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 September 30, 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)**
177 Bovet Road, Suite 520, San Mateo, CA **(Address of principal executive offices)**	**94402-3144** **(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
September 30, 2017 (unaudited) and December 31, 2016 (audited)

	2017	2016
ASSETS		
Cash and cash equivalents	$ 5,813,584	$ 2,194,854
Loans		
Principal	53,091,886	40,123,393
Advances	14,668	24,550
Accrued interest	382,817	287,767
Loan balances secured by deeds of trust	53,489,371	40,435,710
Loan administrative fees, net	13,252	30,282
Total loans	53,502,623	40,465,992
Other assets	5,000	5,000
Total assets	$ 59,321,207	$ 42,665,846
LIABILITIES, INVESTORS IN APPLICANT STATUS, AND MEMBERS’ CAPITAL		
Liabilities		
Accounts payable and accrued liabilities	$ 42,549	$ 89
Investors in applicant status	4,803,450	1,408,185
Members’ capital, net	58,210,576	43,777,010
Receivable from manager (formation loan)	(3,735,368)	(2,519,438)
Members’ capital, net, less formation loan	54,475,208	41,257,572
Total liabilities, investors in applicant status and members’ capital	$ 59,321,207	$ 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 and Nine Months Ended September 30, 2017 and 2016 (unaudited)

	For the Three Months Ended		For the Nine Months Ended	
Revenues, net	**2017**	**2016**	**2017**	**2016**
Interest income	$ 1,074,539	$ 696,544	$ 2,850,783	$1,917,460
Late fees	11,326	4,539	19,153	11,352
Total revenues	1,085,865	701,083	2,869,936	1,928,812
Provision for loan losses	—	—	—	—
Operations Expense				
Mortgage servicing fees	30,627	20,228	81,795	55,749
Asset management fees, net (Note 3)	—	—	—	—
Costs from Redwood Mortgage Corp., net (Note 3)	—	—	—	—
Professional services, net (Note 3)	45,794	—	48,158	4,500
Other	1,771	1,663	5,896	5,849
Total operations expense	78,192	21,891	135,849	66,098
Net income	$ 1,007,673	$ 679,192	$ 2,734,087	$1,862,714
Members (99%)	997,596	672,400	2,706,746	1,844,086
Managers (1%)	10,077	6,792	27,341	18,628
	$ 1,007,673	$ 679,192	$ 2,734,087	$1,862,714

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

REDWOOD MORTGAGE INVESTORS IX, LLC
Statement of Changes in Members' Capital
For the Nine Months Ended September 30, 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	17,507,324	—	—	—	—
Contributions admitted to members' capital	(14,190,109)	14,190,109	14,224	—	14,204,333
Premiums paid on application by RMC	112,014	—	—	—	—
Premiums admitted to members' capital	(33,964)	33,964	—	—	33,964
Net income	—	2,706,746	27,341	—	2,734,087
Earnings distributed to members	—	(2,539,413)	—	—	(2,539,413)
Earnings distributed used in DRIP	—	1,404,201	—	—	1,404,201
Members' redemptions	—	(800,262)	—	—	(800,262)
Organization and offering expenses	—	—	—	(639,280)	(639,280)
Organization and offering expenses allocated	—	(162,851)	—	162,851	—
Manager reimbursement for unallocated organization and offering cost on redemptions	—	—	—	29,645	29,645
Early withdrawal penalties	—	—	—	6,291	6,291
Balance at September 30, 2017	$ 4,803,450	$ 60,238,270	$ 111,530	$ (2,139,224)	$ 58,210,576

Statement of Changes in Members' Capital
For the Three Months Ended September 30, 2017 (unaudited)

		Members' Capital, net			
	Investors In Applicant Status	Members' Capital	Manager's Capital	Unallocated Organization and Offering Expenses	Members' Capital, net
Balance at June 30, 2017	$ 3,064,747	$ 54,391,904	$ 95,773	$ (1,962,368)	$ 52,525,309
Contributions on application	7,332,050	—	—	—	—
Contributions admitted to members' capital	(5,655,983)	5,655,983	5,680	—	5,661,663
Premiums paid on application by RMC	86,450	—	—	—	—
Premiums admitted to members' capital	(23,814)	23,814	—	—	23,814
Net income	—	997,596	10,077	—	1,007,673
Earnings distributed to members	—	(943,602)	—	—	(943,602)
Earnings distributed used in DRIP	—	518,742	—	—	518,742
Members' redemptions	—	(346,800)	—	—	(346,800)
Organization and offering expenses	—	—	—	(254,887)	(254,887)
Organization and offering expenses allocated	—	(59,367)	—	59,367	—
Manager reimbursement for unallocated organization and offering cost on redemptions	—	—	—	13,100	13,100
Early withdrawal penalties	—	—	—	5,564	5,564
Balance at September 30, 2017	$ 4,803,450	$ 60,238,270	$ 111,530	$ (2,139,224)	$ 58,210,576

