

**Small Business Lending**  
**in**  
**Massachusetts**  
**2007-2013**

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OCTOBER 2014

A REPORT PREPARED FOR

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The preparation of this report was supported by a grant from the Massachusetts Community & Banking Council (MCBC). An advisory committee consisting of five members of MCBC's Economic Development Committee – Andre Porter of the Commonwealth of Massachusetts Office of Small Business and Entrepreneurship, Bill Nickerson of the Boston Redevelopment Authority, Donna Haynes of Leader Bank, Jeff Gross of Massachusetts Immigrant and Refugee Advocacy Coalition, and Kathy Tullberg, MCBC Manager Emeritus – plus MCBC Executive Director Dana LeWinter, oversaw preparation of the report and reviewed the final draft. In spite of comments and suggestions received, the ideas and conclusions in this report are the responsibility of the author, and should not be attributed to members of the advisory committee or the MCBC. The author wishes to thank Robert Nelson, Massachusetts SBA District Director, for his cooperation and assistance in preparing this report.

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## FOREWORD

The Massachusetts Community & Banking Council (MCBC) is pleased to offer *Small Business Lending in Massachusetts, 2007-2013*, its 16<sup>th</sup> 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. Along with the report, MCBC is also providing supplemental data tables on small business lending in the form of an on-line appendix. The report and the appendix are both available on MCBC's website at [www.mcbc.info](http://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. Further information on MCBC's committees and programs, along with other MCBC reports, are also available on MCBC's website.

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 2014 membership:

Abington Bank	Everett Co-operative Bank
Avon Co-operative Bank	Industrial Credit Union
Bank of Canton	Leader Bank, N.A.
Blue Hills Bank	Mass Bay Credit Union
Boston Private Bank & Trust Company	North Cambridge Co-operative Bank
Braintree Cooperative Bank	People's United Bank
Cambridge Savings Bank	Randolph Savings Bank
Chelsea Bank	RTN Federal Credit Union
Citi	Santander
Citizens Bank	SaugusBank
Colonial Federal Savings Bank	StonehamBank – A Co-operative Bank
Dedham Savings	TD Bank
Eagle Bank	The Cooperative Bank
East Cambridge Savings Bank	The Savings Bank
Eastern Bank	Winchester Co-Operative Bank
Equitable Bank	Winchester Savings Bank

MCBC's 2014 Community Partners include ACCION, City of Boston through the Boston Redevelopment Authority, Community Teamwork, Inc., DotWell, Dudley Square Main Streets, ESAC, the Fair Housing Center of Greater Boston, Interise, the Massachusetts Affordable Housing Alliance, the Massachusetts Association of CDCs, the Massachusetts Housing Partnership, the Metropolitan Boston Housing Partnership, the Somerville Community Corporation, and The Neighborhood Developers.

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# EXECUTIVE SUMMARY

The CRA data for the year ended December 31, 2013 shows that small business lending in Massachusetts increased at a moderate pace from 2012 to 2013, the third consecutive year of moderate growth although lending levels remain well below the levels achieved prior to the recent financial crisis. Other more current data sources, including quarterly Call Report data through June 30, 2014, which includes local community banks that are not included in the CRA database, and data compiled by the SBA through September 30, 2014, also showed continued increases in small business lending across the state including increases to levels above the highs achieved prior to the financial crisis. A review of some of the current economic conditions that influence small business lending shows that the economic climate in Massachusetts and across the country has improved and many observers expect the improvement to continue, albeit at a slower pace than hoped.

This report is the 16<sup>th</sup> 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 primarily utilizes two sources of small business lending data: annual data collected under the Community Reinvestment Act (CRA) and quarterly Call Report data. A more detailed discussion of the sources of data is provided in the section entitled Data Sources at the end of this report, and additional detailed data on small business lending trends in Massachusetts is available in the online appendix at [www.mcbc.info](http://www.mcbc.info).

The following are some of the report's most important findings:

## LOAN VOLUME

- **The annual CRA data shows that small business lending volume in Massachusetts increased modestly in terms of the dollar amount of loans in 2013 but declined slightly in terms of the number of loans.** The volume of CRA-reported small business loan originations in Massachusetts in 2013 totaled 107,428 loans for \$4.3 billion, compared to the previous year totals of 118,657 loans for \$4.1 billion. The 2013 increase in loan dollars represents the third consecutive year of moderate growth although small business loan origination levels remain well below the levels achieved prior to the recent financial crisis
- **The most recent quarterly Call Report data, which includes local community banks that are not included in the annual CRA database, also shows that the dollar volume of small business loans at Massachusetts banks and thrift institutions increased over the past year while the number of loans declined.** The volume of small business loans on the books of local community banks totaled 70,624 loans for \$10.6 billion as of June 30, 2014, compared to 73,734 loans for \$10.4 billion as of June 30, 2013.
- **According to the US Small Business Administration (SBA), loans guaranteed by the SBA rebounded strongly in Massachusetts during the agency's fiscal year ended September 30, 2014 after a decline in the previous year.** SBA loans in Massachusetts totaled \$423.7 million during the most recent fiscal year which represents a 7.3% increase compared to the previous year. On a national basis, SBA lending increased by 1.3% to \$23.4 billion.
- **Credit unions in Massachusetts reported 5,675 small business loans for \$1.5 billion as of June 30, 2014, compared to 5,458 loans for \$1.4 billion as of June 30, 2013.** Member business loans at local credit unions increased by 4.0% and 9.5% in terms of the number and dollar amount of small business loans during the twelve months ended June 30, 2014.

## LENDERS

- **The CRA data shows that local CRA reporters originated a total of 21,525 small business loans for \$3.1 billion in 2013 which represented 20.0% of the total number of small business loans in Massachusetts and 72.1% of small business loan dollars.** While the volume of small business loans of local CRA reporters appears to have recovered from recent lows, origination activity remains below the levels achieved before the recent financial crisis.
- **Local CRA reporters have significantly increased their share of the Massachusetts small business loan market in the wake of the recent financial crisis.** In 2013 local CRA reporters accounted for 72.1% of small business loan dollars in the state compared to 57.9% in 2007.
- **A closer examination of the data of local CRA reporters further shows that over the past several years Massachusetts-based community banks have generally outperformed the large commercial banks that operate in the state in terms of small business lending.** The reasons behind this shift are complex but may be related to the regulatory and internal pressures felt by the nation's largest banks in the wake of the financial crisis to deleverage their balance sheets, tighten their underwriting standards, and improve their capital positions. In 2013, local community banks accounted for 48.7% of small business loan dollars in Massachusetts while their larger commercial bank competitors accounted for 23.4% of the total.
- **Over the past seven years, the average size of CRA-reported small business loans at local community banks has increased while the average loan size at the large commercial banks has declined.** The average size of a CRA-reported small business loan at a local community bank has increased from \$160,468 in 2007 to \$191,164 in 2013 while the average loan size at the large commercial banks has declined from \$136,958 to \$93,697.
- **Credit card lenders reported an estimated 74,223 small business credit card loans in Massachusetts in 2013 for \$580.3 million, which is well below the levels generated during the years leading up to the recent financial crisis.** Small business credit card loans accounted for 69.1% of the total number of CRA-reported small business loans in the state in 2013 and 13.6% of loan dollars.
- **Other out-of-state CRA lenders reported 11,680 CRA-reported small business loans in Massachusetts in 2013 for \$609.3 million, which is more or less in line with the levels reached before the recent financial crisis.** Small business loans by other out-of-state CRA lenders accounted for 9.3% of the total number of CRA-reported small business loans in the state in 2012 and 14.4% of loan dollars.

## LENDING IN TRADITIONALLY UNDERSERVED AREAS

- **Businesses in low and moderate income census tracts in Massachusetts received a total of 21,353 small business loans in 2013 for \$964.3 million,** compared to the previous year when such borrowers received 23,368 loans for \$896.0 million.
- **Local CRA lenders continued to account for the vast majority of small business loans dollars in low and moderate income census tracts across the state.** Local CRA lenders made a total of 4,534 loans for \$714.0 million in 2013, representing 21.2% of the total number of small business loans in low and moderate income areas and 74.0% of loan dollars.
- **Lower income areas in Massachusetts experienced substantial increases in small business loan dollars in 2013, while middle and upper income areas experienced more modest**

**increases.** Low and moderate income census tracts in Massachusetts experienced overall increases of 17.8% and 2.4% in small business loan dollars from 2012 to 2013 while middle and upper income census tracts experienced increases of 1.4% and 2.8%.

- **Low and moderate income census tracts in Massachusetts received a smaller share of small business loans in 2013 than one might expect given the percentage of the low and moderate income population which is consistent with the national trend.** Low and moderate income census tracts, which account for 28.9% of the total population of Massachusetts, received 19.9% of the total number of CRA-reported small business loans in the state in 2013 and 22.6% of the total loan dollars.
- **The lowest lending rates in Massachusetts, measured in the amount of loan dollars per 100 firms, were recorded in upper income communities in 2013 for the second consecutive year.** Low and moderate income census tracts received an aggregate \$827,000 and \$738,000 per 100 businesses respectively, while middle and upper income census tracts in Massachusetts received an aggregate \$752,000 and \$707,000 per 100 businesses. The 2013 results represent the second time in the past six years when the lowest overall lending rates were not in low or moderate income census tracts.
- **The lowest lending rates in Massachusetts in 2013 were recorded in white communities which marks a change compared to previous years when the lowest lending rates were in high minority communities.** High minority census tracts in lower income areas in Massachusetts received \$792,000 per 100 businesses while high minority census tracts in middle and upper income areas in Massachusetts, which account for just a handful of census tracts, received \$794,000 per 100 businesses. In comparison, lower income white communities received an average \$681,000 per 100 businesses while middle and upper income white communities received \$721,000. With the exception of the current period reviewed, lower income minority neighborhoods in Massachusetts have experienced lower lending rates than lower income white neighborhoods in six of the past seven years.

### GEOGRAPHIC DISTRIBUTION

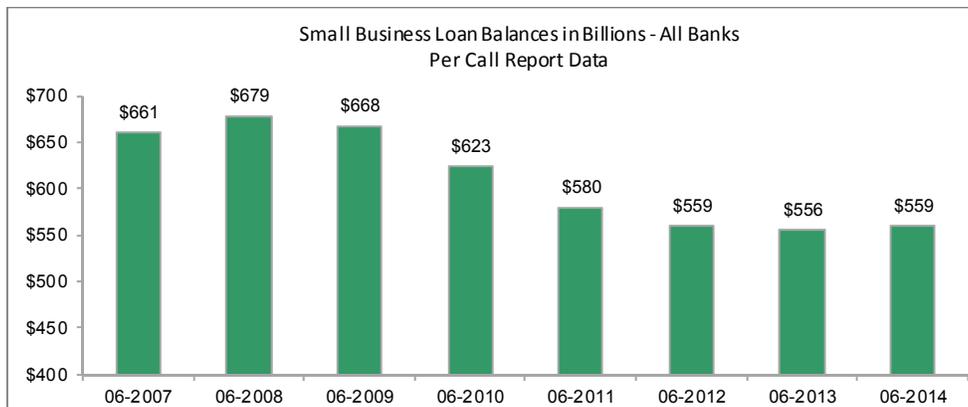
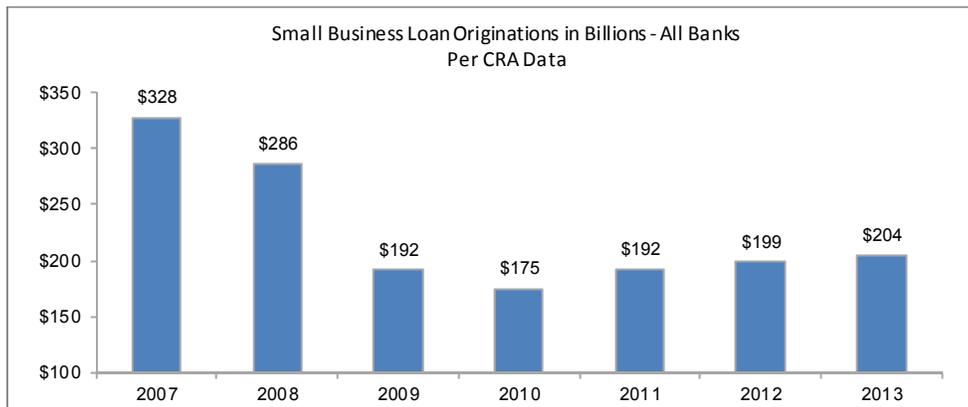
- A review of the annual CRA data from the 15 largest metropolitan areas across the country shows that greater Boston ranked 10<sup>th</sup> in 2013 compared to other major metropolitan areas across the country in terms of the volume of CRA-reported small business loan dollars per 1,000 residents, and 12<sup>th</sup> in terms of the change in loan dollars from 2012 to 2013.
- Nine of the 14 counties in Massachusetts experienced increases in CRA-reported small business lending volume in 2013. On a percentage basis, the changes in small business loan dollars ranged from a 29.4% increase in Barnstable County to an 8.6% decrease in Nantucket County. In terms of dollar amounts, the changes in small business loan volume from 2012 to 2013 ranged from an increase of \$87.3 million in Middlesex County to an \$28.9 million decrease in Essex County.
- The city of Boston, which accounts for 9.4% of the state's population, received \$463.0 million in CRA-reported small business dollars in 2013 and accounted for 11.2% of the total loan dollars, while the cities of Worcester and Springfield, which account for 2.8% and 2.3% of the state's population respectively, received 1.6% and 1.7% of the total loan dollars in the state.

# INTRODUCTION

This report is the 16<sup>th</sup> 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 first section of the report 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 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 recent financial crisis and the subsequent economic downturn signaled an end to the days of relatively easy money that characterized the mortgage, consumer, and small business credit markets several years ago. While many economic indicators have improved, the pace of the recovery has been slow, and a review of national small business lending data shows that small business loan originations and balances remain well below recent historical highs.

CHART: Small business loans at banks across the country remain well below recent highs



This report utilizes two sources of small business lending data: annual data collected under the Community Reinvestment Act (CRA) and quarterly Call Report data. For the purposes of both the CRA and Call Report reporting requirements, small business loans are defined as business loans and commercial real estate loans with original amounts of \$1 million or less. While there are important differences between the two sources, each offers an important perspective on small business lending trends. The chief advantage of the annual CRA data, which covers primarily the largest banks in the country as well as a collection of smaller lenders, is that it includes information about the geographic location of the loan which makes it possible to analyze lending trends in traditionally underserved areas and to analyze the local data of lenders that are not headquartered in Massachusetts. The chief advantage of Call Report data, which covers all insured banks across the country, is that it is representative of all banks regardless of asset size and is available on a quarterly rather than annual basis. Additional information on the data used in this report can be found in the section on Data Sources.

The use of Call Report data was incorporated in this report in response to a 2011 study of small business lending in Massachusetts undertaken by the Massachusetts Bankers Association (Mass Bankers). Their study, which utilized both annual CRA data and quarterly Call Report data, found that local community banks in Massachusetts, which are better represented in the quarterly Call Report data, experienced a modest increase in small business lending activity over the past few years while large commercial banks and out-of-state lenders that do business in the state, which are better represented in the annual CRA data, experienced substantial declines. The Mass Bankers study confirmed the importance of utilizing both sources of data.

In addition to the annual CRA data and quarterly Call Report data, this report also utilizes credit union lending data and data compiled by the US Small Business Administration (SBA), 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**

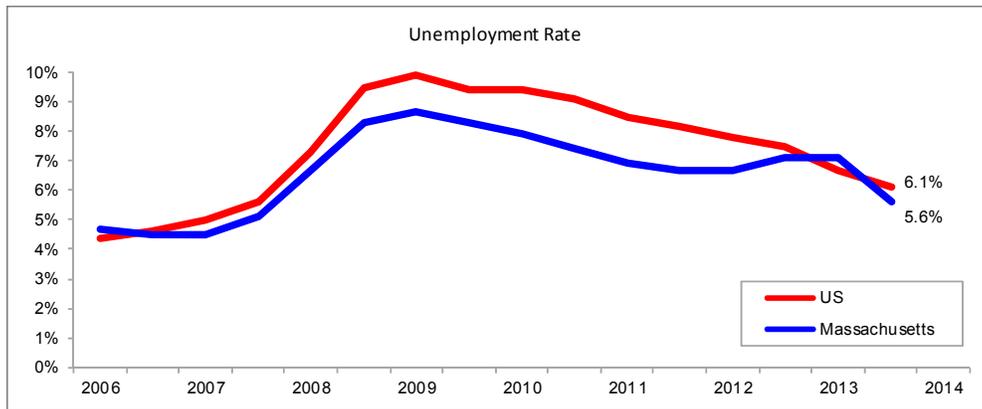
## CURRENT ECONOMIC CONDITIONS

A review of some of the current economic conditions that influence small business lending shows that the economic climate in Massachusetts and across the country has improved and many observers expect the improvement to continue, albeit at a slower pace than hoped. The following summary incorporates the most current economic data available across various sectors of the economy. Readers may notice a difference in the dates used for the economic factors reviewed here, with some dates being more current than others due to the differences in the timing and frequency of the sources of data used in the report.

### Employment

In terms of employment, job growth in Massachusetts improved substantially from 2013 to 2014 and outpaced the rest of the nation. The state unemployment rate declined from 7.2% as of September 2013 to 5.6% as of September 2014, while the national unemployment rate declined from 7.3% to 6.1%. Despite the improvement, the data also shows that employment within certain sectors of the economy, such as construction and finance, remains well below the levels in place before the recent financial crisis.

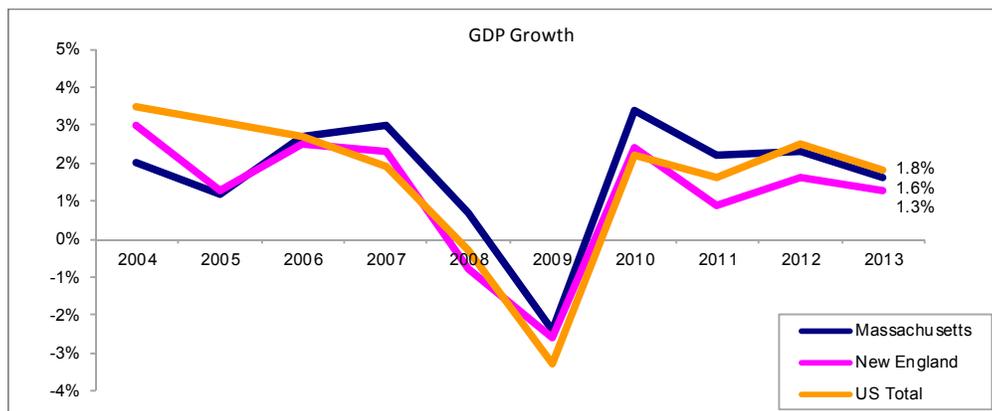
CHART: The Massachusetts unemployment rate improved substantially from 2013 to 2014



### GDP Growth

In terms of productivity, real GDP growth in Massachusetts and the country as a whole slowed in 2013 compared to the previous year. The Massachusetts economy grew at a modest pace of 1.6% in 2013 compared to 2.3% during the previous year, while the national GDP figures grew 1.8% in 2013 compared to 2.5% in the previous year. Many observers expect GDP growth to improve in 2014 and 2015 but few expect robust growth over the short term.

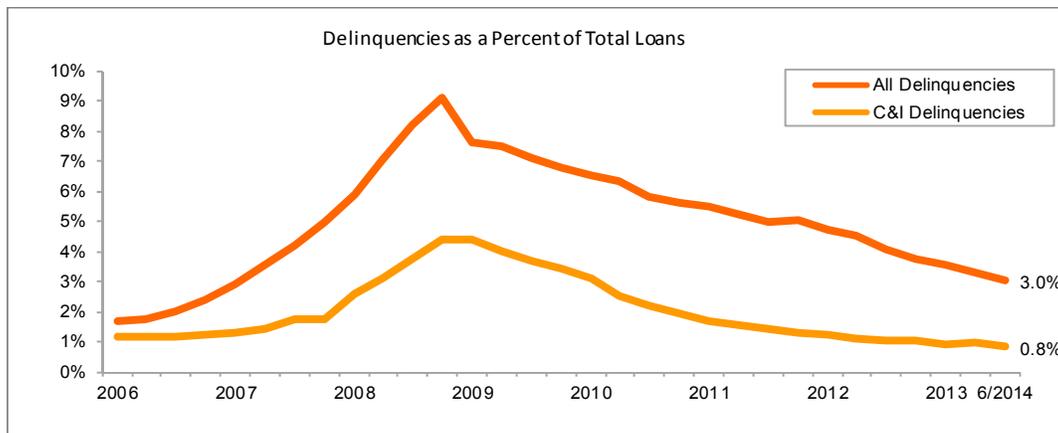
CHART: Massachusetts and national GDP growth remains sluggish



## Asset Quality

In terms of asset quality, loan delinquencies have continued to improve and are nearly in line with historic levels. According to the quarterly Call Report data, the overall delinquency rate at banks nationwide, which includes all delinquent commercial loans, mortgage loans, and consumer loans, declined to 3.0% of total loans as of June 30, 2014, which represents a substantial improvement over the highs reached in 2008. While the data does not allow us to identify the delinquency rate for small business loans, it is likely that the rate for these loans mirrors the delinquency rate for commercial and industrial (C&I) loans which declined below 1% as of June 30, 2014 and below historic levels.

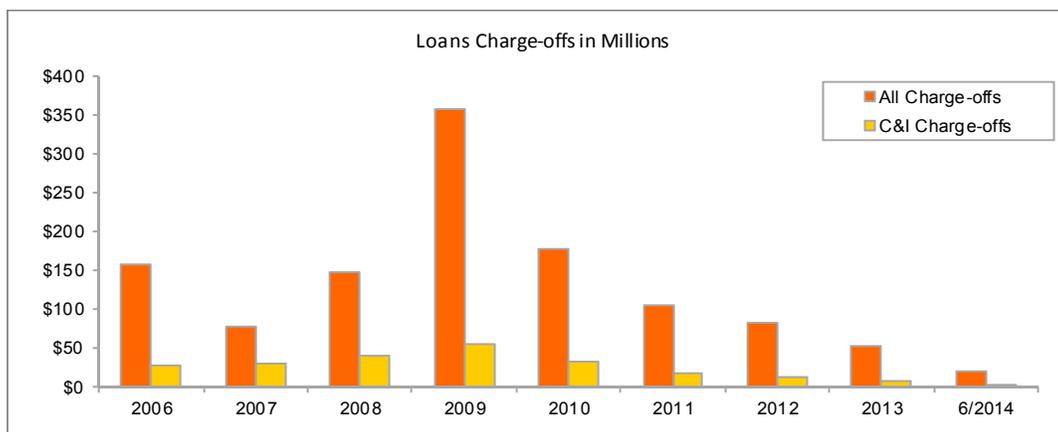
CHART: Loans delinquencies at US banks have steadily improved over the past three years



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

Loan charge-offs at banks have also continued to decline and have returned to historic levels. According to the quarterly Call Report data, banks reported overall net loan charge-offs of \$20.3 million, for the first six months of 2014 which is less than half as much as was charged off during the prior full year. C&I charge-offs at banks totaled \$3.2 million through June 30, 2014, which is also substantially less than half as much as was charged off during the prior full year. While asset quality at banks has steadily improved in recent years, the dramatic rise in charge-offs and delinquencies at the beginning of the recent financial crisis contributed to the greatest number of bank failures across the country since the savings and loan crisis of the 1980s, including the failure of 140 banks in 2009, 157 banks in 2010, 92 banks in 2011, 51 banks in 2012, 24 banks in 2013, and 13 banks through the first half of 2014. The high level of nonperforming loans in recent years has also weighed heavily on bank profits and capital reserves and has discouraged the easing of underwriting standards.

CHART: Loans charge-offs at banks have also declined significantly since their recent peak

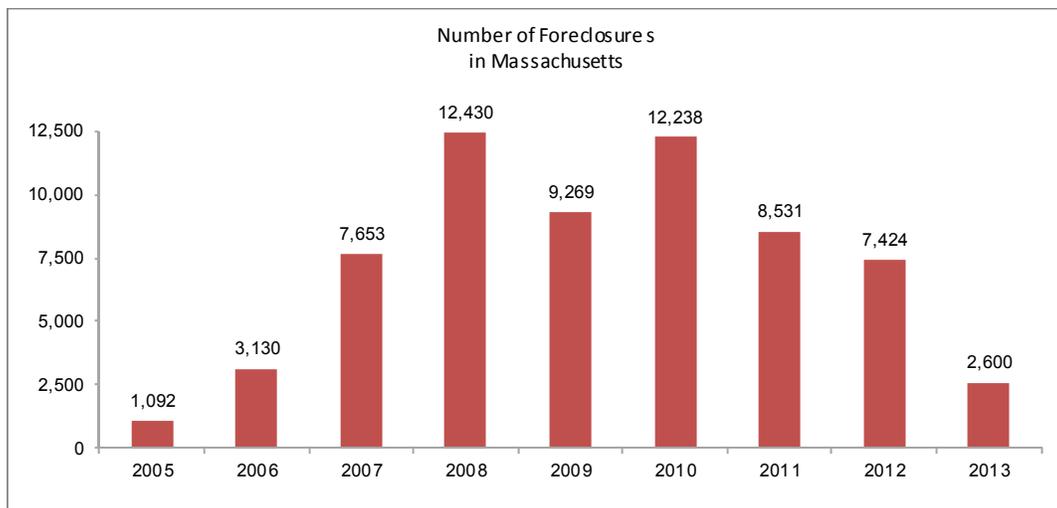
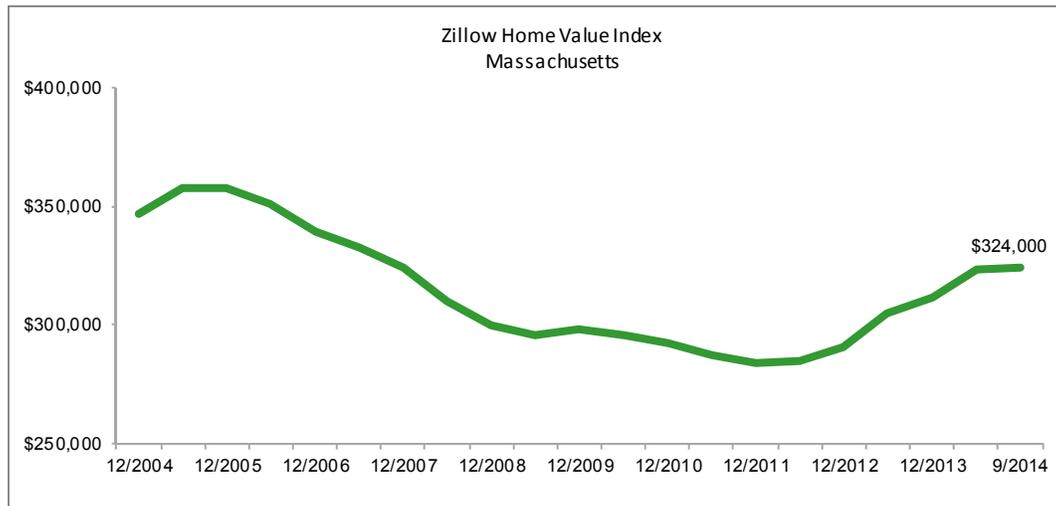


## **Real Estate Values**

In terms of real estate values, data compiled by Zillow, an online resource for real estate listings and real estate statistics, show that home values in Massachusetts have trended up over the past two years but remain below the levels reached prior to the recent financial crisis. In addition, while foreclosure activity declined significantly in 2013, The Warren Group, which monitors foreclosure activity, has tracked an increase in local petitions to foreclose, the first step in the foreclosure process. According to their analysis, lenders filed 3,966 petitions to foreclose during the first half of the 2014 which represents a 20.2% increase compared to the same period in the previous year. The jump in foreclosure petitions in 2014 appears to be related to the recent implementation of new legislation in Massachusetts which addressed certain legal uncertainties in the foreclosure process.

