

**Module 9: Section 504 Loans and Grants**  
**Learning Activity**  
**Activity #1 – Reviewing Completed Budget Forms**



Evaluating repayment ability for a Section 504 loan or grant differs from the procedures for evaluating the same issue under a Section 502 loan. It is important that you are familiar with the forms used to evaluate repayment ability (specifically, RD Form 1944-3 “Budget and/or Financial Statement”. This short activity involves you in reviewing a completed form and identifying areas for discussion with the applicant.

**Activity #1 Instructions:**

- ✓ Review the sample completed RD Form 1944-3.
- ✓ Identify areas you need to discuss with the applicant based upon the information
- ✓ On the back of this paper outline the conversation you plan to have with the applicant

**Areas for Discussion/ Questions to Ask:**

*Create a list of areas for discussion along with related questions to ask about each area. Consider the following as possible areas for discussion based upon your review:*

- |                                   |                                      |
|-----------------------------------|--------------------------------------|
| ✓ <i>Phone numbers</i>            | ✓ <i>Personal expenses listed</i>    |
| ✓ <i>Food expenses</i>            | ✓ <i>Insurance – Health and Life</i> |
| ✓ <i>Clothing expenses listed</i> | ✓ <i>Taxes – Real Estate</i>         |
| ✓ <i>Medical expenses listed</i>  | ✓ <i>Child Care Expenses</i>         |
| ✓ <i>Gift expenses listed</i>     | ✓ <i>Household Income Listed</i>     |



# Module 9: Section 504 Loans and Grants Learning Activity Activity #1 – Reviewing Completed Budget Forms



USDA-RURAL HOUSING SERVICE, FARM SERVICE AGENCY

Position 3

FORM APPROVED  
OMB NO. 0575-0172

Form RD 1944-3  
(Rev. 6-97)

### BUDGET AND/OR FINANCIAL STATEMENT

1. NAME OF APPLICANT/BORROWER: John Q Public	2. HOME PHONE NUMBER: (217) 555-1234	3. AGES OF PERSONS IN HOUSEHOLD: 43 Children: _____ 64 Others _____
4. NAME OF CO-APPLICANT/CO-BORROWER: Jane D Public	5. WORK PHONE NUMBER: (217) 555-9999	Applicant/Borrower: _____ Co-Applicant/Co-Borrower: _____
J. ADDRESS: 123 Main Street Smalltown, Illinois 12345		7. PERIOD COVERED BY PLAN: January 1 20 xx thru December 31 20 xx

### BUDGET

#### PART 1 - PLANNED EXPENSES AND PAYMENTS

A - CASH EXPENSES	MONTHLY	NEXT 12 MONTHS	B - DEBT PAYMENTS	MONTHLY	NEXT 12 MONTHS
FOOD:	\$ 75	\$ 900	HOUSE PAYMENT:		0
CLOTHING:	10	120	CAR/TRUCK:	185	2,220
MEDICAL: <i>(Doctor, dentist, eyeglasses, medication, etc.)</i>	180	2,160	CAR/TRUCK:		0
PERSONAL: <i>(Beauty shop, barber, liquor, cigarettes, newspapers, magazines, etc.)</i>	175	2,100	OTHER VEHICLES AND EQUIPMENT:		0
HOUSEHOLD:			OTHER: <i>(Credit cards, medical, installment loans, personal debts, other real estate etc.)</i>		
FUEL:	75	900	<i>(LIST)</i>		
ELECTRICITY:	100	1,200	eye glasses	15	180
TELEPHONE:	0	0	credit card	75	900
CABLE TV:	55	660	FEDERAL DEBTS:		0
WATER AND/OR SEWER:	15	180			0
OTHER:	0	0	PLANNED CREDIT PURCHASES: <i>(Furniture appliances, etc.)</i>		0
HOME REPAIR AND MAINTENANCE: <i>(Appliances, paint, yard, etc.)</i>	3	36			0
EDUCATION: <i>(Tuition, books, supplies, fees, school lunches, etc.)</i>	0	0	<b>TOTAL DEBT PAYMENTS:</b>	<b>\$ 275</b>	<b>\$ 3,300</b>

