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 June 30, 2023

☐ **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	**26-3541068**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification Number)**
177 Bovet Road, Suite 520, San Mateo, CA	**94402**
(Address of principal executive offices)	**(Zip Code)**

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

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

Title of each class	Trading symbol(s)	Name of each exchange on which registered
none		

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, 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	☒	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

REDWOOD MORTGAGE INVESTORS IX, LLC

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Part I – FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

REDWOOD MORTGAGE INVESTORS IX, LLC
Balance Sheets
June 30, 2023 and December 31, 2022 (unaudited)
($ in thousands)

ASSETS	June 30, 2023	December 31, 2022
Cash, in banks	$ 131	$ 5,055
Loan payments in trust	15	94
Loans held for sale	1,000	—
Loans		
Principal	69,976	72,533
Advances	19	19
Accrued interest	486	490
Prepaid interest	(383)	(254)
Loan balances secured by deeds of trust	70,098	72,788
Allowance for credit losses	(120)	(55)
Loan balances secured by deeds of trust, net	69,978	72,733
Debt issuance costs, net	21	36
Prepaid expenses	17	2
Promissory note from related party (Note 3)	3,300	—
Total assets	$ 74,462	$ 77,920
LIABILITIES AND MEMBERS' CAPITAL		
Liabilities		
Accounts payable and accrued liabilities	$ 111	$ 109
Payable to related parties (Note 3)	71	254
Line of credit	7,491	9,900
Total liabilities	7,673	10,263
Commitments and contingencies (Note 6)		
Members' and manager's capital, net	69,795	70,767
Receivable from manager (formation loan)	(3,006)	(3,110)
Members' and manager's capital, net of formation loan	66,789	67,657
Total liabilities and members' capital	$ 74,462	$ 77,920

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

REDWOOD MORTGAGE INVESTORS IX, LLC
Statements of Income
For the Three and Six Months Ended June 30, 2023 and 2022 (unaudited)
($ in thousands)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Revenue				
Interest income	$ 1,747	$ 1,536	$ 3,362	$ 3,157
Interest expense	(172)	(116)	(371)	(198)
Net interest income	1,575	1,420	2,991	2,959
Late fees	9	3	11	17
Gain on sale, loans	—	12	—	12
Total revenue, net	1,584	1,435	3,002	2,988
Provision for credit losses	—	—	—	—
Operations expense				
Mortgage servicing fees to Redwood Mortgage Corp.	44	47	91	97
Asset management fees to Redwood Mortgage Corp.	128	138	255	276
Costs from Redwood Mortgage Corp., net (Note 3)	88	80	169	166
Professional services	234	131	545	394
Other	2	15	6	15
Total operations expense	496	411	1,066	948
Net income	$ 1,088	$ 1,024	$ 1,936	$ 2,040
Net income				
Members (99%)	$ 1,077	$ 1,014	$ 1,917	$ 2,020
Manager (1%)	11	10	19	20
	$ 1,088	$ 1,024	$ 1,936	$ 2,040

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

REDWOOD MORTGAGE INVESTORS IX, LLC
Statements of Changes in Members' and Manager's Capital

For the Three Months Ended June 30, 2023 (unaudited)
($ in thousands)

	Members' Capital	Manager's Capital	Unallocated Organization and Offering Expenses	Members' and Manager's Capital, net
Balance at March 31, 2023	$ 70,995	$ 81	$ (964)	$ 70,112
Net income	1,077	11	—	1,088
Earnings distributed to members	(869)	(11)	—	(880)
Earnings distributed used in DRIP	385	—	—	385
Members' redemptions	(923)	—	—	(923)
Organization and offering expenses allocated	(64)	—	64	—
Organization and offering expenses repaid by RMC	—	—	13	13
Balance at June 30, 2023	$ 70,601	$ 81	$ (887)	$ 69,795

For the Six Months Ended June 30, 2023 (unaudited)
($ in thousands)

	Members' Capital	Manager's Capital	Unallocated Organization and Offering Expenses	Members' and Manager's Capital, net
Balance at December 31, 2022	$ 71,730	$ 82	$ (1,045)	$ 70,767
Adoption of ASC 326	(6)	(1)	—	(7)
Balance at January 1, 2023	71,724	81	(1,045)	70,760
Net income	1,917	19	—	1,936
Earnings distributed to members	(1,772)	(19)	—	(1,791)
Earnings distributed used in DRIP	813	—	—	813
Members' redemptions	(1,951)	—	—	(1,951)
Organization and offering expenses allocated	(130)	—	130	—
Organization and offering expenses repaid by RMC	—	—	28	28
Balance at June 30, 2023	$ 70,601	$ 81	$ (887)	$ 69,795

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

REDWOOD MORTGAGE INVESTORS IX, LLC
Statements of Changes in Members' and Manager's Capital

For the Three Months Ended June 30, 2022 (unaudited)
($ in thousands)

	Members' Capital	Manager's Capital	Unallocated Organization and Offering Expenses	Members' and Manager's Capital, net
Balance at March 31, 2022	$ 76,654	$ 82	$ (1,351)	$ 75,385
Net income	1,014	10	—	1,024
Earnings distributed to members	(1,034)	(10)	—	(1,044)
Earnings distributed used in DRIP	506	—	—	506
Members' redemptions	(1,449)	—	—	(1,449)
Organization and offering expenses allocated	(71)	—	71	—
Organization and offering expenses repaid by RMC	—	—	24	24
Balance at June 30, 2022	$ 75,620	$ 82	$ (1,256)	$ 74,446

For the Six Months Ended June 30, 2022 (unaudited)
($ in thousands)

	Members' Capital	Manager's Capital	Unallocated Organization and Offering Expenses	Members' and Manager's Capital, net
Balance at December 31, 2021	$ 78,192	$ 82	$ (1,458)	$ 76,816
Net income	2,020	20	—	2,040
Earnings distributed to members	(2,105)	(20)	—	(2,125)
Earnings distributed used in DRIP	1,033	—	—	1,033
Members' redemptions	(3,376)	—	—	(3,376)
Organization and offering expenses allocated	(144)	—	144	—
Organization and offering expenses repaid by RMC	—	—	58	58
Balance at June 30, 2022	$ 75,620	$ 82	$ (1,256)	$ 74,446

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

REDWOOD MORTGAGE INVESTORS IX, LLC
Statements of Cash Flows
For the Six Months Ended June 30, 2023 and 2022 (unaudited)
($ in thousands)

	Six Months Ended June 30, 2023	Six Months Ended June 30, 2022
Operations		
Interest income received	$ 3,553	$ 2,872
Interest expense paid	(365)	(179)
Late fees and other loan income	88	3
Operations expense	(1,270)	(971)
Total cash provided by operations	2,006	1,725
Investing		
Loans funded	(18,003)	(12,190)
Principal collected	22,097	16,459
Loans transferred from related mortgage funds	(3,393)	(996)
Loans transferred to related mortgage fund	857	—
Loans sold to non-affiliate	—	984
Advances collected	—	1
Promissory note funded to related party	(3,300)	(1,000)
Promissory note repaid by related party	—	1,000
Total cash (used in) provided by investing	(1,742)	4,258
Financing		
Members' and manager's capital		
Distributions to members and manager		
Earnings distributed, net of DRIP	(960)	(1,092)
Redemptions, net of early withdrawal penalties (Note 3)	(1,950)	(3,373)
Total distributions to members and manager	(2,910)	(4,465)
Organization and offering expenses repaid by RMC, net	28	58
Early withdrawal penalties	(1)	(3)
Cash used in members' and manager's capital	(2,883)	(4,410)
Line of credit		
Advances	—	9,900
Repayments	(2,409)	(8,480)
Debt issuance costs	—	(57)
Cash (used in) provided by line of credit	(2,409)	1,363
Formation loan collected	104	174
Total cash used in financing	(5,188)	(2,873)
Net (decrease) increase in cash	(4,924)	3,110
Cash, beginning of period	5,055	1,033
Cash, end of period	$ 131	$ 4,143

Non-cash investing activities for the six months ended June 30, 2023 include loans transferred to held for sale of $1.0 million.

Non-cash financing activities for the six months ended June 30, 2023 and 2022 include earnings distributed to the dividend reinvestment plan of $813 thousand and $1.0 million, respectively.

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

REDWOOD MORTGAGE INVESTORS IX, LLC
Statements of Cash Flows
For the Six Months Ended June 30, 2023 and 2022 (unaudited)
($ in thousands)

	Six Months Ended June 30,	
Reconciliation of net income to total cash provided by operations	**2023**	**2022**
Net income	$ 1,936	$ 2,040
Adjustments to reconcile net income to total cash provided by operations		
Gain on sale, loans	—	(12)
Amortization of debt issuance costs	15	21
Change in operating assets and liabilities		
Loan payments in trust	77	(14)
Accrued interest	62	(86)
Prepaid interest	129	(199)
Prepaid expenses	(14)	19
Accounts payable and accrued liabilities	(16)	1
Payable to related parties	(183)	(45)
Total adjustments	70	(315)
Total cash provided by operations	$ 2,006	$ 1,725

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

NOTE 1 – ORGANIZATION AND GENERAL

Redwood Mortgage Investors IX, LLC ("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. The company is externally managed by Redwood Mortgage Corp. ("RMC" or "the manager"). RMC provides the personnel and services necessary for the company to conduct its business as the company has no employees of its own. The mortgage loans the company funds and invests in are arranged and generally are serviced by RMC.

In the opinion of management of RMC, the accompanying unaudited financial statements contain all adjustments, consisting of normal, recurring adjustments, necessary to present fairly and accurately the financial information included therein. These unaudited financial statements should be read in conjunction with the audited financial statements included in the company's Form 10-K for the year ended December 31, 2022, filed with the U.S. Securities and Exchange Commission (SEC). The results of operations for the three and six months ended June 30, 2023 are not necessarily indicative of the operating results to be expected for the full year.

The rights, duties and powers of the members and manager of the company are governed by the Ninth Amended and Restated Limited Liability Company Operating Agreement of RMI IX (the "Operating Agreement"), as amended by the Second Amendment to the Operating Agreement, the Delaware Limited Liability Company Act and the California Revised Uniform Limited Liability Company Act.

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.

The following is a summary of certain provisions of the Operating Agreement and is qualified in its entirety by the terms of the Operating Agreement. Members should refer to the Operating Agreement for complete disclosure of its provisions.

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 is entitled to one percent (1%) of the profits and losses of the company and to fees and reimbursements of qualifying costs as specified in the Operating Agreement.

The company's 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.

Net income (or loss) is allocated among the members according to their respective capital accounts after one percent (1%) of the net income (or loss) is allocated to the manager. The monthly results are subject to subsequent adjustment as a result of quarterly and year-end accounting and reporting.

The company's net income, cash available for distribution, and net-distribution rate fluctuate depending on:

- loan origination volume and the balance of capital available to lend;
- the current and future interest rates negotiated with borrowers;
- line of credit advances, repayments and the interest rate thereon;
- loan sales to unaffiliated third parties, and any gains received thereon;
- the amount of fees and cost reimbursements to RMC;
- the timing and amount of other operating expenses, including expenses for professional services;
- the timing and amount of payments from RMC on the formation loan; and
- fee and/or cost reimbursements waived, if any, from RMC.

Federal and state income taxes are the obligation of the members, other than the annual California franchise tax and the California LLC gross receipts tax. The tax basis in the net assets of the company differs from book basis by the amount of the allowance for credit losses.

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

- loan payoffs;
- borrowers' monthly principal and interest payments;
- line of credit advances;
- loan sales to unaffiliated third parties;
- payments from RMC on the outstanding balance of the formation loan; and
- sale of units to members participating in the dividend reinvestment plan.

