



Laguna Woods Village®

MAY 3, 2023 SPRING REAL ESTATE FORUM QUESTIONS SUBMITTED BY REALTORS

GENERAL/OTHER

- 1. For Sale/For Lease sign policy: We are seeing many more noncompliant realtor signs in the Village. Many Laguna Woods Village realtors went to great expense to redo all their signs when the updated orange signs became a requirement. It does not appear to be enforced anymore based on the number of noncompliant signs being used throughout the Village.**
Real estate sign policies are being enforced; however, it may be a challenge to catch all signs that are not compliant. If you see a nonstandard sign, please notify Security at 949-580-1400.
- 2. Issues with realtors who live in the Village telling residents that only they can serve them.**
This is incorrect. However, all potential clients/sellers/buyers must educate themselves about the resale process and avoid misinformation.
- 3. Can we get accountability for owners who become landlords to not be slumlords?**
No association rules apply here. Tenants should not enter into contracts if the premises and/or the terms and conditions of the written agreement are unacceptable.
- 4. I know the number of leased homes in Laguna Woods Village can't exceed 30%. Can the Resales Division provide timely updates of the current percent leased?**
Staff is exploring the possibility of posting the lease activity percentages to the community website weekly.
- 5. Can we have some sort of system for realtors to be able to call in just a few people each weekend for open houses? It is not always easy to go back and forth to the gate, especially for furnished homes. If clients mention at the gate they are going to an "open house," the gate guard will sometimes still make us come to get them even if the owner has called them in.**
A new process is being implemented that will enable potential buyers to notify the gate attendant that he/she/they want(s) to visit an open house. The potential buyer should have the property address and the agent/brokerage name, and present a valid driver's license. The potential buyer will be given a short form to complete and will be granted access.
- 6. Are roommates allowed?**
United Laguna Woods Mutual and Third Laguna Hills Mutual allow co-occupancy with an owner/member so long as no landlord-tenant relationship existed. Now, with the passage of Civil Code § 4739, United and Third are reviewing revised policies and applications that permit an owner who resides in his/her/their unit to collect rent from a co-occupant. We anticipate Third Mutual will implement a policy on or about July 18. United Mutual should have its policy in place later in the year.

7. How is the fee calculated for lost stock certificates in United?

The acquisition of a lost instrument bond is handled by a third-party insurance/bond company. Historically, the premium for a lost instrument bond has never been more than 1.8% of the current market value.

8. Do you have a complete explanation of how taxes are calculated in United upon a sale, specifically how is the supplemental tax portion handled?

Staff anticipates inviting a panelist to speak at the October real estate forum on this matter.

9. When can we begin to have regularly scheduled real estate forums?

We began real estate forums in 2023 and will continue with these events in 2024.

10. Is it possible to notify the local escrow offices of important HOA membership changes as they occur?

Yes; staff is working harder to improve communications and may revisit posting regular bulletins on the community website.

11. Financial qualifications/assets: If you own a \$500,000 home outside the community, and owe \$200,000, why is the available equity only \$100,000 and not \$300,000 to purchase a unit in the community?

There may be a misunderstanding here. Staff would calculate \$300,000 equity in your scenario. In order to avoid any future misunderstanding, please email resalesrequirements@vmsinc.org for additional details.

12. VMS charges an additional \$2/person from clubs serving dinners at their meetings.

This is a facility fee for the caterer, who is using kitchen facilities and equipment to prepare a meal for the club or private party. The facility fee is charged for the use of GRF's facilities, equipment and utilities. Caterers sign an agreement acknowledging this fee.

13. Why are stepping stones required to be removed?

The mutuals have adopted landscaping policies that require stepping stone installation to be approved by the mutuals' boards of directors through a variance request prior to installation. No unauthorized/hazardous walkways or other avenues of pedestrian traffic may be installed, either through the placement of stepping stones or otherwise, that may interfere with community landscaping maintenance operations or may pose a threat to the health, safety or well-being of residents, guests or employees. The existence of stepping stones under these conditions is prohibited, and they will be removed. A member wishing to install stepping stones must fill out the required landscape request form and submit it to Resident Services (residentservices@vmsinc.org; 949-597-4600).

14. Let's correct unnecessary waste, as we find it not practical.

VMS strives to continually enhance processes, including reducing and eliminating waste wherever possible.

- 15. Board questions/garage door fronts: I understand there was a massive garage door change out many, many years ago (before I moved here ... 2023). All of a sudden they are asking for ATF (after the fact) permits for the door changeout at time of sale. Somebody should check those records from eons ago.**

Garage doors are addressed on a case-by-case basis. If the door is verified that it qualifies as "grandfathered," then it will be grandfathered. If it is verified that the seller and listing agent tried to circumvent the Manor Alterations approval procedure, both the seller and listing agent will be liable for a fee after the fact.

