THIRD LAGUNA HILLS
MUTUAL

Financial Qualifications Policy
Resolution 03-26-125
Adopted August 18, 2026

The governing documents of Third Laguna Hills Mutual (“Mutual”) require each person seeking to acquire an ownership interest in a unit (“Applicant”) to obtain the **PRIOR** written approval of the Mutual’s Board of Directors (“Board”) before doing so. As a condition to obtaining such approval, each Applicant must provide to the Board documentation that conclusively establishes that Applicant satisfies certain financial requirements as set forth in the Mutual’s governing documents (“Application”). For the purposes of determining whether an Application will be approved or denied, the Board has adopted this Financial Qualifications Policy (“Policy”), which shall remain in effect until such time as this Policy may be changed, modified, or amended by a duly adopted Board resolution.

I. General Application Requirements.

a. As a condition of approval, Applicant(s) must submit to the Mutual an Application with all of the following documentation provided in a form satisfactory to the Board:

1. A federal income tax return for the most recent year that is signed, dated, and includes Schedules A, B and E, as applicable, as well as any other financial verification documents requested by the Board. By way of example, but without limitation, other verification documents may be required if any Applicant derives income from a business owned by the Applicant (personally or through a legal entity), in which case the applicable business tax schedule and profit and loss statement may also be required.

2. Net worth verification pursuant to Section II of this Policy.

3. Income verification pursuant to Section III of this Policy.

4. A completed Financial Statement and Credit Information form.

5. Verification of the Applicant’s identity, which shall be any person or person’s trust, or designated individual acting on behalf of a corporation organized to qualify under Internal Revenue Code §501(c)(3).

6. If the Applicant desires to have a Guarantor to enable the Applicant to qualify to purchase a unit (as defined below), all documents required pursuant to Section IV of this Policy shall also apply to the Guarantor.

7. If the Applicant desires to purchase more than one (1) unit or already owns at least one (1) unit at the Mutual, all documents required pursuant to Section V of this Policy shall be required for each unit application.

b. The Board may deny any Application that does not include all of the documentation required herein, in a form consistent with this Policy and satisfactory to the Board, except as otherwise required by law.

c. Any Application (including, without limitation, any document submitted in connection with said Application) that contains false or misleading information will be denied. If an Application was approved and it is later determined that such Application contained false or misleading information, and if escrow had not closed by the time such discovery was made, the Board may immediately withdraw its approval without the Mutual suffering any liability whatsoever. If escrow has already closed at the time the false or misleading information is discovered, the Applicant will still be recognized as an owner; however, the owner will be considered not in good standing and may be scheduled for a disciplinary hearing. After a duly noticed disciplinary hearing before the Board, the Board may impose a fine based on the Schedule of Monetary Penalties, suspend member privileges, and/or consider legal action.

d. Notwithstanding anything to the contrary contained herein, if more than one (1) Applicant will acquire an ownership interest, such Applicants' income and net worth 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.

e. When an Applicant applies independently of their spouse or registered domestic partner under an Interspousal Transfer Grant Deed, the following shall apply:

1. Jointly held assets may be allocated equally as community property between the parties, and the Applicant's one-half share may be treated as the Applicant's assets pursuant to Section II of this Policy.
2. Income verification, pursuant to Section III of this Policy, must belong solely to the Applicant and may not be jointly earned with a spouse or registered domestic partner. Supporting documentation may include W-2s, 1099s, pay stubs with year-to-date earnings, or other acceptable proof of income.

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

II. Net Worth Requirements.

a. As a condition of approval, Applicant(s) shall submit satisfactory verification of net worth that is greater than or equal to the sum of the purchase price of the unit plus two hundred thousand dollars ($200,000) in acceptable assets. NOTE: Applicants owning other properties having mortgage obligations shall provide satisfactory evidence of additional assets sufficient to offset the total mortgage balance(s).

b. When computing net worth for the purposes of this Section, acceptable assets shall be limited to those assets that are considered, in the Board's sole discretion, to be liquid, marketable, or income-producing. Only aged accounts (180 days) will be considered. Examples of acceptable assets include, without limitation, the following:

1. Community property held jointly with a spouse or registered domestic partner.

2. Savings accounts in U.S. banks, U.S. credit unions, certificates of deposit, and money market accounts.

3. Cash value life insurance.

4. IRA, SEP, 401(k), Profit Sharing and Keogh accounts.

5. U.S. federal, state, or municipal government bonds.

6. U.S. traded investments (e.g., NYSE, Amex, OTC, Nasdaq, etc.) valued at current market prices.

7. Mortgages and promissory notes; provided that the interest in such mortgages or promissory notes is reported on the Applicant's tax return.

