
Effective Dates: 06/29/2011 - Present

TN 45 (06-11)

SI 01120.220 Cash Loans

Citations:

[Regulations - 20 CFR 416.1103\(f\)](#)

[Ruling SSR 92-8p](#)

A. Introduction

This section provides instructions for determining when a cash loan is countable as a resource and for determining its value as a resource. This section also provides instructions for determining whether an agreement is a bona fide loan for SSI purposes. For instructions to develop loans of in-kind support and maintenance, see Loans of In-Kind Support and Maintenance [SI 00835.482](#).

B. Definitions

1. Loan

A loan is a transaction whereby one party advances money to, or on behalf of another party, who promises to repay the lender in full, with or without interest. The loan agreement may be written or oral, and must be enforceable under State law.

2. Negotiable agreement

A negotiable agreement is (e.g., a loan) where the owner of the agreement itself can transfer it from one person to another to include the whole amount of money expressed on its face.

3. Bona fide agreement

A bona fide agreement is legally valid under the applicable State's law and made in good faith.

C. Policy determining when a loan counts as a resource

1. For the borrower

a. Agreement is a bona fide loan

- The loan agreement itself is not a resource.
- The cash provided by the lender is not income but is the borrower's resource if retained in the month following the month of receipt.

b. Agreement is not a bona fide loan

- The loan agreement itself is not a resource.
- The cash provided by the lender is income in the month received and is a resource if retained in the month following the month it was received.

NOTE: We exclude Federal Educational Loans (Federal PLUS Loans, Perkins Loans, Stafford Loans, William D. Ford Loans, etc.) under Title IV of the Higher Education Act (HEA) and money received under certain other types of educational assistance programs from income and resources. See, Grants, Scholarships, Fellowships, and Gifts [SI 00830.455B](#) and Other Grants, Scholarships, Fellowships, and Gifts [SI 01130.455C](#).

2. For the lender

a. Agreement is a negotiable, bona fide loan

- A negotiable, bona fide loan agreement is a resource of the lender valued at the outstanding principal balance. (For rebuttal rights see [SI 01120.220E.4](#) in this section)
- The cash provided to the borrower is no longer the lender's resource because the lender cannot access it for his or her own use; the loan agreement replaces the cash as the lender's resource.
- Payments received from the borrower against the loan principal are conversions of a resource, not income. If retained, the payments are counted as the lender's resource starting in the month following the month of receipt.

b. Agreement is neither bona fide or non-negotiable

- The agreement is not a resource of the lender because the loan cannot be sold.
- Payments received against the principal are income to the lender, not conversion of a resource.
- The cash provided to the borrower may be a resource if the lender can access it for his or her own use.

c. Agreement is non-negotiable and bona fide

- The agreement is not a resource of the lender because the loan cannot be sold.

- The cash provided to the borrower is no longer the lender's resource because the lender cannot access it for his or her own use; the loan agreement is not a resource because it cannot be transferred.
- Payments received from the borrower against the loan principal are income. If retained, count the payments as the lender's resource starting in the month following the month of receipt.

NOTE: Interest income received by the lender is unearned income whether the loan is bona fide or not. If the loan payments received by the lender include both principal and interest, only consider the interest portion as income.

D. Policy requirements for a bona fide informal loan

An informal loan is a loan between individuals who are not in the business of lending money or providing credit. An informal loan can be oral or written. An informal loan is “written” when the parties to the loan commit to writing the terms of their agreement. Completing Form SSA-2854 (Statement of Funds You Provided to Another) and Form SSA-2855 (Statement of Funds You Received) does not establish a written loan. These forms merely document the parties' allegations about the loan. An informal loan (oral or written) is bona fide if it meets all of the following requirements.

1. Enforceable under state law

A bona fide loan is an agreement that must be enforceable under the applicable State law. Check your regional instructions.

