

**ADMINISTRATIVE GUIDELINES FOR FINANCIAL QUALIFICATIONS  
UNITED AND THIRD LAGUNA HILLS MUTUALS**

Revised September 17, 2007

Adopted by Resolutions:

United Laguna Hills Mutual - 01-07-60

Third Laguna Hills Mutual – 03-05-17

Prospective buyers of manors in United and Third Laguna Hills Mutual are required to meet minimum financial requirements for membership as set forth below. All income and assets claimed must be verified by presenting documentation acceptable to the Mutual Board of Directors. The respective Boards of Directors shall approve the qualifications only for their own Mutual.

All applicants shall submit the most recent year's Federal income tax return, signed and dated, including Schedules A and B, in addition to other verification documents. If income is derived from an owned business, the appropriate business tax schedules and a profit and loss statement is also required.

Letters of asset and income verification will be accepted only from bankers with first-hand knowledge of the applicant's finances. Letters from employers, CPA's, enrolled agents, investment counselors or attorneys are not acceptable.

Where there is more than one buyer, income and assets can be calculated collectively.

If a buyer is presently a member in United or Third Laguna Hills Mutual, he/she will not be required to provide verification of financial qualifications for a new purchase in the same mutual provided:

- a. The buyer is selling his present manor and is in escrow; and
- b. The person(s) in whose name(s) title will be held for the manor being purchased is (are) identical to the person(s) in whose name(s) title is held for the present manor.

Guarantor's assurances cannot be transferred. A buyer will be required to obtain a new guarantor's qualification, if needed.

A buyer with special financial circumstances may be considered for membership by action of the board of directors.

**ASSET REQUIREMENT**

The following requirement shall apply to United Laguna Hills Mutual.

The prospective buyer of a manor shall submit satisfactory verification of assets equal to the purchase price of the manor plus \$100,000.

The following requirement shall apply to Third Laguna Hills Mutual

The prospective buyer of a manor shall submit satisfactory verification of assets equal to the purchase price of the manor plus \$125,000

Acceptable assets will be those that are considered to be liquid, marketable or income producing. Examples of acceptable assets include:

- Equity in residential property
- Savings accounts in banks and credit unions
- Cash value life insurance
- Certificates of deposit, money market accounts
- IRA, SEP, 401(k) and Keogh accounts
- US, state or municipal government bonds - valued at current market prices
- American traded investments, (NYSE, Amex, OTC, NASDAQ, etc.) valued at current market prices
- Mortgages and promissory notes, provided that interest is reported on the buyer's tax return
- Equity in income real estate

Excluded from consideration are the following:

- Mobile Homes
- Recreational vehicles, boats and trailers
- Vacant land
- Automobiles
- Artwork, jewelry, furs and collections such as coins, dolls, stamps and other similar items
- Term life insurance
- Annuity funds, which cannot be withdrawn in lump sum
- Anticipated bequests or inheritances
- Promissory Notes whose income is not reported on the buyer's tax return

## **INCOME REQUIREMENTS**

The following requirement shall apply to United Laguna Hills Mutual.

Prospective members must provide satisfactory verification of income of at least \$36,000 per year at the time of purchase.

The following requirement shall apply to Third Laguna Hills Mutual.

Prospective members must provide satisfactory verification of income of at least \$42,000 per year at the time of purchase.

1. Acceptable verifications include:

- The most recent Federal Tax returns
- W - 2 Forms or paycheck stubs
- Bank, credit union or investment account statements
- Letters from bankers
- Notices of annuities and Social Security payments

2. Unacceptable income verifications include:

- Letters from employers, accountants, bookkeepers and attorneys
- Income not reported on Federal income tax returns

## **GUARANTORS**

The Mutual will permit the buyer who does not meet the financial requirements to have a Guarantor. The guarantor in Third Mutual shall provide satisfactory verification of annual income of at least \$72,000, and marketable or income producing assets of at least \$200,000, plus the manor purchase price. The guarantor in United Mutual shall provide satisfactory verification of annual income of at least \$90,000 and marketable or income producing assets of at least \$250,000, plus the manor purchase price.

## **FINANCIAL QUALIFICATION WAIVERS AND RECIPROCITY**

Members who purchase a **replacement** manor do not have to re-qualify financially for membership, if there is no change to the membership vesting and the previous manor is already in escrow.

Current members of one Mutual who wish to purchase in another Mutual are required to meet the financial requirements of the Mutual in which they are purchasing.

A former member may obtain a waiver of financial qualifications if the replacement manor is purchased within 90 days of the closing of the sale of the previously owned manor, and vesting in the new manor is exactly the same as the vesting in the manor previously owned. **This waiver shall not apply to persons buying an additional manor.**

The board will *consider* waiving financial requirements if the applicant obtains secondary financing from a financial institution of at least 50% and not more than 90% of the purchase price. It is recommended that any applicant that does not meet the minimum financial requirement consider submitting the application with a financial guarantor.

## **SPECIAL CIRCUMSTANCES**

Both United and Third Mutual Boards of Directors will give appropriate, special consideration to prospective members whose financial qualifications have special merit, e.g., minimal assets but large income, or vice versa.

## **OWNERSHIP OF MULTIPLE MEMBERSHIPS**

United Laguna Hills Mutual does not permit ownership of more than one (1) cooperative membership, except under very limited and specific circumstances.

### **Income Requirement – Third Mutual Multiple Units**

The buyer must provide verification of income equal to the basic requirement (\$42,000), plus an additional \$21,000 for each additional membership: (1) \$42,000 (2) \$63,000 (3) \$84,000.

### **Asset Requirement – Third Mutual Multiple Units**

The buyer must provide verification of assets equal to the total purchase prices, plus \$125,000. For example: Purchase price manor (1) \$100,000; purchase price manor (2) \$100,000 plus \$125,000 equals an asset requirement of \$325,000.