- 16. What does "At the board's discretion" actually mean?**

Per the definition of discretionary/discretion, it means "the right to decide something based on one's own judgment." In this case, it's the board's judgement.

GRF TRUST FACILITIES FEE

- 1. Please break down the current \$7,500 fee. What is it used for? Is it just a moneymaker for GRF?**

The trust facilities fee is used for GRF operating requirements to maintain the amenities that make Laguna Woods Village unique.

- 2. Please review the \$7,500 GRF fee rules when a buyer is making a second purchase or selling one property and buying another replacement. There is conflicting information about when this fee can be waived for an existing owner.**

If a buyer is purchasing a second property, the GRF fee is due and payable. However, this fee is waived for those who are purchasing a replacement property if the sale and new purchase are coordinated and the first property has been owned for at least two years.

- 3. We have confused sellers regarding whether the GRF facility fee is payable again if they sell and purchase a new home. Several buyers may not have purchased their dream home during COVID and may be selling and repurchasing. The resolution seems to say it is waived if two years of residency are established, but we are now being told that is not true.**

If a buyer is purchasing a second property, the GRF fee is due and payable. However, this fee is waived for those who are purchasing a replacement property if the sale and new purchase are coordinated and the first property has been owned for at least two years.

INSURANCE/LOANS

- 1. Due to the recent disclosure that the condos in Laguna Woods Village are underinsured by about \$1 billion. What is being done to remedy that, and how will it impact the HOA? fees?**

The insurance industry, like the real estate industry, has cycles. The boards of each corporation are researching options, seeking expert opinions as to the maximum probable loss coverage and are considering purchasing insurance together to benefit from economies of scale. The issue is not unique to Laguna Woods Village and is adversely affecting real estate sales across the nation.

2. If you have any recent information about how the communities are dealing with the “lack of coverage” issue with Fannie Mae, it would be appreciated.

Nonwarrantable loans are being made to complete condominium purchases. The insurance industry, like the real estate industry, has cycles. The issue is not unique to Laguna Woods Village and is adversely affecting real estate sales across the nation.

3. Could you speak about the insurance coverage for the condos and co-ops?

VMS Risk Manager Dan Yost made a presentation at the Spring Real Estate Forum about the property insurance coverage for the community and the need for residents to secure additional coverage for the interior of their unit.

4. Are VA loans available in Third Mutual?

Yes, to the best of our knowledge VA loans are still available in Third Mutual.

5. What type of loans are available in Third Mutual?

Nonwarrantable loans are available as well as private investor reverse mortgages.

6. Is there any progress in loans for stock cooperatives?

An ad hoc committee is researching and preparing a private lender policy. We are hoping to provide an update at the July 19 forum.

7. Do the boards realize that the long-term effects of “no loans” available for either stock cooperatives or condominiums will impact the long-term prospects of existing home owners staying in their current homes?

Yes; there are consequences for circumstances that are beyond the boards’ control. This is a national/statewide problem.

8. When insurance is renewed, will the cost increase?

Yes.

RESALE PROCESS

ALTERATIONS

1. Getting repairs done to co-ops prior to close of escrow.

Any alterations made by a current or previous member(s) must be repaired, approved or removed prior to the close of escrow at the member’s expense. Once a member decides to sell the unit, they must order a resale inspection as soon as possible to give themselves time to make any required corrections. Any emergency service will be repaired prior to the close of escrow. Any repairs identified as the mutual’s responsibility will have a ticket opened and repairs will be performed post escrow. However, sellers may accomplish repairs **prior** to opening escrow.

2. During the escrow period, sellers are repeatedly getting notices of HOA involvement. To me, that's a waste of employee time. If an item has been corrected, then the owner/agent should be notified, not during the process or corrections.

Thank you for your input.

3. Can a program be created for buyers to take care of alterations after the sale?

No. There is no way to guarantee the new member will honor the obligation of the alteration repairs.

INSPECTIONS

4. Inspectors should include and submit photos with the first and final inspections with the report to the agent.

All documented alterations are photographed and filed, and are available upon request by the member or the member's listing agent.

5. Can we get pictures of first inspection items that need to be corrected?

All documented alterations are photographed and filed, and are available upon request by the member or the member's listing agent. The corrections list features three areas: 1.) documented alterations with those noted that need to be repaired, 2.) emergency service events that need to be fixed before the close of escrow and 3.) standard service tickets for regularly scheduled maintenance occur post escrow.

6. First inspections are coming in with water intrusion in process. I had four co-ops this month alone that had already been complete—HOA is just not processing. Two of the sellers did not even know it was a problem. Escrow can't close until that department clears or sends the dollar amount. It shouldn't take 45 days, let alone months, to get something cleared. Escrow says the HOA does not expedite clearance of water intrusion for escrows. Two departments are not communicating.

