Small Business Lending in Massachusetts

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Executive Summary

This report focuses on trends in small business lending in Massachusetts from 2009 through 2019 using mainly Community Reinvestment Act (CRA) data as well as some Small Business Administration (SBA) data.[1] Fairness in small business lending is a central component of the CRA.[2]

Small businesses are the overwhelming majority of all businesses in the United States and Massachusetts.[3] Most small businesses are non-employer businesses, meaning they are self-run with no payrolled employees. If there are any employees, they are non-payroll (in other words, they are contracted). Overall, CRA data shows lending institutions made 166,020 small business loans in Massachusetts in 2019.[4] Approximately 44 percent of these loans went to small businesses, defined as businesses with annual revenues of $1 million or less.[5]

Distribution of Small Business Lending

- The number of CRA loans have been going up since the recession until the most recent data available, 2019, increasing gradually since 2009. However, loan counts are still not as high as they were pre-recession in 2008, when the number of issued loans was almost 100,000 higher than in 2019.
- From the CRA data, geographic location is the best information available to determine if small business lending is happening in low and moderate income communities and communities of color. Census tracts which are majority person of color (POC) or low- and moderate-income (LMI) residents are not evenly spread out across the state, however, distribution of representation has increased over time. Geographic location is only a proxy for understanding the populations served. That said, the data show that overall, small businesses in low and moderate income communities and communities of color receive fewer small business loans per existing small businesses within in each tract which is either LMI or majority POC. There is overlap of communities across these two categories.
- Evenness of lending: To evaluate the evenness of lending and provide better insight into lending trends, this report offers both unadjusted loan counts, and loan counts per 100 existing small businesses. When examining loan counts and total amounts without considering the density of small businesses, in some cases, places that are low income and majority people of color receive less: In Boston, low and moderate income neighborhoods like Dorchester and Mattapan received a

[1] The Community Reinvestment Act (CRA) passed in 1977 to create more equitable lending practices across the areas banks serve, with the goal of creating more access to credit and capital for low- and moderate-income areas. Federal regulators consider CRA compliance records when banks apply for new branches, mergers, etc. Loans supported by the Small Business Administration (SBA) comprise a small percentage of all small business loans (an estimated 3 percent) but there is much greater detail available about these loans than there are other small business loans included in Community Reinvestment Act (CRA) lending data.
[2] The Community Reinvestment Act (CRA) was passed in 1977 in order to create more equitable lending practices across the areas banks serve, with the goal of creating more access to credit and capital for low- and moderate-income areas. Federal regulators consider a bank's CRA compliance record when a bank applies for a new branch, or a merger or acquisition.
[3] Small Business Administration FAQ, August 2018 https://www.sba.gov/sites/default/files/advocacy/Frequently-Asked-Questions-Small-Business-2018.pdf
[4] This count does not include small farm loans, of which there were 516 from 22 different lending institutions in 2019.
[5]The remainder were loans of less than $1 million that went to businesses higher gross revenues that year.

smaller number of loans and less overall in total loan amount than other neighborhoods in the city. The state's other largest cities, Springfield, Worcester and Lowell, fewer dollars went to the city's lower income communities of color. However, when adjusted for the density of small businesses already present, moderate income tracts that were also majority POC had the highest rate of loans per 100 small businesses. Majority people of color tracts that were not LMI and tracts that were neither LMI nor majority POC all had rates higher than the statewide average. Low income tracts had the lowest rates. It is important to note that even if a smaller number of loans is proportional to the smaller number of small businesses in that area, it still might not indicate equity. Lending which appears relatively even compared on the basis of the number of existing small businesses, may still not lead to equitable results if there were few small businesses in the area to begin with, if that basis was already inequitable.

- The state's largest cities all make the top 10 in terms of percent low to moderate income or majority people of color tracts; in order of their population sizes, they are: Springfield, where 81 percent of loans were to low or moderate income or majority person of color tracts, Worcester (60 percent), Cambridge (31 percent), and Lowell (88 percent). As of 2019, 62 percent of the census tracts in Boston were low to moderate income tracts and/or were majority people of color.
- Most of the municipalities receiving the largest number of loans are also large cities with a substantial number of small businesses. Some cities and census tracts received a disproportionate number of loans given their number of small businesses. While it seems to show that neighborhoods such as Roxbury and Dorchester receive far fewer loans than places like downtown Boston, the rate suggests that the smaller number of loans is proportional to the smaller number of small businesses in that area of the city. While 62 percent of Boston's tracts are low or moderate income or majority person of color, only 42 percent of loans went to these tracts. Statewide, 34 percent of all tracts are low or moderate income or majority person of color, but only 24 percent of loans were issued to these tracts in 2019. This is not the case in all locations, in Springfield, 81 percent of tracts are low or moderate income or majority person of color and 88 percent of loans went to these tracts. In Worcester, 60 percent of tracts are low or moderate income or majority person of color and 61 percent of loans went to these tracts.
- Total loan dollars by city and town: Looking across the state, overall, communities in Eastern Massachusetts received the largest dollar amount of loans. There are a number of communities in Greater Boston that received between $2.5 million and $25 million in loan dollars. In Western Massachusetts, the major cities in Hampden County (including Springfield, Chicopee, Westfield and Agawam) each saw over $25 million in small business loans in 2019.

Recovery from the prior recession in low or moderate income or majority person of color areas: There was a notable increase from 2011 to 2012 in loan shares to low or moderate income (LMI) or majority person of color (POC) communities examined at the census tract level, which may be related to post-housing recession recovery, as well as to an increase in the number of communities which are majority POC, LMI, or both. Overall, the share of loans to LMI or majority POC areas has increased since the recession, from 14 percent in 2009 to 24 percent in 2019. While moderate income areas that are majority white still constitute the largest share of this group (10.3 percent), LMI and majority POC tracts have increased by 6 percentage points since 2009. Viewed as a whole, however, the growth is limited.

Lending by Municipality

- Despite Springfield's rank as the third largest city in the state, Quincy, a modest sized city near Boston, has consistently received more loans than Springfield since 2013.
  Several Gateway Cities,[6] particularly those with many low and moderate income residents and good representation of communities of color received a higher share of small business loan dollars to their low or moderate income (LMI) or majority person of color (POC) communities than their share of LMI and majority POC communities as a whole. This may be due to a higher concentration of small businesses in these Gateway Cities than other in other LMI and majority POC communities.

Lending by Business Industry (SBA data)

- SBA data shows only a small slice of all small business lending done by SBA-approved banks.[7] It has more information about the industries and types of lending, so it is also analyzed here.
- Although businesses in the Professional and Business Services industry and the Trade, Transportation and Utilities industry[8] received nearly 40 percent of all SBA loans, other industries, such as Construction, saw dramatic growth in their loan share. (Note that SBA loans reflect only 3 percent of all lending, and that the most recent SBA data does not include information about changes due to the pandemic, as the most recent is from 2019.)
- Trade, Transportation and Utilities was consistently the industry which obtained the most SBA loans. Loans to businesses in the Leisure and Hospitality industry were some of the largest total dollar amounts across all loans for an industry in 2019. (Leisure and Hospitality includes full-service restaurants, hotels, and bars, which take sizable physical investment).
- SBA loans include both 504 (capital) and 7a (operating) loans, of which the 504 loans are naturally larger. The Professional and Business Services industry receives the most 7a loans, outranking the Trade, Transportation and Utilities industry. This is because landscapers, lawyers,

[6] Gateway Cities became an official legislative designation in 2009 to connect de-industrialized communities to special programs spurring economic development in these urban centers. There are currently 26 officially-designated Gateway Cities in Massachusetts: Attleboro, Barnstable, Brockton, Chelsea, Chicopee, Everett, Fall River, Fitchburg, Haverhill, Holyoke, Lawrence, Leominster, Lowell, Lynn, Malden, Methuen, New Bedford, Peabody, Pittsfield, Quincy, Revere, Salem, Springfield, Taunton, Westfield, and Worcester. Note that the city of Boston is not designated as a Gateway City.

[7] See Appendix 3. Technical Notes for more information on CRA loan data versus SBA loan data.

[8] The Trade, Transportation and Utilities industry supersector includes the Wholesale Trade industry (NACIS code 42); the Retail Trade industry (44-45); the Transportation and Warehousing industry (48-49); and the Utilities industry (22).

accountants and engineers, all counted in the Professional and Business Services industry, are more likely to need 7a loans than 504 loans which are more commonly utilized in the industries with heavy equipment and infrastructure needs.

Lender Activity

- Small Business Administration (SBA) loans in this analysis are combination of 7a and 504 loans, which serve different purposes. 7a loans are more common than 504 loans. 504 loans are often much larger in dollar amount as they are capital loans meant for real estate or heavy equipment purchases. They also have longer terms and are specifically not intended for working capital (e.g. for operating expenses) or inventory.[9] While 7a loans, with shorter terms, tend to be smaller and are intended for regular operation such as working capital, or inventory.
    - Bay Colony Development Corp., Granite State Economic Development Corp., Eastern Bank, and New England Certified Development Corp. are the four lenders that issued the most SBA loan dollars.
    - Certified Development Corporations (CDCs) in general issue bigger loan amounts in the 504 loan program. They issued the highest total loan amount in Massachusetts, with just over $37 million each. These development corporations have higher loan dollars but fewer loan counts.
    - Examining 7a lending on its own, Eastern Bank was consistently the most active lender by loan count at each touchpoint noted in this study in the last decade (2009, 2014 and 2019).
- Examining CRA Small Business data overall over the past 10 years
    - In 2019, Rockland Trust Company was by far the most active CRA small business lender headquartered in Massachusetts in terms of loan count, with slightly over 2,100 loans. Rockland Trust Company issued 30 percent of their loans to small businesses with annual revenues equal to or less than $1 million.
    - There were only four lenders which are headquartered in Massachusetts that issued more than 500 small business loans in 2019. Each of these four lenders issued more than $100 million apiece in total dollar value of lending.
    - The most active lender overall making loans in Massachusetts was American Express Bank. Each year American Express issued more than twice as many loans in Massachusetts as the next most active lender.