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

REDWOOD MORTGAGE INVESTORS IX, LLC
Statements of Cash Flows
For the Three and Nine Months Ended September 30, 2017 and 2016 (unaudited)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2017	2016	2017	2016
Operations				
Interest received	$ 1,038,252	$ 690,103	$ 2,755,734	$ 1,887,752
Other loan income	11,376	4,589	19,253	11,502
Loan administrative fee reimbursed (paid)	3,569	—	17,030	21,044
Operations expense	(25,635)	(17,775)	(77,748)	(68,148)
Total cash provided by (used in) operations	1,027,562	676,917	2,714,269	1,852,150
Investing – loan principal/advances				
Principal collected on loans	5,802,607	4,105,589	17,921,395	14,611,262
Loans originated	(12,403,750)	(7,620,750)	(31,889,883)	(21,788,250)
Loans sold to Affiliates	—	—	999,995	—
Advances on loans	18,837	311	9,881	1,976
Total cash provided by (used in) investing	(6,582,306)	(3,514,850)	(12,958,612)	(7,175,012)
Financing – members' capital				
Contributions by members, net				
Contributions by members	7,424,326	3,925,921	17,633,766	10,028,663
Organization and offering expenses paid, net	(241,787)	(121,616)	(609,637)	(358,351)
Formation loan funding	(505,263)	(273,910)	(1,225,582)	(689,746)
Total cash provided by members, net	6,677,276	3,530,395	15,798,547	8,980,566
Distributions to members				
Earnings distributed	(424,860)	(278,011)	(1,135,212)	(770,251)
Redemptions	(346,800)	(208,520)	(800,262)	(600,645)
Cash distributions to members	(771,660)	(486,531)	(1,935,474)	(1,370,896)
Total cash provided by (used in) financing	5,905,616	3,043,864	13,863,073	7,609,670
Net increase (decrease) in cash	350,872	205,931	3,618,730	2,286,808
Cash, beginning of period	5,462,712	3,889,716	2,194,854	1,808,839
Cash, end of period	$ 5,813,584	$ 4,095,647	$ 5,813,584	$ 4,095,647

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

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2017	2016	2017	2016
Net income	$ 1,007,673	$ 679,192	$ 2,734,087	$ 1,862,714
Adjustments to reconcile net income to net cash provided by (used in) operating activities				
Amortization of loan administrative fees	—	9,799	—	28,139
Change in operating assets and liabilities				
Accrued interest	(36,288)	(16,239)	(95,051)	(57,847)
Receivable from affiliate	—	3,541	—	—
Loan administrative fees reimbursed (paid)	3,569	—	17,030	21,044
Accounts payable	38,483	—	42,257	—
Other	14,125	624	15,946	(1,900)
Total adjustments	19,889	(2,275)	(19,818)	(10,564)
Net cash provided by (used in) operations	$ 1,027,562	$ 676,917	$ 2,714,269	$ 1,852,150

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 and nine month periods ended September 30, 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 manager, 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 unit 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 September 30, 2017 the company had made such advances of $4,375,935, of which $3,735,368 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 September 30, 2017 are summarized below.

	Proceeds
From investors - admitted	$ 57,898,707
From members under our DRIP	5,649,645
From premiums paid by RMC(1)	195,724
Gross proceeds from unit sales	$ 63,744,076

(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 September 30, 2017, we had sold approximately 63,744,000 units– 39,407,000 units under our previous registration statements and 24,337,000 units under our current registration statement which was effective on June 6, 2016, for gross proceeds from unit sales (including units issued under our distribution reinvestment plan) of approximately $63,744,000 - $39,407,000 and $24,337,000, 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 September 30, 2017 were approximately $2,614,000, 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 unpaid principal balance and accrue interest 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 accrued interest, then to advances, then to late fees, 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 may result in allowances being recognized in earlier periods than under the current credit 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 in the applicable 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, if the zero-expected-loss lending guideline is preserved and the protective equity provided by the collateral is not expected to be impaired over the life of the loans, then 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’s preliminary evaluation is that the new revenue standard will not have an impact on the company’s current revenue recognition policies. The scope of guidance is not applicable to financial instruments including loans and therefore will not have an impact on interest income. The company also does not expect that there will be changes to revenue recognition from the sale of REOs, however, there may be an impact to the gain on sale of real estate when the sale is financed by the company.

NOTE 3 – MANAGER AND OTHER RELATED PARTIES

RMC’s allocated one percent (1%) of the profits and losses was $10,077 and $6,792 for the three months ended and $27,341 and $18,628 for the nine months ended September 30, 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 $405,000 and $258,000 for the three months ended and, $1,254,000 and $951,000 for the nine months ended September 30, 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 and nine months ended September 30, 2017 are presented in the following tables.

		Operating Expenses					
	Loan Admin Fees	Mortgage Servicing Fees	Asset Management Fee	Cost Reimbursements	Professional Services	Other	Total
For the three months ended							
Chargeable/reimbursable	$ 124,038	$ 30,627	$ 106,800	$ 146,558	$ 69,944	$ 5,340	$ 483,307
RMC Support							
Waived	(124,038)	—	(106,800)	(146,558)	—	—	(377,396)
Cost absorbed by RMC	—	—	—	—	(24,150)	(3,569)	(27,719)
Total RMC support	(124,038)	—	(106,800)	(146,558)	(24,150)	(3,569)	(405,115)
Net charged	$ —	$ 30,627	$ —	$ —	$ 45,794	$ 1,771	$ 78,192

	Loan Admin Fees	Operating Expenses: Mortgage Servicing Fee	Asset Management Fee	Cost Reimbursements	Professional Services	Other	Total
For the nine months ended							
Chargeable/reimbursable	$ 318,899	$ 81,795	$ 288,194	$ 364,904	$ 303,035	$ 32,875	$ 1,389,702
RMC Support							
Waived	(318,899)	—	(288,194)	(364,904)	—	—	(971,997)
Cost absorbed by RMC	—	—	—	—	(254,877)	(26,979)	(281,856)
Total RMC support	(318,899)	—	(288,194)	(364,904)	(254,877)	(26,979)	(1,253,853)
Net charged	$ —	$ 81,795	$ —	$ —	$ 48,158	$ 5,896	$ 135,849

Fees waived and costs reimbursements for the three and nine months ended September 30, 2016 are presented in the following tables.

