



**Financial Qualifications Policy
Resolution 01-26-65 (Attached)
Adopted July 14, 2026**

I. PURPOSE

This policy sets forth guidelines by United Laguna Woods Mutual (United) necessary to protect the financial integrity of the corporation.

II. DEFINITIONS

- A. Shareholder (or Member) – Individual approved by the Board of Directors as a Member of the corporation.
- B. Applicant – Individual seeking approval by the Board of Directors as a member of the corporation.
- C. Financial Statement/Credit Information form – United’s document to be completed by Applicant which summarizes age, income and asset qualifications being considered by the Board of Directors in keeping with the membership application process.
- D. Asset – A resource with economic value that an individual or business owns or controls with the expectation of future benefit; must be liquid, marketable or income producing.
- E. Equity – Total assets minus total liabilities.
- F. Annuity funds – A long-term investment issued by an insurance company and is designed to help protect an individual from the risk of outliving one’s income.
- G. Community property – Property acquired during the marriage by either spouse is presumed to be owned by each spouse equally.
- H. Guarantor – Individual who meets United’s financial qualifications and guarantees to pay for the Member’s debt and/or obligations if the Member defaults or fails to pay a debt and/or obligation to United; guarantor may guarantee only one unit within the Village.
- I. Personal Unconditional Continuing Guaranty and Security Agreement - Guaranty “contract” between prospective member and qualified individual whereby guarantor is responsible to pay any debt or obligation owed by the Member to United in the event of a failure by Member to pay same; nonrevocable by guarantor.
- J. Indebtedness – Includes the monthly carrying Charge payable by the Member to United, including all assessments, fines or other monetary charges levied in the name of United.
- K. Carrying Charges – Monthly assessments estimated by United to meet its annual expenses, including but not limited to operating expenses, management and administration, property taxes, insurance, utilities, reserves, and repair and maintenance.
- L. Uniform Commercial Code (UCC) filing – Provides for the filing of certain financing statements and other lien documents. Filing with the Secretary of State’s office serves to perfect a security interest in named collateral and establish priority in case of debtor default or bankruptcy.
- M. Interim Dual Membership Agreement – A “contract” between a Member and United which allows the Member to temporarily own two co-ops.
- N. Community Rules – The articles of incorporation and bylaws of United, the occupancy agreement, and any rules and regulations adopted by United. Any reference to the “governing documents” shall, for purposes of this Policy, be deemed a reference to the

Community Rules set forth in this definition.

- O. Member – Any person entitled to membership in United Mutual.
- P. Third Laguna Hills Mutual (or Third Mutual) – A California nonprofit mutual benefit corporation formed to manage, operate and maintain condominium housing at Laguna Woods Village, Laguna Woods, California, for its mutual members.
- Q. Laguna Woods Mutual No. Fifty – A California nonprofit mutual benefit corporation formed to manage, operate and maintain condominium housing at Laguna Woods Village, Laguna Woods, California, for its mutual members.

III. CONDITIONS

Membership applicants to United Mutual are required to submit a completed Financial Statement/Credit Information form, together with satisfactory verification of identity, income, and assets.

All applicants shall submit the most recent year's federal income tax return, signed and dated, including Schedules A and B, 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 are required.

Where there is more than one prospective Shareholder, income and assets can be calculated collectively. All applicants must show some income and/or assets; however, if an applicant is unable to do so, a letter of explanation is required.

This policy is not all-inclusive. United reserves the right to request additional documentation as needed to verify income and assets.

A. Asset Requirement

The prospective Shareholder shall submit satisfactory verification of assets equal to the purchase price of the Unit plus \$125,000. Note: Applicants who own multiple properties must demonstrate total assets exceeding total mortgage obligations. Prospective transferees (i.e., outside escrow) are required to demonstrate a minimum asset base of \$125,000 only.

