

**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:
- 9
- 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**
- 16
- 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**
- 53
- 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 <sup>1</sup> minus the actual age of each applicant <sup>2</sup> 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%<sup>3</sup> 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.

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<sup>1</sup> 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>

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

<sup>3</sup> 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

**Document History**

**Adopted: 20 Oct 2021      Amended: 16 Feb 2022    16 Nov 2022    17 July 2024**

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**Eligibility Requirements**

169 named Mutual, including necessary documentation.  
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171  
172

173 \_\_\_\_\_  
174 **Prospective Buyer** **Date**  
175

176  
177 \_\_\_\_\_  
178 **Prospective Buyer** **Date**  
179

180  
181 \_\_\_\_\_  
182 **Prospective Buyer** **Date**  
183

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185 \_\_\_\_\_  
186 **Prospective Buyer** **Date**  
187  
188  
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