The company intends to hold until maturity the loans in which it invests and does not presently intend to invest in mortgage loans primarily for the purpose of reselling such loans in the ordinary course of business; however, the company may sell mortgage loans (or fractional interests therein) when the manager determines that it appears to be advantageous for the company to do so, based upon then current interest rates, the length of time that the loan has been held by the company, the company's credit risk and concentration risk and the overall investment objectives of the company. Loans sold to third parties may be sold for par, at a premium or, in the case of non-performing or under performing loans, at a discount. Company loans may be sold to third parties or to the manager or its related mortgage funds; however, any loan sold to the manager or a related mortgage fund will be sold for a purchase price equal to the greater of (i) the par value of the loan or (ii) the fair market value of the loan. The manager will not receive commissions or broker fees with respect to loan sales conducted for the company; however, selling loans will increase members' capital available for investing in new loans for which the manager will earn brokerage fees and other forms of compensation.

The company's business is neither dependent on any one, nor concentrated with a few, major borrowers, investors, or lenders.

Distribution policy/Distribution reinvestment plan (DRIP)

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 otherwise distributable to the members with respect to any period the respective amounts of organization and offering expenses ("O&O expenses") allocated to the members' accounts for the applicable period pursuant to the company's reimbursement to RMC and allocation to members' accounts of O&O expenses. The amount otherwise distributable, less the respective amounts of O&O expenses allocated to members, is the net distribution. Pursuant to the terms of the Operating Agreement, cash available for distribution to the members is allocated among the members in proportion to their percentage interests (except with respect to differences in the amounts of O&O 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. (See Note 3 (Manager and Other Related Parties) to the financial statements for a detailed discussion on the allocation of O&O expenses to members' accounts.)

Cash available for distributions allocable to members who have elected to receive distributions is disbursed at the end of each calendar month. The manager's allocable share of cash available for distribution is also distributed not more frequently than cash distributions to members.

The distribution reinvestment plan provision of the Operating Agreement permits members to elect to have all or a portion of their monthly distributions reinvested in the purchase of additional units. Cash available for distributions allocable to members who have elected to participate in the DRIP is distributed and reinvested in units at each month end.

In May 2019, the company filed a Registration Statement on Form S-3 with the SEC (SEC File No. 333-231333) that went effective May 9, 2019, to offer up to 15,000,000 units ($15 million) to members of record as of April 30, 2019 who had previously elected to participate in the DRIP or who later provide written notice to the manager electing to participate in the DRIP, in those states in which approval has been obtained. As of June 30, 2023, the aggregate gross proceeds from sales of units to members under the company's DRIP pursuant to the May 2019 Form S-3 Registration Statement is approximately $8.9 million.

Liquidity and unit redemption program

There are substantial restrictions on transferability of units, and there is no established public trading and/or secondary market for the units and none is expected to develop. In order to provide liquidity to members, the Operating Agreement includes a unit redemption program, whereby 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 – for other than DRIP units – is calculated based on the period from date of purchase as follows: after one year 92% of the purchase price or of the capital balance, whichever is less; after two years 94%; after three years 96%; after four years 98%; and after five years 100%.

The company redeems units quarterly, subject to certain limitations as provided for in the Operating Agreement. The maximum number of units which may be redeemed per quarter per individual member shall not exceed the greater of (i) 100 thousand units, or (ii) 25% of the member's total outstanding units. For redemption requests requiring more than one quarter to fully redeem, the percentage discount amount if any, that 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 manager also has the right, in its sole discretion, at any time, to reject any request for redemption, or to suspend or terminate the acceptance of new redemption requests without prior notice, or to terminate, suspend or amend the unit redemption program upon 30-day notice.

Pursuant to the Operating Agreement, 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; however, the manager may, but is not required to, waive this limitation if it deems it in the best interest of the company. In the event unit withdrawal requests exceed 5% in any calendar year, and are held by the company, units will be redeemed in the order of priority provided in the Operating Agreement. The manager may, in its sole discretion, waive any applicable holding periods or penalties in the event of the death of a member or other exigent circumstances or if the manager believes such wavier is in the best interests of the company. For members' capital redemption requests received in 2023 and ongoing, the manager intends to strictly adhere to the quarterly and annual members' capital redemption limitations as described in the company's Operating Agreement. The manager has no present intention to exercise its discretionary power to waive or modify the enforcement of the annual redemptions limitation in the foreseeable future.

Manager's interest

If a manager is removed, withdrawn or terminated, the company will pay to the manager all amounts then accrued and due 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.

Term of the company

The term of the company will terminate on December 31, 2038 unless: (i) the term is further extended by RMC with the affirmative consent of a majority interest of the members; or (ii) the company is earlier terminated pursuant to the Operating Agreement or by operation of law.

The initial term of RMI IX was extended through December 31, 2038 by an affirmative (53%) vote of the member units outstanding, following which RMC's board of directors approved the adoption of the Second Amendment, dated March 11, 2022, to the Ninth Amended and Restated Limited Liability Company Operating Agreement of RMI IX.

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 involve a significant level of uncertainty and have had or are reasonably likely to have a material impact on the company's financial condition or results of operations. Such estimates relate principally to the determination of the allowance for credit losses (including the fair value of the underlying collateral), and the valuation of real estate owned (*"REO"*) (RMI IX has not acquired REO since it commenced operations in 2009). Actual results could differ materially from these estimates.

Fair value estimates

The fair value of real property (as to loan collateral and REO) is determined by exercise of judgment based on RMC's 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 income 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, including the consideration of adjustments made for any attributes specific to the real estate.

Management has the requisite familiarity with the 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, and 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.

GAAP defines fair value as the 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.

Cash in banks

Certain of the company's cash balances in banks exceed federally insured limits of $250 thousand. The bank or banks in which funds are deposited are reviewed periodically for their general creditworthiness/investment grade credit rating. (See Note 5 (Line of Credit) for compensating balance arrangements).

Loans and interest income

Loans are carried at amortized cost which is generally equal to the unpaid principal balance (principal). Management has discretion to pay amounts (advances) to third parties on behalf of borrowers to protect the company's interest in the loan. Advances include, but are not limited to, the payment of interest and principal on a senior lien to prevent foreclosure by the senior lien holder, property taxes, insurance premiums and attorney fees. Advances generally are stated at the amounts paid out on the borrower's behalf and any accrued interest on amounts paid out, until repaid by the borrower. For performing loans, interest is accrued daily on the principal plus advances, if any. In the normal course of the company's operating activities, performing loans that are maturing or have matured may be renewed at then current market rates of interest and terms for new loans. (These loan extensions are not reported as new loans for financial reporting purposes.) The company may fund a specific loan net of an interest reserve (one to two years) to insure timely interest payments at the inception of the loan. Any interest reserve is amortized over the period that the amount is prepaid. 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.

Loans with a payment in arrears continue to recognize interest income as long as the loan is in the process of collection with the borrower and is considered to be well-secured. Loans are generally placed on non-accrual status if management determines that the primary source of repayment will come from the foreclosure and subsequent sale of the collateral securing the loan (i.e., a notice of sale is filed and/or when the borrower files for bankruptcy) or when the loan is no longer considered well-secured (i.e., the LTV for the loan based on the estimated net realizable value of the collateral and the total principal, advances and accrued interest (at the note rate) is at or greater than eighty percent (80%), seventy-five percent (75%) for lands outside of metropolitan areas). When a loan is placed on non-accrual status, the accrual of interest is discontinued – beginning with the then current month - for accounting purposes only; however, previously recorded interest is not reversed. A loan may return to accrual status when all delinquent loan payments are cured and the loan becomes current in accordance with the terms of the loan agreement. In periods prior to January 1, 2023, loans were placed on non-accrual status if 180 days delinquent or earlier if management determined that the primary source of repayment would 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 was no longer considered well-secured.

Payments on loans are applied in the following order: accrued interest, advances, and lastly to principal. Late fees are recognized in the period received. Pursuant to California regulatory requirements, borrower payments are deposited into a trust account established by RMC with an independent bank (and are presented on the balance sheet as "Loan payments in trust"). Funds are disbursed to the company as collected which can range from same day for wire transfers and up to two weeks after deposit for checks.

The company funds loans with the intent to hold the loans until maturity. From time to time the company may sell certain loans when the manager determines it to be in the best interest of the company. Loans are classified as held-for-sale once a decision has been made to sell loans and the loans held-for-sale have been identified. Loans classified as held-for-sale are carried at the lower of cost or fair value.

As of June 30, 2023, the company has one loan classified as held-for-sale. The loan with a principal of $1 million (LTV 52.6%) is secured by a commercial property located in Texas (Denton County), bears an interest rate of 9.5% and matures on July 1, 2025. The loan was sold on July 14, 2023, to an unaffiliated bank for the amount owed on the note plus a premium, resulting in a gain of approximately $10 thousand.

Allowance for credit losses

Loan balances (i.e., the sum of the unpaid principal, advances and accrued interest) are analyzed on a periodic basis for ultimate recoverability. Collateral fair values are reviewed quarterly and the protective equity for each loan is computed. As used herein, "protective equity" is the dollar amount by which the net realizable value (i.e., fair value less the cost to sell) of the collateral, net of any senior liens exceeds the loan balance.

For a loan that is deemed collateral dependent for repayment, a provision for credit losses is recorded to adjust the allowance for credit losses to an amount such that the net carrying amount (unpaid principal, advances plus interest accrued, i.e., interest owed net of foregone interest for loans in non-accrual status) is reduced to the lower of the loan balance or the estimated fair value of the related collateral, net of any senior debt and claims and costs to sell.

As of January 1, 2023, the company adopted Accounting Standards Codification 326, Financial Instruments – Credit Losses using the modified retrospective approach, which requires a lifetime, current expected credit loss (CECL) measurement objective for the recognition of credit losses at the time a loan is originated or acquired. The allowance for credit losses is adjusted each period for changes in expected lifetime credit losses for loans and accrued interest. The determination of the amount of the allowance for credit losses considers historical loss experience, current fair value of collateral and the resultant LTV, current real estate and financial markets, as well as reasonable and supportable forecasts about future economic scenarios. The forward-looking estimates consider the likelihood that any combination of events would adversely impact economic conditions and real estate markets in California such that the substantial protective equity existing for the loans would no longer be sufficient to collect the recorded amounts of principal, advances and accrued interest due on the loan.

The limited number of loans and the short terms for which the loans are written enable a loan-by-loan analysis to determine the risk of loss. The primary determinate in the analysis is the LTV, and consideration of lien position of deed of trust. The analysis also considered the vintage in which the secured loans originated. The ultimate collectability of the amounts owed is reliant on the estimation of the current fair value of the real property collateral and the time to maturity. Further there is no evidence, nor any indication in the analysis, that the ultimate collectability of the amounts owed fluctuates with the time on file or vintage. Such considerations are consistent with the ‘no-credit-losses’ experience of the company over the preceding 5+ years.

The company charges off uncollectible loans and related receivables directly to the allowance account once it is determined the full amount is not collectible. Any amounts collected after a charge off is deemed a recovery. If the loan goes to foreclosure, an updated appraisal is ordered and the recorded investment in the loan is adjusted to the net realizable value of the real estate to be acquired.

Prior to the adoption of the CECL accounting model, if a loan modification was agreed to and was to result in an economic concession to the borrower (i.e., a significant delay or reduction in cash flows compared to the original note), the modification would have been deemed to be a troubled debt restructuring (“TDR”). The Company did not have any TDR’s for the year ended December 31, 2022.

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 property’s fair value less estimated costs to sell. 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 credit 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. 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 or losses 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.

Debt issuance costs

Debt issuance costs are the fees and commissions incurred in the course of obtaining a line of credit for services from banks, law firms and other professionals and are amortized on a straight-line basis, which approximates the interest method, as interest expense over the term of the line of credit.

Recently issued accounting pronouncements

None at June 30, 2023 are applicable to the company.

