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A REPORT PREPARED FOR

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MASSACHUSETTS COMMUNITY & BANKING COUNCIL

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FOREWORD

The Massachusetts Community & Banking Council (MCBC) is pleased to offer *Small Business Lending in Massachusetts, 2005-2008*, its eleventh report on small business lending patterns. The report includes data on small business lending across the state and the impact of small business lending on the state's overall economy. As before, this report also focuses on small business lending in low income and traditionally underserved areas. In addition to the data presented in this report, MCBC is also providing supplemental data tables on small business lending in the form of an online appendix which is available on MCBC's website at www.mcbc.info. MCBC hopes that this report can help to increase access to credit for small businesses by providing a snapshot of current small business lending patterns and the performance of major types of lenders.

MCBC was established in 1990 to bring together community organizations and financial institutions to affect positive change in the availability of credit and financial services across Massachusetts by encouraging community investment in low and moderate income and minority group neighborhoods and providing research, other information, assistance and direction in understanding and addressing the credit and financial needs of low and moderate income individuals and neighborhoods.

MCBC's Economic Development Committee, which includes representatives from city and state programs, regulatory agencies, community and non-profit organizations and financial institutions, oversees preparation of this report and works to identify other ways to leverage public and private resources to support small business development. The Committee regularly hosts speakers from a variety of city, state and community-based programs that assist small businesses and promote economic development in low and moderate income areas. To address the issues and concerns raised in this and previous reports, the Committee has also:

- Sponsored "Getting Credit for Business," a series of forums on lending patterns and strategies to ensure better access to credit for small business owners. The Committee also published *Getting Credit for Business*, a summary of the findings from the first MCBC forum.
- Participated, with the Massachusetts Association of Community Development Corporations (MACDC), on the Small Business Assistance Advisory Council which was established by the state legislature to assess the assistance and resources available to small businesses across the state.
- Established Banking Partners, a small business loan program designed to improve access to financing by very small businesses. This program was developed in collaboration with the Commonwealth of Massachusetts, the Massachusetts Bankers Association and the Massachusetts Small Business Assistance Advisory Council. MCBC worked with the Federal Reserve Bank of Boston to launch the initiative and with the Massachusetts Commissioner of Banks to obtain his opinion that Banking Partners lenders would be eligible for Community Reinvestment Act (CRA) consideration. To date, 25 banks have joined the Banking Partners program. This year, the Economic Development Committee sponsored a roundtable discussion for Banking Partners banks and technical assistance providers on problems resulting from the current economic downturn and efforts to help small business owners in financial difficulty.

- In conjunction with the Massachusetts Small Business Assistance Advisory Council and the Federal Reserve Bank of Boston, helped to launch the Technical Assistance (TA) Collaborative, a new program designed to increase the quality of services provided to small businesses and to strengthen the network of TA providers across the state. In 2008-2009, as part of this initiative, MCBC assisted the Collaborative in developing the "Access to Financing" module of a new *Common Practices Guide* for TA providers.
- Helped to organize "Regional Economies and the State of Entrepreneurs," a forum on current issues that impact small business technical assistance providers and small business financing throughout the state.

This report and its supplementary tables, as well as earlier reports in this series are available on MCBC's website at www.mcbc.info. Other MCBC reports, including *Getting Credit for Business*, are also available at this website, together with further information on MCBC's committees and programs.

MCBC is grateful for the assistance of Boston Private Bank & Trust Company, Hyde Park Savings Bank, TD Bank and Wainwright Bank for their help in distributing the report. MCBC depends on the financial support of its members to produce reports like *Small Business Lending in Massachusetts*. MCBC thanks the following financial institutions for their 2009 membership:

Avidia Bank	Eastern Bank
Avon Co-operative Bank	Everett Co-Operative Bank
Bank of America	Fiduciary Trust Company
Boston Private Bank & Trust Company	Hyde Park Savings Bank
Braintree Cooperative Bank	Medical Area Federal Credit Union
Central Bank	North Cambridge Co-operative Bank
Chelsea- Provident Co-Operative Bank	Sovereign Bank
Citigroup	State Street Corporation
Citizens Bank of Massachusetts	StonehamBank – A Co-operative Bank
Danversbank	TD Bank
Dedham Institution for Savings	The Bank of New York Mellon Corporation
Eagle Bank	Wainwright Bank
East Cambridge Savings Bank	Winchester Co-Operative Bank

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EXECUTIVE SUMMARY

This report is the 11th report on small business lending commissioned by the Massachusetts Community & Banking Council (MCBC). The report reviews recent small business lending trends in Massachusetts with an emphasis on traditionally underserved areas across the state. The report also reviews changes in economic conditions and other factors that affect small business lending. The report analyzes lending data collected under the Community Reinvestment Act (CRA) for the year ended December 31, 2008 and provides comparisons to 2005 through 2007 lending data. The following are some of the report's most important findings:

LOAN VOLUME

- The volume of CRA-reported small business loan originations in Massachusetts in 2008 totaled 235,140 loans for \$5.5 billion, down significantly compared to the previous year when small business applicants in the state received 309,850 loans for \$6.3 billion.
- Small business lending declined at a slightly higher rate in Massachusetts in 2008 than the rest of New England and the country as a whole. Small business loan volume in Massachusetts declined by 24.1% and 13.2% from 2007 to 2008 in terms of the number and dollar amount of loans respectively. The other five New England states experienced an aggregate decline of 22.8% and 10.1% in terms of the number and dollar amount of loans, while small business loans declined by 22.7% and 12.6% respectively on a nationwide basis.
- The percentage of loans with original amounts under \$100,000 has steadily increased in recent years although this trend was reversed in 2008 due to a decline in small business credit card lending. The decline in loans under \$100,000 would appear to indicate that smaller borrowers (as measured in terms of number of employees or gross annual revenues) found it more difficult to access credit in 2008 than larger borrowers.

GEOGRAPHIC DISTRIBUTION

- A review of the 15 largest metropolitan areas across the country shows that the Boston MSA, which ranks 11th in terms of the most populated metro area in the country, ranked closer to the middle (9th out of 15) in terms of the decline in CRA-reported small business loan dollars in 2008, and 6th in terms of the year-over-year change in the number of small business loans from 2007 to 2008. The 2008 results represent a shift from the findings in the MCBC's previous reports on small business lending, which had showed that the Boston MSA consistently trailed most other large metro areas in terms of small business lending. Small business lending declined in each of the 15 largest metropolitan areas across the country in 2008.
- Only two counties in Massachusetts (Berkshire and Dukes) experienced overall increases in CRA-reported small business lending volume in 2008.
- The city of Boston, which accounts for 9.3% of the state's population, received \$481.7 million in small business dollars in 2008 and accounted for 8.8% of the total loan dollars, while the cities of Worcester and Springfield, which account for 2.7% and 2.4% of the state's population respectively, received 1.9% and 1.4% of the total loan dollars in the state.

LENDERS

- The number of lenders that reported small business loan activity in Massachusetts declined to 167 lenders in 2008 compared to 175 lenders in the previous year. The number of *local* lenders, which includes lenders that are either headquartered in Massachusetts or have a substantial branch network in the state, also declined slightly in 2008 to 46 lenders compared to 47 lenders in the previous year. The number of out-of-state lenders, including nationwide credit card lenders and other out-of-state lending institutions that reported small business lending activity in Massachusetts, have also declined in recent years. On a national basis, a total of 965 lenders were included in the 2008 CRA database, compared to 998 lenders in the previous year.
- Local lenders reported a total of 22,177 small business loans for \$3.4 billion in 2008, representing 9.4% of the total number of small business loans in Massachusetts and 62.3% of small business loan dollars.
- While local lenders have traditionally played a dominant role in local small business lending, they have lost substantial market share to out-of-state lenders in recent years. This trend reversed in 2008 as local lenders experienced smaller overall declines in lending volume than was experienced by credit card lenders and other out-of-state lenders. In 2008, local lenders saw their share of small business loan dollars increase to 62.3% compared to 57.9% in 2007.
- Credit card lenders originated a total of 201,104 small business credit card loans in Massachusetts in 2008 for \$1.5 billion, which accounted for 77.5% of the total number of reported small business loans and 25.2% of loan dollars.

ECONOMIC CLIMATE

- The unemployment rate in Massachusetts has increased dramatically to a recent seasonally-adjusted high of 9.4% as of October 2009 compared to a national unemployment rate of 10.2%. While there are signs that the rate of increase appears to be slowing, most economists expect the unemployment rate, which is generally viewed as a trailing indicator of economic recovery, to remain high for the foreseeable future even as economic prospects in Massachusetts and across the country improve.
- Loan delinquencies at banks, which tend to rise as unemployment rises, have also increased dramatically. According to data compiled by the Federal Reserve, delinquent loans at commercial banks nationwide rose to 9.1% of total loans as of September 30, 2009, a level not seen in decades. While the data does not allow us to identify the delinquency rate for small business loans, it is likely that the rate mirrors the overall delinquency rate for all commercial and industrial loans (C&I loans). The C&I delinquency rate at commercial banks across the country has more than tripled in recent years to 4.4% as of September 30, 2009, a level not seen since 1992.

LENDING IN TRADITIONALLY UNDERSERVED AREAS

- Borrowers in low and moderate income census tracts in Massachusetts received a total of 41,807 small business loans in 2008 for \$1.1 billion, which represents a significant decline compared to the previous year when borrowers in low and moderate income census tracts received 56,851 loans for \$1.2 billion.
- While overall lending volume declined across all income categories in Massachusetts in 2008, lower income areas across the state experienced a smaller decline in terms of the dollar amount of loans than higher income areas, but a larger decline in the number of loans.
- Low and moderate income census tracts, which account for 26.4% of the total population of Massachusetts, received 17.8% of the total number of small business loans in the state in 2008 and 19.6% of the total loan dollars, compared to 18.3% and 19.1%, respectively, for the previous year. While these percentages fall short of the levels one might expect given the size of population that live in low and moderate income tracts, they are essentially in line with comparable results in other New England states and the US as a whole.
- The lowest lending rates, measured in the amount of loan dollars per 100 firms, were recorded in lower income communities although lower income areas experienced a smaller decline from the previous year than higher income areas. Low and moderate income census tracts in Massachusetts received an aggregate \$990,000 per 100 businesses, representing 84.6% of the overall lending rate across the state. Higher-income communities received an average \$1.2 million per 100 businesses, or 102.7% of the overall lending rate across the state. In each of the past four years, the lowest lending rates have been in either low or moderate income census tracts, while the highest lending rates have been in either middle or upper income areas.
- As was the case in previous reports on small business lending, the lowest lending rates were recorded in lower income, high minority communities in Massachusetts in 2008 while the highest lending rates were recorded in higher income, white communities. In addition, within the lower income areas the 2008 data also shows that lending rates declined slightly more in high minority communities than in predominantly white communities.

INTRODUCTION

This report is the 11th report on small business lending patterns commissioned by the Massachusetts Community & Banking Council (MCBC). The report reviews recent small business lending trends in Massachusetts with an emphasis on traditionally underserved areas across the state. The report also reviews changes in economic conditions and other factors that affect small business lending. The report analyzes lending data collected under the Community Reinvestment Act (CRA) for the year ended December 31, 2008 and provides comparisons to 2005 through 2007 lending data.

In the wake of the financial crisis that began in 2008, small business lending and other forms of bank lending have declined sharply. After receiving hundreds of billions of dollars under the Trouble Asset Relief Program (TARP), many economists and consumers alike have questioned why banks are not lending out the money. The reasons for the decline in lending and the factors that influence it are numerous and complex. Most economic indicators worsened over the past two years, while loan delinquencies, chargeoffs, and bank failures rose dramatically. Prudence would suggest that during economic downturns banks would prefer to lend to the most credit worthy borrowers. At the same time, access to credit becomes even more important to small businesses when economic conditions decline. The clash of these opposing forces creates a vicious cycle of economic uncertainty with small businesses at the center of the crisis.

The vital role that small businesses play in our economy, and the critical relationship between access to credit and economic recovery, are clear. Most businesses – both large or small – use some form of bank financing or other type of credit on a regular basis to sustain and grow their business operations. Since larger businesses generally have a greater capacity to weather economic downturns as well as more options when it comes to funding their operations, reliable access to credit plays a particularly critical role for small businesses. The ongoing credit crisis has signaled a clear end to the days of relatively easy money that characterized the mortgage, consumer, and small business credit markets in recent years. While some economic indicators have begun to show tentative signs of improvement, it is unclear when lending activity will significantly improve.

This report consists of two sections. The first section focuses on overall small business lending trends in Massachusetts, and examines changes in loan volume, differences between types of lenders, and changes in the business lending climate. The second section focuses on small business lending patterns in lower income and traditionally underserved areas across the state. The report bases its observations on data contained in the Federal Reserve Board's CRA small business loan database for 2005 through 2008. The report also utilizes lending data compiled by the US Small Business Administration, demographic data compiled by the US Census Bureau, economic data compiled by the Bureau of Labor Statistics, and business demographic data compiled by Dunn & Bradstreet.

The primary goal of this report is to contribute to improved credit flows to small businesses across Massachusetts, particularly in traditionally underserved areas, by presenting a careful *description* of small business lending trends that all interested parties can agree is fair and accurate. It is beyond the scope of this report to offer either an *explanation* of why the observed outcomes have occurred or an *evaluation* of how well lenders have performed. Rather, this report's descriptive contribution is intended to be one input to the complex, on-going tasks of explanation and evaluation.

SECTION I

SMALL BUSINESS LENDING IN MASSACHUSETTS:

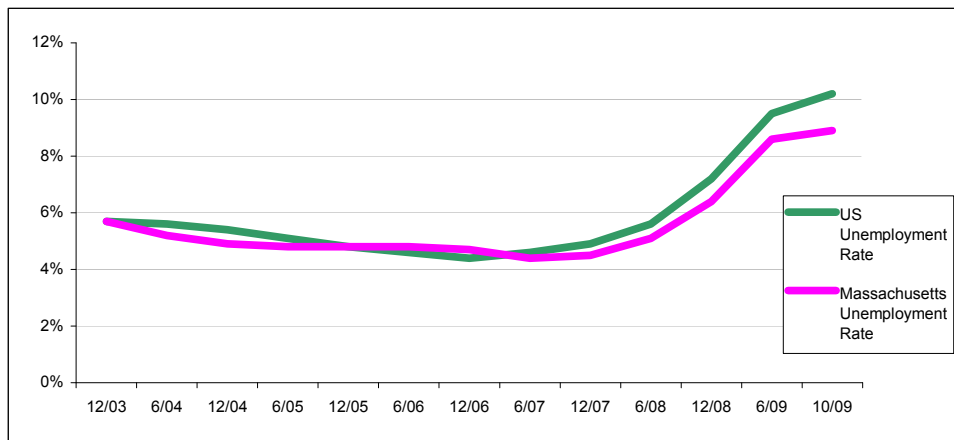
A STATEWIDE REVIEW

ECONOMIC CLIMATE

The economic climate in Massachusetts and across the country worsened significantly in 2008 and 2009 as did the financial condition of many banks and business owners. While there are tentative signs that the economic outlook may be starting improve, a considerable amount of uncertainty remains regarding the near term prospects for economic recovery as well as longer term inflation concerns.

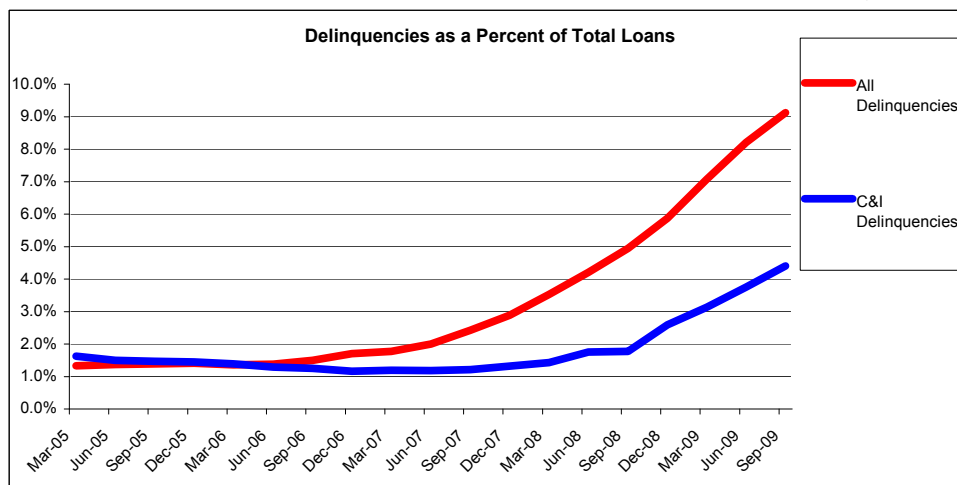
Since the publication of our previous report on small business lending, the unemployment rate in Massachusetts has increased dramatically to a recent seasonally-adjusted high of 9.4% as of October 2009 compared to a national unemployment rate of 10.2%. While there are signs that the rate of increase appears to be slowing, most economists expect the unemployment rate, which is generally viewed as a trailing indicator of economic recovery, to remain high for the foreseeable future even as economic prospects in Massachusetts and across the country improve.

CHART: The Massachusetts and national unemployment rate increased dramatically in 2008



Loan delinquencies at banks, which tend to rise as unemployment rises, have also increased dramatically. According to data compiled by the Federal Reserve, delinquent loans at commercial banks nationwide rose to 9.1% of total loans as of September 30, 2009, a level not seen in decades. While the data does not allow us to identify the delinquency rate for small business loans, it is likely that the rate mirrors the overall delinquency rate for all commercial and industrial loans (C&I loans). The C&I delinquency rate at commercial banks across the country more than tripled in recent years to 4.4% as of September 30, 2009, a level not seen since 1992.

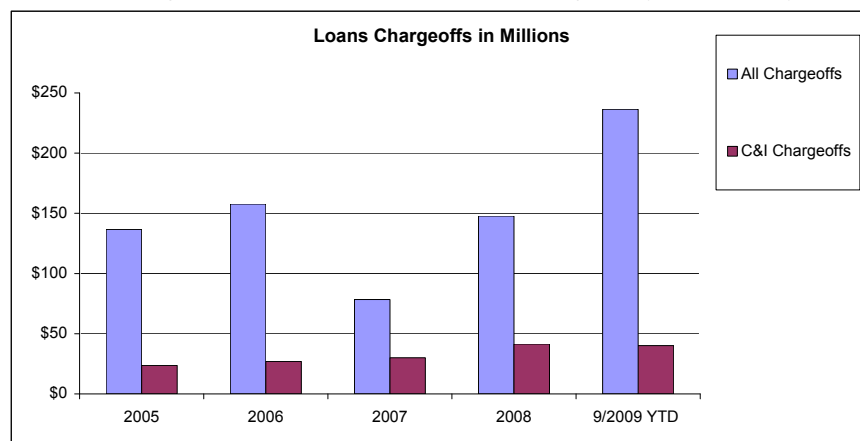
CHART: Loans delinquencies at commercial banks across the US have more than tripled in the past two years



NOTE: Delinquent loans includes loans 30 days or more past due and still accruing interest as well as nonaccrual loans

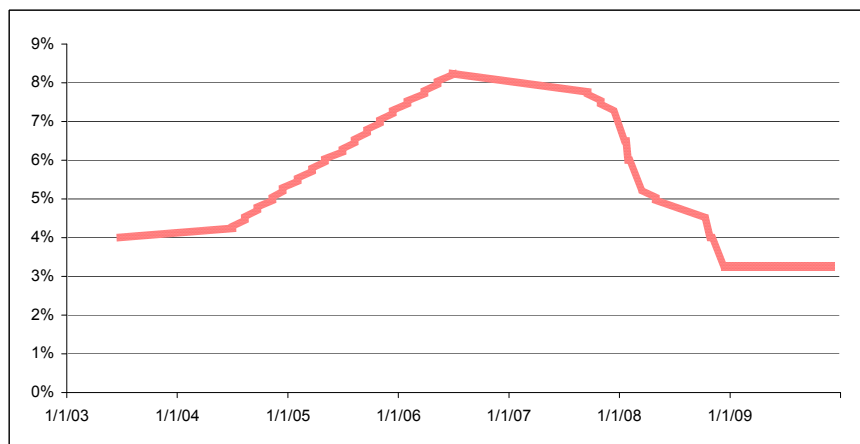
As loan delinquencies at banks have risen so have loan chargeoffs. Banks headquartered in Massachusetts reported overall loan chargeoffs of \$236.5 million for the first nine months of 2009, which represents a substantial increase over the results for the most recent full-year periods. C&I chargeoffs at Massachusetts banks totaled \$40.1 million through September 30, 2009, almost as much as was charged off during the prior full year, and nearly twice the amount charged off in 2005. On a national basis, the high level of delinquencies and chargeoffs led to the failure of 140 financial institutions across the country in 2009, a level not seen since the resolution of the savings and loan crisis two decades ago. The increasingly negative impact of nonperforming assets on bank profits and capital reserves is undeniable, and it is likely that banks will maintain tightened underwriting standards as long as loan delinquencies and chargeoffs remain at historic levels.