#### PART 2 - HOUSEHOLD INCOME

GIFTS: <i>(Holidays, birthdays, charity, church, etc.)</i>		75	900	APPLICANT/BORROWER: <i>(Wages, tips, overtime, etc.)</i>	0
RECREATION: <i>(Dining, movies, sports, entertainment, vacation, hobbies, etc.)</i>				CO-APPLICANT/CO-BORROWER: <i>(Wages, tips, overtime, etc.)</i>	0
MISC. POCKET EXPENSES: <i>(Sodas, lunches, allowances, etc.)</i>				NET BUSINESS INCOME:	0
CAR: <i>(Gas, tires, repairs, license, etc.)</i>				OTHER: <i>(Social Security, retirement, alimony, child support, VA, Public assistance, other income, etc.)</i>	1,100
TRANSPORTATION: <i>(Bus, taxi, trains, etc.)</i>					13,200
INSURANCE:				<b>TOTAL HOUSEHOLD INCOME:</b>	<b>\$ 1,100</b>
REAL ESTATE:	30	360			<b>\$ 13,200</b>
AUTO(S):	0	0			
HEALTH & LIFE:	67	804			

#### PART 3 - SUMMARY

TAXES:				A. TOTAL INCOME (PART 2)	\$ 1,100	\$ 13,200
REAL ESTATE:	7	84		B. CASH <i>(Checking, savings, etc.)</i>	112	1,344
INCOME:	0	0		C. TOTAL EXPENSES AND DEBT PAYMENTS (PART 1A + 1B)	1,302	15,624
SOCIAL SECURITY:	0	0		D. BALANCE (A + B - C)	\$ -90	\$ -1,080
PERSONAL PROPERTY:	0	0		SIGNATURE OF APPLICANT/BORROWER _____ DATE _____		
UNION OR PROFESSIONAL DUES:	0	0		SIGNATURE OF CO-APPLICANT/CO-BORROWER _____ DATE _____		
CHILD CARE: <i>(Daycare, babysitting, etc.)</i>	160	1,920		SIGNATURE OF AGENCY OFFICIAL _____ DATE _____		
CHILD SUPPORT/ALIMONY: <i>(Paid out)</i>	0	0		<i>(I have reviewed this budget and it appears to be a reasonable projection of income and expenses)</i>		
PLANNED CASH PURCHASES: <i>(Furniture, appliances, etc.)</i>	0	0				
LOAN CLOSING COSTS: <i>(Not included in loan)</i>	0	0				
MOVING EXPENSES:	0	0				
OTHER:	0	0				
<b>TOTAL CASH EXPENSES</b>	<b>\$ 1,027</b>	<b>\$ 12,324</b>				

According to the Paperwork Reduction Act of 1995, no persons are required to respond to a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 0575-0172. The time required to complete this information collection is estimated to average 30 minutes per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information.



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**FINANCIAL STATEMENT**

ITEM	VALUE (ASSETS) (A)	UNPAID DEBT (LIABILITIES) (B)	MONTHLY PAYMENT (C)	AMOUNT DELINQUENT (D)	PAYMENT DUE WITHIN NEXT 12 MONTHS (E)	FINAL DUE (F)	NAME AND ADDRESS OF CREDITOR AND ACCOUNT NUMBER (G)
Home	\$ 35,000	\$ 7,000	\$ 115	\$	\$ 1,380	\$	Contract for Deed with parents
Owner real estate					0		
Mobile Home					0		
Car (Yr. & make)					0		
Car (Yr. & make)					0		
Truck (Yr. & make)					0		
1987 Pickup	900	900	185		2,220		Corner Car Lot
Other Vehicles and Equipment (Boats, Motorcycles, etc.)					0		
Household Goods							
Appliances	500				0		
TV Set(s)	125				0		
Furniture	200				0		
Other	100				0		
Taxes Due:							
Real Estate					0		
Pers. Prop.					0		
Income Tax					0		
Soc. Sec. Tax					0		
Other Debts:							
Personal Loan					0		
Capital					0		
Doctor		180	15		180		Eye Clinic
Dentist					0		
Child Support and Alimony					0		
Federal Debts					0		
Credit Cards		75	10		120		EZ Credit Services
Other					0		
Rent							
Cash-on-hand (Including Savings & Checking Accounts, CD, etc.)	112						
Accounts Receivable							
Bonds & Other Securities							
Cash Value of Life Insurance							
<b>TOTAL</b>	<b>\$ 36,937</b>	<b>\$ 8,155</b>	<b>\$ 325</b>	<b>\$ 0</b>	<b>\$ 3,900</b>	<b>NET WORTH</b> Col. A minus Col. B	<b>\$ 28,782</b>