	Loan Admin Fees	Operating Expenses: Mortgage Servicing Fee	Asset Management Fee	Cost Reimbursements	Professional Services	Other	Total
For the three months ended							
Chargeable/reimbursable	$ 76,208	$ 20,228	$ 71,672	$ 67,676	$ 42,298	$ 1,663	$ 279,745
RMC Support							
Waived	(76,208)	—	(71,672)	(67,676)	—	—	(215,556)
Cost absorbed by RMC	—	—	—	—	(42,298)	—	(42,298)
Total RMC support	(76,208)	—	(71,672)	(67,676)	(42,298)	—	(257,854)
Net charged	$ —	$ 20,228	$ —	$ —	$ —	$ 1,663	$ 21,891

	Loan Admin Fees	Operating Expenses: Mortgage Servicing Fee	Asset Management Fee	Cost Reimbursements	Professional Services	Other	Total
For the nine months ended							
Chargeable/reimbursable	$ 217,883	$ 55,749	$ 197,307	$ 189,425	$ 306,472	$ 50,635	$1,017,471
RMC Support							
Waived	(196,839)	—	(197,307)	(189,425)	—	—	(583,571)
Cost absorbed by RMC	(21,044)	—	—	—	(301,972)	(44,786)	(367,802)
Total RMC support	(217,883)	—	(197,307)	(189,425)	(301,972)	(44,786)	(951,373)
Net charged	$ —	$ 55,749	$ —	$ —	$ 4,500	$ 5,849	$ 66,098

- *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 from RMC, net*

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.

In the ordinary course of business, performing loans may be assigned, in-part or in-full, between the affiliated mortgage funds at par.

Formation loan

Formation loan transactions are presented in the following table for the nine months ended September 30, 2017, and since inception.

	For the nine months ended	Since Inception
Balance, beginning of period	$ 2,519,438	$ —
Formation loan advances to RMC	1,225,582	4,375,935
Payments received from RMC	—	(618,934)
Early withdrawal penalties applied	(9,652)	(21,633)
Balance, September 30, 2017	$ 3,735,368	$ 3,735,368
Subscription proceeds since inception		$ 62,622,357
Formation loan advance rate		7%

The estimated future minimum payments on the formation loan as of September 30, 2017 are presented in the following table.

2017	$ 251,944
2018	251,944
2019	251,944
2020	251,944
2021	251,944
Thereafter	2,475,648
Total	$ 3,735,368

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 for the nine months ended September 30, 2017 and since inception.

	For the nine months ended	Since Inception
Balance, beginning of period	$ 1,698,731	$ —
O&O expenses reimbursed to RMC	639,280	2,614,024
Early withdrawal penalties applied [(1)]	(6,291)	(14,148)
O&O expenses allocated	(162,851)	(315,642)
O&O expenses paid by the company	—	—
O&O expenses reimbursed by RMC [(2)]	(29,645)	(145,010)
Balance, end of period [(3)(4)]	$ 2,139,224	$ 2,139,224

(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 $57,898,707 through September 30, 2017. O&O expenses incurred by RMC and remaining to be reimbursed to RMC by RMI IX were $3,288,479.
(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 September 30, 2017, 88 of the company's 93 loans (representing 99% 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 September 30, 2017, 74 loans outstanding (representing 75% of the aggregate principal balance of the company's loan portfolio) require monthly payments of principal and interest, typically calculated on a 30-year amortization, with the remaining principal balance due at maturity. The remaining loans provide for monthly payments of interest only, with the principal due in full at maturity.

Secured loans unpaid principal balance (principal)

Secured loan transactions are summarized in the following table for the three and nine months ended September 30, 2017.

	For the Three Months Ended	For the Nine Months Ended
Principal, beginning of period	$ 46,490,743	$ 40,123,393
Loans funded	12,403,750	31,889,883
Loans acquired from affiliates	—	—
Loans sold to affiliates	—	(999,995)
Principal payments received	(5,802,607)	(17,921,395)
Principal, end of period	$ 53,091,886	$ 53,091,886

For the three months ended September 30, 2017, no renewals were made. For the nine months ended September 30, 2017 1 renewal with a principal balance of $190,000 was made.

Loan characteristics

Secured loans had the characteristics presented in the following table.

	September 30, 2017	December 31, 2016
Number of secured loans	93	89
Secured loans – principal	$ 53,091,886	$ 40,123,393
Secured loans – lowest interest rate (fixed)	7.1%	7.0%
Secured loans – highest interest rate (fixed)	10.5%	10.0%
Average secured loan – principal	$ 570,880	$ 450,825
Average principal as percent of total principal	1.1%	1.1%
Average principal as percent of members' capital	1.0%	1.0%
Average principal as percent of total assets	1.0%	1.1%
Largest secured loan – principal	$ 3,244,623	$ 1,350,000
Largest principal as percent of total principal	6.1%	3.4%
Largest principal as percent of members' capital	5.6%	3.1%
Largest principal as percent of total assets	5.5%	3.2%
Smallest secured loan – principal	$ 54,008	$ 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)	18	16
Largest percentage of principal in one county	19.4%	21.3%
Number of secured loans with filed notice of default	—	2
Secured loans in foreclosure – principal	$ —	$ 890,470
Number of secured loans with an interest reserve	—	—
Interest reserves	$ —	$ —

As of September 30, 2017, the company's largest loan with principal of $3,244,623 represents 6.1% of outstanding secured loans and 5.5% of company assets. The loan is secured by a 1st mortgage on a 2-4 unit single-family non owner occupied residential property located in San Francisco County, bears an interest rate of 8.99% and matures on June 1, 2019.

As of September 30, 2017, the company had no outstanding construction or rehabilitation loans and no commitments to fund construction, rehabilitation or other loans.

Lien position

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

	September 30, 2017			December 31, 2016		
	Loans	Principal	Percent	Loans	Principal	Percent
First trust deeds	58	$ 37,350,830	70%	63	$ 30,350,642	76%
Second trust deeds	35	15,741,056	30	26	9,772,751	24
Total secured loans	93	53,091,886	100%	89	40,123,393	100%
Liens due other lenders at loan closing		28,264,524			12,738,126	
Total debt		$ 81,356,410			$ 52,861,519	
Appraised property value at loan closing		$164,799,000			$123,709,057	
Percent of total debt to appraised values (LTV) at loan closing(1)		54.2%			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.