CHART: Loans chargeoffs at Massachusetts banks have increased significantly in the past few years



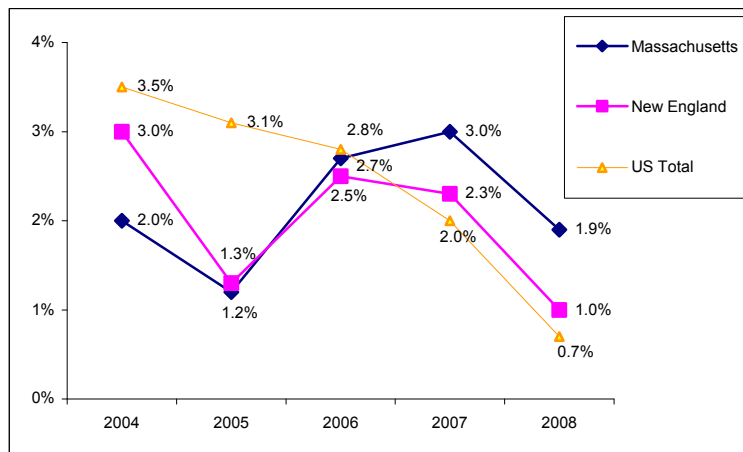
A review of other key economic indicators provides mixed signals regarding the prospects for economic recovery. The prime rate, which is the interest rate that banks charge their best business customers, was reduced from 4% to 3.25% in December of 2008 and remained at that low level through all of 2009. The reductions in the prime rate over the past two years, which closely tracked a series of reductions by the Federal Reserve Board in the target federal funds rate, are designed to stimulate lending activity and address recession concerns. Many economists expect the prime rate to remain low for the foreseeable future, although rising concerns about future inflation may put upward pressure on this key indicator.

CHART: The prime rate fell to 3.25% in December of 2008



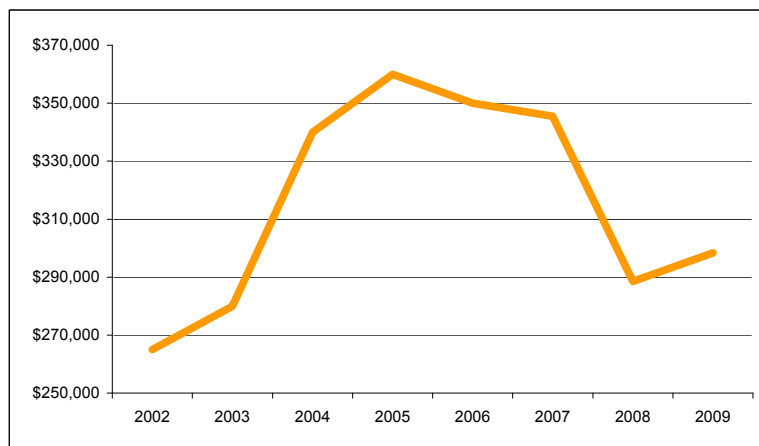
Real GDP growth in Massachusetts – the state equivalent of the national gross domestic product – fell to 1.9% in 2008 compared to 3.0% in 2007, although it remained above the national average growth rate of 0.7%. While this leading indicator of economic strength fell into negative territory during late-2008 and early-2009, thereby confirming that the national economy was in recession, many believe that GDP growth in Massachusetts and the US is beginning to stabilize and improve although few expect robust GDP growth to return in the near term.

CHART: Massachusetts GDP growth declined in 2008 but the state's economy outperformed the rest of New England and the country as a whole



While housing prices are down significantly from their highs in 2005, there are indications that the worst of the declines in this important source of wealth may be behind us. The slump in housing sales and real estate values, which some argue lies at the root of the current crisis in the credit markets, directly impact large numbers of small business owners who traditionally relied on equity in their homes to finance their business operations and expansion. The viability of many small businesses in Massachusetts and across the country depends to a large extent on stabilization and improvement in home values.

CHART: Home prices across Massachusetts may have hit bottom in 2008



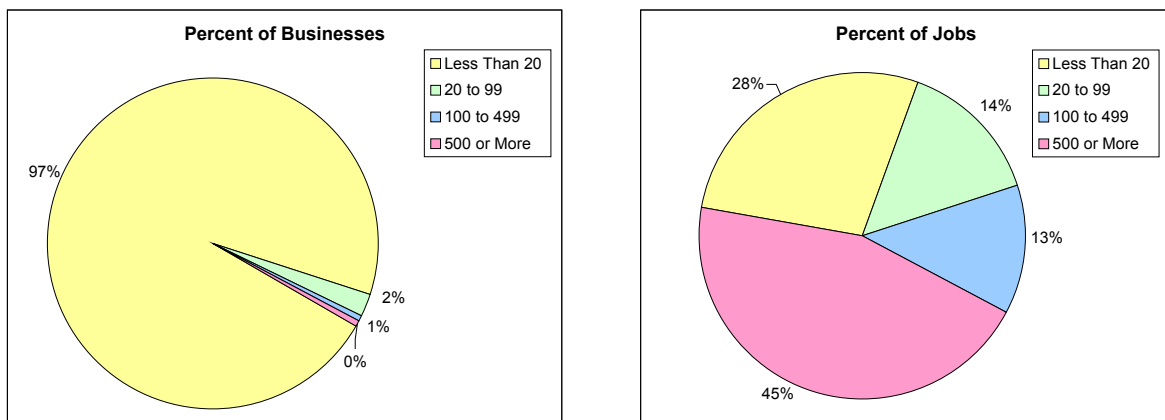
SMALL BUSINESS DEMOGRAPHICS

Unlike the state and national economic data discussed in the preceding section, which is updated continuously, current information related to business demographics – such as the number of businesses operating within a particular geographic area – is harder to come by. The most recent business demographic data reviewed in this report actually pre-dates the current economic downturn and is shown here to provide a basic overview of business demographics in Massachusetts.

Data compiled by the Census Bureau and the Bureau of Labor Statistics indicates that there were approximately 599,389 businesses in Massachusetts as of March 2006 consisting of 144,873 firms with employees and an additional 453,998 sole proprietorships or non-employers, which together account for 3.5 million jobs in the state. The majority of these firms are private, for-profit business organizations although the figures also include data for non-profit employers which are a growing source of employment and represent approximately 6% of the firms in the state and an estimated 14% of the workforce. It is important to note, however, that the figures do not include government employers, which account for an additional 12.5% of the state's workforce, as well as self-employed individuals who do not operate as sole proprietorships and for which little data is available. The business demographic data and employment data is also complicated by the fact that many people have two or more jobs or may work for two or more firms or sole proprietorships, while others may work as an employee of a firm while also operating a sole proprietorship. The data is further muddled by the fact that a small number of sole proprietorships are not active, going concerns and a small number of businesses, such as cash-only businesses, operate completely under the radar.

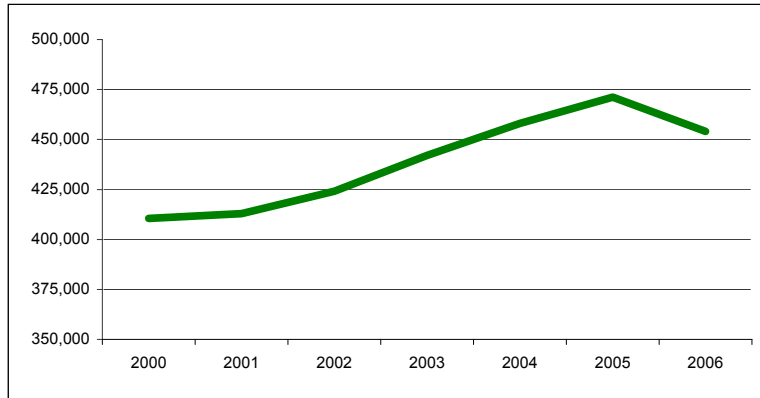
Identifying the number of *small* businesses is even more challenging since, despite the frequency with which the term is used in our lexicon, there is no universally accepted definition of a small business. The most common measures of business size are based on the number of employees or the annual revenues of the business as compiled by the Census Bureau and the Bureau of Labor Statistics. While these measures are essentially arbitrary and vary from industry to industry, they represent our best source of information about small business demographics. Regardless of the measure used, it is clear that small businesses account for the majority of the *number* of businesses in Massachusetts and across the country. What is less clear is the precise contribution that small businesses make toward the overall economy since different people define small businesses in different ways. When we define small businesses as businesses with fewer than 20 employees, which is a commonly used measure, we find that such businesses account for 97% of the total number of businesses in Massachusetts and 28% of the jobs across the state.

CHART: The data shows that businesses with fewer than 20 employees far outnumber larger businesses in Massachusetts, and account for a substantial share of the jobs in the state



According to the Census Bureau data, the number of sole proprietorships in Massachusetts has increased significantly in recent years but declined in 2006 for the first time this decade. Sole proprietorships in Massachusetts declined by 3.7% from an all-time high of 471,257 in 2005 to 453,998 in 2006. The annual receipts of sole proprietorships in Massachusetts also declined from \$24.2 billion in 2005 to \$21.7 billion in 2006. While the reasons for the declines are not clear, sole proprietorships and other small businesses in Massachusetts are likely to face continued financial pressures until economic conditions improve.

CHART: The number of sole proprietorships in Massachusetts has increased significantly in recent years but declined in 2006



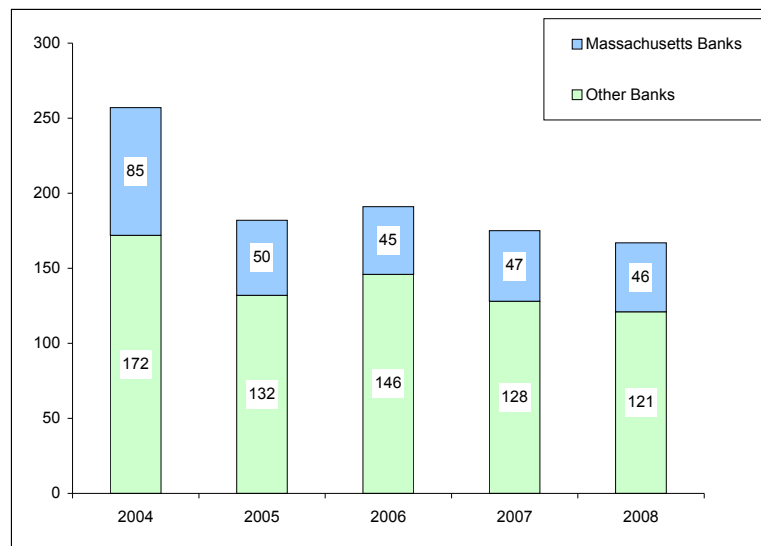
THE CRA DATABASE

The Community Reinvestment Act (CRA) requires the nation's largest banks to report information on their small business loans, specifically those with original amounts of \$1 million or less, to their federal regulators on an annual basis. The purpose of the CRA law is to encourage depository institutions to help meet the credit needs of the residents and small businesses in the communities in which they operate, particularly in low and moderate income neighborhoods, consistent with safe and sound business operations. The CRA law requires that each institution's record in helping to meet the credit needs of its community be evaluated periodically, and that its record be taken into account in considering an institution's application for deposit facilities and mergers and acquisitions. While the CRA law applies to all insured banks, the small business loan reporting requirement only applies to larger banks.

The number of lenders that report their small business loan data under the Community Reinvestment Act varies from year to year. The biggest factors affecting the number of reporting institutions is the asset-size threshold for the CRA reporting requirement as well as mergers, acquisitions, and consolidations within the banking industry. The asset-size threshold was increased in 2005 from \$250 million in assets to \$1 billion. As part of this change, the asset-size threshold was also pegged to the Consumer Price Index in order that the threshold keep pace with inflation. The asset-size threshold equaled \$1.061 billion for 2008 and will rise to \$1.109 billion for 2009.

The number of lenders that reported small business loan activity in Massachusetts declined to 167 lenders in 2008 compared to 175 lenders in the previous year. The number of *local* lenders, which includes lenders that are either headquartered in Massachusetts or have a substantial branch network in the state, also declined slightly in 2008 to 46 lenders compared to 47 lenders in the previous year. The number of out-of-state lenders, including nationwide credit card lenders and other out-of-state lending institutions that reported small business lending activity in Massachusetts, have also declined in recent years. On a national basis, a total of 965 lenders were included in the 2008 CRA database, compared to 998 lenders in the previous year.

CHART: The number of CRA reporters in Massachusetts has declined in recent years



It is important to emphasize, however, that the number of CRA reporters included in the CRA database is not an accurate reflection of the actual number of lenders that make small business loans. At the end of 2008 there were a total of 175 FDIC-insured banks headquartered in Massachusetts, most of which make small business loans. These figures do not include the countless other small business lenders from around the country that do business in Massachusetts and that are not included in the CRA database. At the same, while the CRA database does not include the small business lending data of every bank in the country, it seems likely that the database reflects the vast majority of small business loan activity by FDIC-insured banks since banks with assets over \$1 billion account for nearly 90% of all industry assets.

SMALL BUSINESS LOAN VOLUME IN MASSACHUSETTS

The volume of CRA-reported small business loan originations in Massachusetts in 2008 totaled 235,140 loans for \$5.5 billion, down significantly compared to the previous year when small business applicants in the state received 309,850 loans for \$6.3 billion.

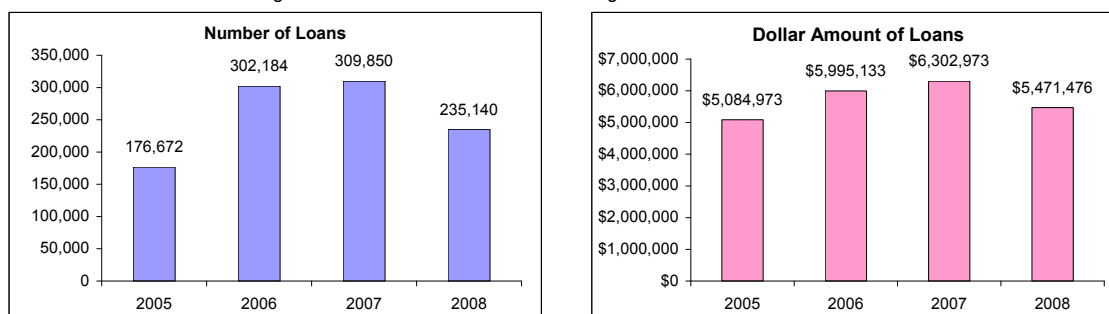
The distribution of CRA-reported small business loans in Massachusetts and New England generally follows each state's percentage of the total population of the region. Massachusetts accounted for 41.8% of the total small business loan dollars in New England in 2008, and 1.9% of the US total dollar volume, both of which are somewhat less than the levels one might expect given the population of the state. The loan distribution for the other New England states also varied slightly from their relative population percentages.

TABLE: Small business loans by state (2008)

	Number of Loans	% of New England Total	% of US Total	\$ Amount of Loans (000s)	% of New England Total	% of US Total	Total Population	% of New England Population	% of US Population
Massachusetts	235,140	44.2%	2.3%	\$5,471,476	41.8%	1.9%	6,332,550	45.6%	2.3%
Connecticut	138,384	26.0%	1.3%	\$3,160,055	24.1%	1.1%	3,398,200	24.5%	1.2%
Maine	45,756	8.6%	0.4%	\$1,514,990	11.6%	0.5%	1,263,956	9.1%	0.4%
New Hampshire	52,444	9.9%	0.5%	\$1,223,527	9.3%	0.4%	1,229,068	8.9%	0.4%
Rhode Island	34,945	6.6%	0.3%	\$931,496	7.1%	0.3%	1,048,319	7.6%	0.4%
Vermont	24,730	4.7%	0.2%	\$799,012	6.1%	0.3%	605,062	4.4%	0.2%
Totals	531,399	100.0%	5.1%	\$13,100,556	100.0%	4.6%	13,877,155	100.0%	4.9%
US Total	10,419,055			\$286,497,559			281,376,544		

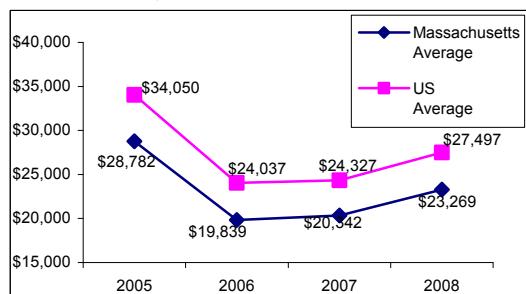
While their effect on reported CRA lending activity is waning, two of the biggest influences on small business loan volume in recent years can be described as technical in nature. The first involves the previously noted change to the asset-size reporting threshold that went into effect in 2005 and significantly reduced the number of lenders subject to the small business loan reporting requirement. The second was a reporting change involving a single lender (American Express Bank, FSB), which reported significant small business loan activity from 2006 through 2008 but not in previous years. The trends in small business loan volume in Massachusetts over the past few years shown below are fairly representative of the national trends in the CRA database.

CHART: Small business loan originations in Massachusetts – 2005 through 2008



One trend that appears to have reversed as a result of the financial crisis of 2008, involves the disparity between the substantial decrease in the *number* of loans that were reported in 2008 compared to the more modest decrease in *dollar volume*. The shift is related to a decline in small business credit card lending, which is discussed in more detail later in this report, and the net effect is that the size of the average small business loan in the CRA database increased in 2008 for the second year in a row.

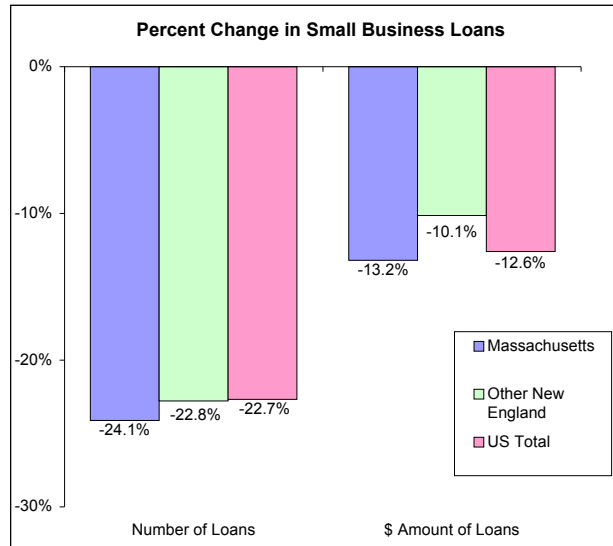
CHART: The average size of a small business loan trended up in 2008



SMALL BUSINESS LOAN GROWTH IN MASSACHUSETTS

Small business lending declined at a slightly higher rate in Massachusetts in 2008 than the rest of New England and the country as a whole. Small business loan volume in Massachusetts declined by 24.1% and 13.2% from 2007 to 2008 in terms of the number and dollar amount of loans respectively. The other five New England states experienced an aggregate decline of 22.8% and 10.1% in terms of the number and dollar amount of loans, while small business loans declined by 22.7% and 12.6% respectively on a nationwide basis.

