SEAL BEACH MUTUAL NO. TWO

RESIDENT REGULATIONS

Eligibility Requirements

All persons seeking approval of the Board of Directors of Seal Beach Mutual Two to purchase a share of stock in the Mutual, and to reside in the Mutual, shall meet the following eligibility criteria:

1. Apply for and be accepted as a member of the Golden Rain Foundation, Seal Beach, California.

2. Meet the Mutual eligibility criteria as follows:
   - **2.1.** Age
     Minimum of 55 years, as confirmed by a government or hospital issued birth certificate or passport. A driver's license is not acceptable as proof of age.
   - **2.2.** Financial Ability
     - **2.2.1.** Verified monthly income that is at least four (4) times or greater the monthly carrying charge (Regular Assessment plus Property Tax and Fees) at the time of application and have a combination of liquid assets of at least $25,000 and sufficient other assets equal to the purchase price of the Unit. Verified monthly income/assets may be in the form of the past two years of the information below:

3. **Income Requirements**
   - **3.1.** Acceptable verification includes, among others
     - **3.1.1.** The most recent Federal Tax returns; including but not limited to:
       - **3.1.1.1.** 1099s for interest and dividends;
       - **3.1.1.2.** 1099-Rs for retirement income from qualified plans and annuities;
       - **3.1.1.3.** SSA-1099 Social Security Benefit Statement;
       - **3.1.1.4.** W-2 forms for paycheck stubs
     - **3.1.2.** Brokerage statements and current interim statement.
     - **3.1.3.** Six to twelve months of checking/savings account statements.
     - **3.1.4.** Current income: bank, credit union or brokerage statements
     - **3.1.5.** Letters from bankers
     - **3.1.6.** Notices of annuities
     - **3.1.7.** Pensions
     - **3.1.8.** Trust Income
     - **3.1.9.** Disability Income
     - **3.1.10.** Residential or commercial property rental income
     - **3.1.11.** Settlement Payments
     - **3.1.12.** An owned business must include appropriate business tax schedules and a Profit and loss statement.
   - **3.2.** Unacceptable income verifications include, among others,
     - **3.2.1.** Letters from employers, accountants, bookkeepers, and attorneys

- **3.2.2.** Income not reported on Federal Income Tax returns except as noted above in 3.1.
- **3.2.3.** Funds held outside U.S borders except as noted above in 3.1.

4. **Assets Requirements**

4.1. Acceptable Assets will be those that are considered to be liquid, marketable or income producing. Acceptable assets include, among others:

- **4.1.1.** Equity in U.S. residential property (i.e. a home or mobile home being sold to pay for the unit being purchased in Mutual 2)
- **4.1.2.** Savings accounts in U.S. financial institutions
- **4.1.3.** Cash Value in Life Insurance
- **4.1.4.** Certificates of Deposit or Money Market Accounts in U.S. financial Institutions

4.2. Excluded from consideration are the following assets, among others:

- **4.2.1.** Recreational vehicles, boats and trailers
- **4.2.2.** Vacant land
- **4.2.3.** Automobiles
- **4.2.4.** Artwork, jewelry, furs and collections such as coins, dolls, stamps and other similar items.
- **4.2.5.** Term life insurance
- **4.2.6.** Annuity funds, which cannot be withdrawn in lump sum.
- **4.2.7.** Anticipated bequests or inheritances
- **4.2.8.** Promissory Notes whose income is not reported on the prospective transferee tax return.
- **4.2.9.** Community property

5. **Net Monthly Income:** The Net Monthly Income as used in Paragraph 2.2.1. is the sum of:

5.1. Adjusted Gross Income from Federal Tax Forms 1040, 1040A, or 1040EZ; plus that portion of Social Security, IRA distributions, and pensions and annuities not included in adjusted gross income; plus tax exempt interest; and,

5.2. The sum of all Acceptable Assets from Paragraph 4.1., above, less the assets equal to the purchase price of the unit, divided by the difference between the Actuarial Life Expectancy [1] minus the actual age of each applicant[2].

---

[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

Eligibility Requirements

5.3. Projected assessments will be the current year's assessment (total of carrying charge less any cable charge, less Orange County Property Taxes and Fees), and the addition of the new property tax at 1.2% of the sales price plus Orange County District fees divided by twelve (12) for the new projected monthly assessment. This new figure (Regular Assessment plus Orange County Property Taxes and District Fees) times four (4) will be the monthly income required. These calculations will be verified by the Stock Transfer Office. Stock Transfer shall have the final say in establishing verifiable income/assets, subject to Mutual 2 review of asked.