A sustained improvement in home values would bode well for homeowners and business owners alike as home equity has historically been a reliable source of discretionary spending and business credit both of which ultimately benefit all participants in the economy. The viability of many small businesses in Massachusetts and across the country depends to a large extent on continued stabilization and improvement in home values.

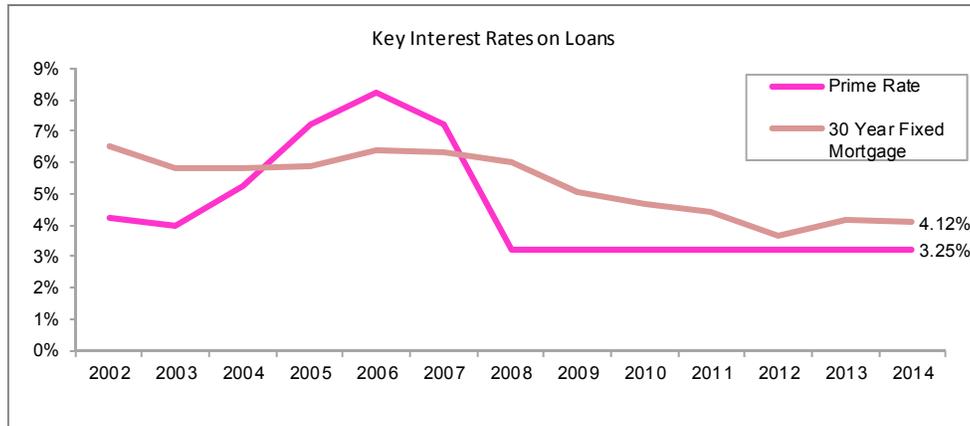
CHARTS: Home prices in Massachusetts have trended up in recent months although foreclosure filings continue to weigh the market down



## Interest Rates

In terms of borrowing costs, the key interest rates for commercial loans and mortgages remain at their lowest levels since the 1950s. The prime rate, which is the rate that banks charge their best business customers has been pegged at 3.25% since December of 2008 while the rate on 30 year fixed-rate mortgages remain near historic lows. The Chairman of the Federal Reserve, in recent statements from September 2014, signaled that the Federal Reserve intends to maintain its low interest rate policies for the foreseeable future.

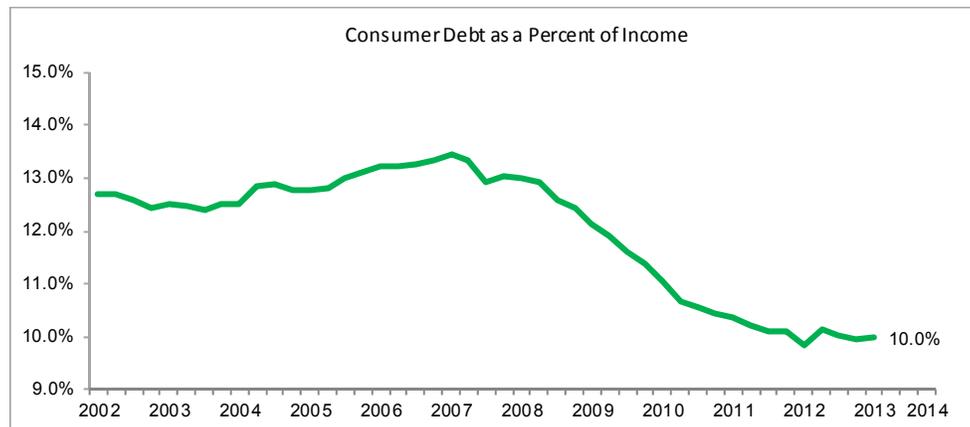
CHART: Key lending rates remain near historic lows



## Consumer Debt

While the attractiveness of low interest rates has persuaded large numbers of consumers and business owners to refinance their homes or take on new business credit in recent years, they have not yet proved sufficient to absorb the oversupply of foreclosed homes or to stimulate robust loan demand and loan growth. In fact, consumers have continued to shed debt in the existing low interest rate environment, and consumer debt as a percent of income is substantially lower now than it was 10 years ago when the country was emerging from its previous major recession.

CHART: Consumer debt has continued to trend down



The reasons behind the decline in consumer debt are likely related to job uncertainty and lack of confidence in the economic outlook. For businesses, many of which have similarly reduced the debt on their balance sheets over the past few years, the reasons appear to be related in part to poor sales, declining collateral values, and the desire to de-leverage during a period of economic uncertainty.

According to a 2011 study undertaken by Mass Bankers, one of the key factors contributing to the recent decline in small business lending is the decline in the effective demand for small business loans, which is a measure that combines the desire for a loan with the resources, or credit worthiness, to obtain it. The Mass Bankers study points to the effects of the recent recession on sales and business expansion plans as well as the rise in business loan delinquencies and the decline in business collateral values of many small businesses as factors that reduce both credit demand and credit worthiness.

The Mass Bankers study can be found online at:  
[http://www.massbankers.org/uploadedFiles/MassBankers/PDFs/Hot\\_Topics/finalSmallBizStudy.pdf](http://www.massbankers.org/uploadedFiles/MassBankers/PDFs/Hot_Topics/finalSmallBizStudy.pdf)

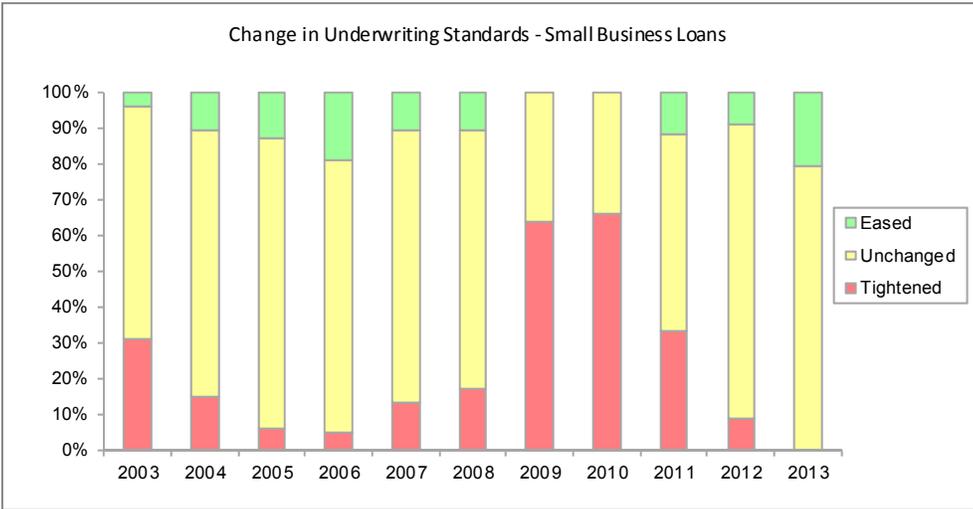
**Underwriting Standards**

While it is reasonable to link poor economic conditions with a decline in the demand for credit, it is also important to consider the extent to which changes in underwriting standards affect the supply of credit.

According to the OCC’s Survey on Credit Underwriting Practices, a significant number of banks began to ease underwriting standards in 2013 after substantially ratcheting up underwriting standards in response to the recent financial crisis. Roughly 21% of respondents reported that they had eased standards in 2013 and, for the first time in the past 10 years, none of the respondents tightened standards. While the 2013 survey results could indicate a willingness on the part of some banks to take on more risk, it is worth noting that tightened underwriting standards that were put in place a few years ago remain in place at many lenders. According to the OCC survey, increased competition and market strategy were the primary reasons for changes in underwriting standards.

The OCC survey can be found online at:  
<http://www.occ.gov/publications/publications-by-type/survey-credit-underwriting-practices-report/pub-survey-cred-under-2013.pdf>

CHART: Underwriting standards for small business loans eased somewhat in 2013

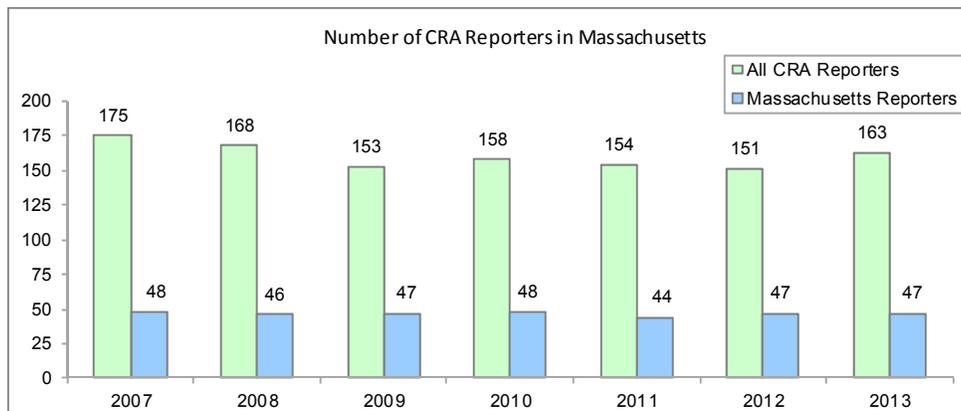


## CRA DATA AND CALL REPORT DATA

As noted in the introduction, this report utilizes two sources of small business loan data, namely annual CRA data and quarterly Call Report data. While both sources utilize the same definitions for small business loans, the two sources have important differences including the number of institutions that are required to report, the frequency of reporting, and the fact that annual CRA data focuses on small business loan *originations* while quarterly Call Report data focuses on small business loan *balances* at the end of a given period. The differences between the two data sources are discussed in more detail in the Data Sources section of this report.

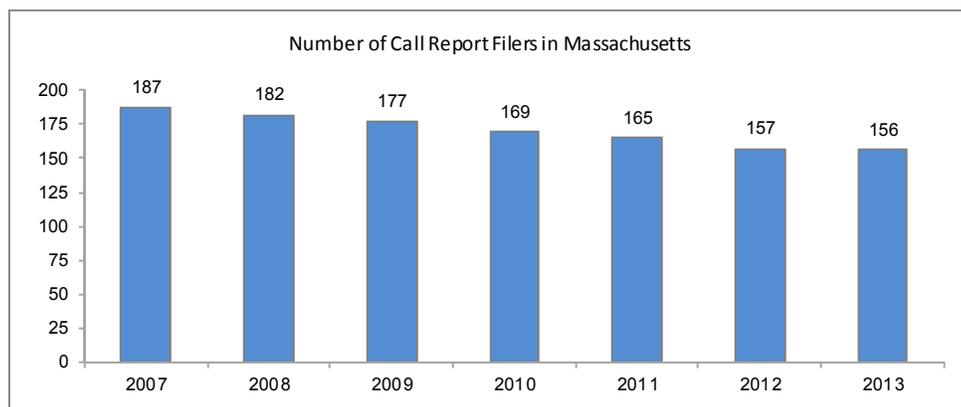
The number of lenders in both the annual CRA database and the Call Report database varies from one period to the next. A review of the CRA database shows that 163 lenders reported small business loan activity in Massachusetts in 2013 compared to 151 lenders in the previous year. Of that total, 47 were local lenders, which includes lenders that are headquartered in Massachusetts as well as lenders that have a substantial branch presence in the state, compared to 47 local lenders in the previous year. On a national basis, there were a total of 791 lenders included in the 2013 CRA database compared to 830 lenders in the previous year.

CHART: The number of lenders that reported small business loan originations in Massachusetts has fluctuated in recent years



A review of the Call Report database shows that the number of bank and thrift institutions headquartered in Massachusetts declined from 157 at the end of 2012 to 156 at the end of 2013. On a national basis the total number of banks declined from 7,150 at the end of 2012 to 6,877 at the end of 2013.

CHART: A review of the Call Report database shows that the number of banks and thrifts headquartered in Massachusetts has declined in recent years



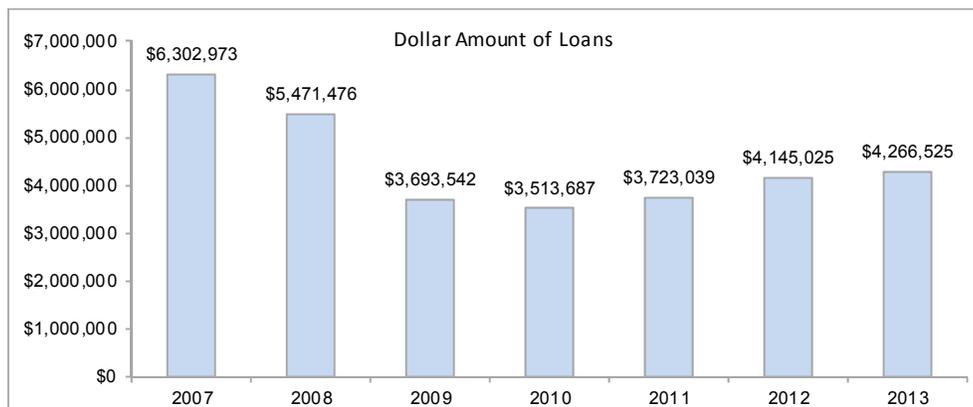
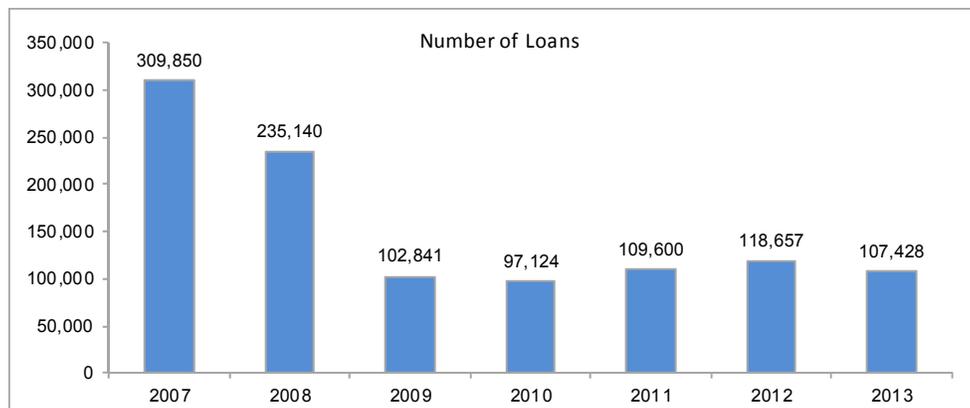
## SMALL BUSINESS LOAN VOLUME

The annual CRA data, which primarily reflects the small business loan activity of the nation's largest lenders, shows that small business lending volume in Massachusetts increased modestly in terms of the dollar amount of loans in 2013 but declined slightly in terms of the number of loans.

The volume of CRA-reported small business loan originations in Massachusetts in 2013 totaled 107,428 loans for \$4.3 billion, compared to the previous year totals of 118,657 loans for \$4.1 billion. The 2013 increase in loan dollars represents the third consecutive year of moderate growth although small business loan origination levels remain well below the levels achieved prior to the recent financial crisis. Massachusetts community banks, which are discussed in greater detail in a later section, accounted for a substantial portion of the dollar volume of CRA-reported activity in 2013.

It is important to note that the reported CRA small business loan volume is influenced to some extent by both the reporting requirements associated with the CRA law as well as the effects of mergers and acquisitions. In 2013, there were three local community banks that reported CRA data for the first time, including two lenders with assets below the CRA reporting threshold. These structural changes are worth noting although their net effect is relatively small. For example, the three new CRA reporters accounted for approximately one percent of the CRA reported loan volume in 2013.

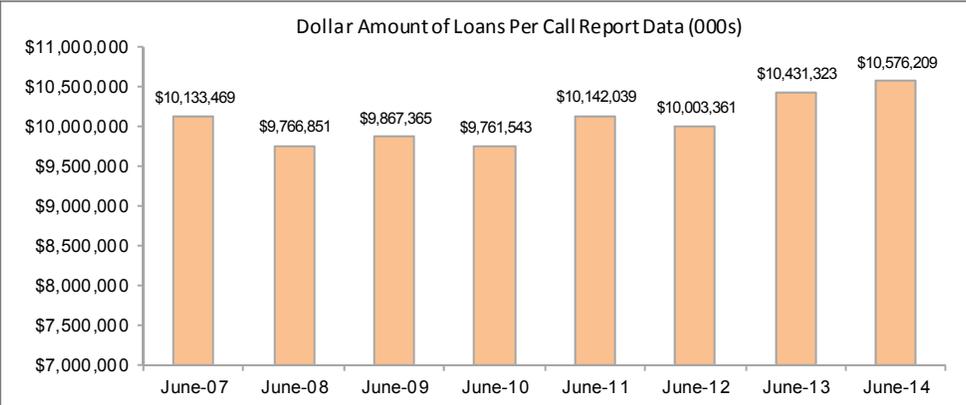
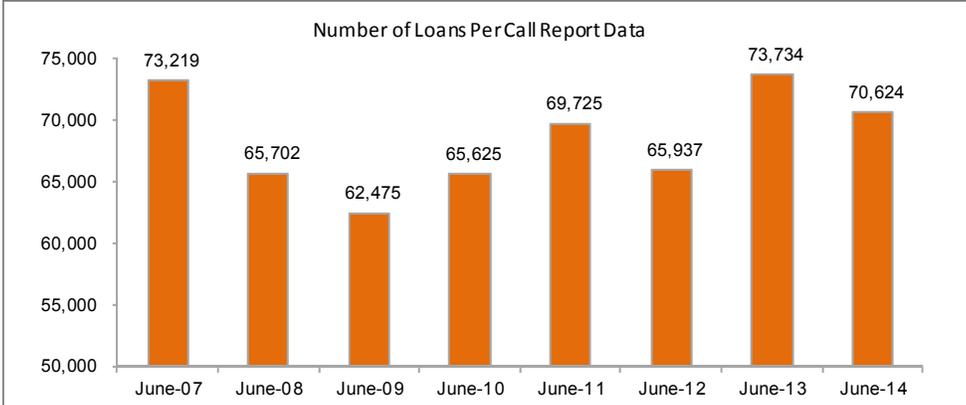
CHARTS: Small business loan originations in Massachusetts per the annual CRA database



**The most recent quarterly Call Report data, which includes local community banks that are not included in the annual CRA database, also shows that the dollar volume of small business loans at Massachusetts banks and thrift institutions increased over the past year while the number of loans declined.** The volume of small business loans on the books of local community banks totaled 70,624 loans for \$10.6 billion as of June 30, 2014, compared to 73,734 loans for \$10.4 billion as of June 30, 2013.

As was the case with the annual CRA database, it is important to note that the small business loan volume associated with the Call Report database is also influenced by structural changes related to mergers and acquisitions. During the twelve months ended June 30, 2014, two local community banks were acquired by other local banks. In addition, one community bank merged with a community bank in another state. Had these structural changes within the Call Report database not occurred, it is likely that the increase in the dollar amount of small business loans in Massachusetts would have been slightly higher and the decline in the number of loans would have been slightly less.

CHARTS: Small business loans on the books of Massachusetts banks per the Call Report database

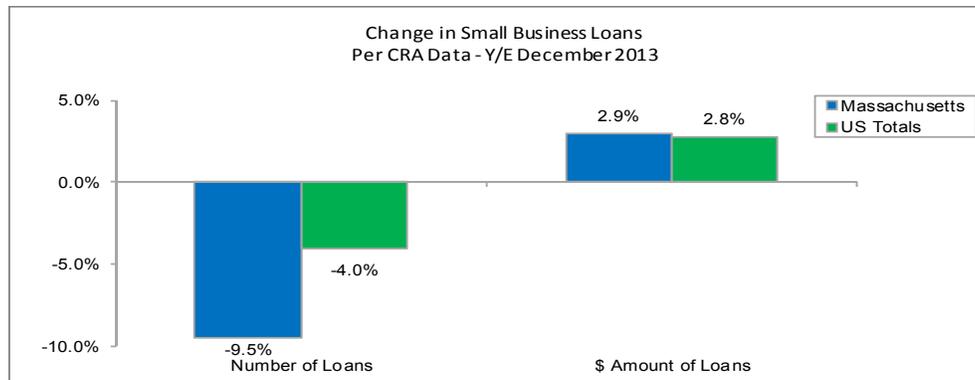


## SMALL BUSINESS LOAN GROWTH

A review of the key sources of small business lending data provide somewhat conflicting perspectives on the direction of lending trends in Massachusetts and across the country.

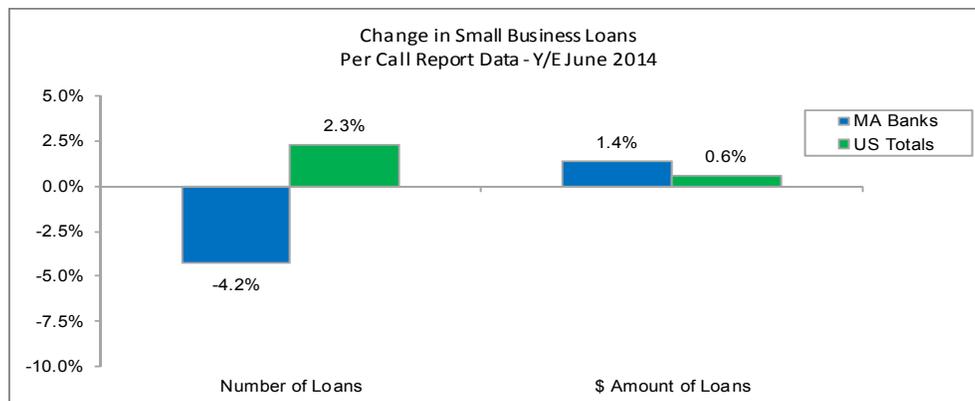
**A review of the most recent CRA data shows that small business loan originations in Massachusetts declined by 9.5% in 2013 in terms of the number of loans while increasing by 2.8% in terms of the dollar amount of loans which was in line with the results for the country as a whole.** The decline in the number of loans appears to be related to a continued decline in small business credit card lending from 2012 to 2013 while locally-based lenders and other out-of-state lenders experienced modest increases in both the number and dollar amount of small business loan originations. On a national basis, the aggregate CRA small business data for all banks also declined in terms of the number of loans while increasing in terms of the dollar amount of loans

CHART: The annual CRA data shows that the changes in small business loan volume in Massachusetts were similar to the changes experienced in the country as a whole in 2013



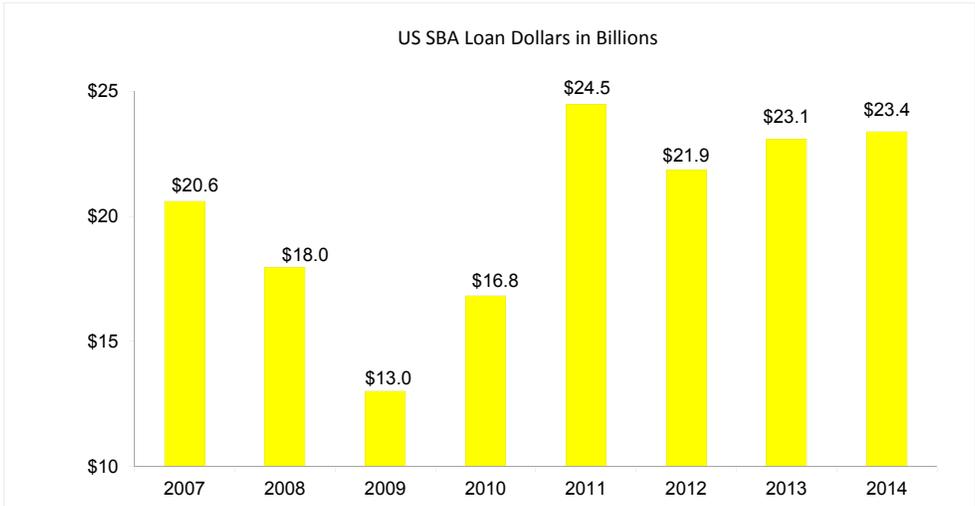
A review of the quarterly Call Report data through June 30, 2014 also shows that Massachusetts banks and thrifts experienced a modest decline (-4.2%) in the number of small business loans on the books of Massachusetts banks over the past year accompanied by a relatively small increase (1.4%) in the dollar volume of loans. **Small business loans on the books of local community banks declined by 4.2% in terms of the number of small business loans during the twelve months ended June 30, 2014 while increasing by 1.4% in terms of the dollar amount of loans.**

CHART: The Call Report data shows that small business lending growth at Massachusetts banks diverged from the national averages over the past year



According to the US Small Business Administration (SBA), loans guaranteed by the SBA rebounded strongly in Massachusetts during the agency’s fiscal year ended September 30, 2014 after a decline in the previous year. SBA loans in Massachusetts totaled \$423.7 million during the most recent fiscal year which represents a 7.3% increase compared to the previous year. On a national basis, SBA lending increased by 1.3% to \$23.4 billion.

CHARTS: SBA loan volume in Massachusetts and US from FY 2007 to 2014



A review of the annual CRA data from the 15 largest metropolitan areas across the country shows that greater Boston ranked 10<sup>th</sup> in 2013 compared to other major metropolitan areas across the country in terms of the volume of CRA-reported small business loan dollars per 1,000 residents, and 12<sup>th</sup> in terms of the change in loan dollars from 2012 to 2013. In terms of loan volume, 10 of the 15 largest metropolitan areas recorded lending levels of \$700,000 or more per 1,000 residents, while three metropolitan areas recorded levels between \$600,000 to \$700,000. In terms of growth, 2 of the 15 largest metropolitan areas experienced double digit increases in small business loan originations in 2013, while only one experienced a decline.