1. Acceptable assets will be those that are considered to be liquid, marketable, or income-producing. Only aged accounts (180 days) will be considered. Acceptable assets include, among others:
 - a. Equity in U.S. residential property
 - b. Savings accounts in U.S. financial institutions
 - c. Cash value life insurance
 - d. Certificates of deposit, money market accounts in U.S. financial institutions
 - e. IRA, SEP, 401(k) and Keogh accounts
 - f. US, state, or municipal government bonds valued at current market prices
 - g. American traded investments (NYSE, Amex, OTC, NASDAQ, etc.) valued at current market prices
 - h. Mortgages and promissory notes, provided that interest is reported on the applicant's tax return
 - i. Equity in U.S. income-producing real estate
 - j. Mortgage statements, if mortgage is identified in credit report
 - k. Estimated/final closing statements of residential sale proceeds

2. Excluded from consideration are the following, among others:
 - a. Mobile homes
 - b. Recreational vehicles, boats and trailers
 - c. Vacant land
 - d. Automobiles
 - e. Artwork, jewelry, furs and collections such as coins, dolls, stamps and other similar items
 - f. Term life insurance
 - g. Annuity funds and retirement accounts, which cannot be withdrawn in lump sum
 - h. Anticipated bequests or inheritances
 - i. Promissory notes whose income is not reported on the prospective transferee tax return
 - a. Community property (only when one partner is purchasing unit as sole and separate)
 - j. Foreign real estate
 - k. Letters, summaries, or screenshots of account statements are not acceptable

B. Income Requirements

1. Prospective Shareholders shall submit:
 - a. A full credit report that shows a FICO score of at least 700 from a recognized credit reporting agency (e.g., Equifax, TransUnion, Experian)
 - b. If credit report shows a mortgage, a Property Profile must be provided to show the market value of the mortgaged property
 - c. If FICO score falls below 700 and it is shown in the full credit report that there are late payments or collections, etc., then a letter of explanation is required from the buyer
 - d. These reports must be dated within 60 days prior to the application submittal.
2. Prospective Shareholders and transferees must provide satisfactory verification of income of at least \$40,000 per year at the time of purchase.
3. Traditional retirement account assets (e.g., 401K, ERISA, IRA, Profit Sharing, etc.) will be considered as a source of annual income in accordance with this subsection. For purposes of the income verification requirement under subsection (2) above, an applicant's acceptable traditional retirement account assets may be used towards applicant's annual income as follows:
 - a. The Required Mandatory Distributions (RMD) for the Applicant's retirement accounts; or
 - b. Attributable income as the total amount of the Applicant's retirement account *multiplied* by eighty percent (80%), and then *dividing* this product by twenty-five (25) years, as follows:
 - $\text{Attributable income} = (\text{total retirement account assets} \times 80\%) \div 25$
 - Traditional retirement accounts may not concurrently satisfy both income and asset qualification requirements. Only traditional retirement accounts may be calculated to generate "attributable income."
4. Attributable income is permitted only for first-time buyers who intend to reside in the unit and is not allowed for investors.
5. Acceptable verifications include, among others:
 - a. Federal tax returns from the most recent year. If most recent tax return has not yet been filed or applicant(s) has filed an extension, a copy of the extension filing must be provided, along with supporting documentation such as W-2s and/or 1099s forms.

- b. W-2 forms or paycheck stubs
 - c. Bank, credit union, or investment account statements
 - d. Annuity statements and Social Security benefits letter.
 - e. Pensions
 - f. Trust income
 - g. Disability income
 - h. Residential/commercial property rental income as reported on latest tax return.
6. Unacceptable income verifications include, among others:
- a. Letters from employers, accountants, bookkeepers, bankers, enrolled agents, investment counselors, and attorneys
 - b. Income not reported on federal income tax returns
 - c. Income earned outside US borders and not reported on US income tax return.
 - d. Letters, summaries, or screenshots of account statements are not acceptable
 - e. Short-term and long-term capital gains
 - f. Future income not reported on latest tax return

C. Guarantors

United will permit the prospective shareholder who does not meet the financial requirements to have a guarantor.