Special Section on Pandemic Effects and Relief Loans

- Under the CARES Act, the U.S. government offered new temporary loan programs to prevent greater loss to small business' economic activity during the coronavirus pandemic. These loan programs are the Paycheck Protection Program (PPP) and Economic Injury Disaster Loans (EIDL).
- From April to August, over 100,000 Massachusetts businesses received PPP loans of less than $150,000, plus over 18,000 small businesses received PPP loans above $150,000.
- The three industries that received the highest share of PPP loan dollars in Massachusetts are the Professional, Scientific, and Technical Services industry, the Health Care and Social Assistance industry, and the Accommodation and Food Services Industry. Two of these, the Health Care and

[9] US Small Business Administration, "What is the 504 loan program?" https://www.sba.gov/funding-programs/loans/504-loans

Social Assistance industry and the Food and Accommodation industry, also had the highest share of unemployment claims since the beginning of the pandemic.

- Massachusetts received the highest number of EIDL loans in New England, with more than 60,500 loans, and received more than $300 million in over 96,500 EIDL advance loans.
- The need is dire: the U.S. Census Bureau started the Small Business Pulse Survey to measure the effects of the pandemic on small businesses. At the beginning of this crisis, approximately 60 percent of Massachusetts small businesses reported a large negative effect of the pandemic on their business. This share has now declined to near 30 percent.
- Revenue did decrease: in the Small Business Pulse Survey small businesses reported that their revenues declined precipitously during the coronavirus crisis. For both the national average and in Massachusetts, nearly 80 percent of small businesses reported an initial decrease in revenue. Currently, just over 40 percent of small businesses continue to report their revenues have declined.

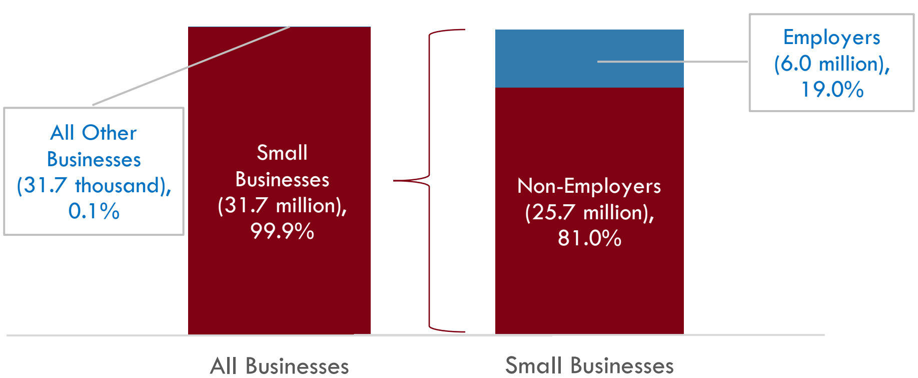
Introduction

This report focuses on Massachusetts small businesses and their access to credit from 2009 to 2019. Small businesses are a crucial part of our communities. From restaurants to accounting firms, small businesses provide important services, and employ large swaths of the local workforce. Small businesses often use loans to begin or expand their business, or to cover costs at some point in their operations. This report draws on multiple data sources to add to greater understanding of small business lending in Massachusetts over the past ten years, with information on where small business lending occurs, how much money is borrowed, and which institutions are giving the most small business loans.

Prevalence of Small Businesses

The Small Business Administration (SBA) defines a small business as "an independent business having fewer than 500 employees," a broad definition that includes millions of businesses across the United States, and which differs from the revenue basis definition used in Community Reinvestment Act data. Nevertheless, it provides a birds-eye view that highlights how predominant small businesses are: by this metric, small businesses are 99.9 percent of all firms in the United States and 99.7 percent of all firms with employees (under this SBA definition of 500 employees or fewer).[10] In Massachusetts, 99.5 percent of businesses have fewer than 500 employees across nearly 670,000 firms.[11] Most of these businesses are extremely small: among small businesses nationwide, 81 percent have no employees on their payroll, also known as non-employer businesses—such as single member LLCs, and sole proprietorships, or businesses with contractors only.[12]

Figure 1. Share of All US Businesses that are Small; Share of Small Businesses that are Non-Employers



Source: US Small Business Administration Office of Advocacy, "Frequently Asked Questions," October 2020; in this publication, the business counts are from the U.S. Census Bureau, Statistics of U.S. Businesses, 2017 and Non-Employer Statistics, 2017.

[10] US Small Business Administration Office of Advocacy, "Frequently Asked Questions," October 2020. https://advocacy.sba.gov/2020/10/22/frequently-asked-questions-about-small-business-2020/

[11] US Small Business Administration Office of Advocacy, "Small Business Profiles for the States and Territories," April 2019. https://advocacy.sba.gov/2019/04/24/2019-small-business-profiles-for-the-states-and-territories/

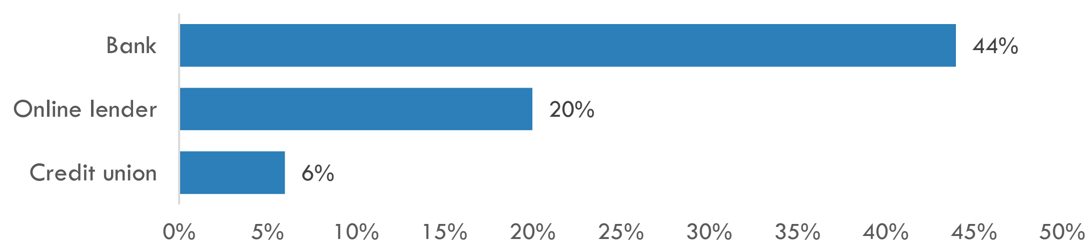
[12] Federal Reserve Bank of New York, "Small Business Credit Survey- Report on Non-Employer Firms," 2019 https://www.fedsmallbusiness.org/medialibrary/fedsmallbusiness/files/2019/sbcs-nonemployer-firms-report-19.pdf

How Small Businesses Get Loans

Small businesses access loans and other credit in several ways, including credit cards. Small businesses often utilize more traditional lending institutions like banks for loans. Lender resources can cover startup costs; help with day-to-day operating expenses, startup funds and capital expenditures; or enable small businesses to expand. Banks are essential for most of these small business needs: in 2014, banks provided about 93 percent of small business credit. Approval rates in smaller banks nationwide tend to be more favorable: in 2019, large banks with more than $10 billion in assets had a 28.1 percent approval rate for small business loans, whereas banks smaller than that had a 50.5 percent approval rate nationwide.[13]

Online lenders are another option for small businesses. "Online lenders" are non-bank alternative and marketplace lenders.[14] They have grown in popularity in recent years, and may appeal to newer small business owners who need funds quickly. There are also other factors that helped this alternative lending market to grow, such as changing market demand, market conditions, and new technologies. Unfortunately, online lenders are less regulated than traditional lenders, and may also have loan terms with higher interest rates than traditional banks; however, approval rates are often higher. 20 percent of small businesses used an online lender as a funding source in the past 5 years according to the Small Business Credit Survey.[15] **Figure 2** indicates small business' preferred funding resources in the past five years.

Figure 2. Funding Sources Used in the Last Five Years by Employer Firms



Source: Small Business Credit Survey, Report on Employer Firms, 2020, Federal Reserve Banks. N=5,148

Additionally, new small businesses who need microloans (loans of $50,000 or less), can also apply to local Certified Development Corporations (CDCs) and Community Development Financial Institutions (CDFIs) both of which serve low income communities that have previously been underserved by traditional financial institutions, and are able to provide microloans as well as larger, more conventional loans to small businesses. Certified Development Corporation CDCs (not to be confused with the perhaps better-known CDCs, Community Development Corporations) provide a range of services supporting economic community development such as nonprofit incubation, youth development, advocacy and community organizing, as well as working with conventional financial institutions to provide access to capital SBA loans (504) for

[13] The Guardian, December 2020. https://www.theguardian.com/business/2020/dec/14/us-small-businesses-traditional-bank-loans-dry-up
[14] Small Business Credit Survey, Federal Reserve Banks, 2020. https://www.fedsmallbusiness.org/medialibrary/FedSmallBusiness/files/2020/2020-sbcs-employer-firms-report
[15] *Ibid.*

growth, establishment, and expansion of small businesses in underserved communities.[16] CDFIs are funded by the Treasury, while Certified Development Corporations are more focused and fewer in number, and are certified through the Small Business Administration.[17] CDFIs include a variety of financial institution types such as credit unions, loan funds and venture capital funds that grant loans to low-income communities. In 2019, CDFI institutions distributed approximately $742 million dollars through more than 97 thousand microloans nationwide.[18] In Massachusetts in FY 2019, 10 micro lenders around the state distributed 131 loans for a total of over $2.3 million dollars in financing.[19][20]

Some banks can also issue loans to small businesses guaranteed by the Small Business Administration (SBA) which have attractive rates.[21] The most popular SBA loans are 7a loans and 504 loans; 7a is the SBA's main small business lending program and can be used for a variety of operating expenses, while the 504 loans are specifically for capital financing. For this reason, 504 loans tend to be larger and businesses in equipment-heavy industries are more likely to use them, while 7a loans tend to be smaller and go to a larger number of operations. Note, SBA loans are just 3 percent of all small business loans issued overall. The Community Reinvestment Act data (CRA) tracks a much bigger swath to help understand the flow of credit to small businesses.