TABLES: The greater Boston metro area ranked 10<sup>th</sup> compared to the 15 largest metropolitan areas across the country in terms of the volume of CRA-reported small business loan dollars per 1,000 residents, and 12<sup>th</sup> in terms of the change in loan dollars from 2012 to 2013

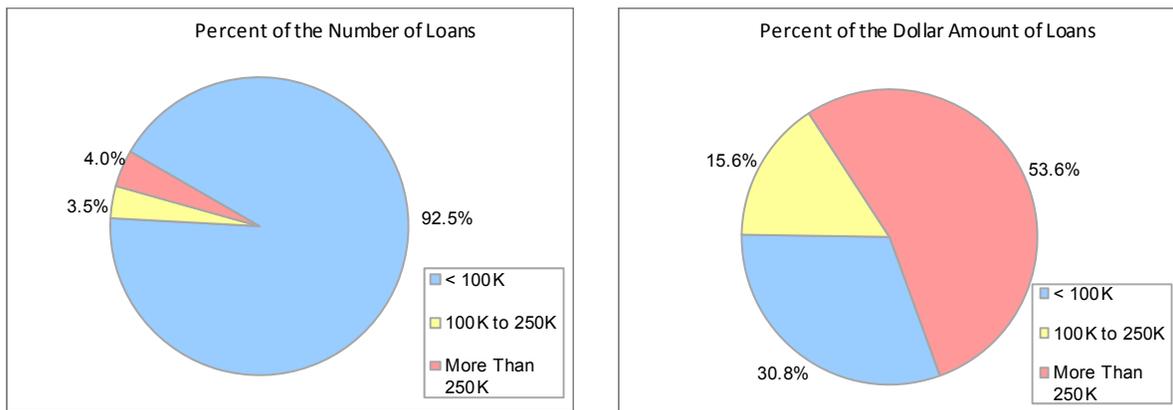
		Total Population	Total Number of Loans	Total Amount of Loans (000s)	Amount of Loans Per 1,000 Residents (000s)
1	San Francisco (41860)	4,335,391	112,420	\$3,803,240	\$877
2	Chicago (16980)	9,461,105	147,105	\$7,704,953	\$814
3	Los Angeles (31100)	12,828,837	302,710	\$10,180,034	\$794
4	Seattle (42660)	3,439,809	66,382	\$2,686,407	\$781
5	Detroit (19820)	4,296,250	62,736	\$3,266,727	\$760
6	Miami (33100)	5,564,635	140,638	\$4,037,399	\$726
7	New York (35620)	16,064,227	341,295	\$11,462,211	\$714
8	Dallas (19100)	6,371,773	108,573	\$4,534,485	\$712
9	Washington DC (47900)	5,582,170	94,594	\$3,933,425	\$705
10	Boston (14460)	4,552,402	80,229	\$3,192,996	\$701
11	Houston (26420)	5,946,800	100,581	\$4,135,946	\$695
12	Philadelphia (37980)	5,965,343	91,333	\$4,109,567	\$689
13	Atlanta (12060)	5,268,860	92,471	\$3,503,577	\$665
14	Phoenix (38060)	4,192,887	73,300	\$2,478,187	\$591
15	Riverside-San Bernardino (40140)	4,224,851	55,696	\$1,681,748	\$398

		2013 Change in Number of Loans	% Change	2013 Change in \$ Amount of Loans (000s)	% Change
1	Dallas (19100)	-1,586	-1.4%	\$563,528	14.2%
2	Miami (33100)	715	0.5%	\$404,046	11.1%
3	Seattle (42660)	1,608	2.5%	\$235,232	9.6%
4	Washington DC (47900)	-1,104	-1.2%	\$290,305	8.0%
5	Philadelphia (37980)	-3,896	-4.1%	\$281,219	7.3%
6	Riverside-San Bernardino (40140)	887	1.6%	\$111,148	7.1%
7	Los Angeles (31100)	-1,381	-0.5%	\$608,187	6.4%
8	New York (35620)	-24,676	-6.7%	\$606,551	5.6%
9	Houston (26420)	-4,264	-4.1%	\$194,567	4.9%
10	Phoenix (38060)	1,450	2.0%	\$113,922	4.8%
11	San Francisco (41860)	-3,121	-2.7%	\$106,053	2.9%
12	Boston (14460)	-7,642	-8.7%	\$69,532	2.2%
13	Atlanta (12060)	-2,256	-2.4%	\$76,221	2.2%
14	Chicago (16980)	-12,085	-7.6%	\$4,024	0.1%
15	Detroit (19820)	-4,358	-6.5%	-\$112,415	-3.3%

## BREAKDOWN BY ORIGINAL LOAN AMOUNT

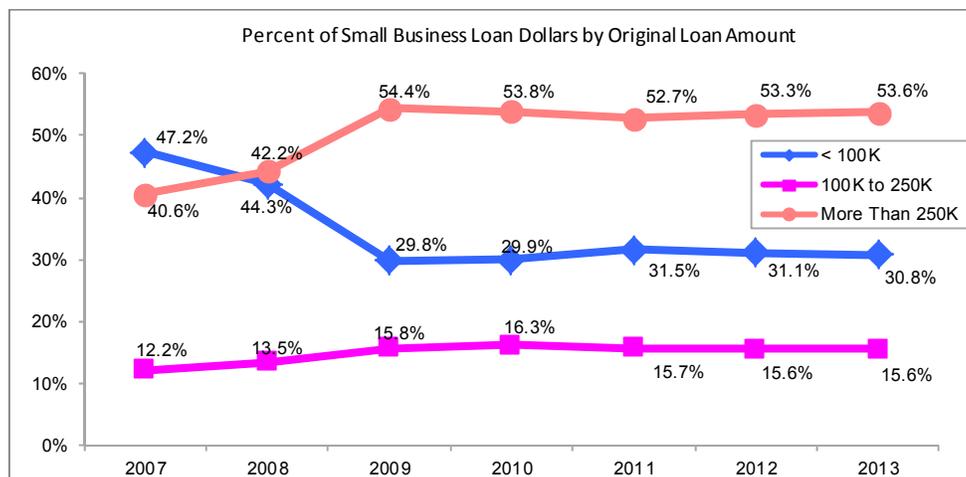
The annual CRA data provides an aggregate breakdown of loan data by the original amount of the loans using the following three loan size increments: under \$100,000, from \$100,000 to \$250,000, and from \$250,000 to \$1 million. CRA-reported small business loans with an original amount of \$100,000 or less accounted for the vast majority of the total number of loans in Massachusetts in 2013, but accounted for less than one-third of small business loan dollars. In Massachusetts, small business loans under \$100,000 accounted for 92.5% of the total number of loans in 2013 and 30.8% 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 4.0% of the number of loans but made up 53.6% of loan dollars.

CHARTS: Small business loans with original amounts under \$100,000, though substantially greater in number, represented less than one-third of small business loan dollars in Massachusetts (2013)



**Much of the recent declines in small business lending from 2008 to 2010 involved declines in loans with original amounts under \$100,000 although the volume of these smaller loans, when measured on a percentage basis, has held fairly steady in recent years.** Such loans accounted for 30.8% of all small business loan dollars in 2013, still a substantial percentage of total volume but down sharply from 47.2% in 2007. The shift is 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.

CHART: Small business loans with original amounts over \$250,000 accounted for more than half of the dollar volume of loans in Massachusetts (2013)

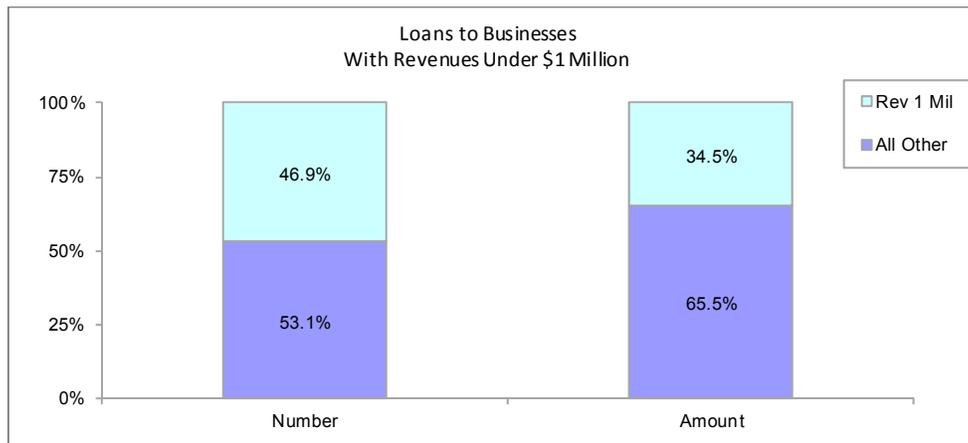


**LOANS TO BUSINESSES WITH REVENUES UNDER \$1 MILLION**

The annual CRA data also 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.

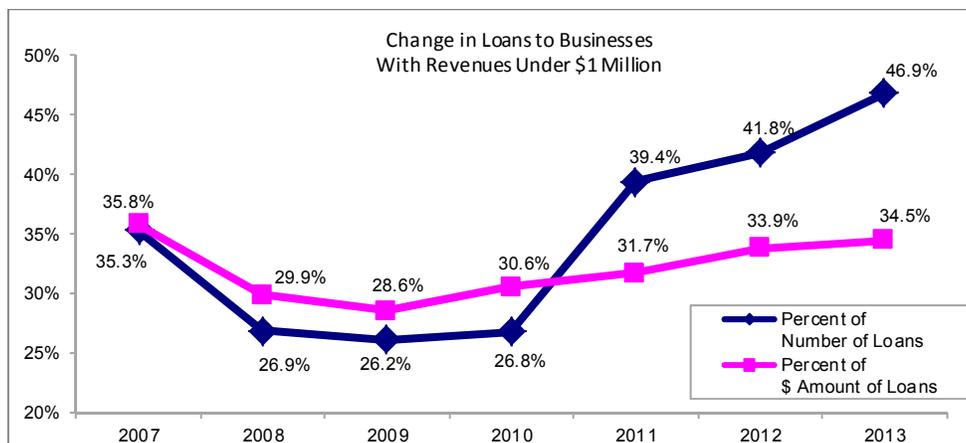
Reported loans to businesses with annual revenues of \$1 million or less accounted for 46.9% of the total number of loans in Massachusetts in 2013 and 34.9% of the dollar amount of loans, compared to the previous year when such loans represented 41.8% of the number of loans and 34.5% of the dollar volume.

CHART: Percentage of reported loans to businesses with annual revenues under \$1 million (2013)



The percentage of reported loans to businesses with revenues under \$1 million increased to 46.9% in terms of the number of loans in 2013 and 34.5% in terms of the dollar amount of loans.

CHART: Change in the percentage of loans to businesses with revenues under \$1 million (2007 to 2013)



## THE ROLE OF LOCAL LENDERS

As noted, the annual CRA data for 2013 contained a total of 43 local community banks that are headquartered in Massachusetts as well as four large commercial banks that are headquartered in other states but that have a substantial branch network across the state involving more than 150 branches. These four large commercial banks, which include Bank of America, RBS Citizens, Santander Bank, and TD Bank, are treated as local lenders for the purposes of this report, as they have been in past reports, due to their extensive physical presence in the state. The CRA database also contains a handful of community banks headquartered in neighboring states that make small business loans in Massachusetts, but that have a relatively small branch presence involving 30 or fewer branches. These banks, which include First Niagara, Peoples United Bank, and Webster Bank, are *not* treated as local lenders in this report. Detailed information regarding individual lenders is provided in the online appendix to this report.

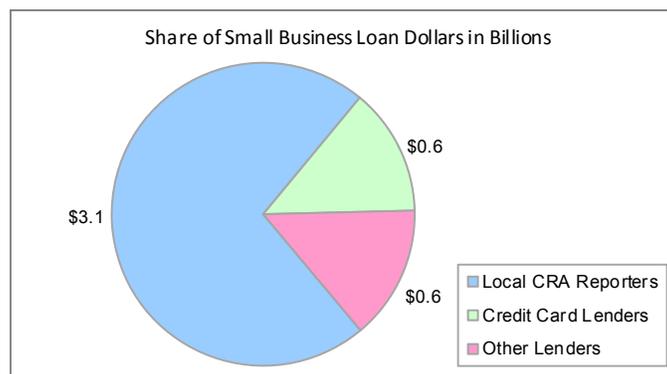
While local CRA reporters account for the vast majority of CRA-reported small business lending in Massachusetts, it is worth noting that most of these lenders are small community banks that typically report fewer than \$25 million in small business loans per year. In 2013, only 14 of the local CRA lenders reported between \$25 million and \$100 million in small business loan dollars, and just eight additional lenders reported small business loan volume in Massachusetts greater than \$100 million. These largest local CRA reporters include four Massachusetts community banks as well as the four large commercial banks noted above.

In addition to the local CRA reporters noted above, the annual CRA database also contains a substantial number of business credit card lenders that operate across the country as well as other out-of-state banks that routinely make small business loans in Massachusetts. As noted, there are also a large number of community banks and credit unions that make small business loans in Massachusetts but do not report annual CRA data. The roles of each of these competitors are discussed in more detail in the following sections.

**The annual CRA data shows that local lenders originated a total of 21,525 small business loans for \$3.1 billion in 2013 which represented 20.0% of the total number of small business loans in Massachusetts and 72.1% of small business loan dollars.**

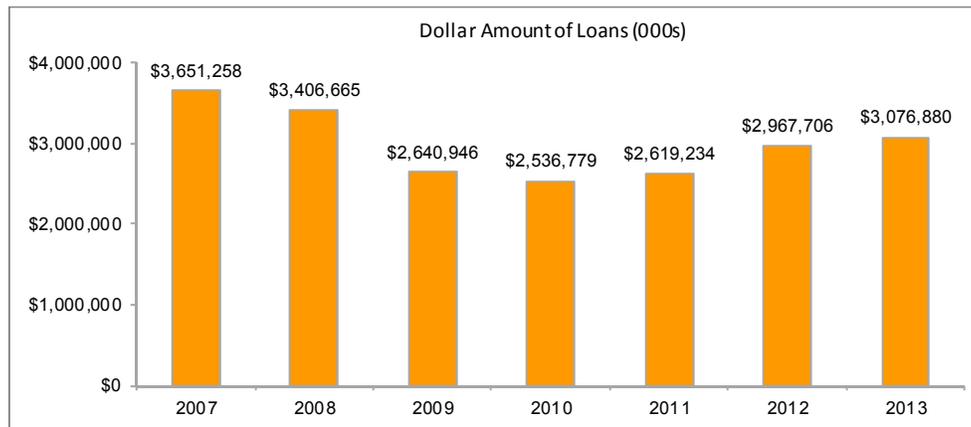
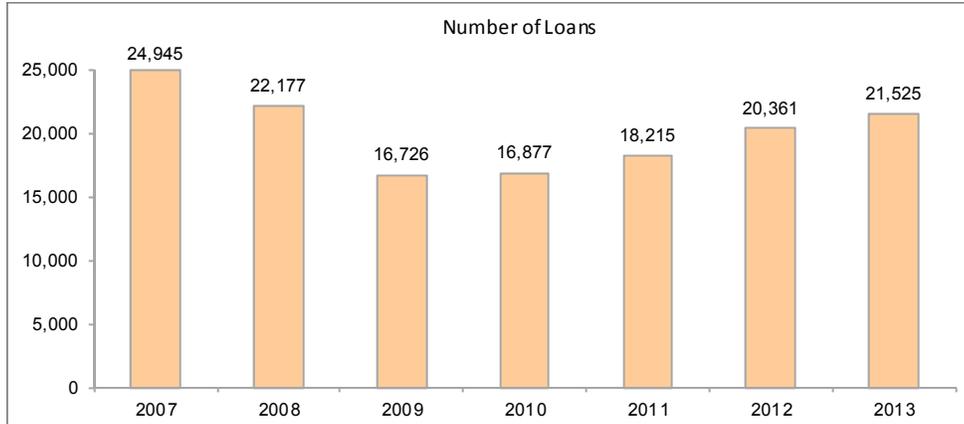
TABLE & CHART: Local CRA reporters vs other lenders (2013)

	Number of Loans	% of Total	\$ Amount of Loans (000s)	% of Total
Local CRA Reporters	21,525	20.0%	\$3,076,880	72.1%
Credit Card Lenders	74,223	69.1%	\$580,317	13.6%
Other Lenders	11,680	10.9%	\$609,328	14.3%
Totals	107,428	100.0%	\$4,266,525	100.0%



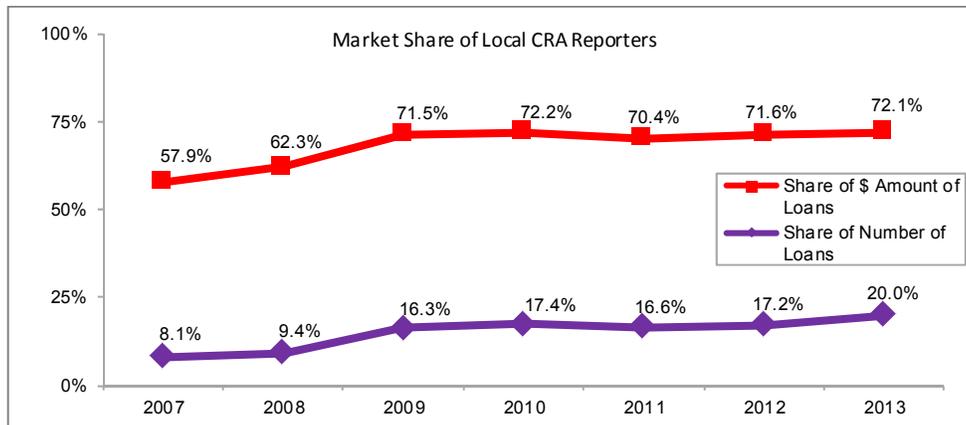
While the volume of small business loans of local CRA reporters appears to have recovered from recent lows, origination activity remains below the levels achieved before the recent financial crisis.

CHARTS: Small business loan volume increased further at local CRA reporters in 2013 but remains below the levels of several years ago



**Local CRA reporters have significantly increased their share of the Massachusetts small business loan market in the wake of the recent financial crisis.** In 2013 local CRA reporters accounted for 72.1% of small business loan dollars in the state compared to 57.9% in 2007.

CHART: The market share of local CRA reporters edged up slightly in 2012



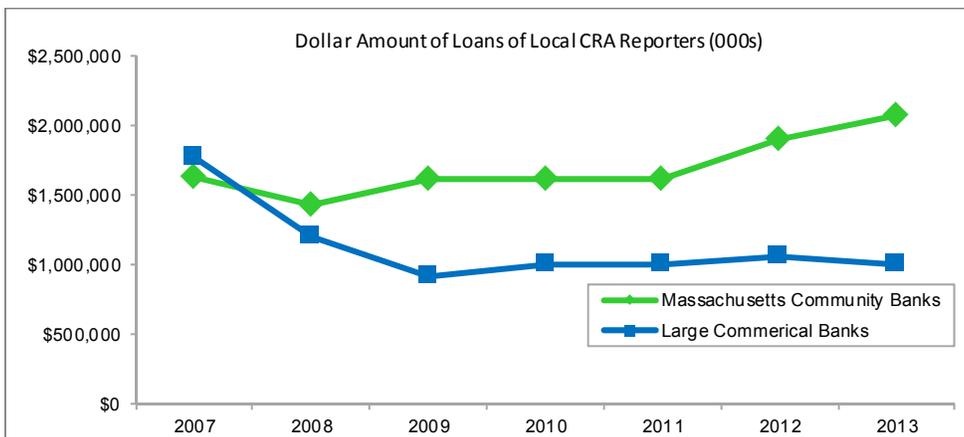
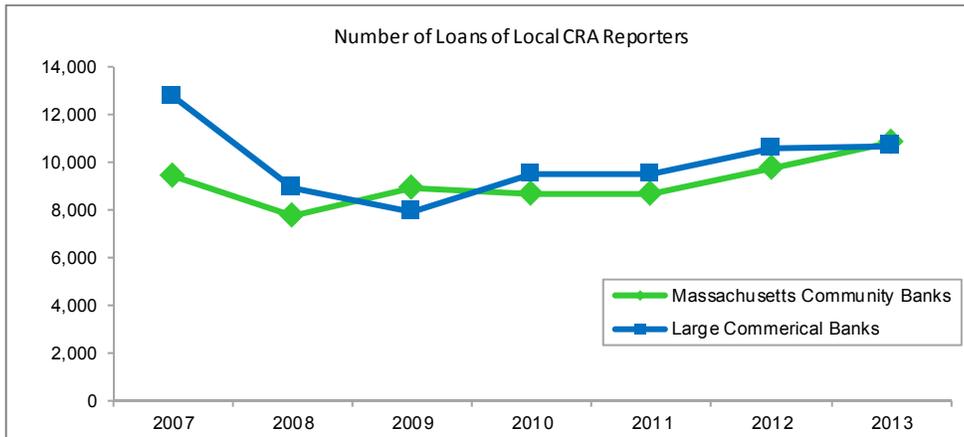
**A closer examination of the data of local CRA reporters further shows that over the past several years Massachusetts-based community banks have generally outperformed the large commercial banks that operate in the state in terms of small business lending.** The reasons behind this shift are complex but may be related to the regulatory and internal pressures felt by the nation’s largest banks in the wake of the financial crisis to deleverage their balance sheets, tighten their underwriting standards, and improve their capital positions. In 2013, local community banks accounted for 48.7% of small business loan dollars in Massachusetts while their larger commercial bank competitors accounted for 23.4% of the total.

The annual CRA data shows that local community banks made 10,876 small business loans for \$2.1 billion in 2013 while large commercial banks made 10,649 loans for \$1.0 billion. In terms of the change in small business loan volume from 2012 to 2013, local community banks experienced increases of 11.2% in the number of loans and 9.4% in loan dollars, while large commercial banks experienced an increase of 0.7% in the number of loans and a decline of 6.5% in the dollar amount of loans.

TABLE: Local community banks vs large commercial banks in Massachusetts (2013 CRA data)

	Number of Loans	% of Total	Percent Change	\$ Amount of Loans (000s)	% of Total	Percent Change
Local Community Banks	10,876	10.1%	11.2%	\$2,079,097	48.7%	9.4%
Large Commercial Banks	10,649	9.9%	0.7%	\$997,783	23.4%	-6.5%
Totals - Local CRA Reporters	21,525	20.0%	5.7%	\$3,076,880	72.1%	3.7%

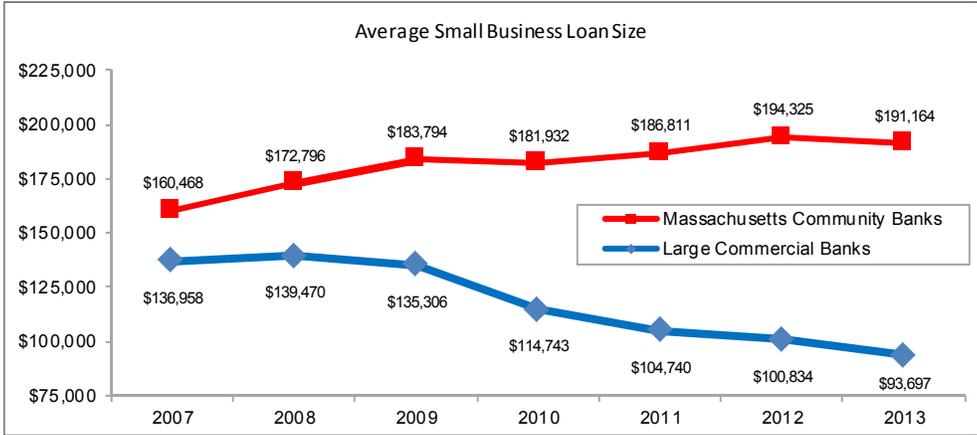
CHARTS: Local community banks have generally outperformed the large commercial banks that operate in the state in recent years



Another consequence of the strong performance of local community banks has been an increase in the average size of a small business loan. **Over the past seven years, the average size of a CRA-reported small business loan at a local community bank has increased from \$160,468 in 2007 to \$191,164 in 2013 while the average loan size at the large commercial banks has declined from \$136,958 to \$93,697.**

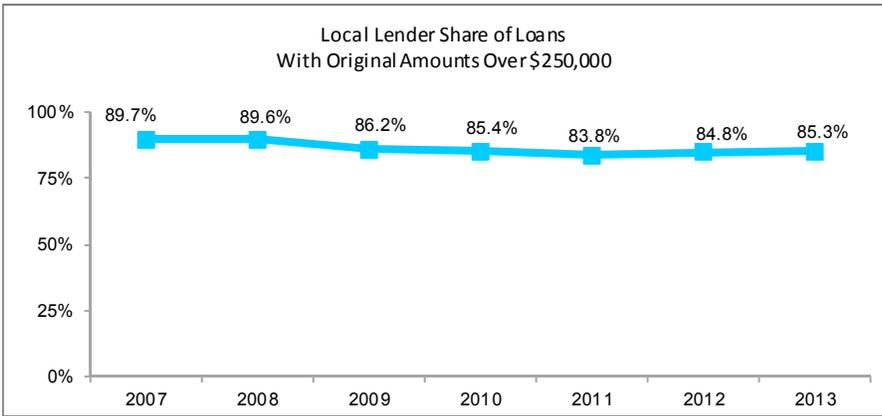
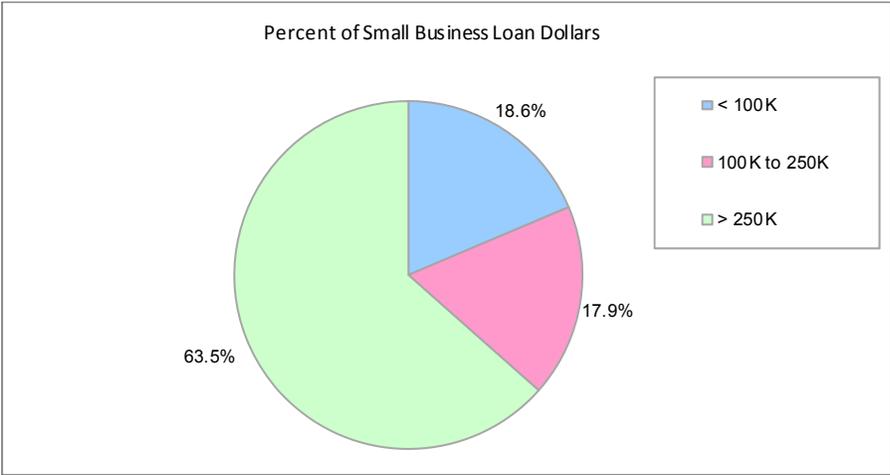
These results may seem counterintuitive given the widely held perceptions that commercial banks have deep pockets and community banks are conservative lenders, but the reasons behind the disparity may be attributable to a difference in the relationship style and level of commitment to the local community. It is worth noting that the average size of a member business loan at credit unions in Massachusetts, which take great pride in their relationship with their member borrowers, totaled \$268,604 as of June 30, 2014, including both small and large business loans.