8. Equity in U.S. residential property may be considered.

9. Mortgage statements, if mortgage is identified in credit report.

10. Estimated/final closing statements of residential sale proceeds.

c. When computing net worth for the purposes of this Section, acceptable assets will not include, without limitation, the following:

1. Equity in mobile homes, recreational vehicles, boats, trailers, airplanes, automobiles, or other vehicles of any kind.

2. Vacant or undeveloped real estate.

3. Artwork, jewelry, or other collectibles (e.g., coins, dolls, stamps, etc.).

4. Term life insurance.

5. Annuity funds that cannot be withdrawn in lump sum.

6. Anticipated bequests, devises or inheritances.

7. Mortgages and promissory notes where the interest in such mortgages or promissory notes is not reported on the Applicant's tax return.

8. Foreign real estate or other non-U.S. assets.

9. Letters, summaries, or screenshots of account statements are not acceptable

III. Income Requirements.

a. As a condition of approval, Applicant(s) shall submit satisfactory verification of annual income that is greater than or equal to the sum of the total of the unit's annual mortgage payment plus sixty thousand dollars ($60,000) per year.

b. Prospective members shall submit:

1. A full credit report that shows a FICO score of at least 700 from a nationally recognized credit reporting agency (e.g., Equifax, TransUnion, Experian).

2. If credit report shows a mortgage, a Property Profile must be provided to show the market value of the mortgaged property.

3. 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.

4. These reports must be dated within 60 days prior to the application submittal.

c. 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 (a) above, an applicant's acceptable traditional retirement account assets may be used towards applicant's annual income as follows:

1. The Required Mandatory Distributions (RMD) for the Applicant's retirement accounts; or

2. 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:

   Attributable Income = (Total Retirement Account Assets x 80%) ÷ 25

3. Attributable income is permitted only for first-time buyers who intend to reside in the unit and is not allowed for investors.

4. Applicant's assets used for attributable income cannot be counted towards the asset requirement under Section II.

d. Examples of acceptable income verifications include, without limitation, the following:

1. 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.

2. W-2 forms or paycheck stubs.

3. Bank, credit union, or investment account statements.

4. Annuity statements and Social Security benefits letter.

5. Pensions

6. Trust income

7. Disability income

8. Residential/commercial property rental income as reported on latest tax return.

e. Examples of unacceptable income verifications include, without limitation, the following:

1. Letters from employers, bankers, bookkeepers, accountants, enrolled agents, investment counselors, or attorneys.

2. Any income not reported on federal income tax returns.

3. Income earned outside U.S. borders and not reported on U.S. income tax return.

4. Letters, summaries, or screenshots of account statements are not acceptable.

5. Short-term and long-term capital gains.

6. Depreciation from investment properties as reported on Federal tax returns.

7. Future income not reported on latest tax return.

IV. Guarantors.

a. In the event any Applicant is unable to satisfy the financial requirements set forth in the Mutual’s governing documents (including, without limitation, this Policy), the Board may permit said Applicant to have a financial guarantor in accordance with this Section IV (“Guarantor”), so long as the Guarantor is not one of the persons seeking to reside in the unit.

b. Each Applicant supported by a Guarantor shall submit satisfactory verification of a net worth of at least two hundred thousand dollars ($200,000) in acceptable assets, notwithstanding the requirements of Section II and Section III of this Policy.

c. Each Guarantor shall enter into an agreement with the Mutual to become financially responsible, jointly and severally, for all expenses associated with the Applicant's ownership, residency and/or membership at the Mutual ("Assessment/Charges Guarantor Obligation Form"). A Assessment/Charges Guarantor Obligation Form is attached hereto as Exhibit "A" and incorporated in its entirety herein by this reference as if fully set forth in this Policy.

d. Each Guarantor shall submit all of the following documentation in a form satisfactory to the Board:

1. A fully executed and completed Assessment/Charges Guarantor Obligation Form.

2. Proof that the Guarantor's primary residence is located in California, USA.

3. Verification of net worth equal to the sum of the purchase price of the unit plus three hundred forty thousand dollars ($340,000) in acceptable assets.