Just as small businesses are the pillar of many communities, fairness in small business lending is a central component of the Community Reinvestment Act (CRA).[22] In fact, small business lending is the largest lending category for the purpose of CRA reporting. In 2016, for example, only 12 percent of single-family loans were eligible to be reported for CRA purposes, yet 67 percent of small business loans help banks met the requirements.[23] Note that while the CRA data is the most full-coverage source available for data on small business borrowing, it uses a different definition than the "employment under 500" standard used by the SBA. In some ways the CRA data is more fine-tuned: in this critical source of information central to this analysis the loan activity tracked is any loan to a business that is a loan smaller than $1 million, and also any loans made to any businesses which make $1 million or less in revenue—so, both small loans and loans to small businesses on the basis of their revenue size.

[16] For more, see https://www.tmcfinancing.com/what-is-a-certified-development-company/ and the following footnote.
[17] CDCs are non-profits certified by the SBA: there are only 270 nationwide (each covering a specific geographic area). These non-profits work with conventional institutions provide 504 loans to small businesses, usually issuing the second lien loan for up to 40 percent of the project's cost (with the partnered lender issuing the first lien loan for up to 50 percent of the project's cost), reducing the lender's risk and encouraging long-term affordable financing to small businesses. CDFIs are more abundant (over 950 nationwide) and much broader in scope: while CDCs must work with traditional lenders to issue a loan, CDFIs are their own lenders, aided by funds from the Department of the Treasury. There are six basic types of CDFIs: community development banks, community development loan funds, community development credit unions, microenterprise funds, community development corporation-based lenders and investors, and community development venture funds. See https://cdfi.org/what-are-cdfis and http://www.communitybusinessfinance.com/blog/what-certified-development-corporation.
[18] CDFI Annual Certification and Data Collection Report (ACR): A Snapshot for Fiscal Year 2019, October 2020 page 26.
[19] Note that not all micro-lenders are CDFIs and not all CDFIs hand out microloans.
[20] SBA Massachusetts District Office FY- 2019 Loan Volume Report October 1, 2018 - September 30, 2019, Pg. 5.
[21] The SBA sets guidelines that partner lenders and community development organizations can use to give loans to small businesses. This partnership with SBA reduces the risk that lenders take on, creating more opportunities for small businesses to access capital.
[22] The Community Reinvestment Act (CRA) was passed in 1977 in order to create more equitable lending practices across the areas banks serve, with the goal of creating more access to credit and capital for low- and moderate-income areas. Federal regulators consider a bank's CRA compliance record when a bank applies for a new branch, or a merger or acquisition.
[23] Urban Institute, Feb. 2020. https://www.urban.org/urban-wire/small-business-and-community-development-lending-are-key-cra-compliance-most-banks

This report focuses on small business loans and loans to small businesses in Massachusetts, which are among the many types of activity that qualify for CRA credit.[24]

To analyze trends in small business lending in Massachusetts from 2009 through 2019, with a particular focus on the most recent data on 2018 and 2019, this report relies mainly on CRA data with some additional SBA data as well. As one of the most comprehensive and geographically specific sources of information about access to credit for small businesses, CRA data is at the heart of this analysis of small business lending. Although SBA loans are a small subset of the small business loan universe (3 percent) separate data sets data available from the SBA on SBA loans has certain detail not included in the CRA data, despite SBA loans being in the CRA data set. This detail in the SBA data includes industry-specific information in addition to loan location and amount, which all CRA-eligible loans report. It is important to highlight that SBA loan data is self-reported, however, CRA data is reported by the banks as per regulations, so it meets a higher collection standard.

Geographic Analysis

This report includes maps showing the number and amount of loans to illustrate patterns in lending over time and across the state. Analysis of the most active institutions (highest volume and amount of loans) are also included in this report. Information is presented at the municipal and census tract level. Census tracts are a geographic area smaller than the municipal level,[25] used because different sections of a municipality often have varying socioeconomics. Analysis at the tract level therefore allows better clarity on lending to low and moderate income (LMI) areas. Since the main goal of the Community Reinvestment Act is to ensure equitable lending in LMI areas, this provides detail in places like cities with a wide variety of income levels within them.

In addition to CRA data, new analysis bringing in the number of businesses in an area was added to allow for an evaluation of evenness of lending. Examining the number of loans per 100 small businesses present provides information on the prevalence of small business lending adjusted for the density of businesses in the tract, so that places which have lots of businesses because they are dense and places with less activity can be examined on a more comparable basis. See the Technical Appendix for details on the method and limitations of this part of the analysis.

Geographic analysis also allows inference about access to credit in communities of color. Although the CRA data doesn't contain explicit language analyzing trends in lending by race, due to a history of discriminatory lending practices for mortgages and other racist policies, many low and moderate income areas are also communities where the majority of residents are of color, and fairness in lending is critical for these communities. While information by race is not available in CRA data regarding small businesses, this report also analyzes census tracts where the majority of residents are people of color in order to provide information on small business lending in municipalities and neighborhoods of color.

[24] The Federal Office of the Comptroller of the Currency changed the rules of what activities qualify for CRA credit in 2020.
[25] Census tracts are determined by the US Census Bureau, and have a population size of between 1,200 and 8,000 people, aiming for approximately 4,000 residents where possible.

Representation in Small Businesses and Borrowing

Black and Hispanic/Latinx people are underrepresented among small business owners. According to the SBA, in 2017, Black or African American business owners were just 2.2 percent of employer firm small businesses nationally, despite comprising 12.3 percent of the population. Hispanic/Latinx-owned small businesses accounted for 5.6 percent of employer firm small businesses, and were 18 percent of the country's population in 2017.

In Massachusetts, in 2012, the latest year for which this data is available, 3.6 percent of small businesses were Black-owned, and 4.7 percent were Hispanic-owned firms.

In addition, to date, businesses owned by people of color continue to have fewer successful loan applications. For example, the US Federal Reserve found that from 2012 to 2017, Black-owned businesses were the most likely to have applied for bank financing, but turned down for loans twice as often as white business owners. Additionally, smaller shares of Black and Hispanic/Latino-owned businesses received loans of $100,000 or more than compared to businesses owned by other racial and ethnic groups.[26] Because publicly available CRA and SBA small business lending data does not contain information about loan recipients, this report tracks the locations where small business loans go and connects it to the income and race information for the places loans were made, to show access to credit, or the lack thereof, on low income communities and communities of color in Massachusetts.

Organization of this Report

The report is organized around the following broad and then increasingly focused themes from the available data: it begins with an overview of where in the state small business lending is happening using CRA data, and the trends in access to capital with location as a proxy indicator to provide intuition around fairness for communities by race/ethnicity and income.

Information is then offered on individual towns and cities in the state by the concentration of CRA loans they receive, with a particular focus on the diverse Gateway Cities.

Next, the report illustrates which industries receive the most small business loans with SBA data details on industry differences in loan sizes and amounts largely driven by the prevalence of 7a loans, most commonly used by small businesses for operating and other expenses, and some industries' greater need for 504 loans, which are capital loans, restricted to things like equipment and buildings.[27]

[26] January, 2020. https://www.theguardian.com/business/2020/jan/16/black-owned-firms-are-twice-as-likely-to-be-rejected-for-loans-is-this-discrimination

[27] Small Business Administration (SBA) loans in this analysis are combination of 7a and 504 loans, which serve different purposes. 7a loans are more common than 504 loans. 7a loans are smaller and are focused on providing operating funds for expenses including payroll, inventory, and other working costs for the business. A business might apply for and receive several 7a loans over time, making them more numerous. 504 loans are typically much larger in dollar amount because they are for large infrastructure capital investments such as building, fleet, and equipment purchases. 504 loans are specifically not for working capital, *e.g.* for covering operating expenses or inventory.

The second to last section covers lending institutions by their types, including nonprofit certified development corporations (CDCs) which tend to supply larger loans, as well as credit card companies and banks operating at the national, regional and local levels.

Like most aspects of life, small business lending has undergone large changes due to the COVID-19 pandemic. The final section of the report has been added to cover key Federal lending programs that have key parts of the Small Business Administration response to the pandemic, in particular the Paycheck Protection Program (PPP) and the Economic Injury Disaster Loan (EIDL) programs, and to track information on how small businesses are faring during the pandemic.

Taken as a whole this report identifies the parts of the state where small businesses are receiving lending support; which communities are accessing small business lending; and which industries make the most use out of small business loans.

Distribution of Small Business Lending

Overall, lending institutions granted 166,020 small business loans in 2019,[28] meaning they were less than or equal to $1 million at the time of origination. Approximately 44 percent of loans went to businesses with annual revenues of $1 million or less. The map in **Figure 3** shows the number of small business loans granted to businesses in each census tract in Massachusetts in 2019 (it also shows municipal outlines). Because the CRA data does not include the race or ethnicity of small business owners, this report shows demographics of the smallest geographies available (census tracts) as a best available proxy for where credit has been flowing.

Overall, the number of CRA loans has increased gradually since 2009, though counts are still not as high as they were pre-recession in 2008, when the number of issued loans was almost 100,000 higher than in 2019.