NOTE 3 – MANAGER AND OTHER RELATED PARTIES

The Operating Agreement provides for compensation to the manager and for the reimbursement of qualifying costs as detailed below. RMC is entitled to 1% of the net income or loss of the company. RMC – at its sole discretion – collected less than the maximum allowable reimbursement of qualifying costs attributable to RMI IX (Costs from RMC on the Statements of Income), which increased the net income, cash available for distribution, and the net-distribution rate. The cost-reimbursement waivers in the three and six months ended June 30, 2023 and 2022, by RMC were not made for the purpose of providing RMI IX with sufficient funds to satisfy any required level of distributions, as the Operating Agreement has no such required level of distributions, nor to meet withdrawal requests.

Mortgage servicing fees

The manager is entitled to receive a servicing fee of up to one-quarter of one percent (0.25%) annually of secured loan principal. 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 securing the loan has been acquired by the company.

Asset Management Fees

The manager is entitled to receive a monthly asset management fee for managing RMI IX's assets, liabilities, 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.

Costs from RMC

The manager is entitled to request reimbursement for operations expense incurred on behalf of RMI IX, including without limitation, RMC's personnel and non-personnel costs incurred for qualifying business activities, including investor services, accounting, tax and data processing, postage and out-of-pocket general and administration expenses. Qualifying personnel/compensation costs and consulting fees are tracked by business activity, and then costs of qualifying activities are allocated to RMI IX pro-rata based on the percentage of RMI IX's members' capital to the total capital of all related mortgage funds managed by RMC. Certain other non-personnel, qualifying costs such as postage and out-of-pocket general and administrative expenses can be tracked by RMC as specifically attributable to RMI IX; other non-personnel, qualifying costs (e.g., RMC's accounting and audit fees, legal fees and expenses, occupancy, and insurance premiums) are allocated pro-rata based on the percentage of RMI IX's members' capital to total capital of the related mortgage funds managed by RMC.

The amount of qualifying costs attributable to RMI IX incurred by RMC was approximately $206 thousand and $183 thousand in the three months ended June 30, 2023 and 2022, respectively, and $418 thousand and $370 thousand in the six months ended June 30, 2023 and 2022, respectively. The reimbursement of costs waived by RMC was approximately $118 thousand and $103 thousand in the three months ended June 30, 2023 and 2022, respectively, and $249 thousand and $204 thousand in the six months ended June 30, 2023 and 2022, respectively. Total costs reimbursed to RMC by RMI IX were approximately $88 thousand and $80 thousand in the three months ended June 30, 2023 and 2022, respectively, and $169 thousand and $166 thousand in the six months ended June 30, 2023 and 2022, respectively.

Loan administrative fees

The manager is entitled to receive a loan administrative fee of up to one percent (1%) of the principal amount of each new loan funded or acquired for services rendered in connection with the selection and underwriting of loans payable upon the closing or acquisition of each loan. Since August 2015, RMC, at its sole discretion, has waived loan administrative fees on new originations. The total amount of loan administrative fees waived was approximately $118 thousand and $112 thousand in the three months ended June 30, 2023 and 2022, respectively, and $180 thousand and $122 thousand in the six months ended June 30, 2023 and 2022, respectively.

Commissions and fees paid by the borrowers to RMC

- *Brokerage commissions, loan originations*

For fees in connection with the review, selection, evaluation and negotiation of loans (including extensions), 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 to RMC, and thus are not an expense of the company. Loan brokerage commissions paid by the borrowers to RMC approximated $313 thousand and $248 thousand for the three months ended June 30, 2023 and 2022, respectively, and $468 thousand and $261 thousand for the six months ended June 30, 2023 and 2022, respectively.

- *Other fees*

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

Formation loan

Commissions for unit sales to new members paid to broker-dealers ("B/D sales commissions") and premiums paid to certain investors upon the purchase of units were paid by RMC and were not paid directly by RMI IX out of unit-sales proceeds. Instead, RMI IX advanced to RMC amounts sufficient to pay the B/D sales commissions and premiums to be paid to investors. Such advances in total were not to 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." When offerings of units to new members ended on April 30, 2019, such advances totaled $5.6 million, of which $3.0 million remains outstanding at June 30, 2023.

Formation loan transactions for the six months ended June 30 are presented in the following table ($ in thousands).

	2023	2022
Balance, January 1	$ 3,110	$ 3,388
Payments received from RMC	(104)	(174)
Balance, June 30	$ 3,006	$ 3,214

In March 2022, the Operating Agreement was amended to extend the term for the repayment of the formation loan to December 2038 to coincide with the extended term of the company. In accordance with the amended Operating Agreement, the formation loan is repayable by RMC in annual installments of approximately $208 thousand which may be paid by RMC either in full on December 31st of each calendar year during the term of the company (each, an "Annual Payment Date") or in four equal quarterly installments beginning on the Annual Payment Date and continuing thereafter on the last day of each calendar quarter in the following year. Any amount of the formation loan balance remaining unpaid on the last day of the company term, is payable in full on that date. The primary source of repayment of the formation loan are the loan brokerage commissions earned by RMC. The formation loan is forgiven if the manager is removed and RMC is no longer receiving payments for services rendered. As such, the formation loan is presented as contra equity.

Redemptions of members' capital

Redemptions of members' capital for the three and six months ended June 30 are presented in the following table ($ in thousands).

	Three Months Ended June 30,		Six Months Ended June 30,	
Redemptions	**2023**	**2022**	**2023**	**2022**
Without penalty	$ 920	$ 1,449	$ 1,929	$ 3,265
With penalty	4	—	22	111
Total	$ 924	$ 1,449	$ 1,951	$ 3,376
Early withdrawal penalties	$ —	$ —	$ 1	$ 3

For members' capital redemption requests received in 2023 and ongoing, the manager intends to strictly adhere to the quarterly and annual members' capital redemption limitations as described in the company's Operating Agreement. Pursuant to the Operating Agreement, unless waived by the manager, the company will not redeem in any calendar year more than five percent (5.0%) and in any calendar quarter one and one-quarter percent (1.25%) of the weighted average number of units outstanding in the twelve (12) month period immediately prior to the date of redemption. The manager has no present intention to exercise its discretionary power to waive or modify the enforcement of the annual redemptions limitation in the foreseeable future.

Eligible redemption requests for June 30, 2023 approximated $6.2 million, of which $1.4 million was eligible but unpaid at March 31, 2023, and $4.8 million was from new redemption requests received in the quarter ended March 31, 2023. Pursuant to the 1.25% quarterly limitation, the June 30, 2023 redemption was limited to $924 thousand.

Accordingly, the eligible redemption requests were honored in the following order of priority:

- first, to redemptions upon the death of a member, which totaled $67 thousand at June 30, 2023; and
- next, to all other eligible redemption requests of approximately $857 thousand or twenty-four percent (24%) of eligible redemption requests scheduled, honored on a pro rata basis.

Therefore, eligible but unpaid redemptions at June 30, 2023 were $5.3 million. Additionally, new redemption requests received for the quarter ended June 30, 2023, which are eligible to be paid beginning September 30, 2023 were $4.5 million.

Members' capital redemption requests received in 2022, but not fully paid by December 31, 2022 were approximately $232 thousand, of which $157 thousand were paid at June 30, 2023. The company expects to pay the remaining balance in August 2023.

Organization and offering expenses

The manager was reimbursed for O&O expenses incurred in connection with the organization of the company and the offering of the units of membership interest 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"). RMC paid the O&O expenses in excess of the maximum O&O expenses.

The O&O expenses incurred by RMI IX are allocated to the members as follows – for each of forty (40) calendar quarters or portion thereof after December 31, 2015 that a member holds units (other than DRIP units), the O&O expenses incurred by RMI IX are 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 40 calendar quarters or the quarter in which such units are redeemed.

Unallocated O&O transactions for the six months ended June 30 are summarized in the following table ($ in thousands).

	2023	2022
Balance, January 1	$ 1,045	$ 1,458
O&O expenses allocated	(130)	(144)
O&O expenses paid by RMC(1)	(28)	(58)
Balance, June 30	$ 887	$ 1,256

(1) RMC is obligated per the Operating Agreement to repay RMI IX for the amount of unallocated O&O expenses attributed to a member's capital account if the member redeems prior to the 40 quarterly allocations. RMC estimated its future obligation to repay unallocated O&O expenses on scheduled redemptions as of June 30, 2023, to be approximately $12 thousand.

Other related party transactions

- *Payable to/receivable from related parties*

From time to time, in the normal course of business operations, the company may have payables to and/or receivables from related parties. At June 30, 2023, the payable to related parties balance of approximately $71 thousand consisted primarily of accounts payable to the manager of approximately $52 thousand and accounts payable to related funds of approximately $19 thousand. There were no receivables from related parties at June 30, 2023. The related party transactions were settled in July 2023.

At December 31, 2022, the payable to related party balance of approximately $254 thousand consisted of accounts payable of approximately $192 thousand to the manager and $62 thousand to a related mortgage fund. The related party transactions were settled in March 2023.

- *Loan transactions with related parties*

In the ordinary course of business, performing loans may be transferred by executed assignment, in-part or in-full, between the RMC managed mortgage funds at par value, which approximates market value.

In the six months ended June 30, 2023, related mortgage funds transferred to RMI IX four loans with aggregate principal of approximately $3.4 million in-full at par value, which approximates fair value. RMI IX paid cash for the loans and the related mortgage funds have no continuing obligation or involvement with the loans.

In the six months ended June 30, 2023, RMI IX transferred to a related mortgage fund two loans with aggregate principal of approximately $857 thousand in-full at par value, which approximates fair value. The related mortgage fund paid cash for the loans and RMI IX has no continuing obligation or involvement with the loans.

In the six months ended June 30, 2022, a related mortgage fund transferred to RMI IX one performing loan with aggregate principal of approximately $996 thousand in-full at par value, which approximates fair value. RMI IX paid cash for the loan and the related mortgage fund has no continuing obligation or involvement with the loan. No loans were transferred to related mortgage funds in the six months ended June 30, 2022.

- *Promissory note funded to/repaid by related parties*

On June 29, 2023, the company lent $3.3 million to a related mortgage fund secured by the net cash flow payable on three mortgage loans totaling approximately $7.5 million which have contractual maturities before October 1, 2023. Interest on the loan accrues at 8.75% per annum on the three pledged mortgage loans through a term ending on the earlier of (i) the payoff of pledged loans; and (ii) October 1, 2023. The promissory note receivable from the related fund is secured by all proceeds payable to the related fund upon the payoff or repayment of the loans net of any amounts outstanding by the related fund on its line of credit secured by the loans.

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 are purchased at par value, which approximates fair value. See Note 3 (Manager and Other Related Parties) for a description of loans transferred by executed assignments between the related mortgage funds.

The company's loans are secured by real estate in coastal California metropolitan areas. The portfolio segments are first and second trust deeds mortgages and the key credit quality indicator is the LTV. First mortgages are predominant, but second lien deeds of trust are not infrequent nor insignificant. First-mortgage loans comprised 82% of the portfolio at June 30, 2023 (82% at December 31, 2022).

Secured loans unpaid principal balance (principal)

Secured loan transactions for the three and six months ended June 30, 2023 are summarized in the following table ($ in thousands).

