FCSAmerica 2018 Patronage Program / Cash-Back Dividends
Customer Q&A

What is the 2018 patronage program?
FCSAmerica will return a portion of our 2018 net income earned from eligible customers through the 2018 patronage program. The amount of the cash-back dividend will be determined by the Board of Directors in December 2018 based on a variety of business and economic factors.

What changes have been made to the 2018 patronage program?
- All consumer-purpose loans secured with real estate will be ineligible.
- Customer-owners are ineligible for cash-back dividends of $50 or less.

When will the 2018 Cash-Back Dividend Checks Be Distributed?
The 2018 cash-back dividend checks are expected to be mailed by March 31, 2019.

Why does FCSAmerica offer cash-back dividends?
Cash-back dividends are a component of FCSAmerica’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 FCSAmerica by sharing in the cooperative’s profits.

How will my 2018 cash-back dividend be calculated?
The same as in previous years. The amount of your 2018 patronage distribution will be based on your eligible average loan volume with FCSAmerica during 2018. 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.

Is my cash-back dividend subject to tax?
Yes. Eligible customers generally should include the cash-back dividend in their taxable income in the year that it was received. 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 2019 for cash-back dividends paid in 2018. IRS regulations do not require distribution of 1099-PATR forms for corporations.

Why doesn’t FCSAmerica distribute all of its earnings in cash?
Retained earnings not distributed in cash-back dividends help FCSAmerica build the necessary capital to fund future growth and to develop new products and services that help you, our customer-owner, succeed.

Who is eligible for the 2018 patronage program?
Generally, all customers whose loans are capitalized by stock with the exceptions noted below. This includes customers who pay off their loan(s) during the year. These customers 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 not eligible?
Yes, when:

- A customer has a loan that has been accelerated. If any of a customer’s loans is accelerated, all loans to that customer are ineligible for patronage.
- 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 $50.
- 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 similar proceeding and concluding at the end of the patronage year in which the seven-year period expires.

FCSAmerica 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 2018 or at the time the cash-back dividend checks are issued in 2019, or the customer has not cashed their cash-back dividend check within 90 days of the date the check is issued.

Are all products offered by FCSAmerica 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 and is not included in the patronage program. These products are:

- Insurance – Insurance regulations prevent us from distributing insurance income directly to the customers who generate it.
- Leasing - Due to changes several years ago in the lease agreement with our lease processor (Farm Credit Leasing), cash-back dividends are not paid on leases.
- Loans made through the Young and Beginning Development Fund.
- AgDirect financing made after April 11, 2010.
- Consumer-purpose loans secured by real estate and closed after January 1, 2018.

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, 2018. This is the same person whose taxpayer identification number appears on any IRS reporting associated with the customer’s account.
Why Doesn’t FCSAmerica Lower Interest Rates and Eliminate the Patronage Program?
FCSAmerica is dedicated to providing industry expertise, quality customer service and competitive rates. In order to attract investors for Farm Credit System funding, FCSAmerica must demonstrate the ability to generate strong earnings. The program allows FCSAmerica's Board to determine the amount of the cash-back dividend distribution after financial results for the year are known.

**Will FCSAmerica distribute a cash-back dividend every year?**
Our Board currently intends to distribute cash-back dividends each year. The Board and our financial plans currently are positioned to distribute at least 75 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 FCSAmerica’s loan growth, earnings and other business conditions for the year.