4. Verification that the Guarantor's annual income is greater than or equal to the sum of the total of the unit's annual mortgage payment plus one hundred eighty-two thousand dollars ($182,000) per year.

5. 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: $182,000 required for the unit being guaranteed + $90,000 for the second unit, for a combined annual income of $272,000.
   b. Asset requirement: purchase price of guaranteed unit + $340,000 + purchase price of second unit + $200,000.

6. Guarantor shall submit a full credit report from a recognized credit reporting agency and show a FICO score of at least 700.

e. Guarantors are permitted only for first-time buyers who will occupy the unit as their primary residence and not for investment purposes.

f. Only one Guarantor is allowed per unit, except when the Guarantors are spouses or registered domestic partners.

g. A Guarantor may only guarantee one unit within Laguna Woods Village.

h. The Board may withhold its approval of any Guarantor for, without limitation, any of the following reasons:

1. A Guarantor or Applicant fails to provide all of the documentation as required by subsection (d), above, in a form consistent with this Policy and satisfactory to the Board.

2. A Guarantor is subject to a bankruptcy proceeding that is pending or has not been discharged.

3. Any foreclosure or short sale of any property owned by the Guarantor.

4. Any outstanding balances, collection accounts, or judgments owed by the Guarantor.

5. A Guarantor's credit score is lower than 700.

6. A Guarantor seeks to reside in the unit.

7. A Guarantor resides in a primary residence outside of the State of California.

8. A Guarantor's bank is located outside of the State of California.

9. A Guarantor provides any false or misleading information to the Board.

10. Any other reasonable grounds that call into question a Guarantor's financial ability or fitness to serve in this capacity on an Applicant's behalf.

i. Each Guarantor's assurances shall only apply to the Applicant(s) and unit expressly identified on the Assessment/Charges Guarantor Obligation Form. No Guarantor's assurances may be transferred to any other Applicant or unit.

V. Multiple Units. As a condition of approval, any Applicant who desires to purchase more than one (1) unit or already owns at least one (1) unit at Third Laguna Hills Mutual, Laguna Woods Mutual No. Fifty or United Laguna Woods Mutual shall submit satisfactory verification of annual income and net worth requirements pursuant to this Section V.

a. **Net Worth Requirements.** The Applicant shall submit satisfactory verification of net worth that is greater than or equal to the *sum* of the purchase price for each unit *plus* two hundred thousand dollars ($200,000) in acceptable assets per unit, as follows:

Unit 1: purchase price for Unit 1 + $200,000

Unit 2: purchase price for Unit 1 + $200,000 +
purchase price for Unit 2 + $200,000

Unit 3: purchase price for Unit 1 + $200,000 +
purchase price for Unit 2 + $200,000 +
purchase price for Unit 3 + $200,000

b. **Income Requirements**. The Applicant shall submit satisfactory verification of annual income as follows:

Annual income must be at least equal to the combined total of all units' annual mortgage payments, plus $60,000 per unit, and an additional $30,000 for each unit beyond the first and will continue in the same pattern for any additional units. For example:

Unit 1: annual mortgage payment + $60,000

Unit 2: annual mortgage payment on Unit 1 + $60,000 +
annual mortgage payment on Unit 2 + $60,000 + $30,000
Total annual income for purchasing a second unit = $150,000

Unit 3: annual mortgage payment on Unit 1 + $60,000 +
annual mortgage payment on Unit 2 + $60,000 + $30,000
annual mortgage payment on Unit 3 + $60,000 + $30,000 + $30,000
Total annual income for purchasing a third unit = $270,000

EXHIBIT "A"

THIRD LAGUNA HILLS MUTUAL
A California Non-Profit Mutual Benefit Corporation
(the "Mutual")

<u>ASSESSMENT/CHARGES GUARANTOR OBLIGATION FORM</u>

A. The Parties

Owner(s):____(collectively, the

"Owner") Property Address:________________________________(the "Property")

Guarantor:____("Guarantor")

B. Guarantee Payment. Guarantor hereby guarantees unconditionally to the Mutual and the Mutual's agents as follows:

a. Guarantor guarantees unconditionally to be jointly and severally responsible for/liable for all Charges related and charged to the Owner's assessment account.

b. Guarantor guarantees unconditionally to promptly pay for all HOA assessments, regular or special, compliance assessments, reimbursable assessments, chargeable services etc., late charges, interest, costs, trustee fees, attorney fees, or any other amount charged by the Mutual to the HOA assessment account for the Property, including fines, after a noticed hearing before the Board, reimbursement assessments, special assessments, chargeable services etc. (collectively, the "Charges".)