2. Loan agreement in effect at time of transaction

The loan agreement must be in effect at the time that the lender provides the cash to the borrower. Money given to an individual with no contemporaneous obligation to repay cannot become a loan at a later date. Acknowledgement of an obligation to repay

A loan is a cash advance from a lender that the borrower must repay, with or without interest. For a bona fide loan to exist, the lender and the borrower must acknowledge the obligation to repay. When money or property is given and accepted based on any understanding other than it is to be repaid by the receiver, there is no loan for SSI purposes.

A statement by the individual that he or she feels personally responsible to pay back the friend or relative on its own does not create a legal obligation to repay the individual who provided the cash. Similarly, the lender's statement that the borrower must only repay the cash if he or she becomes financially able to do so does not, on its own, create a legal obligation to repay.

EXAMPLE: Mr. Johnson applies for SSI in June 2011. He has no income and alleges that his son provided him \$200 cash per month as a loan. Mr. Johnson states that he would like to use his SSI benefits if approved to pay back the loan. When contacted, the son states that although he would **like** his father to repay him, he **does not have to repay him**. The CR determines that a bona fide loan does not exist because there is no obligation to repay.

NOTE: The **obligation** to repay cannot be **contingent** on future income that might be paid. There must be an understanding that the borrower must pay it back for it to be a bona fide loan.

3. Plan for repayment

The loan must include a plan or schedule for repayment, and the borrower's express intent to repay by pledging real or personal property or anticipated future income (such as retirement insurance benefits (RIB) benefits starting in a year when they turn 62). The claimant may use anticipated income such as Title II, Title XVI, Veterans benefits, etc., to establish a plan for a **feasible** repayment of the loan as long as the loan states the claimant **must** pay the money back.

4. Repayment plan must be feasible

The plan or schedule must be feasible. In determining the plan's feasibility, consider the amount of the loan, the individual's resources and income, and the individual's living expenses.

NOTE: Evidence received later that the individual did not repay the loan does not negate the determination that the loan was bona fide. If it has been previously determined that a loan is bona fide, do not redevelop that issue unless the individual provided incorrect information.

EXAMPLE 1: Plan for repayment based on anticipated future trust

Claimant applies for SSI disability benefits and alleges a loan:

- Claimant files for SSI on 05/13/11 and alleges his mother pays his rent of \$300 each month.
- The claimant states that he must pay his mother back. You contact his mother and she states that she has been paying her son's rent since 01/01/11 and he must pay her back.
- The claimant also states that he will inherit \$6000 from his grandfather's estate when he turns 21. He will be 21 on December 09, 2011 and plans to use this money to pay his mother back.

Determination

- Both parties confirmed that repayment was **not** dependent on whether the claimant's financial situation improved, and
- The repayment plan is feasible because the claimant intends to use anticipated money from the trust to pay back the loan.

NOTE: The trust is an excludable resource until claimant turns 21.

EXAMPLE 2: Feasible loan repayment based on anticipated benefits

Claimant applies for SSI disability benefits and alleges a loan:

- Claimant files for SSI on 05/13/11 and alleges his mother pays his rent of \$300 each month.
- The claimant states that he must pay his mother back. You contact his mother and she states that she has been paying her son's rent and he must pay her back.
- The claimant also states that he hopes he is approved for SSI so he can use the money to pay his mother back

Determination:

- Both parties confirmed that repayment was **not** dependent on whether the claimant's financial situation improved, and
- The repayment plan is feasible because the claimant intends to use anticipated SSI benefits to pay back the loan.

E. Procedure for developing oral and written informal loans

Follow these procedures to determine whether an informal loan is bona fide and to determine the resource value, if any, for the individual.

