

SEAL BEACH MUTUAL NUMBER FIVE

RESIDENT REGULATIONS

Eligibility Requirements

- 1 **1.** All persons seeking approval of the Board of Directors of Seal Beach Mutual No. Five
- 2 to purchase a share of stock in the Mutual, and to reside in the Mutual, shall meet the
- 3 following eligibility criteria:
- 4
- 5 **1.1.** Apply for and be accepted as a member of the Golden Rain Foundation, Seal
- 6 Beach, California.
- 7
- 8 **2.** Meet the Mutual eligibility criteria as follows:
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- 10 **2.1.** AGE
- 11
- 12 **2.1.1** Minimum of 55 years, as confirmed by a birth certificate, California
- 13 Driver’s license or passport.
- 14
- 15 **3. FINANCIAL ABILITY**
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- 17 **3.1.1.** Verified net monthly income that is at least four (4) times or greater
- 18 than the monthly carrying charge (Regular Assessment plus
- 19 Property Tax and Fees) at the time of application and have a
- 20 combination of liquid assets of at least \$35,000 and_sufficient other
- 21 assets equal to the purchase price of the Unit. Verified monthly
- 22 income/assets may be in the form of the past two years of the
- 23 information below:
- 24
- 25 **4. INCOME REQUIREMENTS**
- 26
- 27 **4.1** Acceptable verification includes, among others:
- 28 **4.2** The most recent Federal Tax returns; including but not limited to:
- 29 4.2.1 1099s for interest and dividends;
- 30 4.2.2 1099-Rs for retirement income from qualified plans and annuities;
- 31 4.2.3 SSA-1099 Social Security Benefit Statement;
- 32 4.2.4 W-2 forms or paycheck stubs
- 33 4.2.5 Brokerage statements and current interim statement.
- 34 4.2.6 Six to twelve months of checking/savings account statements.
- 35 4.2.7 Current income: bank, credit union or brokerage statements
- 36 4.2.8 Letters from bankers
- 37 4.2.9 Notices of annuities
- 38 4.2.10 Pensions
- 39 4.2.11 Trust Income

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- 40 4.2.12 Disability Income
 41 4.2.13 Residential or commercial property rental income
 42 4.2.14 Settlement Payments
 43 4.2.15 An owned business must include appropriate business tax
 44 schedules and a profit and loss statement
- 45 **5. UNACCEPTABLE INCOME** verifications include, among others,
 46
 47 **5.1** Letters from employers, accountants, bookkeepers and attorneys
 48 **5.2** Income not reported on Federal Income Tax returns except as noted above in
 49 4.1.
 50 **5.3** Funds held outside U.S borders except as noted above in 4.1.
 51
- 52 **6. ASSETS REQUIREMENT**
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- 54 **6.1** Acceptable Assets will be those that are considered to be liquid, marketable or
 55 income producing. Acceptable assets include, among others:
 56 6.1.1 Equity in U.S. residential property (i.e. a home or mobile home being
 57 sold to pay for the unit being purchased in Mutual 5)
 58 6.1.2 Savings accounts in U.S. financial institutions
 59 6.1.3 Cash Value in Life Insurance
 60 6.1.4 Certificates of Deposit or Money Market Accounts in U.S. Financial
 61 Institutions
 62
- 63 **6.2** Excluded from consideration are the following assets, among others:
 64 6.2.1 Recreational vehicles, boats and trailers
 65 6.2.2 Vacant land
 66 6.2.3 Automobiles
 67 6.2.4 Artwork, jewelry, furs, and collections such as coins, dolls, stamps and
 68 other similar items.
 69 6.2.5 Term life insurance
 70 6.2.6 Annuity funds, which cannot be withdrawn in lump sum.
 71 6.2.7 Anticipated bequests or inheritances
 72 6.2.8 Promissory Notes whose income is not reported on the prospective
 73 transferee tax return.
 74 6.2.9 Community property
 75
- 76 **7. NET MONTHLY INCOME:** The Net Monthly Income as used in Paragraph 3.1.1.
 77 is the sum of:
 78

