale of units.

Total estimated expenses incurred with respect to the offering and sale of our units from program inception through March 31, 2017 were $2,017,918, including brokers' reimbursement to brokers for certain expenses. Broker commissions and premiums paid to certain investors upon the purchase of units will be paid by RMC from funds advanced by the company from offering proceeds, which we refer to as the "formation loan".

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The financial statements are prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP").

Management estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions about the reported amounts of assets and liabilities, and disclosures of contingent assets and liabilities, at the dates 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, when applicable, the valuation of impaired loans (which itself requires determining the fair value of the collateral), and the valuation of real estate held for sale and held as investment, at acquisition and subsequently. Actual results could differ significantly from these estimates.

Fair value estimates

GAAP 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. An orderly transaction is a transaction that assumes exposure to the market for a period prior to the measurement date to allow for marketing activities that are usual and customary for transactions involving such assets and liabilities; it is not a forced transaction. Market participants are buyers and sellers in the principal market that are (i) independent, (ii) knowledgeable, (iii) able to transact and (iv) willing to transact.

Fair values of assets and liabilities are determined based on the fair-value hierarchy established in GAAP. The hierarchy is comprised of three levels of inputs to be used:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the company 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 in active markets and quoted prices for identical assets or liabilities that are not active, and inputs other than quoted prices that are observable or inputs derived from or corroborated by market data.
- Level 3 inputs are unobservable inputs for the asset or liability. Unobservable inputs reflect the company'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 company's own data.

The fair value of the collateral is determined by exercise of judgment based on management's experience informed by appraisals (by licensed appraisers), brokers' opinion of values and publicly available information on in-market transactions. Appraisals of commercial real property generally present three approaches to estimating value: 1) market comparables or sales approach; 2) cost to replace and 3) capitalized cash flows or investment approach. These approaches may or may not result in a common, single value. The market-comparables approach may yield several different values depending on certain basic assumptions, such as, determining highest and best use (which may or may not be the current use); determining the condition (e.g. as-is, when-completed or for land when-entitled); and determining the unit of value (e.g. as a series of individual unit sales or as a bulk disposition).

Management has the requisite familiarity with the real estate markets it lends in generally and of the properties lent on specifically to analyze sales-comparables and assess their suitability/applicability. Management is acquainted with market participants – investors, developers, brokers, lenders – that are useful, relevant secondary sources of data and information regarding valuation and valuation variability. These secondary sources may have familiarity with and perspectives on pending transactions, successful strategies to optimize value and the history and details of specific properties – on and off the market – that enhance the process and analysis that is particularly and principally germane to establishing value in distressed markets and/or property types.

Cash and cash equivalents

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

Loans and interest income

Loans generally are stated at the unpaid principal balance (principal). Management has discretion to pay amounts (advances) to third parties on behalf of borrowers to protect the company's interest in the loan. Advances include, but are not limited to, the payment of interest and principal on a senior lien to prevent foreclosure by the senior lien holder, property taxes, insurance premiums and attorney fees. Advances generally are stated at the amounts paid out on the borrower's behalf and any accrued interest on amounts paid out, until repaid by the borrower.

The company may fund a specific loan origination net of an interest reserve (one to two years) to insure timely interest payments at the inception of the loan. As monthly interest payments become due, the company funds the payments into the affiliated trust account. In the event of an early loan payoff, any unapplied interest reserves would be first applied to any accrued but unpaid interest and then as a reduction to the principal.

If events and or changes in circumstances cause management to have serious doubts about the collectability of the payments of interest and principal in accordance with the loan agreement, a loan may be designated as impaired. Impaired loans are included in management's periodic analysis of recoverability. Any subsequent payments on impaired loans are applied to late fees, then to the accrued interest, then to advances, and lastly to principal.

From time to time, the company negotiates and enters into loan modifications with borrowers whose loans are delinquent. If the loan modification results in a significant reduction in the cash flow compared to the original note, the modification is deemed a troubled debt restructuring and a loss is recognized. In the normal course of the company's operations, loans that mature may be renewed at then current market rates and terms for new loans. Such renewals are not designated as impaired, unless the renewed loan was previously designated as impaired.

Interest is accrued daily based on the principal of the loans. An impaired loan continues to accrue as long as the loan is in the process of collection and is considered to be well-secured. Loans are placed on non-accrual status at the earlier of management's determination that the primary source of repayment will come from the foreclosure and subsequent sale of the collateral securing the loan (which usually occurs when a notice of sale is filed) or when the loan is no longer considered well-secured. When a loan is placed on non-accrual status, the accrual of interest is discontinued; however, previously recorded interest is not reversed. A loan may return to accrual status when all delinquent interest and principal payments become current in accordance with the terms of the loan agreement.

Loan administrative fees paid to RMC for loans funded or invested in by the company are capitalized and amortized over the life of the loan on a straight-line method which approximates the effective interest method.

Allowance for loan losses

Loans and the related accrued interest and advances (i.e. the loan balance) are analyzed on a periodic basis for ultimate recoverability. Delinquencies are identified and followed as part of the loan system of record. Collateral fair values are reviewed quarterly and the protective equity for each loan is computed. As used herein, "protective equity" is the arithmetic difference between the fair value of the collateral, net of any senior liens, and the loan balance, where "loan balance" is the sum of the unpaid principal, advances and the recorded interest thereon. This computation is done for each loan (whether impaired or performing), and while loans secured by collateral of similar property type are grouped, there is enough distinction and variation in the collateral that a loan-by-loan, collateral-by-collateral analysis is appropriate.

For loans designated impaired, a provision is made for loan losses to adjust the allowance for loan losses to an amount such that the net carrying amount (unpaid principal less the specific allowance) is reduced to the lower of the loan balance or the estimated fair value of the related collateral, net of any senior loans and net of any costs to sell in arriving at net realizable value.

Loans determined not to be individually impaired are grouped by the property type of the underlying collateral, and for each loan and for the total by property type, the amount of protective equity or amount of exposure to loss (i.e., the dollar amount of the deficiency of the fair value of the underlying collateral to the loan balance) is computed.

The company charges off uncollectible loans and related receivables directly to the allowance account once it is determined the full amount is not collectible.

At foreclosure any excess of the recorded investment in the loan (accounting basis) over the net realizable value is charged against the allowance for loan losses.

Real estate owned (REO)

Real estate owned, or REO, is property acquired in full or partial settlement of loan obligations generally through foreclosure, and is recorded at acquisition at the lower of the amount owed on the loan (legal basis), plus any senior indebtedness, or at the property's net realizable value, which is the fair value less estimated costs to sell, as applicable. The fair value estimates are derived from information available in the real estate markets including similar property, and often require the experience and judgment of third parties such as commercial real estate appraisers and brokers. The estimates figure materially in calculating the value of the property at acquisition, the level of charge to the allowance for loan losses and any subsequent valuation reserves. After acquisition, costs incurred relating to the development and improvement of property are capitalized to the extent they do not cause the recorded value to exceed the net realizable value, whereas costs relating to holding and disposition of the property are expensed as incurred. After acquisition, REO is analyzed periodically for changes in fair values and any subsequent write down is charged to operations expenses. Any recovery in the fair value subsequent to such a write down is recorded and is not to exceed the value recorded at acquisition. Recognition of gains on the sale of real estate is dependent upon the transaction meeting certain criteria related to the nature of the property and the terms of the sale including potential seller financing.

Recently issued accounting pronouncements

-Accounting and Financial reporting for Expected Credit Losses

The Financial Accounting Standards Board (FASB) issued an Accounting Standards Update (ASU) that significantly changes how entities will account for credit losses for most financial assets that are not measured at fair value through net income. The new standard will supersede currently in effect guidance and applies to all entities. Entities will be required to use a current expected credit loss (CECL) model to estimate credit impairment. This estimate will be forward-looking, meaning management will be required to use forecasts about future economic conditions to determine the expected credit loss over the remaining life of an instrument. This will be a significant change from today's incurred credit loss model and generally will result in allowances being recognized more quickly than they are today. Allowances that reflect credit losses expected over the life of an asset are also likely to be larger than allowances entities record under the incurred loss model.

RMI IX invests in real estate secured loans made with the expectation of zero credit losses as a result of substantial protective equity provided by the underlying collateral. For a loss to be recognized under the CECL or incurred loss model, if the lending/loan-to-value guidelines are followed effectively, an intervening, subsequent-to-loan-funding, event must negatively impact the value of the underlying collateral of the loan in an amount greater than the amount of protective equity provided by the collateral. Such an event would be either (or both) of:

1) An uninsured event(s) specifically impacting the collateral or
2) A non-temporary decline in values generally in the real estate market.

In both of these instances the treatment would be the same in the incurred loss and CECL models of approximately the same amount. Other than in these events, the probable of occurrence criteria of the incurred loss model is not triggered and a loss is not recognized. Further the protective equity provided by the collateral is not impaired and the zero-expected-loss lending guideline in preserved, and a loss is not required to be recognized under the CECL model.