CHART: Small business loan growth in Massachusetts trailed the rest of New England and the US in 2008



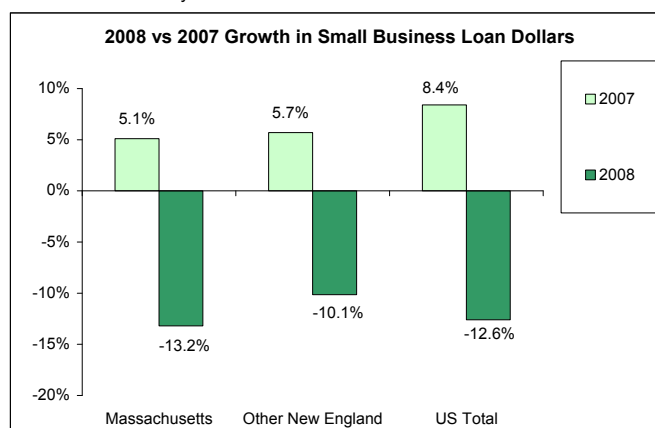
A review of the 15 largest metropolitan areas across the country shows that the Boston MSA, which ranks 11th in terms of the most populated metro area in the country, ranked closer to the middle (9th out of 15) in terms of the decline in CRA-reported small business loan dollars in 2008, and 6th in terms of the year-over-year change in the number of small business loans from 2007 to 2008. The 2008 results represent a shift from the findings in the MCBC's previous reports on small business lending, which had showed that the Boston MSA consistently trailed most other large metro areas in terms of small business lending. Small business lending declined in each of the 15 largest metropolitan areas across the country in 2008.

TABLE: The greater Boston metro area ranked near the middle compared to the 15 largest metro areas across the country in terms of the decline in small business lending volume in 2008

	Total Population	2008 Number of Loans	2008 Amount of Loans (000s)	2008 Change in Number of Loans	% Change	2008 Change in Amount of Loans (000s)	% Change
New York (35620)	15,569,089	706,739	\$15,602,816	-199,565	-22.0%	-\$2,216,148	-12.4%
Los Angeles (31100)	12,365,627	666,964	\$14,624,232	-242,289	-26.6%	-\$3,543,999	-19.5%
Chicago (16980)	9,112,882	331,854	\$10,505,518	-76,669	-18.8%	-\$968,221	-8.4%
Miami (33100)	5,007,564	285,788	\$5,738,390	-126,329	-30.7%	-\$1,675,428	-22.6%
San Francisco (41860)	4,123,740	246,459	\$5,610,503	-67,538	-21.5%	-\$1,265,683	-18.4%
Atlanta (12060)	4,406,747	195,874	\$5,534,596	-77,505	-28.4%	-\$1,166,667	-17.4%
Philadelphia (37980)	5,687,147	188,075	\$5,478,537	-52,579	-21.8%	-\$613,992	-10.1%
Washington DC (47900)	4,870,279	200,461	\$5,333,830	-59,205	-22.8%	-\$788,857	-12.9%
Dallas (19100)	5,166,871	218,520	\$5,130,639	-60,632	-21.7%	-\$1,205,669	-19.0%
Houston (26420)	4,787,274	207,105	\$4,968,192	-55,567	-21.2%	-\$1,096,171	-18.1%
Detroit (19820)	4,452,557	134,518	\$4,415,488	-42,474	-24.0%	-\$895,501	-16.9%
Phoenix (38060)	3,251,876	174,622	\$4,121,229	-46,331	-21.0%	-\$908,752	-18.1%
Boston (14460)	4,390,500	173,510	\$4,064,419	-54,149	-23.8%	-\$629,662	-13.4%
Seattle (42660)	3,043,878	136,408	\$3,753,569	-27,522	-16.8%	-\$493,725	-11.6%
Riverside-San Bernardino (40140)	3,254,821	135,103	\$2,550,606	-54,409	-28.7%	-\$864,050	-25.3%

The decline in small business loans in Massachusetts in 2008 stands in stark comparison to the substantial increases in lending volume experienced in recent years. After expanding by 5.1% in 2007, the growth rate of small business loan dollars in Massachusetts fell into negative territory with a decline of 13.2% in 2008. The dramatic reversal in small business lending in Massachusetts was mirrored throughout New England and across the country. The CRA database does not provide enough data points to establish clear timeline trends, and there are too many variables at play to permit a reliable prediction of when small business lending volume will return to the levels achieved in previous years. At the same time, given the uncertain nature of the country's economic recovery, as well as uncertainties related to bank regulatory reform, capital adequacy, and bank liquidity, it seems reasonable to suggest that reported CRA small business lending volume in 2009 is likely to remain depressed and could decline further in Massachusetts and across the country. This forecast is also supported by data compiled by the US Small Business Administration (SBA) which shows a 16.7% decline in the dollar volume of SBA loan programs in Massachusetts for the twelve months ended September 30, 2009 and an 26.7% decline nationwide. At the same time, it is worth noting that SBA lending activity in Massachusetts and across the country has improved since the passage of the American Recovery and Re-investment Act of 2009 (ARRA) compared to pre-stimulus levels. In fact the SBA's 504 program in Massachusetts, which provides long-term, fixed-rate financing for businesses to acquire fixed assets for expansion or modernization, achieved a record year in terms of lending volume for the twelve months ended September 30, 2009. Additional SBA-related initiatives, such as the waiver of fees and the extension of guarantees, have also recently been introduced in effort to further enhance the attractiveness of SBA programs for lenders and borrowers.

CHART: Small business loan growth declined sharply in Massachusetts and the rest of the country from 2007 to 2008



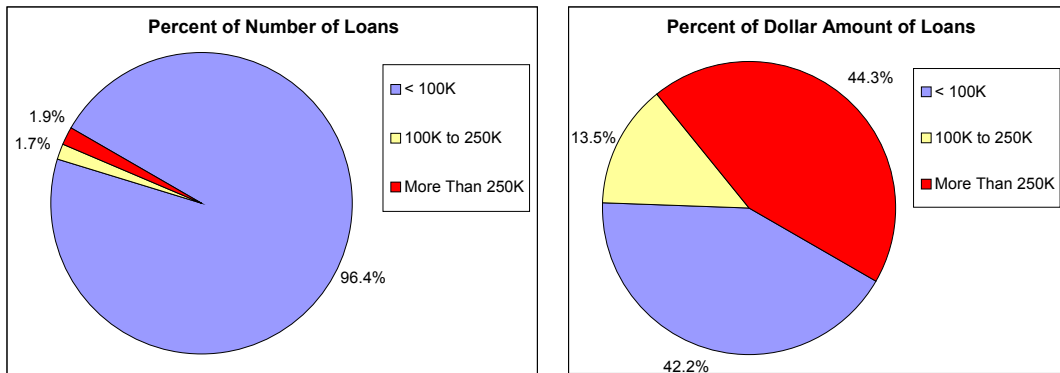
The current problems in the credit markets and the slowdown in small business lending continue to be related to a range of external and internal forces. The external forces include declining business conditions, collateral values, company revenues, and credit scores which affect both the demand for credit and the credit worthiness of borrowers. The internal forces include tightened underwriting standards and bank liquidity and capital concerns. Looking ahead to the results for 2009, which will become available next summer, it is likely that these forces will continue to put downward pressure on small business loan growth.

BREAKDOWN BY ORIGINAL LOAN AMOUNT

The CRA database does not provide specific loan size information for each small business loan in the database but it does provide an aggregate breakdown of loan data by the original amount of the loans using the following three loan size increments: under \$100,000, from \$100,000 to \$250,000, and from \$250,000 to \$1 million.

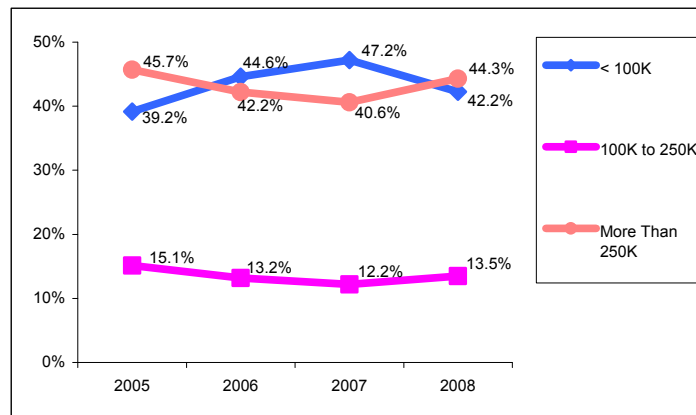
CRA-reported small business loans with an original amount of \$100,000 or less account for the vast majority of the total number of loans, while loans that are larger in size are much fewer in number. In Massachusetts, small business loans under \$100,000 accounted for 96.4% of the total number of loans in 2008 and 42.2% of the dollar amount of loans while larger small business loans - those with an original amount between \$250,000 and \$1 million - accounted for just 1.9% of the number of loans but 44.3% of loan dollars.

CHART: Small business loans over \$100,000, though fewer in number, continue to account for more than half of the dollar volume of loans in Massachusetts (2008)



The percentage of loans with original amounts under \$100,000 has steadily increased in recent years although this trend was reversed in 2008. The shift is most likely related to a decline in small business credit card lending, discussed in more detail later in this report, which accounts for a substantial portion of overall small business lending in Massachusetts. If loan size were used as an indicator of borrower size, the decline in loans under \$100,000 would appear to indicate that smaller borrowers (as measured in terms of number of employees or gross annual revenues) found it more difficult to access credit in 2008 than larger borrowers.

CHART: Small business loans under \$100,000 now account for nearly half of the dollar volume of loans in Massachusetts

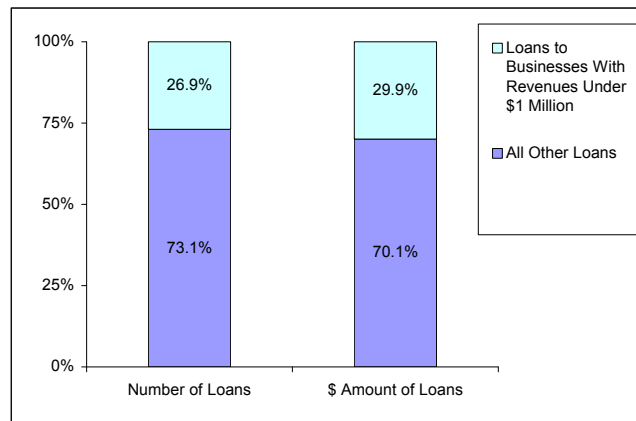


LOANS TO BUSINESSES WITH ANNUAL REVENUES OF \$1 MILLION OR LESS

The CRA database provides a category specifically for loans to businesses with annual revenues of \$1 million or less. The category is intended to provide a way of identifying small business borrowers from larger business borrowers. However, it is important to note that these loans are probably understated in the CRA database due to the fact that CRA reporters are only required to report the revenues of their business customers when the revenue of the borrower is relied upon to make the credit decision. Consequently, credit decisions based on other factors – such as credit scores – are less likely to be reflected in this category. In addition, the CRA database only identifies borrowers with revenues *under* \$1 million, and does not distinguish between borrowers with revenues *over* \$1 million and borrowers where the revenues were not reported by the lender.

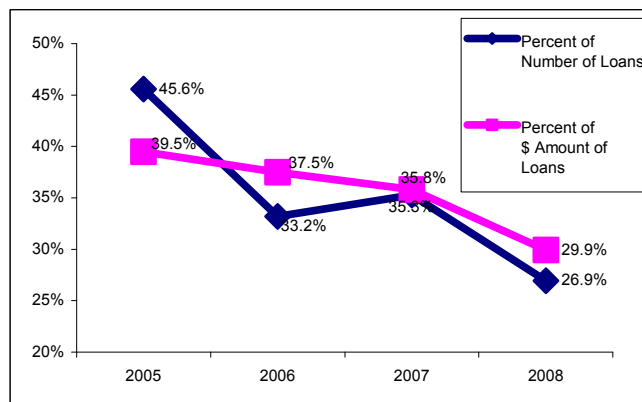
Loans to businesses with annual revenues of \$1 million or less accounted for just 26.9% of the total number of loans in Massachusetts in 2008 and 29.9% of the dollar amount of loans, compared to the previous year when such loans represented 35.8% of the total number of loans and 35.3% of the dollar volume.

CHART: Loans to businesses with annual revenues under \$1 million accounted for less than one-third of all small business loans in Massachusetts in 2008



The percentage of loans to businesses with revenues under \$1 million has fluctuated somewhat over the past few years, although the overall declining trendline is clear.

CHART: The percentage of loans to businesses with revenues under \$1 million has fluctuated somewhat over the past few years



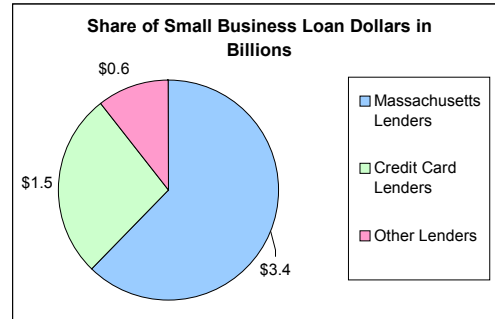
THE ROLE OF LOCAL LENDERS

As previously noted, there were a total of 46 lenders in the 2008 CRA database that are either headquartered in Massachusetts or have a substantial presence across the state. Most of these local institutions are community-based institutions that reported fewer than 1,000 small business loans in 2008. The largest local lenders in 2008 were the four national and regional lenders that, while headquartered elsewhere, have substantial branch networks across Massachusetts. These largest lenders include Bank of America, Sovereign Bank, TD Bank, and RBS Citizens. Massachusetts lenders also compete for small business loans with banks in other states as well as small business credit card lenders that operate across the country. The roles of credit card lenders are discussed in more detail in the following section.

In 2008 local lenders reported a total of 22,177 small business loans for \$3.4 billion, representing 9.4% of the total number of small business loans in Massachusetts and 62.3% of small business loan dollars.

	Number of Loans	Percent of Total	\$ Amount of Loans (000s)	Percent of Total
Massachusetts Banks	22,177	9.4%	\$3,406,665	62.3%
Credit Card Lenders	201,104	85.5%	\$1,482,555	27.1%
Other Lenders	11,859	5.0%	\$582,256	10.6%
State Totals	235,140	100.0%	\$5,471,476	100.0%

Chart: Local lenders accounted for the majority of loan dollars to small businesses in Massachusetts in 2008



While local lenders have traditionally played a dominant role in local small business lending, they have lost substantial market share to out-of-state lenders in recent years. This trend reversed in 2008 as local lenders experienced smaller overall declines in lending volume than was experienced by credit card lenders and other out-of-state lenders. In 2008, local lenders saw their share of small business loan dollars increase to 62.3% compared to 57.9% in 2007.

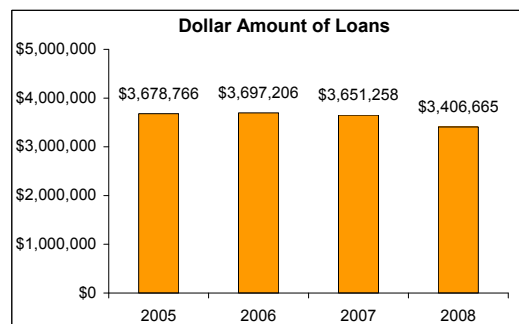
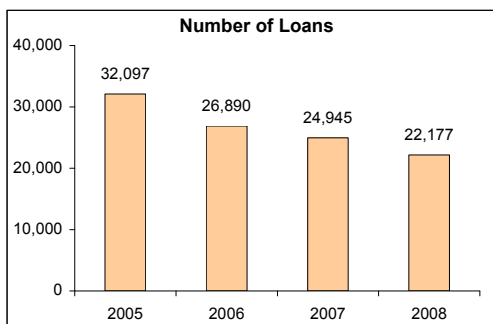
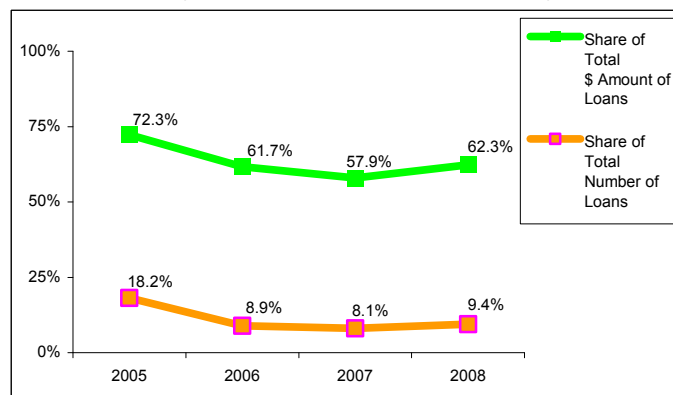
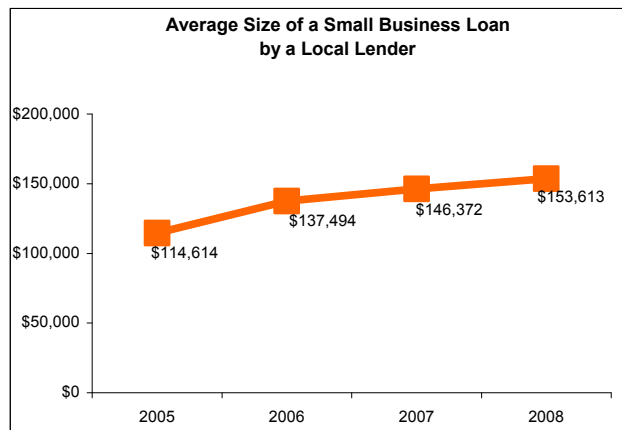


CHART: Local lenders gained market share in 2008 even as lending volume declined



The average size of a small business loan with a local lender was roughly \$153,000 in 2008, and ranged from a low of \$68,000 to a high of \$505,000. The average size of a small business loan by a local lender has continued to trend up for the past few years.



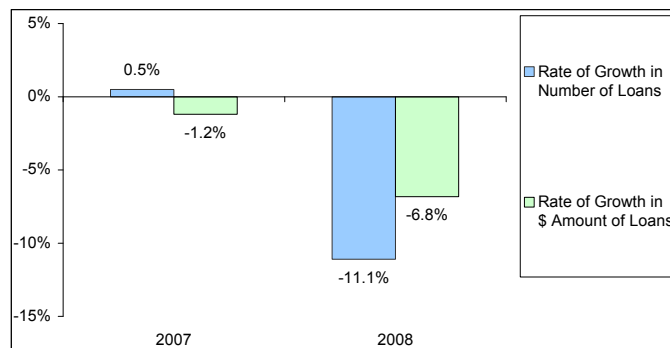
It should be noted that the average small business loan size by a local lender is also influenced by state banking laws that limit the rate of interest that state-chartered financial institutions in Massachusetts may charge for small loans under \$6,000 (see MGL Chapter 140 Section 96). While these laws, which do not apply to national banks or federally-chartered financial institutions, are intended to protect consumer interests, they may have the unintended consequence of discouraging local banks from making smaller loans by limiting the associated profit margin.