Verification shall be done by the Stock Transfer Office prior to the new buyer interview and prior to the close of escrow (the above verification need not be done by the individual Mutual Directors; Directors are not be required to study or understand the financial requirements).

5.4. The resident shareholder's income shall be considered for qualifying. Where there is more than one prospective shareholder, income and assets shall be calculated collectively. Co-owners shall be calculated for their proportional **share of** the HOA payment. Either one half in the case of two co-owners or one third in the case of three co-owners. Married couple income shall be considered one income.

5.5. If moving within Leisure World, or if there are any additions/changes to the Stock Certificate, the proposed shareholder(s) must meet these eligibility requirements.

5.6. If moving within Leisure World, or if there are any additions/changes to the Stock Certificate, the proposed shareholder(s) must meet these eligibility requirements.

6. **Health**

6.1. Have reasonably good health for a person of his/her age, , so that shareholder can take care of normal living needs without calling on other members of the cooperative for an undue amount of assistance. Leisure World in not an assisted living or skilled nursing home facility.

7. **Assume, in writing, the obligations of the "Occupancy Agreement" in use by the Mutual Corporation.**

8. **Credit Report**

8.1. In addition to the above financial verification documents a recent credit report from one of the established credit reporting companies must be provided to the Stock Transfer Office by the prospective resident owner. The Stock Transfer Office must ensure that the following conditions are met and must include that

Eligibility Requirements

information with the financial verification report:

8.1.1. A minimum FICO score of 650:

8.1.2. A period of not less than 5 years must have elapsed since the prospective resident owner was discharged or dismissed from a bankruptcy.

8.1.3. The prospective resident owner must have no reported late payments of more than 30 days on a current mortgage in the previous 12 months

8.2. Officers or Committees of the Board of Directors designated to approve new applicants are responsible that the eligibility criteria of this corporation is equitably applied to all applicants. Approval or disapproval of buyer(s) must be received by the Stock Transfer Office at least ten (10) working days prior to the close of escrow.

8.3. The Board of Directors may appoint a review committee to hear disputed applications. The decision of the Board shall be final.

I have read and understood what is required for eligibility consideration in the above named Mutual, including necessary documentation.

______________________	______________________
Prospective Buyer	**Date**
______________________	______________________
Prospective Buyer	**Date**
______________________	______________________
Prospective Buyer	**Date**
______________________	______________________
Prospective Buyer	**Date**

A buyer, single female, born July 1, 1948 has a portfolio of $500,000 and a fully-paid-for house she is selling for $600,000 and she is buying a unit in Mutual 2 for $350,000. She has a Social Security Income of $1,500 per month. Does she qualify in M-2?

Financial Ability Section 2.2.1.: Verified Net Monthly Income states that is at least four (4) times or greater than the monthly carrying charge (Regular Assessment plus Property Tax and Fees) at the time of application; and, have a combination of liquid assets of at least $25,000 and sufficient other assets equal to the purchase price of the Unit.

Mutual 2 Regular Assessment for 2019 is $415.42 which includes M-2 monthly carrying charge, GRF monthly carrying charge and OC User Fee.

Projected Property Taxes according to Section B.6., is the amount $350,000 times 1.2% and is equal to $4,200 per year or $350 per month.

Therefore: The Regular Assessment plus Property Tax and Fees is $415.22 plus $350 or $756.22; and four (4) times that amount is $3024.88 which is the BENCHMARK required in Section 2.2.1. Applicant's Net Monthly Income must be higher than that amount.

Section 2.2.1. defines NET MONTHLY INCOME. For this example, it includes:

Social Security Income of : $1500 per month

Assets:	$500,000 Portfolio	
Plus	$600,000 Value of home	
Less	$350,000 Price of M-2 Unit	
=	$750,000 Remaining Assets	
Divided by: 17.2 years (87.5 minus 70.3)[2]		
= $43,605 per year divided by 12:		$3634 per month.
Total Net Monthly Income:		$5,134 per month

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

Document History					
Adopted:	21 Oct 2021	Amended:	18 Nov 2021	Amended:	15 Aug 2024
Keywords:	Mutual Two	Eligibility	Requirements		