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- 79 **7.1** Adjusted Gross Income from Federal Tax Forms 1040, 1040A, or 1040EZ; plus,
80 that portion of Social Security, IRA distributions, and pensions and annuities not
81 included in adjusted gross income; plus tax exempt interest; all divided by twelve
82 (12) and,
83 **7.2** The sum of all Acceptable Assets from Paragraph 6.1, above, less the assets
84 equal to the purchase price of the unit, divided by the difference between the
85 Actuarial Life Expectancy ¹ minus the actual age of each applicant ² divided by
86 12 (please see attached example).
87
- 88 **8.** Projected assessments will be the previous year's assessment (total of carrying charge
89 less any cable charge, less Orange County Property Taxes and Fees), and the addition
90 of the new property tax at 1.2%³ of the sales price plus Orange County District fees
91 divided by twelve (12) for the new projected monthly assessment. This new figure
92 (Regular Assessment plus Orange County Property Taxes and District Fees) times four
93 (4) will be the monthly income required. These calculations will be verified by the
94 escrow company and the Stock Transfer Office. Between the two, Stock Transfer shall
95 have the final say in establishing verifiable income/assets.
96
97 Verification shall be done by the Escrow Company and the Stock Transfer Office prior
98 to the new buyer interview and prior to the close of escrow (the above verification need
99 not be done by the individual Mutual Directors; Directors are not required to study or
100 understand the financial requirements).
101
- 102 **9.** The resident shareholder's income shall be considered for qualifying. Where there is
103 more than one prospective shareholder, income and assets shall be calculated
104 collectively. Co-owners shall be calculated for their proportional share of the HOA
105 payment. Either one half in the case of two co-owners or one third in the case of three
106 co-owners. Married couple income shall be considered one income.
107
- 108 **10.** If moving within Leisure World, or if there are any additions/changes to the Stock
109 Certificate, the proposed shareholder(s) must meet these eligibility requirements.

¹ The Actuarial Life Expectancy is obtained from the Social Security Retirement & Survivors Benefit: Life Expectancy Calculator, website <https://www.ssa.gov/OACT/population/longevity.html>

² The difference between the Life Expectancy value from SSA Life Expectancy Calculator: 78.5 years and the buyer's actual age: 70.3

³ If major remodeling, expansion, or addition of a bathroom is being considered, the increase in taxes over the 1.2% of the purchase price must be taken into consideration.

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110 11. If moving within Mutual 5 from one unit to another, if the Shareholder has maintained
111 payment of their carrying charges for at least one year, they are exempt from the
112 requirement to show \$35,000 in assets.

113
114 12. HEALTH

115
116 12.1. Have reasonably good health for a person of his/her age, so that shareholder
117 can take care of normal living needs without calling on other members for an
118 undue amount of assistance. Leisure World is not an assisted living or skilled
119 nursing home facility.

120 12.2. Assume, in writing, the obligations of the "Occupancy Agreement" in use by
121 the Mutual Corporation.
122 Officers or Committees if the Board of Directors designated to approve new
123 applicants are responsible that criteria of the corporation is equitably applied
124 to all applicants. Approval or disapproval of buyer(s) must be received by the
125 Stock Transfer Office at least ten (10) working days prior to the close of
126 escrow.

127 12.3. The Board may appoint a review committee to hear disputed applications. The
128 decision of the Board will be final.

129
130 13. SHAREHOLDER BUYER PREMIUM FEE

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132 13.1 Prospective Mutual 5 shareholders will be assessed a non-refundable
133 Shareholder Buyer Premium Fee of \$750.

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Document History

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136 *EXAMPLE:*

137 A buyer, single female, born July 1, 1948 has a portfolio of \$500,000 and a fully-paid-for house
 138 she is selling for \$600,000 and she is buying a unit in M-5 for \$350,000. She has a Social
 139 Security Income of \$1,500 per month. Does she qualify in M-5?

140
 141 *Financial Ability Section 3.1.1.: Verified Net Monthly Income states that is at least four (4) times*
 142 *or greater than the monthly carrying charge (Regular Assessment plus Property Tax and Fees)*
 143 *at the time of application; and, have a combination of liquid assets of at least \$35,000 and*
 144 *sufficient other assets equal to the purchase price of the Unit.*

145
 146 M-5 Regular Assessment for 2018 is \$360.96 which includes M-5 monthly carrying charge,
 147 GRF monthly carrying charge and OC User Fee.

148
 149 Projected Property Taxes according to Section 8, is the amount \$350,000 times 1.2% and is
 150 equal to \$4,200 per year or \$350 per month.

151 Therefore: The Regular Assessment plus Property Tax and Fees is \$360.96 plus \$350 or
 152 \$710.96; and, 4 times that amount is \$2,843.84 which is the BENCHMARK required in Section
 153 3.1.1. Applicant's Net Monthly Income must be higher than that amount.

154
 155 Section 7 defines NET MONTHLY INCOME. For this example it includes:

156
 157 Social Security Income of: \$1,500 per month
 158
 159 Assets: \$500,000 Portfolio
 160 Plus \$600,000 Value of home
 161 Less \$350,000 Price of M-5 Unit
 162 = \$750,000 Remaining Assets
 163 Divided by: 17.2 years (87.5 minus 70.3) ²
 164 = \$43,605 per year divided by 12: \$3,634 per month.
 165 Total Net Monthly Income: \$5,134 per month

166
 167 NET MONTHLY INCOME IS GREATER THAN BENCHMARK, THEREFORE APPLICANT IS
 168 QUALIFIED.

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172 **I have read and understood what is required for eligibility consideration in the above**

² The difference between the Life Expectancy value from SSA Life Expectancy Calculator: 87.5 years and the buyer's actual age: 70.3

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173 named Mutual, including necessary documentation.
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Prospective Buyer

Date

Prospective Buyer

Date

Prospective Buyer

Date

Prospective Buyer

Date

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