This convergence between the CECL and incurred loss models as to loss recognition – as an event driven occurrence – in low LTV, real estate secured programs caused RMC to conclude that the CECL model will not materially impact the reported results of operations or financial position as compared to that which would be reported in the incurred loss model. The manager expects to adopt the ASU for interim and annual reporting in 2020.

-Accounting and Financial Reporting for Revenue Recognition

On May 28, 2014, FASB issued a final standard on revenue from contracts with customers. The standard issued as ASU 2014-09 outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. The standard is effective January 2018.

The goals of the revenue recognition project are to clarify and converge the revenue recognition principles under U.S. GAAP and to develop guidance that would streamline and enhance revenue recognition requirements. A core principle of the standard is to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. Revenue is recognized when a performance obligation is satisfied by transferring goods or services to a customer. The FASB intentionally used the wording “be entitled” rather than “receive” or “collect” to distinguish collectability risk from other uncertainties that may exist under a contract.

RMC management concluded that the new standard is consistent with its currently-in-place guidelines for revenue recognition which provided for interest income recognition on loans to borrowers to continue to accrue for financial reporting purposes so long as the loan is well collateralized (such that collection is assured) and – in the judgment of management – the borrower has the intent and capacity to repay, as opposed to management judging that the collection of amounts owing will come from legal action such as the completion of a foreclosure and subsequent sale of the property.

NOTE 3 – MANAGER AND OTHER RELATED PARTIES

RMC’s allocated one percent (1%) of the profits and losses was $8,168 and $5,702 for the three months ended March 31, 2017 and 2016, respectively. The manager, at its sole discretion, provided financial support that improved net income and the return to investors in both 2017 and 2016. Total support provided, as detailed below, was approximately $401,000 and $235,000 for the three months ended March 31, 2017 and 2016 , respectively.

At times, to enhance the company’s earnings, RMC has taken several actions, including:

- charging less than the maximum allowable fees,
- has not requested reimbursement of qualifying expenses,
- paying company expenses, such as professional fees, that could have been obligations of the company, and/or
- contributing cash to the company that was credited to members’ capital accounts.

Such fee waivers and cost actions were not made for the purpose of providing the company with sufficient funds to satisfy withdrawal requests, nor to meet any required level of distributions, as the company has no such required level of distributions. RMC does not use any specific criteria in determining the exact amount of fees to be waived and/or costs to be absorbed. Any decision to waive fees and/or to absorb costs, and the amount (if any) to be waived or absorbed, is made by RMC in its sole discretion.

Fees waived and costs reimbursements for the three months ended March 31, 2017 are presented in the following table.

				Operating Expenses			
	Loan Admin Fees	Mortgage Servicing Fees	Asset Management Fee	Cost Reimbursements	Professional Services	Other	Total
Chargeable/reimbursable	$ 86,077	$ 24,310	$ 86,434	$ 97,605	$ 119,739	$ 11,808	$ 425,973
RMC Support							
Waived	(86,077)	—	(86,434)	(97,605)	—	—	(270,116)
Cost Absorbed by RMC	—	—	—	—	(119,739)	(10,769)	(130,508)
Total RMC Support	(86,077)	—	(86,434)	(97,605)	(119,739)	(10,769)	(400,624)
Net charged	$ —	$ 24,310	$ —	$ —	$ —	$ 1,039	$ 25,349

Fees waived and costs reimbursements for the three months ended March 31, 2016 are presented in the following table.

		Operating Expenses					
	Loan Admin Fees	Mortgage Servicing Fees	Asset Management Fee	Cost Reimbursements	Professional Services	Other	Total
Chargeable/reimbursable	$ 60,925	$ 17,256	$ 60,107	$ 58,459	$ 62,014	$ 4,206	$ 262,967
RMC Support							
Waived	(60,925)	—	(60,107)	(58,459)	—	—	(179,491)
Cost Absorbed by RMC	—	—		—	(55,389)	—	(55,389)
Total RMC Support	(60,925)	—	(60,107)	(58,459)	(55,389)	—	(234,880)
Net charged	$ —	$ 17,256	$ —	$ —	$ 6,625	$ 4,206	$ 28,087

- *Loan administrative fees*

RMC is entitled to receive a loan administrative fee in an amount up to one percent (1%) of the principal amount of each new loan originated or acquired on the company's behalf by RMC for services rendered in connection with the selection and underwriting of potential loans. Such fees are payable by the company upon the closing or acquisition of each loan. Beginning in August 2015, RMC, at its sole discretion, began waiving loan administrative fees. There is no assurance RMC will waive these fees in the future.

- *Mortgage servicing fees*

RMC earns mortgage servicing fees from the company of up to one-quarter of one percent (0.25%) annually of 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. RMC is entitled to receive these fees regardless of whether specific mortgage payments are collected. The mortgage servicing fees are accrued monthly on all loans. Remittance to RMC is made monthly unless the loan has been assigned a specific loss reserve, at which point remittance is deferred until the specific loss reserve is no longer required, or the property has been acquired by the company. To enhance the earnings of the company, RMC, in its sole discretion, may elect to accept less than the maximum amount of the mortgage servicing fee. An increase or decrease in this fee within the limits set by the operating agreement directly impacts the yield to the members.

- *Asset management fees*

RMC is entitled to receive a monthly asset management fee for managing the company's portfolio and operations in an amount up to three-quarters of one percent (0.75%) annually of the portion of the capital originally committed to investment in mortgages, not including leverage, and including up to two percent (2%) of working capital reserves. This amount will be recomputed annually after the second full year of operations by subtracting from the then fair value of the company's loans plus working capital reserves, an amount equal to the outstanding debt.

RMC, at its sole discretion, may elect to accept less than the maximum amount of the asset management fee. An increase or decrease in this fee within the limits set by the operating agreement directly impacts the yield to the members. There is no assurance RMC will decrease or waive these fees in the future.

- *Costs through RMC*

RMC, per the operating agreement, may request reimbursement by the company for operations expense incurred on behalf of the company, including without limitation, accounting and audit fees, legal fees and expenses, postage and preparation of reports to members and out-of-pocket general and administration expenses. Certain costs (e.g. postage) can be allocated specifically to the company. Other costs are allocated on a pro-rata basis (e.g. by the company's percentage of total capital of all mortgage funds managed by RMC). Payroll and consulting fees are broken out first based on activity, and then allocated to the company on a pro-rata basis based on percentage of capital to the total capital of all mortgage funds. The decision to request reimbursement of any qualifying charges is made by RMC at its sole discretion.

In addition, RMC, at its sole discretion, may elect to reimburse the company for professional services (primarily audit and tax expenses). An increase or decrease in reimbursements by RMC directly impacts the yield to the members.

- *Professional Services*

Professional services consist primarily of legal, audit and tax expenses, relating to tax compliance and SEC reporting.

Commissions and fees are paid by the borrowers to RMC.

- *Brokerage commissions, loan originations*

For fees in connection with the review, selection, evaluation, negotiation and extension of loans, RMC may collect a loan brokerage commission that is expected to range from approximately 1.5% to 5% of the principal amount of each loan made during the year. Total loan brokerage commissions are limited to an amount not to exceed 4% of the total company assets per year. The loan brokerage commissions are paid by the borrowers, and thus, are not an expense of the company.

- *Other fees*

RMC receives fees for processing, notary, document preparation, credit investigation, reconveyance and other mortgage related fees. The amounts received are customary for comparable services in the geographical area where the property securing the loan is located, payable solely by the borrower and not by the company.

Formation loan

Formation loan transactions are presented in the following table.

	For the three months ended	Since Inception
Balance, January 1, 2017	$ 2,519,438	$ —
Formation loan advances to RMC	315,951	3,466,303
Payments received from RMC	—	(618,934)
Early withdrawal penalties applied	(513)	(12,493)
Balance, March 31, 2017	$ 2,834,876	$ 2,834,876
Subscription proceeds since inception		$ 49,645,500
Formation loan advance rate		7%

The future minimum payments on the formation loan as of March 31, 2017 are presented in the following table.

2017	$ 251,944
2018	251,944
2019	251,944
2020	251,944
2021	251,944
Thereafter	1,575,156
Total	$ 2,834,876

RMC is required to make annual payments on the formation loan of one tenth of the principal balance outstanding at December 31 of the prior year. The formation loan is forgiven if the manager is removed and RMC is no longer receiving payments for services rendered.

Reimbursement and allocation of organization and offering expenses

The manager is reimbursed for, or the company may pay directly, organization and offering expenses (or O&O expenses) incurred in connection with the organization of the company or offering of the units including, without limitation, attorneys' fees, accounting fees, printing costs and other selling expenses (other than sales commissions) in a total amount not exceeding 4.5% of the original purchase price of all units (other than DRIP units) sold in all offerings (hereafter, the "maximum O&O expenses"), and the manager pays any O&O expenses in excess of the maximum O&O expenses. For each calendar quarter or portion thereof after December 31, 2015, that a member holds units (other than DRIP units) and for a maximum of forty (40) such quarters, a portion of the O&O expenses borne by the company is allocated to and debited from that member's capital account in an annual amount equal to 0.45% of the member's original purchase price for those units, in equal quarterly installments of 0.1125% each commencing with the later of the first calendar quarter of 2016 or the first full calendar quarter after a member's purchase of units, and continuing through the quarter in which such units are redeemed. If at any time the aggregate O&O expenses actually paid or reimbursed by the company since inception are less than the maximum O&O expenses, the company shall first reimburse the manager for any O&O expenses previously borne by it so long as it does not result in the company bearing more than the maximum O&O expenses, and any savings thereafter remaining shall be equitably allocated among (and serve to reduce any subsequent such cost allocations to) those members who have not yet received forty (40) quarterly allocations of O&O expenses, as determined in the good faith judgment of the manager. Any O&O expenses with respect to a member's units that remain unallocated upon redemption of such units shall be reimbursed to the company by the manager.