CHART: The average loan size of a small business loan has increased at local community banks and decreased at the large commercial banks



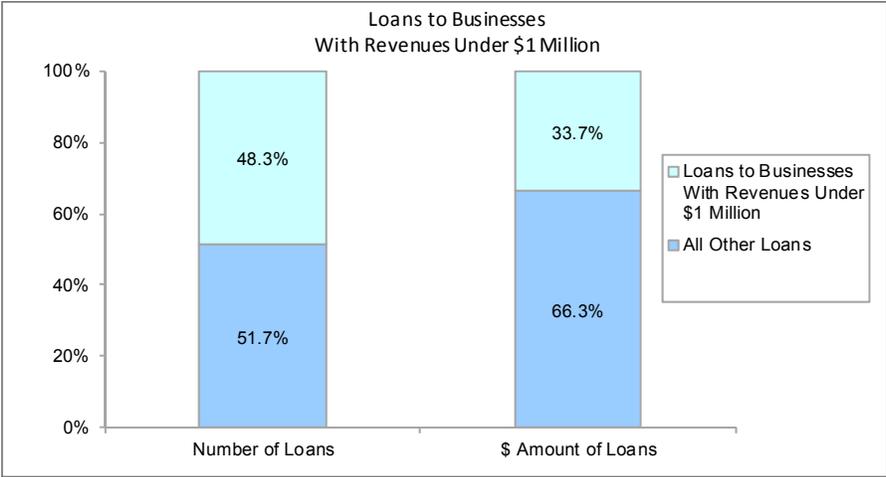
As one might expect given the average size of a small business loan originated by a local lender, a substantial portion of CRA-reported loans made by local lenders had original amounts greater than \$250,000. In 2013 loans with original amounts over \$250,000 accounted for 63.5% of the small business loan volume of local CRA reporters. It is also worth noting that, while local lenders have lost overall market share in recent years primarily at the hands of credit card lenders that deal in smaller loans, they have maintained a dominant share of the market for larger loans – those with an original amount over \$250,000. In 2013, Massachusetts banks accounted for 85.3% of the reported dollar volume of loans over \$250,000. The economic impact of these larger loans is substantial and underscores the vital role that local lenders play in small business lending in Massachusetts.

CHARTS: 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 particularly dominate the market



Local lenders reported 10,400 loans to businesses with revenues under \$1 million in 2012 totaling \$1.0 billion, which represented 48.3% of the total number of loans originated by local lenders and 33.7% of the dollar amount of loans.

CHART: Reported loans to businesses with revenues under \$1 million at local lenders (2013)



The tables on the following two pages show the local CRA reporters and local Call Report filers arranged by their dollar volume of small business loans. More detailed information on these lenders is provided in the online appendix at [www.mcbc.info](http://www.mcbc.info).

TABLE: Small business loans by local CRA reporters in Massachusetts sorted by loan dollar volume (CRA Data 2013)

	Town	Massachusetts Deposits (\$000s) 6/30/2014	Number of Loans	\$ Amount of Loans (\$000s)	Average Loan Size (\$000s)
**BANK OF AMERICA, N.A.	WESTLAKE VILLAGE, CA	\$57,995,513	2,908	\$467,016	\$161
EASTERN BANK	LYNN	\$6,970,387	1,664	\$327,998	\$197
ROCKLAND TRUST COMPANY	PLYMOUTH, MA	\$4,693,716	1,851	\$316,513	\$171
**TD BANK N.A.	WILMINGTON, DE	\$11,666,781	3,019	\$207,083	\$69
**RBS CITIZENS, N.A.	PROVIDENCE, RI	\$29,028,904	3,409	\$173,950	\$51
**SANTANDER BANK N.A.	WILMINGTON	\$18,361,604	1,313	\$149,734	\$114
SALEM FIVE CENTS SAVINGS BANK	SALEM	\$2,206,942	406	\$105,244	\$259
BOSTON PRIVATE BANK & TRUST CO	BOSTON	\$3,011,441	333	\$100,759	\$303
MIDDLESEX SVG BK	WESTBOROUGH	\$3,517,369	513	\$96,418	\$188
ENTERPRISE BANK AND TRUST CO	LOWELL	\$1,439,876	624	\$92,517	\$148
BERKSHIRE BANK	PITTSFIELD	\$2,070,585	584	\$71,811	\$123
WESTFIELD BANK	WESTFIELD	\$783,224	362	\$65,275	\$180
BRISTOL COUNTY SAVINGS BANK	TAUNTON	\$1,036,115	303	\$62,220	\$205
BROOKLINE BANK	BOSTON	\$2,209,761	210	\$59,853	\$285
CAPE COD FIVE CENTS SAVINGS BA	ORLEANS	\$2,095,744	336	\$57,261	\$170
CENTURY BANK	MEDFORD	\$2,655,117	307	\$55,427	\$181
COMMERCE BANK & TRUST COMPANY	WORCESTER	\$1,554,606	241	\$53,338	\$221
NORTHERN BANK & TRUST COMPANY	WOBURN	\$790,058	236	\$52,573	\$223
EAST BOSTON SAVINGS BANK	PEABODY	\$2,066,846	134	\$51,001	\$381
CAMBRIDGE SAVINGS BANK	ARLINGTON	\$2,032,226	212	\$49,242	\$232
BAYCOAST BANK	FALL RIVER	\$737,141	182	\$42,318	\$233
UNITED BANK	WEST SPRINGFIELD	\$1,351,859	275	\$41,375	\$150
CAPE COD COOPERATIVE BANK	YARMOUTH PORT	\$540,279	113	\$24,674	\$218
MUTUALONEBANK	FRAMINGHAM	\$439,263	118	\$24,392	\$207
GREENFIELD SAVINGS BANK	GREENFIELD	\$468,656	171	\$23,998	\$140
HAMPDEN BANK	SPRINGFIELD	\$476,577	96	\$22,328	\$233
SOUTH SHORE BANK	SO WEYMOUTH	\$687,003	146	\$22,234	\$152
CAMBRIDGE TRUST COMPANY	CAMBRIDGE	\$1,248,783	111	\$21,458	\$193
UNIBANK FOR SAVINGS	WHITINSILLE	\$1,361,753	149	\$21,299	\$143
FLORENCE SAVINGS BANK	FLORENCE	\$863,712	137	\$18,719	\$137
BANK OF CAPE COD	HYANNIS	\$164,224	62	\$18,563	\$299
THE LOWELL FIVE CENT SAVINGS B	LOWELL	\$780,597	124	\$18,413	\$148
PEOPLESBANK	HOLYOKE	\$1,468,976	78	\$18,365	\$235
HINGHAM INSTITUTION FOR SAVING	HINGHAM	\$895,474	58	\$17,642	\$304
EASTHAMPTON SAVINGS BANK	EASTHAMPTON	\$803,075	142	\$17,230	\$121
FIRST IPSWICH BANK	IPSWICH	\$249,717	61	\$14,716	\$241
THE SAVINGS BANK	WAKEFIELD	\$392,358	62	\$13,813	\$223
COUNTRY BANK FOR SAVINGS	WARE	\$950,691	89	\$13,086	\$147
FIDELITY BANK	LEOMINSTER	\$431,364	67	\$11,444	\$171
WATERTOWN SAVINGS BANK	WATERTOWN	\$978,612	47	\$11,293	\$240
INSTITUTION FOR SAVINGS	NEWBURYPORT	\$1,206,641	53	\$9,513	\$179
BELMONT SAVINGS BANK	BELMONT	\$711,597	12	\$7,319	\$610
WEBSTER FIVE CENTS SAVINGS BAN	WORCESTER	\$436,507	50	\$6,885	\$138
EAST CAMBRIDGE SAVINGS BANK	CAMBRIDGE	\$737,888	34	\$6,199	\$182
CAPE ANN SAVINGS BANK	GLOUCESTER	\$331,288	56	\$5,612	\$100
EAGLE BANK	EVERETT	\$361,616	26	\$5,067	\$195
NORTH EASTON SAVINGS BANK	EASTON	\$445,161	41	\$3,692	\$90
LOCAL LENDER TOTALS		NA	21,525	\$3,076,880	\$143

\*\* Denotes the large commercial banks that have a physical presence inside Massachusetts but are headquartered outside the state

TABLE: Small business loans of local community banks in Massachusetts by dollar volume (Call Report Data – June 2014)

	Town	Deposits (\$000s)	Number of Loans	\$ Amount of Loans (\$000s)	Average Loan Size (\$000s)
ROCKLAND TRUST COMPANY	ROCKLAND	\$5,315,525	4,383	\$774,079	\$177
BROOKLINE BANK	BROOKLINE	\$2,326,851	3,948	\$546,690	\$138
ENTERPRISE BANK AND TRUST COMPANY	LOWELL	\$1,747,128	3,590	\$527,867	\$147
EASTERN BANK	BOSTON	\$7,218,552	3,283	\$497,715	\$152
COMMERCE BANK & TRUST COMPANY	WORCESTER	\$1,700,307	2,517	\$356,473	\$142
CAPE COD FIVE CENTS SAVINGS BANK	HARWICH PORT	\$2,167,126	2,301	\$284,857	\$124
MIDDLESEX SAVINGS BANK	NATICK	\$3,538,099	3,454	\$270,502	\$78
SALEM FIVE CENTS SAVINGS BANK	SALEM	\$2,644,084	1,116	\$253,795	\$227
EAST BOSTON SAVINGS BANK	BOSTON	\$2,568,827	831	\$227,799	\$274
BOSTON PRIVATE BANK & TRUST COMPANY	BOSTON	\$5,004,240	717	\$199,903	\$279
BRISTOL COUNTY SAVINGS BANK	TAUNTON	\$1,177,074	1,174	\$187,489	\$160
BERKSHIRE BANK	PITTSFIELD	\$4,527,627	2,963	\$187,253	\$63
AVIDIA BANK	HUDSON	\$771,889	1,795	\$187,038	\$104
PROVIDENT BANK, THE	AMESBURY	\$535,081	1,081	\$162,923	\$151
NORTHERN BANK & TRUST COMPANY	WOBURN	\$1,026,391	706	\$150,384	\$213
BAYCOAST BANK	FALL RIVER	\$827,320	857	\$145,128	\$169
PEOPLESBANK	HOLYOKE	\$1,500,760	609	\$140,394	\$231
CHICOPEE SAVINGS BANK	CHICOPEE	\$461,958	938	\$130,900	\$140
NORTH SHORE BANK, A CO-OPERATIVE BANK	PEABODY	\$375,030	689	\$127,403	\$185
HINGHAM INSTITUTION FOR SAVINGS	HINGHAM	\$1,029,347	411	\$114,022	\$277
LEADER BANK, NATIONAL ASSOCIATION	ARLINGTON	\$591,990	346	\$113,502	\$328
WESTFIELD BANK	WESTFIELD	\$819,059	1,450	\$111,197	\$77
SOUTH SHORE BANK	SOUTH WEYMOUTH	\$686,876	714	\$110,793	\$155
MOUNTAINONE BANK	NORTH ADAMS	\$573,877	684	\$106,670	\$156
FALL RIVER FIVE CENTS SAVINGS BANK	FALL RIVER	\$661,333	1,027	\$104,987	\$102
MUTUALONE BANK	FRAMINGHAM	\$440,845	682	\$104,915	\$154
BANK OF CANTON, THE	CANTON	\$539,945	363	\$104,824	\$289
COUNTRY BANK FOR SAVINGS	WARE	\$941,043	742	\$103,239	\$139
HAMPDEN BANK	SPRINGFIELD	\$498,089	1,342	\$95,984	\$72
PENTUCKET BANK	HAVERTHILL	\$552,901	486	\$87,647	\$180
FIDELITY CO-OPERATIVE BANK	FITCHBURG	\$491,296	519	\$84,661	\$163
STONEHAMBANK	STONEHAM	\$328,052	412	\$83,612	\$203
MILFORD NATIONAL BANK AND TRUST COMPANY THE	MILFORD	\$254,472	472	\$82,900	\$176
CAMBRIDGE TRUST COMPANY	CAMBRIDGE	\$1,314,029	512	\$79,861	\$156
CAPE COD CO-OPERATIVE BANK	YARMOUTH PORT	\$554,956	515	\$78,483	\$152
FIRST TRADE UNION BANK	BOSTON	\$597,498	309	\$77,836	\$252
FIRST IPSWICH BANK	IPSWICH	\$251,196	345	\$74,799	\$217
CAMBRIDGE SAVINGS BANK	CAMBRIDGE	\$2,061,682	672	\$74,715	\$111
LOWELL FIVE CENT SAVINGS BANK, THE	LOWELL	\$797,259	496	\$73,607	\$148
MECHANICS COOPERATIVE BANK	TAUNTON	\$379,911	452	\$72,577	\$161
BELMONT SAVINGS BANK	BELMONT	\$908,592	99	\$72,404	\$731
BRIDGEWATER SAVINGS BANK	RAYNHAM	\$405,104	255	\$71,169	\$279
NORTH MIDDLESEX SAVINGS BANK	AYER	\$299,092	739	\$70,725	\$96
CENTURY BANK AND TRUST COMPANY	SOMERVILLE	\$2,859,688	296	\$70,392	\$238
BANK OF CAPE COD	HYANNIS	\$196,356	301	\$69,311	\$230
DEDHAM INSTITUTION FOR SAVINGS	DEDHAM	\$978,835	263	\$68,345	\$260
NEWBURYPORT FIVE CENTS SAVINGS BANK	NEWBURYPORT	\$465,943	320	\$68,235	\$213
ROCKPORT NATIONAL BANK	ROCKPORT	\$181,355	459	\$68,160	\$148
GREENFIELD SAVINGS BANK	GREENFIELD	\$504,876	702	\$66,989	\$95
WALPOLE CO-OPERATIVE BANK	WALPOLE	\$280,756	314	\$64,687	\$206

## CREDIT UNIONS

Credit unions also experienced a strong increase in small business lending in the past year. Of the 195 state and federal credit unions in Massachusetts, 65 reported member business loans on their books as of June 30, 2013. While the credit union reporting requirements and instructions differ from the annual CRA and quarterly Call Report reporting requirements, it is likely that the vast majority of the credit union member business loans have original amounts under \$1 million and would therefore be considered small business loans under the CRA and Call Report instructions. **Credit unions in Massachusetts reported 5,675 small business loans for \$1.5 billion as of June 30, 2014, compared to 5,458 loans for \$1.4 billion as of June 30, 2013.**

TABLE: Credit union member business loans in Massachusetts (2007 to 2014)

	Number of CUs w/Loans	Number of Loans	\$ Amount of Loans (000s)
June-2007	55	3,223	\$707,283
June-2008	58	3,632	\$879,175
June-2009	61	3,868	\$980,502
June-2010	65	4,290	\$1,025,789
June-2011	65	4,747	\$1,089,783
June-2012	68	4,938	\$1,199,230
June-2013	65	5,458	\$1,392,325
June-2014	61	5,675	\$1,524,332

While most lenders in Massachusetts and across the country have experienced declines or modest increases in small business lending over the past few years, Massachusetts credit unions have experienced regular increases in business loans throughout the period covered by the ongoing financial crisis. While their contribution to the overall volume of small business loans may be relatively small when compared to commercial banks, the growth of member business loans at credit unions underscores the important role that credit unions, and other local community lenders, play in meeting local business credit needs. **Small business loans at local credit unions increased by 4.0% and 9.5% in terms of the number and dollar amount of small business loans during the twelve months ended June 30, 2014.** The increases in member business loans at Massachusetts credit unions have generally been in line with national credit union averages over the period reviewed.

TABLE: Annual year-over-year change in member business loans in Massachusetts (2008 to 2014)

	Change in Number of Loans	% Change	Change in \$ Amount of Loans (000s)	% Change
June-2008	409	12.7%	\$171,891	24.3%
June-2009	236	6.5%	\$101,327	11.5%
June-2010	422	10.9%	\$45,287	4.6%
June-2011	457	10.7%	\$63,994	6.2%
June-2012	191	4.0%	\$109,447	10.0%
June-2013	520	10.5%	\$193,094	16.1%
June-2014	217	4.0%	\$132,007	9.5%

The table on the following page shows local credit unions arranged by their dollar volume of member business loans. More detailed information on these lenders is provided in the online appendix at [www.mcbc.info](http://www.mcbc.info).

TABLE: Member business loans by local credit unions in Massachusetts by dollar volume (June 2014)

	Town	Deposits (\$000s)	Number of Loans	\$ Amount of Loans (\$000s)	\$ Average Loan Size (\$000s)
DIGITAL FCU	MARLBOROUGH	\$4,541,331	854	\$586,980	\$687
JEANNE D'ARC CU	LOWELL	\$890,142	359	\$101,799	\$284
WEBSTER FIRST FCU	WORCESTER	\$518,173	292	\$73,299	\$251
METRO CU	CHELSEA	\$1,047,472	215	\$72,733	\$338
ST. ANNE'S OF FALL RIVER CU	FALL RIVER	\$711,855	266	\$64,995	\$244
ROCKLAND FCU	ROCKLAND	\$1,038,940	438	\$59,955	\$137
GREYLOCK FCU	PITTSFIELD	\$986,608	435	\$59,681	\$137
CENTRAL ONE FCU	SHREWSBURY	\$331,257	94	\$34,887	\$371
WORKERS' CU	FITCHBURG	\$758,024	147	\$33,863	\$230
MILLBURY FCU	MILLBURY	\$268,577	189	\$32,935	\$174
FREEDOM CU	SPRINGFIELD	\$436,467	129	\$31,187	\$242
GFA FCU	GARDNER	\$316,449	175	\$29,078	\$166
ST. MARY'S CU	MARLBOROUGH	\$555,712	116	\$25,290	\$218
RIVER WORKS CU	LYNN	\$83,181	110	\$23,902	\$217
BRIDGEWATER CU	BRIDGEWATER	\$268,640	95	\$21,441	\$226
FIRST CITIZENS' FCU	FAIRHAVEN	\$471,591	298	\$20,326	\$68
ALIGN CU	LOWELL	\$408,440	68	\$20,295	\$298
CRESCENT CU	BROCKTON	\$302,450	127	\$19,588	\$154
SHARON CU	SHARON	\$419,436	92	\$17,284	\$188
LEOMINSTER CU	LEOMINSTER	\$458,917	149	\$17,190	\$115
COMMUNITY CREDIT UNION OF LYNN CU	LYNN	\$95,302	92	\$17,055	\$185
INDUSTRIAL CU	BOSTON	\$143,325	45	\$15,129	\$336
RTN FCU	WALTHAM	\$704,829	72	\$12,871	\$179
FIRST PRIORITY CU	BOSTON	\$83,637	28	\$11,580	\$414
MERRIMACK VALLEY FCU	LAWRENCE	\$460,496	96	\$11,253	\$117
SOUTHBRIDGE CU	SOUTHBRIDGE	\$125,003	66	\$10,631	\$161
CAMBRIDGE PORTUGUESE CU	SOMERVILLE	\$104,369	57	\$9,410	\$165
HOLYOKE CU	HOLYOKE	\$94,234	43	\$9,286	\$216
TAUNTON FCU	TAUNTON	\$116,089	31	\$8,155	\$263
HANSCOM FCU	HANSCOM AFB	\$952,365	68	\$7,941	\$117
ST. JEAN'S CU	LYNN	\$138,190	29	\$6,830	\$236
ST. MICHAELS FALL RIVER FCU	FALL RIVER	\$34,162	36	\$5,753	\$160
LIBERTY BAY CU	BRAINTREE	\$484,930	45	\$5,729	\$127
ALDEN CU	CHICOPEE	\$106,164	42	\$5,402	\$129
LUSO FCU	LUDLOW	\$152,109	44	\$5,176	\$118
LUSO-AMERICAN CU	PEABODY	\$66,627	12	\$4,434	\$369
FALL RIVER MUNICIPAL CU	FALL RIVER	\$146,025	30	\$4,268	\$142
GRAFTON SUBURBAN CU	NORTH GRAFTON	\$102,059	33	\$3,639	\$110
MEMBERS PLUS CU	MEDFORD	\$182,587	19	\$3,405	\$179
SOMERSET FCU	SOMERSET	\$120,605	27	\$3,269	\$121
BOSTON FIREFIGHTERS CU	DORCHESTER	\$173,195	13	\$2,885	\$222
TREMONT CU	BRAINTREE	\$147,437	11	\$2,504	\$228
MASS BAY CU	SOUTH BOSTON	\$179,935	12	\$2,312	\$193
TAUPA LITHUANIAN FCU	SOUTH BOSTON	\$16,537	11	\$1,711	\$156
NOTRE DAME COMMUNITY FCU	FALL RIVER	\$41,760	13	\$1,528	\$118
I-C FCU	FITCHBURG	\$352,196	11	\$1,098	\$100
POLISH NATIONAL CU	CHICOPEE	\$405,032	6	\$777	\$129
SHREWSBURY FCU	SHREWSBURY	\$114,128	5	\$716	\$143
ACUSHNET FCU	ACUSHNET	\$17,063	6	\$664	\$111
SOUTHERN MASS CU	FAIRHAVEN	\$164,153	5	\$496	\$99

## 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 \$150,000 average loan size of the local lenders that account for the majority of the dollar volume of loans.

**Based on our estimates, credit card lenders reported 74,223 small business credit card loans in Massachusetts in 2013 for \$580.3 million, which is well below the levels generated during the years leading up to the recent financial crisis.** Small business credit card loans accounted for 69.1% of the total number of CRA-reported small business loans in the state in 2013 and 13.6% of loan dollars.

CHARTS: Estimated small business credit card loan volume in Massachusetts (2007 to 2013)

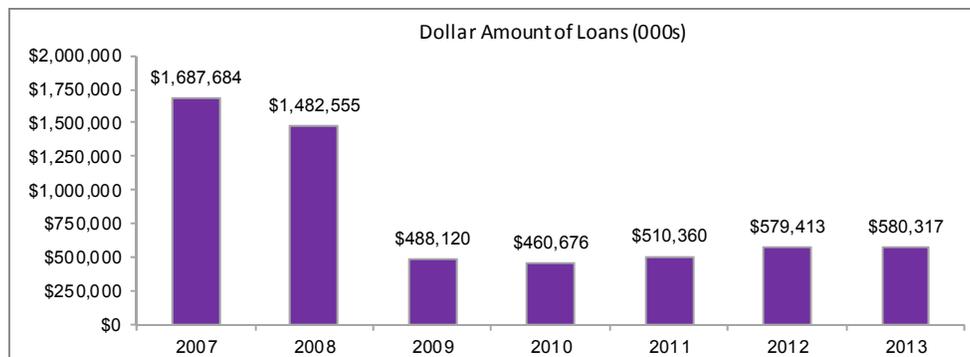
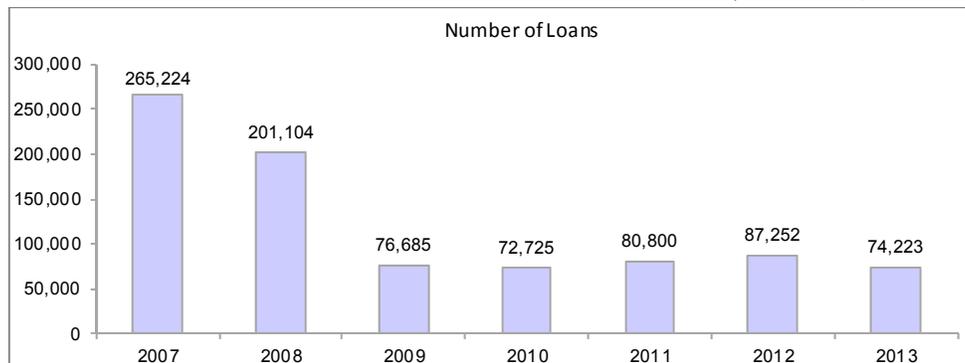
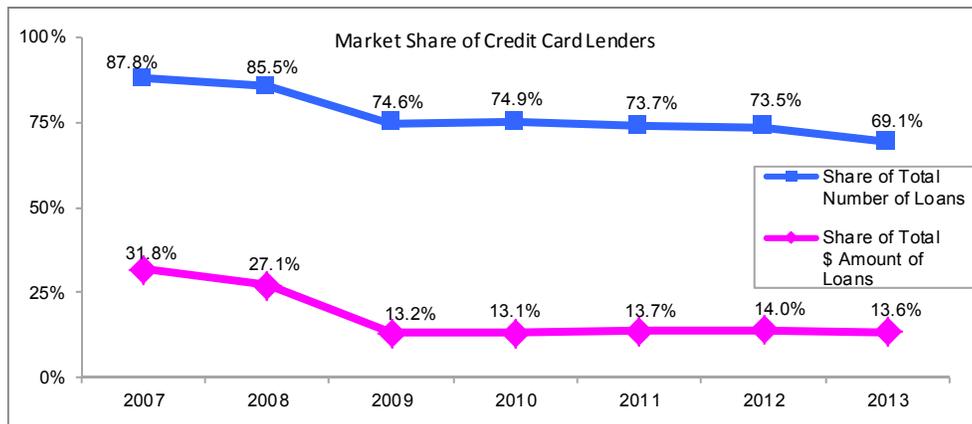


TABLE: Small business credit card lenders in Massachusetts (2013)

	Number of Loans	\$ Amount of Loans (\$000s)	\$ Average Loan Size (\$000s)
AMERICAN EXPRESS, FSB	29,007	\$242,196	\$8,350
FIA CARD SERVICES	12,102	\$101,112	\$8,355
CHASE BANK USA, NA	6,174	\$70,845	\$11,475
CITIBANK, N.A.	8,854	\$54,650	\$6,172
US BANK, N.A.	3,838	\$42,409	\$11,050
CAPITAL ONE BANK (USA), N.A.	7,658	\$34,566	\$4,514
GE CAPITAL RETAIL BANK	4,336	\$15,869	\$3,660
WEX BANK	1,259	\$11,852	\$9,414
FIRST NATIONAL BANK OF OMAHA	629	\$5,566	\$8,849
DISCOVER BANK	366	\$1,252	\$3,421
CREDIT CARD LENDER TOTALS	74,223	\$580,317	\$7,819