	Three Months Ended June 30, 2023			Six Months Ended June 30, 2023		
	Total	First Trust Deeds	Second Trust Deeds	Total	First Trust Deeds	Second Trust Deeds
Principal, beginning of period[1]	$ 74,041	$ 59,759	$ 14,282	$ 72,533	$ 59,250	$ 13,283
Loans funded	11,803	8,303	3,500	18,003	14,503	3,500
Principal collected[2]	(15,028)	(10,159)	(4,869)	(22,096)	(16,439)	(5,657)
Loans transferred to held for sale	(1,000)	(1,000)	—	(1,000)	(1,000)	—
Loans transferred from related mortgage funds	160	160	—	3,393	1,461	1,932
Loans transferred to related mortgage fund	—	—	—	(857)	(712)	(145)
Principal, end of period	$ 69,976	$ 57,063	$ 12,913	$ 69,976	$ 57,063	$ 12,913

(1) On January 1, 2023 one loan with a principal balance of $247 thousand was re-categorized as a second trust deed. Prior to January 1, 2023 the loan was categorized as a first trust deed.
(2) Includes principal collected and held in trust at June 30, 2023 of approximately $2 thousand offset by principal collected and held in trust at December 31, 2022 of approximately $3 thousand which was disbursed to the company in January 2023.

During the three and six months ended June 30, 2023, the company extended two and five maturing loans with aggregated principal of approximately $5.5 million and $13.8 million respectively, which are not included in the transactions shown in the table above. The loans have an average extension period of approximately 9 months, and were current and deemed well collateralized (i.e., the LTV for the collateral was within lending guidelines). Interest rates charged to borrowers may be adjusted in conjunction with the loan extensions to reflect current market conditions (in 2023, one extension included rate increases). These loan extensions are made not to forestall collection of a distressed nor an insufficiently collateralized debt from a borrower experiencing financial difficulties, but rather to provide – for an extension fee paid to RMC by the borrower – the additional time and flexibility to pursue opportunities to optimize the performance of the borrower's real-property investment. These opportunities may include expected lower-than-current long-term interest rates at the completion of the extension term and/or expected higher than current rents or sale prices, resulting from either improved market conditions or improved physical condition and/or financial performance of the property.

As of June 30, 2023, there were no commitments to lend outstanding and no construction or rehabilitation loans outstanding.

Loan characteristics

Secured loans had the characteristics presented in the following table ($ in thousands).

	June 30, 2023	December 31, 2022
Number of secured loans	48	45
First trust deeds	35	30
Second trust deeds	13	15
Secured loans – principal	$ 69,976	$ 72,533
First trust deeds	$ 57,063	$ 59,497
Second trust deeds	$ 12,913	$ 13,036
Secured loans – lowest interest rate (fixed)	7.0%	6.8%
Secured loans – highest interest rate (fixed)	11.5%	11.0%
Average secured loan – principal	$ 1,458	$ 1,612
Average principal as percent of total principal	2.1%	2.2%
Average principal as percent of members’ and manager's capital, net	2.1%	2.3%
Average principal as percent of total assets	2.0%	2.1%
Largest secured loan – principal	$ 6,200	$ 6,735
Largest principal as percent of total principal	8.9%	9.3%
Largest principal as percent of members’ and manager's capital, net	8.9%	9.5%
Largest principal as percent of total assets	8.3%	8.6%
Smallest secured loan – principal	$ 161	$ 146
Smallest principal as percent of total principal	0.2%	0.2%
Smallest principal as percent of members’ and manager's capital, net	0.2%	0.2%
Smallest principal as percent of total assets	0.2%	0.2%
Number of California counties where security is located	14	11
Largest percentage of principal in one California county	18.5%	26.3%
Number of secured loans with prepaid interest	4	1
Prepaid interest	$ 383	$ 254

As of June 30, 2023, 28 loans with principal of approximately $49.8 million provide for monthly payments of interest only, with the principal due at maturity, and 20 loans with principal of approximately $20.2 million (representing 29% of the aggregate principal of the company’s loan portfolio) provide for monthly payments of principal and interest, typically calculated on a 30-year amortization, with the remaining principal due at maturity.

As of June 30, 2023, there were 13 loans in second lien position. The aggregate principal of these loans was approximately $12.9 million and the weighted average LTV at loan closing was 61.10%. All but one loan in second lien position was performing as of June 30, 2023. The loan has principal outstanding of $650 thousand (LTV 73.1%), is secured by a multifamily property located in Los Angeles county, bears an interest rate of 9.990% and matured on June 1, 2023.

As of June 30, 2023, the company's largest loan with principal of $6.2 million (LTV 47.9%) is secured by an industrial property located in San Diego County, bears an interest rate of 10.500% and matures on February 1, 2024.

Property type

Secured loans summarized by property type are presented in the following table ($ in thousands).

	June 30, 2023			December 31, 2022		
	Loans	Principal	Percent	Loans	Principal	Percent
Single family[3]	21	$ 20,299	29%	21	$ 25,360	35%
Commercial	19	35,289	50	17	34,386	47
Multi-family	6	8,708	13	6	11,287	16
Land	2	5,680	8	1	1,500	2
Total principal, secured loans	48	$ 69,976	100%	45	$ 72,533	100%

(3) Single family includes 1-4 unit residential buildings, condominium units, townhouses and condominium complexes. At June 30, 2023, single family consists of 6 loans with aggregate principal of approximately $3.5 million that are owner occupied and 15 loans with principal of approximately $16.8 million that are non-owner occupied. At December 31, 2022, single family property type consisted of 10 loans with principal of approximately $11.6 million that are owner occupied and 11 loans with principal of approximately $13.8 million that are non-owner occupied.

Lien position/LTV at origination

At funding, secured loans had the lien positions presented in the following table ($ in thousands).

	June 30, 2023			December 31, 2022		
	Loans	Principal	Percent	Loans	Principal	Percent
First trust deeds	35	$ 57,063	82%	30	$ 59,497	82%
Second trust deeds	13	12,913	18	15	13,036	18
Total principal, secured loans	48	69,976	100%	45	72,533	100%
Liens due other lenders at loan closing		30,220			36,544	
Total debt		$ 100,196			$ 109,077	
Appraised property value at loan closing		$ 194,172			$ 195,261	
LTV (weighted average) at loan closing		55.0%			58.3%	

Distribution of secured loans - principal by California counties

The distribution of secured loans within California by counties is presented in the following table ($ in thousands).

	June 30, 2023		December 31, 2022	
	Principal	Percent	Principal	Percent
San Francisco Bay Area[4]				
San Francisco	$ 12,912	18.5%	$ 13,801	19.0%
San Mateo	11,071	15.8	13,054	18.0
Santa Clara	12,391	17.7	19,042	26.3
Alameda	4,599	6.6	6,062	8.4
Contra Costa	—	0.0	1,000	1.4
Napa	642	0.9	644	0.9
Solano	185	0.2	—	0.0
Marin	400	0.6	—	0.0
	42,200	60.3	53,603	74.0
Other Northern California				
Placer	1,500	2.1	1,500	2.1
Tehama	405	0.6	405	0.5
Sacramento	553	0.8	—	0.0
	2,458	3.5	1,905	2.6
Northern California Total	44,658	63.8	55,508	76.6
Southern California				
Los Angeles	4,452	6.4	3,512	4.8
Orange	8,194	11.7	6,809	9.4
San Diego	10,772	15.4	6,704	9.2
Riverside	1,900	2.7	—	0.0
Southern California Total	25,318	36.2	17,025	23.4
Total principal, secured loans	$ 69,976	100.0%	$ 72,533	100.0%

(4) Includes Silicon Valley

Scheduled maturities/Secured loans-principal

Secured loans scheduled to mature in periods as of and after June 30, 2023, are presented in the following table ($ in thousands).

				First Trust Deeds		Second Trust Deeds	
	Loans	Principal	Percent	Loans	Principal	Loans	Principal
2023 (scheduled to mature after June 30)	9	$ 15,387	21%	6	$ 12,025	3	$ 3,362
2024	19	35,737	51	14	30,919	5	4,818
2025	7	10,426	15	4	6,940	3	3,486
2026	2	585	1	2	585	—	—
2027	3	1,922	3	2	1,325	1	597
Thereafter	4	1,677	3	4	1,677	—	—
Total scheduled maturities	44	65,734	94	32	53,471	12	12,263
Matured[5]	4	4,242	6	3	3,592	1	650
Total principal, secured loans	48	$ 69,976	100%	35	$ 57,063	13	$ 12,913

(5) See Delinquency/Secured loans with payments in arrears below for additional information on matured loans.

Scheduled maturities are presented based on the most recent in-effect agreement with the borrower, including forbearance agreements. As a result, matured loans at June 30, 2023, for the scheduled maturities table above may differ from the same captions in the tables of delinquencies and payment in arrears presented below that do not consider forbearance agreements. For matured loans, the company may continue to accept payments while pursuing collection of principal or while negotiating an extension of the maturity date.

Delinquency/Secured loans

Secured loans principal summarized by payment-delinquency status are presented in the following table ($ in thousands).

	June 30, 2023		December 31, 2022	
	Loans	**Principal**	**Loans**	**Principal**
Current	42	$ 64,339	40	$ 64,423
Past Due				
30-89 days	3	1,912	1	4,940
90-179 days	1	1,235	2	1,681
180 or more days	2	2,490	2	1,489
Total past due	6	5,637	5	8,110
Total principal, secured loans	48	$ 69,976	45	$ 72,533

At June 30, 2023 and December 31, 2022, there was one loan with a forbearance agreement in effect with principal of $990 thousand, included in the table above as 180 or more days delinquent. Five of the six loans past due at June 30, 2023 were in first lien position and had principal payments in arrears of approximately $3.6 million. One loan past due at June 30, 2023 was in second lien position and had principal payments in arrears of approximately $650 thousand.

Delinquency/Secured loans with payments in arrears

Payments in arrears for secured loans (6 loans) at June 30, 2023 are presented in the following tables ($ in thousands).

	Loans		Principal		Interest(6)		
At June 30, 2023	**Past maturity**	**Monthly payments**	**Past maturity**	**Monthly payments**	**Past maturity**	**Monthly payments**	**Total payments in arrears**
Past due							
30-89 days (1-3 payments)	2	1	$ 1,507	$ —	$ —	$ 3	$ 1,510
90-179 days (4-6 payments)	1	—	1,235	—	—	—	1,235
180 or more days (more than 6 payments)	1	1	1,500	—	11	48	1,559
Total past due	4	2	$ 4,242	$ —	$ 11	$ 51	$ 4,304

(6) June 2023 interest is due July 1, 2023 and is not included in the payments in arrears at June 30, 2023.

Secured loans with payments in arrears, principal by LTV and lien position at June 30, 2023 are presented in the following table ($ in thousands). The LTVs shown in this table use the appraisals at origination of the loans.

	Secured loans with payments in arrears, principal					
LTV(7)	First trust deeds	Percent(8)	Second trust deeds	Percent(8)	Total principal	Percent(8)
<40%	$ —	0.0%	$ —	0.0%	$ —	0.0%
40-49%	1,500	2.1	—	0.0	1,500	2.1
50-59%	405	0.6	—	0.0	405	0.6
60-69%	2,092	3.0	—	0.0	2,092	3.0
Subtotal <70%	3,997	5.7	—	0.0	3,997	5.7
70-79%	990	1.4	650	0.9	1,640	2.3
Subtotal <80%	4,987	7.1	650	0.9	5,637	8.0
≥80%	—	0.0	—	0	—	0.0
Total	$ 4,987	7.1%	$ 650	0.9%	$ 5,637	8.0%

(7) LTV classifications in the table above are based on principal, advances and interest unpaid at June 30, 2023.
(8) Percent of total principal, secured loans ($70 million) at June 30, 2023.

Non-accrual status/Secured loans

Secured loans in non-accrual status are summarized in the following table ($ in thousands).

	June 30, 2023	December 31, 2022
Number of loans	none	2
Principal		$ 1,489
Advances		1
Accrued interest(9)		4
Total recorded investment		$ 1,494
Foregone interest		$ 58

(9) Accrued interest in the table above is the amount of interest accrued prior to the loan being placed on non-accrual status, net of any payments received while in non-accrual status.