	September 30, 2017			December 31, 2016		
	Loans	Principal	Percent	Loans	Principal	Percent
Single family(2)	70	$38,217,246	72%	63	$25,582,833	64%
Multi-family	5	2,017,903	4	5	3,211,380	8
Commercial	18	12,856,737	24	21	11,329,180	28
Total secured loan balance	93	$53,091,886	100%	89	40,123,393	100%

(2) Single family property type as of September 30, 2017 consists of 11 loans with principal of $6,491,246 that are owner occupied and 59 loans with principal of $31,726,000 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.

Distribution of loans within California

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

	September 30, 2017		December 31, 2016	
	Principal	**Percent**	**Principal**	**Percent**
San Francisco Bay Area[3]				
Alameda	$10,312,037	19.4%	$ 7,726,853	19.3%
San Francisco	10,193,096	19.1	6,913,534	17.2
San Mateo	7,615,488	14.3	4,644,731	11.6
Santa Clara	3,989,046	7.5	4,073,501	10.2
Contra Costa	1,514,220	2.9	989,994	2.5
Marin	374,258	0.7	377,241	0.9
Solano	109,633	0.2	1,820,336	4.5
Sonoma	—	—	8,652	0.1
	34,107,778	64.1	26,554,842	66.3
Other Northern California				
Sacramento	850,000	1.6	—	0.0
Monterey	700,934	1.3	1,840,927	4.6
Placer	644,226	1.2	1,074,437	2.7
Yolo	179,506	0.3	156,810	0.4
San Joaquin	157,375	0.3	158,340	0.4
	2,532,041	4.7	3,230,514	8.1
Northern California Total	36,639,819	68.8	29,785,356	74.4
Los Angeles & Coastal				
Los Angeles	8,587,898	16.2	8,547,567	21.3
Orange	2,096,511	4.0	494,334	1.2
San Diego	1,884,859	3.6	933,571	2.3
	12,569,268	23.8	9,975,472	24.8
Other Southern California				
San Bernardino	2,110,000	4.0	—	—
Santa Barbara	1,412,660	2.7	—	—
Riverside	360,139	0.7	362,565	0.8
	3,882,799	7.4	362,565	0.8
Southern California Total	16,452,067	31.2	10,338,037	25.6
Total Secured Loans	$53,091,886	100.0%	$40,123,393	100.0%

(3) Includes Silicon Valley

Delinquency

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

	September 30, 2017		December 31, 2016	
	Loans	**Amount**	**Loans**	**Amount**
Past Due				
30-89 days	—	$ —	1	$ 377,241
90-179 days	1	139,643	2	890,470
180 or more days	—	—	—	—
Total past due	1	139,643	3	1,267,711
Current	92	52,952,243	86	38,855,682
Total secured loan balance	93	$53,091,886	89	$40,123,393

Interest in the amount of $4,497 was accrued for loans contractually 90 days or more delinquent as to principal or interest payments as of September 30, 2017. No interest was accrued for loans contractually 90 days or more delinquent as to principal or interest payments as of December 31, 2016.

Modifications and troubled debt restructurings

No loan payment modifications were made during three and nine months ended September 30, 2017, and no modifications were in effect at September 30, 2017 or December 31, 2016.

Scheduled maturities

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

	Loans	Principal	Percent
2017(4)	6	$ 2,681,185	5%
2018	15	8,522,197	16
2019	36	27,751,303	52
2020	16	7,095,731	13
2021	7	3,380,524	6
Thereafter	12	3,521,303	7
Total future maturities	92	52,952,243	99
Matured as of September 30, 2017	1	139,643	1
Total secured loan balance	93	$53,091,886	100%

(4) Loans maturing in 2017 from October 1 to December 31.

One loan with a principal balance of $139,643 was past maturity as of September 30, 2017. The loan was 152 days delinquent and designated as impaired and in non-accrual status as of September 30, 2017.

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.

Loans in non-accrual status

At September 30, 2017, one loan with a principal balance of $139,643 was designated as non-accrual status. At December 31, 2016, no loans were designated as non-accrual status.

At September 30, 2017 and December 31, 2016, no loans were contractually 90 or more days past due as to principal or interest and not in non-accrual status.

Impaired loans/allowance for loan losses

One loan with a principal balance of $139,643, was designated as impaired at September 30, 2017. No loans were designated as impaired at 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.

Fair Value

The company does not record its loans at fair value on a recurring basis. The recorded amount of the performing loans (i.e., the loan balance) is deemed to approximate the fair value, as is the loan balance of loans designated impaired for which a specific reserve has not been recorded (i.e., the loan is well collateralized such that the collection of the amount owed is assured, including foregone interest if any).Loans designated impaired (i.e., that are collateral dependent) are measured at fair value on a non-recurring basis. No assets or liabilities were measured at fair value on a non-recurring basis during the nine months ended September 30, 2017.

- *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

Commitments

The company had two contractual obligations as of September 30, 2017: 1) scheduled unit redemptions to members, and 2) reimbursement to RMC for O&O expenses (as of September 30, 2017, $3,288,479 was to be reimbursed to RMC) contingent upon future sales of units. Redemptions of members' capital scheduled as of September 30, 2017 were $404,043, to be paid between 2017 and 2021.

Scheduled redemptions as of September 30, 2017 are presented in the following table.

2017	$	364,877
2018		12,000
2019		12,000
2020		12,000
2021		3,166
Total		404,043

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 and nine months ended September 30, 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-Q which are not historical facts may be considered forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities 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-Q are made as of the date hereof, and we assume no obligation to update any such forward-looking statement or reason why actual results may differ.