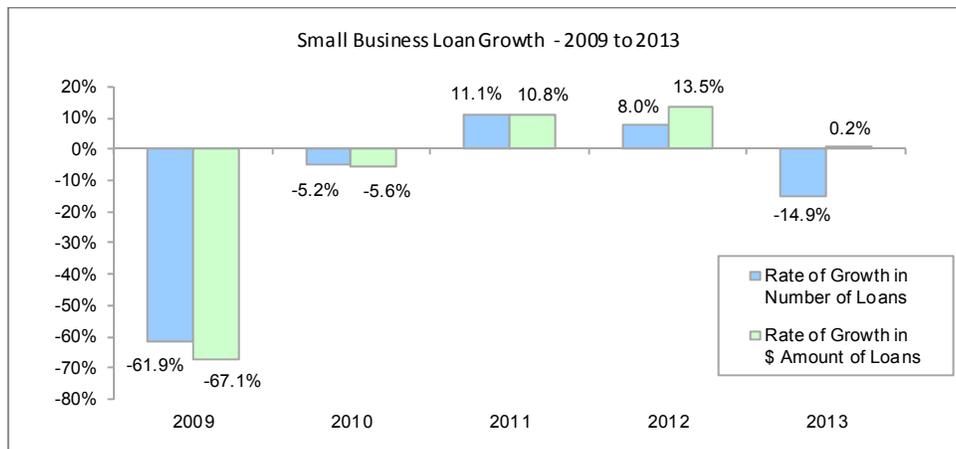
The important role played by credit card lenders in Massachusetts underscores the level of competition for small business loans that exists among all lenders. It also exemplifies the wide variety of loan products and underwriting options that consumers can choose from. Unlike larger, traditional small 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 declines in market share in the wake of the recent financial crisis, 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 lender market share in Massachusetts (2007 to 2013)



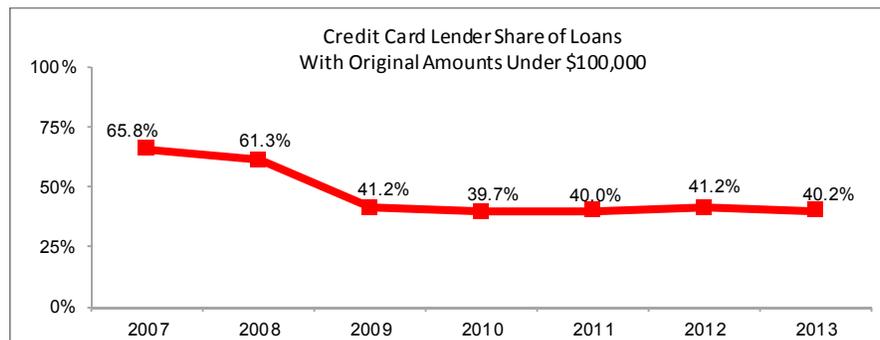
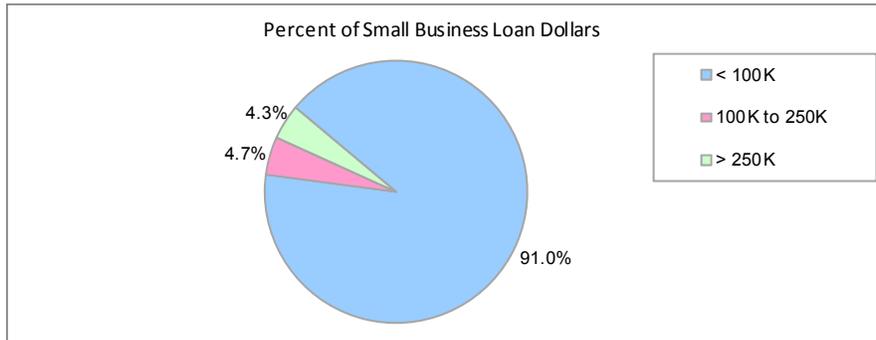
**Credit card lenders in Massachusetts experienced a decline of 14.9% in the number of CRA-reported loans from 2012 to 2013 and an increase of 0.2% in the dollar amount of loans, following increases of 8.0% and 13.5% respectively in 2012.**

CHART: Change in small business credit card loan volume (2009 to 2013)



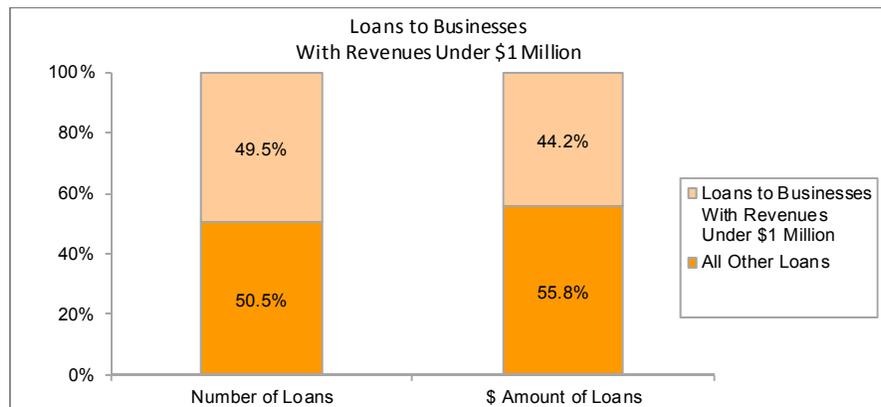
As one might expect given the average size of a small business credit card loan, the vast majority of loans originated by credit card lenders have original amounts less than \$100,000. In 2013, these loans accounted for 91.0% of all small business loan dollars for credit card lenders although small business credit card lenders have lost market share to local banks and out-of-state lenders in recent years.

CHARTS: 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 have lost market share in recent years



Credit card lenders reported 36,700 loans to businesses with revenues under \$1 million in Massachusetts in 2013 for \$256.7 million, which represented 49.5% of the total number of loans originated by credit card lenders and 44.2% of the dollar amount of loans.

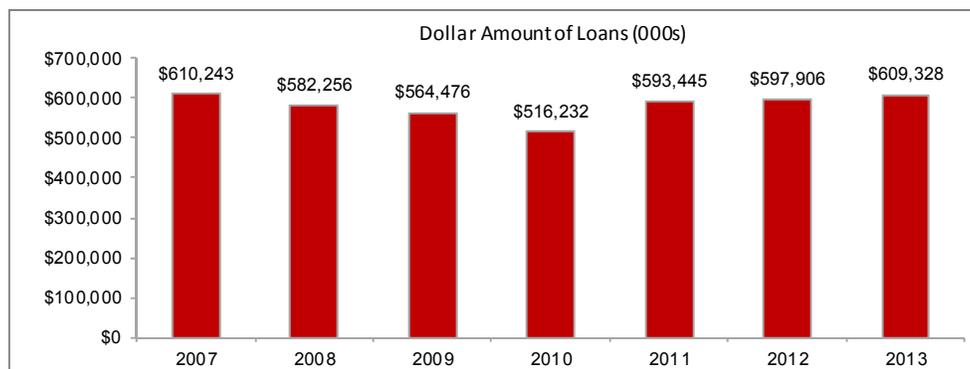
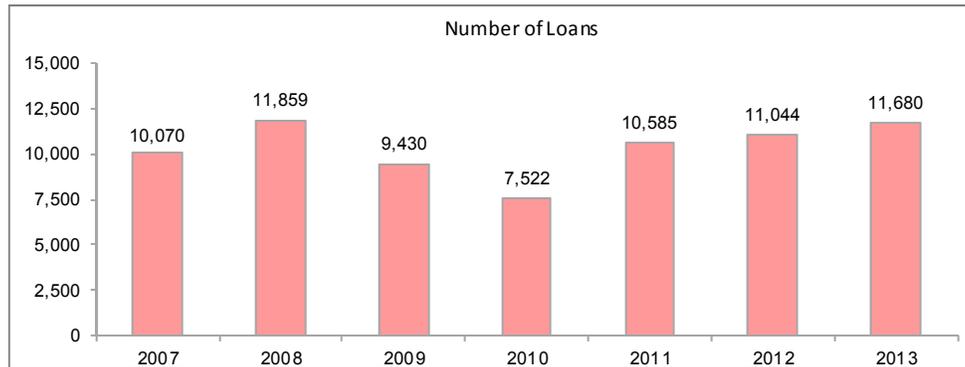
CHART: Loans to businesses with revenues under \$1 million at credit card lenders (2013)



## OTHER OUT-OF-STATE LENDERS

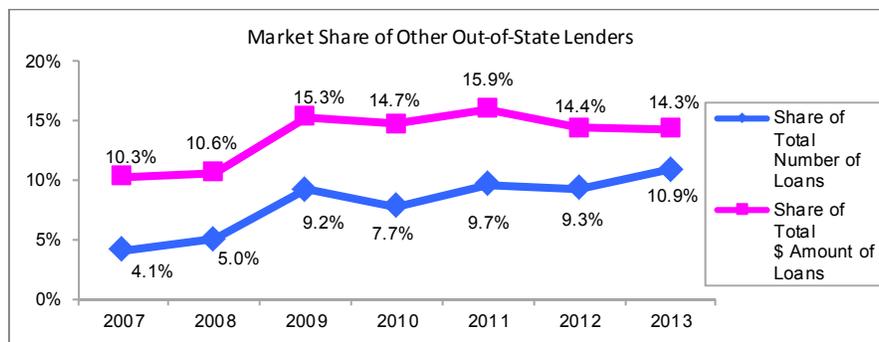
**Other out-of-state CRA lenders reported 11,680 CRA-reported small business loans in Massachusetts in 2013 for \$609.3 million, which is more or less in line with the levels reached before the recent financial crisis.** Small business loans by other out-of-state CRA lenders accounted for 10.9% of the total number of CRA-reported small business loans in the state in 2013 and 14.3% of loan dollars.

CHARTS: Small business loans by other out-of-state lenders in Massachusetts (2007 to 2013)



The volume of loans by other out-of-state lenders underscore the important role they play in serving the credit needs of small businesses in Massachusetts as well as the level of competition that exists in the marketplace for small business loans.

CHART: Market share of other out-of-state lenders in Massachusetts (2007 to 2013)



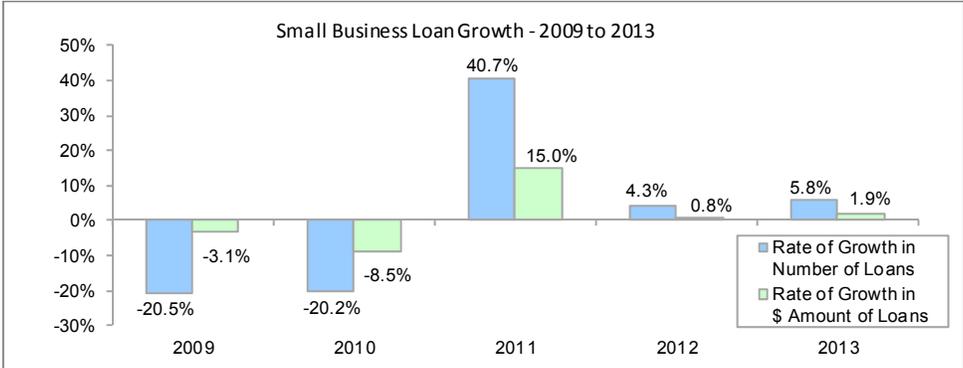
The following table shows the total CRA small business loans in 2013 for the 30 largest other out-of-state lenders in Massachusetts ranked by dollar volume. Data for all other out-of-state lenders can be found in the online appendix at [www.mcabc.info](http://www.mcabc.info).

TABLE: Small business loans by the 30 largest other out-of-state lenders by dollar volume (2013)

	Number of Loans	\$ Amount of Loans (\$000s)	\$ Average Loan Size (\$000s)
PEOPLES UNITED BANK	737	\$118,896	\$161,324
WELLS FARGO BANK, N.A.	2,209	\$101,178	\$45,803
WEBSTER BANK, N.A.	231	\$41,716	\$180,589
SILICON VALLEY BANK	480	\$41,373	\$86,194
M&T BANK	64	\$40,186	\$627,906
TEXAS CAPITAL BANK	4,482	\$38,533	\$8,597
JPMORGAN CHASE BANK, NA	598	\$29,371	\$49,115
GE CAPITAL BANK	378	\$19,419	\$51,373
CAPITAL ONE, N.A.	51	\$17,600	\$345,098
BRANCH BANKING AND TRUST CO	865	\$11,456	\$13,244
FIRST REPUBLIC BANK	35	\$10,985	\$313,857
SIGNATURE BANK	43	\$10,878	\$252,977
FIRST NIAGARA BANK, N.A.	163	\$10,439	\$64,043
THE HUNTINGTON NATIONAL BANK	371	\$10,342	\$27,876
STEARNS BANK NA	186	\$8,898	\$47,839
NBT BANK NA	31	\$7,819	\$252,226
BANK RHODE ISLAND	30	\$6,423	\$214,100
BRIDGE BANK	14	\$5,995	\$428,214
SALISBURY BANK AND TRUST CO	30	\$5,347	\$178,233
BANKNEWPORT	13	\$4,678	\$359,846
KEYBANK NATIONAL ASSOCIATION	42	\$4,287	\$102,071
PNC BANK N.A.	16	\$4,226	\$264,125
LAKE SUNAPEE BANK	7	\$4,210	\$601,429
EAST WEST BANK	8	\$3,760	\$470,000
CATHAY BANK	11	\$3,606	\$327,818
COMERICA BANK	37	\$3,572	\$96,541
SUNTRUST BANK, INC	16	\$3,396	\$212,250
CIT BANK	57	\$3,267	\$57,316
BNY MELLON, N.A.	11	\$3,114	\$283,091
JOHN DEERE FINANCIAL, F.S.B.	276	\$2,109	\$7,641
OTHER LENDER TOTALS	11,680	\$609,328	\$52,168

As was the case for local CRA reporters in Massachusetts, other out-of-state lenders in Massachusetts also experienced a continued improvement in small business loan volume in 2013. **Other out-of-state lenders experienced increases of 5.8% in the number of CRA-reported small business loans and 1.9% in loan dollars in 2013, following increases of 4.3% and 0.8% respectively in 2012.**

CHART: Other out-of-state lenders experienced modest increases in small business lending volume in 2012 and 2013



Loans with original amounts over \$100,000 accounted for roughly half of the small business loan dollars by out-of-state lenders in 2013 and the average loan size was roughly \$52,000.

CHART: Breakdown by loan amount at other out-of-state lenders (2013)

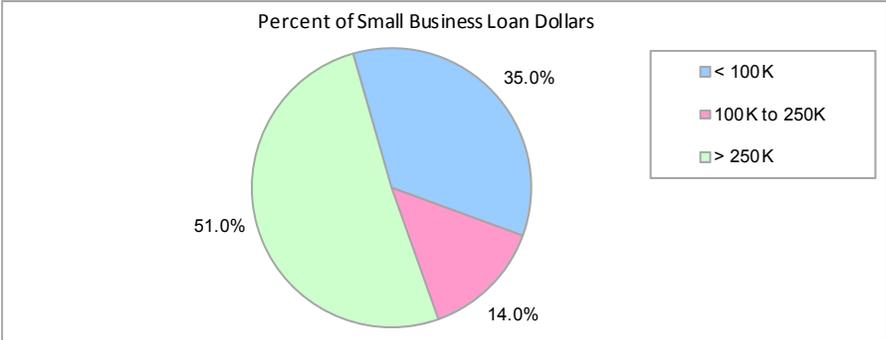
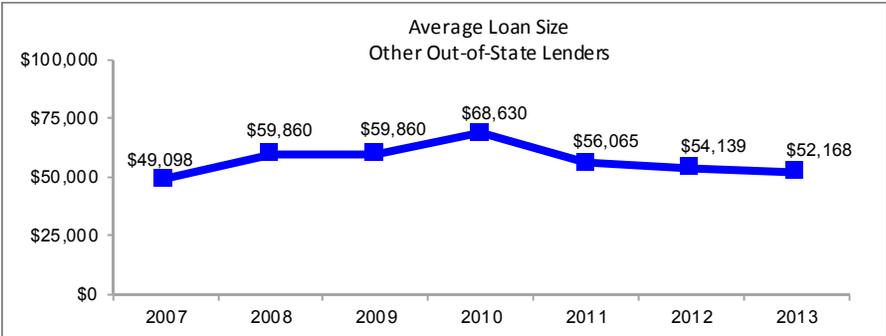
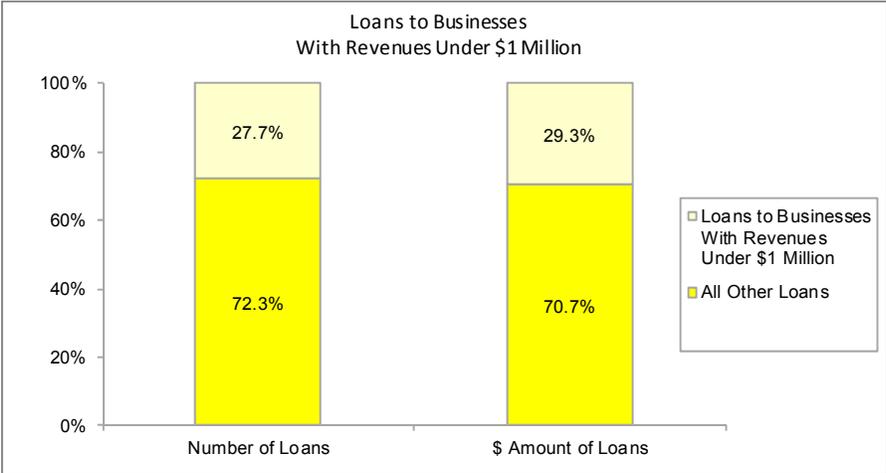


CHART: Average loan size of other out-of-state lenders (2013)



Out-of-state lenders reported 3,241 loans to businesses with revenues under \$1 million in Massachusetts in 2013 for \$178.4 million, which represented 27.7% of the total number of loans originated by out-of-state lenders and 29.3% of the dollar amount of loans.

CHART: Loans to businesses with revenues under \$1 million at out-of-state lenders (2013)



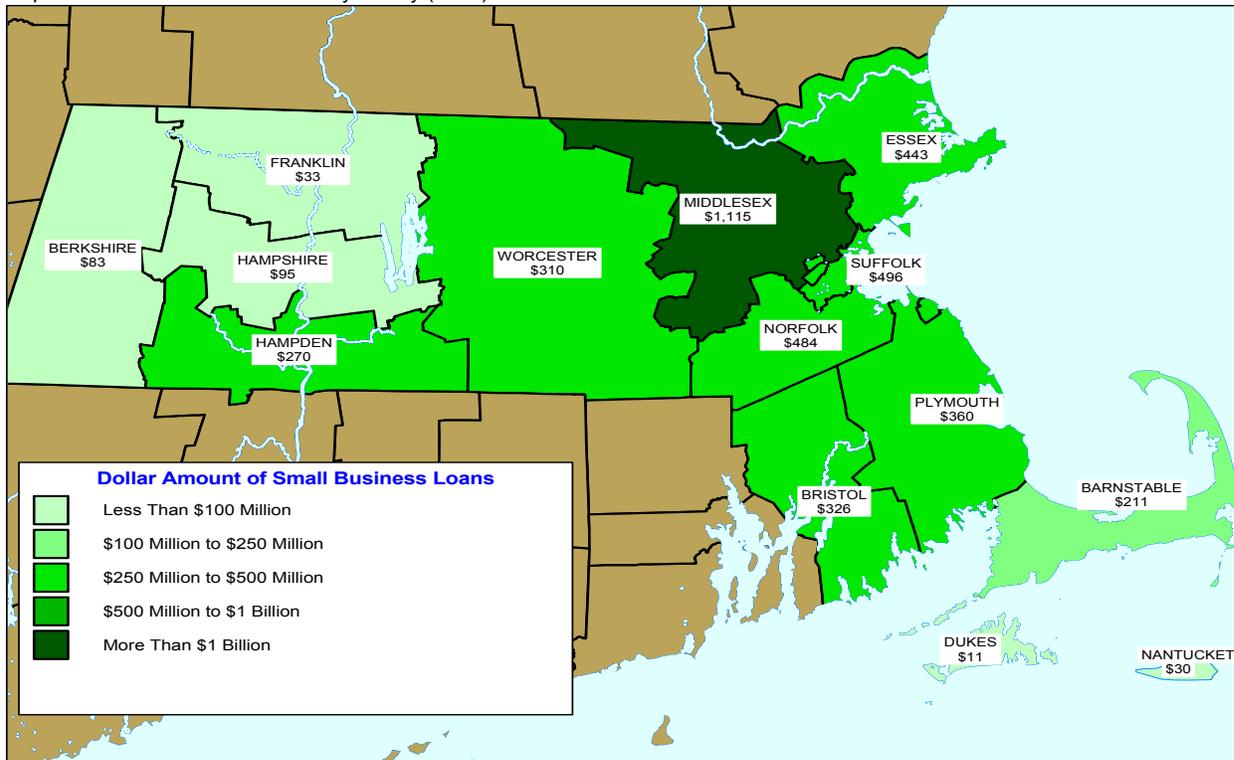
**SMALL BUSINESS LOANS BY COUNTY**

The distribution of small business loans by county in Massachusetts generally follows each county’s percentage of the total state population. In terms of dollar amounts, the volume of small business loans in 2013 ranged from \$1.1 billion in Middlesex County, which accounts for 23.0% of the state’s total population, to \$10.9 million in Dukes County, which accounts for 0.3% of the state’s total population. Detailed small business loan data for all counties can be found in the online appendix at [www.mcbe.info](http://www.mcbe.info).

TABLE: Small business loans by county (2013)

	Number of Loans	% of Total	\$ Amount of Loans (\$000s)	% of Total	Total Population	% of Total
Barnstable	5,041	4.7%	\$211,198	5.0%	215,888	3.3%
Berkshire	2,212	2.1%	\$83,360	2.0%	131,219	2.0%
Bristol	7,272	6.8%	\$325,922	7.6%	548,285	8.4%
Dukes	542	0.5%	\$10,923	0.3%	16,535	0.3%
Essex	11,791	11.0%	\$442,524	10.4%	743,159	11.4%
Franklin	902	0.8%	\$32,627	0.8%	71,372	1.1%
Hampden	5,956	5.5%	\$269,998	6.3%	463,490	7.1%
Hampshire	2,324	2.2%	\$94,608	2.2%	158,080	2.4%
Middlesex	28,537	26.6%	\$1,115,475	26.1%	1,503,085	23.0%
Nantucket	621	0.6%	\$29,536	0.7%	10,172	0.2%
Norfolk	13,001	12.1%	\$483,714	11.3%	670,850	10.2%
Plymouth	8,030	7.5%	\$360,294	8.4%	494,919	7.6%
Suffolk	11,277	10.5%	\$496,478	11.6%	722,023	11.0%
Worcester	9,922	9.2%	\$309,868	7.3%	798,552	12.2%
State Totals	107,428	100.0%	\$4,266,525	100.0%	6,547,629	100.0%

Map: Small business loans dollars by county (2013)

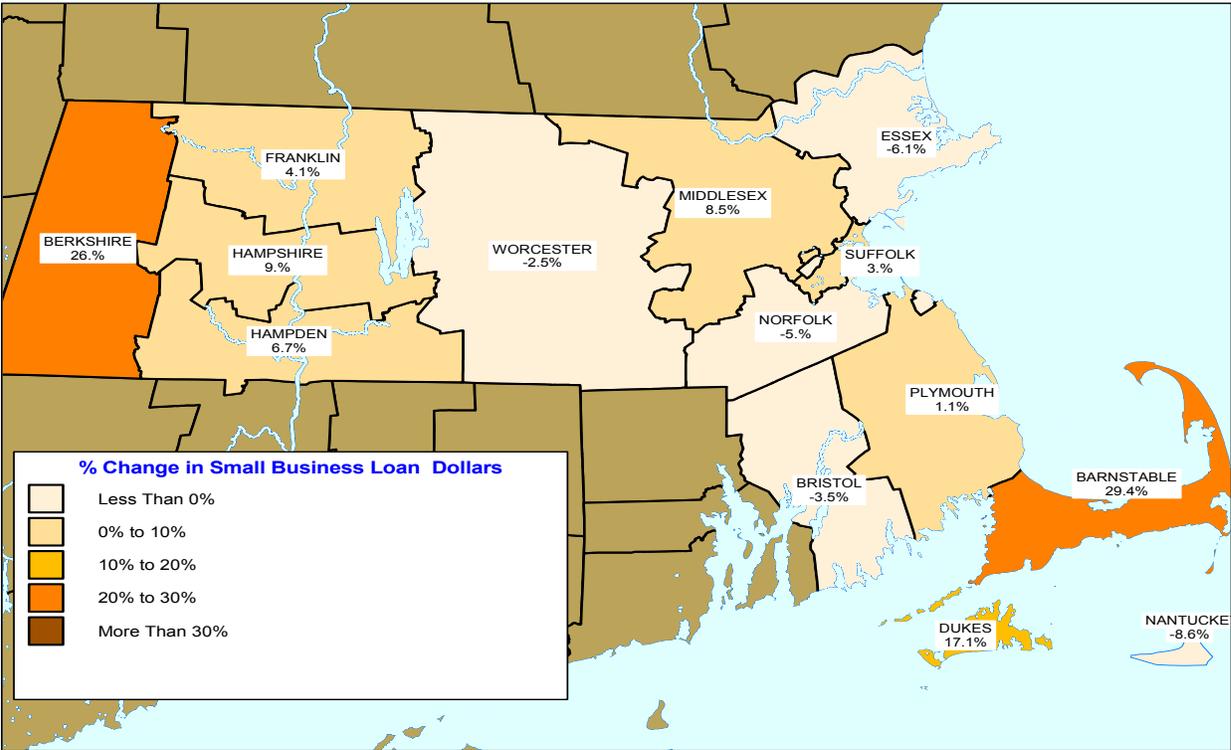


**Nine of the 14 counties in Massachusetts experienced increases in CRA-reported small business lending volume in 2013.** On a percentage basis, the changes in small business loan dollars ranged from a 29.4% increase in Barnstable County to an 8.6% decrease in Nantucket County. In terms of dollar amounts, the changes in small business loan volume from 2012 to 2013 ranged from an increase of \$87.3 million in Middlesex County to an \$28.9 million decrease in Essex County.