**I certify that the above statement is true and correct to the best of my knowledge and belief.**

WARNING: Section 1001 of title 18, United States Code provides: "whoever, in any matter within jurisdiction of any department or agency of the United States knowingly and willfully falsifies, conceals or covers up by any trick, scheme, or device a material fact, or makes any false, fictitious or fraudulent statements or representations, or makes or uses any false writing or document knowing the same to contain any false, fictitious or fraudulent statement or entry, shall be fined under this title or imprisoned not more than five years or both."

SIGNATURE OF APPLICANT/BORROWER

DATE

SIGNATURE OF CO-APPLICANT/CO-BORROWER

DATE



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**Answer Key – Items to Discuss with the Applicant**

**Phone Numbers**

Applicant lists a work number, but doesn't show employment income?

**Food**

Are food expenses realistic for the size of the household?

Is the applicant receiving food stamps or food commodities? If so, this amount should reduce food expenses. This should not be shown as income.

**Clothing**

Is this amount realistic?

It is acceptable to ask questions based on history. For example, what did you spend on clothing last year? Last three months (use an average)?

This could be realistic as many people use other options for clothing purchases (receive as gifts, thrift stores, and garage sales).

**Medical**

Are these out-of-pocket expenses not covered by insurance or Medicare?

Are these one-time expenses such as dentures or eyeglasses?

See debts – eye clinic.

If so, only include the monthly payment applicant is currently paying on the purchase of such items under debt repayments (Section B). (Refer to HB-1-3550, Chapter 4, Paragraph 4.4 F&G, Typical Medical Expenses for more information.)

**Personal**

This expense can vary greatly from household to household depending on use of items mentioned in the description

**Household – Telephone**

Applicant shows a home telephone number, but no telephone expense.

**Home Repair and Maintenance**

Is \$3.00 per month adequate? Consider yard care, snow removal, painting as needed.

**Gifts**

Is this amount reasonable? Consider tithing family & friend gifts, charities...

**Recreation or Misc. Pocket Expenses**

Have these items been overlooked?

**Car/Transportation/ Auto-Insurance**

Applicant shows a car payment in Section B – Debt Payments, but no expenses in these categories. Explain?

**Insurance – Health and Life**

Is Medicare expense included in this amount?

What portion is life insurance? Health insurance?



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**Taxes – Real Estate**

\$7 per month appears low. Are there allowable exemptions the applicant qualifies for due to income or age?

**Taxes – Income or Social Security**

If applicant is employed are they paying income or social security taxes? The applicant shows a work phone number.

**Child Care**

Applicant shows \$160/month, however, no children are listed as household members. Do they receive income from childcare that should have been shown under income?

**Debt Payments –House Payment**

House payments are not shown in Section B, but are shown in the Financial Statement.

**Debt Payments – Credit Cards**

Is the \$75/ month the minimum monthly payment or the credit card balance due? Credit card debts should be documented with copies of credit card statements or from the in-file credit report.

**Household Income**

Applicant shows other income only. They list a work phone number, but no employment income? Check with the applicant.

**Summary – Cash**

Should the applicant be including the balances of their checking and savings accounts in this section?

**Summary – Balance**

Budget shows a \$90 negative balance. How are they coming up with the funds to pay these reported expenses/ debt payments?