The following table shows the 2008 statewide small business loan volume for all local lenders that are included in the 2008 CRA database. More detailed information on these lenders is provided in the online appendix at www.mcbsc.info.

	Massachusetts Deposits (\$000s) 6/30/2008	Number of Loans	Amount of Loans (\$000s)	Average Loan Size (\$000s)
BANK OF AMERICA, N.A.	\$37,030,894	1,989	\$512,451	\$258
BELMONT SAVINGS BANK	\$282,414	48	\$10,936	\$228
BERKSHIRE BANK	\$1,394,187	501	\$77,022	\$154
BEVERLY NATIONAL BANK	\$366,045	69	\$10,305	\$149
BNY MELLON	\$9,991,659	14	\$5,516	\$394
BOSTON PRIVATE BANK & TRUST CO	\$1,838,827	317	\$94,327	\$298
BRISTOL COUNTY SAVINGS BANK	\$723,644	318	\$68,360	\$215
BROOKLINE BANK	\$1,318,483	114	\$30,784	\$270
CAMBRIDGE SAVINGS BANK	\$1,666,720	182	\$33,339	\$183
CAPE COD COOPERATIVE BANK	\$389,804	144	\$23,689	\$165
CAPE COD FIVE CENTS SAVINGS BANK	\$1,469,036	350	\$55,051	\$157
CENTRAL COOPERATIVE BANK	\$363,549	19	\$5,491	\$289
CENTURY BANK & TRUST COMPANY	\$1,204,651	352	\$43,602	\$124
CITIZENS-UNION SAVINGS BANK	\$481,518	151	\$34,453	\$228
COMMERCE BANK & TRUST COMPANY	\$621,646	92	\$14,337	\$156
COMMONWEALTH NATIONAL BANK	\$217,739	142	\$32,873	\$232
COUNTRY BANK FOR SAVINGS	\$754,028	188	\$22,043	\$117
DANVERSBANK	\$1,112,760	156	\$39,533	\$253
EAGLE BANK	\$361,627	46	\$8,360	\$182
EAST BOSTON SAVINGS BANK	\$843,816	40	\$9,966	\$249
EAST CAMBRIDGE SAVINGS BANK	\$631,560	32	\$3,787	\$118
EASTERN BANK	\$4,585,590	1,895	\$310,526	\$164
EASTHAMPTON SAVINGS BANK	\$600,773	185	\$14,215	\$77
FIDELITY BANK	\$330,601	71	\$4,803	\$68
FLORENCE SAVINGS BANK	\$742,182	116	\$16,182	\$140
FRAMINGHAM CO-OPERATIVE BANK	\$271,646	84	\$19,436	\$231
GREENFIELD SAVINGS BANK	\$379,536	109	\$14,066	\$129
HAMPDEN BANK	\$332,262	122	\$26,259	\$215
LEGACY BANKS	\$522,948	119	\$14,569	\$122
MIDDLESEX SAVINGS BANK	\$2,971,921	707	\$150,751	\$213
NORTH EASTON SAVINGS BANK	\$378,706	82	\$7,269	\$89
NORTHERN BANK & TRUST COMPANY	\$334,384	224	\$55,955	\$250
PEOPLESBANK	\$866,481	72	\$13,194	\$183
RBS CITIZENS, N.A.	\$21,712,477	4,437	\$388,520	\$88
ROCKLAND TRUST COMPANY	\$2,479,372	1,227	\$136,181	\$111
SALEM FIVE CENTS SAVINGS BANK	\$1,754,155	447	\$114,050	\$255
SLADES FERRY TRUST COMPANY	\$429,636	14	\$2,889	\$206
SOUTH SHORE SAVINGS BANK	\$618,422	235	\$34,084	\$145
SOUTHBRIDGE SAVINGS BANK	\$321,423	70	\$9,870	\$141
SOVEREIGN BANK	\$12,998,581	2,034	\$248,021	\$122
TD BANK N.A.	\$7,525,801	4,306	\$631,487	\$147
THE COOPERATIVE BANK	\$206,291	49	\$5,609	\$114
THE LOWELL FIVE CENT SAVINGS BANK	\$532,116	121	\$21,788	\$180
THE SAVINGS BANK	\$331,182	29	\$6,546	\$226
WATERTOWN SAVINGS BANK	\$1,211,918	43	\$10,946	\$255
WEBSTER FIVE CENTS SAVINGS BANK	\$395,583	115	\$13,224	\$115

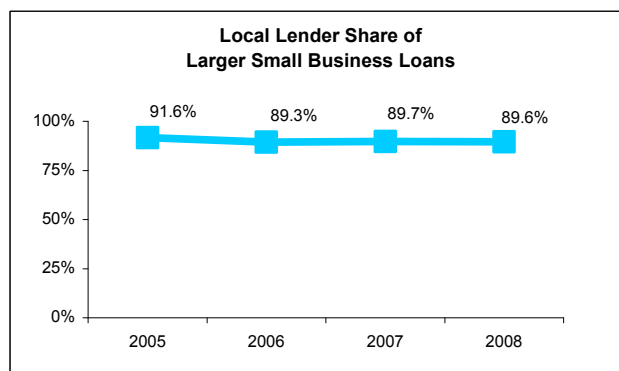
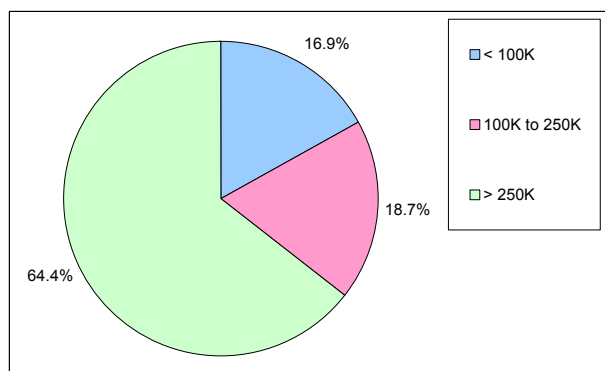
Small business loan dollars originated by local lenders in Massachusetts has declined for the past two years. Local lenders reported a combined 6.8% decline in overall small business loan dollars in 2008 following a more modest decline of 1.2% in 2007.

CHART: The rate of growth of small business loan dollars originated by local lenders in Massachusetts has declined over the past two years

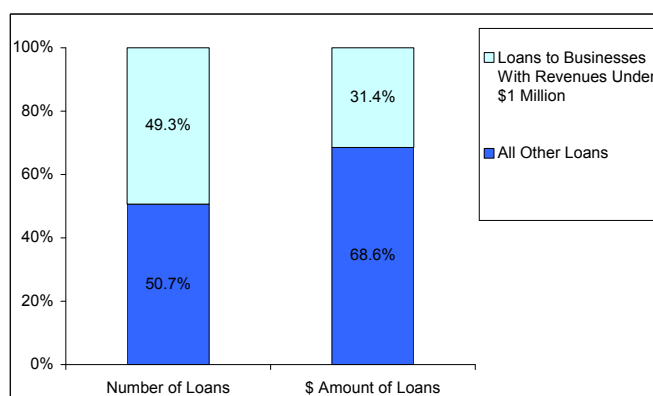


As one might expect given the average size of a small business loan originated by a local lender, the majority of loans made by local lenders had original amounts greater than \$100,000. It is also worth noting that, while local lenders have lost substantial overall market share in recent years primarily to credit card lenders, they have essentially maintained a dominant share with respect to larger small business loans – those with an original amount over \$100,000. In 2008, Massachusetts banks accounted for roughly 90% of the reported dollar volume of larger small business loans. The economic impact of these larger loans is substantial and underscores the vital role that local lenders play in small business lending in Massachusetts.

CHART: Larger small business loans – those with an original amount over \$250,000 - account for well over half of small business loan dollars at local banks and on the books of local lenders, and is one area where local banks continue to dominate the market.



Local lenders reported 10,934 loans to businesses with revenues under \$1 million in 2008 for \$1.1 billion, which represented 49.3% of the total number of loans originated by local lenders and 31.4% of the dollar amount of loans.



CREDIT CARD LENDERS

While the CRA database does not identify whether a given loan is a small business credit card loan, it does provide a way to estimate which lenders make credit card loans and how big the credit card market is. By reviewing the volume of loans and the average loan size of the largest lenders, a pattern quickly emerges: for some lenders the number of loans reported is quite large but the average loan size is quite small and well below the \$153,000 average loan size of the local lenders that account for the majority of the dollar volume of loans.

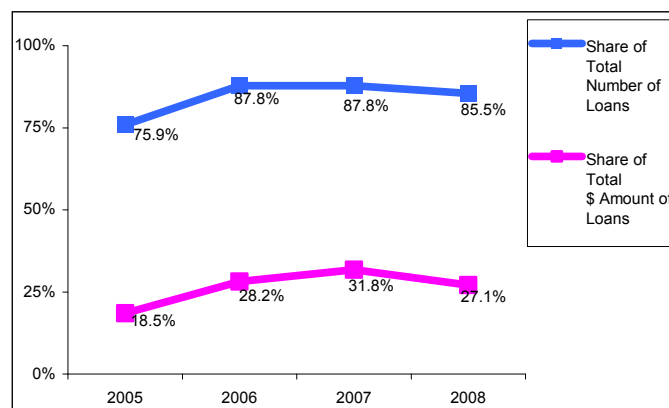
Credit card lenders originated an estimated total of 201,104 small business credit card loans in Massachusetts in 2008 for \$1.5 billion, which accounted for 77.5% of the total number of reported small business loans and 25.2% of loan dollars.

TABLE: Estimated small business credit card loans in Massachusetts (2008)

	Number of Loans	Amount of Loans in Millions	Average Loan Size
ADVANTA BANK CORP	6,562	\$46,061	\$7,019
AMERICAN EXPRESS BANK, FSB	77,540	\$610,568	\$7,874
BB&T BANKCARD CORPORATION	27	\$272	\$10,074
CAPITAL ONE BANK USA, N.A.	18,931	\$105,067	\$5,550
CHASE BANK USA, NA	34,846	\$289,251	\$8,301
CITIBANK (SOUTH DAKOTA), N.A.	29,033	\$174,647	\$6,015
DISCOVER BANK	3,929	\$32,973	\$8,392
FIA CARD SERVICES, N.A.	21,736	\$161,911	\$7,449
FIRST NATIONAL BANK OF OMAHA	462	\$3,147	\$6,812
GE CAPITAL FINANCIAL INC.	5,627	\$32,880	\$5,843
GE MONEY BANK	914	\$7,308	\$7,996
US BANK NORTH DAKOTA	1,497	\$18,470	\$12,338
CREDIT CARD TOTALS	201,104	\$1,482,555	\$7,372

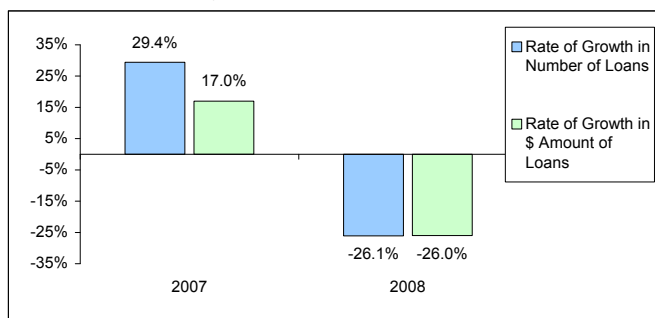
The important role played by credit card lenders in Massachusetts underscores the level of competition for small business loans that exists among all lenders. It also exemplifies the wide variety of loan products and underwriting options that consumers can choose from. Unlike larger, traditional small business loans, which often involve a direct formal relationship with a local bank branch, credit card applications are usually conducted over the phone or by mail. They may also place greater emphasis on the credit score of the applicant than on the reported revenue of the business and are less likely to require a branch relationship. Despite the dip in market share in 2008, the popularity of small business credit cards is demonstrated by the substantial increase in market share that these lenders have gained in recent years and by the fact that more and more local lenders are now offering credit card loans to their own customers.

CHART: Credit card lenders lost market share in Massachusetts in 2008



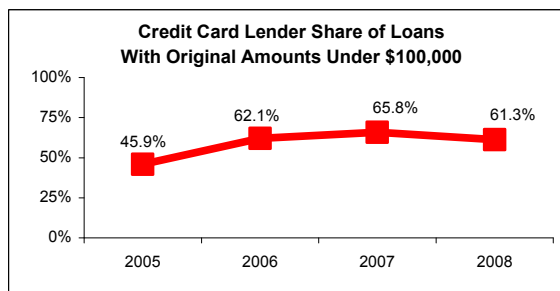
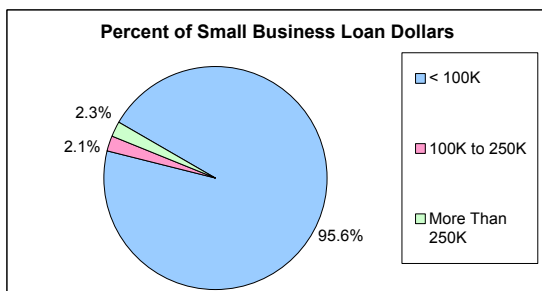
The substantial decline in small business credit card volume in 2008 stands in stark contrast to the robust growth that these lenders enjoyed in recent years. The rate of growth of the number of credit card loans fell dramatically from an increase of 29.4% in 2007 to a decline of 26.1% in 2008. The growth of loan dollars reported by credit card lenders also reversed course, from an increase of 17.0% in 2007 to a decline of 26.0% in 2008. The outlook for future growth is uncertain given the somewhat anemic economic conditions, depressed collateral values, and secondary market issues. Like the mortgage industry, the credit card industry relies on a secondary market to fund loan originations. As recession fears loom and asset quality concerns rise, the ability of the secondary market to function properly and fund additional loan growth has come into question. Part of the solution to the crisis may involve certain credit card lenders turning to depositor-based funding sources as well as public equity offerings and direct capital infusions from the Treasury Department. Looking ahead, it seems reasonable to suggest that that tightened underwriting standards and liquidity and capital adequacy factors could keep business credit card loan growth down in 2009.

CHART: The rate of growth of credit card lending to small businesses in Massachusetts fell sharply in 2008

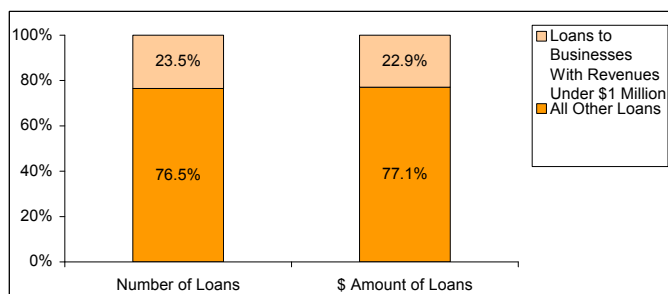


As one might expect given the average size of a small business credit card loan, the vast majority of loans originated by credit card lenders have original amounts less than \$100,000. In 2008, these loans accounted for a 95.6% of all small business loan dollars for credit card lenders although credit card lenders lost market share to local banks and out-of-state lenders in 2008.

CHART: Loans with an original amount under \$100,000 account for the vast majority of small business loan dollars by credit card lenders although these lenders lost market share in 2008



Credit card lenders reported 47,222 loans to businesses with revenues under \$1 million in Massachusetts in 2007 for \$339.5 million, which represented 23.5% of the total number of loans originated by credit card lenders and 22.9% of the dollar amount of loans.



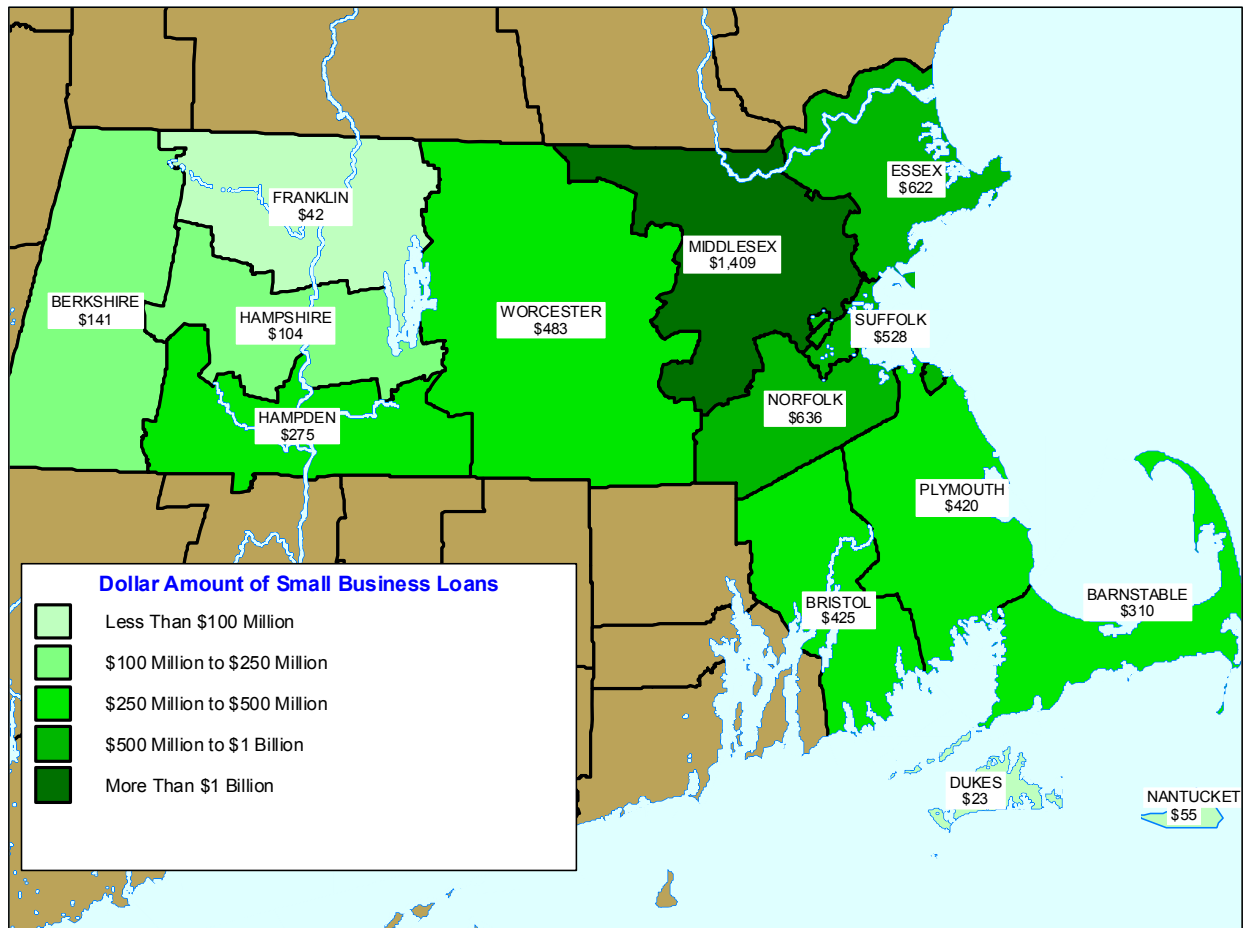
SMALL BUSINESS LOANS BY COUNTY

The distribution of small business loans by county in Massachusetts generally follows each county's percentage of the total state population. Middlesex County, which accounts for 23.1% of the state's total population, received the largest share of small business loans in the state with 25.8% of small business loan dollars. Detailed small business loan data for all counties can be found in the online appendix at www.mcbe.info.