Organization and offering expenses (O & O expenses) are summarized in the following table.

	2017	2016
Balance, January 1	$ 1,851,521	$ 1,279,525
O&O expenses reimbursed to RMC	181,310	114,566
Early withdrawal penalties applied (1)	(359)	—
O&O expenses allocated	—	—
O&O expenses paid by the company	—	—
O&O expenses reimbursed by RMC (2)	(14,556)	(8,730)
Balance, March 31 (3)(4)	$ 2,017,916	$ 1,385,361

(1) Early withdrawal penalties collected are applied to the next installment of principal due under the formation loan and to reduce the amount owed to RMC for O&O expenses. The amounts credited will be determined by the ratio between the amount of the formation loan and the amount of offering costs incurred by the company.
(2) RMC reimburses the company for any unallocated O&O expenses on units redeemed.
(3) Proceeds from investors admitted to RMI IX were $47,737,738 through March 31, 2017. O&O expenses incurred by RMC and remaining to be reimbursed to RMC by RMI IX were $3,379,251.
(4) Beginning in 2016, O&O expenses reimbursed to RMC by RMI IX are allocated to members' capital accounts over 40 quarters.

NOTE 4 – LOANS

Loans generally are funded at a fixed interest rate with a loan term of up to five years. Loans acquired are generally done so within the first six months of origination, and purchased at the current par value, which approximates fair value. As of March 31, 2017, 90 of the company's 96 loans (representing 98% of the aggregate principal of the company's loan portfolio) have a loan term of five years or less from loan inception. The remaining loans have terms longer than five years. Substantially all loans are written without a prepayment penalty provision. As of March 31, 2017, 22 loans outstanding (representing 26% of the aggregate principal balance of the company's loan portfolio) provide for monthly payments of interest only, with the principal due in full at maturity. The remaining loans require monthly payments of principal and interest, typically calculated on a 30-year amortization, with the remaining principal balance due at maturity.

Secured loans unpaid principal balance (principal)

Secured loan transactions are summarized in the following table for the three months ended March 31, 2017.

	2017
Principal, January 1	$ 40,123,393
Loans funded	8,607,733
Loans acquired from affiliates	—
Principal payments received	(5,236,520)
Principal, March 31	$ 43,494,606

Loan characteristics

Secured loans had the characteristics presented in the following table.

	March 31, 2017	December 31, 2016
Number of secured loans	96	89
Secured loans – principal	$43,494,606	$40,123,393
Secured loans – lowest interest rate (fixed)	7.0%	7.0%
Secured loans – highest interest rate (fixed)	10.0%	10.0%
Average secured loan – principal	$ 453,069	$ 450,825
Average principal as percent of total principal	1.0%	1.1%
Average principal as percent of members' capital	0.9%	1.0%
Average principal as percent of total assets	1.0%	1.1%
Largest secured loan – principal	$ 1,522,500	$ 1,350,000
Largest principal as percent of total principal	3.5%	3.4%
Largest principal as percent of members' capital	3.2%	3.1%
Largest principal as percent of total assets	3.3%	3.2%
Smallest secured loan – principal	$ 19,135	$ 8,651
Smallest principal as percent of total principal	0.1%	0.1%
Smallest principal as percent of members' capital	0.1%	0.1%
Smallest principal as percent of total assets	0.1%	0.1%
Number of counties where security is located (all California)	17	16
Largest percentage of principal in one county	20.1%	21.3%
Number of secured loans with filed notice of default	1	2
Secured loans in foreclosure – principal	$ 698,652	$ 890,470
Number of secured loans with an interest reserve	—	—
Interest reserves	$ —	$ —

As of March 31, 2017, the company's largest loan with principal of $1,522,500 represents 3.5% of outstanding secured loans and 3.3% of company assets. The loan is secured by a single-family residence located in San Francisco County, bears an interest rate of 8.25% and matures on April 1, 2019. As of March 31, 2017, the company had 1 loan with a notice of default filed.

Lien position

Secured loans had the lien positions presented in the following table.

	March 31, 2017			December 31, 2016		
	Loans	Principal	Percent	Loans	Principal	Percent
First trust deeds	65	$ 31,472,290	72%	63	$ 30,350,642	76%
Second trust deeds	31	12,022,316	28	26	9,772,751	24
Total secured loans	96	43,494,606	100%	89	40,123,393	100%
Liens due other lenders at loan closing		20,228,759			12,738,126	
Total debt		$ 63,723,365			$ 52,861,519	
Appraised property value at loan closing		$135,693,057			$123,709,057	
Percent of total debt to appraised values (LTV) at loan closing(1)		53.9%			51.5%	

(1) Based on appraised values and liens due other lenders at loan closing. The weighted-average loan-to-value (LTV) computation above does not take into account subsequent increases or decreases in property values following the loan closing nor does it include decreases or increases of the amount owing on senior liens to other lenders.

Property type

Secured loans summarized by property type are presented in the following table.

	March 31, 2017			December 31, 2016		
	Loans	Principal	Percent	Loans	Principal	Percent
Single family(2)	70	$30,030,707	69%	63	$25,582,833	64%
Multi-family	7	3,856,945	9	5	3,211,380	8
Commercial	19	9,606,954	22	21	11,329,180	28
Total secured loan balance	96	$43,494,606	100%	89	40,123,393	100%

(2) Single family property type as of March 31, 2017 consists of 10 loans with principal of $5,105,139 that are owner occupied and 60 loans with principal of $24,925,568 that are non-owner occupied. At December 31, 2016, single family property consisted of 9 loans with principal of $3,538,729 that are owner occupied and 54 loans with principal of $22,044,104 that are non-owner occupied.

Delinquency

Secured loans summarized by payment delinquency are presented in the following table.

	March 31, 2017		December 31, 2016	
	Loans	Amount	Loans	Amount
Past Due				
30-89 days	4	$ 1,524,707	1	$ 377,241
90-179 days	—	—	2	890,470
180 or more days	—	—	—	—
Total past due	4	1,524,707	3	1,267,711
Current	92	41,969,899	86	38,855,682
Total secured loan balance	96	$43,494,606	89	$40,123,393

Loans in non-accrual status

At March 31, 2017, and December 31, 2016, no loans were designated as in non-accrual status. No interest was accrued for loans contractually 90 days or more delinquent as to principal or interest payments for the three months ended March 31, 2017 and December 31, 2016.

Modifications and troubled debt restructurings

No loan payment modifications were made during three months ended March 31, 2017, and December 31, 2016, and no modifications were in effect at March 31, 2017 and December 31, 2016.

Impaired loans/allowance for loan losses

No loans were designated as impaired at March 31, 2017 or December 31, 2016. No allowance for loan losses has been recorded as all loans were deemed to have protective equity (*i.e*., low loan-to-value ratio) such that collection is reasonably assured for amounts owing.

Scheduled maturities

Secured loans are scheduled to mature as presented in the following table.

	Loans	Principal	Percent
2017(3)	18	$ 9,373,801	22%
2018	20	9,215,979	21
2019	26	13,473,871	31
2020	14	4,696,916	11
2021	7	3,402,176	8
Thereafter	11	3,331,863	7
Total secured loan balance	96	$43,494,606	100%

(3) Loans maturing in 2017 from April 1 to December 31.

Loans may be repaid or refinanced before, at or after the contractual maturity date. On matured loans, the company may continue to accept payments while pursuing collection of amounts owed from borrowers. Therefore, the above tabulation for scheduled maturities is not a forecast of future cash receipts.

For the three months ended March 31, 2017, 1 renewal with a principal balance of $190,000 was made.

Distribution of loans within California

The distribution of secured loans outstanding by California counties is presented in the following table.