Designations of majority people of color (POC)[29] or low to moderate income (LMI)[30] census tracts are important for analyzing lending trends, as they traditionally receive smaller shares of loans and loan dollars than higher income, majority white areas. They are also important to track because the CRA was enacted over forty years ago specifically to meet the credit needs of lower income communities and communities of color. Historic and existing racial discrimination in the labor market, in housing, and other institutions have prevented people of color from building intergenerational wealth. Due to these factors, race and household income remain highly correlated. In a 2020 report on economic opportunity by race, researchers found that Black male children have lower incomes in adulthood than white male children from the same places, in 99 percent of Census tracts, even when controlling for the income levels in the places they grew up.[31] In addition to lower incomes, the median net worth for non-immigrant African-American households in the Greater Boston region was $8, versus $247,500 for white households, as reported by the Federal Reserve Bank of Boston in 2015.[32]

Overall, there are 495 census tracts in Massachusetts that are either majority people of color, or low to moderate income, or both (out of over 1,450 census tracts total in MA). These tracts are marked with black dots, appearing across 83 different Massachusetts cities and towns. While majority person of color or low income tracts are not evenly spread out across the state, the distribution has increased over time. Boston still has the largest share of these tracts: 62 percent of the tracts in Boston are either low to moderate income or majority people of color. The state's largest cities all make the top 10 in terms of percent low to moderate income or majority people of color tracts; in order of their population sizes, they are:

[28] This count does not include small farm loans, of which there were 516 from 22 different lending institutions in 2019.

[29] Majority people of color (POC) tracts were determined using data from the Census' American Community Survey, and are defined as any non-white person (includes white identifying Hispanic/Latinx residents).

[30] Defined as tracts with median family incomes less than or equal to 50 percent of the Metropolitan Statistical Area median.

[31] Chetty, R., Hendren, N., Jones, M. R., & Porter, S. R. (2020). Race and economic opportunity in the United States: An intergenerational perspective. The Quarterly Journal of Economics, 135(2), 711-783.

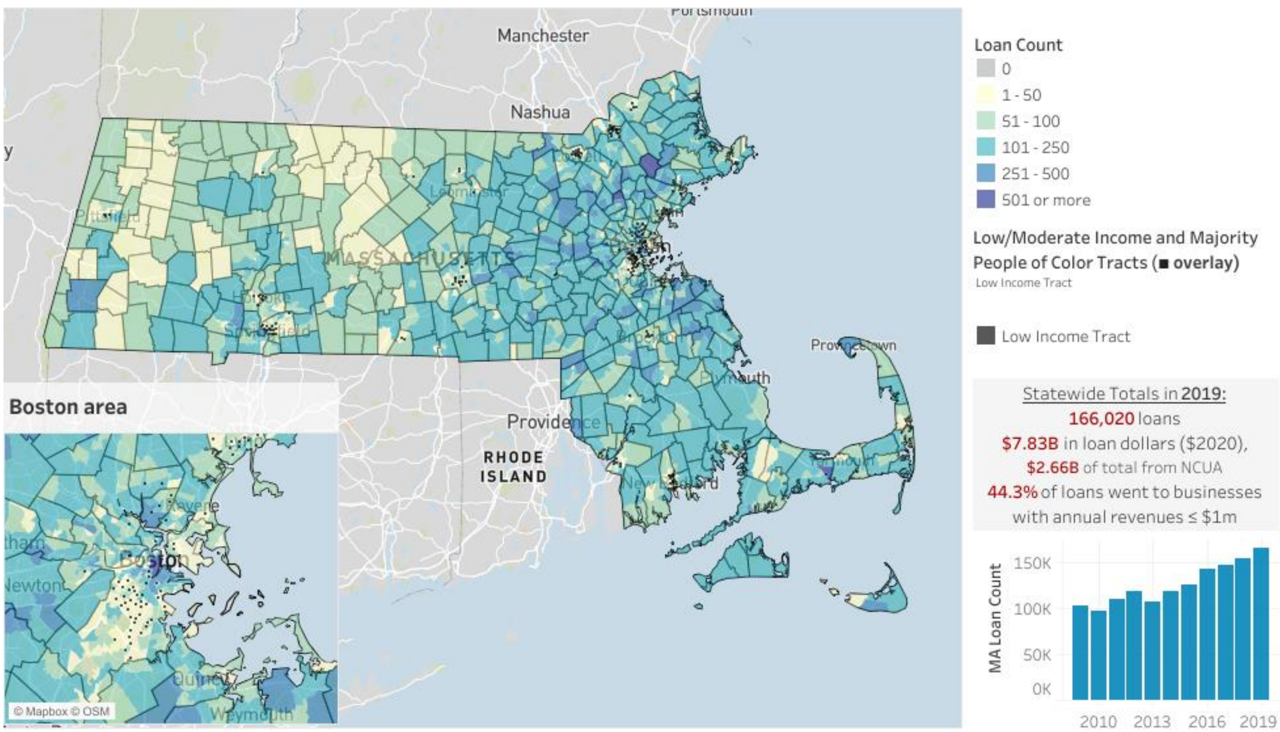
[32] The Color of Wealth in Boston - Federal Reserve Bank of Boston 2015

Springfield (81 percent of loans were to LMI/POC tracts), Worcester (60 percent), Cambridge (31 percent), and Lowell (88 percent).

In parts of the Pioneer Valley and Berkshire County, more rural tracts and less populated areas received fewer loans. The number of loans is not necessarily correlated with population size, however. Sections of Cape Cod (such as Provincetown) and the Berkshires (such as Great Barrington) do not have large year-round populations, but each received 270 loans in 2019. This focus on tourism means they may have more businesses in need of loans than small suburban communities in other areas of Massachusetts.

Zeroing in on Boston, specifically, the most loans went to neighborhoods in and around downtown, with the largest dearth in census tracts comprising Dorchester, Roxbury, Mattapan, and East Boston, tracts that also contain the largest shares of people of low and moderate income and people of color.

Figure 3. Small Business Loan Originations, CRA Data, by Census Tract, 2019



Source: Federal Financial Institutions Examination Council (FFIEC) CRA Disclosure Data, 2019

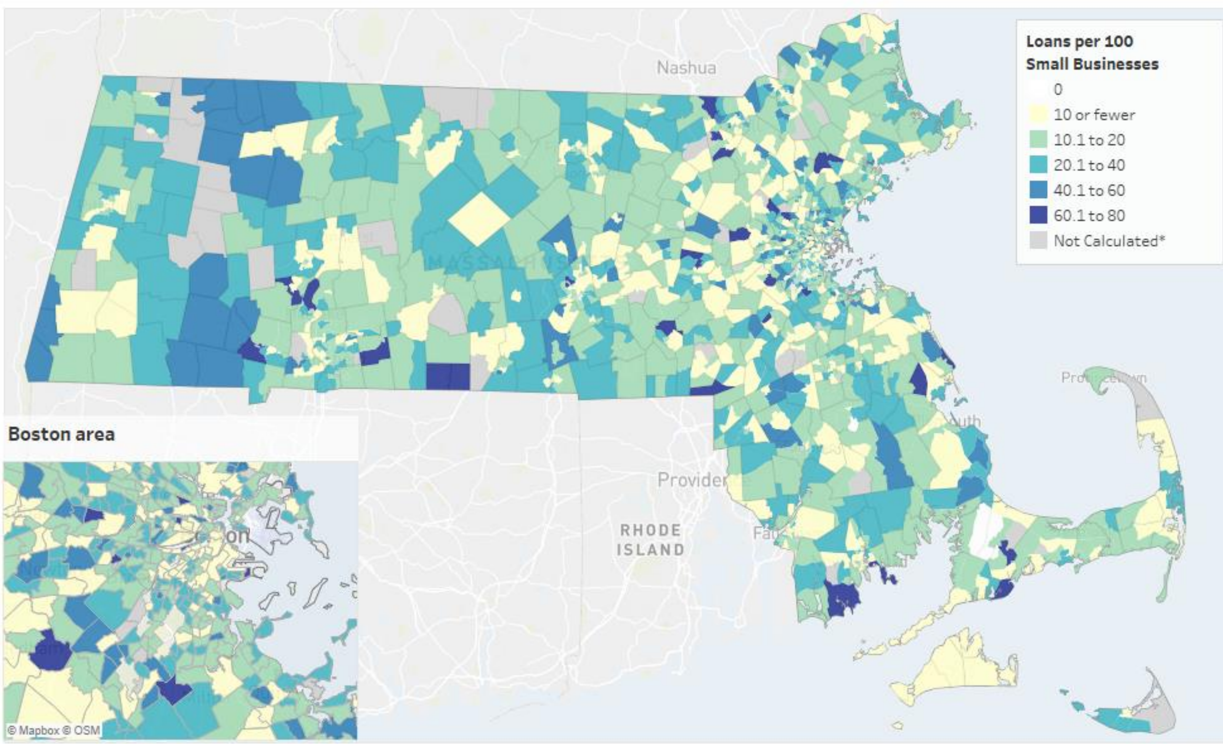
Most of the municipalities receiving the largest number of loans are also large cities with a substantial number of small businesses, some cities and census tracts received a disproportionate number of loans given their number of small businesses. **Figure 4** illustrates small business loans per 100 small businesses by census tract, using small business count estimates from the Census' Zip Code Business Patterns and County Non-Employer Statistics.[33]

33 Business pattern data includes all employers who receive an employer identification number as required by the IRS, non-employer data includes all non-employers who pay business income taxes and have $1,000 or more in annual receipts in a year, ($1 or more in construction) Certain industries are excluded from each dataset, for example crop and animal production (NAICS 111,112).

