

## **Wainwright CD Producing Line of Credit for a Client**

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*By [Bonnie McGeer](#)*

Wainwright Bank and Trust Co. in Boston is known for its socially progressive philosophy: It has two new "green" branches, lends money to homeless shelters, and targets the gay community.

Now it is offering a certificate of deposit that acts as a line of credit for one of its customers.

Because of the CD - believed to be the first in the United States to benefit a particular firm - Wainwright recently earned recognition as one of the top 20 companies changing the world for the better.

Steven F. Young, a senior vice president at the \$800 million-asset Wainwright, said when Equal Exchange Inc. in West Bridgewater, Mass., asked about creating a new kind of CD to solve a funding challenge, the idea seemed like a natural fit.

"Doing something like this was very much within our brand and what our customers expect of us," Mr. Young said.

The money invested in the CDs serves as collateral for a line of credit that Wainwright extends to Equal Exchange, which sells coffee, tea, and chocolate wholesale to businesses, schools, and churches.

That means the principal is at risk: If Equal Exchange defaults on a payment, Wainwright can collect what is owed from the CDs.

The rate Equal Exchange pays on the line of credit covers the interest on the CDs, plus a few percentage points.

The bank introduced the special three-year CD late last month, and at least one other company is already interested in setting up a similar product with Wainwright, Mr. Young said. He would not identify that company, because he said the deal is still being negotiated.

A for-profit business, Equal Exchange supports family farmers with guaranteed prices above market rates. It also encourages organic farming. It is the largest U.S. company to follow the Fair Trade standards, which include paying farmers a living wage.

Equal Exchange is using its Web site and newsletter to advertise the CD to its 20,000

customers nationwide.

Wainwright has yet to promote the CD, other than running an ad in the Green Pages, an annual directory of socially responsible businesses.

Mr. Young said that he did not know the amount put into Equal Exchange CDs so far, but that the average size of the CDs is \$8,000. There is a \$1,000 minimum.

Alistair Williamson, the capital coordinator for Equal Exchange, who came up with the idea for the CD, said he approached Wainwright and ShoreBank Pacific, an Ilwaco, Wash., unit of the \$2 billion-asset ShoreBank Corp. in Chicago. Both Wainwright and ShoreBank Pacific said yes, but Equal Exchange chose Wainwright because it is nearby, he said.

Mr. Williamson likened the CD to an affinity credit card, in which organizations benefit when their supporters use a particular card. "This is an affinity CD," he said. "I'm hoping more organizations will try this idea, once we show that it works."

Credit cards encourage spending, and the sponsoring organization gets only part of the money, he said, but the CD promotes savings, and the organization gets to use all the money - which, assuming no defaults, is returned with interest.

Equal Exchange's annual sales have doubled over the past three years, to \$20 million, and it needed a new source of funding, he said. It also wanted to welcome small investors without having to manage hundreds of small loans, Mr. Williamson said.

The CD, though not the equivalent of an equity investment, enables people like "my grandmother or a church committee" to support the company, he said. Essentially, CD investors are indirectly financing Equal Exchange's growth, he said.

The product yields 4.7% annually, the same as Wainwright's other three-year CDs.

The Federal Deposit Insurance Corp. insures the product, but people can misinterpret that as meaning the CD carries "no risk," Mr. Williamson said, so he often has to explain that the FDIC covers investors only if Wainwright goes under, not if Equal Exchange fails to repay the line of credit.

Equal Exchange's line of credit will equal the amount people put into the CDs.

Mr. Williamson said the company is getting a rate that is 2 or 3 percentage points lower than a conventional line of credit, because Wainwright has no risk.

The bank also benefits from new customers and deposits without any advertising expense, because Equal Exchange is promoting the CD itself, he said. "We're bringing the customers to them. They are our loyal customers."

The CD allows consumers to help small farmers, Mr. Williamson said.

"One of the stories I tell is it takes us about \$2,000 to buy the harvest from one

family farm. That's a typical five-acre farm, maybe on the side of a volcano in El Salvador, and it supports six to eight people," he said. "So if you buy a \$2,000 CD, that helps us buy coffee from one more family farm and bring more families into the Fair Trade system."

Wainwright is the only bank on this year's top 20 list of world-changing companies published by SustainableBusiness.com. HSBC Holdings PLC received an honorable mention for its progress in implementing the Equator Principles, which are meant to help banks avoid financing environmentally destructive projects.

This is the fifth year SustainableBusiness.com has published the list, which includes companies from all over the world in industries ranging from forestry to pharmaceuticals.

Rona Fried, the Web site's chief executive officer, said the intent is to recognize publicly traded companies that contributed to a healthier environment during the past year. Ms. Fried is also the editor and publisher of the newsletter Progressive Investor, where the list appears.

About a dozen investment analysts and other experts familiar with environmentally responsible companies make nominations for the list. Four of those analysts determine which companies to include.

This is the second time Wainwright made the list; it appeared on the 2004 version for making community development loans to projects benefiting the environment.

Ms. Fried said HSBC, even as an honorable mention, was a controversial pick. She said its progress in putting the Equator Principles into action, while commendable, might be considered minor; other banking companies made even less effort, she said.

The London company got a D-plus - the highest mark given - in a recent report by the BankTrack network and the World Wildlife Fund that rated banking companies on how well they have implemented the principles, Ms. Fried said.

HSBC and other banking companies have agreed voluntarily to incorporate the principles, which were developed in 2002, into their due diligence for project financing, essentially screening for environmental and social criteria.

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