	March 31, 2017		December 31, 2016	
	Principal	Percent	Principal	Percent
San Francisco Bay Area[4]				
Alameda	$ 8,615,884	19.8%	$ 7,726,853	19.3%
San Francisco	6,263,769	14.4	6,913,534	17.2
San Mateo	5,619,020	12.9	4,644,731	11.6
Santa Clara	3,586,230	8.3	4,073,501	10.2
Solano	1,928,867	4.4	1,820,336	4.5
Contra Costa	987,288	2.2	989,994	2.5
Marin	376,452	0.9	377,241	0.9
Sonoma	—	0.0	8,652	0.1
	27,377,510	62.9	26,554,842	66.3
Other Northern California				
Monterey	1,698,218	3.9	1,840,927	4.6
Placer	1,072,394	2.5	1,074,437	2.7
San Joaquin	158,026	0.4	158,340	0.4
Yolo	190,000	0.4	156,810	0.4
Sacramento	850,000	2.0	—	0.0
	3,968,638	9.2	3,230,514	8.1
Northern California Total	31,346,148	72.1	29,785,356	74.4
Los Angeles & Coastal				
Los Angeles	8,734,462	20.1	8,547,567	21.3
San Diego	1,636,720	3.8	933,571	2.3
Orange	490,559	1.1	494,334	1.2
	10,861,741	25.0	9,975,472	24.8
Other Southern California				
Santa Barbara	925,000	2.1	—	0.0
Riverside	361,717	0.8	362,565	0.8
	1,286,717	2.9	362,565	0.8
Southern California Total	12,148,458	27.9	10,338,037	25.6
Total Secured Loans	$43,494,606	100.0%	$40,123,393	100.0%

(4) Includes Silicon Valley

Commitments/loan disbursements/construction and rehabilitation loans

As of March 31, 2017, the company had no construction loans outstanding. The company may make construction loans that are not fully disbursed at loan inception. Construction loans are determined by the manager to be those loans made to borrowers for the construction of entirely new structures or dwellings, whether residential, commercial or multi-family properties. The company will approve and fund the construction loan up to a maximum loan balance. Disbursements will be made periodically as phases of the construction are completed or at such other times as the loan documents may require. Undisbursed construction funds will be held in escrow pending disbursement. Upon project completion, construction loans are reclassified as permanent loans. Funding of construction loans is limited to 10% of the loan portfolio.

At March 31, 2017, the company had no rehabilitation loans outstanding. The company may also make rehabilitation loans. A rehabilitation loan will be approved up to a maximum principal balance and, at loan inception, will be either fully or partially disbursed. If fully disbursed, a rehabilitation escrow account is established and advanced periodically as phases of the rehabilitation are completed or at such other times as the loan documents may require. If not fully disbursed, the rehabilitation loan will be funded from available cash balances and future cash receipts. The company does not maintain a separate cash reserve to fund undisbursed rehabilitation loan obligations. Rehabilitation loan proceeds are generally used to acquire and remodel single family homes for future sale or rental. Upon project completion, rehabilitation loans are reclassified as permanent loans. Funding of rehabilitation loans is limited to 15% of the loan portfolio.

Fair Value

The company does not record its loans at fair value on a recurring basis. Loans designated impaired (i.e., that are collateral dependent) are measured at fair value on a non-recurring basis. The company did not have any loans designated impaired at March 31, 2017 or December 31, 2016.

- *Secured loans, performing (i.e. not designated as impaired) (Level 2)* - Each loan is reviewed quarterly for its delinquency, LTV adjusted for the most recent valuation of the underlying collateral, remaining term to maturity, borrower's payment history and other factors. Also considered is the limited resale market for the loans. Most companies or individuals making similar loans as the company intend to hold the loans until maturity as the average contractual term of the loans (and the historical experience of the time the loan is outstanding due to pre-payments) is shorter than conventional mortgages. As there are no prepayment penalties to be collected, loan buyers may be hesitant to risk paying above par. Due to these factors, sales of the loans are infrequent, because an active market does not exist. The recorded amount of the performing loans (i.e. the loan balance) is deemed to approximate the fair value, although the intrinsic value of the loans would reflect a premium due to the interest to be received.
- *Secured loans, designated impaired (Level 2)* - Secured loans designated impaired are deemed collateral dependent, and the fair value of the loan is the lesser of the fair value of the collateral or the enforceable amount owing under the note. The fair value of the collateral is determined by exercise of judgment based on management's experience informed by appraisals (by licensed appraisers), brokers' opinion of values and publicly available information on in-market transactions (Level 2 inputs).

The following methods and assumptions are used to determine the fair value of the collateral securing a loan.

Single family – Management's preferred method for determining the fair market value of its single-family residential assets is the sale comparison method. Management primarily obtains sale comps via its subscription to the RealQuest service, but also uses free online services such as Zillow.com and other available resources to supplement this data. Sale comps are reviewed for similarity to the subject property, examining features such as proximity to subject, number of bedrooms and bathrooms, square footage, sale date, condition and year built.

If applicable sale comps are not available or deemed unreliable, management will seek additional information in the form of brokers' opinions of value or appraisals.

Multi-family residential – Management's preferred method for determining the aggregate retail value of its multifamily units is the sale comparison method. Sale comps are reviewed for similarity to the subject property, examining features such as proximity to subject, rental income, number of units, composition of units by the number of bedrooms and bathrooms, square footage, condition, amenities and year built.

Management's secondary method for valuing its multifamily assets as income-producing rental operations is the direct capitalization method. In order to determine market cap rates for properties of the same class and location as the subject, management refers to published data from reliable third-party sources such as the CBRE Cap Rate Survey. Management applies the appropriate cap rate to the subject's most recent available annual net operating income to determine the property's value as an income-producing project. When adequate sale comps are not available or reliable net operating income information is not available or the project is under development or is under-performing to market, management will seek additional information and analysis to determine the cost to improve and the intrinsic fair value and/or management will seek additional information in the form of brokers' opinion of value or appraisals.

Commercial buildings – Where commercial rental income information is available, management's preferred method for determining the fair value of its commercial real estate assets is the direct capitalization method. In order to determine market cap rates for properties of the same class and location as the subject, management refers to reputable third-party sources such as the CBRE Cap Rate Survey. Management then applies the appropriate cap rate to the subject's most recent available annual net operating income to determine the property's value as an income-producing commercial rental project. When adequate sale comps are not available or reliable net operating income information is not available or the project is under development or is under-performing to market, management will seek additional information and analysis to determine the cost to improve and the intrinsic fair value and/or management will seek additional information in the form of brokers' opinion of value or appraisals.

Management supplements the direct capitalization method with additional information in the form of a sale comparison analysis (where adequate sale comps are available), brokers' opinion of value, or appraisal.

Commercial land – Commercial land has many variations/uses, thus requiring management to employ a variety of methods depending upon the unique characteristics of the subject land. Management may rely on information in the form of a sale comparison analysis (where adequate sale comps are available), brokers' opinion of value, or appraisal.

NOTE 5 – COMMITMENTS AND CONTINGENCIES, OTHER THAN LOAN COMMITMENTS AND ORGANIZATION AND OFFERING COSTS

Commitments

The company had two contractual obligations as of March 31, 2017. To reimburse RMC for O&O expenses (as of March 31, 2017, $3,379,251 was to be reimbursed to RMC) contingent upon future sales of units. Redemptions of members' capital scheduled as of March 31, 2017 were $33,152, to be paid in 2017.

Legal proceedings

In the normal course of its business, the company may become involved in legal proceedings (such as assignment of rents, bankruptcy proceedings, appointment of receivers, unlawful detainers, judicial foreclosure, etc.) to collect the debt owed under the promissory notes, to enforce the provisions of the deeds of trust, to protect its interest in the real property subject to the deeds of trust and to resolve disputes with borrowers, lenders, lien holders and mechanics. None of these actions, in and of themselves, typically would be of any material financial impact to the net income or balance sheet of the company. As of the date hereof, the company is not involved in any legal proceedings other than those that would be considered part of the normal course of business.

NOTE 6 – SUBSEQUENT EVENTS

None.

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis should be read in conjunction with the unaudited financial statements and notes thereto, which are included in Item 1 of this report on Form 10-Q, as well as the audited financial statements and the notes thereto, and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in the company's Annual Report on Form 10-K for the year ended December 31, 2016, filed with the U.S. Securities and Exchange Commission (or SEC). The results of operations for the three months ended March 31, 2017 are not necessarily indicative of the operations results to be expected for the full year.

Forward-Looking Statements

Certain statements in this Report on Form 10-K 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 Exchange Act of 1934, as amended (or the Exchange Act), including statements regarding the company's expectations, hopes, intentions, beliefs and strategies regarding the future. Forward-looking statements, which are based on various assumptions (some of which are beyond our control), may be identified by reference to a future period or periods or by use of forward-looking terminology, such as "may," "will," "believe," "expect," "anticipate," "continue," "possible" or similar terms or variations on those terms or the negative of those terms. Forward-looking statements include statements regarding trends in the California real estate market, future interest rates and economic conditions and their effect on the company and its assets, estimates as to the allowance for loan losses, estimates of future redemptions of units, future funding of loans by the company, and beliefs relating to how the company will be affected by current economic conditions and trends in the financial and credit markets. Actual results may be materially different from what is projected by such forward-looking statements. Factors that might cause such a difference include, but are not limited to, the following:

- changes in economic conditions, interest rates, and/or changes in California real estate markets,
- the impact of competition and competitive pricing for mortgage loans,
- our ability to grow our mortgage lending business,
- the manager's ability to make and arrange for loans that fit our investment criteria,
- the concentration of credit risks to which we are exposed;
- increases in payment delinquencies and defaults on our mortgage loans; and
- changes in government regulation and legislative actions affecting our business.