Damage restoration events or possible pending charges are sent to the top of the queue as soon as the department is notified that the manor is in the resales process. Some of the events are more difficult than others and require some time to clear. Also, if an incident occurs during the resales process, it still heads to the top of the list for action. In these cases, we are bound by law to follow procedures for handling hazardous materials, which can cause delays. Both situations require cooperation with the seller and at times can pose significant challenges.

Both Third Laguna Hills Mutual and United Laguna Woods Mutual have recently established teams to clear the backlog of damage restoration reimbursement cases. As these teams progress in their efforts, the frequency of these delays should decline.

7. If a buyer is remodeling immediately, the replaced new screen is a waste of money. Can we have this issue (like nonstandard landscaping) if the buyer signs a document stating they will replace new windows after close of escrow?

There is no guarantee the new member will replace windows and screens in a timely fashion. However, although Manor Alterations cannot refer a specific contractor, they can suggest multiple glass and screen-repair companies to the listing agent.

8. Can we get regular automatic updates for the progress of inspections?

Staff performed beta testing to provide automated updates through the escrow process. Unfortunately, our current software system does not filter certain confidential information. At this time, our software capabilities prohibit us from fulfilling this request. However, the seller or the listing agent can contact the Manor Alterations Division (alterations@vmsinc.org; 949-597-4616) and/or Resales Inspections (resalesinspections@vmsinc.org) for any updates.

RESALE PACKAGE

9. Is there a flow chart of the process of when escrow submits a buyer's packet for board approval? If not, why not?

Staff is in process of creating a flow chart.

10. Who actually reviews the resale package first after escrow submits it to check for missing documents?

The membership counselor is the first to review the resale package for completeness and adherence to mutual policies when the application is being processed.

11. Who decides which board members review the buyer's resale package?

Three board members review completed resale packages, based on a rotating weekly schedule prepared by the board.

12. Who and how many times does someone touch the resale package?

Five staff members in the Community Services Division, i.e., membership counselors, the administrative specialist, supervisor and manager, interact with the package. Details will be provided when the flow chart is complete.

13. Where is the buyer's resale package and financial information kept, once approved/rejected?

Resale packages are kept in a locked cabinet and, upon approval, are scanned into an encrypted internal archive. If rejected, the paperwork is retained for at least six months and is ultimately shredded.

14. Who has access to that (resale package) information?

Community Services staff, i.e., membership counselors, the administrative specialist, supervisor and manager.

15. Have the board members who review the resale package been trained and understand their fiduciary duties toward buyer and seller? Are board members bonded?

Yes; director training occurs annually. As required by California Civil Code § 5806, VMS purchases a fidelity/crime policy annually. This is in addition to D&O insurance, which protects the corporation against loss by employees and/or directors.

16. How does a buyer know if the board member reviewing their financial package is or is not their neighbor or live in the neighborhood? This should be considered when reviewing resale packages.

The buyer does not know which board members review the resale package.

- 17. Can a program be created to allow buyers/sellers to track progress of the resale process?**
VMS is in process of developing an email notification system to inform escrow and realtors of resale package status. Staff hopes to have an announcement at the July 19 forum.
- 18. Who in the Resales Division can answer questions as they arise for special circumstances during a real estate transaction?**
Realtors may email resalesrequirements@vmsinc.org or call Community Services Manager Pamela Bashline at 949-268-2333.
- 19. If a buyer accepts nonstandard landscaping, will it be okay for HOA resale application process?**
Yes; however, any existing fruit trees in Third Mutual's common area will be removed during the resale process.

WASHER/DRYERS

- 1. Update us on the installation of washer/dryers in the three-story buildings. I have been told this is now allowed? What is required for owners to install a w/d? Is it for all units or only units on the first floor?**
This is not currently allowed in Third Mutual three-story buildings, even with a variance. However, it is currently under review.
- 2. What is the proper procedure for installing washer/dryers in three-story buildings.**
Currently, installing washer/dryers in three-story buildings is not an approved alteration or allowed at this time.

WATER HEATERS

- 1. For three-story buildings, is there a 10-year replacement policy due to old pipe lines?**
The selling member is required to replace the water heater if it is over 10 years old. The listing agent should look at the age of the water heater and instruct the member to submit a chargeable service request before ordering the first resale inspection.
- 2. Single or garage-attached units are no danger to neighboring units, why should we need to replace water heater for those units?**
The selling member is required to replace the water heater if it is over 10 years old. Mutual members may address this question with the appropriate board of directors to request a change to the water heater standard.
- 3. Board members need to sell their condos eventually. Do they agree with this unnecessary water heater practice, and sellers will have these expenses in the future?**
Every member must adhere to the mutual's water heater standard. The average cost of damage from a water heater leak is \$2,500 to \$25,000.