1. The guarantor shall provide satisfactory verification of annual income of at least \$90,000 and marketable or income-producing assets of at least \$250,000 plus the manor purchase price.
2. A Guarantor who either (i) wishes to purchase a unit in the community while guaranteeing another unit, or (ii) wishes to serve as a guarantor while owning a unit in the community, shall meet enhanced ("stepped-up") financial requirements by providing satisfactory verification of annual income and assets as follows:
 - a. Income requirement: \$90,000 required for the unit being guaranteed + \$90,000 for the second unit, for a combined annual income of \$180,000
 - b. Asset requirement: purchase price of guaranteed unit + \$250,000 + purchase price of second unit + \$200,000
3. Shareholder financial requirements for the occupying shareholder(s) when they have a guarantor:
 - a. Minimum annual income of \$24,000
 - b. Minimum verifiable liquid, marketable and/or income-producing assets of at least \$75,000 plus the manor purchase price.
4. The income and assets of the guarantor are not a substitute for the minimum income and assets needed by the prospective shareholder(s) occupant(s).
5. In addition to these requirements, the guarantor shall be required, as set forth herein (Exhibit B) to identify assets from which the financial obligation may be satisfied and authorize UCC financing statements to be filed.
6. Guarantor shall submit a full credit report from a recognized credit reporting agency and show a FICO score of at least 700.
7. Guarantor's primary residence and assets must be located in California.
8. A guarantor may only guarantee one unit in the Village.
9. Guarantors are permitted only for first-time buyers who will occupy the unit as their primary residence and not for investment purposes.
10. Only one guarantor is allowed per unit, except when the guarantors are spouses or registered domestic partners.

D. Ownership of Multiple Memberships

1. United does not permit ownership of more than one cooperative Membership, except under an interim dual Membership agreement, which is issued for six months.
2. United recognizes Third Mutual's multiple unit owner requirements. As a condition of approval, any applicant who desires to purchase more than one (1) unit or already owns at least one (1) unit in Third Mutual or Laguna Woods Mutual No. Fifty shall submit satisfactory verification of annual income and net worth requirements. Therefore, United members who wish to purchase an additional unit must separately satisfy Third Mutual's stepped-up income/asset requirements, as now established or as may be amended in the future.
3. Current members of one Mutual who wish to purchase in another Mutual are required to meet the financial requirements of the Mutual in which they are purchasing.

E. Financial Qualification Waivers

1. Shareholders who purchase a replacement Unit in United Mutual do not have to re-qualify financially for Membership, if there is no change to the Membership vesting and the dual interim agreement is in effect.
2. A former member may obtain a waiver of financial qualifications if the replacement Membership is purchased within 90 days of the closing of the sale of the previously owned Membership, and vesting in the new Unit is exactly the same as the vesting in the Unit previously owned.
3. The aforementioned financial waivers apply only to buyers who intend to reside in the replacement unit and do not apply to purchases made for investment or flipping purposes.

F. Discretionary Authority

United Board of Directors may, but is not obligated to, deny or approve applications for Membership based on the conditions herein. The Board of Directors, exercising prudent business judgement, may also deny or approve, in its sole and absolute discretion, applications based on other material factors, such as, but not limited to, history of bankruptcy, excess liabilities, or history of non-compliance as a member in United, GRF, or other Mutuels in Laguna Woods Village.

G. Membership

Membership in United is created, and starts, with the later occurring of the following:

1. Written approval of Membership by the United Board of Directors;
2. Issuance of a Membership Stock Certificate;
3. The signing of an Occupancy Agreement; and
4. Upon close of escrow.

Upon Membership approval the Occupancy Agreement entitles the Member to occupy the Unit for three years, which is automatically renewed for three-year terms per Article 4 of the Occupancy Agreement, unless terminated by transfer or United's nonrenewal or termination by the Board of Directors.

