

## **THIRD LAGUNA HILLS MUTUAL FINANCIAL QUALIFICATIONS POLICY**

Adopted by Resolution 03-16-95  
September 20, 2016

Prospective buyers of/ transferees of title to manors in Third Laguna Hills Mutual are required to meet minimum financial requirements for membership as set forth below. All income and net worth claimed must be verified by presenting documentation acceptable to the Third Mutual Board of Directors.

All applicants shall submit the most recent year's Federal income tax return, signed and dated, including Schedules A, B and E if applicable, 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 net worth 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.

A credit report issued by Experian, Transunion or Equifax is required of prospective buyers / transferees. Where there is more than one buyer / transferee, income and net worth can be calculated collectively.

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

Membership applicants to Third Laguna Hills Mutual are required to submit a completed Financial Statement / Credit Information form; with satisfactory verification of identity, income and net worth.

### **NET WORTH REQUIREMENT**

The following requirement shall apply to Third Laguna Hills Mutual

The prospective buyer of/transferee of title to a manor shall submit satisfactory verification of net worth equal to the purchase price of the manor plus \$125,000.

When computing net worth, 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 / transferee'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 Third Laguna Hills Mutual

Prospective members must provide satisfactory verification of income of at least the sum total of the annual mortgage payment on the manor plus \$45,000 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

Retirement account assets (401K, ERISA, and IRA) will be considered as a source of annual revenue by multiplying these assets by 80 percent and dividing by 300 months (25 years.) Requirement will be met by the greater of this calculation or mandatory annual distributions from the retirement accounts. **NOTE:** If the buyer is already receiving retirement account distributions, this mechanism is *not* applicable to those particular accounts.

## **GUARANTORS**

The Mutual will permit the buyer / transferee 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 the sum total of the annual mortgage payment on the manor plus \$80,000, and provide satisfactory verification of net worth equal to the purchase price of the manor plus \$200,000. The prospective transferee shall submit satisfactory verification of at least \$125,000 of net worth.

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

The buyer / transferee must provide verification of income equal to the basic requirement (the sum total of the annual mortgage payment on the manor plus \$45,000) plus the sum total of the annual mortgage payment on the 2<sup>nd</sup> manor plus \$22,500. Additional manors will require income computed in the same way, mortgage payment plus \$22,500 calculated as follows: (1 unit) \$45,000 plus annual Mortgage payments (2 units) \$67,500 plus both annual mortgage payments (3 units) \$90,000 plus three annual mortgage payments.

### **Net Worth Requirement – Third Mutual Multiple Units**

The buyer / transferee must provide verification of net worth equal to the total purchase prices, plus \$125,000 per unit. For example: Purchase price manor (1) \$100,000; purchase price manor (2) \$100,000 plus \$125,000 per unit equals a net worth requirement of \$450,000. Prospective transferees shall demonstrate \$125,000 net worth for each additional manor acquired.