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 September 30, 2017, we had sold approximately 63,744,000 units – 39,407,000 units under our previous registration statements and 24,337,000 units under our current registration which is effective as of June 2016, for gross proceeds from unit sales (including units issued under our distribution reinvestment plan) of approximately of $63,744,000 – $39,407,000 and $24,337,000, 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 gross proceeds from sales of units, from inception (October, 2009) through September 30, 2017.

	Proceeds
From investors – admitted	$ 57,898,707
From members under our DRIP	5,649,645
From premiums paid by RMC(1)	195,724
Gross proceeds from unit sales	$ 63,744,076

(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

Our mortgage loans are secured by California real estate, and the value of the real estate securing our loans can vary with changes in the economic activity and employment conditions in California. Wells Fargo's Economics Group periodically provides timely, relevant information and analysis in its commentary and reports. Highlights from recently issued reports from Wells Fargo Securities Economic Group are presented below.

In the publication dated October 20, 2017 by the Economics Group of Wells Fargo Securities the headline read:

"California Employment Conditions: September 2017 | California Gains 52,200 Jobs in September"

"Hiring rebounded across much of California in September. Nonfarm payrolls rose by 52,200 and the prior month's job drop was not as large as first reported, and now shows just a 7,700-job loss. California added an average of 43,000 jobs a month in the third quarter, which marks a bit of a pickup from the prior 7 quarters. On a year-to-year basis, California added 268,800 jobs, which marks a 1.6 percent increase on a three-month moving average basis. The Golden State's job growth continues to outpace the nation as a whole, which saw employment climb 1.2 percent.

Construction continues to see the strongest growth on a percentage basis, while education and healthcare added the most net new positions over the year. Hiring in professional and technical services has clearly lost momentum over the past year. The sector includes much of California's tech sector and is essentially flat with its year-ago level on a three-month moving average basis. The slowdown is perplexing, as demand for high tech products and services appears to be increasing and other tech employment categories, such as information services, continue to grow fairly solidly. While we acknowledge that some tech firms have tightened their belts, we believe the extent of the slowing has been exaggerated and expect to see professional and tech services employment revised up when the benchmark revisions are published early next year. Most of the slowing has been since March, which is the last month that we had hard data from the Quarterly Census of Employment and Wages (QCEW)."

Key Performance Indicators

The table below shows key performance indicators at and for the nine months ended September 30.

	2017	2016	2015
Secured loans – end of period balance	$ 53,091,886	34,537,126	22,678,834
Secured loans – average daily balance	$ 44,620,000	30,159,000	20,915,000
Interest on loans, gross	$ 2,850,783	1,945,598	1,352,544
Portfolio interest rate[1]	8.5%	8.6%	8.6%
Effective yield rate[2]	8.5%	8.6%	8.6%
Amortization of loan administrative fees, net	$ —	28,138	79,950
Percent of average daily balance[2]	0.0%	0.1%	0.5%
Interest on loans, net	$ 2,850,783	1,917,460	1,272,594
Percent of average daily balance[2]	8.5%	8.5%	8.1%
Provision for loan losses	$ —	—	—
Percent of average daily balance[2]	0.0%	0.0%	0.0%
Total operations expense	$ 135,849	66,098	97,536
Net Income	$ 2,734,087	1,862,714	1,182,341
Percent of average members' capital[3][4]	7.0%	6.9%	6.3%
Member Distributions	$ 2,539,413	1,723,613	1,254,564
Percent of average members' capital[3][4][5]	6.5%	6.5%	6.5%
Members' capital, gross – end of period balance	$ 60,238,325	40,386,920	27,636,073
Members' capital, gross – average daily balance	$ 51,808,000	35,793,000	24,856,000
Member Redemptions[6]	$ 800,262	600,645	788,611

(1) Stated note interest rate, weighted daily average

(2) Percent of secured loans – average daily balance, annualized

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

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

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

(6) Scheduled member redemptions as of September 30, 2017 were $404,043, payable between 2017 and 2021

The table below shows key performance indicators at and for the three months ended September 30.

		2017	2016	2015
Secured loans – end of period balance	$	53,091,886	34,537,126	22,678,834
Secured loans – average daily balance	$	49,695,000	32,923,000	21,646,000
Interest on loans, gross	$	1,074,539	706,343	468,695
Portfolio interest rate(1)		8.6%	8.6%	8.6%
Effective yield rate(2)		8.6%	8.6%	8.6%
Amortization of loan administrative fees, net	$	—	9,799	5,732
Percent of average daily balance(2)		0.0%	0.1%	0.1%
Interest on loans, net	$	1,074,539	696,544	462,963
Percent of average daily balance(2)		8.6%	8.5%	8.6%
Provision for loan losses		—	—	—
Percent of average daily balance(2)		0.0%	0.0%	0.0%
Total operations expense	$	78,192	21,891	13,611
Net Income	$	1,007,673	679,192	451,303
Percent of average members' capital(3)(4)		6.9%	6.9%	6.7%
Member Distributions	$	943,602	624,011	447,896
Percent of average members' capital(3)(4)(5)		6.5%	6.5%	6.5%
Members' capital, gross – end of period balance	$	60,238,325	40,386,920	27,636,073
Members' capital, gross – average balance	$	57,693,000	38,853,000	26,589,000
Member Redemptions(6)	$	346,800	208,520	286,771

(1) Stated note interest rate, weighted daily average

(2) Percent of secured loans – average daily balance, annualized

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

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

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

(6) Scheduled member redemptions as of September 30, 2017 were $404,043, payable between 2017 and 2021

Secured loans

The secured loan balance at September 30, 2017 of $53,091,886 was an increase of approximately 53.7% ($18.6 million) over 2016's $34,537,126, which was up approximately 52.3% ($11.9 million) from 2015's $22,678,834. 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 86.1% and 84.7% for three months ended September 30, 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 September 30, 2017, 88 of the company's 93 loans (representing 99% 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 September 30, 2017, 74 loans outstanding (representing 75% of the aggregate principal balance of the company's loan portfolio) require monthly payments of principal and interest, typically calculated on a 30-year amortization, with the remaining principal balance due at maturity. The remaining loans provide for monthly payments of interest only, with the principal due in full 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 as indicated by the overall conservative weighted average loan-to-value ratio (LTV) which at September 30, 2017 was approximately 54.2%. Thus, per the appraisal-based valuations at the time of loan inception, borrowers have, in the aggregate, equity of 45.8% in the property, and we as lenders have lent in the aggregate 54.2% (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 nine months ended September 30, 2017 increased by approximately $933,000, over the same period in 2016, due to the growth of the secured loan portfolio. Operations expense for 2017 increased by approximately $70,000, over 2016 due primarily to a reduction in professional services reimbursed by the manager, and 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 (Manager 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.