IV. PROCEDURE

Applicants must complete and submit all required forms and verification documents to the escrow firm handling the sales transaction. The required forms and verification documents include, but are not limited to:

- The Membership Application with age and identity verification for each person on title;
- Most recent signed tax returns for each person on title;
- Responsibility Agreement for Nonstandard Landscape;
- Responsibility Agreement for Alterations;
- Criminal Background Report;
- Memorandum of Occupancy Agreement signed by each applicant;
- Memorandum of Termination of Occupancy Agreement signed by each applicant;
- Golden Rain Foundation Trust Facility Fee form;
- Promissory note (if applicable);
- Financial statement and credit information (income and asset verification for each person on title);
- Residency Restrictions acknowledgement;
- Occupancy Agreement signed by each proposed applicant;
- Addendum to Occupancy agreement – Trustee Membership if applicable;
- Interim Dual Membership Agreement (if applicable);
- Original Membership Certificate or Lost Instrument Bond or Lender Payoff Demand; and
- Application for Co-occupancy Permit (if applicable).

If a Guarantor is applying, the proposed Guarantor must also submit the most recent signed tax returns, Financial Statement and Credit Information (income and asset verification for each guarantor), and Personal Unconditional Continuing Guaranty and Security Agreement (Exhibits A and B).

Upon receipt of the above documents and those required of seller and escrow firm, staff reviews documentation to ensure it is complete and evaluates the financial verifications in light of the corporation's membership requirements. A staff report recommending approval or denial of the Applicant is prepared and attached to the membership packet for review by 3 designated board members.

EXHIBIT A

Personal Unconditional Continuing Guaranty and Security Agreement

Parties

Member(s) _____ (collectively, the "Member")

Property Address _____ ("Property")

Guarantor _____ ("Guarantor")

This Personal Unconditional Continuing Guaranty and Security Agreement (hereinafter "Guaranty") is made this _____ day of _____, by the undersigned, individually, jointly and severally if more than one (hereinafter individually and collectively the "Guarantor"), whose address(es) appear below their signatures hereon, to and for the benefit of _____ ("Member") and United Laguna Woods Mutual, a California nonprofit mutual benefit corporation (hereinafter "United" or "Corporation").

For purposes of this Guaranty, "Guarantor" is the undersigned who guarantees to pay for the Member's debt and/or obligations if Member should default or otherwise fail to pay a debt and/or obligation(s) to United.

The undersigned Guarantor may only guarantee one unit in the Village. For purposes of this Guaranty, Village means United Laguna Woods, Third Laguna Hills, and The Towers. Guarantor warrants and represents it has not and will not guarantee another unit in the Village.

In consideration of the mutual covenants and agreements herein, and for other valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Guarantor warrants to, and covenants with, United as follows:

1. Personal Unconditional Continuing Guaranty

Guarantor, individually, jointly and severally, unconditionally and absolutely guarantees the due and punctual payment of the Indebtedness, as hereinafter defined (without deduction for any claim, setoff or counterclaim of Guarantor, or for the loss of contribution of a co-guarantor, if any) of Member to United, on demand in lawful money of the United States. The term "Indebtedness" is used herein in its most comprehensive sense and includes the Monthly Carrying Charge payable by the Member to United, all assessments, fines or other monetary charges levied in the name of United pursuant to the applicable Occupancy Agreement, Bylaws or other governing documents of United, and California law, all as now existing or as may be hereafter amended, any and all advances, debts, obligations and liabilities of Member or any one or more of them, now or hereafter made, incurred or created, whether voluntary or involuntary, and however arising, whenever due, and whether absolute or contingent, liquidated or unliquidated, determined or undetermined, and whether Member may be liable individually or jointly with others, or whether recovery upon such Indebtedness may be or hereafter become barred by any statute of limitations, or whether such Indebtedness may be or hereafter becomes otherwise unenforceable.

