



## Alaska Commercial Fishing and Agriculture Bank

### **Board Declares Patronage Distribution**

#### **Lowers Cost to Borrower**

FY2013 CFAB returned profits to borrowers equal to 16% of CFAB's gross income for the year. What other private lending institution does that? That might mean if the interest rate on a borrower's loan was 6.0%, the NET interest rate you paid on your loan after payment of patronage could have been as low as 5.04%, a reduction of almost 1%.

How does that work? The income and expenses for the fiscal year are calculated, CFAB's profit for the fiscal year is determined. The Board of Directors then determines how much, if any, of the profits should be returned to the borrowers who made payments during that year. As a cooperative, this return of the profits is known as "patronage". Patronage – big word, an even bigger impact.

Other factors impact the actual payment to any individual borrower including their payment history as well as the company's profits for any given year. Since patronage is paid based on the overall profitability of CFAB we cannot forecast or say with certainty each year that patronage will be paid, but how many other lenders even offer the possibility of patronage.