All forward-looking statements and reasons why results may differ included in this Form 10-K 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.

Overview

Redwood Mortgage Investors IX, LLC (or we, RMI IX or the company) is a Delaware limited liability company formed in October 2008 to engage in business as a mortgage lender and investor by making and holding-for-investment loans secured by California real estate, primarily through first and second deeds of trust. The company is externally managed. Redwood Mortgage Corp. (or RMC, the manager or management) is the manager of the company.

See Note 1 (Organization and General) to the financial statements included in Part I, Item 1 of this report on Form 10-Q for additional detail on the organization and operations of RMI IX which detail is incorporated by this reference into this Item 2. For a detailed presentation of the company activities for which related parties are compensated and related transactions, including the formation loan to RMC, See Note 1 (Organization and General) and Note 3 (Manager and Other Related Parties) to the financial statements included in Part I, Item 1 of this report, which presentation is incorporated by this reference into this Item 2.

Ongoing public offering of units/ SEC Registrations

In June, 2016, the company's Registration Statement on Form S-11 filed with the SEC (SEC File No. 333-208315) to offer up to 120,000,000 units ($120,000,000) to the public and 20,000,000 units ($20,000,000) to its members pursuant to the DRIP became effective and continues for up to three (3) years thereafter. As of March 31, 2017, we had sold approximately 52,577,000 – 39,407,000 units under our previous registration statements and 13,170,000 units under our current registration which is effective as of June 2016, for gross offering proceeds (including units issued under our distribution reinvestment plan) approximately of $52,577,000 – $39,407,000 and $13,170,000, respectively.

The units have been registered pursuant to Section 12(g) of the Securities Exchange Act of 1934 (or the Exchange Act). Such registration of the units, along with the satisfaction of certain other requirements under ERISA, enables the units to qualify as "publicly-offered securities" for purposes of ERISA and regulations issued thereunder. By satisfying those requirements, the underlying assets of the company should not be considered assets of a "benefit plan investor" (as defined under ERISA) by virtue of the investment by such benefit plan investor in the units.

The following summarizes the proceeds from sales of units, from inception (October, 2009) through March 31, 2017.

	Proceeds
From investors - admitted	$ 47,737,738
From members under our DRIP	4,668,159
From premiums paid by RMC(1)	170,860
Total proceeds from unit sales	$ 52,576,757

(1) If a member acquired units through an unsolicited sale (i.e. without broker/dealer) the member's capital account is credited with their capital contribution plus a premium paid by RMC equal to the amount of the sales commissions that otherwise would have been paid to a broker-dealer by RMC. This premium is reported in the year paid as taxable income to the member.

The proceeds from the sales of the units will not be segregated but will be commingled with the company's cash. The ongoing sources of funds for loans are the proceeds from (1) sale of units, including units sold by reinvestment of distributions, (2) loan payoffs, (3) borrowers' monthly principal and interest payments, and (4) to a lesser degree and, if obtained, a line of credit. Cash generated from loan payoffs and borrower payments of principal and interest is used for operating expenses, reimbursements to RMC of O&O expenses, and unit redemptions. The cash flow, if any, in excess of these uses is reinvested in new loans.

Critical Accounting Policies

See Note 2 (Summary of Significant Accounting Policies) to the financial statements included in Part I, Item 1 of this report on Form 10-Q for a detailed presentation of critical accounting policies, which presentation is incorporated by this reference into this Item 2.

Results of Operations

General economic conditions – California

All of our mortgage loans are secured by California real estate. Our secured-loan investment activity and the value of the real estate securing our loans is significantly dependent on economic activity and employment conditions in the state. Wells Fargo's Economics Group periodically provides timely, relevant information and analysis in its commentary and reports regarding California's employment and economic conditions. Highlights from recently issued reports from Wells Fargo Securities Economic Group are presented below.

In the publication dated March 3, 2017 by the Economics Group of Wells Fargo Securities the headline read:

"California's Unemployment Rate Declines to 5.1 Percent / California's unemployment rate fell to 5.1 percent in January but job growth slowed substantially, as retailers and the leisure & hospitality sector cut staff, possibly in response to the higher state minimum wage."

The report goes on "California's unemployment rate continues to edge lower, falling 0.1 percentage points in January to 5.1 percent. The number of Californians stating that they were working rose by 10,600 in January, while the civilian labor force fell by 2,100 persons. The number of unemployed fell by the difference, or 12,700. California's unemployment rate declined 0.6 percentage points over the past year, which is a faster decline than seen nationwide. The gap between California's unemployment rate and the national rate is now just 0.3 percentage points, which is the narrowest it has been since August 2006.

While the decline in California's unemployment rate is encouraging, nonfarm employment growth has been decelerating. Employers added 9,700 jobs in January, following a 4,800-job gain in December. Hiring continues to be driven by California's tech sector. Professional, scientific & technical services firms added 9,000 jobs in January and another 7,200 jobs were added in the information sector. The latter sector includes data processing and Internet search but also includes the motion picture and recording industries. All of the growth in the information sector over the past year, however, has come from software publishers (+4,700 jobs), data processing, hosting and related services (+4,200 jobs) and other information services (+9,700 jobs), most of which were likely in Internet search. Employment in California's motion picture and sound recording sector fell 3.8 percent over the past year, resulting in a net loss of 6,300 jobs.

January's improvement in tech hiring follows an unusually slow patch for the tech sector. Tech employment rose 2.5 percent over the past year, down from roughly 5 percent the prior year. The slower pace for the tech sector is even more disappointing in that the January employment report included revisions to prior months' data, which we had hoped would show upward revisions to tech-related employment. There were some notable revisions within the tech sector, with hiring stronger at web search portals. The books are not completely closed on 2016, however. The revisions are based off of a hard count of jobs, which are only available through June. Almost all of the deceleration in tech employment took place in the second half of the year and those data will be revised again next year.

Overall job growth has also slowed. Employment in retail trade declined by 15,300 jobs in January, marking the largest one-month drop since the dark days of the Great Recession. Employment in the leisure & hospitality sector and transportation & warehousing industries also posted unusually large declines. We suspect increases in the minimum wage may have been the culprit. The retailing industry has been through a tough time of late and many chains are looking to cut costs and close stores."

In the publication "Special Commentary / What's Heating Up and Cooling Off in the San Francisco Bay Area" dated January 31, 2017 by the Economics Group of Wells Fargo Securities the headlines read:

"Bay Area employment growth continues to outpace the nation."

"Late-cycle headwinds have created a more challenging business environment."

"The moderation in employment growth and housing costs should continue in 2017. "

"We estimate that the Bay Area's economy grew 5.9 percent in 2016."

The report goes on: "California's economy has outpaced the nation for the past six years, and the San Francisco Bay Area has been the fastest growing part of the state by far (Figure 1). Annual real GDP growth in the greater Bay Area has averaged a strong 4.0 percent between 2010 and 2015. Growth in the local economy has been driven by the strength of the region's technology sector and its impact on construction and supporting industries. The surge of economic growth at a time when the national economy has been growing only modestly is largely without precedent. Combined, the San Francisco-Oakland-Hayward and San Jose-Sunnyvale-Santa Clara metropolitan areas accounted for 8.0 percent of all U.S. real GDP growth from 2010 to 2015, despite comprising just 3.8 percent of the nation's economy.

Bay Area employment growth continues to outpace the nation (Figure 2). Payroll gains have cooled relative to recent years, however, as late-cycle headwinds, including tighter labor market conditions and rising compensation costs, have created a more challenging business environment. Annual job growth in the Bay Area has slowed to between 2.5 percent and 3 percent compared to the 3.5 percent to 4 percent pace registered during the majority of 2013 to 2015. Notably, this slowdown has also been evident in the region's tech sector. Job growth in the professional, scientific & technical services and information sectors, which capture a significant portion of high-tech professions such as computer programmers, software developers and engineers, has decelerated over the past year.

The greater San Francisco Bay Area is comprised of the 12 counties that make up the San Jose-San Francisco-Oakland combined statistical area, which include Alameda, Contra Costa, Napa, Marin, San Francisco, San Mateo, Santa Clara, Sonoma, Solano, Santa Cruz, San Benito and San Joaquin.

The persistent tightening of the labor market has been a notable development across the country this past year, as the labor market has reached levels widely thought to be consistent with full employment. The U.S. unemployment rate stood at 4.7 percent in December and has been at or below 5 percent for the past year. In comparison, labor market conditions in the Bay Area have been tight for quite some time, as the jobless rate in the greater San Francisco Bay Area has been below 5 percent for nearly two years. The Bay Area's unemployment rate is trending near 4.3 percent and is just about even with its previous 2006 low, but remains a full percentage point above the low reached during the height of the dot-com era in 1999.

With the pool of available workers continuing to diminish, labor costs have been edging higher as employers compete to attract and retain qualified workers. By a range of measures, wage growth has picked up across the country. Average hourly earnings in the United States were up 2.9 percent year over year in December after rising by an average of around 2 percent from 2010 to 2015. Wages have risen much faster in the Bay Area, and the region is home to some of the highest earning counties in the country.

