

Outline

1. It started at a Meeting at the Two Sisters and then . . .

- 2. Identifying the problem
- 3. Resales Committee formed: Betty Coven, Chair, Mary Granger, President Mutual 4, Dawn Januszka, Onsite sales, Lenee Dalton, Castlehead Escrow
- 4. Gathering information: the policies from Laguna Woods and Walnut Creek
- 5. Policies are black and white.
- 6. Policy 7510.05
- 7. Report to Realtors and Escrow Officers (This meeting)

Report to Presidents' Council



2018 Resales Do we have a problem?

CRACKS ARE APPEARING

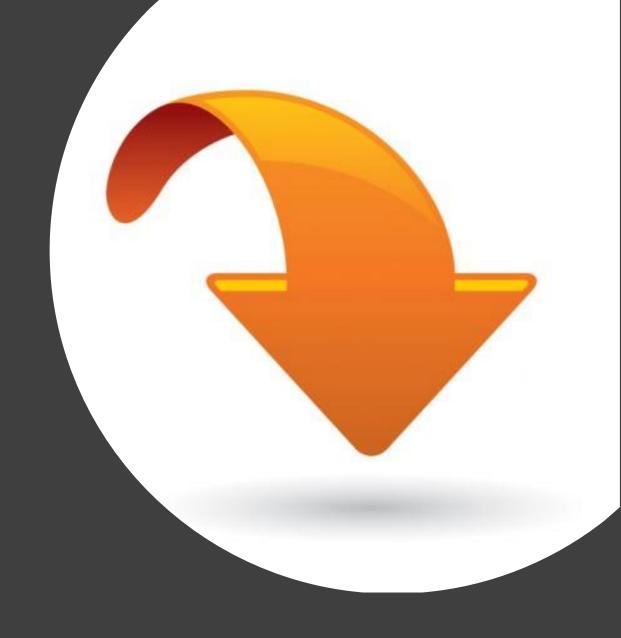
An article in the OC Register by J. Lansner 5/11/18 states that In Southern California, "9% fewer . . . homes (were) in escrow this spring – a dip that caused analysts to take note (that) there were "cracks appearing."

In Orange County ...

Demand: down 337 sales contracts in 12 months or 11 percent; and down 11% vs. previous 5 years.

Leisure World Total Sales Jan – July 2018

•Down 30%



LEISURE
WORLD
PROJECTED
RESALES
2018



Mutua	l 2018	2017	2016	2015	2014	2013	Average	Annualized	%
	Jan-July						5yr	2018	Decrease
:	35	81	73	49	54	94	70	60	<mark>15%</mark>
	31	74	67	65	66	72	69	53	<mark>23%</mark>
\$	11	41	31	30	30	50	36	19	<mark>48%</mark>
4	11	33	24	28	25	43	31	19	<mark>38%</mark>
!	15	39	35	38	30	33	35	26	<mark>27%</mark>
	10	34	35	32	30	37	34	17	<mark>49%</mark>
7	11	30	34	23	21	39	29	19	<mark>36%</mark>
8	13	22	21	29	22	41	27	22	<mark>17%</mark>
9	11	29	39	35	21	51	35	19	<mark>46%</mark>
10	9	16	20	11	13	31	18	15	<mark>15%</mark>
1:	. 11	30	20	14	22	30	23	19	<mark>19%</mark>
12	. 11	33	38	30	26	43	34	19	<mark>45%</mark>
14	13	27	25	29	21	19	24	22	<mark>8%</mark>
1!	10	35	45	55	29	32	39	17	<mark>56%</mark>
10	5 4	1	7	3	2	9	4	7	<mark>-56%</mark>
17	6	11	10	14	7	5	9	10	<mark>-9%</mark>
LW	212	536	524	485	419	629	519	363	<mark>30%</mark>

08/28/2018 - Year To Date MLS Activity



The numbers tell the story . . .

we do have a problem

and we don't want to be like this guy





Problem: Re-Sales are down 30%

Analysis: Investigate and develop solutions.

Solution: Appoint a committee
Presidents
Administration
Real Estate Professionals

Resales Committee

Presidents'
Council
Resales
Committee

To identify the problem causing our resales to be three times lower than Orange County.

To create a solution



1970

People Retire With Pensions

2018

People Retire With Portfolios Like 401Ks, IRAs, etc.

DISCOVERIES

Incorporate and tweak	Incorporate and tweak expanded Income and Asset classes.
Establish	Establish Portfolios as valid sources of future income.
Use	Use Social Security life expectancy tables to smooth out age and different size portfolios to be Eligible.

Policy 7510.05

Income requirements

Mutual 5's amended income requirements have expanded to include items 4 through 12

- Acceptable verification include, among others:
- 1. The most recent Federal Tax returns; including but not limited to:
- a. 1099s for interest and dividends;
- b. 1099-Rs for retirement income from qualified plans and annuities;
- c. SSA-1099 Social Security Benefit Statement;
- d. W-2 forms or paycheck stubs
- 2. Brokerage statements and current interim statement.
- 3. Six to twelve months of checking/savings account statements.
- 4. Current income: bank, credit union or brokerage statements
- 5. Letters from bankers
- 6. Notices of annuities
- 7. Pensions
- 8. Trust Income
- 9. Disability Income
- 10. Residential or commercial property rental income
- 11. Settlement Payments
- 12. An owned business must include appropriate business tax schedules and a profit and loss statement

Assets

To account for the Portfolios that people retire with now.

- a. Acceptable Assets will be those that are considered to be liquid, marketable or income producing. Acceptable assets include, among others:
- 1. Equity in U.S. residential property (i.e. a home or mobile home being sold to pay for the unit being purchased in Mutual 5)
- 2. Savings accounts in U.S. financial institutions
- 3. Cash Value in Life Insurance
- 4. Certificates of Deposit or Money Market Accounts in U.S. financial Institutions

EXAMPLE: For those with Portfolios

• Buyer, single female, born 7/1/48

• SS income \$1500

- **BENCHMARK** required income
- 4 times monthly carrying charge
- 2018: M5 Assessment \$360.96
- Projected Property Tax 350.00
- 710.96
- Times 4 \$2843.84
- Net income lower than Benchmark
- Ineligible to Buy!

Assets:

Portfolio	\$500,000
Fully paid house	\$600,000
Cost m5 unit	<u>-\$350000</u>
•	\$750000

- Years: 87.5 70.3 = 17.2
- 17.2 years = \$43605 per yr
- Month: 43605/12 = \$3634
- SS income per month <u>\$1500</u>
- Total monthly income \$5134

Net income greater than Benchmark Eligible to buy!