



## **Guidelines for Financial Qualifications**

Resolution 03-24-77

Adopted July 16, 2024

The governing documents of Third Laguna Hills Mutual (“Mutual”) require each person seeking to acquire an ownership interest in a unit (“Applicant”) to obtain the **PRIOR** written approval of the Mutual’s Board of Directors (“Board”) before doing so. As a condition to obtaining such approval, each Applicant must provide to the Board documentation that conclusively establishes that Applicant satisfies certain financial requirements as set forth in the Mutual’s governing documents (“Application”). For the purposes of determining whether an Application will be approved or denied, the Board has adopted these Guidelines for Financial Qualifications (“Guidelines”), which shall remain in effect until such time as these Guidelines may be changed, modified, or amended by a duly adopted Board resolution.

### **I. General Application Requirements.**

- a. As a condition of approval, each Applicant must submit to the Mutual an Application with all of the following documentation provided in a form satisfactory to the Board:
  1. A federal income tax return for the most recent year that is signed, dated, and includes Schedules A, B and E, as applicable, as well as any other financial verification documents requested by the Board. By way of example, but without limitation, other verification documents may be required if any Applicant derives income from a business owned by the Applicant (personally or through a legal entity), in which case the applicable business tax schedule and profit and loss statement may also be required.
  2. Net worth verification pursuant to Section II of these Guidelines.
  3. Income verification pursuant to Section III of these Guidelines.
  4. A completed Financial Statement and Credit Information form.
  5. Verification of the Applicant’s identity, which must be a natural person, or a designated individual acting on behalf of a corporation, LLC or Trust.
  6. If the Applicant desires to have a Guarantor to enable the Applicant to Qualify to purchase a unit (as defined below), all documents required pursuant to Section IV of these Guidelines shall also apply to the Guarantor.
  7. If the Applicant desires to purchase more than one (1) unit or already owns at least one (1) unit at the Mutual, all documents required pursuant to Section V of these Guidelines shall be required for each unit application.
- b. The Board may deny any Application that does not include all of the documentation required herein, in a form consistent with these Guidelines and satisfactory to the Board, except as otherwise required by law.
- c. Any Application (including, without limitation, any document submitted in connection with said Application) that contains false or misleading information will be denied. If an

Application was approved and it is later determined that such Application contained false or misleading information and if escrow had not closed by the time such discovery was made the Board may immediately withdraw its approval without the Mutual suffering any liability whatsoever. If escrow, as referenced immediately above, has already closed when the discovery of the false and misleading documentation is discovered, the Applicant will be deemed an owner, not in good standing and will, after a noticed hearing before the Board, be denied the owner's amenity rights, held by an owner in the Mutual, unless such rights are suspended by the Board of Directors.

- d. Notwithstanding anything to the contrary contained herein, if more than one (1) Applicant will acquire an ownership interest or reside in any single unit, such Applicants' income and net worth may, in the Board's sole reasonable discretion, be calculated collectively.

## **II. Net Worth Requirements.**

- a. As a condition of approval, each Applicant shall submit satisfactory verification of net worth that is greater than or equal to the sum of the purchase price of the unit plus two hundred thousand dollars (\$200,000) in acceptable assets. NOTE: Applicants owning other properties having mortgage obligations shall provide satisfactory evidence of additional assets sufficient to offset the total mortgage balance(s).
- b. When computing net worth for the purposes of this Section, acceptable assets shall be limited to those assets that are considered, in the Board's sole discretion, to be liquid, marketable or income producing. Examples of acceptable assets include, without limitation, the following:
  1. Equity in U.S. residential and income real estate.
  2. Savings accounts in U.S. banks and U.S. credit unions.
  3. Cash value life insurance.
  4. Certificates of deposit and money market accounts.
  5. IRA, SEP, 401(k), Profit Sharing and Keogh accounts.
  6. Federal, state, or municipal government bonds.
  7. U.S. traded investments (e.g., NYSE, Amex, OTC, Nasdaq, etc.) valued at current market prices.
  8. Mortgages and promissory notes; provided that the interest in such mortgages or promissory notes is reported on the Applicant's tax return.
- c. When computing net worth for the purposes of this Section, acceptable assets will not include, without limitation, the following:
  1. Equity in mobile homes, recreational vehicles, boats, trailers, airplanes, automobiles, or other vehicles of any kind.
  2. Vacant or undeveloped real estate.
  3. Artwork, jewelry, or other collectibles (e.g., coins, dolls, stamps, etc.).
  4. Term life insurance.

