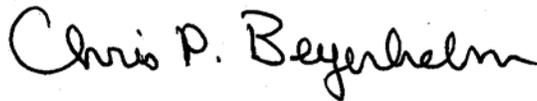


For: State and County Offices

Clarifying Youth Loan Requirements

Approved by: Acting Deputy Administrator, Farm Loan Programs



1 Overview

A Background

FLP operating loan (OL) regulation 1941-A requires that youth loans follow the same processing steps as OL's. This notice incorporates changes necessitated by the release of the FSA-2301, "Youth Loan Application", to the field. FSA-2031's now collect the majority of information needed to process a youth loan. However, there has been some confusion over which steps and actions are required to properly document and process youth loans.

Note: This notice will be incorporated into 3-FLP when it is revised.

B Purpose

This notice clarifies actions required to process youth loans.

C Contact

State Offices shall direct questions about this notice to Mike Moore, LMD, at 202-690-0651.

<p>Disposal Date</p> <p>July 1, 2007</p>	<p>Distribution</p> <p>State Offices; State Offices relay to County Offices</p>
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Notice FLP-428

2 Youth Loan Requirements

A Farm Assessments

Farm assessments, as provided in FmHA Instruction 1924-B, § 1924.55 are **not** required for youth loans. However, some discussion of strengths, potential problems, and goals should be included in the narrative section of the youth loan credit action of the Farm Business Plan (FBP).

B Loan Classification in the FBP

Youth loans will be classified as follows:

- all youth loans will automatically be classified as 3

Note: This classification **will not** be completed in the FBP, but will be entered into ADPS using an 8N transaction.

- if a youth loan borrower reaches the age of majority **and** subsequently gets a direct OL and/or farm ownership loan, all loans including any outstanding youth loans will be entered into the FBP and classified based upon the financial data collected.

C FBP Information

Youth loan applicants are **not** required to provide either FSA-2037's or FSA-2038's. A properly completed FSA-2301 should provide all information necessary to process the loan request since most youth loan projects are very simple enterprises. However, FSA-2037's and FSA-2038's may still be requested by the loan official in individual cases that:

- are unusually complex for a youth loan project
- require additional information for proper analysis.

When FSA-2037's and FSA-2038's are required, a loan official will meet with the applicant to provide technical assistance in completing FSA-2037's and FSA-2038's.

D Security Agreement

FBP currently does not capture information needed to complete FSA-440-4A's for youth loans; therefore, FSA-440-4A's must be completed manually.