The strength in average hourly earnings is largely due to the preponderance of higher-paying jobs in information technology and life sciences. The rapid growth in these jobs has supported hiring in other industries, which has worsened income polarization within the region and made it much more difficult for a large proportion of Bay Area residents to find affordable housing. Wages in lower-paying parts of the economy have also been pulled higher in recent years, however.

Adding to these building wage pressures, California's state minimum wage increased $0.50 to $10.50 an hour at the start of 2017. The state's minimum wage is scheduled to increase every year until it reaches $15 for all businesses by Jan. 1, 2023. Many Bay Area cities have been at the forefront of local wage increases, with some implementing changes as part of a plan to reach a $15 minimum wage ahead of the statewide mandate. … While the rise of the minimum wage is providing some relief to workers, it places an additional burden on many businesses and will likely slow job growth modestly in the affected sectors.

Strong economic growth is pushing the Bay Area's already high cost of living up at a faster pace relative to the nation. The Consumer Price Index (CPI) for the San Francisco-San Jose-Oakland combined metropolitan region has risen 3.1 percent year over year compared to the national increase of just 1.3 percent. Higher energy prices have played a meaningful role in price increases this past year, as gasoline prices have rebounded. We note that energy prices are more volatile in California due to environmental restrictions on the blends of gasoline used in the state and initiatives to promote green energy. The core CPI, which strips out the more volatile food and energy components, is still up 3.8 percent in the Bay Area and 2.2 nationwide. Shelter costs, which account for roughly 40 percent of the core CPI and captures rental prices, are up a sizable 6.9 percent over the past year in the Bay Area. In comparison, shelter prices nationwide are up just 3.6 percent over the period.

Skyrocketing home prices and rents continue to top the list of cost burdens for Bay Area residents. Higher housing costs are not a new development for the Bay Area, as the region's perennially tight housing market tends to support prices and rents even when the economy is growing slowly. When growth picks up, the high costs and considerable delays in bringing new properties to the market tend to cause prices and rents to surge. In economic terms, San Francisco has an incredibly inelastic supply of housing.

Home prices have been rising steadily throughout the region since the end of the Great Recession as the Bay Area was one of the first major regions to see economic growth kick into higher gear. Home prices in San Francisco recovered back in April 2013 and currently stand nearly 40 percent higher than their previous 2007 peak. Despite the increases, home price appreciation across the Bay Area has largely decelerated. San Francisco County has seen a particularly notable slowdown in home price gains, with home price appreciation falling from an annual average increase of 12 percent in 2015 to a modest pickup of 1.3 percent year over year in November 2016. Much of this deceleration has occurred at the top of the market where price gains had been the greatest. Price increases for more modestly priced homes have actually accelerated in many parts of the Bay Area, as relatively little new supply has come on line.

Effective apartment rents were $2,472 per month in San Francisco, $2,059 per month in San Jose and $1,719 per month in the East Bay in the third quarter, according to data from Reis, which has pushed the vacancy rate slightly higher and helped cool off the rise in apartment rents. San Francisco's apartment vacancy rate has risen about a percentage point over the past two years to 4.4 percent in the third quarter."

In the section "Summary and Outlook" the report concludes:

"After five years of exceptionally solid economic growth, the Bay Area is beginning buckle on some of the strains generated from growing at such a rapid pace. Annual real GDP growth averaged a 4.0 percent pace in the Bay Area from 2010 to estimate that the economy grew 5.9 percent in 2016. By contrast, real GDP growth has averaged just a 1.9 percent pace nationwide over this period, and the U.S. economy grew just 1.6 percent in 2016. Stronger economic growth has brought the unemployment rate back down to levels long considered to be near full employment and wage gains have accelerated. The cost of living has also ramped up in the region, where growth has been much stronger and impediments to development are much greater. Traffic congestion has also worsened considerably, raising the costs of commuting. The higher costs of doing business and increasing frustration with traffic congestion have contributed to the out- migration of some businesses away from the region. Growth has also shifted to lower-cost parts of the Bay Area, most notably Oakland and the East Bay in general.

Growth in the region has shown some signs of moderation this past year. Nonfarm employment growth has decelerated. Job growth in the San Francisco metropolitan division was 3.1 percent in 2016, down from 4.8 percent the prior year. That still left payrolls some 32,400 jobs higher than the prior year, but the increase was down from a gain of 47,700 jobs in 2015. Much of the deceleration occurred during the second half of the year. Employment growth in Oakland followed a similar pattern, with nonfarm payrolls rising 2.5 percent in 2016, following a 3.1 percent rise the prior year. Oakland saw a net increase of 27,100 jobs in 2016, which is smaller than the 32,800 jobs added in 2015.

Housing costs are also showing some tentative signs of cooling. Home price appreciation has moderated, following huge gains at the higher-end of the market. In addition to suffering from some indigestion from previous price spikes, demand for higher-priced homes also likely cooled off a bit as the IPO market slowed and interest from overseas buyers waned. Apartment rent growth has also lessened as development has increased significantly in recent years and the sudden onslaught of new units caused rents to rise more slowly this past year.

The moderation in employment growth and housing costs should continue in 2017. Hiring has cooled off as employers have had a more difficult time filling vacant positions and rising compensation costs have raised the bar for many new hires. In addition, with the unemployment rate near 5 percent, many of the jobs being added are pulling workers from the ranks of the underemployed and involuntary part-time workers. The net result has been stronger wage and salary growth but less employment growth."

Key Performance Indicators

The table below shows key performance indicators at and for the three months ended March 31.

	2017	2016	2015
Secured loans – end of period balance	$ 43,494,606	29,633,693	21,300,226
Secured loans – average daily balance	$ 39,477,000	28,103,000	19,965,000
Interest on loans, gross	$ 835,980	613,332	430,159
Portfolio interest rate[1]	8.5%	8.6%	8.7%
Effective yield rate[2]	8.5%	8.6%	8.6%
Amortization of loan administrative fees, net	—	18,339	31,691
Percent of average daily balance[3]	0.0%	0.3%	0.6%
Interest on loans, net	$ 835,980	594,992	398,467
Percent of average daily balance[3]	8.5%	8.5%	8.0%
Provision for loan losses	$ —	—	—
Percent of average daily balance[3]	0.0%	0.0%	0.0%
Total operations expense	$ 25,349	28,087	50,665
Net Income	$ 816,820	570,159	350,062
Percent of average members' capital[4][5]	7.0%	6.9%	6.0%
Member Distributions	$ 757,355	527,520	387,250
Percent of average members' capital[4][5][6]	6.7%	6.5%	6.5%
Members' capital, gross – end of period balance	$ 49,470,244	34,064,057	24,525,148
Members' capital, gross – average balance	$ 46,323,000	32,734,000	23,123,000
Member Redemptions[6]	$ 400,310	232,208	153,474

(1) Stated note interest rate, weighted daily average

(2) Yield rate of interest on loans

(3) Percent of secured loans – average daily balance

(4) Percent of members' capital, gross – average daily balance

(5) Percent based on the net income available to members (excluding 1% allocated to manager)

(6) Members Capital Distributed during 2017 is net of O&O costs allocated to members during the year

(7) Scheduled member redemptions as of March 31, 2017 were $33,152, payable in 2017

Secured loans

The secured loan balance at March 31, 2017 of $43,494,606 was an increase of approximately 46.8% ($13.9 million) over 2016's $29,633,693, which was up approximately 40.8% ($8.3 million) from 2015's $21,300,226. The increased balance of the secured loan portfolio is due to the 1) increased balance of members' capital which provides additional capital for funding loans, and 2) the favorable economic environment generally and to increased investment in California real estate markets specifically, both of which expands the opportunity for new loans. Secured loans as a percent of member's capital (based on average balances) was 85.2% and 85.9% for three months ended March 31, 2017, and 2016, respectively.

Loans generally are funded at a fixed interest rate with a loan term of up to five years. Loans acquired are generally done so within the first six months of origination, and purchased at the current par value, which approximates fair value. As of March 31, 2017, 90 of the company's 96 loans (representing 98% of the aggregate principal of the company's loan portfolio) had a loan term of five years or less from loan inception. The remaining loans had terms longer than five years. Substantially all loans are written without a prepayment-penalty provision. As of March 31, 2017, 22 loans outstanding (representing 26% of the aggregate principal balance of the company's loan portfolio) provide for monthly payments of interest only, with the principal due in full at maturity. The remaining loans require monthly payments of principal and interest, typically calculated on a 30 year amortization, with the remaining principal balance due at maturity.

We have sought to exercise strong discipline in underwriting loan applications and lending against collateral at amounts that create a mortgage portfolio that has substantial protective equity (i.e., safety margins to outstanding debt) as indicated by the overall conservative weighted average loan-to-value ratio (LTV) which at March 31, 2017 was approximately 53.9%. Thus, per the appraisal-based valuations at the time of loan inception, borrowers have, in the aggregate, equity of 46.1% in the property, and we as lenders have lent in the aggregate 46.1% (including other senior liens on the property) against the properties we hold as collateral for the repayment of our loans.

