

For: State and County Offices

Servicing Delinquent Youth Loans

Approved by: Deputy Administrator, Farm Loan Programs



1 Loan Servicing for Youth Loans

A Background

FSA Youth Loans are made according to the provisions of the Consolidated Farm and Rural Development Act (CONACT), section 311. These loans are limited to enterprises in connection with their participation in 4-H, FFA, and similar organizations. Youth Loans are not for the viability of the entire farming operation and are not operating loans for purposes of loan servicing. Therefore, limited loan servicing benefits are available for this type of loan.

B Purpose

This notice:

- outlines limitations on the servicing of Youth Loans
- continues guidance established under previous notices on available servicing actions, such as FmHA Instruction 1951-S and referral to the Department of Treasury (Treasury).

C Contact

State Offices shall direct questions about this notice to Bruce Mair, LSPMD, at 202-720-1645.

Disposal Date

February 1, 2006

Distribution

State Offices; State Offices relay to County Offices

Notice FLP-369

1 Loan Servicing for Youth Loans (Continued)

D State and County Office Action

A borrower delinquent on a Youth Loan shall be notified of loan service programs according to FmHA Instruction 1951-S, Section 1951.907. Exhibit 1 of this notice shall be included with the 1951-S notification. Those who submit a complete application within the required time frame may be considered for restructure or deferral according to FmHA Instruction 1951-S.

CONACT does not require limited resource rates, writedowns, or buyouts for Youth Loans. In addition, Youth Loans are not eligible to receive Disaster Set-Aside under FmHA Instruction 1951-T.

If a feasible plan cannot be developed with debt restructure or deferral, then liquidation and collection through administrative offset and referral to Treasury for Treasury Offset Program (TOP) offset and cross-servicing must be pursued, including offset against any adult cosigner when Social Security numbers of cosigners can be obtained. Cosigner information should be entered into the Management of Agricultural Credit (MAC) software. Any debt remaining after liquidation may be debt settled according to RD Instruction 1956-B or referred to Treasury for collection under TOP and cross-servicing.

Notification to Borrowers With Youth Loans

Notification to Borrowers With Youth Loans

This additional notification is to advise you that Youth Loans are not eligible for writedown, buyout, or limited resource interest rates, but can be restructured or deferred. This has no effect on any other loans you may have with the Agency.