In conjunction with the adoption of ASC 326 (CECL), the company changed its guidelines for non-accrual status and recognized a cumulative-effect adjustment (with an increase to members’ and manager's capital) of $58 thousand to recognize previously foregone interest for loans designated non-accrual at December 31, 2022. In periods prior to January 1, 2023, loans were placed on non-accrual status if 180 days delinquent or earlier if management determined that the primary source of repayment would 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 was no longer considered well-secured.

Provision/allowance for credit losses

Activity in the allowance for credit losses for the six months ended June 30 are presented in the following table ($ in thousands).

	2023			2022		
	Principal and Advances	Interest	Total	Principal and Advances	Interest	Total
Balance, December 31	$ 30	$ 25	$ 55	$ 30	$ 25	$ 55
Adoption of ASC 326 (CECL)	30	35	65	—	—	—
Balance, January 1	60	60	120	30	25	55
Provision for (Recovery of) loan losses	—	—	—	—	—	—
Charge-offs	—	—	—	—	—	—
Balance, June 30	$ 60	$ 60	$ 120	$ 30	$ 25	$ 55

Each secured 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.

In periods prior to January 1, 2023, the company followed the incurred loss model for recognition of credit losses and had recorded an allowance for credit losses of principal and interest totaling approximately $55 thousand to cover incurred, but not known, eventualities that occur from time to time, even though the secured loans had protective equity such that collection was deemed probable for all recorded amounts due on the loan. Such eventualities include the manager deeming it in the best interest of the company to agree to concessions to borrowers and/or senior-lien lenders to facilitate a refinance or a sale of the collateral primarily for secured loans in second lien position.

In conjunction with the adoption of ASC 326 (CECL), the company recognized a cumulative-effect adjustment (with a decrease to members' and manager's capital) of $65 thousand to the allowance for credit losses to recognize lifetime expected credit losses for secured loans at December 31, 2022. The limited number of loans and the short terms for which the loans are written enabled the manager to do a loan-by-loan analysis to determine the risk of loss. Beginning in 2023, the analysis is updated quarterly with any change to the expected credit losses recognized in the period.

The analysis includes projecting the outstanding principal for loans – individually and in total, by lien position – until maturity to determine the count, amount and weighted average LTV of the loans for future quarters and year ends.

				First Trust Deeds			Second Trust Deeds		
	Loans	Principal	LTV	Loans	Principal	LTV	Loans	Principal	LTV
2023(10)	35	$ 50,347	55.5%	26	$ 41,446	54.6%	9	$ 8,901	59.4%
2024	16	14,610	52.8	12	10,527	51.0	4	4,083	57.4
2025	9	4,184	55.1	8	3,587	55.0	1	597	55.4
2026	7	3,599	56.6	6	3,002	56.9	1	597	55.4
2027	4	1,677	52.9	4	1,677	52.9	—	—	0.0
2028	2	507	50.6	2	507	50.6	—	—	0.0
2033	1	222	37.9	1	222	37.9	—	—	0.0
2035	—	—	0.0	—	—	0.0	—	—	0.0

(10) At June 30, 2023, there were four loans past maturity with aggregate principal of $4.2 million which are not included in the table above.

As indicated by the tables above, there is no future period covered in the analysis - nor is there any individual loan - in which a real estate market decline in values is likely to occur that would be sufficient to offset the substantial protective equity in the secured-loan portfolio (and in the individual loans) sufficient to put at risk collection of amounts owed under the notes, secured by the deeds of trust. In arriving at the determination, the manager consulted a range of banking/industry and academic studies and forecasts.

In performing the analysis, the manager considered the vintages in which the secured loans originated. The ultimate collectability of the amounts owed is reliant on the estimation of the current fair value of the real property collateral and the time to maturity. Further there is no evidence, nor any indication in the analysis, that the ultimate collectability of the amounts owed fluctuates with the time on file or vintage. Such considerations are consistent with the 'no-credit-losses' experience of the company over the preceding 5+ years. The LTVs shown in this table use the appraisals at origination of the loans.

	Secured loans, principal							
LTV(11)	First trust deeds	Percent	Count	Second trust deeds	Percent	Count	Total principal	Percent
<40%	$ 6,140	8.8%	8	$ —	0.0%	0	$ 6,140	8.8%
40-49%	24,234	34.6	10	3,500	5.0	2	27,734	39.6
50-59%	7,013	10.0	3	843	1.2	2	7,856	11.2
60-69%	16,045	22.9	11	3,971	5.7	3	20,016	28.6
Subtotal <70%	53,432	76.3	32	8,314	11.9	7	61,746	88.2
70-79%	1,632	2.3	2	4,598	6.6	6	6,230	8.9
Subtotal <80%	55,064	78.6	34	12,912	18.5	13	67,976	97.1
≥80%	2,000	2.9	1	—	0.0	—	2,000	2.9
Total	$ 57,064	81.5%	35	$ 12,912	18.5%	13	$ 69,976	100.0%

(11) LTV classifications in the table above are based on principal, advances and interest unpaid at June 30, 2023.

Fair Value

The following methods and assumptions are used when estimating fair value (Level 3 inputs).

Secured loans/performing

Due to the nature of the company's loans and borrowers the fair value of loan balances secured by deeds of trust is deemed to approximate the recorded amount (per the consolidated financial statements) as the company's loans:

- are of shorter terms at origination than commercial real estate loans by institutional lenders and conventional single-family home mortgage lenders;
- are written without a prepayment penalty causing uncertainty/a lack of predictability as to the expected duration of the loan; and
- have limited marketability and are not yet sellable into an established secondary market.

Secured loans, with payments in arrears

The fair value of secured non-performing loans is the lesser of the fair value of the collateral or the enforceable amount of the note. Secured non-performing loans are collateral dependent because it is expected that the primary source of repayment will not be from the borrower but rather from the collateral. The fair value of the collateral is determined on a nonrecurring basis 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 3 inputs). When the fair value of the collateral exceeds the enforceable amount of the note, the borrower is likely to redeem the note. Accordingly, third party market participants would generally pay the fair value of the collateral, but no more than the enforceable amount of the note.

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 sales comparables (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 and adjusted 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 typically provided in appraisals, or by realtors who specialize in multi-family residential properties. Sales 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 - Management's preferred method for determining the fair value of its commercial buildings is the sale comparison method. Sale comps are typically provided in appraisals, or by realtors who specialize in commercial properties. 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, common areas, and year built.

Management's secondary method for valuing its commercial buildings 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.

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, including a determination of its highest and best use. 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 – LINE OF CREDIT

Activity involving the line of credit during the six months ended June 30 is presented in the following table ($ in thousands).

	2023	2022
Balance, January 1,	$ 9,900	$ 8,480
Draws	—	9,900
Repayments	(2,409)	(8,480)
Balance, June 30,	$ 7,491	$ 9,900
Line of credit - average daily balance	$ 8,898	$ 7,035

In March 2020, RMI IX entered into a revolving line of credit and term loan agreement with Western Alliance Bank ("bank") which is governed by the terms of the Business Loan Agreement (Revolving Line of Credit and Term Loan Agreement) between the bank and company ("original credit agreement"), which was as amended and modified by the First Loan Modification Agreement made effective March 4, 2022 (the "modification agreement" and together with the original credit agreement, the "credit agreement of 2022").

Under the terms of the credit agreement of 2022, RMI IX can borrow up to a maximum principal of $10 million subject to a borrowing base calculation set forth in the credit agreement and the amounts advanced under the credit agreement are secured by a first priority security interest in the notes and deeds of trust of the pledged loans in the borrowing base. The maturity date is March 13, 2024 when all amounts outstanding are then due. RMI IX has the option prior to maturity date to convert – for a fee of one-quarter of one percent (0.25%) – the then outstanding principal balance to a two-year term loan maturing in March 2026.

Prior to the modification agreement, interest on outstanding principal was payable monthly and accrued at the per annum rate of the greater of (i) five percent (5%) or (ii) the sum of the one-month LIBOR rate plus three and one-quarter percent (3.25%). The modification agreement replaced LIBOR as the reference rate under the credit agreement with the 30-day American Interbank Offered Rate Term -30 Index published for loans in United States Dollars by the American Financial Exchange ("Ameribor"). Following the modification agreement, interest on the outstanding principal under the credit line is payable monthly and accrues at the annual rate that is the greater of: (i) the Ameribor Rate plus three and one-quarter percent (3.25%) and (ii) five percent (5.0%). The fair value of the balance on the line of credit is deemed to approximate the recorded amount because the reference rate plus 3.25% and the other terms and conditions, including the two-year term, of the Revolving Line of Credit and Term Loan Agreement are reflective of market rate terms (Level 2 inputs).

If the company does not maintain the required compensating balance with a minimum daily average of $1.0 million for the calendar quarter, the interest rate automatically increases by one-quarter of one percent (0.25%) above that rate which would otherwise be applicable for the next calendar quarter retroactive to the beginning of the calendar quarter in which the compensating balance is not maintained. At June 30, 2023, the interest rate was eight and thirty eight one-hundredths percent (8.38%).

For each calendar quarter during which the aggregate average daily outstanding principal is less than fifty percent (50%) of the maximum principal of $10 million, there is a quarterly unused line fee equal to one-half of one percent (0.50%) per annum of the average daily difference between the average principal outstanding and fifty percent (50%) of the maximum principal of $10 million ($10,000,000).

Advances on the line of credit are to be used exclusively to fund secured loans. The credit agreement provides for customary financial and borrowing base reporting by the company to the bank and specifies that the company shall maintain (i) minimum tangible net worth of $50 million, net of amounts due from related companies; (ii) debt service coverage ratio at all times of not less than 2.00 to 1.00; and (iii) loan payment delinquency of less than ten percent (10.0%) at calendar quarter-end, calculated as the principal of loans with payments over 61-days past due as determined by the bank's guidance, less loan loss allowances, divided by total principal of the company's loans. The credit agreement provides that in the event the credit payment delinquency rate exceeds 10.0% as of the end of any quarter, the bank will cease to make any further advances until compliant with the covenant but agrees not to accelerate repayment of the loan.

At June 30, 2023 and December 31, 2022, aggregate principal of pledged loans was approximately $14.8 million and $24.5 million, respectively, with a maximum allowed advance thereon of approximately $10 million, subject to the borrowing base calculation.

The debt issuance costs from the original credit agreement were fully amortized in March 2022. Debt issuance costs of approximately $57 thousand from the modification agreement are being amortized over the two-year term of the modification agreement. Amortized debt issuance costs included in interest expense approximated $7 thousand for the three months ended June 30, 2023 and 2022, and $15 thousand and $21 thousand for the six months ended June 30, 2023 and 2022, respectively.

NOTE 6 – COMMITMENTS AND CONTINGENCIES, OTHER THAN LOAN COMMITMENTS

Commitments

Note 3 (Manager and Other Related Parties) presents a detailed discussion of the company's contractual obligations to RMC and scheduled redemptions of members' capital at June 30, 2023.

Legal proceedings

As of June 30, 2023, the company is not involved in any legal proceedings or governmental proceedings other than those that would be considered part of the normal course of business. 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 company (i.e., exceeding ten percent of the company's consolidated current assets).

NOTE 7 – SUBSEQUENT EVENTS

The manager evaluated events occurring subsequent to June 30, 2023 and determined that there were no events or transactions occurring during this reporting period that require recognition or disclosure in the unaudited financial statements.

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, 2022, filed with the U.S. Securities and Exchange Commission (or SEC). The results of operations for the three and six months ended June 30, 2023 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 ("Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended ("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 credit losses; forecasts of future sales and redemptions of units, forecasts of future funding of loans; loan payoffs and the possibility of future loan sales (and the gain thereon, net of expenses) to third parties, if any; forecasts of future financial support by the manager including the eventual elimination of financial support; future fluctuations in the net distribution rate; 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 therefore, you should not place undue reliance on forward looking statements, which reflect our view only as of the date hereof.