TABLE: Change in small business loans by county (2013)

	2013 Change in Number of Loans	% Change	2013 Change in \$ Amount of Loans (\$000s)	% Change	Total Population	% of Total
Barnstable	-234	-4.4%	\$48,010	29.4%	215,888	3.3%
Berkshire	-72	-3.2%	\$17,208	26.0%	131,219	2.0%
Bristol	-1,056	-12.7%	-\$11,915	-3.5%	548,285	8.4%
Dukes	-33	-5.7%	\$1,594	17.1%	16,535	0.3%
Essex	-1,776	-13.1%	-\$28,933	-6.1%	743,159	11.4%
Franklin	-156	-14.7%	\$1,291	4.1%	71,372	1.1%
Hampden	-941	-13.6%	\$16,879	6.7%	463,490	7.1%
Hampshire	-314	-11.9%	\$7,772	9.0%	158,080	2.4%
Middlesex	-1,847	-6.1%	\$87,266	8.5%	1,503,085	23.0%
Nantucket	-37	-5.6%	-\$2,769	-8.6%	10,172	0.2%
Norfolk	-1,449	-10.0%	-\$25,212	-5.0%	670,850	10.2%
Plymouth	-1,131	-12.3%	\$4,012	1.1%	494,919	7.6%
Suffolk	-889	-7.3%	\$14,265	3.0%	722,023	11.0%
Worcester	-1,294	-11.5%	-\$7,968	-2.5%	798,552	12.2%
State Totals	-11,229	-9.5%	\$121,500	2.9%	6,547,629	100.0%

Map: Change in small business loans dollars by county (2013)



## 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, due in part to the large number of cities and towns that make up the Massachusetts small business loan market. The state is made up of 351 cities and towns of which 5 have total populations over 100,000, 20 have populations between 50,000 and 100,000, and 326 have populations under 50,000.

The city of Boston, which accounts for 9.4% of the state's population, received \$463.0 million in CRA-reported small business dollars in 2013 and accounted for 11.2% of the total loan dollars, while the cities of Worcester and Springfield, which account for 2.8% and 2.3% of the state's population respectively, received 1.6% and 1.7% of the total loan dollars in the state.

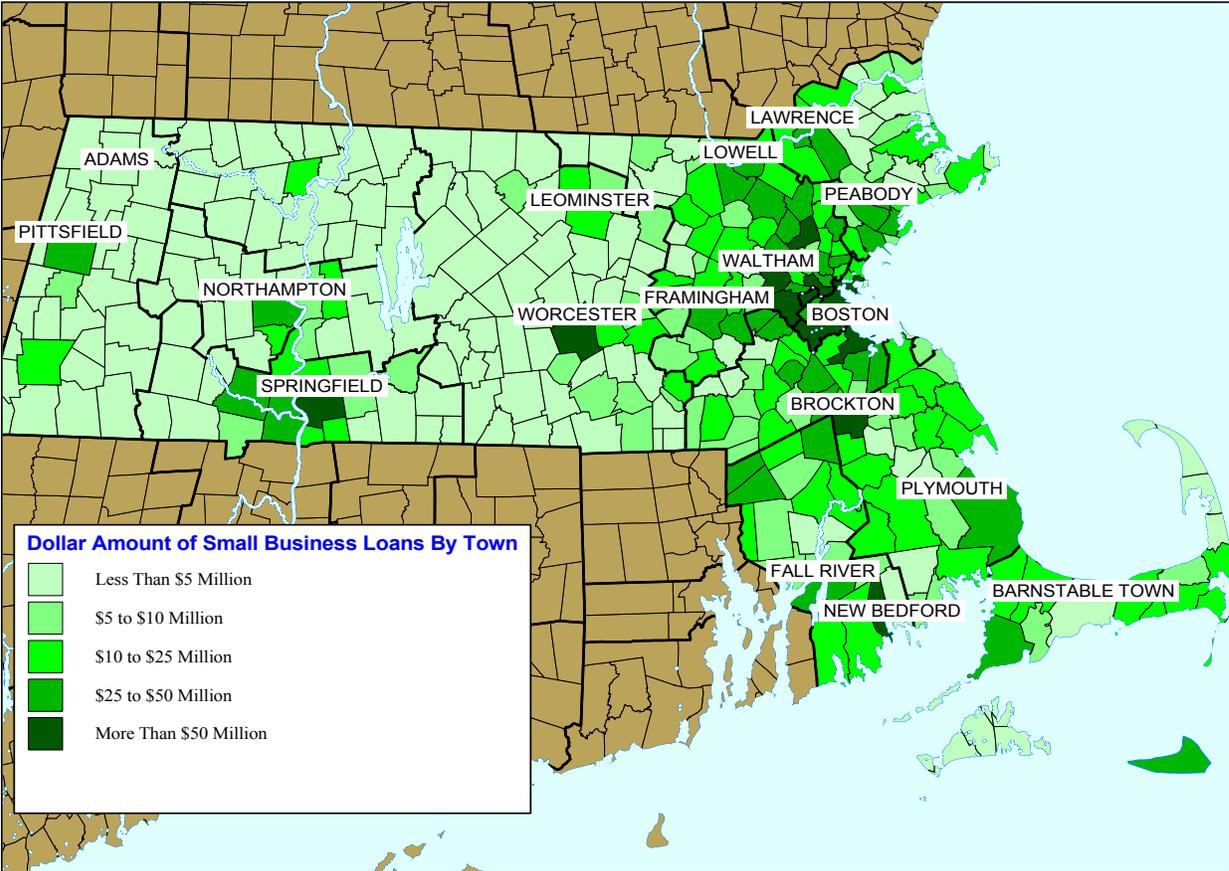
The table below shows the 2013 small business loan volume for the 40 largest cities and towns in Massachusetts sorted by total population. More detailed small business loan data by city and town can be found in the online appendix at [www.mcabc.info](http://www.mcabc.info).

TABLE: Small business loan volume by city and town (2013)

	Number of Loans	% of Total	\$ Amount of Loans (\$000s)	% of Total	Total Population	% of Total
Boston	10,259	8.6%	\$462,968	11.2%	616,955	9.4%
Worcester	1,990	1.7%	\$64,922	1.6%	181,045	2.8%
Springfield	1,436	1.2%	\$70,384	1.7%	153,060	2.3%
Lowell	870	0.7%	\$32,494	0.8%	106,519	1.6%
Cambridge	2,311	1.9%	\$92,355	2.2%	105,162	1.6%
New Bedford	973	0.8%	\$50,330	1.2%	95,072	1.5%
Brockton	1,005	0.8%	\$59,203	1.4%	93,810	1.4%
Quincy	1,483	1.2%	\$54,372	1.3%	92,271	1.4%
Lynn	691	0.6%	\$30,389	0.7%	90,329	1.4%
Fall River	842	0.7%	\$40,822	1.0%	88,857	1.4%
Newton	2,355	2.0%	\$73,756	1.8%	85,146	1.3%
Lawrence	583	0.5%	\$28,751	0.7%	76,377	1.2%
Somerville	994	0.8%	\$39,218	0.9%	75,754	1.2%
Framingham	1,121	0.9%	\$44,571	1.1%	68,318	1.0%
Haverhill	643	0.5%	\$20,639	0.5%	60,879	0.9%
Waltham	1,330	1.1%	\$62,164	1.5%	60,632	0.9%
Malden	758	0.6%	\$31,598	0.8%	59,450	0.9%
Brookline	1,299	1.1%	\$42,637	1.0%	58,732	0.9%
Plymouth	986	0.8%	\$46,010	1.1%	56,468	0.9%
Medford	819	0.7%	\$27,358	0.7%	56,173	0.9%
Taunton	617	0.5%	\$24,372	0.6%	55,874	0.9%
Chicopee	547	0.5%	\$24,575	0.6%	55,298	0.8%
Weymouth	737	0.6%	\$29,247	0.7%	53,743	0.8%
Revere	415	0.3%	\$11,866	0.3%	51,755	0.8%
Peabody	884	0.7%	\$36,559	0.9%	51,251	0.8%
Methuen	581	0.5%	\$22,181	0.5%	47,255	0.7%
Barnstable	1,115	0.9%	\$54,113	1.3%	45,193	0.7%
Pittsfield	748	0.6%	\$35,583	0.9%	44,737	0.7%
Attleboro	528	0.4%	\$25,310	0.6%	43,593	0.7%
Arlington	621	0.5%	\$11,897	0.3%	42,844	0.7%
Everett	486	0.4%	\$18,627	0.4%	41,667	0.6%
Salem	757	0.6%	\$36,327	0.9%	41,340	0.6%
Westfield	578	0.5%	\$31,610	0.8%	41,094	0.6%
Leominster	535	0.5%	\$17,455	0.4%	40,759	0.6%
Fitchburg	346	0.3%	\$17,489	0.4%	40,318	0.6%
Billerica	780	0.7%	\$39,629	1.0%	40,243	0.6%
Holyoke	381	0.3%	\$19,047	0.5%	39,880	0.6%
Beverly	774	0.7%	\$24,815	0.6%	39,502	0.6%
Marlborough	653	0.6%	\$23,963	0.6%	38,499	0.6%
Woburn	1,242	1.0%	\$62,294	1.5%	38,120	0.6%

The following map shows that small business loan dollars in Massachusetts in 2013 continue to be relatively concentrated around the state's urban centers and the I-495/Route 128 high-tech corridor.

MAP: Small business loan dollars by city and town (2013)



When measured at the city and town level, Massachusetts small business lending volume can vary dramatically from year to year due in part to the large number of cities and towns that make up the state as well as the wide geographic distribution of the state's population and businesses.

Of the ten most populated cities in the Commonwealth, five cities experienced strong increases in small business loan dollars in 2013 (Brockton, Cambridge, Lynn, Quincy, and Springfield), while three cities experienced modest increases (Boston, Fall River, and Lowell), and two cities experienced declines (New Bedford and Worcester). The table below shows the 2013 change in small business loan volume for the 40 largest cities and towns in Massachusetts sorted by total population. More detailed small business loan data by city and town can be found in the online appendix at [www.mcabc.info](http://www.mcabc.info).

TABLE: Change in small business loans by city and town (2013)

	2013 Change in Number of Loans	% Change	2013 Change in \$ Amount of Loans (\$000s)	% Change	Total Population	% of Total
Boston	-683	-6.2%	\$19,186	4.3%	616,955	9.4%
Worcester	-261	-11.6%	-\$3,149	-4.6%	181,045	2.8%
Springfield	-203	-12.4%	\$11,978	20.5%	153,060	2.3%
Lowell	-50	-5.4%	\$2,527	8.4%	106,519	1.6%
Cambridge	-156	-6.3%	\$9,344	11.3%	105,162	1.6%
New Bedford	-178	-15.5%	-\$263	-0.5%	95,072	1.5%
Brockton	-168	-14.3%	\$9,734	19.7%	93,810	1.4%
Quincy	-119	-7.4%	\$6,828	14.4%	92,271	1.4%
Lynn	-92	-11.7%	\$3,774	14.2%	90,329	1.4%
Fall River	-143	-14.5%	\$883	2.2%	88,857	1.4%
Newton	-264	-10.1%	-\$3,748	-4.8%	85,146	1.3%
Lawrence	-119	-17.0%	-\$1,837	-6.0%	76,377	1.2%
Somerville	-10	-1.0%	\$8,808	29.0%	75,754	1.2%
Framingham	-127	-10.2%	\$709	1.6%	68,318	1.0%
Haverhill	-70	-9.8%	-\$7,879	-27.6%	60,879	0.9%
Waltham	-108	-7.5%	-\$5,877	-8.6%	60,632	0.9%
Malden	53	7.5%	\$6,078	23.8%	59,450	0.9%
Brookline	-80	-5.8%	\$4,879	12.9%	58,732	0.9%
Plymouth	-118	-10.7%	\$8,079	21.3%	56,468	0.9%
Medford	-27	-3.2%	\$2,573	10.4%	56,173	0.9%
Taunton	-77	-11.1%	-\$4,411	-15.3%	55,874	0.9%
Chicopee	-53	-8.8%	\$10,582	75.6%	55,298	0.8%
Weymouth	-109	-12.9%	-\$6,759	-18.8%	53,743	0.8%
Revere	-105	-20.2%	-\$3,055	-20.5%	51,755	0.8%
Peabody	-71	-7.4%	-\$1,828	-4.8%	51,251	0.8%
Methuen	-68	-10.5%	\$3,605	19.4%	47,255	0.7%
Barnstable	-44	-3.8%	\$20,558	61.3%	45,193	0.7%
Pittsfield	76	11.3%	\$6,614	22.8%	44,737	0.7%
Attleboro	-46	-8.0%	-\$14,302	-36.1%	43,593	0.7%
Arlington	-87	-12.3%	-\$3,907	-24.7%	42,844	0.7%
Everett	20	4.3%	\$2,189	13.3%	41,667	0.6%
Salem	-72	-8.7%	-\$1,072	-2.9%	41,340	0.6%
Westfield	-162	-21.9%	-\$3,147	-9.1%	41,094	0.6%
Leominster	-25	-4.5%	-\$2,314	-11.7%	40,759	0.6%
Fitchburg	-96	-21.7%	-\$959	-5.2%	40,318	0.6%
Billerica	18	2.4%	\$5,087	14.7%	40,243	0.6%
Holyoke	-46	-10.8%	\$2,416	14.5%	39,880	0.6%
Beverly	-136	-14.9%	-\$3,627	-12.8%	39,502	0.6%
Marlborough	-122	-15.7%	\$212	0.9%	38,499	0.6%
Woburn	-54	-4.2%	-\$3,767	-5.7%	38,120	0.6%

## **SECTION II**

**SMALL BUSINESS LENDING IN TRADITIONALLY UNDERSERVED AREAS:**

**A CRA PERSPECTIVE**

**INCOME LEVEL, RACE, & BUSINESS DEMOGRAPHICS**

The intent of the federal 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 level and the racial composition of local communities.

Readers should be aware that the demographic data used in this report is based on the 2010 decennial census data, which banks were required to begin using in 2012 for the purposes of compiling their annual CRA submissions. The 2010 census data, reflects significant changes in census tract boundaries and demographic data, including data pertaining to income level classifications and racial composition, which can make it difficult to interpret changes in small business lending patterns.

Based on the 2010 census data, there are 160 low income census tracts and 295 moderate income census tracts in Massachusetts, which account for 8.9% and 18.9% of the total population of the state.

TABLE : Population by income level in Massachusetts Based on 2010 Census

Census Tract Income Level	Number of Census Tracts	Total Population	% of Total	Minority Population %
Low	160	584,496	8.9%	64.9%
Moderate	295	1,238,590	18.9%	42.0%
Middle	600	2,800,664	42.8%	15.4%
Upper	399	1,913,778	29.2%	11.9%
NA	20	10,101	0.2%	35.6%
Totals	1,474	6,547,629	100.0%	23.9%
Low & Moderate Combined	455	1,823,086	27.8%	49.3%

In comparison, based on the 2000 census data there were 114 low income census tracts and 295 moderate income census tracts in Massachusetts, accounting for 5.7% and 20.5% of the total population of the state. A summary of the 2000 census data by income level is shown below, for comparative purposes.

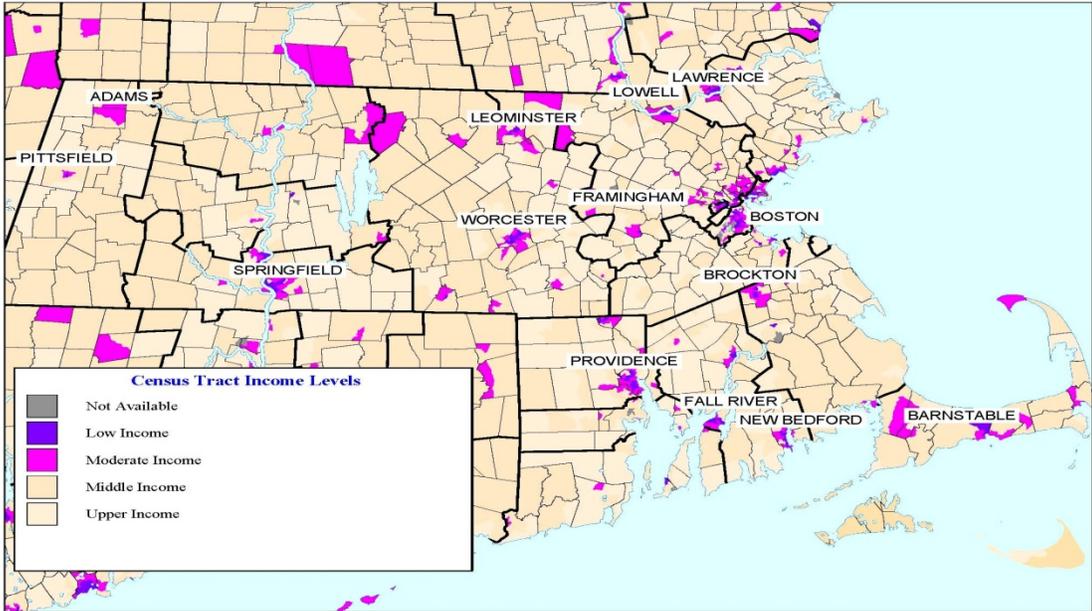
TABLE : Population by income level in Massachusetts Based on 2000 Census

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%
Low & Moderate Combined	409	1,669,814	26.4%	42.5%

Census data has historically shown 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.

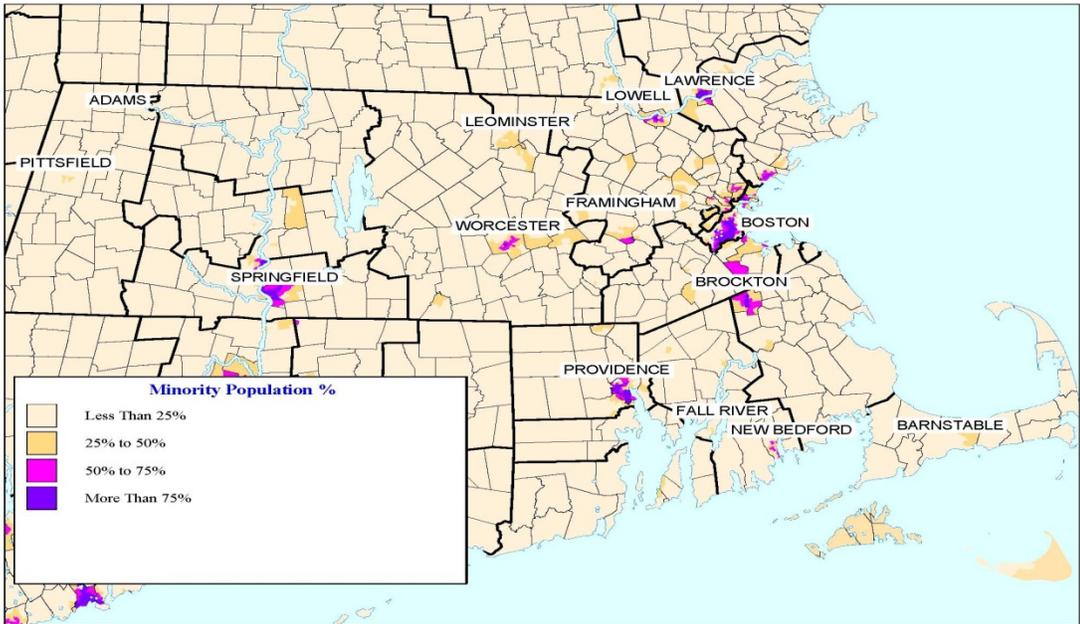
Based on the 2010 census data, low income and moderate income areas are spread out over 74 cities and towns across the state, including 24 cities and towns that have both low and moderate income areas.

MAP : Low and moderate income census tracts are shown in shades of purple



The areas of concentration of the state’s minority population are shown in the following map.

MAP : High minority census tracts are shown in shades of purple



Based on the 2010 census data, minorities account for approximately 23.9% of the total population of the state. Blacks, Hispanics, and Asians represent the largest minority groups. There are 102 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 412 mixed-race census tracts where the minority population is between 25% and 75% of the total population. Of the high minority tracts, 48 are located in Boston, 15 are located in Lawrence, 14 are located in Springfield, and the remaining 25 census tracts are located in Brockton, Chelsea, Framingham, Holyoke, Lowell, Lynn, and Worcester.

TABLES : Massachusetts population totals by race and neighborhood racial composition

	Total Population	% of Total		Number of Census Tracts	Total Population	% of Total
Asian	347,495	5.3%	High Minority (> 75% Minority)	102	370,843	5.7%
Black	391,693	6.0%	Mixed-Race	412	1,728,232	26.4%
Hispanic	627,654	9.6%	White (> 75% White)	960	4,448,554	67.9%
Other Race	195,987	3.0%	Total	1,474	6,547,629	100.0%
White	4,984,800	76.1%				
Total	6,547,629	100.0%				
All Minorities Combined	1,562,829	23.9%				

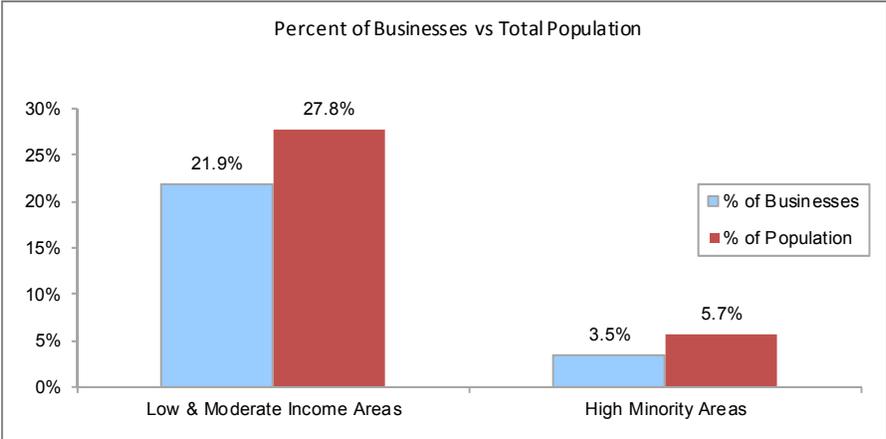
To evaluate whether race is a more important factor than income level in determining lending patterns, this report also utilizes demographic categories that take both income level and race into account as illustrated in the table below. To simplify our analysis, we have combined low and moderate income tracts together as one group and combined middle and upper income tracts together as another group. The demographic data for Massachusetts shows that there are slightly more minority residents living in low and moderate income areas (352,067 or 5.4% of the total population) as there are white residents (340,873 or 5.2% of the total). At the same time, however, the data shows that there are substantially fewer minority residents living in middle and upper income areas.

TABLE : Neighborhood composition by race and income level

	Number of Census Tracts	Total Population	% of Total
High Minority & Low-Moderate	96	352,067	5.4%
High Minority & Middle-Upper	4	18,336	0.3%
Mixed-Race & Low-Moderate	269	1,130,146	17.3%
Mixed-Race & Middle-Upper	130	593,250	9.1%
White & Low-Moderate	90	340,873	5.2%
White & Middle-Upper	865	4,102,856	62.7%
Not Available	20	10,101	0.2%
Totals	1,474	6,547,629	100.0%

It is important to note that the distribution of businesses across the state, does not always mirror the demographic characteristics of the local population. According to Dunn & Bradstreet, a leading source of business demographic data, low and moderate income census tracts in Massachusetts account for 27.8% of the total population, but are home to just 21.9% of the businesses in the state. Similarly, census tracts with high minority populations account for 5.7% of the total population, but account for just 3.5% of the business establishments.

CHART: Distribution of businesses in lower income areas and high minority areas



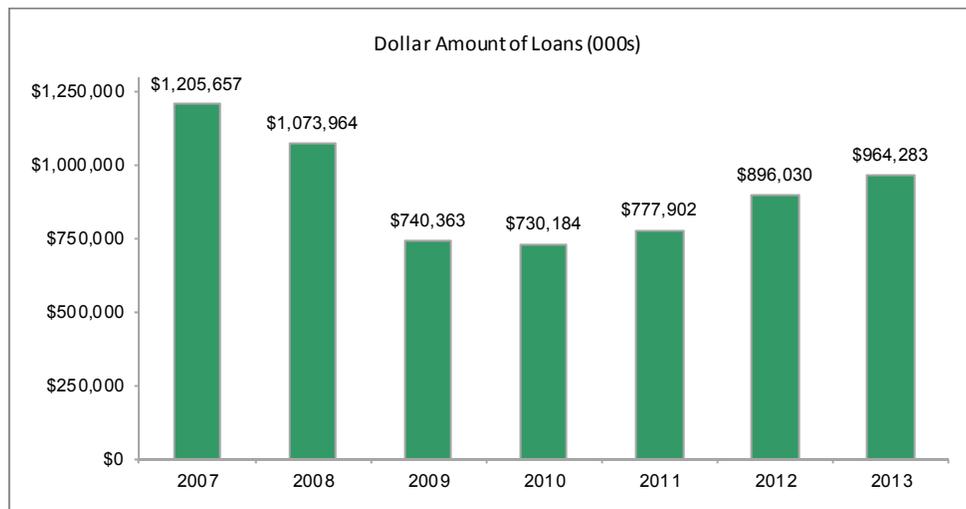
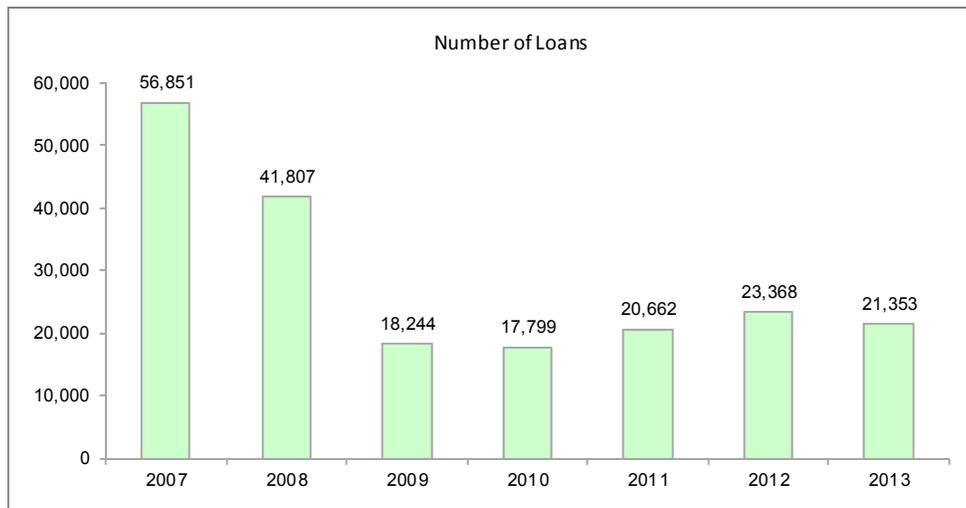
To facilitate comparisons between geographic areas and across demographics lines, this section of the report also includes an analysis of lending rates, measured in the amount of loans per 100 firms, which provides a mechanism for evaluating the extent to which various demographic characteristics influence lending patterns. As an example, a finding that the lending rates in high minority, lower income census tracts significantly diverge from the lending rates in white, lower income census tracts, would tend to indicate that the racial makeup of the community could potentially be a more important factor than the income level of the neighborhood.

