



May 7, 2025 SPRING REAL ESTATE FORUM

ANSWERS TO REALTOR QUESTIONS

FINANCIAL REQUIREMENTS

- 1. Third Mutual's updated financial requirements now permit income and assets to be collectively calculated for multiple applicants. Given this change, which eliminates the need for parents to lease units owned by their children, would it be possible to revisit the status of these parent-lessees and explore options for them to become owners?**

At this time, staff does not have the capability to identify which parents are currently leasing from their children. However, we will look into this matter further. Please note that it is likely all parties involved would need to collectively requalify under the current financial eligibility requirements.

- 2. Why were Third Mutual's financial requirements increased?**

The Third Mutual board of directors has a fiduciary duty to safeguard the financial integrity of the corporation. To that end, Third Mutual's financial qualification requirements were recently adjusted to account for inflation and took effect on January 1, 2025. These updated requirements help ensure that new members are financially positioned to meet their assessment obligations.

GENERAL/OTHER

- 1. What is HomeWiseDocs?**

With the launch of the new Laguna Woods Village website, escrow disclosure documents required to finalize manor sales are now accessible exclusively to members through our secure, password-protected system. To streamline the process of ordering and delivering resale and lender documents for both condominiums and co-ops, the mutuals have partnered with HomeWiseDocs—a web-based platform that provides automated access to essential homeowner association documents for real estate transactions.

- 2. Because United Mutual requires prospective members/residents to provide criminal background checks, what specific reports does the board prefer to review, and which companies provide acceptable reports?**

To promote the safety and well-being of all United Mutual residents, all prospective members, occupants, caregivers, subtenants and lodgers are required to submit a national criminal background report as part of their application. The report must include details related to national security concerns, misdemeanor and felony charges, offense descriptions and convictions, sex offender registry status and other relevant criminal history. In addition, the board requires that reports clearly indicate which databases were searched.

For example, acceptable reports, such as those from Tenant Background Search, provide specific confirmation of the following:

- Nationwide Criminal Report – Clear
- Sex Offender Search – Clear
- OFAC/Patriot Act Search – Clear

Reports from providers like RentSpree do not specify which databases were checked and therefore do not offer sufficient detail for the Board to make an informed decision. Applications submitted without appropriately detailed background checks may be delayed or denied.

3. Can you explain the GRF trust facilities fee refund policy?

If a current member sells or exchanges their unit and purchases another unit within 180 days, either before or after the sale, they are required to pay the GRF trust facilities fee on the newly acquired unit. However, a refund of this fee may be issued if all of the following conditions are met:

- The member paid the GRF trust facilities fee on the previously owned unit.
- The ownership and vesting on the new purchase remain exactly the same as the previously owned unit.
- The member/owner must notify the Community Services Division and request a refund within 180 days of the close of escrow of their previously owned unit.

Once all conditions are satisfied, the member may request a refund from the mutual boards.

Please note: Retroactive refund requests submitted outside the 180-day window will not be accepted.

INSPECTIONS

1. How do I obtain a copy of the SB 326 balcony inspection engineering report?

Please log on to HomeWiseDocs.com to purchase the document.

2. Please clarify the reason for the delays in receiving initial inspection reports and also explain why phone calls are not returned.

The resales inspection team within the Manor Alterations Division experienced staffing shortages and was actively training new team members. These challenges have since been resolved, and the team is now back on track to perform inspections and issue reports within established target timelines.

Additionally, new measures have been implemented to ensure that most phone calls are returned within 24 hours, further enhancing service responsiveness and communication.

3. Occasionally, during a resale inspection, items that are the member's responsibility are overlooked in a previous owner's inspection report but are identified in the inspection for a prospective buyer. As a result, the buyer may feel that these items should not be their responsibility to maintain. How can this be prevented?

Additional training and the implementation of revised standard operating procedures have been focused on enhancing the thoroughness and completeness of resale inspection reports. As mentioned during the forum, these more detailed inspections may take slightly longer to complete; however, we remain committed to meeting our established target timelines for these services.

4. Can inspectors provide pictures of corrections that need to be made?

This is a valuable suggestion. The resales inspection team within the Manor Alterations Division is currently exploring ways to incorporate photo documentation into the existing software system. Additionally, the team is in the early stages of transitioning to a new digital platform, which will include the ability to embed photos in reports as a standard feature.

LEASING AND LEASING CAP

1. Why is there a leasing cap?

Pursuant to Civil Code §4741, homeowners associations may not enforce rental restrictions that limit rentals to fewer than 25% of units. Any rental cap more restrictive than this threshold is legally unenforceable.

Maintaining a leasing cap at or above this legal minimum offers several benefits:

- Helps members and prospective buyers qualify for more favorable loan terms
- Supports a balanced member-to-tenant ratio
- Contributes to a stable resident population actively eligible to participate in community governance

2. With the new 25% leasing cap in Third Mutual, what happens if adult children want to purchase a unit for themselves, but are not age-qualified to reside, and are unable to lease the unit?

If the leasing cap has been met and a lease cannot be approved, the adult children would be responsible for paying monthly assessments and other applicable fees until they meet the age requirement to reside in Third Mutual. They would not be permitted to lease the unit or occupy it until they qualify under the mutual's age restrictions.

3. Explain what "grandfathered in" means with respect to the new 25% leasing cap.

"Grandfathered in" refers to a provision that allows certain members to continue leasing under previous rules despite the adoption of new restrictions. In this case, members who purchased their unit before the 25% leasing cap was adopted are grandfathered in and may continue to lease their units, even if the community has exceeded the cap.

However, members who purchase a unit after the 25% leasing cap was implemented are subject to the restriction and may not lease their unit until the overall leasing percentage falls below 25%.

4. Now that there is a 25% leasing cap, will those who inherit Third Mutual units be able to lease them?

This matter is currently being reviewed by legal counsel.

5. What happens when members sell their units that are currently being leased?

If escrow is opened after May 1, the existing lessee may remain in the unit through the end of the approved lease term. However, once the lease ends, the new owner will not be permitted to lease the unit unless the community's leasing percentage is below the 25% cap. The ability to lease does not transfer with the sale of the unit.