Factors that might cause such a difference include, but are not limited to, the following:

- changes in economic conditions, interest rates, or changes in California real estate markets;
- the impact of competition and competitive pricing for mortgage loans;
- the manager's ability to make and arrange for loans that fit our investment criteria;
- whether we will have any future loan sales to unaffiliated third parties, and if we do, the gain, net of expenses, and the volume and timing of loan sales to unaffiliated third parties, which to date have provided only immaterial gains to us;
- the concentration of credit risks to which we are exposed;
- increases in payment delinquencies and defaults on our mortgage loans;
- the timing and dollar amount of the decreasing financial support from the manager and the corresponding impact on the net distribution rate to members;
- changes in government regulation and legislative actions affecting our business; and
- the impact of global unrest and economic instability which has an adverse effect on US markets and economic conditions, including inflationary pressures on interest rates.

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 unless required by law.

Overview

Redwood Mortgage Investors IX, LLC ("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. The company is externally managed by Redwood Mortgage Corp. ("RMC" or "the manager"). See Note 3 (Manager and Other Related Parties) to the financial statements included in Part I, Item 1 of this report for a detailed presentation of the company's activities for which related parties are compensated and for other related party transactions.

Cash generated from loan payoffs and borrower payments of principal and interest is used for operating expenses, distributions to members and unit redemptions. The cash flow, if any, in excess of these uses plus the cash from sale of DRIP units and advances on the line of credit is reinvested in new loans.

Pursuant to the Operating Agreement, the company will not, in any calendar year, redeem more than five percent (5%) (or in any calendar quarter 1.25%) of the weighted average number of units outstanding during the twelve-month period immediately prior to the date of the redemption; however, the manager may, but is not required to, waive this limitation if it deems it in the best interest of the company. In the event unit withdrawal requests exceed 5% in any calendar year (or 1.25% in any calendar quarter), and are held by the company, units will be redeemed in the order of priority provided in the Operating Agreement. The manager may, in its sole discretion, also waive any other holding periods or penalties applicable to redemptions in the event of the death of a member or other exigent circumstances or if the manager believes such wavier is in the best interests of the company.

For members' capital redemption requests received in 2023 and ongoing, the manager intends to strictly adhere to the quarterly and annual members' capital redemption limitations as described in the company's Operating Agreement. See Results of Operations, Redemptions of members' capital included below in Item 2 of this report for a detailed presentation on capital redemption limitations.

See Note 1 (Organization and General) to the financial statements included in Part I, Item 1 of this report for additional detail on the organization and operations of RMI IX which detail is incorporated by this reference into this Item 2.

Critical Accounting Policies

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("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 credit losses, including determining the fair value of the collateral, and the valuation of real estate owned (RMI IX has not acquired real estate owned ("REO") since it commenced operations in 2009). Actual results could differ significantly from these estimates.

Accounting policies are an integral part of our financial statements. For a summary of our critical accounting policies, see "Critical Accounting Policies" in Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our annual report on Form 10-K for the year ended December 31, 2022.

Adoption of ASC 326 (CECL)

As of January 1, 2023, the company adopted Accounting Standards Codification 326, Financial Instruments – Credit Losses using the modified retrospective approach, which requires a lifetime, current expected credit loss (CECL) measurement objective for the recognition of credit losses at the time a loan is originated or acquired. The allowance for credit losses is adjusted each period for changes in expected lifetime credit losses for loans and accrued interest. The determination of the amount of the allowance for credit losses considers historical loss experience, current fair value of collateral and the resultant LTV, current real estate and financial markets, as well as reasonable and supportable forecasts about future economic scenarios. The forward-looking estimates consider the likelihood that any combination of events would adversely impact economic conditions and real estate markets in California such that the substantial protective equity existing for the loans would no longer be sufficient to collect the recorded amounts of principal, advances and accrued interest due on the loan.

In conjunction with the adoption of CECL, the company changed it guidelines for non-accrual status and recognized a cumulative-effect adjustment with a net decrease to members' and manager's capital of $7 thousand, consisting of an increase to the allowance for credit losses of $65 thousand to recognize lifetime expected credit losses for secured loans at December 31, 2022, and the recognition of $58 thousand of previously foregone interest for loans designated non-accrual at December 31, 2022. The limited number of loans and the short terms for which the loans are written enabled the manager to do a loan-by-loan analysis to determine the risk of loss. Beginning in 2023, the analysis is updated quarterly with any change to the expected credit losses recognized in the period.

There is no future period covered in the analysis – nor is there any individual loan – in which a real estate market decline in values (likely to occur) would be sufficient to offset the substantial protective equity in the secured-loan portfolio (and in the individual loans) sufficient to put at risk collection of amounts owed under the notes, secured by the deeds of trust. In arriving at the determination, the manager consulted a range of banking/industry and academic studies and forecasts.

In performing the analysis, the manager considered the vintages in which the secured loans originated. The ultimate collectability of the amounts owed is reliant on the estimation of the current fair value of the real property collateral and the time to maturity. Further there is no evidence, nor any indication in the analysis, that the ultimate collectability of the amounts owed fluctuates with the time on file or vintage. Such considerations are consistent with the ‘no-credit-losses’ experience of the company over the preceding 5+ years.

Loans on non-accrual status

Loans are generally placed on non-accrual status if management determines that the primary source of repayment will come from the foreclosure and subsequent sale of the collateral securing the loan (i.e., a notice of sale is filed and/or when the borrower files for bankruptcy) or when the loan is no longer considered well-secured (i.e., the LTV for the loan based on the estimated net realizable value of the collateral and the total owing of principal, advances and accrued interest (at the note rate) is at or greater than eighty percent (80%), seventy-five percent (75%) for lands outside of metropolitan areas).

In periods prior to January 1, 2023, loans were placed on non-accrual status if 180 days delinquent or earlier if management determined that the primary source of repayment would 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 was no longer considered well-secured.

There were no other material changes to our critical accounting policies since our annual report on Form 10-K.

Results of Operations

The following discussion describes our results of operations for the three and six months ended June 30, 2023.

Key Performance Indicators

Key performance indicators as of and for the six months ended June 30 are presented in the following tables ($ in thousands).

	2023	2022
Members' capital, gross – end of period balance	$ 70,601	$ 75,620
Members' capital, gross – average daily balance	$ 71,673	$ 77,141
Member redemptions(1)	$ 1,951	$ 3,376
Secured loans principal – end of period balance	$ 69,976	$ 76,900
Secured loans principal – average daily balance	$ 73,289	$ 76,689
Number of first trust deeds	35	37
Principal – first trust deeds	$ 57,063	$ 64,416
Weighted average LTV – first trust deeds(2)	61.1%	58.3%
Number of second trust deeds	13	14
Principal – second trust deeds	$ 12,913	$ 12,484
Weighted average LTV – second trust deeds(2)	53.6%	41.3%
Interest income	$ 3,362	$ 3,157
Portfolio interest rate(3)	8.8%	8.2%
Effective yield rate(4)	9.2%	8.2%
Line of credit – end of period balance	$ 7,491	$ 9,900
Line of credit – average daily balance(5)	$ 8,898	$ 7,035
Interest expense	$ 371	$ 198
Interest rate – line of credit(5)	8.0%	5.0%
Provision for (recovery of) loan losses	$ —	$ —
Total operations expense(9)	$ 1,066	$ 948
Net income(9)	$ 1,936	$ 2,040
Percent of average members' capital(6)(7)	5.3%	5.2%
Member distributions	$ 1,772	$ 2,105
Percent of average members' capital(6)(8)	4.9%	5.5%

(1) Eligible redemption requests scheduled but not paid at June 30, 2023 of approximately $2.6 million are carried forward to subsequent quarters until paid. At June 30, 2023, scheduled redemptions of members' capital were approximately $6.2 million. (Scheduled redemptions of members' capital were $1.2 million as of December 31, 2022).
(2) The LTVs use the appraisals at origination of the loans.
(3) Stated note interest rate, weighted daily average (annualized).
(4) Percent of secured loans – average daily balance (annualized).
(5) See Note 5 (Line of Credit) to the financial statements included in Part 1, Item 1 of this report for a presentation of the activity and discussion of the terms and conditions of the credit agreement of 2022.
(6) Percent of members' capital, gross – average daily balance (annualized).
(7) Percent based on the net income available to members (excluding 1% allocated to manager).
(8) Members Distributions is net of O&O expenses allocated to members' accounts during the year.
(9) RMC - at its sole discretion - collected less than the maximum allowable reimbursement of qualifying costs attributable to RMI IX (Costs from RMC on the Statements of Income), which increased the net income, cash available for distribution, and the net-distribution rate. See Note 3 (Manager and Other Related Parties) to the financial statements included in Part 1, Item 1 of this report for a detailed discussion of fees and cost reimbursements to which the manager is entitled.

Key performance indicators as of and for the three months ended June 30 are presented in the following table ($ in thousands).

	2023	2022
Members' capital, gross – end of period balance	$ 70,601	$ 75,620
Members' capital, gross – average daily balance	$ 71,382	$ 76,566
Member redemptions(1)	$ 923	$ 1,449
Secured loans principal – end of period balance	$ 69,976	$ 76,900
Secured loans principal – average daily balance	$ 71,339	$ 75,863
Number of first trust deeds	35	37
Principal – first trust deeds	$ 57,063	$ 64,416
Weighted average LTV – first trust deeds(2)	61.1%	58.3%
Number of second trust deeds	13	14
Principal – second trust deeds	$ 12,913	$ 12,484
Weighted average LTV – second trust deeds(2)	53.6%	41.3%
Interest income	$ 1,747	$ 1,536
Portfolio interest rate(3)	8.9%	8.2%
Effective yield rate(4)	9.8%	8.1%
Line of credit – end of period balance	$ 7,491	$ 9,900
Line of credit – average daily balance(5)	$ 7,911	$ 8,568
Interest expense	$ 172	$ 116
Interest rate – line of credit(5)	8.2%	5.0%
Provision for (recovery of) loan losses	$ —	$ —
Total operations expense(9)	$ 496	$ 411
Net income(9)	$ 1,088	$ 1,024
Percent of average members' capital(6)(7)	6.0%	5.3%
Member distributions	$ 869	$ 1,034
Percent of average members' capital(6)(8)	4.9%	5.4%

(1) Redemption requests scheduled but not paid at June 30, 2023 of approximately 2.6 million are carried forward to subsequent quarters until paid. At June 30, 2023, scheduled redemptions of members' capital were approximately $6.2 million. (Scheduled redemptions of members' capital were $1.2 million as of December 31, 2022).
(2) The LTVs use the appraisals at origination of the loans.
(3) Stated note interest rate, weighted daily average (annualized).
(4) Percent of secured loans – average daily balance (annualized).
(5) See Note 5 (Line of Credit) to the financial statements included in Part 1, Item 1 of this report for a presentation of the activity and discussion of the terms and conditions of the credit agreement of 2022.
(6) Percent of members' capital, gross – average daily balance (annualized).
(7) Percent based on the net income available to members (excluding 1% allocated to manager).
(8) Members Distributions is net of O&O expenses allocated to members' accounts during the year.
(9) RMC - at its sole discretion - collected less than the maximum allowable reimbursement of qualifying costs attributable to RMI IX (Costs from RMC on the Statements of Income), which increased the net income, cash available for distribution, and the net-distribution rate. See Note 3 (Manager and Other Related Parties) to the financial statements included in Part 1, Item 1 of this report for a detailed discussion of fees and cost reimbursements to which the manager is entitled.

Redemptions of members capital

Redemptions of members' capital for the three and six months ended June 30 are presented in the following table ($ in thousands).