See Note 4 (Loans) to the financial statements included in Part I, Item 1 of this report for detailed presentations on the secured loan portfolio and on the allowance for loan losses, which presentations are incorporated by this reference into this Item 2.

Performance overview

Revenue from the interest on loans, net for the three months ended March 31, 2017 increased by approximately $241,000, over the same period in 2016, due to the growth of the secured loan portfolio. Operations expense for 2017 decreased by approximately $3,000, over 2016 due primarily to an increase in mortgage servicing fees due to an increased loan portfolio. In all years presented, the manager, at its sole discretion, provided significant support to the company which affected the net income results. See Note 3 (Managers and Other Related Parties) to the financial statements included in Part I, Item I of this report for a detailed discussion on fees waived and costs absorbed by the manager, which presentation is incorporated by this reference into this Item 2.

The maximum loan brokerage fee allowable for the manager to collect is 4%. For three months ended March 31, 2017 and 2016, RMC collected 2.3% and 2.2%, respectively.

Analysis and discussion of income from operations 2017 v. 2016

Significant changes to revenue and expenses during 2017 and 2016 are summarized in the following table.

	Interest on loans, net	Provision For Loan Losses	Operations Expense	Net Income
For the three months ended				
March 31, 2017	$ 835,980	—	25,349	816,820
March 31, 2016	594,992	—	28,087	570,159
Change	$ 240,988	—	(2,738)	246,661
Change				
Loan Balance Increase	$ 313,813	—	7,054	306,759
Loan Portfolio Effective Yield Rate	(72,825)	—	—	(72,825)
Late Fees	—	—	—	2,935
Capital Balance Increase	—	—	99,253	(99,253)
Managers Fees/Costs Waived	—	—	(99,253)	99,253
Manager Reimbursements	—	—	(6,625)	6,625
Other	—	—	(3,167)	3,167
Change	$ 240,988	—	(2,738)	246,661

The table above displays only significant changes to net income for the period, and is not intended to cross foot.

Interest on loans, net

Interest on loans increased by $240,988 due to growth of the secured loan portfolio.

The portfolio's strong payment history to date has resulted in no loans being designated as non-accrual. The Secured loans – average daily balance at March 31, 2017 increased approximately $11.4 million, or approximately 40.5%, over the average daily balance at March 31, 2016.

Provision for loan losses

At March 31, 2017 the company had not recorded an allowance for loan losses as all loans had protective equity such that at March 31, 2017, collection was deemed probable for amounts owing.

Operations expense

Operations expense as a percent of interest on loans, net was approximately 3.0% and 4.7% for the three months ended March 31, 2017 and 2016, respectively, as RMC provided, at its sole discretion, financial support by fee waiver and by not passing on expenses that qualified as reimbursable to RMC. As loan balances continue to increase, operations expense as a percent of interest on loans, net will likewise decline (even with reduced levels of expense support from RMC).

Significant changes to operations expense during 2017 and 2016, are summarized in the following table.

	Mortgage Servicing Fees	Asset Management Fees, net	Costs From RMC, net	Professional Services, net	Other	Total
For the three months ended						
March 31, 2017	$ 24,310	—	—	—	1,039	25,349
March 31, 2016	17,256	—	—	6,625	4,206	28,087
Change	$ 7,054	—	—	(6,625)	(3,167)	(2,738)
Change						
Loan Balance Increase	$ 7,054	—	—	—	—	7,054
Capital Balance Increase	—	26,327	39,146	—	—	65,473
Managers Fees/Costs Waived	—	(26,327)	(39,146)	—	—	(65,473)
Manager Reimbursements	—	—	—	(6,625)	—	(6,625)
Other	—	—	—	—	(3,167)	(3,167)
Change	$ 7,054	—	—	(6,625)	(3,167)	(2,738)

See Note 3 (Managers and Other Related Parties-Organization and Offering Costs) to the financial statements included in Part I, Item 1 of this report for a detailed discussion on fees waived and costs absorbed by the manager, which presentation is incorporated by this reference into this Item 2.

- *Mortgage servicing fees*

The increase in mortgage servicing fees of $7,054 was consistent with the increase in the average daily secured loan portfolio to $39,477,000, noted above in Key Performance Indicators, at the annual rate of 0.25%.

- *Asset management fees*

The total amount of asset management fees chargeable were $86,434 and $60,107 for the three months ended March 31, 2017 and 2016, respectively. Of the total amount chargeable, RMC, at its sole discretion, waived all asset management fees for the three months ended March 31, 2017 and 2016. There is no assurance RMC will waive its right to receive such fees in future periods.

- *Costs through RMC*

Costs incurred by RMC, for which reimbursement could have been requested were $97,605 and $58,459 for the three months ended March 31, 2017 and 2016, respectively. RMC, at its sole discretion, waived all reimbursements for the three months ended March 31, 2017 and 2016. There is no assurance RMC will waive its right to receive such reimbursements in future periods.

- *Professional services*

Professional services consist primarily of legal, audit and tax expenses. The decrease in professional services for three months ended March 31, 2017 and 2016, was due primarily to expense reimbursements by RMC, at its sole discretion, of $119,739 and $55,389, respectively. In addition, overall Audit & Tax fees decreased due to changes in timing of services provided and overall cost reductions due to increased efficiency in the reporting process.

Members' capital, cash flows and liquidity

Cash flows by business activity are presented in the following table three months ended March 31.

	2017	2016	2015
Members' capital			
Gross subscription proceeds	$ 4,542,913	$ 3,650,240	$ 2,183,809
Organization and offering costs, net	(166,756)	(105,837)	(124,679)
Formation loan, net	(315,951)	(245,350)	(144,195)
Distributions and redemptions, net	(734,950)	(474,784)	(332,912)
Cash – members' capital, net	3,325,256	2,824,269	1,582,023
Loan principal/advances/interest			
Principal & advances collected	$ 5,236,520	$ 3,821,150	$ 1,545,434
Interest received, net	846,782	574,310	373,152
Other loan income	6,189	3,304	2,310
Loan funding & advances made	(8,616,874)	(6,092,500)	(3,660,000)
Cash – loans, net	(2,527,383)	(1,693,736)	(1,739,104)
Operations expense	(24,476)	(28,538)	27,093
Net change in cash	$ 773,397	$ 1,101,995	$ (129,988)

The table below shows the breakout of distributions for three months ended March 31, 2017 and 2016.

	2017	2016
DRIP	$ 422,715	$ 302,515
Cash	334,640	225,005
Total	$ 757,355	$ 527,520
Percent of members' capital, electing cash distribution	44%	43%

The table below shows the company's unit redemptions for three months ended March 31, 2017 and 2016.

	2017	2016
Capital redemptions-without penalty	$ 378,288	$ 232,208
Capital redemptions-subject to penalty	22,022	—
Total	$ 400,310	$ 232,208

Scheduled redemptions at March 31, 2017 were $33,152, to be paid in 2017.

The ongoing sources of funds for loans are the proceeds (net of redemption of members' capital) from:

- sale of members' units (net of reimbursement to RMC of organization and offering expenses), including units sold by reinvestment of distributions,
- loan payoffs,
- borrowers' monthly principal and interest payments, and
- to a lesser degree and, if obtained, a line of credit.

The company's loans generally have shorter maturity terms than typical mortgages. As a result, constraints on the ability of our borrowers to refinance their loans at maturity possibly would have a negative impact on their ability to repay their loans. In the event a borrower is unable to repay at maturity, the company may consider extending the term through a loan modification or foreclosing on the property. A reduction in loan repayments would reduce the company's cash flows and restrict the company's ability to invest in new loans and/or, if ongoing for an extended period, provide earnings distributions and redemptions of members' capital.

Generally, within a broad range, the company's rates on mortgage loans is not affected by market movements in interest rates. If, as expected, we continue to make and invest in fixed rate loans primarily, and interest rates were to rise, a possible result would be lower prepayments of the company's loans. This increase in the duration of time loans are on the books may reduce overall liquidity, which itself may reduce the company's investment into new loans at higher interest rates. Conversely, if interest rates were to decline, we could see a significant increase in borrower prepayments. If we then invest in new loans at lower rates of interest, a lower yield to members may possibly result.

Contractual obligations

The company had two contractual obligations: 1) scheduled unit redemptions to members, and 2) reimbursement to RMC for O&O expenses at March 31, 2017. Scheduled redemptions at March 31, 2017 were $33,152, to be paid in 2017. See Note 3 (Managers and Other Related Parties) and Note 5 (Commitments and Contingencies, Other Than Loan Commitments and Organization and Offering Costs) to the financial statements included in Part I, Item 1 of this report for a detailed presentation on commitments and contingencies, which presentation is incorporated by this reference into this Item 2.

The Company has no off-balance sheet arrangements as such arrangements are not permitted by the operating agreement.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not included because the company is a smaller reporting company.

Item 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

The company is externally managed by RMC. The manager is solely responsible for managing the business and affairs of the company, subject to the voting rights of the members on specified matters. The manager acting alone has the power and authority to act for and bind the company. RMC provides the personnel and services necessary for us to conduct our business, as we have no employees of our own.

