What is the 2016 patronage program?
Frontier Farm Credit will return a portion of its 2016 net income earned from eligible customers through the 2016 patronage program. The amount of the cash-back dividend will be determined by the Board of Directors in December 2016 based on a variety of business and economic factors.

Are there any changes to the 2016 patronage program?
The changes below took affect with the 2015 patronage program, and apply to the 2016 program as well:

- Eligible customers will receive a single cash-back check that combines patronage paid on all eligible loans.
- Frontier Farm Credit will calculate patronage based on eligible average loan volume with the Association during the patronage program year, rather than on accrued interest.
- The patronage program has expanded to include country home loans.
- Leasing products are excluded from Frontier Farm Credit’s patronage program.

When will the 2016 Cash-Back Dividend Checks Be Distributed?
The 2016 cash-back dividend checks are expected to be mailed by March 31, 2017.

Who will be the payee on the cash-back dividend checks?
The cash-back dividend check payee will be the “payor of record” (primary customer) in our loan accounting system as of December 31, 2016. This is the same person whose taxpayer identification number appears on any IRS reporting associated with the customer’s account.

How will my 2016 cash-back dividend be calculated?
The amount of your 2016 patronage distribution will be based on your eligible average loan volume with Frontier Farm Credit during 2016. Generally, the more a customer borrows from us, the more he or she will benefit, financially, from the program. Because your eligible average loan volume and the amount of approved patronage can change each year, your cash-back dividend likely will change from one year to the next.

Who is eligible for the 2016 patronage program?
Generally, all customers whose loans are capitalized by stock. Exceptions are noted under ineligible customers. Customers who pay off their eligible loan(s) during the year will receive cash-back dividends for the portion of the year that their loan was outstanding, as long as they owned stock at the time of payoff and they meet all eligibility requirements.

Are there customer-owners who are ineligible?
Yes, when:

- Customers have no stock due to the loan being accelerated.
- A loan is in non-accrual and past due at the end of the year.
- A loan is made through the Young and Beginning Development Fund.
- A customer has waived his/her right to cash-back dividends/patronage due to concessions granted as part of a forbearance or restructure agreement.
- The loan is a sales contract (contract for deed) resulting from a loan restructuring.
• The cash-back dividend distribution is less than $25.
• A loan is a multi-lender syndication unless the contract with the customer specifically provides for the distribution of cash-back dividends/patronage.
• A loan is a participation purchased or a portion of the loan is sold to another entity unless the participation agreement specifically provides for the distribution of cash-back dividends/patronage.
• Any of a customer’s loans has been partially or fully charged-off. If any of a customer’s loans is charged off, all loans to that customer become ineligible for patronage.
• A customer has filed a voluntary petition in bankruptcy or has an involuntary bankruptcy petition filed against them. All loans to that customer become ineligible for patronage.

Ineligibility due to charge-off and bankruptcy applies for seven years, beginning from the date of such charge-off or the date of discharge from bankruptcy or a proceeding and concluding at the end of the patronage year in which the seven-year period expires.

Frontier Farm Credit also has the option of applying cash-back dividends to a loan balance if the customer is not in compliance with their loan agreement at the end of 2016 or at the time the cash-back dividend checks are issued in 2017, or the customer has not cashed their cash-back dividend check within 120 days of the date the check is issued.

Are all products offered by Frontier Farm Credit eligible for cash-back dividends?
No. Due to regulatory restrictions and the unique characteristics of some products, they are ineligible for cash-back dividends. Net income generated by these products is added to our cooperative’s retained earnings. These products are:
• Leasing – Due to the Strategic Alliance with Farm Credit Services of America, cash-back dividends are not paid on leases.
• Insurance – Insurance regulations prevent us from distributing insurance income directly to the customers who generate it.
• Loans made through the Young and Beginning Development Fund.
• AgDirect financing.

Is my cash-back dividend subject to tax?
Yes. Eligible customers generally should include the cash-back dividends in their 2017 taxable income. We encourage customers to consult with a tax advisor about their specific situation. Non-corporate customers will receive an IRS Form 1099-PATR early in 2018 for cash-back dividends paid in 2017. IRS regulations do not require distribution of 1099-PATR forms for corporations.

Why does Frontier Farm Credit offer cash-back dividends?
Cash-back dividends are a component of Frontier Farm Credit’s customer value proposition and are one of the unique benefits of doing business with a customer-owned financial cooperative. Cash-back dividends are a way to reduce the cost of borrowing from Frontier Farm Credit by sharing in the cooperative’s profits.

Why doesn’t Frontier Farm Credit distribute all of its earnings in cash?
Retained earnings not distributed in cash-back dividends help Frontier Farm Credit build the necessary capital to fund future growth and to develop new products and services that help you, our customer-owner, succeed.
Why Doesn’t Frontier Farm Credit Lower Interest Rates and Eliminate the Patronage Program?
Frontier Farm Credit is dedicated to providing industry expertise, quality customer service and competitive rates. In order to attract investors for Farm Credit System funding, Frontier Farm Credit must demonstrate the ability to generate strong earnings. The program allows Frontier Farm Credit's Board to determine the amount of the cash-back dividend distribution after financial results for the year are known.

Will Frontier Farm Credit distribute a cash-back dividend every year?
Our Board currently intends to distribute cash-back dividends each year. The Board and our financial plans are positioned to distribute approximately 50 basis points in cash patronage prospectively. The exact cash amount, however, will be determined at the end of each year and will be based on a variety of business and economic factors. Future cash distributions will balance Frontier Farm Credit’s loan growth, earnings and other business conditions for the year.