1. Document the loan allegation

- If the eligible individual is the lender, document the loan allegation by completing the MSSICS RNOT screen.
- If the eligible individual is the borrower, document the loan allegation by completing the MSSICS screen appropriate to the proceeds being held (e.g., RCSH or RFIA) and briefly describe the loan in Remarks.
- For cases not in MSSICS, document the loan allegation per Statements and Other Documentation [GN 00301.285](#) through Evidentiary Documentation Considerations [GN 00301.289](#).
- If there is a written agreement between the parties, fax/NDRED a copy of the agreement to the file or record the pertinent information on the EVID screen.
- If there is no written agreement, or the written agreement does not cover the requirements in section D, obtain statements either signed or recorded on a DROC from the borrower and the lender.
- You may use forms SSA-2854 and SSA-2855 to obtain the signed statements; fax the forms or statements into NDRED. If you use a DROC, include all the information contained on forms SSA-2854 and SSA-2855. For more information about SSA-2854 and SSA-2855, see [SI 01120.220G](#) in this section.

NOTE: These forms do not establish a “written” loan. The forms document the parties’ allegations about the loan.

2. Determine whether the loan is bona fide

After consulting any regional instructions for applicable State law, determine whether the loan is bona fide under the criteria in section D.

REMINDER: If the loan is bona fide, the cash proceeds are not income to the borrower but are a resource if retained until the following month. For the lender, the loan agreement itself is a resource if it is bona fide and negotiable. The borrower’s repayment of principal is not income to the lender, but the interest portion is unearned income.

3. Determine the resource value of the loan

a. Eligible individual is the borrower

- Count the loan proceeds, if retained, as a resource starting in the month after the month the borrower received the proceeds.
- Determine the resource value of the proceeds of the loan that the borrower still holds (if any).

- Use procedures appropriate to the type of resource being evaluated. For example, if they deposit cash proceeds into a bank account, it would be necessary to verify the bank account if the balance exceeded the liquid resource development tolerance in General Verification Requirements [SI 01140.010](#).

b. Eligible individual is the lender

- Assume that the bona fide loan agreement is negotiable, is a resource, unless the lender raises questions about the negotiability of the agreement, and wants to rebut this assumption.
- The agreement is a resource starting in the month after the month that the lender provides the proceeds to the borrower.
- Assume that the agreement's resource value is its outstanding principal balance unless the lender disagrees and wants to rebut this assumption.

EXAMPLE: Prior to filing for SSI, Mr. Jones made a \$1,500 cash loan to his brother. Subsequently, Mr. Jones received \$300 in repayment. At the time of filing for SSI, the outstanding principal balance for the loan was \$1,200. The CR counted \$1,200 as a resource.

4. Offer rebuttal rights

If the outstanding principal balance combined with the individual's other resources causes ineligibility, inform the individual that we will use the outstanding principal balance in determining resources unless he or she submits:

- Evidence of a legal bar to the sale of the agreement; or
- An estimate from a knowledgeable source showing the current market value (CMV) of the agreement is less than its outstanding principal balance.

Refer to the rules of for obtaining evidence if the individual takes longer than 30 days to submit such evidence, see Information Evidence General [SI 00601.100](#).

NOTE: Knowledgeable sources include anyone in the business of making such estimates (e.g., banks or other financial institutions, private investors, real estate brokers). The estimate must show the name, title, and address of the source.

5. Document the loan determination

- Document your determination about whether the loan is bona fide on the MSSICS DROC screen or the Remarks section of the RNOT screen.
- Document the loan allegation and the resource value, if any, on the RNOT screen.

6. Complex issues

If you are unable to make a loan determination or have questions concerning State law, contact your Regional SSI program staff to discuss your question. If necessary, the regional staff may decide to refer the case to the Assistant Regional Commissioner for Management and Operations Support (ARC-MOS) for possible referral to the Regional Chief Counsel. Do not contact or refer materials to the Regional Chief Counsel directly.

7. Example of a bona fide oral loan

Situation: Based on an oral agreement, Mr. Tyson, an aged SSI recipient, alleges that he borrowed \$500 from his brother in February. Regional instructions confirm that oral loans are binding in the State where the brothers live. Mr. Tyson alleges he told his brother he would repay him when he received the proceeds of an insurance settlement. Mr. Tyson stated that he would receive the settlement in about 9 months. He also said he was unsure about the exact amount but estimated that it would be about \$500.