TABLE: The distribution of small business loans in Massachusetts generally follows each county's share of the state's total population (2008)

	Number of Loans	Percent of Total	\$ Amount of Loans (000s)	Percent of Total	Total Population	Percent of Total
Barnstable	12,471	5.3%	\$310,259	5.7%	222,219	3.5%
Berkshire	5,046	2.1%	\$141,309	2.6%	133,349	2.1%
Bristol	16,262	6.9%	\$424,513	7.8%	534,678	8.4%
Dukes	1,425	0.6%	\$23,274	0.4%	29,974	0.5%
Essex	27,701	11.8%	\$621,799	11.4%	723,419	11.4%
Franklin	2,221	0.9%	\$41,508	0.8%	67,758	1.1%
Hampden	12,126	5.2%	\$274,571	5.0%	451,510	7.1%
Hampshire	5,152	2.2%	\$103,837	1.9%	147,650	2.3%
Middlesex	60,580	25.8%	\$1,409,280	25.8%	1,465,396	23.1%
Nantucket	1,501	0.6%	\$54,813	1.0%	19,040	0.3%
Norfolk	27,266	11.6%	\$635,937	11.6%	650,308	10.2%
Plymouth	17,703	7.5%	\$419,945	7.7%	472,822	7.4%
Suffolk	22,023	9.4%	\$527,643	9.6%	689,807	10.9%
Worcester	23,663	10.1%	\$482,788	8.8%	749,127	11.8%
State Totals	235,140	100.0%	\$5,471,476	100.0%	6,357,057	100.0%

Map: Small business loans dollars volume by county (2008)

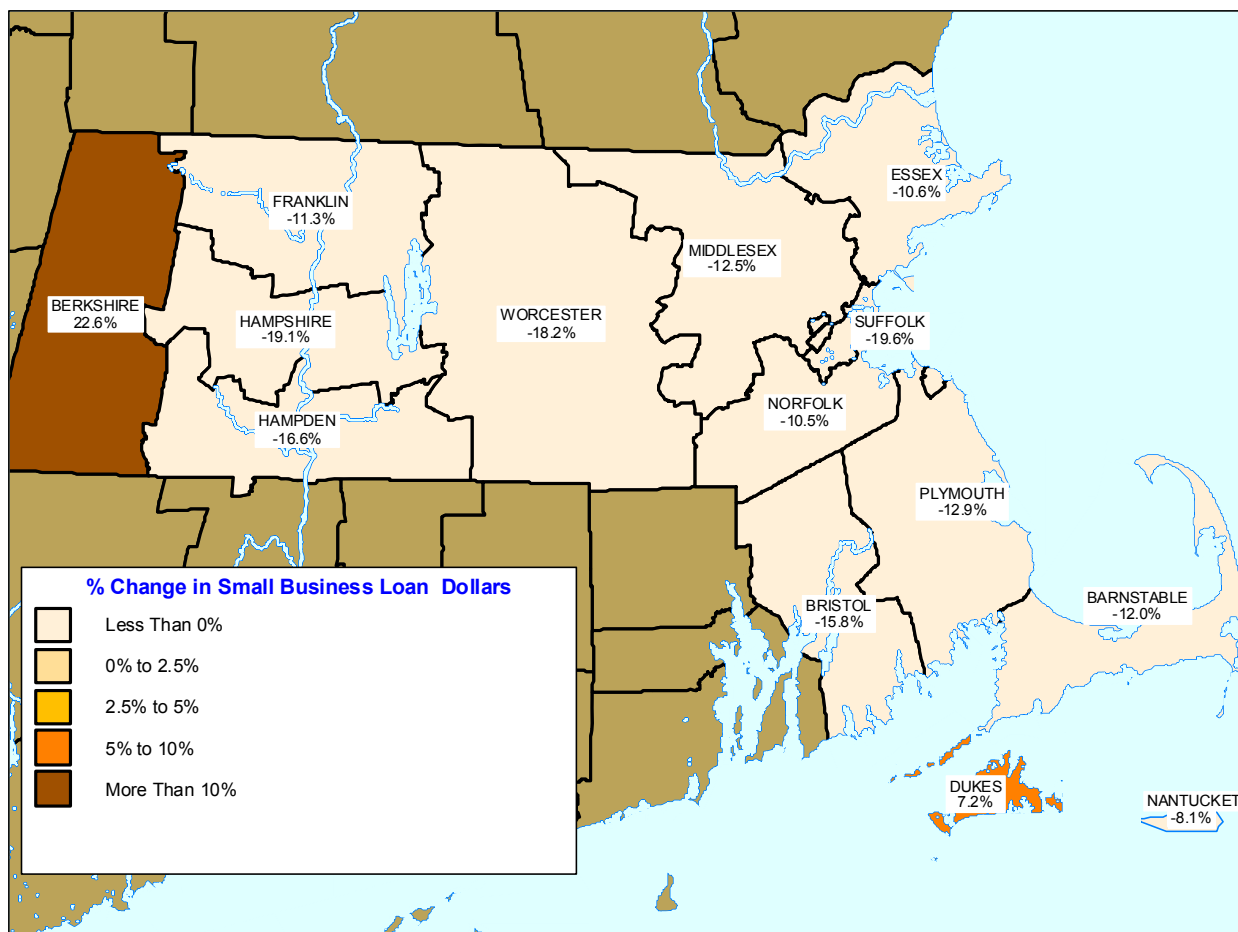


Only two counties in Massachusetts experienced overall increases in CRA-reported small business lending volume in 2008. Berkshire County experienced an increase of \$26.0 million or 22.6% in loan dollars in 2008, while Dukes County experienced a \$1.6 million or 7.2% increase in dollar volume for the year.

Small business loan dollars in Middlesex County declined by \$202.1 million or 12.5% from 2007 to 2008, while Suffolk County experienced a decline of \$128.4 million or 19.6% and Worcester County saw a decline of \$107.2 million or 18.2% for the year.

	2008 Change in Number of Loans	Percent Change	2008 Change in \$ Amount of Loans (000s)	Percent Change
Barnstable	-4,160	-25.0%	-\$42,381	-12.0%
Berkshire	-1,074	-17.5%	\$26,053	22.6%
Bristol	-5,903	-26.6%	-\$79,622	-15.8%
Dukes	-400	-21.9%	\$1,558	7.2%
Essex	-8,101	-22.6%	-\$73,594	-10.6%
Franklin	-681	-23.5%	-\$5,262	-11.3%
Hampden	-3,962	-24.6%	-\$54,748	-16.6%
Hampshire	-1,472	-22.2%	-\$24,439	-19.1%
Middlesex	-18,456	-23.4%	-\$202,095	-12.5%
Nantucket	-411	-21.5%	-\$4,802	-8.1%
Norfolk	-9,035	-24.9%	-\$74,377	-10.5%
Plymouth	-5,918	-25.1%	-\$62,172	-12.9%
Suffolk	-7,168	-24.6%	-\$128,437	-19.6%
Worcester	-7,969	-25.2%	-\$107,179	-18.2%
State Totals	-74,710	-24.1%	-\$831,497	-13.2%

Map: Change in small business loans dollars volume by county (2008)



SMALL BUSINESS LOANS BY CITY & TOWN

Compared to the distribution of loans by county, there is somewhat greater variability between the relative distribution of small business loans and total population at the city and town level. **The city of Boston, which accounts for 9.3% of the state's population, received \$481.7 million in small business dollars in 2008 and accounted for 8.8% of the total loan dollars, while the cities of Worcester and Springfield, which account for 2.7% and 2.4% of the state's population respectively, received 1.9% and 1.4% of the total loan dollars in the state.**

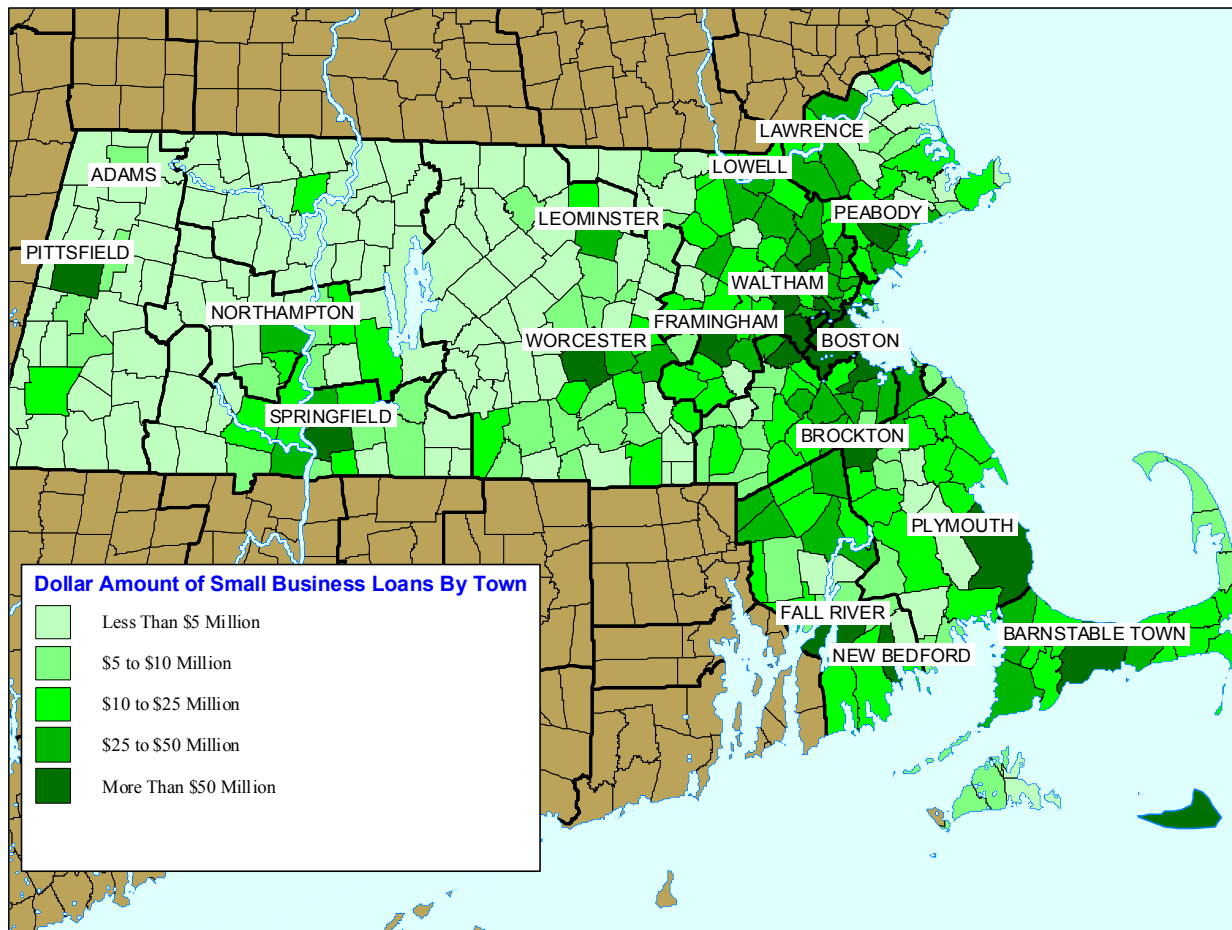
The following chart shows the total small business loans in 2008 for the top 50 Massachusetts cities and towns ranked by total population. Data for all cities and towns in Massachusetts can be found in the online appendix at www.mcabc.info.

TABLE: Small business loan volume in the 50 largest cities and towns in Massachusetts (2008)

	Number of Loans	Percent of Total	\$ Amount of Loans (000s)	Percent of Total	Total Population	Percent of Total
Boston	19,490	8.3%	\$481,747	8.8%	589,141	9.3%
Worcester	4,386	1.9%	\$102,821	1.9%	172,648	2.7%
Springfield	2,775	1.2%	\$76,807	1.4%	152,082	2.4%
Lowell	2,010	0.9%	\$42,675	0.8%	105,167	1.7%
Cambridge	4,303	1.8%	\$103,369	1.9%	101,355	1.6%
Brockton	1,987	0.8%	\$57,892	1.1%	94,304	1.5%
New Bedford	2,082	0.9%	\$61,452	1.1%	93,768	1.5%
Fall River	1,968	0.8%	\$59,676	1.1%	91,938	1.5%
Lynn	1,591	0.7%	\$40,367	0.7%	89,050	1.4%
Quincy	2,922	1.2%	\$60,106	1.1%	88,025	1.4%
Newton	4,701	2.0%	\$96,321	1.8%	83,829	1.3%
Somerville	1,947	0.8%	\$43,297	0.8%	77,478	1.2%
Lawrence	1,153	0.5%	\$24,728	0.5%	72,043	1.1%
Framingham	2,744	1.2%	\$64,780	1.2%	66,910	1.1%
Waltham	2,729	1.2%	\$77,483	1.4%	59,226	0.9%
Haverhill	1,576	0.7%	\$36,510	0.7%	58,969	0.9%
Brookline	2,579	1.1%	\$55,835	1.0%	57,107	0.9%
Malden	1,561	0.7%	\$38,615	0.7%	56,340	0.9%
Taunton	1,256	0.5%	\$39,255	0.7%	55,976	0.9%
Medford	1,699	0.7%	\$29,827	0.5%	55,765	0.9%
Chicopee	1,132	0.5%	\$28,464	0.5%	54,653	0.9%
Weymouth	1,567	0.7%	\$37,203	0.7%	53,988	0.9%
Plymouth	2,070	0.9%	\$53,683	1.0%	51,701	0.8%
Peabody	1,919	0.8%	\$52,773	1.0%	48,129	0.8%
Barnstable Town	2,681	1.1%	\$75,304	1.4%	47,821	0.8%
Revere	1,082	0.5%	\$15,541	0.3%	47,283	0.7%
Pittsfield	1,403	0.6%	\$56,899	1.0%	45,793	0.7%
Methuen	1,324	0.6%	\$24,526	0.4%	43,789	0.7%
Arlington	1,397	0.6%	\$25,587	0.5%	42,389	0.7%
Attleboro	1,193	0.5%	\$36,562	0.7%	42,068	0.7%
Leominster	1,302	0.6%	\$29,435	0.5%	41,303	0.7%
Salem	1,514	0.6%	\$42,890	0.8%	40,407	0.6%
Westfield	1,090	0.5%	\$20,035	0.4%	40,072	0.6%
Beverly	1,723	0.7%	\$35,270	0.6%	39,862	0.6%
Holyoke	812	0.3%	\$23,999	0.4%	39,838	0.6%
Fitchburg	859	0.4%	\$18,710	0.3%	39,102	0.6%
Billerica	1,531	0.7%	\$39,239	0.7%	38,981	0.6%
Everett	908	0.4%	\$23,019	0.4%	38,037	0.6%
Woburn	2,303	1.0%	\$82,800	1.5%	37,258	0.6%
Marlborough	1,341	0.6%	\$36,332	0.7%	36,255	0.6%
Chelsea	584	0.2%	\$19,339	0.4%	35,080	0.6%
Amherst	716	0.3%	\$11,746	0.2%	34,874	0.6%
Chelmsford	1,500	0.6%	\$28,250	0.5%	33,858	0.5%
Braintree	1,494	0.6%	\$33,367	0.6%	33,828	0.5%
Watertown	1,419	0.6%	\$34,817	0.6%	32,986	0.5%
Falmouth	1,425	0.6%	\$31,020	0.6%	32,660	0.5%
Natick	1,638	0.7%	\$48,251	0.9%	32,170	0.5%
Shrewsbury	1,233	0.5%	\$28,052	0.5%	31,640	0.5%
Andover	1,540	0.7%	\$35,263	0.6%	31,247	0.5%
Randolph	868	0.4%	\$27,897	0.5%	30,963	0.5%

The following map shows that small business loan dollars in Massachusetts in 2008 continue to be relatively concentrated around the state's urban centers and the I-495/Route 128 high-tech corridor.

Map: Distribution of small business loan dollars in Massachusetts by town (2008)



There was also considerable variability in the year-over-year change in small loan volume in cities and towns across Massachusetts from 2007 to 2008. Boston experienced a decline in small business loan dollars of \$108.1 million or 18.3% in 2008, while Worcester and Springfield experienced declines of 19.5% and 14.0% respectively.

The following chart shows the change in small business loans from 2007 to 2008 for the top 50 Massachusetts cities and towns ranked by total population. Data for all cities and towns in Massachusetts can be found in the online appendix at www.mcabc.info.

TABLE: Change in small business loans from 2007 to 2008 in the 50 largest cities and towns in Massachusetts

	2008 Change in Number of Loans	Percent Change	2008 Change in \$ Amount of Loans (000s)	Percent Change	Total Population	Percent of Total
Boston	-5,772	-22.8%	-\$108,129	-18.3%	589,141	9.3%
Worcester	-1,178	-21.2%	-\$24,959	-19.5%	172,648	2.7%
Springfield	-979	-26.1%	-\$12,502	-14.0%	152,082	2.4%
Lowell	-605	-23.1%	\$458	1.1%	105,167	1.7%
Cambridge	-716	-14.3%	\$12,283	13.5%	101,355	1.6%
Brockton	-658	-24.9%	-\$11,142	-16.1%	94,304	1.5%
New Bedford	-467	-18.3%	-\$9,683	-13.6%	93,768	1.5%
Fall River	-544	-21.7%	-\$3,291	-5.2%	91,938	1.5%
Lynn	-611	-27.7%	-\$2,076	-4.9%	89,050	1.4%
Quincy	-856	-22.7%	-\$11,445	-16.0%	88,025	1.4%
Newton	-1,025	-17.9%	-\$1,358	-1.4%	83,829	1.3%
Somerville	-527	-21.3%	\$1,102	2.6%	77,478	1.2%
Lawrence	-335	-22.5%	-\$15,205	-38.1%	72,043	1.1%
Framingham	-843	-23.5%	-\$5,153	-7.4%	66,910	1.1%
Waltham	-687	-20.1%	-\$7,315	-8.6%	59,226	0.9%
Haverhill	-404	-20.4%	-\$4,648	-11.3%	58,969	0.9%
Brookline	-456	-15.0%	\$7,796	16.2%	57,107	0.9%
Malden	-555	-26.2%	-\$6,435	-14.3%	56,340	0.9%
Taunton	-566	-31.1%	\$5,958	17.9%	55,976	0.9%
Medford	-522	-23.5%	-\$7,052	-19.1%	55,765	0.9%
Chicopee	-351	-23.7%	-\$496	-1.7%	54,653	0.9%
Weymouth	-663	-29.7%	-\$6,308	-14.5%	53,988	0.9%
Plymouth	-722	-25.9%	-\$3,250	-5.7%	51,701	0.8%
Peabody	-629	-24.7%	-\$209	-0.4%	48,129	0.8%
Barnstable Town	-962	-26.4%	-\$9,486	-11.2%	47,821	0.8%
Revere	-466	-30.1%	-\$4,534	-22.6%	47,283	0.7%
Pittsfield	-250	-15.1%	\$27,125	91.1%	45,793	0.7%
Methuen	-355	-21.1%	\$609	2.5%	43,789	0.7%
Arlington	-448	-24.3%	\$3,090	13.7%	42,389	0.7%
Attleboro	-512	-30.0%	-\$12,108	-24.9%	42,068	0.7%
Leominster	-423	-24.5%	-\$10,791	-26.8%	41,303	0.7%
Salem	-501	-24.9%	-\$2,681	-5.9%	40,407	0.6%
Westfield	-229	-17.4%	-\$6,455	-24.4%	40,072	0.6%
Beverly	-424	-19.7%	-\$10,269	-22.5%	39,862	0.6%
Holyoke	-301	-27.0%	-\$2,156	-8.2%	39,838	0.6%
Fitchburg	-404	-32.0%	-\$3,120	-14.3%	39,102	0.6%
Billerica	-432	-22.0%	-\$978	-2.4%	38,981	0.6%
Everett	-473	-34.3%	\$230	1.0%	38,037	0.6%
Woburn	-645	-21.9%	-\$1,958	-2.3%	37,258	0.6%
Marlborough	-566	-29.7%	-\$2,761	-7.1%	36,255	0.6%
Chelsea	-249	-29.9%	-\$12,172	-38.6%	35,080	0.6%
Amherst	-163	-18.5%	-\$5,996	-33.8%	34,874	0.6%
Chelmsford	-423	-22.0%	-\$971	-3.3%	33,858	0.5%
Braintree	-488	-24.6%	-\$9,093	-21.4%	33,828	0.5%
Watertown	-418	-22.8%	-\$648	-1.8%	32,986	0.5%
Falmouth	-539	-27.4%	-\$1,566	-4.8%	32,660	0.5%
Natick	-480	-22.7%	-\$5,760	-10.7%	32,170	0.5%
Shrewsbury	-346	-21.9%	-\$7,865	-21.9%	31,640	0.5%
Andover	-341	-18.1%	\$3,958	12.6%	31,247	0.5%
Randolph	-288	-24.9%	\$6,176	28.4%	30,963	0.5%

SECTION II

SMALL BUSINESS LENDING IN TRADITIONALLY UNDERSERVED AREAS:

A CRA PERSPECTIVE

INCOME LEVEL, RACE, & BUSINESS DEMOGRAPHICS

As noted at the beginning of this report, the goal of the CRA law is to encourage depository institutions to help meet the credit needs of the residents and small businesses in the communities in which they operate, particularly low and moderate income neighborhoods, consistent with safe and sound business operations. Since the CRA law places a specific emphasis on the distribution of loans by income level, lending performance is generally evaluated in the context of the demographic characteristics of a particular geographic area. While the CRA law does not specifically address the race of borrowers, a subject that is formally covered by federal fair lending laws, this report analyzes the distribution of small business loans by both the census tract income and the racial composition of local communities.