Redemptions	Three Months Ended June 30, 2023	Three Months Ended June 30, 2022	Six Months Ended June 30, 2023	Six Months Ended June 30, 2022
Without penalty	$ 920	$ 1,449	$ 1,929	$ 3,265
With penalty	4	—	22	111
Total	$ 924	$ 1,449	$ 1,951	$ 3,376
Early withdrawal penalties	$ —	$ —	$ 1	$ 3

For members' capital redemption requests received in 2023 and ongoing, the manager intends to strictly adhere to the quarterly and annual members' capital redemption limitations as described in the company's Operating Agreement. Pursuant to the Operating Agreement, unless waived by the manager, the company will not redeem in any calendar year more than five percent (5.0%) and in any calendar quarter one and one-quarter percent (1.25%) of the weighted average number of units outstanding in the twelve (12) month period immediately prior to the date of redemption. The manager has no present intention to exercise its discretionary power to waive or modify the enforcement of the annual redemptions limitation in the foreseeable future.

Eligible redemption requests for June 30, 2023 approximated $6.2 million, of which $1.4 million was eligible but unpaid at March 31, 2023, and $4.8 million was from new redemption requests received in the quarter ended March 31, 2023. Pursuant to the 1.25% quarterly limitation, the June 30, 2023 redemption was limited to $924 thousand.

Therefore, eligible but unpaid redemptions at June 30, 2023 were $5.3 million. Additionally, new redemption requests received for the quarter ended June 30, 2023, which are eligible to be paid beginning September 30, 2023 were $4.5 million.

Members' capital redemption requests received in 2022, but not fully paid by December 31, 2022 were approximately $232 thousand, of which $157 thousand were paid at June 30, 2023. The company expects to pay the remaining balance in August 2023.

Secured loans

We have sought to exercise strong discipline in underwriting loan applications and lending against collateral at amounts that create a secured loan portfolio that has substantial protective equity (i.e., property value to outstanding debt) as indicated by the overall weighted average loan-to-value ratio (LTV) which at June 30, 2023 was approximately 55.0% at time of origination. Thus, pursuant to the appraisal-based valuations at the time of loan inception, borrowers have, in the aggregate, equity of 45.0% in the property, and we as a lender have lent in the aggregate 55.0% (including other senior liens on the property, for other than first-lien loans) against the properties we hold as collateral for the repayment of our loans.

Secured loans, principal by LTV and lien position at June 30, 2023 are presented in the following table ($ in thousands). The LTVs shown in this table are updated for any appraisals ordered and received by the manager after origination of the loan.

	Secured loans, principal					
LTV[1]	**First trust deeds**	**Percent**	**Second trust deeds**	**Percent**	**Total principal**	**Percent**
<40%	$ 6,139	8.8%	$ —	0.0%	$ 6,139	8.8%
40-49%	24,234	34.6	3,500	5.0	27,734	39.6
50-59%	7,013	10.0	843	1.2	7,856	11.2
60-69%	16,045	22.9	3,971	5.7	20,016	28.6
Subtotal <70%	53,431	76.3	8,314	11.9	61,745	88.2
70-79%	1,632	2.3	4,599	6.6	6,231	8.9
Subtotal <80%	55,063	78.6	12,913	18.5	67,976	97.1
≥80%[2]	2,000	2.9	—	0.0	2,000	2.9
Total	$ 57,063	81.5%	$ 12,913	18.5%	$ 69,976	100.0%

(1) LTV classifications in the table above are based on the sum of principal, advances and interest unpaid at June 30, 2023.
(2) One loan with principal of approximately $2.0 million has an LTV of 108.18%. The loan agreement was executed by an individual with substantial real estate holdings, experience and financial resources.

Loans with payments in arrears, principal by LTV and lien position at June 30, 2023 are presented in the following table ($ in thousands). The LTVs shown in this table are updated for any appraisals ordered and received by the manager after origination of the loan.

	Secured loans with payments in arrears, principal					
LTV[3]	**First trust deeds**	**Percent[4]**	**Second trust deeds**	**Percent[4]**	**Total principal**	**Percent[4]**
<40%	$ —	0.0%	$ —	0.0%	$ —	0.0%
40-49%	1,500	2.1	—	0.0	1,500	2.1
50-59%	405	0.6	—	0.0	405	0.6
60-69%	2,092	3.0	—	0.0	2,092	3.0
Subtotal <70%	3,997	5.7	—	0.0	3,997	5.7
70-79%	990	1.4	650	0.9	1,640	2.3
Subtotal <80%	4,987	7.1	650	0.9	5,637	8.0
≥80%	—	0.0	—	0.0	—	0.0
Total	$ 4,987	7.1%	$ 650	0.9%	$ 5,637	8.0%

(3) LTV classifications in the table above are based on the sum of principal, advances and interest unpaid at June 30, 2023.
(4) Percent of secured loans principal, end of period balance.

Payments in arrears at June 30, 2023 for non-performing secured loans, (i.e., principal and interest payments past due 30 or more days) totaled approximately $4.3 million of which approximately $4.2 million was principal and approximately $62 thousand was accrued interest. The entire principal in arrears was loans past maturity, all of which were in first lien position.

See Note 4 (Loans) to the financial statements included in Part I, Item 1 of this report for detailed presentations as to the secured loan portfolio, including loan characteristics, scheduled maturities, delinquency and payments in arrears, loans in non-accrual status and the allowance for credit losses.

Performance overview/net income 2023 v. 2022

Net income available to members as a percent of members' capital, gross – average daily balance (annualized) was 5.3% and 5.2% for the six months ended June 30, 2023 and 2022. Net income decreased approximately $104 thousand for the six months ended June 30, 2023 as compared to the same period in 2022 primarily due to an increase in operations expense of approximately $118 thousand, a decrease in late fees and gain on sale of loans of approximately $18 thousand, offset by an increase in net interest income of approximately $32 thousand.

Analysis and discussion of income from operations 2023 v. 2022 (six months ended)

Significant changes to net income for the *six months ended June 30, 2023 and 2022* are summarized in the following table ($ in thousands).

	Net interest income	Provision for (recovery of) loan losses	Operations expense	Net income
Six months ended				
June 30, 2023	$ 2,991	—	1,066	$ 1,936
June 30, 2022	2,959	—	948	2,040
Change	$ 32	—	118	$ (104)
Change				
Decrease secured loans principal - average daily balance	$ (116)	—	(6)	$ (110)
Effective yield rate	321	—	—	321
Decrease members' capital - average daily balance	—	—	(21)	21
Increase in RMI IX capital as a percent of total related mortgage funds capital managed by RMC	—	—	1	(1)
Interest on line of credit	(180)	—	—	(180)
Amortization of debt issuance costs	7	—	—	7
Late fees	—	—	—	(6)
Gain on sale, loans	—	—	—	(12)
Increase in allocable expenses from RMC	—	—	6	(6)
RMC fees/costs reimbursements collected	—	—	(4)	4
Reduced legal services	—	—	(25)	25
Timing of services rendered	—	—	(2)	2
Independent contractors	—	—	148	(148)
Expanded audit services	—	—	18	(18)
Other	—	—	3	(3)
Change	$ 32	—	118	$ (104)

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

Net interest income

Net interest income increased approximately $32 thousand (1.1%) for the six months ended June 30, 2023 compared to the same period in 2022. The increase in net interest income is due to an increase in interest income of approximately $205 thousand (6.5%) due primarily to an increase in portfolio interest rate of 0.6 percent (6.8%), although interest expense increased approximately $173 thousand (87.4%) due to an increase in the line of credit average daily balance of approximately $1.9 million (26.5%) and a rapid increase in interest rates, offset in part by a decrease in amortized issuance costs of $6 thousand (28.6%). The line of credit - average daily balance increased approximately $1.9 million (26.5%) for the six months ended June 30, 2023 compared to the same period in 2022, and the average interest rate on the line of credit increased 3.0 percent (60.8%) over the same period, resulting in an increase of approximately $179 thousand (101.1%) in the interest expenses on the line of credit. See Key performance indicators table included above in Item 2 of this report for specific details of average interest rate on the line of credit.

Provision/allowance for credit losses

In conjunction with the adoption of ASC 326 (CECL), the company recognized a cumulative-effect adjustment to members' and manager's capital of $65 thousand to recognize lifetime expected credit losses for secured loans at December 31, 2022. The limited number of loans and the short terms for which the loans are written enabled the manager to do a loan-by-loan analysis to determine the risk of loss. Beginning in 2023, the analysis is updated quarterly with any change to the expected credit losses recognized in the period. The analysis includes projecting the outstanding principal for loans – individually and in total, by lien position – until maturity to determine the count, amount and weighted average LTV of the loans for future quarter and year ends.

See Note 4 (Loans) to the consolidated financial statements included in Part I, Item 1 of this report for a detailed presentation of allowance for credit losses.

Operations expense

Significant changes to operations expense for the six months ended June 30, 2023 and 2022 are summarized in the following table ($ in thousands).

	Mortgage servicing fees	Asset management fees	Costs from RMC, net	Professional services	Other	Total
Six months ended						
June 30, 2023	$ 91	255	169	545	6	$ 1,066
June 30, 2022	97	276	166	394	15	948
Change	$ (6)	(21)	3	151	(9)	$ 118
Change						
Decrease secured loans principal - average daily balance	$ (6)	—	—	—	—	$ (6)
Decrease members' capital - average daily balance	—	(21)	—	—	—	(21)
Increase in RMI IX capital as a percent of total related mortgage funds capital managed by RMC	—	—	1	—	—	1
Increase in allocable expenses from RMC	—	—	6	—	—	6
RMC fees/costs reimbursements collected	—	—	(4)	—	—	(4)
Reduced legal services	—	—	—	(25)	—	(25)
Timing of services rendered	—	—	—	(2)	—	(2)
Independent contractors	—	—	—	148	—	148
Expanded audit services	—	—	—	18	—	18
Other	—	—	—	12	(9)	3
Change	$ (6)	(21)	3	151	(9)	$ 118

Mortgage servicing fees

The decrease in mortgage servicing fees of approximately $6 thousand for the six months ended June 30, 2023 as compared to the same period in 2022 was due to a decrease in the average daily balance - secured loans of approximately $3.4 million at the annual mortgage servicing fee to RMC of 0.25%.

Asset Management Fees

The decrease in asset management fees of approximately $21 thousand was due to a decrease in the members' capital base at December 31, 2022 compared to December 31, 2021. The decrease in the members' capital base is due in part to increased redemption requests and a decrease in loan payoffs largely attributable to the recent rapid increase in interest rates. The asset management fee is determined based on the prior year end member's capital base which is computed as the then fair value of the company's loans plus working capital reserves less outstanding debt.

Costs from RMC, net

RMC is entitled to request reimbursement for operations expense incurred on behalf of RMI IX, including without limitation, RMC's personnel and non-personnel costs incurred for qualifying business activities, including investor services, accounting, tax and data processing, postage and out-of-pocket general and administration expenses. In the six months ended June 30, 2023, RMC - at its sole discretion - collected less than the maximum allowable reimbursement of qualifying costs attributable to RMI IX (Costs from RMC on the Statements of Income). The reimbursement of costs from RMC waived was approximately $249 thousand and $204 thousand in the six months ended June 30, 2023 and 2022, respectively.

The amount of qualifying costs attributable to RMI IX incurred by RMC was approximately $418 thousand and $370 thousand in six months ended June 30, 2023 and 2022, respectively. The increase was primarily due to an increase in allocable costs period over period.

Professional Services

Professional services consist primarily of information technology, legal, audit and tax compliance, and consulting expenses.

The increase in professional services of approximately $151 thousand for the six months ended June 30, 2023 compared to the same period in 2022 was due to an increase in fees to independent consultants and an increase in audit fees due to expanded audit services related to CECL adoption, offset in part by a decrease in legal fees due to reduced legal services.

Analysis and discussion of income from operations 2023 v. 2022 (three months ended)

Significant changes to net income for the three months ended June 30, 2023 and 2022 are summarized in the following table ($ in thousands).