C. Waiver of Right to Demand Enforcement. Because the Guarantor is jointly and severally liable for the Charges, Guarantor guarantees unconditionally to waive any right to require the Mutual or the Mutual's agents to proceed against the Owner for any default occurring under the Governing Documents before seeking to enforce this Assessment/Charges Guarantor Obligation Form.

D. Broad Interpretation. This Assessment/Charges Guarantor Obligation Form shall be construed as a general, absolute, and unconditional Guaranty of payment and shall continue in perpetuity and said guarantees shall apply to all amounts charged by the Mutual to the Owner's account during the time which the Owner is a title/record owner of the Property. If any of the provisions of this Assessment/Charges Guarantor Obligation Form shall be determined to be invalid or unenforceable under applicable law, such provision shall, insofar as possible, be construed or applied in such manner as will permit enforcement.

E. Enforcement.

a. The Mutual may enforce this Assessment/Charges Guarantor Obligation Form without being obligated to resort first to any security or any other remedy against the Owner, and Guarantor hereby waives any notice of default and/or any right to cure same and there shall be no presentment or dishonor hereunder.

b. This Assessment/Charges Guarantor Obligation Form is general and shall inure to, and may be relied upon and enforced by, any successor or assign of the Mutual.

c. This Assessment/Charges Guarantor Obligation Form shall be governed by the laws of the State of California and the parties specifically agree that any legal action brought under this Assessment/Charges Guarantor Obligation Form or any underlying lease shall be brought only in Orange County, California, which Court is agreed to have jurisdiction over the parties.

d. The Parties waive the right to a jury trial in any such legal action.

e. If the Guarantor breaches this Assessment/Charges Guarantor Obligation Form, the Mutual shall be entitled to a full award of attorney fees, costs and expenses relative to any enforcement efforts taken, including any litigation pursued to enforce this Assessment/Charges Guarantor Obligation Form. Guarantor agrees to pay the Mutual's actual attorney fees, costs, and expenses in the enforcement of the Governing Documents and this Assessment/Charges Guarantor Obligation Form, whether before the lawsuit/proceeding is filed, after the lawsuit/proceeding is filed, or in any and all trial and appellate tribunals, whether suit be brought or not, if, after default, counsel shall be employed by the Mutual.

f. All amounts due to the Mutual hereunder shall bear interest at the highest rate allowed by law from the date of default.

F. **Modification.** Alteration, Modification or Revocation of this Assessment/Charges Guarantor Obligation Form is not permitted unless otherwise agreed to and signed by the Parties in writing.

G. **No Strict Performance Required.** Failure of the Mutual to insist upon strict performance or observance of any of the terms of the Governing Documents or to exercise any right held by the Mutual will not diminish the enforceability of this Assessment/Charges Guarantor Obligation Form. Guarantor agrees that the foregoing obligations shall in no way be terminated, affected, or impaired by reason of any action which the Mutual may take, or fail to take against the Owner, or by reason of any waiver of, or failure to enforce, any of the rights or remedies to the Mutual in the Governing Documents and all amendments thereto.

H. **Binding on Successors.** The obligations of Guarantor shall be binding upon Guarantor and his/her/their successors and assigns.

I. **Effective Immediately Upon Signature.** Guarantor fully understands this Assessment/Charges Guarantor Obligation Form is neither a reference, credit check, nor application, that the Mutual has relied on Guarantor’s representations and warranties contained herein and it is fully effective upon Guarantor's signature.

IN WITNESS WHEREOF, this Assessment/Charges Guarantor Obligation Form is executed this _____day of____________, 20____.

By:________________________________ Dated:__________________________

Print Name:_________________________

Address:____________________________

Phone Number:_______________________ E-Mail:________________________

ACKNOWLEDGMENT

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

STATE OF CALIFORNIA)
) ss.
COUNTY OF)

On______________, before me,_________________________, a Notary Public in and for the State of California, personally appeared____________________, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

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