Some small municipalities stand out, such as areas in the Berkshires and Franklin County, as well as areas around Lowell (Chelmsford, Westford and Andover). Some coastal towns have high rates, likely due to business related to the blue economy (e.g., restaurants located near the ocean or marine tourism businesses), such as Sandwich, Newburyport, Duxbury, Marshfield and Nantucket.

However, while parts of the Berkshires appear to stand out on the map, it may be due to the nature of the data only: the small basis for the rate calculation in sparse places makes for misleadingly high-seeming numbers if small businesses are even slightly attributed to the wrong location, or remain in the data after closure. These issues in small places happen in all of the small business data sources available and must be viewed as unreliable estimates in places with shared tracts across municipal lines and where there are fewer than about 30 businesses total. This produces very high rates in smaller places like the Berkshires, rural places in the Pioneer Valley, Nantucket, or the town of Warren in the center of the state. For these reasons, tracts with small estimates have been suppressed to protect accuracy of the data presented. Ratios have not been calculated for places with fewer than 30 small businesses, or with loan counts higher than their small business count.

Figure 4. Small Business Loans per 100 Small Businesses, CRA data by Census Tract, 2019



Sources: Federal Financial Institutions Examination Council (FFIEC) CRA Disclosure Data, 2019; ZIP Code Business Patterns, 2018; County Non-Employer Statistics, 2018.

Loan counts are limited to businesses with annual revenues less than or equal to $1m. Estimates of small business counts were constructed from Census ZIP Code Business Patterns Data, 2018, as well as interpolated from county-level Census Non-Employer Statistics. ZIP code-level small business counts were then crosswalked to tracts using a USPS-HUD crosswalk. For more detail on methodology, see Appendix 4. Technical Notes.

*Note: Tracts with small estimates have been suppressed to protect accuracy of the data presented. Ratios have not been calculated for places with fewer than 30 small businesses, or with loan counts higher than their small business count.

There are also several tracts on the map showing the rate as zero. There are 14 of these tracts with a zero rate. Half of them (seven tracts) are Boston city tracts. These are public parks or other greenspace, such as arboretums and cemeteries. The others are schools, bases, and prisons scattered around the state, at UMass Amherst; two colleges in the city of Worcester; military bases in Westfield and Sandwich; and the Bridgewater Correctional facility.

Despite these areas that cannot provide proper insight due to data challenges, this geographic analysis clearly shows that once you control for the number of businesses in a given tract, small business loans are fairly well distributed. While the first map of loans seems to show that neighborhoods in Boston such as Roxbury and Dorchester receive far fewer loans than places like downtown Boston, the rate in this second map per 100 suggests that the smaller number of loans is proportional to the smaller number of small businesses in that area of the city. However, status quo lending, in other words, lending which appears relatively even compared on the basis of the number of existing small businesses, may still not lead to equitable results if there were few small businesses in the area to begin with, if the basis was already inequitable.

Examining the data in the map of the rate per 100 small businesses reveals that there are areas in Boston neighborhoods that receive loans at a slightly higher rate than their downtown counterparts. Some tracts in the above rate map do illuminate other areas of the state where small businesses may actually be accessing capital at a pronounced rate. For example, directly west of Springfield on the western side of the towns of West Springfield and Agawam, there are three tracts with 152 small business CRA loans between them and an estimated 168 small businesses, making for an above average loan rate per 100 businesses. This suggests a region where small businesses were taking on loans in 2019, perhaps in the hopes of expanding their operations, or accessing capital to help support operations as needed. Similar clusters of commercial activity are visible throughout the state.

Zeroing in on low- to moderate-income tracts and tracts with majority people of color, moderate income tracts that were also majority POC had the highest rate of loans per 100 small businesses. Majority people of color tracts that were not LMI and tracts that were neither LMI nor majority POC all had rates higher than the statewide average. Low income tracts had the lowest rates. LMI and majority POC tracts also have fewer businesses, on average, than non-LMI, non-POC tracts. The average LMI tract had 338 businesses, and the average majority POC tract had 276 businesses, compared to the average non-LMI, non-POC tract which had 500 businesses.

Figure 5. Loans per 100 Small Businesses to LMI, POC and Non-LMI/POC Tracts

Income/POC Category	Small Business Estimate	Loans to Businesses with Annual Revenues <$1m	Loans per 100 Small Businesses
Moderate Income & Majority POC	25,497	3,480	13.6
Majority POC (Not Low/Moderate Income)	10,038	1,223	12.2
Not Low/Moderate Income or Majority POC	460,580	54,097	11.7
TOTAL STATEWIDE	**621,492**	**71,124**	**11.4**
Moderate Income (Not Majority POC)	66,274	7,306	11.0
Low Income & Majority POC	40,646	3,905	9.6
Low Income (Not Majority POC)	18,457	1,113	6.0

Sources: Federal Financial Institutions Examination Council (FFIEC) CRA Disclosure Data, 2019; ZIP Code Business Patterns, 2018; County Non-Employer Statistics, 2018.

A more simplified look at the same data, showing rates by four major categories, illustrates that when combined, all majority POC tracts and all LMI tracts have lower rates than the statewide average. Only tracts that were neither LMI nor POC outperformed the state. (It is important to note that the majority POC and LMI tracts overlap, as some tracts are both LMI and POC, and should not be added together.)

Figure 6. Loans per 100 Small Businesses to all LMI, POC and Non-LMI/POC Tracts

Income/POC Category	Small Business Estimate	Loans to Businesses with Annual Revenues <$1m	Loans per 100 Small Businesses
Not LMI or POC tracts	460,580	54,097	11.7
TOTAL STATEWIDE	**621,492**	**71,124**	**11.6**
All majority POC tracts	76,181	8,608	11.3
All LMI tracts	150,874	15,804	10.5

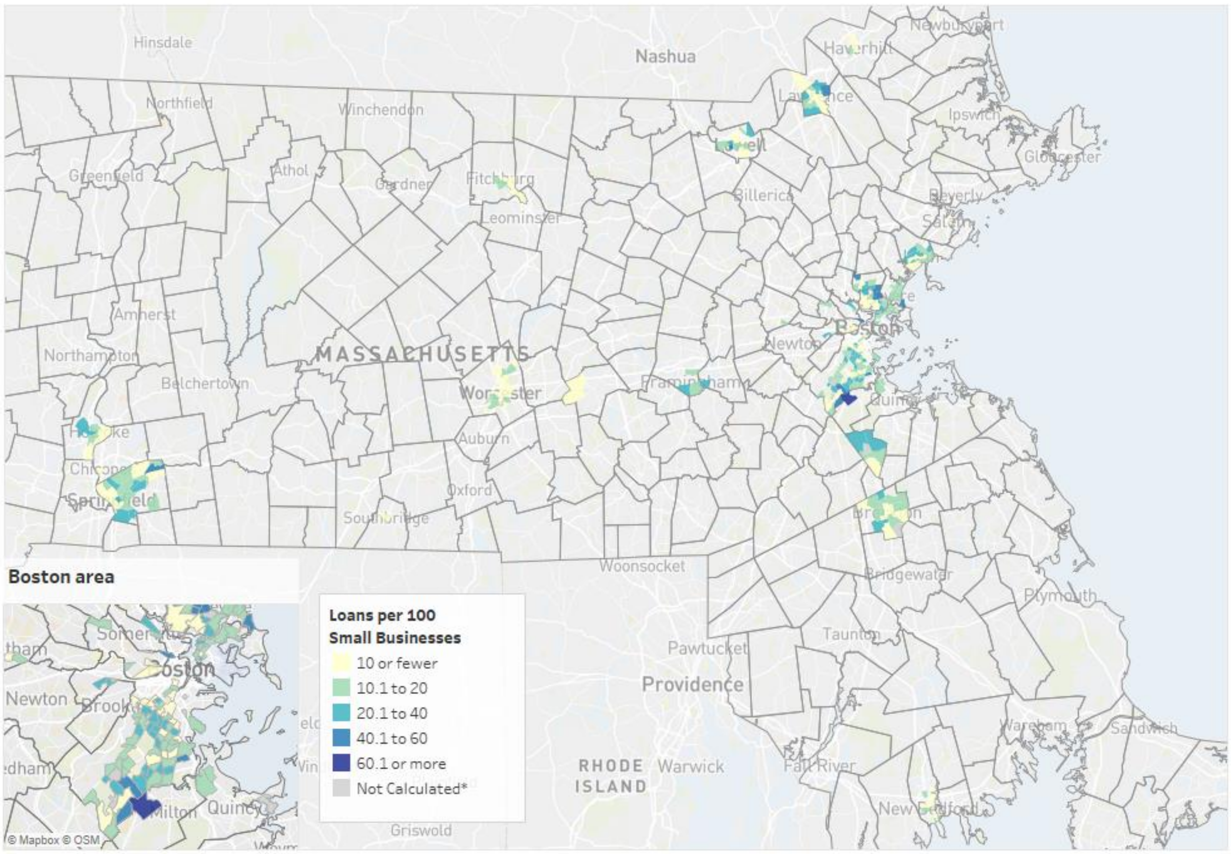
Sources: Federal Financial Institutions Examination Council (FFIEC) CRA Disclosure Data, 2019; ZIP Code Business Patterns, 2018; County Non-Employer Statistics, 2018. Note: majority POC and LMI tracts overlap. Some tracts are both LMI and POC, do not add them together.

The following maps illustrate small business loans per 100 small businesses specifically to majority POC or LMI tracts. Overall, 20 percent of census tracts in Massachusetts are majority POC (286 total), and 32 percent of census tracts are LMI (460 total), though there is significant overlap between these two: 88 percent of majority POC tracts are also LMI, and 55 percent of LMI tracts are also majority POC.