The obligation of Guarantor is a primary, continuing and unconditional obligation of payment and performance. This Guaranty shall be effective regardless of the solvency or

insolvency of Guarantor at any time or the subsequent incorporation, reorganization, merger or consolidation of Guarantor, or any other change in composition, nature, personnel, ownership or location of Guarantor. This Guaranty is non-revocable by Guarantor.

Guarantor shall at all times satisfy the minimum financial requirements required by United, which financial requirements may be amended by United's Board of Directors from time to time.

The obligations of Guarantor herein cannot be assigned or transferred in any manner whatever, directly or indirectly, by operation of law or otherwise, without the prior written consent of United, which consent may be withheld in any circumstances. However, Guarantor agrees that this Guaranty shall inure to the benefit of and may be enforced by United and by any subsequent holder or assigned of any and all of the Indebtedness and shall be binding upon and enforceable against Guarantor and Guarantor's executors, administrators, legal representatives, successors and assigns.

The obligations hereunder are joint and several, and independent of the obligations of Member. A separate action or actions may be brought and prosecuted by Corporation against Guarantor whether action is brought against Member or whether Member be joined in any such action or actions; and Guarantor waives the benefit of any statute of limitations affecting their liability hereunder or the enforcement thereof.

Guarantor authorizes Corporation, without notice or demand and without affecting Guarantor's liability hereunder, from time to time to (a) renew, compromise, extend, accelerate, or otherwise change the time for payment of, or otherwise change the terms of the Indebtedness or any part thereof, including increasing or decreasing the rate of interest thereon; (b) take and hold security for the payment of this guaranty or the Indebtedness guaranteed, and exchange, enforce, waive and release any such security; (c) apply such security and direct the order or manner of sale thereof as Corporation in its discretion may determine; and (d) release or substitute any one or more of the endorsers or Guarantor. Corporation may, without notice, assign this Guaranty in whole or part. Without limiting the foregoing, Guarantor hereby waives the rights and benefits under California Civil Code ("CC") Section 2819, and agrees that Guarantor's liability shall continue even if Corporation allows any Indebtedness of Members in any respect or Corporation's remedies or rights against Member are in any way impaired or suspended without United's consent.

Guarantor waives any right to require Corporation to (a) proceed against Member; (b) proceed against or exhaust any security held from Member; or (c) pursue any other remedy in Corporation's power whatsoever. Guarantor waives any defense arising by reason of any disability or other defense of Member or by reason of the cessation from any cause whatsoever of the liability of Members. Until all Indebtedness of Members to Corporation shall have been paid in full, even though such indebtedness is in excess of Guarantor's liability hereunder, Guarantor shall have no right of subrogation, and waives any right to enforce any remedy which Corporation now has or may hereafter have against Member, and waives any benefit of, and any right to participate in any security now or hereafter held by United. Guarantor waives diligence and all presentments, demands for performance, notices of nonperformance, protests, notices of protest, notices of dishonor, and notices of acceptance of this Guaranty and of the existence, creation, or incurring of new and additional Indebtedness. Notwithstanding, Guarantor will receive copies, at the

discretion of United or upon Guarantor's written request, of Member's late payment notices.

Guarantor agrees to pay reasonable attorneys' fees and all other costs and expenses which may be incurred by Corporation in the enforcement of this Guaranty or any attempts to collect any of the obligations of Member whether or not Corporation files suit against Member and Guarantor.

In all cases where there is but a single Member or a single Guarantor, then all words used herein in the plural shall be deemed to have been used in the singular where the context and construction so require; and when there is more than one Member named herein, or when this Guaranty is executed by more than one Guarantor, the word "Members" and the word "Guarantors" respectively shall mean all and any one or more of them.

All obligations of Guarantor shall be performed at Laguna Woods, California. At all times herein, Guarantor's primary residence and/or, if an entity, place of business, filing, registration or incorporation shall be in the State of California, and Guarantor's assets shall also be located in California. United may, from time to time, change or modify any obligation between Member and United in any manner it may deem fit and such change shall not affect the liability of Guarantor in any manner. Guarantor further waives all right to require United to proceed against the Member or any other person, firm or corporation, or to pursue any other remedy available to United. All rights of United herein or otherwise shall be cumulative and no exercise, delay in exercising, or omission to exercise any right of United shall be deemed a waiver and every right of this Corporation may be exercised repeatedly. Any and all property of the undersigned, whether community or separate or otherwise, may be applied to the payment of any obligation arising hereunder.

