

**ADMINISTRATIVE GUIDELINES FOR FINANCIAL QUALIFICATIONS  
UNITED LAGUNA WOODS MUTUAL**

Revised August 9, 2016

Adopted by Resolution 01-15-89

Prospective shareholders/transferees of manors in United Laguna Woods 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.

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.

Where there is more than one perspective shareholder/transferee, income and assets can be calculated collectively.

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

- a. The shareholder 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) the certificate is held for the present manor.

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

Membership applicants to United Laguna Woods Mutual are required to submit a completed Financial Statement/Credit Information form, together with satisfactory verification of identity, income and assets, except under the following condition:

Once a shareholder has qualified within United Mutual, said shareholder need not re-qualify for purchase of a replacement manor as long as the person or persons in whose name the Membership Certificate is held remain the same.

### **ASSET REQUIREMENT**

The prospective transferee of a manor shall submit satisfactory verification of assets equal to the purchase price of the manor plus \$125,000. Prospective transferees are required to demonstrate a minimum asset base of \$125,000 only.

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

- Equity in U.S. residential property
- Savings accounts in U.S. financial institutions
- Cash value life insurance
- Certificates of deposit, money market accounts in U.S. financial institutions.
- 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 applicant's tax return
- Equity in U.S. income producing real estate

## ASSET REQUIREMENT (continued)

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 perspective transferee tax return

## INCOME REQUIREMENTS

Prospective shareholders must provide satisfactory verification of income of at least \$36,000 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
- Pensions
- Trust income
- Disability income
- Residential / commercial property rental income

2. Unacceptable income verifications include:

- Letters from employers, accountants, bookkeepers and attorneys
- Income not reported on Federal income tax returns
- Funds held outside US borders

## GUARANTORS

The Mutual will permit the prospective shareholder who does not meet the financial requirements to have a Guarantor. 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.

*Shareholder Financial Requirements for the occupying shareholder(s) when they have a Guarantor:*

- Minimum Annual Income - \$24,000
- Minimum Verifiable Liquid, Marketable and/or Income Producing Assets - \$75,000 **at the close of escrow**

The income and assets of the Guarantor are not a substitute for the minimum income and assets needed by the prospective shareholder(s) occupant(s).

## **FINANCIAL QUALIFICATION WAIVERS AND RECIPROCITY**

Shareholders 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.

The Board may *consider* waiving financial requirements if the applicant obtains secondary financing from a financial institution of at least 50% and no more than 70% of the purchase price. It is recommended that any applicant who does not meet the minimum financial requirement consider submitting the application with a financial guarantor.

## **SPECIAL CIRCUMSTANCES**

The United Mutual Board of Directors will give appropriate, special consideration to prospective shareholders whose financial qualifications have special merit, e.g., minimal assets but large income, or vice versa.

## **OWNERSHIP OF MULTIPLE MEMBERSHIPS**

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