5. Annuity funds that cannot be withdrawn in lump sum.
6. Anticipated bequests, devises or inheritances.
7. Mortgages and promissory notes where the interest in such mortgages or promissory notes is not reported on the Applicant's tax return.

### III. Income Requirements.

- a. As a condition of approval, each Applicant shall submit satisfactory verification of annual income that is greater than or equal to the sum of the total of the unit's annual mortgage payment plus sixty thousand dollars (\$60,000) per year.
- b. Traditional retirement account assets (e.g., 401K, ERISA, IRA, Profit Sharing, etc.) will be considered as a source of annual income in accordance with this subsection. For the purposes of the income verification requirement pursuant to subsection (a) above, the portion of an Applicant's traditional retirement account assets attributable to said Applicant's annual income shall be deemed to be the greater of the following:
  1. The mandatory annual distributions for the Applicant's retirement accounts; or
  2. The total amount of the Applicant's retirement accounts *multiplied* by eighty percent (80%), and then *dividing* this product by twenty-five (25) years, as follows:
$$\text{Attributable Income} = (\text{Total Retirement Account Assets} \times 80\%) \div 25$$
- c. Examples of acceptable income verifications include, without limitation, the following:
  1. Federal tax returns from the most recent year.
  2. W-2 forms or paycheck stubs.
  3. Bank, credit union, or investment account statements.
  4. Letters from bankers with verifiable first-hand knowledge of the Applicant's finances.
  5. Notices of annuities and social security payments.
  6. Credit reports.
- d. Examples of unacceptable income verifications include, without limitation, the following:
  1. Letters from employers, accountants, enrolled agents, investment counselors, or attorneys.
  2. Any income not reported on federal income tax returns.

### IV. Guarantors.

- a. In the event any Applicant is unable to satisfy the financial requirements set forth in the Mutual's governing documents (including, without limitation, these Guidelines), the Board may permit said Applicant to have a financial guarantor in accordance with this Section IV ("Guarantor").

- b. Each Applicant supported by a Guarantor shall submit proof that their primary residence is located in California, USA and satisfactory verification of a net worth of at least two hundred thousand dollars (\$200,000) in acceptable assets, notwithstanding the requirements of Section II and Section III of these Guidelines.
- c. Each Guarantor shall enter into an agreement with the Mutual to become financially responsible, jointly and severally, for all expenses associated with the Applicant's ownership, residency and/or membership at the Mutual ("Assessment/Charges Guarantor Obligation Form"). A Assessment/Charges Guarantor Obligation Form is attached hereto as Exhibit "A" and incorporated in its entirety herein by this reference as if fully set forth in these Guidelines.
- d. Each Guarantor shall submit all of the following documentation in a form satisfactory to the Board:
  - 1. A fully executed and completed Assessment/Charges Guarantor Obligation Form.
  - 2. Proof that the Guarantor's primary residence is located in California, USA.
  - 3. Verification of net worth equal to the sum of the purchase price of the unit plus three hundred forty thousand dollars (\$340,000) in acceptable assets.
  - 4. Verification that the Guarantor's annual income is greater than or equal to the sum of the total of the unit's annual mortgage payment plus one hundred eighty-two thousand dollars (\$182,000) per year.
  - 5. A credit report.
- e. The Board may withhold its approval of any Guarantor for, without limitation, any the following reasons:
  - 1. A Guarantor or Applicant fails to provide all of the documentation as required by subsection (d), above, in a form consistent with these Guidelines and satisfactory to the Board.
  - 2. A Guarantor is subject to a bankruptcy proceeding that is pending or has not been discharged.
  - 3. Any foreclosure or short sale of any property owned by the Guarantor.
  - 4. Any outstanding balances, collection accounts, or judgments owed by the Guarantor.
  - 5. A Guarantor's credit score is lower than 680.
  - 6. A Guarantor resides in a primary residence outside of the State of California.
  - 7. A Guarantor's bank is located outside of the State of California.
  - 8. A Guarantor already guarantees (1) one or more units within Laguna Woods Village.
  - 9. A Guarantor provides any false or misleading information to the Board.
  - 10. Any other reasonable grounds that call into question a Guarantor's financial ability

or fitness to serve in this capacity on an Applicant's behalf.