Analysis and discussion of income from operations 2017 v. 2016 (nine months ended)

Significant changes to revenue and expenses for the nine month period ended September 30, 2017 and 2016 are summarized in the following table.

	Interest on loans, net	Provision For Loan Losses	Operations Expense	Net Income
For the Nine Months Ended				
September 30, 2017	$ 2,850,783	—	135,849	2,734,087
September 30, 2016	1,917,460	—	66,098	1,862,714
Change	$ 933,323	—	69,751	871,373
Change				
Loan Balance Increase	$ 955,329	—	26,046	929,283
Loan Portfolio Effective Yield Rate	(22,006)	—	—	(22,006)
Late Fees	—	—	—	7,801
Capital Balance Increase	—	—	324,825	(324,825)
Managers Fees/Costs Waived	—	—	(324,825)	324,825
Manager Reimbursements	—	—	43,658	(43,658)
Other	—	—	47	(47)
Change	$ 933,323	—	69,751	871,373

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 approximately $933,323 for the nine months ended September 30, 2017 compared to the same period in 2016. The portfolio has a strong payment history, with one loan currently designated as impaired. The Secured loans – average daily balance at September 30, 2017 increased approximately $14.5 million, or approximately 47.9%, over the average daily balance at September 30, 2016.

Provision for loan losses

At September 30, 2017 the company had not recorded an allowance for loan losses as all loans had protective equity such that at September 30, 2017, collection was deemed probable for amounts owing.

Operations expense

Operations expense as a percent of interest on loans, net was approximately 4.8% and 3.4% for the nine months ended September 30, 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.

Significant changes to operations expense during the nine month period ended September 30, 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 Nine Months Ended						
September 30, 2017	$ 81,795	—	—	48,158	5,896	135,849
September 30, 2016	55,749	—	—	4,500	5,849	66,098
Change	$ 26,046	—	—	43,658	47	69,751
Change						
Loan Balance Increase	$ 26,046	—	—	—	—	26,046
Capital Balance Increase	—	90,887	233,938	—	—	324,825
Managers Fees/Costs Waived	—	(90,887)	(233,938)	—	—	(324,825)
Manager Reimbursements	—	—	—	43,658	—	43,658
Other	—	—	—	—	47	47
Change	$ 26,046	—	—	43,658	47	69,751

See Note 3 (Manager 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 $26,046 was consistent with the increase in the average daily secured loan portfolio to $44,620,000, 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 $288,194 and $197,307 for the nine months ended September 30, 2017 and 2016, respectively. Of the total amount chargeable, RMC, at its sole discretion, waived all asset management fees for the nine months ended September 30, 2017 and 2016. There is no assurance RMC will waive its right to receive such fees in future periods.

- *Costs from RMC, net*

Costs incurred by RMC, for which reimbursement could have been requested were $364,904 and $189,425 for the nine months ended September 30, 2017 and 2016, respectively. RMC, at its sole discretion, waived all reimbursements for the nine months ended September 30, 2017 and 2016, respectively. 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 increase in professional services for nine months ended September 30, 2017 and 2016, was due primarily to a reduction in professional services reimbursed by the manager.

Analysis and discussion of income from operations 2017 v. 2016 (three months ended)

Significant changes to revenue and expenses for the three month period ended September 30, 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				
September 30, 2017	$ 1,074,539	—	78,192	1,007,673
September 30, 2016	696,544	—	21,891	679,192
Change	$ 377,995	—	56,301	328,481
Change				
Loan Balance Increase	$ 355,229	—	10,399	344,830
Loan Portfolio Effective Yield Rate	22,766	—	—	22,766
Late Fees	—	—	—	6,787
Capital Balance Increase	—	—	114,010	(114,010)
Managers Fees/Costs Waived	—	—	(114,010)	114,010
Manager Reimbursements	—	—	45,794	(45,794)
Other	—	—	108	(108)
Change	$ 377,995	—	56,301	328,481

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 approximately $378,000 for the three months ended September 30, 2017 compared to the same period in 2016. The portfolio has a strong payment history, with one loan currently designated as impaired. The Secured loans – average daily balance at September 30, 2017 increased approximately $16.8 million, or approximately 50.9%, over the average daily balance at September 30, 2016.

Provision for loan losses

At September 30, 2017 the company had not recorded an allowance for loans losses and all loans had protective equity such that at September 30, 2017, collection was deemed probable for amounts owing.

Operations expense

Operations expense as a percent of interest on loans, net was approximately 7.3% and 3.1% for the three months ended September 30, 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.

Significant changes to operations expense during the three months ended September 30, 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						
September 30, 2017	$ 30,627	—	—	45,794	1,771	78,192
September 30, 2016	20,228	—	—	—	1,663	21,891
Change	$ 10,399	—	—	45,794	108	56,301
Change						
Loan Balance Increase	$ 10,399	—	—	—	—	10,399
Capital Balance Increase	—	35,128	78,882	—	—	114,010
Managers Fees/Costs Waived	—	(35,128)	(78,882)	—	—	(114,010)
Manager Reimbursements	—	—	—	45,794	—	45,794
Other	—	—	—	—	108	108
Change	$ 10,399	—	—	45,794	108	56,301

See Note 3 (Manager 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 $10,399 was consistent with the increase in the average daily secured loan portfolio to $49,695,000, 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 $106,800 and $71,672 for the three months ended September 30, 2017 and 2016, respectively. Of the total amount chargeable, RMC, at its sole discretion, waived all asset management fees for the three months ended September 30, 2017 and 2016. There is no assurance RMC will waive its right to receive such funds in future periods.