	Net interest income	Provision for (recovery of) loan losses	Operations expense	Net income
Three months ended				
June 30, 2023	$ 1,575	—	496	$ 1,088
June 30, 2022	1,420	—	411	1,024
Change	$ 155	—	85	$ 64
Change				
Decrease secured loans principal - average daily balance	$ (67)	—	(3)	$ (64)
Effective yield rate	278	—	—	278
Decrease in members' capital - average daily balance	—	—	(10)	10
Increase in RMI IX capital as a percent of total related mortgage funds capital managed by RMC	—	—	2	(2)
Interest on line of credit	(56)	—	—	(56)
Late fees	—	—	—	6
Gain on sale, loans	—	—	—	(12)
Increase in allocable expenses from RMC	—	—	6	(6)
Reduced legal services	—	—	(2)	2
Timing of services rendered	—	—	(11)	11
Independent contractors	—	—	81	(81)
Expanded audit services	—	—	34	(34)
Other	—	—	(12)	12
Change	$ 155	—	85	$ 64

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

Net interest income

Net interest income increased approximately $155 thousand (10.9%) for the three months ended June 30, 2023 compared to the same period in 2022. The decrease in net interest income is due to an increase in interest income of approximately $211 thousand due primarily to an increase in portfolio interest rate of 0.7 percent (8.5%), although interest expense increased $56 thousand (48.3%) due to a rapid increase in interest rates, offset in part by a decrease in the line of credit average daily balance of approximately $657 thousand (7.7%). The line of credit - average daily balance decreased approximately $657 thousand (7.7%) for the three months ended June 30, 2023 compared to the same period in 2022, and the average interest rate on the line of credit increased 3.2 percent (64.6%) over the same period, resulting in an increase of approximately $56 thousand (51.4%) in the interest expenses on the line of credit. See Key performance indicators table included above in Item 2 of this report for specific details of average interest rate on the line of credit.

Provision/allowance for credit losses

In conjunction with the adoption of ASC 326 (CECL), the company recognized a cumulative-effect adjustment to members' and manager's capital of $65 thousand to recognize lifetime expected credit losses for secured loans at December 31, 2022. The limited number of loans and the short terms for which the loans are written enabled the manager to do a loan-by-loan analysis to determine the risk of loss. Beginning in 2023, the analysis is updated quarterly with any change to the expected credit losses recognized in the period. The analysis includes projecting the outstanding principal for loans – individually and in total, by lien position – until maturity to determine the count, amount and weighted average LTV of the loans for future quarter and year ends.

See Note 4 (Loans) to the consolidated financial statements included in Part I, Item 1 of this report for a detailed presentation of allowance for credit losses.

Operations expense

Significant changes to operations expense for the three months ended June 30, 2023 and 2022 are summarized in the following table ($ in thousands).

	Mortgage servicing fees	Asset management fees	Costs from RMC, net	Professional services	Other	Total
Three months ended						
June 30, 2023	$ 44	128	88	234	2	$ 496
June 30, 2022	47	138	80	131	15	411
Change	$ (3)	(10)	8	103	(13)	$ 85
Change						
Decrease secured loans principal - average daily balance	$ (3)	—	—	—	—	$ (3)
Decrease in members' capital - average daily balance	—	(10)	—	—	—	(10)
Increase in RMI IX capital as a percent of total related mortgage funds capital managed by RMC	—	—	2	—	—	2
Increase in allocable expenses from RMC	—	—	6	—	—	6
Reduced legal services	—	—	—	(2)	—	(2)
Timing of services rendered	—	—	—	(11)	—	(11)
Independent contractors	—	—	—	81	—	81
Expanded audit services	—	—	—	34	—	34
Other	—	—	—	1	(13)	(12)
Change	$ (3)	(10)	8	103	(13)	$ 85

Mortgage servicing fees

The decrease in mortgage servicing fees of approximately $3 thousand for the three months ended June 30, 2023 as compared to the same period in 2022 was due to a decrease in the average daily balance - secured loans of approximately $4.5 million at the annual mortgage servicing fee to RMC of 0.25%.

Asset Management Fees

The decrease in asset management fees of approximately $10 thousand was due to a decrease in the members' capital base at December 31, 2022 compared to December 31, 2021. The decrease in the members' capital base is due in part to increased redemption requests and a decrease in loan payoffs largely attributable to the recent rapid increase in interest rates. The asset management fee is determined based on the prior year end member's capital base which is computed as the then fair value of the company's loans plus working capital reserves less outstanding debt.

Costs from RMC, net

RMC is entitled to request reimbursement for operations expense incurred on behalf of RMI IX, including without limitation, RMC's personnel and non-personnel costs incurred for qualifying business activities, including investor services, accounting, tax and data processing, postage and out-of-pocket general and administration expenses. In the three months ended June 30, 2023, RMC - at its sole discretion - collected less than the maximum allowable reimbursement of qualifying costs attributable to RMI IX (Costs from RMC on the Statements of Income). The reimbursement of costs from RMC waived was approximately $118 thousand and $103 thousand in the three months ended June 30, 2023 and 2022, respectively.

The amount of qualifying costs attributable to RMI IX incurred by RMC was approximately $206 thousand and $183 thousand in the three months ended June 30, 2023 and 2022, respectively. The increase was primarily due to an increase in allocable costs period over period.

Professional Services

Professional services consist primarily of information technology, legal, audit and tax compliance, and consulting expenses.

The increase in professional services of approximately $103 thousand for the three months ended June 30, 2023 compared to the same period in 2022 was due to an increase in fees to independent consultants and an increase in audit fees due to expanded audit services related to CECL adoption, offset in part by timing difference of services rendered.

Cash flows and liquidity

Cash flows by business activity for the six months ended June 30, 2023 and 2022 are presented in the following table ($ in thousands).

	2023	2022
Members' capital		
Earnings distributed to members, net of DRIP	$ (960)	$ (1,092)
Redemptions, net	(1,950)	(3,373)
O&O expenses repaid by RMC	28	58
Early withdrawal penalties	(1)	(3)
Cash – members' capital, net	(2,883)	(4,410)
Borrowings		
Line of credit borrowings (payments), net	(2,409)	1,420
Interest paid	(365)	(179)
Debt issuance costs paid	—	(57)
Cash – borrowings, net	(2,774)	1,184
Cash – members' capital and borrowings, net	(5,657)	(3,226)
Loan principal/advances/interest		
Loans funded & advances, net	(18,003)	(12,189)
Principal collected	22,097	16,459
Loans transferred from related mortgage funds	(3,393)	(996)
Loans transferred to related mortgage fund	857	—
Loans sold to non-affiliate	—	984
Interest received, net	3,553	2,872
Late fees	88	3
Promissory note funded to related party	(3,300)	(1,000)
Promissory note repaid by related party	—	1,000
Cash – loans, net	1,899	7,133
Formation loan collected	104	174
Operations expense	(1,270)	(971)
Net change in cash	$ (4,924)	$ 3,110
Cash, end of period	$ 131	$ 4,143

Borrowings

See Note 5 (Line of Credit) to the financial statements included in Part I, Item 1 of this report for a detailed presentation of the activity and discussion on the terms and provisions of the credit agreement of 2022, which presentation is incorporated by this reference into this Item 2.

Liquidity and capital resources

The ongoing sources of funds are the proceeds from:

- loan payoffs;
- borrowers' monthly principal and interest payments;
- line of credit advances;
- loan sales to unaffiliated third parties;
- payments from RMC on the outstanding balance of the formation loan; and
- sale of units to members participating in the dividend reinvestment plan.

The company's cash balances are maintained at levels sufficient to support on-going operations and satisfy obligations, without reducing loan fundings or suspending distributions or redemptions, although these options are available if future circumstances warrant. The manager will continue to utilize line of credit advances, loan assignments to related mortgage funds and loan sales to unaffiliated third parties to maintain liquidity of the company, while striving to fully deploy capital available to lend. In addition, effective March 31, 2023, the manager intends to strictly adhere to the quarterly and annual members' capital redemption limitations as described in the company's Operating Agreement.

The manager believes these sources of funds will provide sufficient funds to adequately meet our obligations beyond the next twelve months.

Contractual obligations and commitments

At June 30, 2023, the company had no construction or rehabilitation loans outstanding, no loan commitments pending, and no off-balance sheet arrangements as such arrangements are not permitted by the Operating Agreement. Note 3 (Manager and Other Related Parties) to the financial statements included in Part I, Item 1 of this report presents detailed discussion of the company's contractual obligations to RMC.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not included because the company is a smaller reporting company.

Item 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

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

As a limited liability company, RMI IX does not have a board of directors, nor, therefore, do we have an audit committee of the board of directors. Thus, there is no conventional 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, and review and oversight of the work of our independent public accountants; and
- establishing and maintaining internal controls over our financial reporting.

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 Exchange Act) as of and for the period covered by this report. Based upon that evaluation, RMC's principal executive officer/principal financial officer concluded, as of the end of such period, that the manager's disclosure controls and procedures were effective in recording, processing, summarizing and reporting, on a timely basis, information required to be disclosed by us in our reports that we file or submit under the Exchange Act.

Changes to Internal Control Over Financial Reporting

There have not been any changes in internal control over financial reporting (as such term is defined in Rule 13a-15(f) under the Exchange Act) that occurred during the three months ended June 30, 2023 that have materially affected, or are reasonably likely to materially affect, the manager's or company's internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings

As of June 30, 2023, the company is not involved in any legal proceedings or governmental proceedings other than those that would be considered part of the normal course of business. 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, in and of themselves, typically would be of any material financial impact to the company (i.e., exceeding ten percent of the company's consolidated current assets).

Item 1A. Risk Factors

We are a smaller reporting company as defined by Rule 12b-2 of the Exchange Act and are not required to provide the information under this item.

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 May 9, 2019, the company filed a Registration Statement on Form S-3 with the SEC (SEC File No. 333-231333) to offer up to 15,000,000 units ($15,000,000) to members of record as of April 30, 2019 that had previously elected to participate in the DRIP or that elect to participate in the DRIP in those states in which regulatory approval has been obtained. The Registration Statement on Form S-3 became effective on May 9, 2019.

As of June 30, 2023, the gross proceeds from sales of units to our members under our DRIP pursuant to the May 9, 2019 Form S-3 Registration Statement (after May 9, 2019) was approximately $8.9 million, which proceeds are used for general corporate operations.

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.

Item 3. Defaults Upon Senior Securities

There has been no material default in the payment of principal, interest, a sinking or purchase fund installment, or any other material default not cured within thirty (30) days relating to indebtedness of the company.

Item 4. Mine Safety Disclosures

Not Applicable.

Item 5. Other Information

None.

Item 6. Exhibits

Exhibit No.	Description of Exhibits
10.1	First Loan Modification Agreement dated as of March 4, 2022 (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K dated as of March 11, 2022, (File No. 000-55601) incorporated herein by reference.)
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	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101)

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: August 21, 2023

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

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

Exhibit 31.1

PRESIDENT'S CERTIFICATION

I, Michael R. Burwell, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Redwood Mortgage Investors IX, LLC, a Delaware limited liability company (the "Registrant");

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

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

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

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

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

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

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

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

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

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

/s/ Michael R. Burwell

Michael R. Burwell, President,
(principal executive officer and principal financial officer)
Redwood Mortgage Corp.,
Manager
August 21, 2023

Exhibit 32.1

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

In connection with the Quarterly Report of Redwood Mortgage Investors IX, LLC (the “company”) on Form 10-Q for the period ended June 30, 2023 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), pursuant to 18 U.S.C. (S) 1350, as adopted pursuant to (S) 906 of the Sarbanes-Oxley Act of 2002, I, Michael R. Burwell, certify that to the best of my knowledge:

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

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

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

/s/ Michael R. Burwell

Michael R. Burwell, President,
(principal executive officer and principal financial officer)
Redwood Mortgage Corp.,
Manager
August 21, 2023