2. Security Interest, Financial Information

Guarantor hereby grants to United a continuing first priority security interest in and to all Guarantor's assets set forth on the attached Exhibit B ("Secured Collateral"). Guarantor authorizes United to cause UCC financing statements to be filed, UCC financing statement amendments and UCC financing statement continuation statements with respect to the Secured Collateral. The collateral in which a security interest is hereby granted includes all of the rights, titles, and interests of Guarantor in and to the Secured Collateral.

Guarantor hereby authorizes United to cause at any time and from time to time filing in any filing office in any jurisdiction any initial financing statements and/or any amendments thereto required to perfect or continue the perfection in the security interests granted hereby, including financing statements that: (a) indicate the Secured Collateral as being of an equal or lesser scope or with greater detail and (b) provide any other information required by Part 5 of Article 9 of the UCC for the sufficiency or filing office acceptance of any financing statement or amendment, including whether Guarantor is an organization, the type of organization and any organizational identification number issued to Guarantor. Guarantor hereby authorizes United at any time and from time to time to correct or complete, or to cause to be corrected or completed, any financing statements, continuation statements or other such documents as have been filed naming Guarantor as debtor and United as secured party. United is hereby authorized to give notice to any creditor or any other person as may be necessary or desirable under applicable laws to evidence, protect, perfect, or enforce the security interest granted to United in the Secured Collateral.

United may on an annual basis verify Guarantor's financial information provided to United pursuant to this Guaranty.

3. Requirement of Guaranty

Guarantor is executing and delivering this Guaranty in order to induce United to enter into an Occupancy Agreement with and accept an application for Membership from Member. Guarantor acknowledges, agrees, represents and warrants that Guarantor benefits from same and that such benefit is sufficient consideration for the entry of Guarantor into this Guaranty.

IN WITNESS WHEREOF, this Guaranty has been duly executed and delivered as of the date first written above.

Guarantor

Signature _____ Dated _____

Print Name _____

Address _____

Telephone _____ Email _____

Guarantor

Signature _____ Dated _____

Print Name _____

Address _____

Telephone _____ Email _____

Accepted

United Laguna Woods Mutual

Signature _____ Dated _____

Print Name _____

Title _____

United Laguna Woods Mutual

Signature _____ Dated _____

Print Name _____

Title _____

**Exhibit B
Secured Collateral**

Asset(s) Asset Location in California (i.e., bank account, bank account number, name of bank; real property, real property address)	Guarantor Name	Ownership Interest



RESOLUTION 01-26-65
Financial Qualifications Policy

WHEREAS, the Corporation seeks to protect and preserve its financial integrity; and

WHEREAS, United wishes to clarify and formalize its existing practices for membership qualification by revising its Financial Qualifications Policy, to include, but not limited to, revisions to its income and asset requirements, credit reports and FICO scores, and guarantor provisions;

NOW THEREFORE BE IT RESOLVED, July 14, 2026, that the Board of Directors of this Corporation hereby approves and adopts the amended Financial Qualifications Policy as attached to the official minutes of this meeting; and

RESOLVED FURTHER, that Staff is hereby directed to disseminate this information to the realty community serving Laguna Woods Village; and

RESOLVED FURTHER, that Resolution 01-24-60 adopted June 11, 2024 is hereby superseded and cancelled; and

RESOLVED FURTHER; that the officers and agents of this Corporation are hereby authorized on behalf of the Corporation to carry out the purpose of this resolution.

JUNE INITIAL NOTIFICATION: 28-day notification for member review and comment to comply with Civil Code §4360 has been satisfied.