Spatially, majority POC tracts are largely located in Boston (30 percent of the statewide total), and Gateway Cities[34] around the state such as Springfield (10 percent), Lynn (6 percent), Brockton (6 percent), and Worcester (6 percent). Despite being tied for the third highest number of majority POC tracts (alongside Lynn, Brockton and Lawrence) Worcester's majority POC tracts received a notably lower rate of loans (7 per 100 small businesses) than other communities. This could potentially be due to a larger concentration of businesses per tract than in other Gateway Cities. Springfield, Lynn, Brockton and Lawrence all received more than 10 loans per 100 small businesses.

[34] Gateway Cities became an official legislative designation in 2009 and the designation is connected to special programs to spur economic development in these urban centers. There are currently 26 officially designated Gateway Cities in Massachusetts. For more information on Gateway Cities, see: https://massinc.org/our-work/policy-center/gateway-cities/about-the-gateway-cities/

Figure 7. Small Business Loans to All Majority People of Color (POC) Tracts per 100 Small Businesses, CRA data by Census Tract, 2019



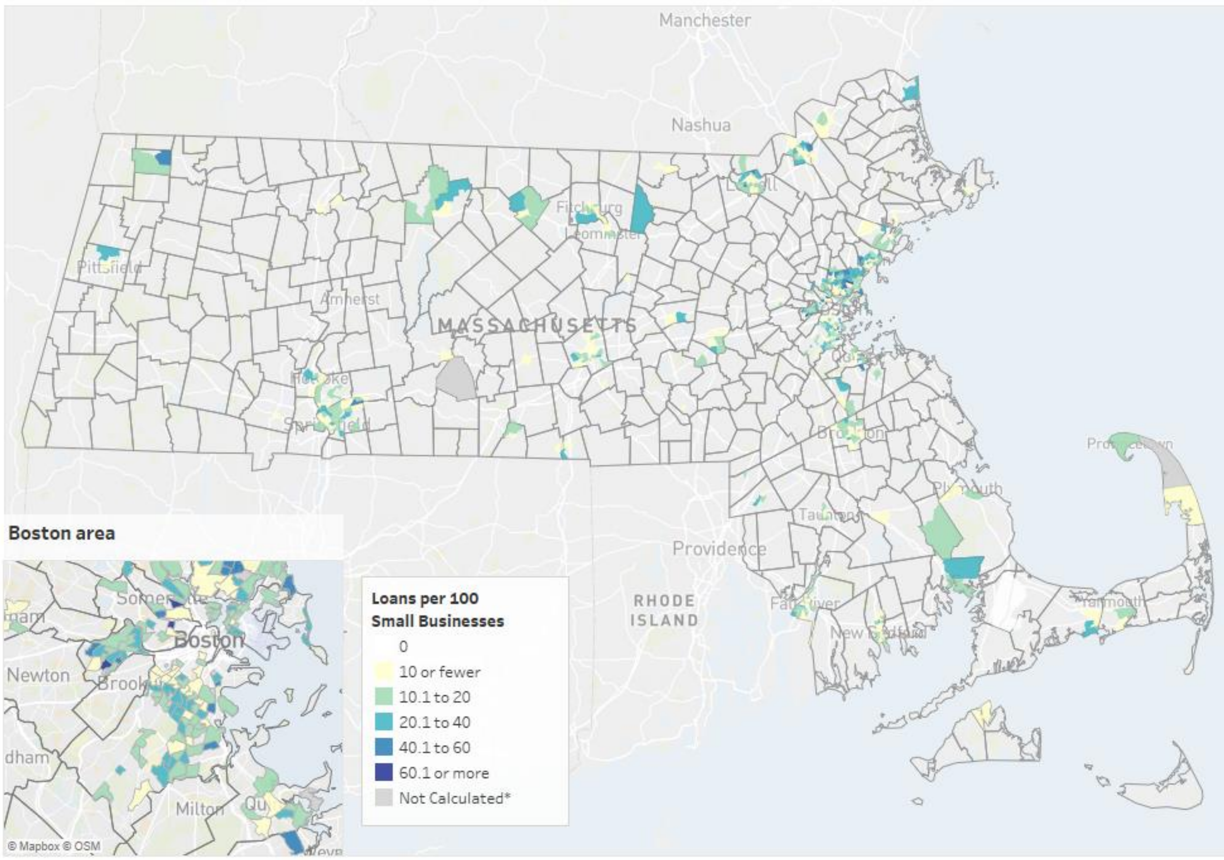
Sources: Federal Financial Institutions Examination Council (FFIEC) CRA Disclosure Data, 2019; ZIP Code Business Patterns, 2018; County Non-Employer Statistics, 2018.

Estimates of small business counts were constructed from Census ZIP Code Business Patterns Data, 2018, as well as interpolated from county-level Census Non-Employer Statistics. ZIP code-level small business counts were then crosswalked to tracts using a USPS-HUD crosswalk. For more detail on methodology, see Appendix 4. Technical Notes.

*Note: Tracts with small estimates have been suppressed to protect accuracy of the data presented. Ratios have not been calculated for places with fewer than 30 small businesses, or with loan counts higher than their small business count.

LMI tracts are more abundant than majority POC tracts, and span larger swaths of the state: reaching into parts of the Berkshires and the Cape and Islands. Overall, LMI tracts had a lower rate than majority POC tracts, non LMI or POC tracts, and the statewide average.

Figure 8. Small Business Loans to All Low- to Moderate-Income (LMI) Tracts per 100 Small Businesses, CRA data by Census Tract, 2019

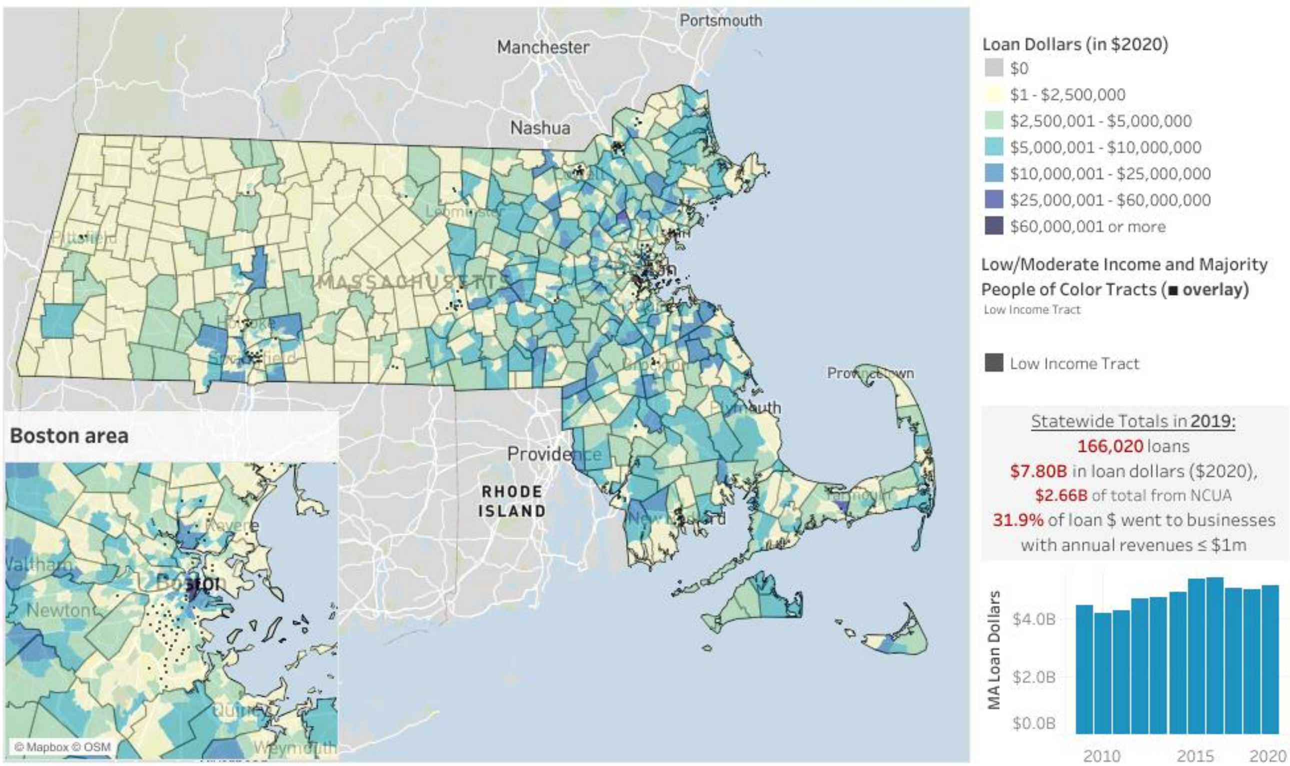


Sources: Federal Financial Institutions Examination Council (FFIEC) CRA Disclosure Data, 2019; ZIP Code Business Patterns, 2018; County Non-Employer Statistics, 2018.
Estimates of small business counts were constructed from Census ZIP Code Business Patterns Data, 2018, as well as interpolated from county-level Census Non-Employer Statistics. ZIP code-level small business counts were then crosswalked to tracts using a USPS-HUD crosswalk. For more detail on methodology, see Appendix 4. Technical Notes.
*Note: Tracts with small estimates have been suppressed to protect accuracy of the data presented. Ratios have not been calculated for places with fewer than 30 small businesses, or with loan counts higher than their small business count.