Analysis: The CR determines that the loan is bona fide. An oral loan agreement is legally enforceable under the applicable State law. A signed statement (Form SSA-2855) from Mr. Tyson confirms that he acknowledged his obligation to repay and intends to accomplish this by using anticipated income. A Form SSA-2854 completed by the brother confirms that Mr. Tyson is obligated to repay him. The CR determines that the loan proceeds are not income to Mr. Tyson. If retained, the proceeds would be a countable resource on the first moment of the following month. For more information about forms SSA-2854 and SSA-2855 see [SI 01120.220G](#) in this section.

F. Procedure formal loans

1. Eligible individual is the lender

With a formal loan, there is rarely a question about whether the loan is bona fide. The key issues are determining the resource value of the loan agreement for the lender and the amount of interest income received.

If the value of the loan agreement could affect resource eligibility:

- Obtain the written loan agreement and record the pertinent information on the EVID screen.
- Assume the agreement is bona fide and negotiable unless the creditor presents convincing evidence of a legal bar to transferring ownership.
- Assume if the agreement is a resource, that its value is its outstanding principal balance. If the individual wishes to rebut the value, follow the instructions [SI 01120.220E.4](#) in this section.
- Determine the amount of interest income the lender receives using the formal loan agreement or an amortization schedule.
- Document your determination about the value of the loan on the MSSICS RNOT screen.

2. Eligible individual is the borrower

With a formal loan, the key issue is determining whether the borrower retains proceeds of the loan that are countable as resources. Follow these steps to determine the countable resources.

- Assume a formal loan is bona fide. However, the proceeds of the loan are potentially countable resources of the borrower whether or not the loan is bona fide or negotiable.
- Determine the value of the loan proceeds using procedures appropriate to the type of resource being evaluated. For example, if a bank account contains the loan proceeds

verify the bank account if the account balance exceeds the liquid resource development tolerance.

- Document the loan allegation and your resource determination on the MSSICS screen appropriate to the type of loan proceeds the individual has retained (e.g., RCSH, RFIA).

G. Description forms SSA-2854 and SSA-2855

To document informal loans, you may use two locally reproducible forms.

- Form SSA-2854 (Statement of Funds You Provided to Another) has two parts. The first part is a cover letter to the lender, which identifies the borrower and explains why SSA needs the information. The second part is a questionnaire that the lender completes.
- Form SSA-2855 (Statement of Funds You Received) has one part that the borrower completes.

H. Procedure using forms SSA-2854 and SSA-2855

Send Form SSA-2854 to the lender for completion using the cover letter portion of the form. Complete Form SSA-2855 as part of a personal interview with the borrower to document the allegation of an informal loan. Modify questions, as necessary, because of variations in State laws covering informal loans. However, be sure to include the borrower's allegations about his or her obligation to repay, schedule and plan for repayment, and express intent to repay by pledging either real or personal property or anticipated income. Use the backs of the forms if you need more room to record information.

I. References

- [SI 00815.350](#) Loan Proceeds Are Not Income
- [SI 00830.500](#) Interest Income
- [SI 00835.482](#) Loans of In-kind Support and Maintenance
- [SI 01110.600B.3](#). Conversion of Resources
- [SI 01140.010](#) Liquid Resource Development Tolerance
- [SI 01140.300](#) Promissory Notes and Property Agreements
- [SI 01150.000](#) Other Resources Provisions
- MSOM MSSICS 013.009 MSSICS RNOT screen
- MSOM MSSICS 022.010 MSSICS DROC screen
- MSOM EVID 001.001 EVID screen

J. Exhibits

1. **Form SSA-2854 (Statement of Funds You Provided to Another)**
 2. **Form SSA-2855 (Statement of Funds You Received)**
-

To Link to this section - Use this URL:
<http://policy.ssa.gov/poms.nsf/lnx/0501120220>

SI 01120.220 - Cash Loans - 06/29/2011
Batch run: 06/29/2011
Rev: 06/29/2011



[Privacy Policy](#) | [Website Policies & Other Important Information](#)