Costs from RMC, net

Costs incurred by RMC, for which reimbursement could have been requested were $146,558 and $67,676 for the three months ended September 30, 2017 and 2016, respectively. RMC, at its sole discretion, waived all reimbursements for the three months ended September 30, 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 increase in professional services for the three months ended September 30, 2017 and 2016, was due to a reduction in professional services reimbursed by the manager.

Members' capital, cash flows and liquidity

Cash flows by business activity are presented in the following table for the three and nine months ended September 30, 2017 and 2016.

	For the three months ended		For the nine months ended	
	2017	**2016**	**2017**	**2016**
Members' capital				
Gross subscription proceeds	$ 7,424,326	$ 3,925,921	$ 17,633,766	$ 10,028,663
Organization and offering costs, net	(241,787)	(121,616)	(609,637)	(358,351)
Formation loan, net	(505,263)	(273,910)	(1,225,582)	(689,746)
Distributions and redemptions, net	(771,660)	(486,531)	(1,935,474)	(1,370,896)
Cash – members' capital, net	5,905,616	3,043,864	13,863,073	7,609,670
Loan principal/advances/interest				
Principal & advances collected	$ 5,802,607	$ 4,105,900	$ 17,921,395	$ 14,613,238
Loans sold to Affiliates	-	-	999,995	-
Interest received, net	1,041,821	690,103	2,772,764	1,908,796
Other loan income	11,376	4,589	19,253	11,502
Loan funding & advances made	(12,384,913)	(7,620,750)	(31,880,002)	(21,788,250)
Cash – loans, net	(5,529,109)	(2,820,158)	(10,166,595)	(5,254,714)
Operations expense	(25,635)	(17,775)	(77,748)	(68,148)
Net change in cash	$ 350,872	$ 205,931	$ 3,618,730	$ 2,286,808

The table below shows the breakout of distributions for the nine months ended September 30, 2017 and 2016.

	2017	**2016**
DRIP	$ 1,404,201	$ 970,934
Cash	1,135,212	752,679
Total	$ 2,539,413	$ 1,723,613
Percent of members' capital, electing cash distribution	45%	44%

The table below shows the company's unit redemptions for the three and nine months ended September 30, 2017 and 2016.

	Three Months Ended		Nine Months Ended	
	2017	2016	2017	2016
Capital redemptions-without penalty	$ 140,550	$ 198,107	$ 548,338	$ 590,232
Capital redemptions-subject to penalty	206,250	10,413	251,924	10,413
Total	$ 346,800	$ 208,520	$ 800,262	$ 600,645

Scheduled redemptions at September 30, 2017 were $404,043, to be paid between 2017 and 2021.

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 September 30, 2017. Scheduled redemptions at September 30, 2017 were $404,043, to be paid between 2017 and 2021. See Note 3 (Manager and Other Related Parties) and Note 5 (Commitments and Contingencies, Other Than Loan Commitments) 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.

At September 30, 2017 the company had no construction or rehabilitation loans outstanding.

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 Controls and Procedures Over Financial Reporting and Disclosure

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 of directors. Thus, there is no independent oversight of the company's financial reporting process. The manager, however, 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.

RMC has enhanced organizational effectiveness and oversight of its financial reporting and disclosure control and procedures by engaging external (i.e. independent) legal and accounting firms with the appropriate financial, securities and/or regulatory expertise and experience to assist the Board of Directors and management in meeting their oversight and performance duties. These firms include the San Francisco office of an international law firm for SEC filings matters and a second law firm recognized as expert in FINRA and state-securities law and regulation for securities and corporate governance matters; two CPA firms headquartered in California for assistance with implementation of the MS Dynamics software and the completion of the 2017 COSO-2013 evaluation and testing; one of the CPA firms for federal and California tax compliance; and a national advisory firm for assistance in the determination of the fair value of membership unit values and the fair values of the assets and liabilities held by RMC's affiliated mortgage funds.

RMC, as the manager, carried out an evaluation, with the participation of RMC's President (acting as principal executive officer/principal financial officer) of the effectiveness of the design and operation of the manager's controls and procedures over financial reporting and disclosure (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 controls and procedures over financial reporting disclosure were properly designed and effective as of September 30, 2017.

The evaluations as of December 31, 2016, and as of March 31 and June 30, 2017 had resulted in the conclusion that as of the filings of the 2016 Annual Report on Form 10-K and the 2017 interim, quarterly filings on Form 10-Q dated March 31 and June 30 that the controls and procedures over financial reporting and disclosure were not effective as a result of then existing material weaknesses.

The conclusion by the management of RMC as of December 31, 2016, 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.

Changes to Internal Control Over Financial Reporting

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. These efforts culminated in the successful installation of and conversion to the Microsoft Dynamics general ledger and financial management software at the close of business on December 31, 2016. MS Dynamics general ledger software became the system of record on January 1, 2017.

Beginning in 2015, the manager enhanced its organizational effectiveness and oversight of its controls and procedures over financial reporting and disclosure by engaging external (i.e. independent) legal and accounting firms with the appropriate financial, securities and/or regulatory expertise and experience to assist the Board of Directors and management in meeting their oversight and performance duties. These firms include the San Francisco office of an international law firm for SEC filings matters and a second law firm recognized as expert in FINRA and state-securities law and regulation for securities and corporate governance matters; two CPA firms headquartered in California for assistance with implementation of the MS Dynamics software and completion of the 2017 COSO-2013 evaluation and testing; one of the CPA firms also for federal and California tax compliance; and a national advisory firm for assistance in the determination of the fair value of membership unit values and the fair values of the assets and liabilities held by RMC's affiliated mortgage funds.