**SMALL BUSINESS LENDING IN LOWER INCOME AREAS**

**Based on the annual CRA data, businesses in low and moderate income census tracts in Massachusetts received a total of 21,353 small business loans in 2012 for \$964.3 million, compared to the previous year when such borrowers received 23,368 loans for \$896.0 million.**

While small business loan dollars in low and moderate income census tracts have increased moderately over the past three years, they remain well below the highs achieved in 2007 prior to the recent financial crisis.

CHARTS: Small business lending in lower income areas increased strongly in Massachusetts in 2013 but remain below the highs achieved in 2007



**Low and moderate income census tracts continued to receive a smaller share of small business loans in 2013 than one might expect given the local demographics.** Low and moderate income census tracts, which account for 28.9% of the total population of Massachusetts, received 19.9% of the total number of CRA-reported small business loans in the state in 2013 and 22.6% of the total loan dollars. 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 the results of other New England states and the US as a whole.

TABLE : Small business loans in low and moderate income census tracts by state (2013)

	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	21,353	19.9%	\$964,283	22.6%	1,823,086	27.8%
Connecticut	12,772	19.9%	\$549,840	23.5%	1,032,110	28.9%
Maine	3,177	13.6%	\$193,986	16.6%	178,918	13.5%
New Hampshire	3,571	16.8%	\$131,301	18.5%	266,062	20.2%
Rhode Island	3,341	22.2%	\$164,679	25.2%	313,315	29.8%
Vermont	1,655	15.9%	\$81,940	17.0%	113,171	18.1%
Totals	45,869	19.0%	\$2,086,029	21.7%	3,726,662	25.8%
Memo: US Total	1,028,767	21.1%	\$50,703,531	24.8%	86,951,090	27.8%

TABLE : Small business loans in Massachusetts by income level (2013)

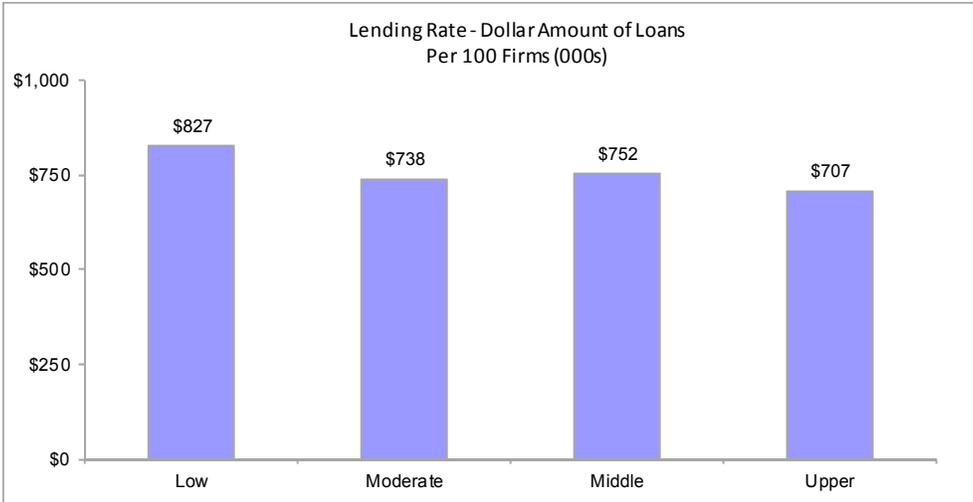
	Number of Loans	% of Total	\$ Amount of Loans (000s)	% of Total	Total Population	% of Total
Low	6,881	6.4%	\$357,778	8.4%	584,496	8.9%
Moderate	14,472	13.5%	\$606,505	14.2%	1,238,590	18.9%
Middle	45,303	42.2%	\$1,799,291	42.2%	2,800,664	42.8%
Upper	38,846	36.2%	\$1,468,179	34.4%	1,913,778	29.2%
NA	1,926	1.8%	\$34,772	0.8%	10,101	0.2%
Totals	107,428	100.0%	\$4,266,525	100.0%	6,547,629	100.0%
Memo: Low & Moderate	21,353	19.9%	\$964,283	22.6%	1,823,086	27.8%

Note: The category "NA" includes 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 in Massachusetts, measured in the amount of loan dollars per 100 firms, were recorded in upper income communities in 2013 for the second consecutive year.** Low and moderate income census tracts received an aggregate \$827,000 and \$738,000 per 100 businesses respectively, while middle and upper income census tracts in Massachusetts received an aggregate \$752,000 and \$707,000 per 100 businesses. The 2013 results represent the second time in the past six years when the lowest overall lending rates were not in low or moderate income census tracts.

TABLE : The highest lending rates in Massachusetts were recorded in middle income areas in 2012 while moderate income areas experienced the lowest lending rates

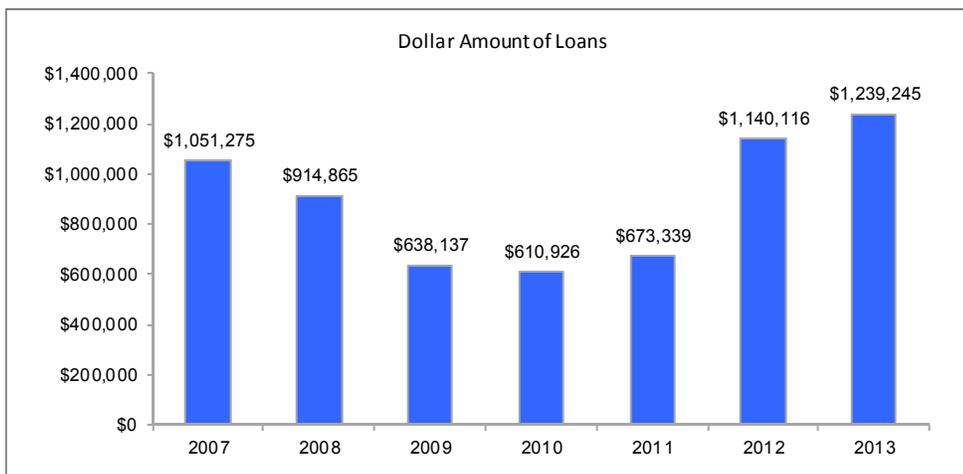
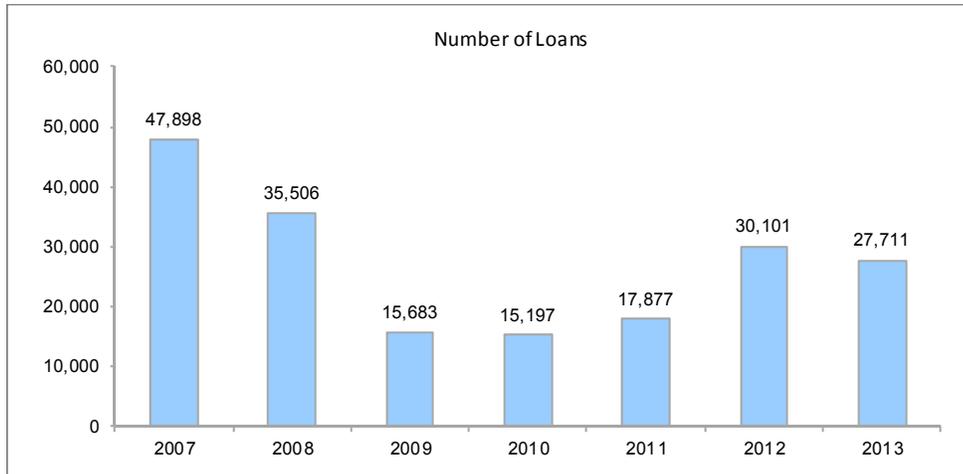


	Lending Rate Per 100 Firms (000s)	% of Overall Lending Rate	2013 Change in Lending Rate
Low	\$827	111.2%	17.8%
Moderate	\$738	99.2%	2.4%
Middle	\$752	101.1%	1.4%
Upper	\$707	94.9%	2.8%
Totals	\$744	100.0%	2.9%
Memo: Low & Moderate Areas	\$769	103.3%	7.6%

## SMALL BUSINESS LENDING IN HIGH MINORITY AREAS

**The overall dollar volume of loans in high minority areas in Massachusetts has increased over each of the past three years and now surpasses the highs achieved in prior to the recent financial crisis.** Businesses in high minority and mixed-race communities across the state received a reported 27,711 small business loans for \$1.2 billion in 2013, compared to the previous year when such businesses reported 30,101 loans for \$1.1 billion.

CHARTS: The number and dollar volume of small business loans in minority census tracts and mixed-race census tracts in Massachusetts increased in 2013



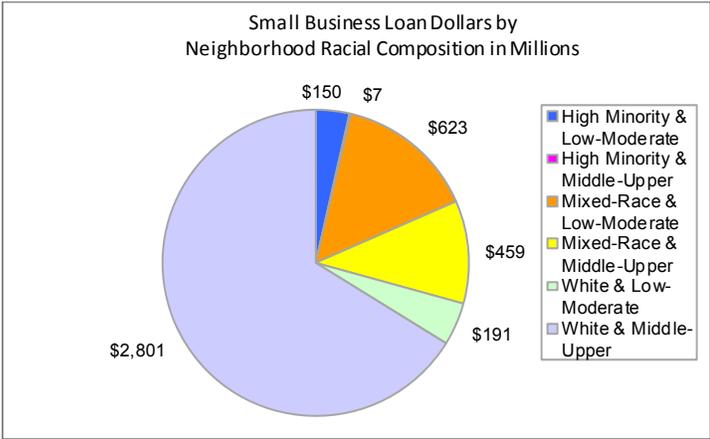
The lower income communities with the highest minority populations in Massachusetts received 2,818 small business loans in 2013 for \$150.1 million, which represents 2.6% of the number of loans and 3.5% of the dollar amount of loans. Lower income mixed-race communities received 13,677 loans for \$622.9 million, representing 12.7% of the number of loans and 14.6% 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, only higher income mixed race and white communities received larger shares of loan dollars in 2013 compared to their shares of the state’s total population.

TABLE : Most neighborhood categories received a smaller share of loans dollars in 2013 than one might expect given their share of the state’s total population, except higher income mixed race and white neighborhoods which received larger shares

	Number of Loans	% of Total	\$ Amount of Loans (000s)	% of Total	Total Population	% of Total
High Minority & Low-Moderate	2,818	2.6%	\$150,068	3.5%	352,067	5.4%
High Minority & Middle-Upper	121	0.1%	\$6,990	0.2%	18,336	0.3%
Mixed-Race & Low-Moderate	13,677	12.7%	\$622,920	14.6%	1,130,146	17.3%
Mixed-Race & Middle-Upper	11,095	10.3%	\$459,267	10.8%	593,250	9.1%
White & Low-Moderate	4,858	4.5%	\$191,295	4.5%	340,873	5.2%
White & Middle-Upper	72,933	67.9%	\$2,801,213	65.7%	4,102,856	62.7%
NA	1,926	1.8%	\$34,772	0.8%	10,101	0.2%
Totals	107,428	100.0%	\$4,266,525	100.0%	6,547,629	100.0%

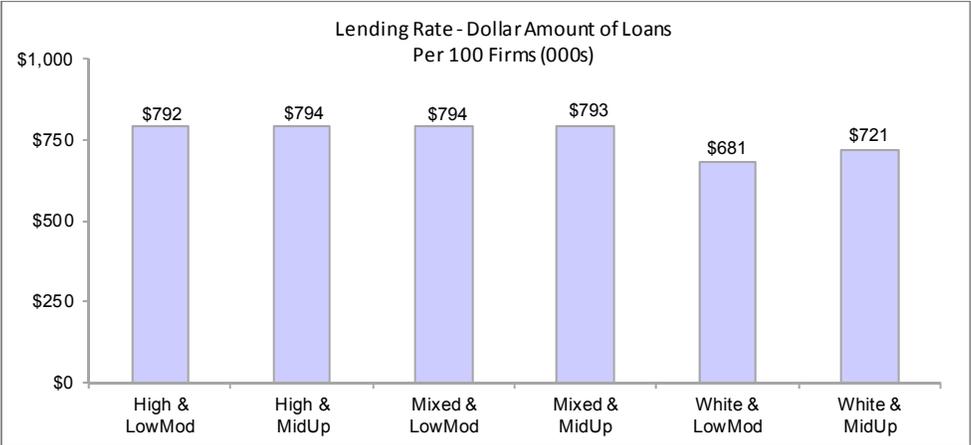
Note: The category “NA” includes small business loans where the CRA reporter did not record the census tract location of the loan

CHART : The lower income communities in Massachusetts with the highest minority populations received \$150 million in small business loans in 2013



**The lowest lending rates in Massachusetts in 2013 were recorded in white communities which marks a change compared to previous years when the lowest lending rates were in high minority communities.** High minority census tracts in lower income areas in Massachusetts received \$792,000 per 100 businesses while high minority census tracts in middle and upper income areas in Massachusetts, which account for just a handful of census tracts, received \$794,000 per 100 businesses. In comparison, lower income white communities received an average \$681,000 per 100 businesses while middle and upper income white communities received \$721,000. With the exception of the current period reviewed, lower income minority neighborhoods in Massachusetts have experienced lower lending rates than lower income white neighborhoods in six of the past seven years.

CHART & TABLE: The lowest lending rates were recorded in high minority areas in 2013



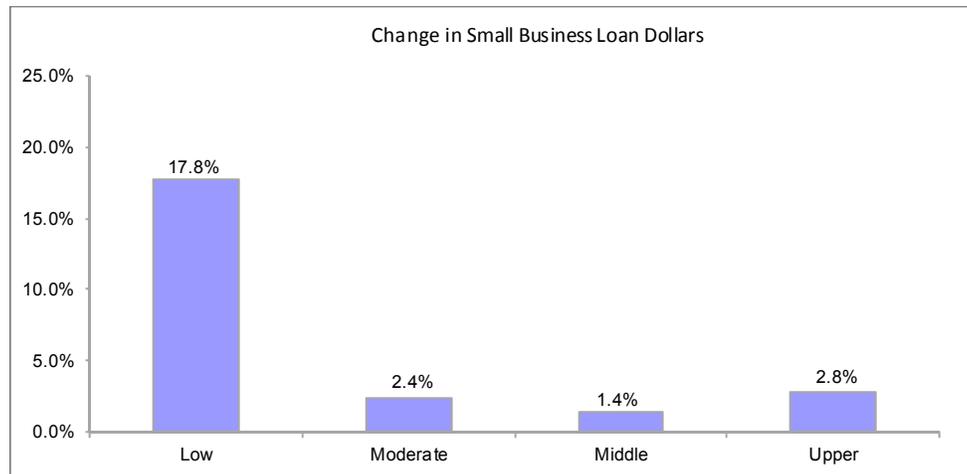
	Lending Rate Per 100 Firms (000s)	% of Overall Lending Rate	2013 Change in Lending Rate
High Minority & Low-Moderate	\$792	106.5%	15.7%
High Minority & Middle-Upper	\$794	106.7%	86.8%
Mixed-Race & Low-Moderate	\$794	106.7%	11.5%
Mixed-Race & Middle-Upper	\$793	106.6%	2.6%
White & Low-Moderate	\$681	91.6%	-7.8%
White & Middle-Upper	\$721	97.0%	1.8%
Totals	\$744	100.0%	2.9%

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.

## SMALL BUSINESS LOAN GROWTH

**Lower income areas in Massachusetts experienced substantial increases in small business loan dollars in 2013, while middle and upper income areas experienced more modest increases.** Low and moderate income census tracts in Massachusetts experienced overall increases of 17.8% and 2.4% in small business loan dollars from 2012 to 2013 while middle and upper income census tracts experienced increases of 1.4% and 2.8%.

TABLE & CHART: Low income census tracts experienced the largest increase in small business loan dollars in 2013

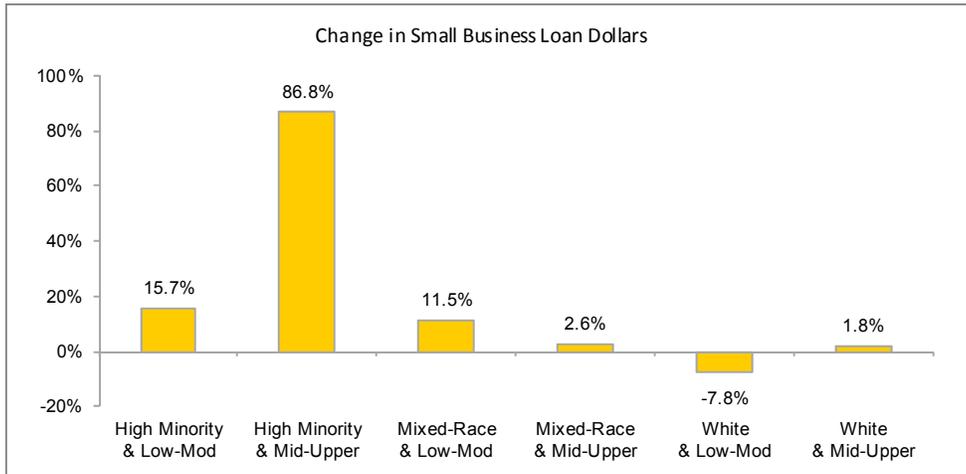


	2013 Change in Number of Loans	% Change	2013 Change in \$ Amount of Loans	% Change
Low	-537	-7.2%	\$53,941	17.8%
Moderate	-1,478	-9.3%	\$14,312	2.4%
Middle	-4,604	-9.2%	\$25,381	1.4%
Upper	-3,888	-9.1%	\$39,320	2.8%
NA	-722	-27.3%	-\$11,454	-24.8%
Totals	-11,229	-9.5%	\$121,500	2.9%
Memo: Low & Moderate	-2,015	-8.6%	\$68,253	7.6%

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

When the racial composition of the area is also taken into consideration, the 2013 CRA data shows somewhat more variability related to the change in small business loan volume between communities. As an example, while high minority neighborhoods in lower income areas experienced a 15.7% increase in small business loan volume in 2013, white neighborhoods in lower income areas experienced a 7.8% decline.

CHART & TABLE: High minority communities in Massachusetts experienced a larger increase in small business loan volume in 2013 than other areas



	2013 Change in Number of Loans	% Change	2013 Change in \$ Amount of Loans	% Change
High Minority & Low-Moderate	-427	-13.2%	\$20,395	15.7%
High Minority & Middle-Upper	-43	-26.2%	\$3,249	86.8%
Mixed-Race & Low-Moderate	-1,165	-7.8%	\$64,045	11.5%
Mixed-Race & Middle-Upper	-755	-6.4%	\$11,440	2.6%
White & Low-Moderate	-423	-8.0%	-\$16,187	-7.8%
White & Middle-Upper	-7,694	-9.5%	\$50,012	1.8%
NA	-722	-27.3%	-\$11,454	-24.8%
Totals	-11,229	-9.5%	\$121,500	2.9%

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

The dramatic slowdown in small business lending since 2007 has placed additional pressures on all communities across the state, particularly lower income neighborhoods and high minority areas. The economic revitalization of these traditionally underserved communities depends to a large extent on an extended recovery in small business lending and continued reduction in lending gaps.

**THE ROLE OF LOCAL LENDERS**

**Local CRA lenders continued to account for the vast majority of small business loans dollars in low and moderate income census tracts across the state.** Local CRA lenders made a total of 4,534 loans for \$714.0 million in 2013, representing 21.2% of the total number of small business loans in low and moderate income areas and 74.0% of loan dollars. In comparison, local CRA lenders accounted for 18.4% of the number of small business loans in lower income areas and 74.4% of loan dollars in 2012.

TABLE & CHART: Local lenders accounted for a substantial majority of the small business loan dollars in in lower income areas in 2013

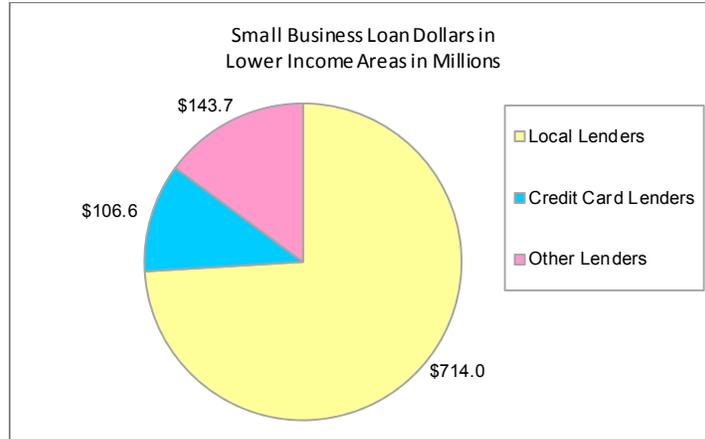
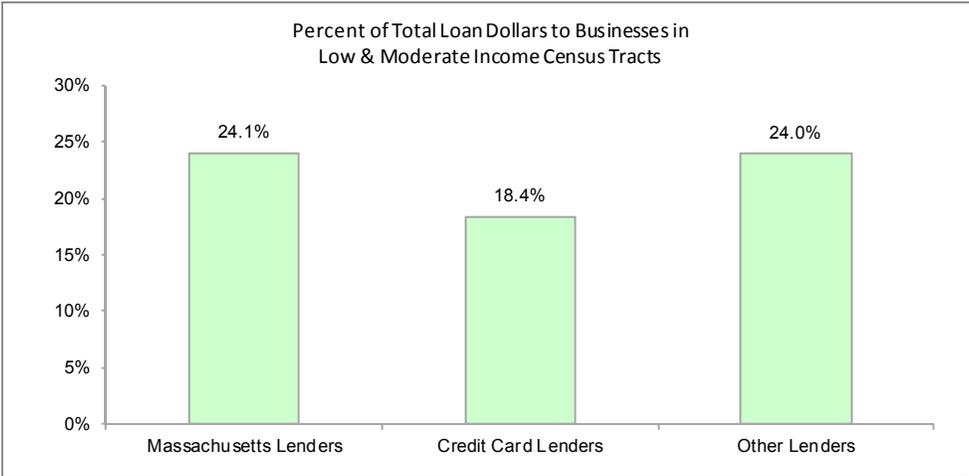


TABLE : Change in small business loans in lower income areas (2013)

	Number of Loans	% of Total	\$ Amount of Loans (000s)	% of Total
Local Lenders	4,534	21.2%	\$713,989	74.0%
Credit Card Lenders	14,092	66.0%	\$106,643	11.1%
Other Lenders	2,727	12.8%	\$143,651	14.9%
Totals	21,353	100.0%	\$964,283	100.0%

Local lenders and traditional out-of-state lenders historically make a larger percentage of their loans in low and moderate income census tracts than credit card lenders. In 2013 local lenders and traditional out-of-state lenders made 24.1% and 24.0% of their overall small business loan dollars in low and moderate income areas across the state respectively, compared to 18.4% for credit card lenders. The 2013 results are fairly typical of the results in previous years.

CHART: Local lenders and other out-of-state lenders made a larger percentage of their loans in low and moderate income tracts than credit card lenders in 2013



Local lenders reported an overall 5.4% increase in the number of small business loans in lower income areas in 2013 and a 7.1% increase in the dollar amount of such loans, and credit card lenders and other out-of-state lenders also recorded increases in lending volume in 2013.

TABLE : Change in small business loans in lower income areas (2013)

	2013 Change in Number of Loans	% Change	2013 Change in \$ Amount of Loans (000s)	% Change
Local Lenders	233	5.4%	\$47,262	7.1%
Credit Card Lenders	-2,197	-13.5%	\$3,643	3.5%
Other Lenders	-51	-1.8%	\$17,348	13.7%
Totals	-2,015	-8.6%	\$68,253	7.6%

It is important to note that the local lenders that are included in the 2013 CRA data are considered to be *CRA-covered* lenders in that most of their banking activities in Massachusetts are subject to a CRA regulatory review which places an emphasis on lending in lower income and traditional underserved areas. Credit card lenders and other out-of-state lenders that do not have a branch presence in Massachusetts are considered *non-covered* lenders in that their banking activities in Massachusetts are not typically subject to such as CRA regulatory review.

The following table shows the statewide small business loan volume in low income and moderate areas of the state for local lenders that reported small business lending activity in 2013. More detailed information on these lenders is provided in the online appendix at [www.mcbsc.info](http://www.mcbsc.info).