Data are also available by total loan dollar amounts, which are mapped in **Figure 9**, below. Overall, communities in Eastern Massachusetts received the largest dollar amount of loans. There are a number of communities in Greater Boston that received between $2.5 million and $25 million in loan dollars. In Western Massachusetts, some communities in Hampden County (such as Springfield, Chicopee, Westfield and Agawam) received over $25 million in small business loans.

Looking specifically at Boston, however, it seems that low- and moderate-income neighborhoods like Dorchester and Mattapan not only received fewer numbers of loans than other neighborhoods in the city, but also fewer dollars overall, as compared to Back Bay, the Seaport, and other neighborhoods. The state's other largest cities, Springfield, Worcester and Lowell, follow a similar pattern, with the fewer dollars heading to the city's lower income communities of color.

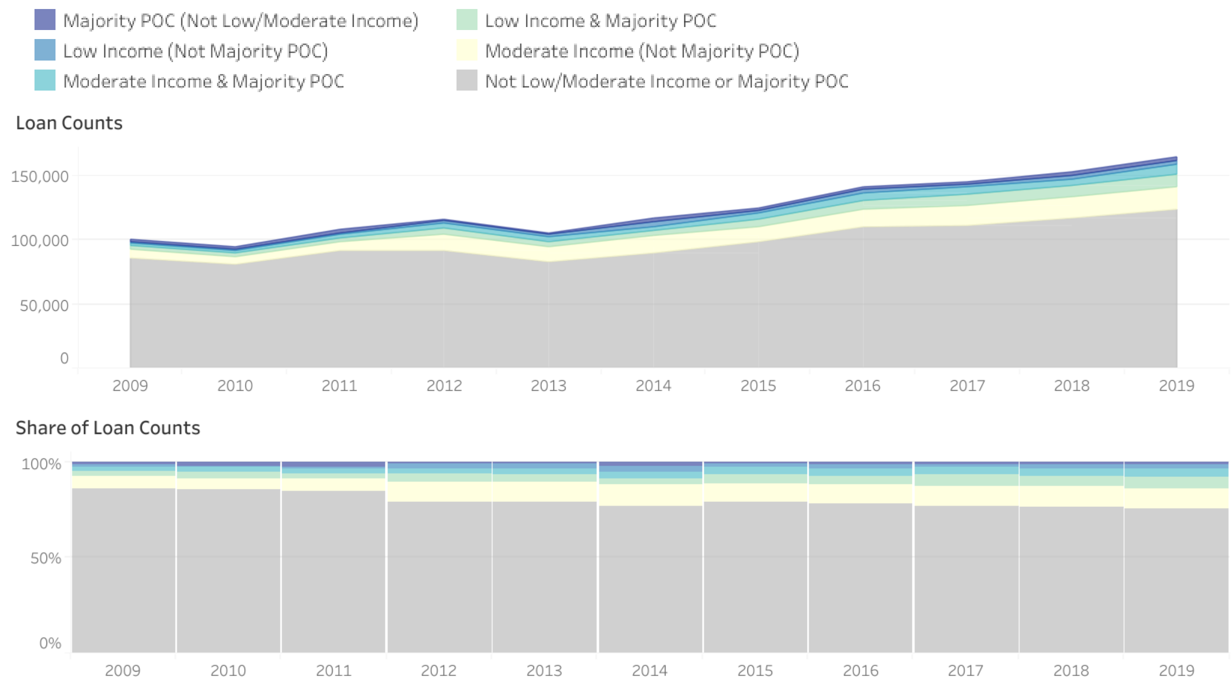
Figure 9. Small Business Loan Dollars from CRA Data, by Census Tract, Originations 2019



Source: Federal Financial Institutions Examination Council (FFIEC) CRA Disclosure Data, 2019.

The loan dollar map above marks census tracts that are low- and moderate-income with dots in their centers. Another dynamic view of the same dataset shows tracts with residents of color comprising more than 50 percent of residents Analysis of the underlying data reveals that share of loans to low and moderate income (LMI) or majority people of color (POC) areas gradually increased since the recession to the end of the available data period (2019), from 14 percent in 2009 to 24 percent in 2019. While moderate income tracts that are majority white still constitute the largest share of this group (10.3 percent) LMI and majority POC tracts have increased by 6 percentage points since 2009.

Figure 10. Small Business Loan Counts to LMI and POC Communities, from CRA Data Originations 2009-2019



Source: Federal Financial Institutions Examination Council (FFIEC) CRA Disclosure Data, 2009-2019, U.S. Census Bureau ACS 5-Year Estimates

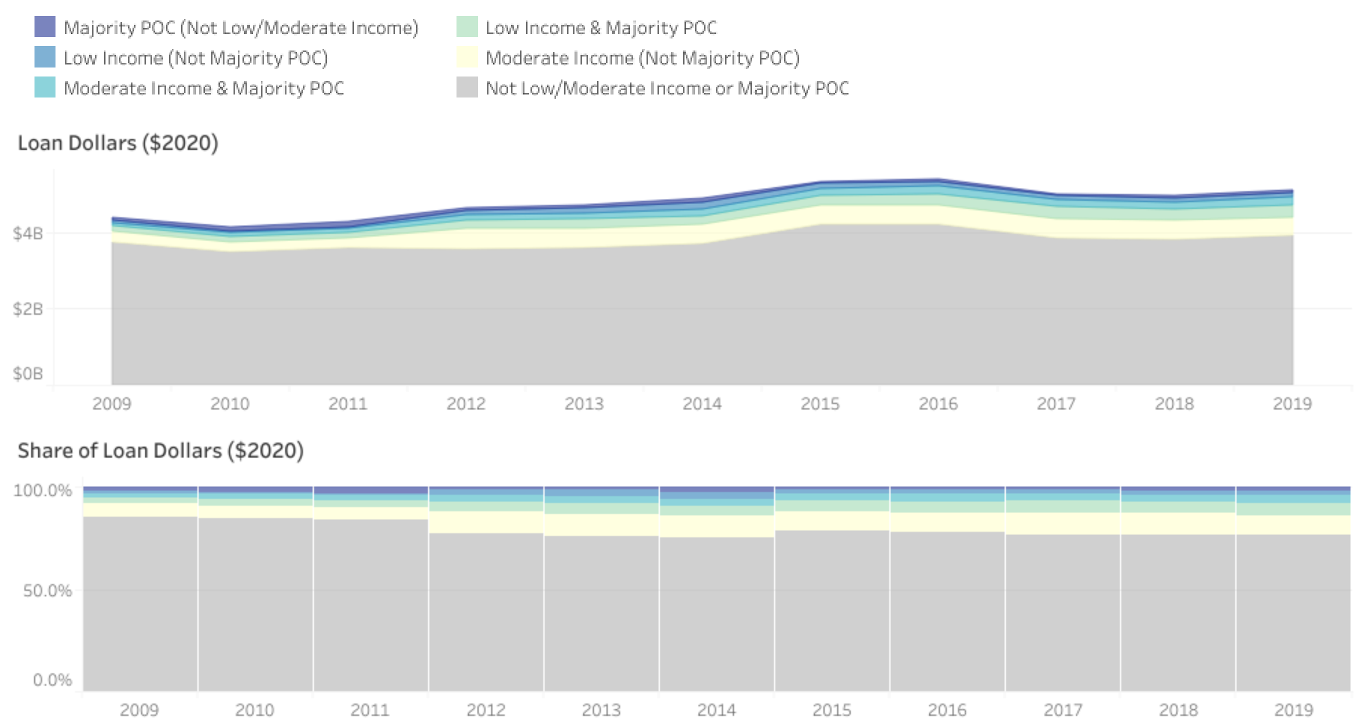
Figure 11. Table of Small Business Loan Counts to LMI and POC Communities, from CRA Data Originations 2009-2019

Year	Total	Low Income	Moderate Income	Majority POC	Low Income Share of Total	Moderate Income Share of Total	Majority POC Share of Total
2009	100,034	3,460	8,753	6,334	3.5%	8.8%	6.3%
2010	94,804	3,406	8,434	7,205	3.6%	8.9%	7.6%
2011	107,627	3,965	9,735	8,763	3.7%	9.0%	8.1%
2012	116,193	7,418	15,950	9,658	6.4%	13.7%	8.3%
2013	105,654	6,881	14,472	8,562	6.5%	13.7%	8.1%
2014	116,999	7,923	16,609	10,397	6.8%	14.2%	8.9%
2015	124,237	8,255	16,561	11,707	6.6%	13.3%	9.4%
2016	141,066	9,724	19,312	14,345	6.9%	13.7%	10.2%
2017	145,300	10,768	21,275	15,840	7.4%	14.6%	10.9%
2018	152,971	11,279	22,096	16,747	7.4%	14.4%	10.9%
2019	164,154	12,559	24,678	20,377	7.7%	15.0%	12.4%

Source: Federal Financial Institutions Examination Council (FFIEC) CRA Disclosure Data, 2009-2019, U.S. Census Bureau ACS 5-Year Estimates 2009-2019

When considering the dollar amount of loans going to LMI tracts and areas that are majority people of color, the picture is overall largely the same as with loan counts. Total loan dollars have increased over the past decade, even when adjusted for inflation, but that increase has started to level off over the past four years. The notable increase from 2011 to 2012 in loan shares to LMI and POC communities may relate to the state's post- housing recession economic recovery, or to the growth in the number of areas which meet the standards for these categories. By far largest increase in lending share amongst all these groups of interest has been to moderate income, majority white communities.

