

SEAL BEACH MUTUAL NO. FOUR**Mutual Reserves****Operating Service****1. Legal Basis**

The Regulatory Agreement (FHA Form 3225) between the mortgagor (Mutual) and the Federal housing Commissioner required that the Mutual shall establish and maintain a General Operating Reserve by allocation and payment monthly of a sum computed as follows:

- 1.1. Three percent of the monthly amount otherwise chargeable to the members pursuant to their Occupancy Agreement (three percent of monthly budget).
- 1.2. When the amount on deposit in the General Operating Reserve reaches fifteen percent of the annual budget, the rate of such monthly deposits may be reduced from three percent to two percent by appropriate action of the Mortgagor (Mutual) with approval by FHA.
- 1.3. When the amount reaches twenty-five percent of the annual budget, monthly payments may be discontinued, and no further monthly deposits need be made so long as said twenty-five percent level is maintained.
- 1.4. Upon any reduction of this Reserve below twenty-five percent, monthly deposits at the rate of three percent shall be made until the twenty-five percent level is restored.

2. Use of Fund

- 2.1. This cumulative reserve is maintained to provide a measure of financial stability during periods of special stress and may be used to meet deficiencies from time to time, and for certain other limited purposes.
- 2.2. Disbursements totaling in excess of twenty percent of the total balance in the Reserve as of the close of the preceding annual period may not be made during any annual period without the consent of the Federal Housing Commissioner.
- 2.3. Disbursements from the fund must be fully repaid in the fiscal year following the disbursement.

3. Suggestions

- 3.1. Questions concerning any use of the fund should be directed to the Administrator prior to Board action. If FHA review and approval is needed, the matter an then by expedited.

