

PERSONAL FINANCE: BANKING

Credit unions flash their green with auto loans



ROB CARRICK

A few of Canada's credit unions are putting the environment ahead of profits by offering a financial incentive to clients who borrow money to buy low-pollution, fuel-sipping cars.

Let's say you've got your eye on a Toyota Prius, a fuel-efficient hybrid vehicle that has low emissions of carbon dioxide, a greenhouse gas. **Vancouver City Savings Credit Union** will finance the purchase with a loan at the prime rate, now 6 per cent. That's as much as three to four percentage points less than a typical car loan, and it's enough to save you hundreds or even thousands of dollars in interest.

Earlier this month, Vancity made its Clean Air Auto Loan available to people across the country through its online banking division, Citizens Bank of Canada. Other credit unions with similar offers are **Bay Credit Union** of Thunder Bay, Ont., and **Credit Union Atlantic** of Halifax.

Banks and credit unions make money by lending money out at higher rates than they pay on deposits. But Vancity also has a mission of reducing the amount of CO₂ it emits as an organization, and of giving its members a way to take action to support cleaner air.

"It's definitely less financially profitable for us to offer the Clean Air Auto Loan," said Amanda Pitre-Hayes, senior sustainability programs manager at Vancity. "But we look at not just the financial returns, but also the environmental returns."

The big banks will no doubt look at these cut-rate auto loans as yet another flakey initiative from the crypto-commies of the credit union world. But in showing some ethical leadership in areas like the environment, credit unions may have found a way to lure customers away from banks.

"We have absolutely had people join the credit union because we offer this product," Ms. Pitre-Hayes said.

Vancity began offering loans at prime for hybrid vehicles about three years ago, but it recently revamped the offer to cover a range of other vehicles with low emissions of CO₂, which is considered a prime cause of global warming.

The current Vancity offer lets you borrow at prime if you're buying a so-called Tier 1 vehicle, which Vancity describes as having been specifically designed for superior environmental performance. The Prius is included in this group, as are Honda's Insight and Civic hybrid and the Smart fortwo CDI.

Tier 2 vehicles, those that emit significantly less CO₂ than the average car but aren't positioned as environmental champions, can be bought with loans pegged at prime plus one percentage point. Cars included in this group include the Hyundai Accent, Kia Rio, Toyota's Corolla and Yaris, the Ford Escape hybrid and several Volkswagen diesel-equipped models.

The loans are available for terms of up to five years and are fully open, which means they can be paid off in full at any time. Prime rates fluctuate over time, so borrowing costs could decline or rise over the term of the loan.

At Credit Union Atlantic, customers can borrow at rates as low as 5.99 per cent under the Go Green CarLoan program, a limited-time offer that applies to vehicles listed as being fuel efficient by the federal Department of Natural Resources.

Bay Credit Union recently developed what it calls a suite of green lending products. It includes low-rate loans for the purchase of super fuel-efficient cars, and for home renovations that help save energy.

Lea Matyuska, manager at Bay Credit Union, said the loans were developed by the organization's social responsibility committee, which includes staff, directors and members. The green loans are consistent with the committee's mandate to protect the environment, but have also been good for business.

"A lot of interest has been generated," Ms. Matyuska said. "We're attracting new members who may not be looking at a new home or vehicle, but who do care about the environment. They're coming here regardless of whether they need to borrow money in the near future."

Any discussion of what individuals can do about global warming and protecting the environment usually involves the notion of sacrifice. But Vancity, Bay Credit Union and Credit Union Atlantic are the ones taking a hit so that members can buy clean, fuel-sipping cars at much lower rates than they would at the banks.

These credit unions are on to something here for sure. They've given people a great reason to check them out as a bank alternative, and they're certainly doing something good for the environment. It won't make them rich, but that's not really the point anyway.

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