As a limited liability company, we do not have a board of directors, nor, therefore, do we have an audit committee of the board. Accordingly, the manager provides the equivalent functions of a board of directors and of an audit committee for, among other things, the following purposes: appointment, compensation, review and oversight of the work of our independent public accountants, and establishing and maintaining internal controls over our financial reporting. Since the company does not have an audit committee and the manager is not independent of the company, there is no independent oversight of the company's financial reporting processes.

RMC, as the manager, carried out an evaluation, with the participation of RMC's principal executive officer/principal financial officer, of the effectiveness of the design and operation of the manager's disclosure controls and procedures (as defined in Rule 13a-15 of the Securities Exchange Act of 1934) as of the end of the period covered by this report. Based upon that evaluation, RMC's principal executive officer/principal financial officer concluded that the manager's disclosure controls and procedures were not effective as of March 31, 2017, as a result of material weaknesses in internal control over financial reporting discussed below.

This conclusion by the management of RMC did not preclude the Company's independent auditors from issuing an unqualified opinion on the 2016 financial statements included in the 2016 Annual Report on Form 10-K. RMC believes that the items identified will be fully remediated as the planned 2017 undertakings of system and organizational enhancements are brought online as described below.

RMC concluded that it has material weaknesses resulting from the following:

Control Environment and Monitoring - The board of directors of RMC consists of the following officers of RMC: the President, Secretary, Treasurer (who serves as the principal executive officer and principal financial officer); the Vice President of Investor Sales (the President's brother); and the Vice President of Loan Production and Underwriting. There is no independent board member with financial background and experience which increases the risk of management override.

- RMC's management is consulting with its securities law firms and other professionals to determine best practices as applied to independent board members and other appropriate organizational changes to enhance internal controls for public reporting companies (and/or their sponsors) not subject to national securities exchange rules or other guidance. RMC expects to conclude this program in the second quarter of 2017. Two candidates have been approached and have consented to join the Board in late May/early June 2017, both with significant financial and public-reporting-company experience. Additional director candidates are being identified by ongoing search.

Information and Communication – As of December 31, 2016, access to RMC's general ledger system does not require passwords with appropriate complexity. Further, during 2016 the President had administrator access to the general ledger as well as to RMC's loan servicing system. These weaknesses create a lack of segregation of duties and a risk of management override.

- These matters are being remediated, by actions taken beginning in the first quarter of 2017, with testing to be completed in the second quarter of 2017. These actions include the implementation of the Microsoft Dynamics general ledger and management software suite which requires robust password protocols, and includes a built-in architecture for segregation of duties and reviews.

Risk Assessment, Monitoring and Control Activities - RMC has not sufficiently documented that its management review controls over financial reporting are performed to a level of precision and has also not sufficiently documented how variances from expectations are investigated and resolved. Further, the operating effectiveness of the activity level control surrounding cutoff was not sufficient to ensure revenue and/or expenses are being recorded in the correct period.

- These matters are to be remediated by actions to be taken in the second quarter of 2017, including the introduction of additional entity level and management review controls in conjunction with the implementation of Microsoft Dynamics.

Changes to Internal Control Over Financial Reporting

In addition to the items noted above, RMC has undertaken the following programs.

Beginning in 2014 and ongoing, RMC's management undertook a technology upgrade initiative. The objective of this program was to implement available, advanced -and proven - technologies to enable digital imaging and storage; concurrent, shared and remote processing; and more robust data management. A core part of the program was the elimination of desktop computers in favor of server and cloud-based platforms. The programs were expected to increase collaboration, reduce dependency on paper-based, linear processes; enable multi-thread processes; and enhance real-time controls, security and recoverability. These programs enable digital interfaces to external service providers including banks, the service bureau that processes investor accounts and professional firms. Concurrent with these build-and-convert efforts, RMC undertook to upgrade its in place processing controls generally, but particularly in accounting/finance, to enhance its capabilities as to internal and external financial reporting, planning and analysis and to better its internal controls and data reliability. To assist (and in some cases to lead) these efforts, RMC engaged qualified professionals and firms experienced in the successful implementation and utilization of these technologies. These efforts culminated in the successful installation of and conversion to the Microsoft Dynamics general ledger and financial management software suite that became the system of record on January 1, 2017.

While proceeding with this project, RMC also engaged a California-based CPA firm to assist in the review and testing of the internal controls at the entity level in 2016, and in 2017 to collaborate with RMC accounting personnel in the implementation, documentation and ultimately testing of the processing and control features of the new Microsoft Dynamics software. The firm is experienced, subject-matter experts in both the implementation of the control and processing features of this software, and in the required internal control analysis and testing required by SEC regulation. This same firm is to assist in the implementation of the COSO 2013 Framework in 2017.

PART II – OTHER INFORMATION

ITEM 1. **Legal Proceedings**

In the normal course of business, the company may become involved in various legal proceedings such as assignment of rents, bankruptcy proceedings, appointment of receivers, unlawful detainers, judicial foreclosure, etc. to enforce the provisions of the deeds of trust, collect the debt owed under the promissory notes or protect or recoup its investment from the real property secured by the deeds of trust and to resolve disputes between borrowers, lenders, lien holders and mechanics. None of these actions typically would be of any material importance. As of March 31, 2017, the company was not involved in any legal proceedings other than those that would be considered part of the normal course of business.

ITEM 1A. **Risk Factors**

There have been no material changes to the risk factors set forth in the “Risk Factors” section of the Prospectus filed with the SEC on May 9, 2017.

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

Recent Sales of Unregistered Securities

There were no sales of securities by the company which were not registered under the Securities Act of 1933.

Use of Proceeds from Registered Securities

On June 6, 2016, the company’s Registration Statement on Form S-11 filed with the SEC (SEC File No. 333-208315) to offer up to 120,000,000 units ($120,000,000) to the public and 20,000,000 units ($20,000,000) to its members pursuant to the DRIP became effective and is effective for up to three (3) years thereafter. The registration statement was amended on May 9, 2017. As of March 31, 2017, we had sold approximately 52,577,000 – 39,407,000 units under our previous registration statements and 13,170,000 units under our 2016 registration statement, for gross offering proceeds (including units issued under our distribution reinvestment plan) approximately of $52,577,000 – $39,407,000 and $13,170,000, respectively.

The units have been registered pursuant to Section 12(g) of the Exchange Act. Such registration of the units, along with the satisfaction of certain other requirements under ERISA, enables the units to qualify as “publicly-offered securities” for purposes of ERISA and regulations issued thereunder. By satisfying those requirements, the underlying assets of the company should not be considered assets of a “benefit plan investor” (as defined under ERISA) by virtue of the investment by such benefit plan investor in the units.

The following summarizes the proceeds from sales of units from inception (October 2009) through March 31, 2017.

		Proceeds
From investors - admitted	$	47,737,738
From members under our DRIP		4,668,159
From premiums paid by RMC[(1)]		170,860
Total proceeds from unit sales	$	52,576,757

(1) If a member acquired units through an unsolicited sale, the member’s capital account is credited with their capital contribution plus a premium paid by RMC equal to the amount of the sales commissions that otherwise would have been paid to a broker-dealer by RMC. This amount is reported in the year paid as taxable income to the member.

The proceeds from the sales of the units will not be segregated but will be commingled with the company’s cash. The ongoing sources of funds for loans are the proceeds from (1) sale of units, including units sold by reinvestment of distributions, (2) loan payoffs, (3) borrowers’ monthly principal and interest payments, and (4) to a lesser degree and, if obtained, a line of credit. Cash generated from loan payoffs and borrower payments of principal and interest is used for operating expenses, reimbursements to RMC of organization and offering expenses, and unit redemptions. The cash flow, if any, in excess of these uses is reinvested in new loans.

For a description of the formation loan advances made by RMI IX to RMC from offering proceeds to pay B/D sales commissions, see Note 3 (Manager and other Related Parties) to the financial statements included in Part I, Item 1 of this report, which information is incorporated by reference in this Item 2.

Redemptions are made once a quarter, on the last business day of the quarter. Redemptions for the three months ended March 31, 2017 were $400,310. The unit redemption program is ongoing and available to members beginning one year after the purchase of the units. The maximum number of units that may be redeemed in any year and the maximum amount of redemption available in any period to members are subject to certain limitations.

ITEM 3. **Defaults Upon Senior Securities**

Not Applicable.

ITEM 4. **Mine Safety Disclosures**

Not Applicable.

ITEM 5. **Other Information**

None.

ITEM 6. **Exhibits**

Exhibit No.	Description of Exhibits
31.1	Certification of Manager pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of Manager pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

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 thereunto duly authorized.

REDWOOD MORTGAGE INVESTORS IX, LLC
(Registrant)

Date: May 15, 2017

By: **Redwood Mortgage Corp., Manager**

By: /s/ Michael R. Burwell
Name: Michael R. Burwell
Title: President, Secretary and Treasurer
(On behalf of the registrant, and in the capacity of principal financial officer)

EXHIBIT INDEX

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