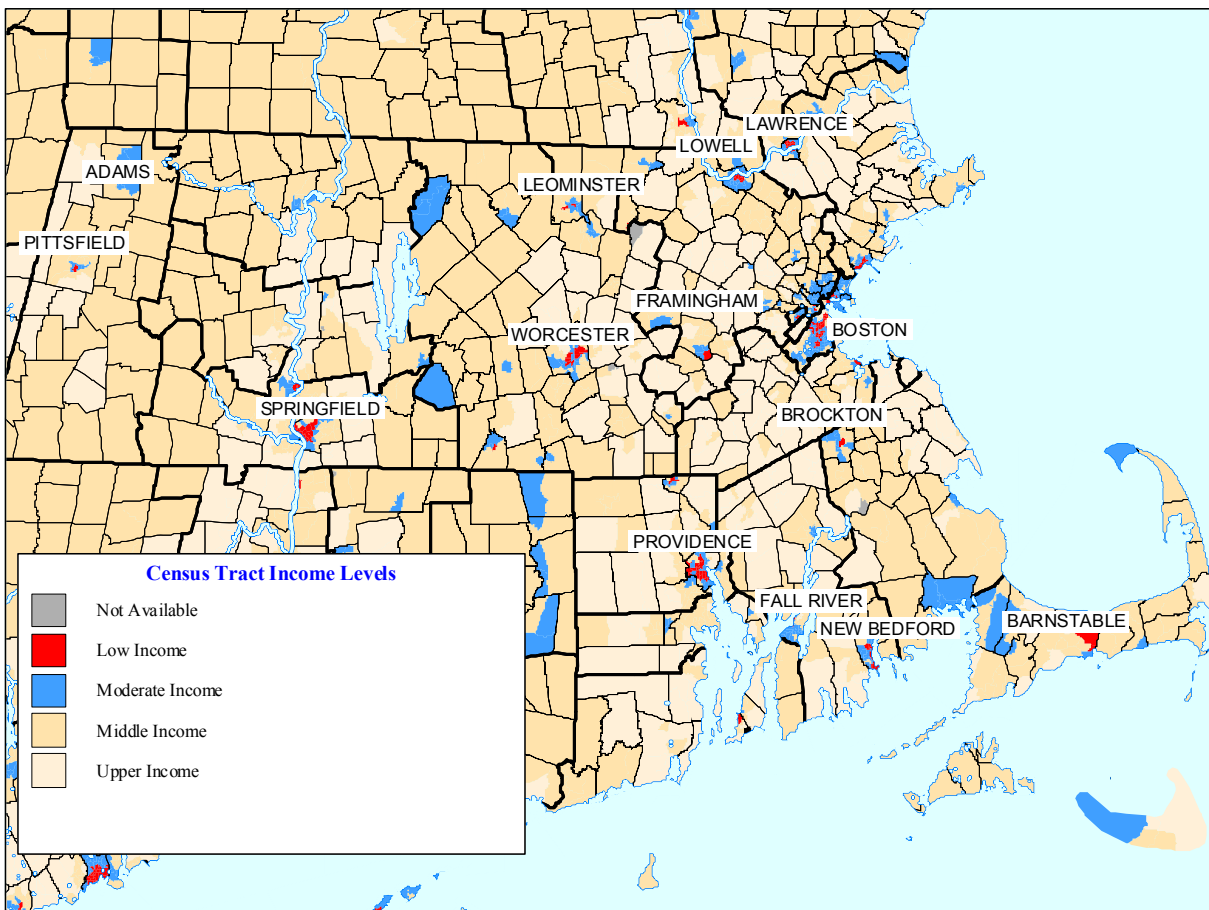
According to the most recent census data, there are 114 low income census tracts and 295 moderate income census tracts in Massachusetts, which account for 5.7% and 20.5% of the total population of the state.

TABLE : Population by income level in Massachusetts

Census Tract Income Level	Number of Census Tracts	Total Population	% of Total	Minority Population %
Low	114	364,959	5.7%	66.2%
Moderate	295	1,304,855	20.5%	35.9%
Middle	628	3,012,570	47.6%	10.3%
Upper	319	1,646,183	25.9%	7.7%
NA	5	3,983	0.1%	54.6%
Totals	1,361	6,332,550	100.0%	18.1%
Memo; Low & Moderate	409	1,669,814	26.4%	42.5%

Low income and moderate income areas are spread out over 63 cities and towns across the state, including 19 cities and towns that have both low and moderate income areas.

MAP : Low and moderate income census tracts are shown in red and blue below



The census data shows a strong correlation between race and income level in Massachusetts and across the country: areas with higher minority populations generally have lower income levels. Previous reports published by the MCBC on small business lending have noted a similar correlation between small business lending and income level: lower income areas and high minority areas generally have lower lending rates than higher income and lower minority areas.

Minorities account for approximately 18.1% of the total population of the state. Blacks, Hispanics, and Asians represent the largest minority groups. There are 72 high-minority census tracts across the state, where the minority population is more than 75% of the total population of the tract, and an additional 275 mixed-race census tracts that together comprise roughly 22.5% of the state's population. Of the high minority tracts, 45 are located in Boston, 10 are located in Springfield, 8 are located in Lawrence, and the remaining 9 census tracts are located in Amherst, Chelsea, Holyoke, Lowell, and Worcester.

	Total Population	% of Total Population
Asian	238,191	3.8%
Black	318,193	5.0%
Hispanic	428,480	6.8%
Other Race	164,954	2.6%
White	5,182,732	81.8%
Total	6,332,550	100.0%
Memo: Total Minority	1,149,818	18.2%

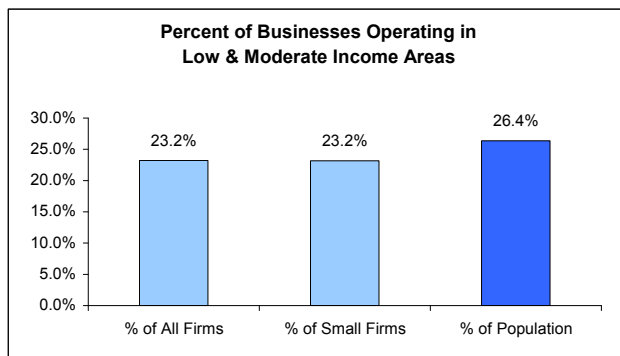
Neighborhood Description	Number of Census Tracts	Total Population	% of Total Population
High Minority (> 75% Minority)	72	248,866	3.9%
Mixed-Race	280	1,177,148	18.6%
White (> 75% White)	1,009	4,906,536	77.5%
Total	1,361	6,332,550	100.0%

In an effort to measure whether income or race is more important in determining the patterns of lending, we will utilize categories that take both income level and race/ethnicity into account. A finding of lower lending rates in high minority, low income tracts than in white, low income tracts would indicate that the racial makeup of the community is potentially the more important factor. The reverse finding, of higher lending rates in white, low income tracts, would indicate that income level was potentially the more important factor. To simplify our analysis, we have combined low and moderate income tracts together as one group and combined middle and upper income tracts together as another group.

Neighborhood Description	Number of Census Tracts	Total Population	% of Population
High Minority & Low-Moderate	71	248,865	3.9%
Mixed-Race & Low-Moderate	209	908,459	14.3%
Mixed-Race & Middle-Upper	67	289,214	4.6%
White & Low-Moderate	129	512,490	8.1%
White & Middle-Upper	880	4,369,539	69.0%
Not Available	5	3,983	0.1%
Totals	1,361	6,332,550	100.0%

While the census bureau provides us with a reliable demographic information down to the census tract level, it is much more difficult to find data sources that quantify the number of firms that operate in a given area since these datasets are generally organized at the state or county level. The number of firms data is used in this report to calculate lending rates, in our case the dollar amount of loans per 100 firms, which allow us to compare small business lending activity between geographic areas and across demographic lines – such as lower income and higher income areas. Analyses that focus exclusively on loan volume can be dramatically affected by population changes and demographic shifts that occur over time, while the use of lending rates tends to neutralize such effects and provide a preferred mechanism for performing geographic or demographic comparisons.

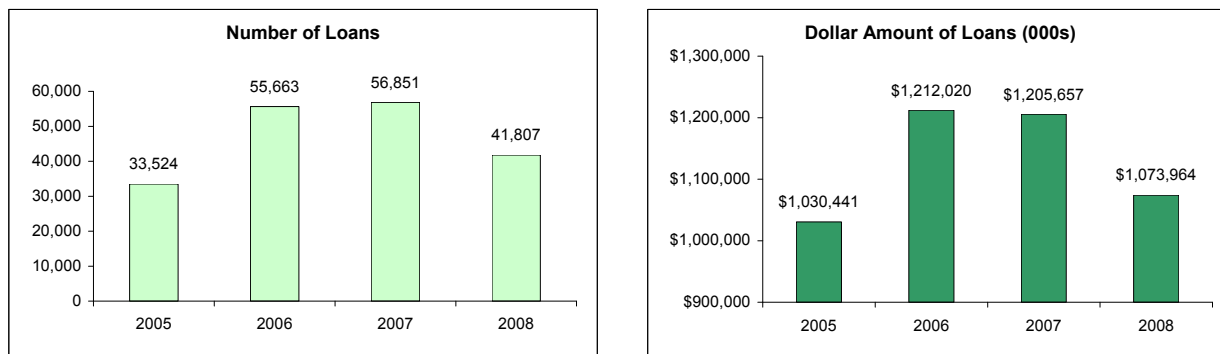
The source for the number of firms data used in this report is Dunn & Bradstreet, which compiles business demographic data by reviewing government business filings as well as direct surveys of business owners. The business information company estimates that 23.2% of all businesses in the state, and 23.2% of businesses with revenues under \$1 million, are located in low and moderate income areas even though lower income areas account for 26.4% of the state's total population.



SMALL BUSINESS LENDING IN LOWER INCOME AREAS

Borrowers in low and moderate income census tracts in Massachusetts received a total of 41,807 small business loans in 2008 for \$1.1 billion, which represents a significant decline compared to the previous year when borrowers in low and moderate income census tracts received 56,851 loans for \$1.2 billion.

TABLE : The number and dollar volume of small business loans in lower income areas in Massachusetts declined significantly in 2008



While overall lending volume declined across all income categories in Massachusetts in 2008, lower income areas across the state experienced a smaller decline in terms of the dollar amount of loans than higher income areas, but a larger decline in the number of loans. Low and moderate income census tracts, which account for 26.4% of the total population of Massachusetts, received 17.8% of the total number of small business loans in the state in 2008 and 19.6% of the total loan dollars, compared to 18.3% and 19.1%, respectively, for the previous year. While these percentages fall short of the levels one might expect given the size of population that live in low and moderate income tracts, they are essentially in line with comparable results in other New England states and the US as a whole.

TABLE : Small business loans in low and moderate income census tracts by state (2008)

	Number of Loans in Low & Moderate Census Tracts	% of Total	\$ Amount of Loans in Low & Moderate Census Tracts (000s)	% of Total	Total Population in Low & Moderate Census Tracts	% of Total
Massachusetts	41,807	17.8%	\$1,073,964	19.6%	1,669,814	26.4%
Connecticut	24,967	18.0%	\$711,511	22.5%	907,427	26.7%
Maine	5,330	11.6%	\$183,322	12.1%	159,771	12.6%
New Hampshire	6,123	11.7%	\$182,663	14.9%	190,757	15.5%
Rhode Island	6,135	17.6%	\$229,527	24.6%	269,754	25.7%
Vermont	2,690	10.9%	\$100,603	12.6%	71,481	11.8%
Totals	87,052	16.4%	\$2,481,590	18.9%	3,269,004	23.6%
US Total	1,806,820	17.3%	\$57,960,671	20.2%	71,541,392	25.4%

TABLE : Small business loans in Massachusetts by income level (2008)

	Number of Loans	% of Total	\$ Amount of Loans (000s)	% of Total	Total Population	% of Population
Low	11,170	4.8%	\$380,542	7.0%	364,959	5.7%
Moderate	30,637	13.0%	\$693,422	12.7%	1,304,855	20.5%
Middle	108,881	46.3%	\$2,596,735	47.5%	3,037,077	47.8%
Upper	76,001	32.3%	\$1,714,119	31.3%	1,646,183	25.9%
NA	8,451	3.6%	\$86,658	1.6%	3,983	0.1%
Totals	235,140	100.0%	\$5,471,476	100.0%	6,357,057	100.0%
Memo:						
Low & Moderate	41,807	17.8%	\$1,073,964	19.6%	1,669,814	26.3%

Note: The category "NA" includes all small business loans where the CRA reporter did not record the census tract location of the loan.

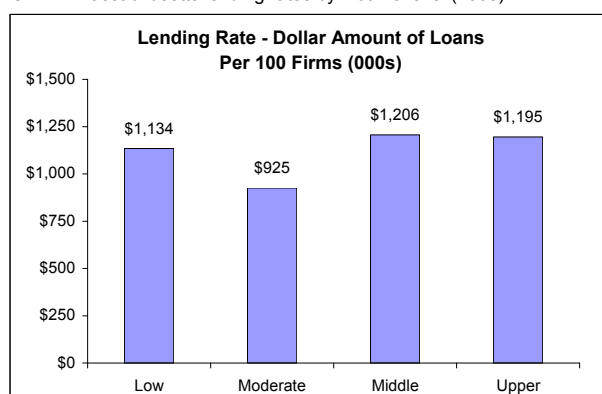
As previously noted, since lending rates utilize a combination of loan volume and the number of firms, they can be used to compare small business lending activity within a given geographic area or across different geographic areas regardless of population characteristics or other demographic factors. While loan volume can be dramatically affected by population changes and demographic shifts that occur over time the use of lending rates tends to neutralize such effects and provide a preferred mechanism for performing geographic or demographic comparisons.

The lowest lending rates, measured in the amount of loan dollars per 100 firms, were recorded in lower income communities although lower income areas experienced a smaller decline from the previous year than higher income areas. Low and moderate income census tracts in Massachusetts received an aggregate \$990,000 per 100 businesses, representing 84.6% of the overall lending rate across the state. Higher-income communities received an average \$1.2 million per 100 businesses, or 102.7% of the overall lending rate across the state. In each of the past four years, the lowest lending rates have been in either low or moderate income census tracts, while the highest lending rates have been in either middle or upper income areas.

TABLE : The lowest lending rates in Massachusetts were recorded in lower income areas in 2008

	Lending Rate Per 100 Firms (000s)	% of Overall Lending Rate	2008 % Change in Lending Rate
Low	\$1,134	96.9%	-6.6%
Moderate	\$925	79.0%	-13.1%
Middle	\$1,206	103.0%	-13.6%
Upper	\$1,195	102.1%	-14.8%
Totals	\$1,171	100.0%	-13.2%
Memo: Low & Moderate Areas	\$990	84.6%	-10.9%

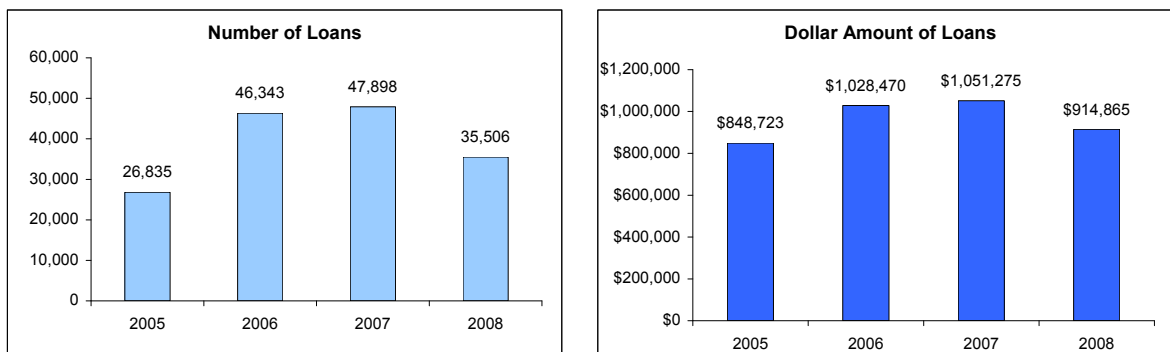
CHART: Massachusetts lending rates by income level (2008)



SMALL BUSINESS LENDING IN HIGH MINORITY AREAS

Businesses in minority and mixed-race communities across the state received a reported 35,506 small business loans for \$914.9 million in 2008, which represents a decline in total volume compared to the previous year when businesses received 47,898 loans for \$1.1 billion.

CHART : The number and dollar volume of small business loans in minority and mixed-race census tracts across Massachusetts declined significantly in 2008

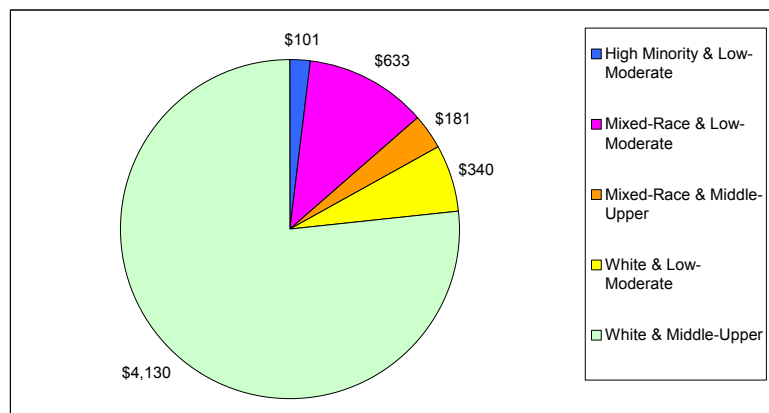


The communities with the highest minority populations in Massachusetts received 3,831 small business loans in 2008 for \$100.7 million, which represents 1.6% of the number of loans and 1.8% of the dollar amount of loans. Lower income mixed-race communities received 23,348 loans for \$633.5 million, representing 9.9% of the number of loans and 11.6% of the dollar amount of loans. While most neighborhood categories received less small business loans than one might expect given their total share of the state's total population, higher income white communities received a larger relative share of loans in 2008.

