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Small bank seeds green lending with assist from fintech

By Miriam Cross August 06, 2021, 3:13 p.m. EDT 5 Min Read



Virginia Community Capital Bank in Richmond prizes the clean energy lending program it launched five years ago. But as a small community development financial institution, it lacked the resources to find socially minded depositors at the scale it wanted to fund its solar loans.

Ando, a challenger bank that focuses on sustainability, is finding them instead.

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With the help of the fintech Ando, Virginia Community Capital Bank has already made \$7 million of solar loans this year to entities such as charter schools, churches and nonprofits, says Bill Greenleaf, the bank's real estate lending team manager and clean energy loan officer. *Adobe Stock*

The San Diego fintech has the trappings of a typical neobank: no monthly fees, early direct deposit and interest rates that grow in exchange for referrals. But its mission is to fund clean energy, sustainable agriculture and other green loans made by partner banks, of which the \$233 million-asset Virginia Community Capital (which markets itself as VCC) is the first.

"It's always been my dream at VCC to match impact-minded deposit customers directly to the solar loans that we do," said Bill Greenleaf, the bank's real estate lending team manager and clean energy loan officer. "We just don't have the technology infrastructure or the marketing resources to find individual depositors that want to focus on clean energy."

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The program is relatively small, and the partnership Ando and VCC have formed is rare, but they highlight the creative ways financial institutions – even small ones – can find to support growth and draw in a new generation of socially conscious customers.

“You see more grassroots efforts to make the retail consumer understand they have more options and that, especially around climate issues, they can do something positive even with their checking account,” said Lauren Compere, managing director at Boston Common Asset Management, an environmentally conscious investment firm.

Banks are already taking steps to [decarbonize their portfolios](#) and [help investors identify sustainable options](#). Amalgamated Bank recently [reinforced](#) its commitment to social and environmental values; [Citizens Financial Group](#) and [MUFG Union Bank](#) announced deposit products for their business clients where the funds will go toward environmentally friendly projects. But the partnership between a brick-and-mortar bank and a fintech in this space is unique, said Compere.

“I think we will see more models like this,” she said. “There is a focus on appealing to customers who want more transparency about how their bank deposits are used. Customers also want to feel like they are having an impact with their bank relationships overall.”

Small and regional banks may find it easier to leverage local networks and be more intentional about their loans.

VCC sources its borrowers from a network of solar installers who refer them to businesses, such as wineries or manufacturing companies, typically in the District of Columbia, North Carolina or Virginia. The bank then underwrites and closes the loan, after which Ando will make a deposit equal to that amount.

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energy.

With the help of Ando, Greenleaf expects to double the clean energy loans he makes this year. So far, he has completed \$7 million of solar loans for entities such as charter schools, churches and nonprofits.

“Having a dedicated funding source helps us keep up with the growth in the solar lending space,” he said.

He is also feeling out ways to advertise this partnership.

“I’ve started doing that with a few customers — ‘Your loan was funded by a deposit through this new fintech called Ando, and they are collecting deposits from retail consumers across the country,’” he said. “My customers are pretty excited about it.”

The founder and CEO of Ando, JP McNeill, said his family has made sustainable modifications to their lifestyle, such as switching to electric cars and reducing meat in their diets, but they were troubled by the idea that “our money was working against us,” McNeill said. “We realized that banking can be a force for good.”

The name Ando is a Spanish term meaning “the way” or “the walk.”

“The idea being, there is a new way to do something people have taken for granted,” said McNeill.

The challenger bank joined forces with VCC in March, operated in beta until April and started marketing its product in May. McNeill won’t disclose the number of customers but says that Ando is onboarding more than 5,000 customers per month and has seen 15% customer growth month over month. About half of its customers come from referrals. A more recent addition to its growth strategy is its partnership with the rock climber Alex Honnold, who will promote Ando and sustainable banking on social media and create his own initiatives with Ando.

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Ando has signed agreements with three other banks. It lets the financial institution identify and underwrite loans, after which Ando will communicate to its customers how their money is reducing emissions.

Pie charts in the Ando app show customers where their money is currently going with the VCC partnership (84% to commercial clean energy loans and 16% to residential) and break down Ando's future funding plans, which are evenly divided between clean energy, sustainable transportation, green buildings, sustainable industry and sustainable agriculture and forestry. Case studies on the Ando website detail the Virginia veterinary clinic, California schools and other entities that benefit.

"The idea is for the consumer to understand how they are a stakeholder in this whole process," McNeill said.

"I like the level of transparency provided," Compere said. "I think the demand will increase for impact metrics that show how your deposit is allocated." As more partnerships emerge, another level of transparency may be in demand: third-party certification that monitors the impact and expected outcomes.

For now, Ando will make money from interchange revenue and out-of-network ATM fees. McNeill said he plans to launch other revenue-generating products in the future.

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