TABLE: Small business loans in lower income areas by local lenders in Massachusetts (2013)

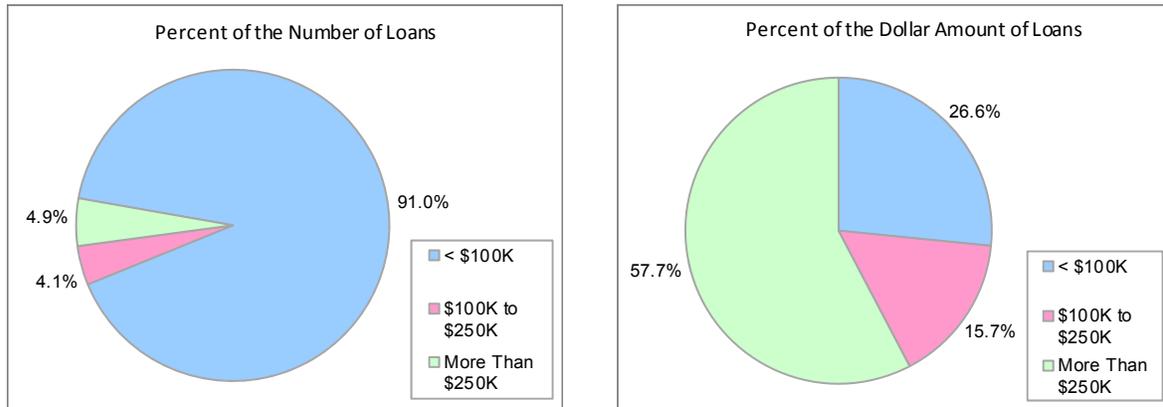
	Town	Massachusetts Deposits 6/30/2013 (\$000s)	Number of Loans	\$ Amount of Loans (\$000s)	\$ Average Loan Size (\$000s)
**BANK OF AMERICA, N.A.	WESTLAKE VILLAGE	\$57,995,513	529	\$85,471	\$162
EASTERN BANK	LYNN	\$6,970,387	328	\$73,740	\$225
ROCKLAND TRUST COMPANY	PLYMOUTH	\$4,693,716	315	\$65,226	\$207
**TD BANK N.A.	WILMINGTON	\$11,666,781	598	\$52,208	\$87
**SANTANDER BANK N.A.	WILMINGTON	\$18,361,604	330	\$38,387	\$116
ENTERPRISE BANK AND TRUST CO	LOWELL	\$1,439,876	198	\$29,792	\$150
**RBS CITIZENS, N.A.	PROVIDENCE	\$29,028,904	686	\$26,922	\$39
EAST BOSTON SAVINGS BANK	PEABODY	\$2,066,846	65	\$24,899	\$383
SALEM FIVE CENTS SAVINGS BANK	SALEM	\$2,206,942	93	\$24,340	\$262
COMMERCE BANK & TRUST COMPANY	WORCESTER	\$1,554,606	86	\$22,059	\$257
WESTFIELD BANK	WESTFIELD	\$783,224	118	\$20,333	\$172
CENTURY BANK	MEDFORD	\$2,655,117	106	\$19,015	\$179
BERKSHIRE BANK	PITTSFIELD	\$2,070,585	115	\$16,778	\$146
BROOKLINE BANK	BOSTON	\$2,209,761	55	\$16,619	\$302
CAMBRIDGE SAVINGS BANK	ARLINGTON	\$2,032,226	44	\$14,792	\$336
BRISTOL COUNTY SAVINGS BANK	TAUNTON	\$1,036,115	65	\$13,935	\$214
UNITED BANK	WEST SPRINGFIELD	\$1,351,859	73	\$13,728	\$188
BOSTON PRIVATE BANK & TRUST CO	BOSTON	\$3,011,441	39	\$13,467	\$345
CAPE COD FIVE CENTS SAVINGS BA	ORLEANS	\$2,095,744	71	\$11,849	\$167
BAYCOAST BANK	FALL RIVER	\$737,141	72	\$11,791	\$164
HAMPDEN BANK	SPRINGFIELD	\$476,577	40	\$11,241	\$281
BANK OF CAPE COD	HYANNIS	\$164,224	29	\$8,991	\$310
MUTUALONEBANK	FRAMINGHAM	\$439,263	39	\$7,961	\$204
NORTHERN BANK & TRUST COMPANY	WOBURN	\$790,058	28	\$7,610	\$272
CAPE COD COOPERATIVE BANK	YARMOUTH PORT	\$540,279	32	\$7,608	\$238
MIDDLESEX SVG BK	WESTBOROUGH	\$3,517,369	41	\$7,329	\$179
WATERTOWN SAVINGS BANK	WATERTOWN	\$978,612	24	\$7,247	\$302
PEOPLESBANK	HOLYOKE	\$1,468,976	30	\$6,186	\$206
FIRST IPSWICH BANK	IPSWICH	\$249,717	17	\$6,134	\$361
CAMBRIDGE TRUST COMPANY	CAMBRIDGE	\$1,248,783	28	\$5,909	\$211
THE LOWELL FIVE CENT SAVINGS B	LOWELL	\$780,597	26	\$5,555	\$214
UNIBANK FOR SAVINGS	WHITINSILLE	\$1,361,753	23	\$4,645	\$202
FIDELITY BANK	LEOMINSTER	\$431,364	22	\$3,868	\$176
GREENFIELD SAVINGS BANK	GREENFIELD	\$468,656	22	\$3,594	\$163
SOUTH SHORE BANK	SO WEYMOUTH	\$687,003	13	\$3,230	\$248
FLORENCE SAVINGS BANK	FLORENCE	\$863,712	16	\$3,164	\$198
EAGLE BANK	EVERETT	\$361,616	15	\$3,145	\$210
EAST CAMBRIDGE SAVINGS BANK	CAMBRIDGE	\$737,888	13	\$2,843	\$219
EASTHAMPTON SAVINGS BANK	EASTHAMPTON	\$803,075	22	\$2,318	\$105
CAPE ANN SAVINGS BANK	GLOUCESTER	\$331,288	26	\$2,289	\$88
HINGHAM INSTITUTION FOR SAVING	HINGHAM	\$895,474	7	\$2,264	\$323
WEBSTER FIVE CENTS SAVINGS BAN	WORCESTER	\$436,507	19	\$2,231	\$117
COUNTRY BANK FOR SAVINGS	WARE	\$950,691	9	\$1,843	\$205
BELMONT SAVINGS BANK	BELMONT	\$711,597	2	\$560	\$280
THE SAVINGS BANK	WAKEFIELD	\$392,358	2	\$550	\$275
NORTH EASTON SAVINGS BANK	EASTON	\$445,161	2	\$266	\$133
INSTITUTION FOR SAVINGS	NEWBURYPORT	\$1,206,641	1	\$57	\$57
LOCAL LENDER TOTALS			4,534	\$713,989	\$157

\*\* Denotes local commercial banks headquartered outside Massachusetts

**BREAKDOWN BY ORIGINAL LOAN AMOUNT**

Small business loans under \$100,000 accounted for 91.0% of the total number of loans in lower income areas in 2013 and 26.6% of the dollar amount of loans (versus 92.5% and 30.8% 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 4.9% of the number of loans and 57.7% of loan dollars (versus 4.0% and 53.6% statewide).

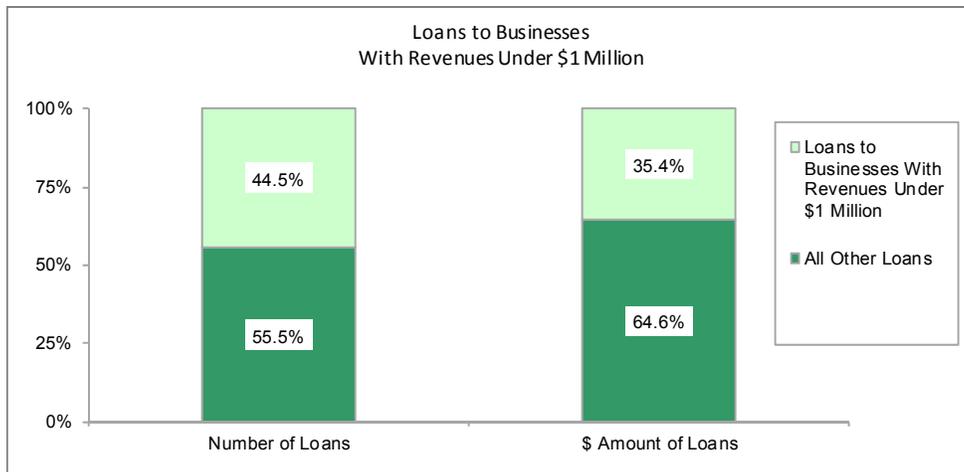
CHARTS: Breakdown of small business loans by original loan amount in lower income areas in Massachusetts (2013)



**LOANS TO BUSINESSES WITH REVENUES UNDER \$1 MILLION**

In 2013, loans to businesses with annual revenues of \$1 million or less accounted for 44.5% of the number of loans in lower income areas and 35.4% of the dollar amount of loans (compared to 46.9% and 34.5% for all income groups statewide).

CHART: Breakdown of loans to businesses with annual revenues under \$1 million in lower income areas of Massachusetts (2013)



## SMALL BUSINESS LOANS BY COUNTY

The CRA database has historically shown that there is some correlation between the percentage of small business loans *originated* in lower income areas and the percentage of the population *living* in lower income areas, although considerable variability exists in this relationship. In 2013, four of the fourteen counties in Massachusetts recorded a higher percentage of small business loan dollars in lower income areas than one might expect given the percentage of their populations living in lower income areas (Barnstable, Berkshire, Franklin, and Worcester). Essex, Middlesex, and Suffolk Counties, which have the largest lower income populations in the state, recorded a lower percentage of small business loan dollars in lower income areas than one might expect given the percentage of their populations living in lower income areas.

TABLE : Small business loans in low and moderate income census tracts by county (2013)

	Number of Loans	% of County Total	\$ Amount of Loans (\$000s)	% of County Total	Low & Moderate Population	% of County Total
Barnstable	1,025	20.3%	\$58,576	27.7%	28,208	13.1%
Berkshire	328	14.8%	\$12,470	15.0%	17,343	13.2%
Bristol	1,594	21.9%	\$73,859	22.7%	161,205	29.4%
Dukes	0	0.0%	\$0	0.0%	0	0.0%
Essex	2,570	21.8%	\$116,788	26.4%	224,179	30.2%
Franklin	178	19.7%	\$8,176	25.1%	15,214	21.3%
Hampden	2,104	35.3%	\$109,357	40.5%	190,187	41.0%
Hampshire	155	6.7%	\$5,309	5.6%	19,187	12.1%
Middlesex	5,785	20.3%	\$262,006	23.5%	399,951	26.6%
Nantucket	0	0.0%	\$0	0.0%	0	0.0%
Norfolk	540	4.2%	\$24,491	5.1%	36,297	5.4%
Plymouth	830	10.3%	\$44,794	12.4%	85,638	17.3%
Suffolk	3,888	34.5%	\$163,280	32.9%	434,974	60.2%
Worcester	2,356	23.7%	\$85,177	27.5%	210,703	26.4%
State Totals	21,353	19.9%	\$964,283	22.6%	1,823,086	27.8%

Eight counties experienced increases in small business loan dollars in lower income areas in 2013, although there was considerable variability from one county to the next. As an example, small business loan dollars declined by 34.5% in the lower income areas of Hampshire County in 2013 while increasing by 45.6% in the lower income areas of Berkshire County. Bristol, Essex, and Worcester also experienced large percentage declines in loan volume while Barnstable, Franklin, Hampden, Middlesex, Plymouth, and Suffolk Counties experienced large increases.

TABLE : Change in loan volume in lower income areas (2013)

	2013 Change in Number of Loans	% Change	2013 Change in \$ Amount of Loans (\$000s)	% Change
Barnstable	-90	-8.1%	\$10,434	21.7%
Berkshire	24	7.9%	\$3,908	45.6%
Bristol	-229	-12.6%	-\$7,335	-9.0%
Dukes	0	--	\$0	--
Essex	-345	-11.8%	-\$3,496	-2.9%
Franklin	-28	-13.6%	\$1,409	20.8%
Hampden	-276	-11.6%	\$14,597	15.4%
Hampshire	-17	-9.9%	-\$2,794	-34.5%
Middlesex	-152	-2.6%	\$38,825	17.4%
Nantucket	0	--	\$0	--
Norfolk	-41	-7.1%	\$390	1.6%
Plymouth	-115	-12.2%	\$10,306	29.9%
Suffolk	-451	-10.4%	\$11,906	7.9%
Worcester	-295	-11.1%	-\$9,897	-10.4%
State Totals	-2,015	-8.6%	\$68,253	7.6%

The 2013 CRA data shows considerable variability at the county level between lending rates in lower income areas compared to higher income areas and provides no discernable relationship. Lending rates were lower in low and moderate income areas in 2013 compared to middle and upper income *areas* in five counties in Massachusetts that have low or moderate income census tracts, but were also higher in seven other counties. The lending rates in counties with lower income areas ranged from \$462,000 per 100 firms in Hampshire County to \$1,008,000 per 100 firms in Barnstable County.

TABLE : Lending rates in lower income vs higher income areas (2013)

	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	\$1,008	131.1%	\$687	94.0%
Berkshire	\$670	87.2%	\$677	92.6%
Bristol	\$739	96.2%	\$853	116.7%
Dukes	--	--	\$402	55.0%
Essex	\$783	101.9%	\$666	91.1%
Franklin	\$525	68.4%	\$495	67.7%
Hampden	\$859	111.8%	\$866	118.4%
Hampshire	\$462	60.1%	\$780	106.7%
Middlesex	\$877	114.1%	\$750	102.6%
Nantucket	--	--	\$1,254	171.6%
Norfolk	\$994	129.2%	\$742	101.5%
Plymouth	\$953	123.9%	\$863	118.1%
Suffolk	\$671	87.3%	\$780	106.7%
Worcester	\$530	69.0%	\$490	67.1%
State Totals	\$769	100.0%	\$731	100.0%

## SMALL BUSINESS LOANS 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.

Detailed small business loan data by city and town can be found in the online appendix at [www.mcabc.info](http://www.mcabc.info).

TABLE: Volume of small business loans in lower income areas by town (2013)

	Number of Loans	% of Town Total	\$ Amount of Loans (\$000s)	% of Town Total	Population in Lower Income	% of Town Total
Boston	3,359	32.7%	\$141,556	30.6%	365,409	59.2%
Springfield	1,216	84.7%	\$64,823	92.1%	117,411	76.7%
Worcester	1,310	65.8%	\$44,934	69.2%	107,608	59.4%
Lowell	812	93.3%	\$30,894	95.1%	98,095	92.1%
Lawrence	583	100.0%	\$28,751	100.0%	76,377	100.0%
Brockton	690	68.7%	\$37,792	63.8%	72,245	77.0%
Lynn	533	77.1%	\$27,460	90.4%	70,120	77.6%
New Bedford	675	69.4%	\$35,862	71.3%	68,707	72.3%
Fall River	634	75.3%	\$25,489	62.4%	63,941	72.0%
Cambridge	1,071	46.3%	\$54,751	59.3%	49,508	47.1%
Malden	640	84.4%	\$29,260	92.6%	47,655	80.2%
Everett	463	95.3%	\$17,630	94.6%	37,834	90.8%
Revere	276	66.5%	\$6,759	57.0%	36,453	70.4%
Somerville	470	47.3%	\$23,153	59.0%	35,996	47.5%
Chelsea	253	84.6%	\$14,965	90.7%	33,112	94.1%
Holyoke	295	77.4%	\$15,513	81.4%	31,219	78.3%
Framingham	383	34.2%	\$18,911	42.4%	28,027	41.0%
Chicopee	243	44.4%	\$8,566	34.9%	26,129	47.3%
Fitchburg	265	76.6%	\$15,307	87.5%	25,698	63.7%
Medford	376	45.9%	\$17,315	63.3%	24,550	43.7%
Waltham	419	31.5%	\$23,718	38.2%	21,544	35.5%
Quincy	332	22.4%	\$14,597	26.8%	21,494	23.3%
Haverhill	191	29.7%	\$5,305	25.7%	17,946	29.5%
Taunton	172	27.9%	\$6,072	24.9%	17,513	31.3%
Leominster	230	43.0%	\$6,543	37.5%	15,124	37.1%
Methuen	185	31.8%	\$8,967	40.4%	14,601	30.9%
Salem	314	41.5%	\$15,537	42.8%	13,370	32.3%
Watertown	395	56.8%	\$20,889	70.3%	12,395	38.8%
Southbridge	101	72.7%	\$1,777	44.0%	12,385	74.1%
Amherst	18	5.5%	\$1,266	9.9%	12,079	31.9%
Pittsfield	287	38.4%	\$11,513	32.4%	11,955	26.7%
Athol	51	100.0%	\$637	100.0%	11,584	100.0%
Barnstable	424	38.0%	\$32,232	59.6%	11,033	24.4%
Webster	75	43.9%	\$2,340	49.5%	10,265	61.2%
Beverly	375	48.4%	\$16,540	66.7%	9,722	24.6%
Gardner	77	48.7%	\$3,081	51.5%	9,679	47.8%
Westfield	127	22.0%	\$3,810	12.1%	9,567	23.3%
Peabody	139	15.7%	\$4,763	13.0%	8,570	16.7%
Gloucester	177	35.6%	\$5,437	34.6%	8,211	28.5%
Marlborough	110	16.8%	\$3,667	15.3%	7,497	19.5%

Lending rates were generally lower in low and moderate income areas compared to higher income areas although there was considerable variability by town. In five of the ten Massachusetts cities with the largest minority populations lending rates were highest in lower income areas (Springfield, Worcester, Lowell, Lynn, and Cambridge) while in four other large cities they were lowest (Boston, Brockton, New Bedford, and Fall River).

Detailed small business loan data by city and town can be found in the online appendix at [www.mcbsc.info](http://www.mcbsc.info).

TABLE: Small business lending rates by town (2013)

	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	\$675	88.9%	\$797	105.0%
Springfield	\$849	108.4%	\$413	52.6%
Worcester	\$556	109.4%	\$428	84.3%
Lowell	\$552	102.2%	\$380	70.4%
Lawrence	\$743	100.0%	--	--
Brockton	\$961	88.8%	\$1,393	128.7%
Lynn	\$799	115.8%	\$302	43.8%
New Bedford	\$900	97.0%	\$1,006	108.4%
Fall River	\$628	85.0%	\$1,045	141.5%
Cambridge	\$1,159	148.5%	\$529	67.8%
Malden	\$998	108.6%	\$462	50.3%
Everett	\$744	101.6%	\$570	77.8%
Revere	\$382	85.6%	\$589	131.8%
Somerville	\$1,026	126.5%	\$623	76.8%
Chelsea	\$942	101.3%	\$829	89.2%
Holyoke	\$753	100.7%	\$726	97.0%
Framingham	\$748	114.2%	\$600	91.6%
Chicopee	\$637	73.8%	\$1,066	123.4%
Fitchburg	\$831	121.0%	\$310	45.1%
Medford	\$997	145.7%	\$444	64.9%
Waltham	\$1,188	128.9%	\$809	87.8%
Quincy	\$1,109	140.6%	\$713	90.4%
Haverhill	\$384	75.7%	\$572	112.5%
Taunton	\$495	73.1%	\$772	113.9%
Leominster	\$431	79.4%	\$643	118.4%
Methuen	\$946	135.5%	\$593	84.9%
Salem	\$1,093	108.6%	\$950	94.4%
Watertown	\$1,238	130.6%	\$610	64.4%
Southbridge	\$230	59.6%	\$827	214.4%
Amherst	\$462	77.6%	\$638	107.2%
Pittsfield	\$774	82.8%	\$1,038	111.0%
Athol	\$95	100.0%	--	--
Barnstable	\$1,224	147.4%	\$563	67.9%
Webster	\$379	95.3%	\$417	105.1%
Beverly	\$959	153.6%	\$368	58.9%
Gardner	\$444	92.6%	\$524	109.3%
Westfield	\$528	44.5%	\$1,429	120.6%
Peabody	\$646	73.1%	\$936	105.8%
Gloucester	\$550	102.8%	\$528	98.6%
Marlborough	\$413	68.9%	\$653	108.9%

## **CONCLUSION**

The issue of small business lending growth remains an area of concern in Massachusetts and across the country. A review of the most recent annual CRA data shows that small business loan volume in Massachusetts increased in 2013 for the third consecutive year, while quarterly Call Report data and data compiled by the SBA in 2013, also showed increases in small business lending. A review of some of the current economic conditions that influence small business lending shows that the economic climate in Massachusetts and across the country has improved and many observers expect the improvement to continue, albeit at a slower pace than hoped.

The 2013 CRA data shows that lower income areas in Massachusetts, which account for roughly one-quarter of the state's population, experienced higher small business lending rates than upper income areas in 2013 for the second time in the past seven years. Similarly, high minority areas experienced higher lending rates than white communities in 2013 for the first time in the past seven years.

# DATA SOURCES

## ECONOMIC CLIMATE

An effort has been made to incorporate the most current economic data as possible in this report. Due to the reporting differences of the various sources of data utilized, the “as of” dates for the data presented in the section on Economic Climate may vary widely.

Prime rate data was obtained from the Wall Street Journal and 30 year fixed-rate mortgage data was obtained from Freddie Mac.

Survey data on underwriting standards was obtained from the Office of the Comptroller of the Currency.

Consumer debt data was obtained from the Federal Reserve Board.

Loan delinquency data, loan charge-off data, and bank failure data was obtained from the Federal Deposit Insurance Corporation.

State and national unemployment data was obtained from the Bureau of Labor and Statistics, a division of the US Department of Labor.

State and national GDP data was obtained from the Bureau of Economic Analysis, a division of the US Department of Commerce.

Housing price data and foreclosure data was obtained from Zillow and RealtyTrac which are leading online resources for real estate sales statistics and foreclosure data.

## SMALL BUSINESS DEMOGRAPHICS

Employer firm data was obtained from the Office of Advocacy within the US Small Business Administration Office and is compiled by the US Census Bureau and is based on tax return information filed with the Internal Revenue Service.

Sole proprietorship data was obtained from the US Census Bureau and is based on tax return information filed with the Internal Revenue Service.

The number of firms data used in the calculation of lending rates, which is discussed in more detail below in the section on CRA small business loan data, was compiled by Dunn & Bradstreet.

## **DEMOGRAPHIC DATA**

All demographic data, including total population data, income level data, and minority population data, was obtained from the Federal Financial Institutions Examination Council (FFIEC, which is a formal interagency body empowered to prescribe uniform principles, standards, and report forms for the federal examination of financial institutions by the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, the National Credit Union Administration, the Office of the Comptroller of the Currency, and the Consumer Financial Protection Bureau.

The recently released 2010 decennial census data, which banks began using in 2012 for the purposes of compiling their annual CRA submissions, reflects significant changes in census tract boundaries and demographic data, including data pertaining to income level classifications and racial composition compared to the 2000 decennial census data which banks used through 2011.

Census tract income levels are defined in accordance with CRA guidelines and are broken down into low, moderate, middle, and upper income categories where low is less than 50% of the median family income of a given metropolitan statistical area, moderate is 50% to 80%, middle is 80% to 120%, and upper is 120% or more. Census tract income level classifications are updated every five years as part of the US Census Bureau's five-year American Community Survey, and also periodically as result of changes to MSA boundaries.

High minority neighborhoods are defined for the purposes of this report as census tracts where the white non-Hispanic population is less than 25%. Mixed-race neighborhoods are defined for the purposes of this report as census tracts where the white non-Hispanic population is between 25% and 75%. White neighborhoods are defined for the purposes of this report as census tracts where the white non-Hispanic population is greater than 75%.

## **SMALL BUSINESS LOAN DATA**

For the purposes of both the CRA and Call Report reporting requirements, small business loans are defined as business loans and commercial real estate loans with original amounts of \$1 million or less.

The annual CRA data is compiled by the FFIEC in accordance with the annual disclosure requirement of the CRA law, which is a provision that generally applies only to the nation's largest banks and which provides information regarding the number and original amount of originated small business loans during the preceding calendar year. In contrast, the quarterly Call Report filing requirements mandate that all banks regardless of their size provide detailed information regarding their small business loans although, instead of focusing on origination activity during the preceding time period, the Call Report data focuses on the total number of loans and the current balances on the books as of the close of the reporting period. Another important difference involves the fact that the annual CRA data includes detailed information about the geographic location of the loan, whereas the quarterly Call Report does not.

Despite their differences, both databases serve as valuable sources of information. The chief advantages of the CRA database are that it makes it possible to analyze lending trends in traditionally underserved areas as well as to analyze the local data of lenders that are not headquartered in Massachusetts. The chief advantages of Call Report data are that it covers all FDIC-insured banks across the country and is available on a quarterly rather than annual basis.

The number of lenders that are reflected in both databases varies from one reporting period to the next, primarily due to the effects of mergers, acquisitions, and consolidations within the banking industry. In addition, the number of lenders that are included in the annual CRA data is also influenced by the asset-

size threshold for the CRA disclosure requirement, which was raised several years ago from \$250 million in assets to \$1 billion and which is now pegged to the Consumer Price Index (CPI) to keep pace with inflation. The asset-size threshold was increased to \$1.160 billion for 2012 and will increase to \$1.186 billion for 2013. Banks with assets below the reporting threshold also have the option to file an annual CRA disclosure if they wish, and many such banks are also included in the CRA database. Credit unions, on the other hand, whether state or federally chartered, are not subject to the provisions of the CRA law, including the annual disclosure requirement, and are not included in the annual CRA database.

Consequently, the annual CRA database does not reflect the lending activity of all lenders that make small business loans, and this is particularly true for local financial institutions and other lenders that make loans in the state. In specific terms, there were a total of 157 banks and thrifts headquartered in Massachusetts at the end of 2012, most of which make small business loans but of which only 43 were included in the annual CRA database. There were also 207 state and federal credit unions in Massachusetts at the end of 2012, many of which also make member business loans but none of which were included in the annual CRA database. In addition there were a large number of other lenders from around the country that made small business in Massachusetts in 2012 but that were not required to file an annual CRA disclosure and were therefore not included in the database.

Despite these shortcomings, the annual CRA database is fairly representative of a substantial majority of small business lending activity due to the fact that banks with assets over \$1 billion, which are those that are most likely to be included in the annual CRA database, account for most of the lending activity across the country. According to the Call Report database, as of June 30, 2013 banks with assets over \$1 billion accounted for 82.8% of the total number of small business loans and 67.0% of the dollar amount of small business loans on the books of FDIC-insured financial institutions across the country, and this percentage has edged up slightly since the start of the financial crisis in 2007.

Credit union data was obtained from the National Credit Union Administration and is based on the quarterly financial report filed by state and federal credit unions.

State and national SBA data was obtained from the Massachusetts regional SBA office and the Office of the Chief Economist of the SBA respectively. SBA data includes all major lending programs for the fiscal years ending September 30.

CRA small business lending rates were calculated using CRA small business loan data obtained from the FFIEC and number of firms data obtained from Dunn & Bradstreet. Lending rates used in this report show the amount of loan dollars per 100 firms. The numerator of the calculation is the dollar amount of loans and the denominator of the calculation is the number of firms divided by 100.

Local CRA lenders are defined for the purposes of this report as banks that filed an annual CRA disclosure with their federal regulator and are either based in Massachusetts or are headquartered outside the state but maintain a substantial local branch presence. Local CRA lenders includes Massachusetts community banks and the four large commercial banks that are headquartered outside the state, specifically Bank of America, RBS Citizens, Sovereign Bank, and TD Bank.

Credit card lenders are estimated for the purposes of this report based on a review of CRA small business loan volume and average loan size. Institutions that are included in this category generally reported several hundred or more small business loans with an average loan size of \$15,000 or less.

## SMALL BUSINESS ECONOMIC DATA

Unlike the state and national economic data discussed in this report, 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 and is updated less frequently. The most recent business demographic data reviewed in this report actually pre-dates much of the economic data and small business lending data contained in this report and is shown in this section to provide a basic overview of business demographics in Massachusetts.

Data compiled in 2008 by the Census Bureau and the Bureau of Labor Statistics indicates that there are approximately 613,280 businesses operating in Massachusetts consisting of 141,843 firms with employees and an additional 471,437 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 32% of the jobs across the state.

CHARTS: 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