TABLE : Most neighborhood categories received less than their total share of the state's total population – only higher income white neighborhoods had a larger relative share of loans

	Number of Loans	% of Total	\$ Amount of Loans (000s)	% of Total	Total Population	% of Total
High Minority & Low-Moderate	3,831	1.6%	\$100,716	1.8%	248,865	3.9%
Mixed-Race & Low-Moderate	23,348	9.9%	\$633,473	11.6%	908,459	14.3%
Mixed-Race & Middle-Upper	8,327	3.5%	\$180,676	3.3%	289,214	4.6%
White & Low-Moderate	14,628	6.2%	\$339,775	6.2%	512,490	8.1%
White & Middle-Upper	176,555	75.1%	\$4,130,178	75.5%	4,369,539	69.0%
NA	8,451	3.6%	\$86,658	1.6%	3,983	0.1%
Totals	235,140	100.0%	\$5,471,476	100.0%	6,332,550	100.0%

CHART : The communities in Massachusetts with the largest minority populations received \$101 million in small business loans in 2008



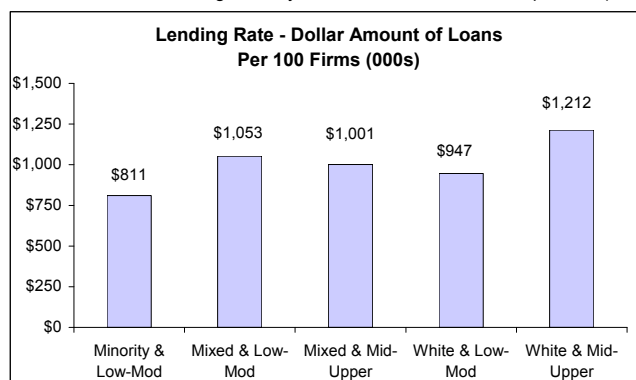
As was the case in previous reports on small business lending, the lowest lending rates were recorded in lower income, high minority communities in Massachusetts in 2008 while the highest lending rates were recorded in higher income, white communities. In addition, within the lower income areas the 2008 data also shows that lending rates declined slightly more in high minority communities than in predominantly white communities.

High minority census tracts in Massachusetts received \$811,000 per 100 businesses, representing 69.2% of the overall lending rate across the state. Higher-income white communities received an average \$1.2 million per 100 businesses or 103.6% of the overall lending rate. In each of the past four years, lower income minority neighborhoods in Massachusetts have reported lower rates of lending than lower income white neighborhoods. Readers are urged to use caution when interpreting the findings discussed in this report, given the strong correlation between high minority populations and low income levels.

TABLE : The lowest lending rates in Massachusetts were recorded in high minority and lower income areas in 2008

	Lending Rate Per 100 Firms (000s)	% of Overall Lending Rate	2008 % Change in Lending Rate
High Minority & Low-Moderate	\$811	69.2%	-12.0%
Mixed-Race & Low-Moderate	\$1,053	89.9%	-10.8%
Mixed-Race & Middle-Upper	\$1,001	85.5%	-18.8%
White & Low-Moderate	\$947	80.8%	-10.1%
White & Middle-Upper	\$1,212	103.6%	-13.8%
Total	\$1,171	100.0%	-13.2%

CHART: Massachusetts Lending rates by income level and racial composition (2008)

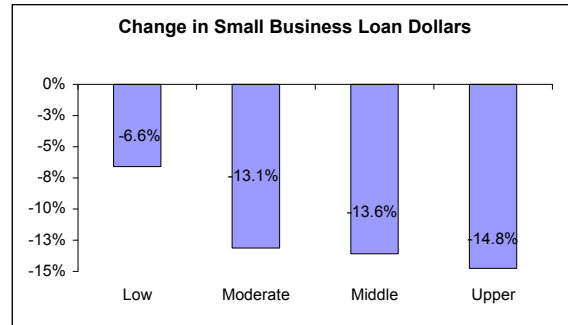


SMALL BUSINESS LOAN GROWTH

While lending rates in low and moderate income areas continue to lag lending rates in middle and upper income areas, lower income areas, as previously noted, actually experienced a smaller percentage decline in small business loan dollars in 2008 than was experienced in higher income areas. Low and moderate income census tracts in Massachusetts experienced overall declines in small business loan dollars from 2007 to 2008 of 6.6% and 13.1% respectively while middle and upper income census tracts experienced declines in dollar volume of 13.6% and 14.8%.

TABLE: Lower income census tracts in Massachusetts experienced smaller declines in small business loan dollars in 2008 than higher income areas

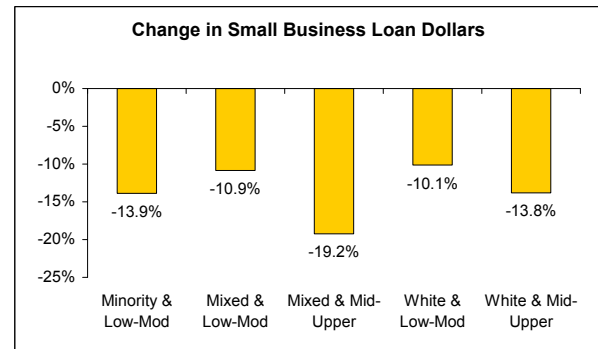
	Change in Number of Loans	% Change	Change in \$ Amount of Loans (000s)	% Change
Low	-3,366	-23.2%	-\$26,863	-6.6%
Moderate	-11,678	-27.6%	-\$104,830	-13.1%
Middle	-36,645	-25.2%	-\$408,417	-13.6%
Upper	-22,881	-23.1%	-\$296,715	-14.8%
NA	-140	-1.6%	\$5,328	6.6%
Totals	-74,710	-24.1%	-\$831,497	-13.2%
Memo:				
Low & Moderate	-15,044	-26.5%	-\$131,693	-10.9%



When the racial composition of the area is also taken into consideration, we find that small business loan volume in lower income, minority neighborhoods in Massachusetts declined more on a percentage basis more than was the case in lower income, white neighborhoods. Lower income, minority areas experienced an overall decline of 13.9% in small business loan dollars in 2008, while lower income, white areas experienced a decline of 10.1%.

TABLE: Lower income minority areas in Massachusetts experienced a slightly larger decline in small business loan volume in 2008 than lower income white neighborhoods

	2008 Change in Number of Loans	% Change	2008 Change in \$ Amount of Loans (000s)	% Change
High Minority & Low-Moderate	-1,342	-0.4%	-\$16,224	-0.3%
Mixed-Race & Low-Moderate	-8,399	-2.7%	-\$77,152	-1.2%
Mixed-Race & Middle-Upper	-2,651	-0.9%	-\$43,034	-0.7%
White & Low-Moderate	-5,303	-1.7%	-\$38,317	-0.6%
White & Middle-Upper	-56,875	-18.4%	-\$662,098	-10.5%
NA	-140	0.0%	\$5,328	0.1%
Totals	-74,710	-24.1%	-\$831,497	-13.2%



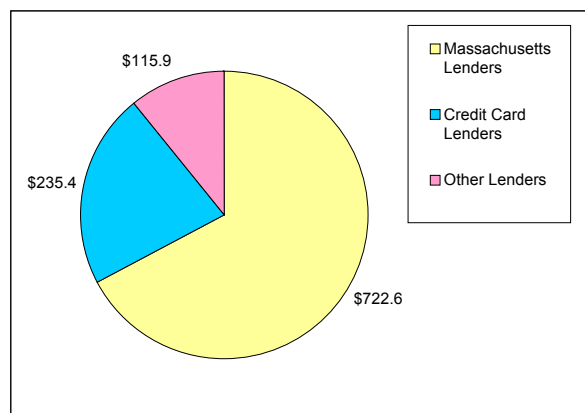
The economic revitalization of the traditionally underserved areas in Massachusetts depends to a large extent on small business lending. Given the uncertain outlook for the state and national economies, and the possibility of a prolonged slowdown in business lending, lower income and high minority neighborhoods may be hardest hit again in 2009 in terms of their share of small business loan dollars.

THE ROLE OF LOCAL LENDERS

Massachusetts-based lenders account for a the vast majority of small business loans dollars in low and moderate income census tracts across the state. Local lenders made a total of 4,473 loans for \$722.6 million in 2008, representing 10.7% of the total number of small business loans in low and moderate income areas and 67.3% of loan dollars.

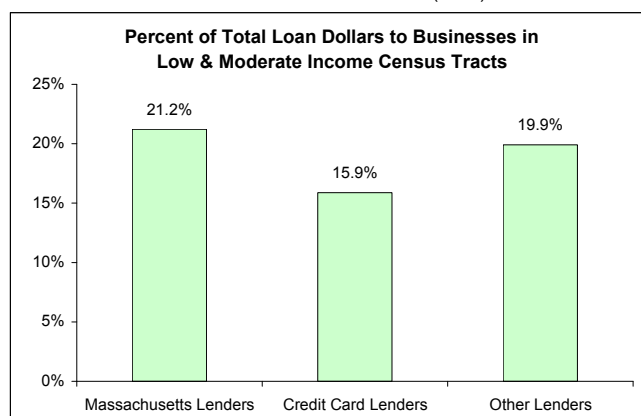
TABLE : Massachusetts-based lenders made 10.7% of the number of loans in low and moderate income areas and 67.3% of the dollar amount of loans in 2008

	Number of Loans	% of Total	\$ Amount of Loans (000s)	% of Total
Massachusetts Lenders	4,473	10.7%	\$722,582	67.3%
Credit Card Lenders	35,050	83.8%	\$235,438	21.9%
Other Lenders	2,284	5.5%	\$115,944	10.8%
State Totals	41,807	100.0%	\$1,073,964	100.0%



Local lenders also historically make a slightly larger percentage of their loans in low and moderate income census tracts than other lenders. In 2008 Massachusetts-based lenders made 21.2% of overall small business loan dollars in low and moderate income areas across the state, compared to 15.9% for credit card lenders, and 19.9% for other lenders. The 2008 results are fairly typical of the results in previous years.

TABLE : Massachusetts-based lenders made a larger portion of their loans in low and moderate income tracts than other lenders (2008)



Massachusetts-based lenders reported overall declines in small business loan volume in lower income areas in 2008 of 12.5% in the number of loans and 4.5% in the dollar amount of such loans, while credit card lenders recorded significantly more substantial declines of 28.9% and 28.3% respectively.

TABLE : Change in small business loans in lower income areas in Massachusetts (2008)

	2008 Change in Number of Loans	% Change	2008 Change in \$ Amount of Loans (000s)	% Change
Massachusetts Lenders	-639	-12.5%	-\$33,084	-4.4%
Credit Card Lenders	-14,223	-28.9%	-\$92,714	-28.3%
Other Lenders	-182	-7.4%	-\$5,895	-4.8%
State Totals	-15,044	-26.5%	-\$131,693	-10.9%

It is important to note that the local lenders that are included in the 2008 CRA database are considered to be *CRA-covered* lenders in that most of their banking activities in Massachusetts are subject to CRA regulatory review. Out-of-state lenders and national credit card lenders that do not have a branch presence in Massachusetts are considered *non-covered* lenders in that their banking activities in Massachusetts are not subject to CRA regulatory review.

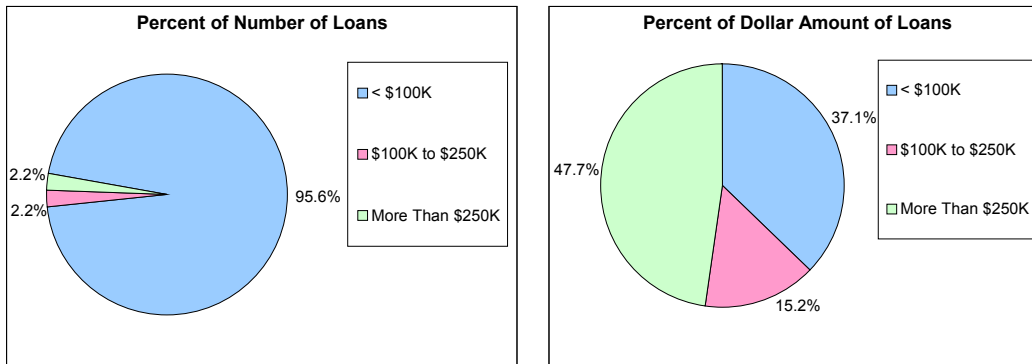
The following table shows the 2008 statewide small business loan volume in low income and moderate areas of the state for local lenders that are included in the 2008 CRA database. More detailed information on these lenders is provided in the online appendix at www.mcbe.info.

	Massachusetts Deposits (\$000s) 6/30/2008	Number of Loans	Amount of Loans (\$000s)	Average Loan Size (\$000s)
BANK OF AMERICA, N.A.	\$37,030,894	351	\$87,733	\$250
BELMONT SAVINGS BANK	\$282,414	9	\$2,237	\$249
BERKSHIRE BANK	\$1,394,187	89	\$17,067	\$192
BEVERLY NATIONAL BANK	\$366,045	16	\$2,590	\$162
BNY MELLON	\$9,991,659	2	\$1,283	\$642
BOSTON PRIVATE BANK & TRUST CO	\$1,838,827	53	\$16,567	\$313
BRISTOL COUNTY SAVINGS BANK	\$723,644	23	\$5,311	\$231
BROOKLINE BANK	\$1,318,483	23	\$5,967	\$259
CAMBRIDGE SAVINGS BANK	\$1,666,720	29	\$8,162	\$281
CAPE COD COOPERATIVE BANK	\$389,804	34	\$6,248	\$184
CAPE COD FIVE CENTS SAVINGS BANK	\$1,469,036	50	\$11,174	\$223
CENTRAL COOPERATIVE BANK	\$363,549	9	\$3,305	\$367
CENTURY BANK & TRUST COMPANY	\$1,204,651	120	\$14,339	\$119
CITIZENS-UNION SAVINGS BANK	\$481,518	72	\$14,674	\$204
COMMERCE BANK & TRUST COMPANY	\$621,646	33	\$4,940	\$150
COMMONWEALTH NATIONAL BANK	\$217,739	40	\$9,241	\$231
COUNTRY BANK FOR SAVINGS	\$754,028	24	\$5,082	\$212
DANVERSBANK	\$1,112,760	37	\$7,480	\$202
EAGLE BANK	\$361,627	10	\$2,021	\$202
EAST BOSTON SAVINGS BANK	\$843,816	14	\$2,611	\$187
EAST CAMBRIDGE SAVINGS BANK	\$631,560	17	\$2,044	\$120
EASTERN BANK	\$4,585,590	378	\$64,253	\$170
EASTHAMPTON SAVINGS BANK	\$600,773	10	\$464	\$46
FIDELITY BANK	\$330,601	28	\$2,325	\$83
FLORENCE SAVINGS BANK	\$742,182	7	\$1,485	\$212
FRAMINGHAM CO-OPERATIVE BANK	\$271,646	31	\$8,482	\$274
GREENFIELD SAVINGS BANK	\$379,536	26	\$3,056	\$118
HAMPDEN BANK	\$332,262	34	\$7,348	\$216
LEGACY BANKS	\$522,948	15	\$1,151	\$77
MIDDLESEX SAVINGS BANK	\$2,971,921	53	\$13,490	\$255
NORTH EASTON SAVINGS BANK	\$378,706	1	\$75	\$75
NORTHERN BANK & TRUST COMPANY	\$334,384	35	\$8,900	\$254
PEOPLESBANK	\$866,481	19	\$2,803	\$148
RBS CITIZENS, N.A.	\$21,712,477	940	\$82,378	\$88
ROCKLAND TRUST COMPANY	\$2,479,372	207	\$27,890	\$135
SALEM FIVE CENTS SAVINGS BANK	\$1,754,155	117	\$30,901	\$264
SLADES FERRY TRUST COMPANY	\$429,636	5	\$1,016	\$203
SOUTH SHORE SAVINGS BANK	\$618,422	24	\$3,521	\$147
SOUTHBRIDGE SAVINGS BANK	\$321,423	18	\$2,315	\$129
SOVEREIGN BANK	\$12,998,581	457	\$55,933	\$122
TD BANK N.A.	\$7,525,801	931	\$160,405	\$172
THE COOPERATIVE BANK	\$206,291	10	\$509	\$51
THE LOWELL FIVE CENT SAVINGS BANK	\$532,116	40	\$9,927	\$248
THE SAVINGS BANK	\$331,182	2	\$335	\$168
WATERTOWN SAVINGS BANK	\$1,211,918	7	\$1,900	\$271
WEBSTER FIVE CENTS SAVINGS BANK	\$395,583	23	\$1,644	\$71

BREAKDOWN BY ORIGINAL LOAN AMOUNT

The 2008 CRA small business loan data indicates that there is some variability in the breakdown by original loan amount in lower income areas in Massachusetts versus higher income areas, although the variance does not appear to be significant. Small business loans under \$100,000 accounted for 95.6% of the total number of loans in lower income areas in 2008 and 37.1% of the dollar amount of loans (versus 96.4% and 42.2% for all income groups in the state) while larger small business loans - those with an original amount between \$250,000 and \$1 million - accounted for 2.2% of the number of loans and 37.1% of loan dollars (versus 1.9% and 44.3% statewide).

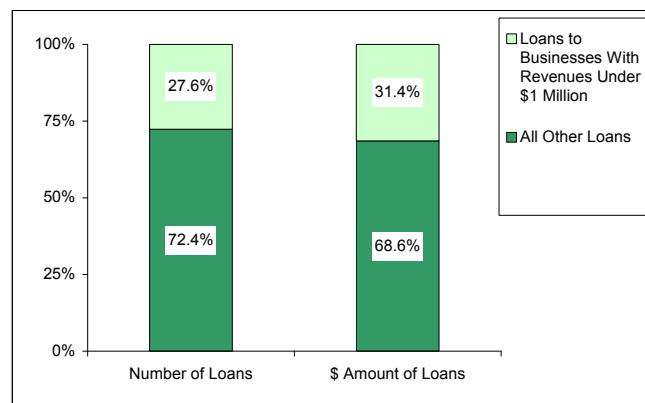
CHART: Breakdown of small business loans by original loan amount in lower income areas in Massachusetts (2008)



LOANS TO BUSINESSES WITH REVENUES UNDER \$1 MILLION

The 2008 CRA small business loan data also indicates that there is some variability in the percentage of loans to businesses with annual revenues of \$1 million or less, although again the variance does not appear to be significant. In 2008, loans to businesses with annual revenues of \$1 million or less accounted for 27.6% of the number of loans in lower income areas and 31.4% of the dollar amount of loans (compared to 26.9% and 29.9% for all income groups statewide).

CHART: Breakdown of loans to businesses with annual revenues under \$1 million in lower income areas of Massachusetts (2008)



DISTRIBUTION BY COUNTY

The CRA database has historically shown that, while there is some correlation on a county level basis between the percentage of small business loans *originated* in lower income areas and the percentage of the population *living* in lower income areas, the data also shows that there exists considerable variability in this relationship. In 2008, Barnstable and Bristol Counties were the only counties in Massachusetts where the percentage of small business loan dollars in lower income areas exceeded the percentage of the population living in lower income areas. Suffolk County, which has the largest lower income population in the state, experienced the largest variance between the percentage of small business loan dollars (38.6%) compared to the percentage of the population living in lower income areas (66.6%).