- f. Each Guarantor's assurances shall only apply to the Applicant(s) and unit expressly identified on the Assessment/Charges Guarantor Obligation Form. No Guarantor's assurances may be transferred to any other Applicant or unit.

**V. Multiple Units.** As a condition of approval, any Applicant who desires to purchase more than one (1) unit or already owns at least one (1) unit at Third Laguna Hills Mutual, Laguna Woods Mutual No. Fifty or United Laguna Woods Mutual shall submit satisfactory verification of annual income and net worth requirements pursuant to this Section V.

- a. **Net Worth Requirements.** The Applicant shall submit satisfactory verification of net worth that is greater than or equal to the *sum* of the purchase price for each unit *plus* two hundred thousand dollars (\$200,000) in acceptable assets per unit, as follows:

Unit 1: purchase price for Unit 1 + \$200,00

Unit 2: purchase price for Unit 1 + \$200,000 +  
purchase price for Unit 2 + \$200,000

Unit 3: purchase price for Unit 1 + \$200,000 +  
purchase price for Unit 2 + \$200,000 +  
purchase price for Unit 3 + \$200,000

- b. **Income Requirements.** The Applicant shall submit satisfactory verification of annual income as follows:

1. Annual Income that is greater than or equal to the *sum* of the following: the total of the first unit's annual mortgage payment *plus* sixty thousand dollars (\$60,000) per year *plus* the total of the second unit's annual mortgage payment *plus* sixty thousand dollars (\$60,000) per year *plus* an additional thirty thousand dollars (\$30,000).

2. For each additional unit, the annual income requirement shall be calculated consistent with subsection (b)(1), above – that is, the additional unit's annual mortgage payment *plus* an additional thirty thousand dollars (\$30,000) over the previous annual income requirement, as follows:

Unit 1: annual mortgage payment + \$60,000

Unit 2: annual mortgage payment on Unit 1 + \$60,000 +  
annual mortgage payment on Unit 2 + \$60,000 + \$30,000

Unit 3: annual mortgage payment on Unit 1 + \$60,000 +  
annual mortgage payment on Unit 2 + \$60,000 + \$30,000  
annual mortgage payment on Unit 2 + \$60,000 + \$30,000 + \$30,000

**EXHIBIT "A"**

**THIRD LAGUNA HILLS MUTUAL  
A California Non-Profit Mutual Benefit Corporation  
(the "Mutual")**

**ASSESSMENT/CHARGES GUARANTOR OBLIGATION FORM**

**A. The Parties**

Owner(s): \_\_\_\_\_ (collectively, the  
"Owner") Property Address: \_\_\_\_\_ (the "Property")  
Guarantor: \_\_\_\_\_ ("Guarantor")

**B. Guarantee Payment.** Guarantor hereby guarantees unconditionally to the Mutual and the Mutual's agents as follows:

- a. Guarantor guarantees unconditionally to be jointly and severally responsible for/liable for all Charges related and charged to the Owner's assessment account.
- b. Guarantor guarantees unconditionally to promptly pay for all HOA assessments, regular or special, compliance assessments, reimbursable assessments, chargeable services etc., late charges, interest, costs, trustee fees, attorney fees, or any other amount charged by the Mutual to the HOA assessment account for the Property, including fines, after a noticed hearing before the Board, reimbursement assessments, special assessments, chargeable services etc. (collectively, the "Charges".)

**C. Waiver of Right to Demand Enforcement.** Because the Guarantor is jointly and severally liable for the Charges, Guarantor guarantees unconditionally to waive any right to require the Mutual or the Mutual's agents to proceed against the Owner for any default occurring under the Governing Documents before seeking to enforce this Assessment/Charges Guarantor Obligation Form.