The broad scope of the system and organization changes necessitated a comprehensive re-evaluation of the internal controls for 2017 using the COSO 2013 framework. The following summarizes the status and conclusions to September 30, 2017. As noted above, a California- headquartered CPA firm has been assisting in the documentation and the testing of the entity-level and the significant process level controls for internal control over financial reporting. The firm is an experienced, subject-matter expert in both the implementation of the control and processing of the MS Dynamics software and in the required internal control analysis and testing required by SEC regulation, particularly as to the COSO 2013 framework, including applicable and appropriate consideration of the COBIT guidance.

- The analysis and testing of the application controls of the installed MS Dynamics software and the IT general controls were completed in the third quarter of 2017. Management concluded that the IT controls surrounding MS Dynamics software and the IT general control environment are designed properly and operating effectively.

- The documentation and analysis of the entity-level and significant process level controls for internal control over financial reporting and disclosure was completed in the third quarter of 2017.

- Certain key entity-level controls have been identified and testing began with the quarter-ended June 30, 2017, and is ongoing.

- Based upon the conclusions reached as to the evaluations of the IT process and general controls and of the entity-level and significant process-level controls, the manager concluded that its internal controls over financial reporting and disclosure were designed properly and operating effectively as of September 30, 2017, and for the quarter and nine-months then ended.

The manager is on schedule to complete its testing as it relates to management's certification regarding internal control over financial reporting for the year ended December 31, 2017.

As a result of the completion of the actions undertaken beginning in prior years, the manager concluded the material weaknesses identified at December 31, 2016, were remediated as of September 30, 2017. The status, as of September 30, 2017, of each of the material weaknesses existing at December 31, 2016, is summarized below.

- *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 increased the risk of management override.

RMC's management consulted with its securities law firms and other professionals, including a CPA firm with a practice in COSO 2013 documentation and evaluations of internal controls, to determine best practices applicable:

1. to the structure of the board of RMC given that the affiliated mortgage funds (and not RMC) are the SEC registrants, and

2. to any other changes, appropriate to enhance internal controls for public reporting entities (and/or their sponsors) such as RMI IX and RMC that are not subject to national securities exchange rules or other guidance.

RMC enhanced its organizational effectiveness and oversight of its financial reporting processes by engaging – on an ongoing basis - external (i.e. independent) legal and accounting firms with the appropriate financial, securities and/or regulatory expertise and experience to assist the Board of Directors and management in meeting their oversight and performance duties. These firms include the San Francisco office of an international law firm for SEC filings matters and a second law firm recognized as expert in FINRA and state-securities law and regulation for securities and corporate governance matters; two CPA firms headquartered in California for assistance with implementation of the MS Dynamics software and completion of the 2017 COSO-2013 evaluation and testing; one of the CPA firms also for federal and California tax compliance; and a national advisory firm for assistance in the determination of the fair value of membership unit values and the fair values of the assets and liabilities held by RMC's affiliated mortgage funds.

- *Information and Communication*

At December 31, 2016, and for periods prior, access to RMC's then in place general ledger system did 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 created a lack of segregation of duties and a risk of management override.

- 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 and integrity. 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 at the close of business on December 31, 2016, and became the system of record on January 1, 2017.

- With the implementation of MS Dynamics, the deficiencies in control of administrative rights and password complexity were corrected. Additionally, the President's (and all employees) access rights to the administrative controls of the general ledger (MS Dynamics) and the loan servicing system (TMO) has been assigned to the IT function which is outsourced to a third party information technology contractor. No RMC employee has administrative rights to either TMO or MS Dynamics.

- The analysis and testing of the application controls of the installed MS Dynamics software and the IT general controls were completed in the third quarter of 2017. Management concluded that the IT controls surrounding MS Dynamics software and the IT general control environment are designed properly and operating effectively.

- *Risk Assessment, Monitoring and Control Activities*

At December 31, 2016, RMC had not sufficiently documented that its management review controls over financial reporting are performed to a level of precision compliant with COSO 2013 requirements and had similarly not sufficiently documented the process by which variances from expectations are investigated and resolved. Further, the operating effectiveness in 2016 of the activity-level control surrounding quarter-end and year-end cutoff was determined to be not sufficient to ensure revenue and/or expenses were being recorded in the correct period. Management to offset the shortcomings inherent in the general ledger system then in effect had implemented these management review process and controls as an offset to the system shortcomings. It was known that those processes and controls would be re-engineered and re-documented within scope of the MS Dynamics software implementation as of January 1, 2017.

- The documentation and analysis of the entity-level and significant process-level controls for internal control over financial reporting was completed in the third quarter of 2017. Certain key entity level controls have been identified and testing began with the quarter-ended June 30, 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 September 30, 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 September 30, 2017, we had sold approximately 63,744,000 units – 39,407,000 units under our previous registration statements and 24,337,000 units under our 2016 registration statement, for gross proceeds from unit sales (including units issued under our distribution reinvestment plan) of approximately of $63,744,000 – $39,407,000 and $24,337,000, 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 gross proceeds from sales of units from inception (October 2009) through September 30, 2017.

		Proceeds
From investors - admitted	$	57,898,707
From members under our DRIP		5,649,645
From premiums paid by RMC[1]		195,724
Gross proceeds from unit sales	$	63,744,076

(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 September 30, 2017 were $346,800. 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. **<u>Defaults Upon Senior Securities</u>**

Not Applicable.

ITEM 4. **<u>Mine Safety Disclosures</u>**

Not Applicable.

ITEM 5. **<u>Other Information</u>**

None.

ITEM 6. **<u>Exhibits</u>**

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: November 13, 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)