TABLE : Distribution of small business loans in low and moderate income census tracts by county (2008)

	Number of Loans	Percent of County Totals	\$ Amount of Loans (000s)	Percent of County Totals	Total Population	Percent of Total
Barnstable	1,626	9.8%	\$57,188	16.2%	19,553	8.8%
Berkshire	760	12.4%	\$25,794	22.4%	26,236	19.7%
Bristol	3,143	14.2%	\$91,342	18.1%	146,616	27.4%
Dukes	0	0.0%	\$0	0.0%	0	0.0%
Essex	4,299	12.0%	\$110,449	15.9%	184,281	25.5%
Franklin	341	11.8%	\$6,582	14.1%	12,040	17.8%
Hampden	3,321	20.6%	\$96,306	29.2%	152,859	33.9%
Hampshire	100	1.5%	\$1,502	1.2%	13,633	9.2%
Middlesex	10,575	13.4%	\$257,119	16.0%	377,754	25.8%
Nantucket	39	2.0%	\$1,098	1.8%	423	4.4%
Norfolk	385	1.1%	\$9,439	1.3%	13,933	2.1%
Plymouth	2,278	9.6%	\$61,700	12.8%	81,187	17.2%
Suffolk	10,663	36.5%	\$253,032	38.6%	459,589	66.6%
Worcester	4,277	13.5%	\$102,413	17.4%	181,710	24.3%
State Totals	41,807	13.5%	\$1,073,964	17.0%	1,669,814	26.4%

There was even greater variability from one county to the next with respect to the change in small business loan volume in lower income areas across the state in 2008.

Small business loan dollars in the lower income areas of Suffolk County declined by \$57.6 million or 18.5% from 2007 to 2008 although Franklin, Hampshire, and Nantucket Counties each recorded larger percentage declines in small business dollar volume from 2007 to 2008.

TABLE : Change in loan volume in lower income areas (2008)

	Change in Number of Loans	% Change	Change in \$ Amount of Loans (000s)	% Change
Barnstable	-458	-22.0%	-\$1,438	-2.5%
Berkshire	-295	-28.0%	\$4,029	18.5%
Bristol	-1,042	-24.9%	-\$8,791	-8.8%
Dukes	0	0.0%	\$0	0.0%
Essex	-1,455	-25.3%	-\$17,415	-13.6%
Franklin	-82	-19.4%	\$1,540	30.5%
Hampden	-1,100	-24.9%	-\$1,129	-1.2%
Hampshire	-45	-31.0%	-\$1,244	-45.3%
Middlesex	-4,107	-28.0%	-\$19,176	-6.9%
Nantucket	-10	-20.4%	-\$881	-44.5%
Norfolk	-70	-15.4%	\$1,134	13.7%
Plymouth	-741	-24.5%	-\$6,516	-9.6%
Suffolk	-3,966	-27.1%	-\$57,593	-18.5%
Worcester	-1,673	-28.1%	-\$24,213	-19.1%
State Totals	-15,044	-26.5%	-\$131,693	-10.9%

Lending rates in 2008 were lower in low and moderate income areas compared to higher income areas in 10 of the 13 counties in Massachusetts that have low or moderate income census tracts. The counties that deviated from this trend in 2008 were Barnstable, Hampden, and Middlesex Counties.

The lending rates in lower income areas ranged from a low of \$361,000 per 100 firms in Hampshire County to a high of \$1.7 million per 100 firms in Nantucket County.

TABLE : Lending rates in lower income areas (2008)

	Low & Moderate Areas		Middle & Upper Areas	
	Lending Rate Per 100 Firms (000s)	% of Overall Lending Rate	Lending Rate Per 100 Firms (000s)	% of Overall Lending Rate
Barnstable	\$1,479	149.4%	\$1,288	107.2%
Berkshire	\$986	99.6%	\$1,317	109.6%
Bristol	\$1,107	111.9%	\$1,369	113.9%
Dukes	NA	NA	\$867	72.1%
Essex	\$1,000	101.0%	\$1,261	105.0%
Franklin	\$600	60.6%	\$930	77.4%
Hampden	\$939	94.9%	\$1,068	88.9%
Hampshire	\$361	36.5%	\$1,007	83.8%
Middlesex	\$1,075	108.5%	\$1,230	102.3%
Nantucket	\$1,743	176.1%	\$2,822	234.8%
Norfolk	\$1,396	141.0%	\$1,221	101.6%
Plymouth	\$1,147	115.9%	\$1,254	104.3%
Suffolk	\$891	90.0%	\$1,055	87.8%
Worcester	\$820	82.8%	\$1,004	83.6%
State Totals	\$990	100.0%	\$1,202	100.0%

DISTRIBUTION BY CITY & TOWN

As was the case at the county level, there also exists considerable variability at the city and town level between the percentage of small business loans *originated* in lower income areas and the percentage of the population *living* in lower income areas. Lower income areas in Boston, which account for 66.3% of the city's population, received \$223.0 million in small business loan dollars in 2008 or 46.3% of total small business loan dollars in the city. In comparison, lower income areas in the cities of Worcester and Springfield, where the lower income population totaled 55.0% and 59.0% respectively, received 58.8% and 63.6% of small business loan dollars.

The following table shows the 2008 small business loan volume in the largest cities and towns in Massachusetts that have low and moderate income census tracts ranked by the size of the lower income population. Data for all cities and towns in Massachusetts can be found in the online appendix at www.mcabc.info.

TABLE: Volume of small business loan in lower income areas by town (2008)

	Number of Loans	% of Total Loans in Town	\$ Amount of Loans (000s)	% of Total Loans in Town	Population in Lower Income	% of Total Population
Boston	9,338	47.9%	\$223,049	46.3%	390,314	66.3%
Worcester	2,315	52.8%	\$62,003	60.3%	95,029	55.0%
Lowell	1,768	88.0%	\$40,004	93.7%	91,279	86.8%
Springfield	1,796	64.7%	\$58,503	76.2%	89,672	59.0%
New Bedford	1,553	74.6%	\$46,782	76.1%	71,437	76.2%
Fall River	1,377	70.0%	\$37,792	63.3%	65,619	71.4%
Lynn	1,087	68.3%	\$33,213	82.3%	65,183	73.2%
Lawrence	1,022	88.6%	\$21,562	87.2%	65,002	90.2%
Somerville	1,502	77.1%	\$33,929	78.4%	62,216	80.3%
Brockton	1,061	53.4%	\$32,341	55.9%	53,475	56.7%
Cambridge	1,852	43.0%	\$50,882	49.2%	47,085	46.5%
Everett	908	100.0%	\$23,019	100.0%	38,037	100.0%
Revere	803	74.2%	\$11,580	74.5%	36,439	77.1%
Malden	1,056	67.6%	\$31,989	82.8%	34,199	60.7%
Chelsea	522	89.4%	\$18,403	95.2%	32,836	93.6%
Holyoke	628	77.3%	\$21,244	88.5%	30,892	77.5%
Fitchburg	515	60.0%	\$13,405	71.6%	23,390	59.8%
Framingham	762	27.8%	\$21,083	32.5%	23,240	34.7%
Medford	686	40.4%	\$13,333	44.7%	22,781	40.9%
Wareham	713	100.0%	\$16,860	100.0%	20,335	100.0%
Haverhill	531	33.7%	\$10,127	27.7%	20,005	33.9%
Waltham	800	29.3%	\$15,296	19.7%	18,749	31.7%
Chicopee	337	29.8%	\$5,995	21.1%	16,990	31.1%
Marlborough	435	32.4%	\$9,791	26.9%	13,370	36.9%
Gloucester	447	34.6%	\$13,168	53.7%	12,505	41.3%
Pittsfield	449	32.0%	\$18,742	32.9%	12,023	26.3%
Athol	187	100.0%	\$3,948	100.0%	11,299	100.0%
Gardner	197	52.4%	\$4,888	59.5%	10,020	48.2%
Southbridge	201	58.8%	\$3,881	52.1%	9,997	58.1%
Amherst	24	3.4%	\$122	1.0%	9,931	28.5%
Taunton	213	17.0%	\$6,768	17.2%	9,560	17.1%
Salem	470	31.0%	\$13,542	31.6%	8,718	21.6%
Quincy	247	8.5%	\$6,631	11.0%	8,598	9.8%
Greenfield	262	47.9%	\$5,554	38.6%	7,847	43.2%
North Adams	165	63.0%	\$3,823	65.4%	7,508	51.1%
Woburn	308	13.4%	\$10,408	12.6%	7,429	19.9%
Plymouth	504	24.3%	\$12,499	23.3%	7,377	14.3%
Leominster	338	26.0%	\$7,644	26.0%	7,313	17.7%
Barnstable Town	862	32.2%	\$37,046	49.2%	7,178	15.0%
Webster	143	37.6%	\$2,382	36.5%	6,786	41.3%
Adams	146	80.7%	\$3,229	88.8%	6,705	76.1%
Watertown	153	10.8%	\$1,245	3.6%	6,587	20.0%
Spencer	101	34.8%	\$960	25.1%	6,032	51.6%
West Springfield	332	30.7%	\$7,948	35.9%	5,859	21.0%
Bourne	178	21.9%	\$5,472	19.4%	5,746	30.7%
Dracut	212	26.4%	\$3,128	18.2%	5,533	19.4%
Westfield	122	11.2%	\$1,391	6.9%	5,341	13.3%
Weymouth	138	8.8%	\$2,808	7.5%	5,335	9.9%
Warren	79	100.0%	\$431	100.0%	4,776	100.0%
Beverly	490	28.4%	\$13,190	37.4%	4,773	12.0%

Lower income areas in Boston and Worcester experienced declines of 19.1% and 11.9% in small business loan dollars from 2007 to 2008 respectively, while lower income areas in Lowell and Springfield experienced increases of 12.2% and 14.6% respectively.

The following table shows the change small business loan volume from 2007 to 2008 in the largest cities and towns in Massachusetts that have low and moderate income census tracts ranked by the size of the lower income population. Data for all cities and towns in Massachusetts can be found in the online appendix at www.mcbsc.info.

TABLE: Change in small business loan volume in lower income areas by town (2008)

	2008 Change in Number of Loans	% Change	2008 Change in \$ Amount of Loans (000s)	% Change	Population in Lower Income Areas	% of Total Population
Boston	-3,345	-26.4%	-\$52,719	-19.1%	390,314	66.3%
Worcester	-849	-26.8%	-\$8,388	-11.9%	95,029	55.0%
Lowell	-524	-22.9%	\$4,356	12.2%	91,279	86.8%
Springfield	-587	-24.6%	\$7,457	14.6%	89,672	59.0%
New Bedford	-413	-21.0%	-\$4,523	-8.8%	71,437	76.2%
Fall River	-514	-27.2%	-\$4,633	-10.9%	65,619	71.4%
Lynn	-453	-29.4%	\$1,927	6.2%	65,183	73.2%
Lawrence	-409	-28.6%	-\$12,697	-37.1%	65,002	90.2%
Somerville	-587	-28.1%	-\$1,286	-3.7%	62,216	80.3%
Brockton	-338	-24.2%	-\$316	-1.0%	53,475	56.7%
Cambridge	-595	-24.3%	-\$7,789	-13.3%	47,085	46.5%
Everett	-464	-33.8%	-\$6,284	-21.4%	38,037	100.0%
Revere	-467	-36.8%	-\$1,915	-14.2%	36,439	77.1%
Malden	-456	-30.2%	\$4,780	17.6%	34,199	60.7%
Chelsea	-154	-22.8%	-\$2,959	-13.9%	32,836	93.6%
Holyoke	-192	-23.4%	-\$632	-2.9%	30,892	77.5%
Fitchburg	-236	-31.4%	\$1,145	9.3%	23,390	59.8%
Framingham	-235	-23.6%	-\$5,998	-22.1%	23,240	34.7%
Medford	-355	-34.1%	-\$2,249	-14.4%	22,781	40.9%
Wareham	-254	-26.3%	-\$4,172	-19.8%	20,335	100.0%
Haverhill	-141	-21.0%	-\$2,850	-22.0%	20,005	33.9%
Waltham	-311	-28.0%	-\$5,297	-25.7%	18,749	31.7%
Chicopee	-164	-32.7%	-\$3,171	-34.6%	16,990	31.1%
Marlborough	-197	-31.2%	-\$31	-0.3%	13,370	36.9%
Gloucester	-132	-22.8%	\$4,045	44.3%	12,505	41.3%
Pittsfield	-165	-26.9%	\$3,586	23.7%	12,023	26.3%
Athol	-105	-36.0%	-\$910	-18.7%	11,299	100.0%
Gardner	-116	-37.1%	-\$728	-13.0%	10,020	48.2%
Southbridge	-87	-30.2%	-\$3,311	-46.0%	9,997	58.1%
Amherst	-32	-57.1%	-\$146	-54.5%	9,931	28.5%
Taunton	-115	-35.1%	\$365	5.7%	9,560	17.1%
Salem	-140	-23.0%	-\$126	-0.9%	8,718	21.6%
Quincy	-37	-13.0%	\$81	1.2%	8,598	9.8%
Greenfield	-55	-17.4%	\$1,422	34.4%	7,847	43.2%
North Adams	-83	-33.5%	-\$572	-13.0%	7,508	51.1%
Woburn	-146	-32.2%	\$862	9.0%	7,429	19.9%
Plymouth	-149	-22.8%	-\$2,028	-14.0%	7,377	14.3%
Leominster	-88	-20.7%	-\$4,978	-39.4%	7,313	17.7%
Barnstable Town	-175	-16.9%	-\$1,118	-2.9%	7,178	15.0%
Webster	-67	-31.9%	\$626	35.6%	6,786	41.3%
Adams	-47	-24.4%	\$1,015	45.8%	6,705	76.1%
Watertown	-99	-39.3%	-\$1,013	-44.9%	6,587	20.0%
Spencer	-56	-35.7%	-\$3,626	-79.1%	6,032	51.6%
West Springfield	-88	-21.0%	-\$3,797	-32.3%	5,859	21.0%
Bourne	-94	-34.6%	\$1,110	25.4%	5,746	30.7%
Dracut	-92	-30.3%	\$82	2.7%	5,533	19.4%
Westfield	-45	-26.9%	-\$537	-27.9%	5,341	13.3%
Weymouth	-33	-19.3%	\$1,053	60.0%	5,335	9.9%
Warren	-9	-10.2%	-\$917	-68.0%	4,776	100.0%
Beverly	-87	-15.1%	-\$6,594	-33.3%	4,773	12.0%

Lending rates were generally lower in lower income areas compared to higher income areas although there was considerable variability by town. The lending rates in the lower income areas in Boston and Worcester fell short of the lending rates in those cities' higher income areas in 2008. At the same time, the lending rates in the lower income areas of Lowell and Springfield exceeded the lending rates in those cities' higher income areas.

The following table shows the small business lending rates for 2008 in the largest cities and towns in Massachusetts that have low and moderate income census tracts ranked by the size of the lower income population. Data for all cities and towns in Massachusetts can be found in the online appendix at www.mcabc.info.

TABLE: Small business lending rates by town (2008)

	Low & Moderate Areas		Middle & Upper Areas	
	Lending Rate Per 100 Firms (000s)	% of Overall Lending Rate	Lending Rate Per 100 Firms (000s)	% of Overall Lending Rate
Boston	\$885	89.4%	\$1,090	90.6%
Worcester	\$951	96.1%	\$1,025	85.2%
Lowell	\$915	92.4%	\$608	50.6%
Springfield	\$1,008	101.8%	\$770	64.1%
New Bedford	\$1,196	120.8%	\$1,461	121.6%
Fall River	\$1,073	108.4%	\$2,004	166.7%
Lynn	\$1,144	115.6%	\$751	62.5%
Lawrence	\$695	70.2%	\$1,446	120.3%
Somerville	\$978	98.8%	\$1,091	90.7%
Brockton	\$1,134	114.5%	\$1,309	108.9%
Cambridge	\$1,260	127.2%	\$895	74.5%
Everett	\$1,038	104.8%	NA	NA
Revere	\$707	71.4%	\$611	50.9%
Malden	\$1,489	150.4%	\$692	57.6%
Chelsea	\$1,178	119.0%	\$608	50.6%
Holyoke	\$1,178	119.0%	\$753	62.6%
Fitchburg	\$827	83.5%	\$746	62.1%
Framingham	\$1,180	119.2%	\$1,124	93.6%
Medford	\$919	92.8%	\$963	80.1%
Wareham	\$1,126	113.7%	NA	NA
Haverhill	\$699	70.6%	\$1,461	121.5%
Waltham	\$916	92.5%	\$1,602	133.3%
Chicopee	\$685	69.2%	\$1,368	113.8%
Marlborough	\$852	86.1%	\$1,175	97.8%
Gloucester	\$1,224	123.6%	\$853	71.0%
Pittsfield	\$1,186	119.8%	\$1,886	156.9%
Athol	\$651	65.8%	NA	NA
Gardner	\$717	72.4%	\$789	65.6%
Southbridge	\$571	57.7%	\$1,197	99.6%
Amherst	\$54	5.5%	\$721	60.0%
Taunton	\$830	83.9%	\$1,442	120.0%
Salem	\$1,388	140.2%	\$1,432	119.1%
Quincy	\$1,802	182.0%	\$1,028	85.5%
Greenfield	\$664	67.1%	\$2,169	180.5%
North Adams	\$607	61.3%	\$601	50.0%
Woburn	\$1,567	158.3%	\$1,955	162.7%
Plymouth	\$1,217	122.9%	\$1,464	121.8%
Leominster	\$934	94.4%	\$1,172	97.5%
Barnstable Town	\$1,829	184.7%	\$1,092	90.8%
Webster	\$498	50.3%	\$796	66.3%
Adams	\$795	80.3%	\$588	49.0%
Watertown	\$556	56.1%	\$1,408	117.1%
Spencer	\$347	35.0%	\$717	59.6%
West Springfield	\$854	86.2%	\$968	80.5%
Bourne	\$999	100.9%	\$1,890	157.3%
Dracut	\$703	71.0%	\$1,271	105.7%
Westfield	\$272	27.4%	\$1,040	86.5%
Weymouth	\$912	92.1%	\$1,147	95.4%
Warren	\$229	23.2%	NA	NA
Beverly	\$1,364	137.8%	\$1,018	84.7%

CONCLUSION

The economic challenges facing banks and small businesses alike remain historic in proportions. Unemployment has soared to double-digit levels and loan delinquencies and bank failures have risen dramatically. The economic downturn has contributed to declines in collateral values, business revenues, credit scores, and bank profits. In response to these challenges, many lenders have tightened their underwriting standards and placed more emphasis on enhancing their capital positions as ways to insulate their institutions from the uncertainty the unforeseen problems that may lie ahead. For many business owners that rely on credit access to fund their operations and expansion plans, the ongoing crisis may prove insurmountable and may force many into new employment and business situations. The dramatic nature of the challenges facing small business owners today may even result in a transformation of sorts much like the advent of the internet fueled a dramatic expansion of sole proprietorships, home-based businesses, and self-employment over the past decade.

The volume of CRA-reported small business loans as well as SBA loans in Massachusetts and across the country fell sharply in 2008, although it is important to note that local lenders in Massachusetts experienced smaller declines in lending volume than out-of-state lenders. While small business credit card lenders continued to play a vital role in Massachusetts in 2008, local lenders accounted for the majority of small business loan dollars across the state, particularly in traditionally underserved areas.

Lower income areas in Massachusetts, which account for roughly one-quarter of the state's population, continued to experience lower small business lending rates than higher income areas in 2008, although lending rates declined more in higher income areas than in lower income areas. At the same time, the data also shows that lending rates in lower income areas declined slightly more in high minority communities in 2008 than in predominantly white communities.

It is hoped that recent SBA-related lending initiatives as well as continued improvement in economic conditions may serve as catalysts for an increase in small business lending activity, and help to end to the cycle of uncertainty that places so many small businesses at risk.