**D. Broad Interpretation.** This Assessment/Charges Guarantor Obligation Form shall be construed as a general, absolute, and unconditional Guaranty of payment and shall continue in perpetuity and said guarantees shall apply to all amounts charged by the Mutual to the Owner's account during the time which the Owner is a title/record owner of the Property. If any of the provisions of this Assessment/Charges Guarantor Obligation Form shall be determined to be invalid or unenforceable under applicable law, such provision shall, insofar as possible, be construed or applied in such manner as will permit enforcement.

**E. Enforcement.**

- a. The Mutual may enforce this Assessment/Charges Guarantor Obligation Form without being obligated to resort first to any security or any other remedy against the Owner, and Guarantor hereby waives any notice of default and/or any right to cure same and there shall be no presentment or dishonor hereunder.
- b. This Assessment/Charges Guarantor Obligation Form is general and shall inure to, and may be relied upon and enforced by, any successor or assign of the Mutual.

- c. This Assessment/Charges Guarantor Obligation Form shall be governed by the laws of the State of California and the parties specifically agree that any legal action brought under this Assessment/Charges Guarantor Obligation Form or any underlying lease shall be brought only in Orange County, California, which Court is agreed to have jurisdiction over the parties.
- d. The Parties waive the right to a jury trial in any such legal action.
- e. If the Guarantor breaches this Assessment/Charges Guarantor Obligation Form, the Mutual shall be entitled to a full award of attorney fees, costs and expenses relative to any enforcement efforts taken, including any litigation pursued to enforce this Assessment/Charges Guarantor Obligation Form. Guarantor agrees to pay the Mutual's actual attorney fees, costs, and expenses in the enforcement of the Governing Documents and this Assessment/Charges Guarantor Obligation Form, whether before the lawsuit/proceeding is filed, after the lawsuit/proceeding is filed, or in any and all trial and appellate tribunals, whether suit be brought or not, if, after default, counsel shall be employed by the Mutual.
- f. All amounts due to the Mutual hereunder shall bear interest at the highest rate allowed by law from the date of default.

**F. Modification.** Alteration, Modification or Revocation of this Assessment/Charges Guarantor Obligation Form is not permitted unless otherwise agreed to and signed by the Parties in writing.

**G. No Strict Performance Required.** Failure of the Mutual to insist upon strict performance or observance of any of the terms of the Governing Documents or to exercise any right held by the Mutual will not diminish the enforceability of this Assessment/Charges Guarantor Obligation Form. Guarantor agrees that the foregoing obligations shall in no way be terminated, affected, or impaired by reason of any action which the Mutual may take, or fail to take against the Owner, or by reason of any waiver of, or failure to enforce, any of the rights or remedies to the Mutual in the Governing Documents and all amendments thereto.

**H. Binding on Successors.** The obligations of Guarantor shall be binding upon Guarantor and his/her/their successors and assigns.

**I. Effective Immediately Upon Signature.** Guarantor fully understands this Assessment/Charges Guarantor Obligation Form is neither a reference, credit check, nor application, that the Mutual has relied on Guarantor's representations and warranties contained herein and it is fully effective upon Guarantor's signature.



## **RESOLUTION 03-24-77**

### Revised Guidelines for Financial Qualifications

**WHEREAS**, Third Laguna Hills Mutual (Third) is formed to manage, operate and maintain housing at Laguna Woods Village; and

**WHEREAS**, Third desires to protect the financial integrity of the Corporation; and

**WHEREAS**, Third has expressed the need to revise its Guidelines for Financial Qualifications by increasing the minimum net worth and minimum annual income requirements in light of inflationary pressures;

**NOW, THEREFORE BE IT RESOLVED**, July 16, 2024, the Board of Directors of this Corporation hereby amends its Guidelines for Financial Qualifications by increasing the minimum net worth and minimum annual income requirements, as attached to the official minutes of this meeting; and

**RESOLVED FURTHER**, that said adjustments shall be effective January 1, 2025; and

**RESOLVED FURTHER**, that Resolution 03-22-80, adopted July 19, 2022, is hereby superseded and canceled; and

**RESOLVED FURTHER**, that the officers and agents of this Corporation are hereby authorized on behalf of this corporation to carry out the purpose of this resolution.