UNITED STATES DEPARTMENT OF AGRICULTURE
Farm Service Agency
Washington, DC 20250

Notice FLP-116

1941-A

For: State and County Offices

Requirements for Rural Youth Project Loans

Approved by: Deputy Administrator, Farm Loan Programs

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1 Overview

A Background

It has come to our attention that State Offices have been processing youth loans with a blanket requirement of a cosigner for all applicants. Establishing a blanket requirement requiring a cosigner for all youth loan applicants is contrary to the requirements of FmHA Instruction 1941-A.

B Purpose

This notice provides guidance on the requirements for rural youth project loans.

C Contacts

If there are questions about this notice:

- County Offices shall contact the State Office
- State Offices shall contact LMD.

2 Loan Requirements

A Loan Eligibility

Rural youth project loans can be made to persons who:

- have reached the age of 10, but have not reached the age of 21
- do not reside in any city or town with a population of more than 10,000 inhabitants.

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Disposal Date	Distribution
March 1, 2001	State Offices; State Offices relay to County Offices

2 Loan Requirements (Continued)

B
Rural Youth Projects

Projects must be initiated, developed, and carried out by rural youths participating in 4-H, FFA, or similar organizations. Projects must produce enough income to meet expenses and debt repayment.

C
Recommendation by Parent and Project Advisor

If otherwise eligible, a rural youth who applies for an OL must be recommended by a project advisor, such as a 4-H club advisor, vocational teacher, home economics teacher, county extension agent, or other organizational sponsor or advisor. In addition, a youth who has not reached the age of majority under State law must obtain a written recommendation from a parent or guardian. All recommendations will be filed with the application in the borrower's case file.

Note: The project advisor and Farm Loan Manager should work closely with the youth providing technical advice and assistance.

D
Requiring Cosigners

A cosigner will be required only if it has been determined that the applicant cannot possibly meet the repayment or security requirements for the loan request.

Note: When a plan is feasible using realistic figures, a cosigner will not be required.

E
Loan Limitations

A youth loan will not be approved if the total outstanding loan principal balance will exceed $5,000 at loan closing.