Figure 12. Small Business Loan Dollars to LMI and POC Communities, from CRA Data Originations 2009-2019



Source: Federal Financial Institutions Examination Council (FFIEC) CRA Disclosure Data, 2009-2019, U.S. Census Bureau ACS 5-Year Estimates 2009-2019

Figure 13. Table of Small Business Loan Dollars to LMI and POC Communities, from CRA Data Originations 2009-2019 (in $2020)

Year	Total	Low Income	Moderate Income	Majority POC	Low Income Share of Total	Moderate Income Share of Total	Majority POC Share of Total
2009	$4.40B	$191.49M	$372.24M	$297.46M	4.36%	8.47%	6.77%
2010	$4.13B	$176.27M	$368.78M	$331.38M	4.27%	8.92%	8.02%
2011	$4.27B	$189.64M	$368.66M	$380.74M	4.44%	8.64%	8.92%
2012	$4.64B	$342.50M	$667.55M	$418.25M	7.39%	14.40%	9.02%
2013	$4.71B	$397.48M	$673.82M	$457.25M	8.44%	14.30%	9.71%
2014	$4.89B	$385.83M	$698.32M	$487.09M	7.89%	14.27%	9.96%
2015	$5.33B	$393.57M	$681.41M	$509.08M	7.38%	12.78%	9.55%
2016	$5.38B	$412.15M	$704.24M	$567.22M	7.66%	13.08%	10.54%
2017	$5.01B	$388.97M	$723.83M	$547.04M	7.77%	14.46%	10.93%
2018	$4.96B	$359.73M	$711.12M	$518.91M	7.26%	14.35%	10.47%
2019	$5.11B	$394.02M	$714.12M	$630.29M	7.71%	13.97%	12.33%

Source: Federal Financial Institutions Examination Council (FFIEC) CRA Disclosure Data, 2009-2019, U.S. Census Bureau ACS 5-Yr Data 2009-2019

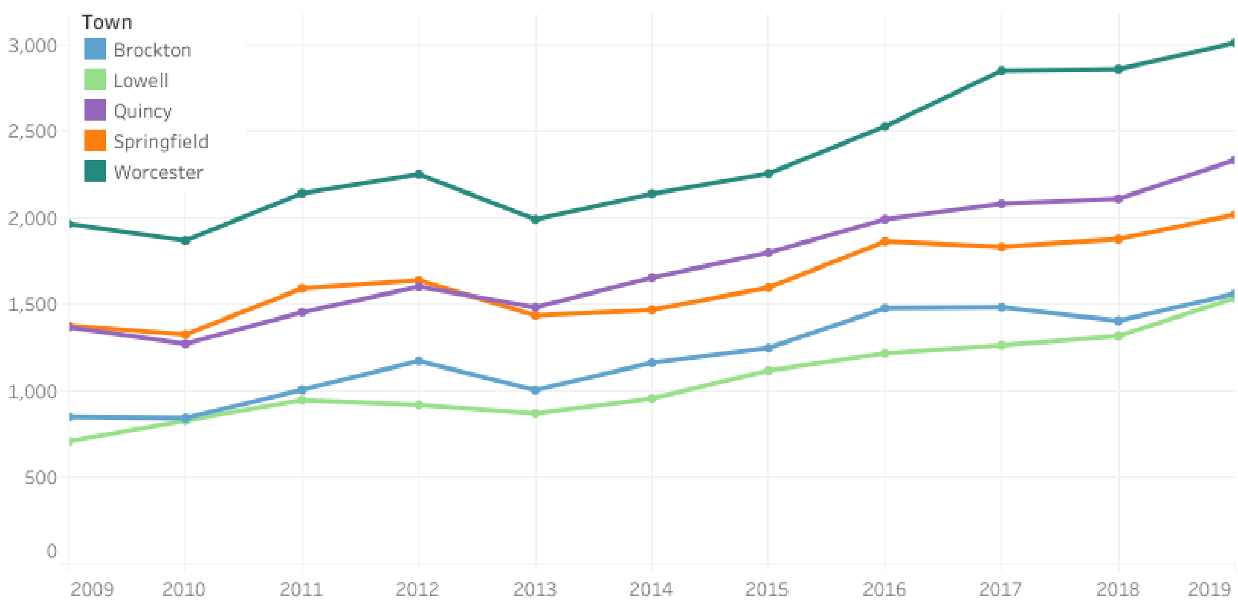
Despite increasing loan shares to LMI and majority POC communities, some cities are still not seeing lending happening there at a rate proportional to their number of LMI/POC tracts. While 62 percent of Boston's tracts are LMI/POC, only 42 percent of loans went to these tracts. Statewide, 34 percent of all tracts are LMI/POC, but only 24 percent of loans were issued to these tracts in 2019. Interestingly, cities with the largest shares of LMI/POC tracts did tend to have proportional loan shares.

Lending by Municipality

Gateway Cities are historical manufacturing cities that have been slow to draw new economic investments post-deindustrialization, but also remain regional economic anchors.[35] Gateway Cities also remain lower cost entry points for many immigrants, making them a "gateway" to pursuing success in America. As such, Gateway Cities are often far more racially and ethnically diverse than the municipalities that surround them. The Massachusetts Legislature defines and designates the Gateway Cites. Currently they are: Attleboro, Barnstable, Brockton, Chelsea, Chicopee, Everett, Fall River, Fitchburg, Haverhill, Holyoke, Lawrence, Leominster, Lowell, Lynn, Malden, Methuen, New Bedford, Peabody, Pittsfield, Quincy, Revere, Salem, Springfield, Taunton, Westfield, and Worcester. While these 26 communities across the Commonwealth, for broad policy purposes, are often treated as having the same needs, the CRA small business lending data reveals that while following the same general trend, there is variation between Gateway Cities.

Figure 14 below shows small business loans to the five most populous Gateway Cities over time. Despite Springfield's rank as the third largest city in the state, Quincy, a modest sized city near Boston, has consistently received more loans than Springfield since 2013.

Figure 14. Small Business Loan Counts from CRA Data for Five Largest Gateway Cities, Originations 2009-2019



Source: Federal Financial Institutions Examination Council (FFIEC) CRA Disclosure Data, 2009-2019.

[35] Gateway Cities became an official legislative designation in 2009 and the designation is connected to special programs to spur economic development in these urban centers. There are currently 26 officially designated Gateway Cities in Massachusetts. For more information on Gateway Cities, see: https://massinc.org/our-work/policy-center/gateway-cities/about-the-gateway-cities/

Many Gateway Cities actually saw a higher share of dollars flow to LMI and POC communities than their share of LMI and POC communities as a whole, which is shown in **Figure 15** below. In Springfield, for instance, 96 percent of all loan dollars went to LMI and POC communities, despite the fact that only 81 percent of all tracts in the city are LMI and POC. However, in Boston, the disparity between dollar share and LMI/POC share is even greater than with loan counts: 34 percent of loan dollars in Boston went to LMI and POC communities, despite its LMI and POC population share of 62 percent. Some places stand out with higher representation: Barnstable, the largest city in the Cape and islands region, saw a remarkably high rate of lending to LMI/POC tracts. 64 percent of loan dollars and 42 percent of loans went to LMI/POC communities, despite the fact that LMI/POC tracts comprise less than 30 percent of all tracts in the city.

Figure 15. Table of LMI, POC Population vs Loan Shares in Gateway Cities, Boston, State, 2019

City	Share of tracts that are LMI/POC	Share of loans to LMI/POC tracts	Share of dollars to LMI/POC tracts
Everett	100%	100%	100%
Lawrence	100%	100%	100%
Malden	91%	94%	89%
Revere	90%	94%	95%
Lowell	88%	90%	93%
Chelsea	88%	91%	95%
Lynn	86%	87%	93%
Brockton	86%	81%	74%
Holyoke	82%	80%	85%
Springfield	81%	88%	96%
New Bedford	81%	80%	79%
Fall River	80%	78%	74%
Fitchburg	70%	74%	82%
Boston	**63%**	**42%**	**34%**
Worcester	60%	61%	72%
Haverhill	57%	62%	71%
Salem	56%	59%	53%
Peabody	56%	54%	47%
Chicopee	50%	52%	55%
Quincy	45%	51%	56%
Attleboro	38%	33%	33%
Methuen	36%	40%	42%
Pittsfield	36%	43%	28%
Taunton	36%	27%	27%
Barnstable	27%	42%	64%
Leominster	22%	26%	39%
Westfield	13%	17%	8%
Massachusetts	**34%**	**24%**	**23%**

Source: Federal Financial Institutions Examination Council (FFIEC) CRA Disclosure Data, 2019.

Lending by Business Industry

Loans backed by the Small Business Administration comprise a small percentage of all small business loans (as previously mentioned, SBA loans represent an estimated 3 percent). Despite this limitation of the data in understanding all small business lending, there is much greater detail available about the industries SBA loans are made in, which is not available in the small business CRA lending data.

Note that SBA loans included in this analysis come from two SBA programs, 7a and 504. More 7a loans are issued than 504 loans, whereas 504 loans are larger. This is because 7a loans are used for general operations purposes such as purchasing an existing business, refinancing current debt, or purchasing materials and supplies.[36] 504 loans are much larger in dollar amount, as they are capital loans, mostly issued for commercial real estate and equipment, such as buying a building, financing construction or building improvements, or purchasing heavy machinery.[37] For these reasons, most businesses may only receive one 504 loan in their lifetime, as opposed to multiple 7a loans.

Uses for a 7(a) loan include:
• Long- and short-term working capital
• Revolving funds, based on the value of existing inventory and receivables
• Purchasing equipment, machinery, furniture, fixtures, supplies, or materials
• Purchasing real estate, including land, buildings
• Constructing a building or renovating one
• Establishing a new business or assisting acquisition, operation or expansion of one
• Refinancing certain existing business debt

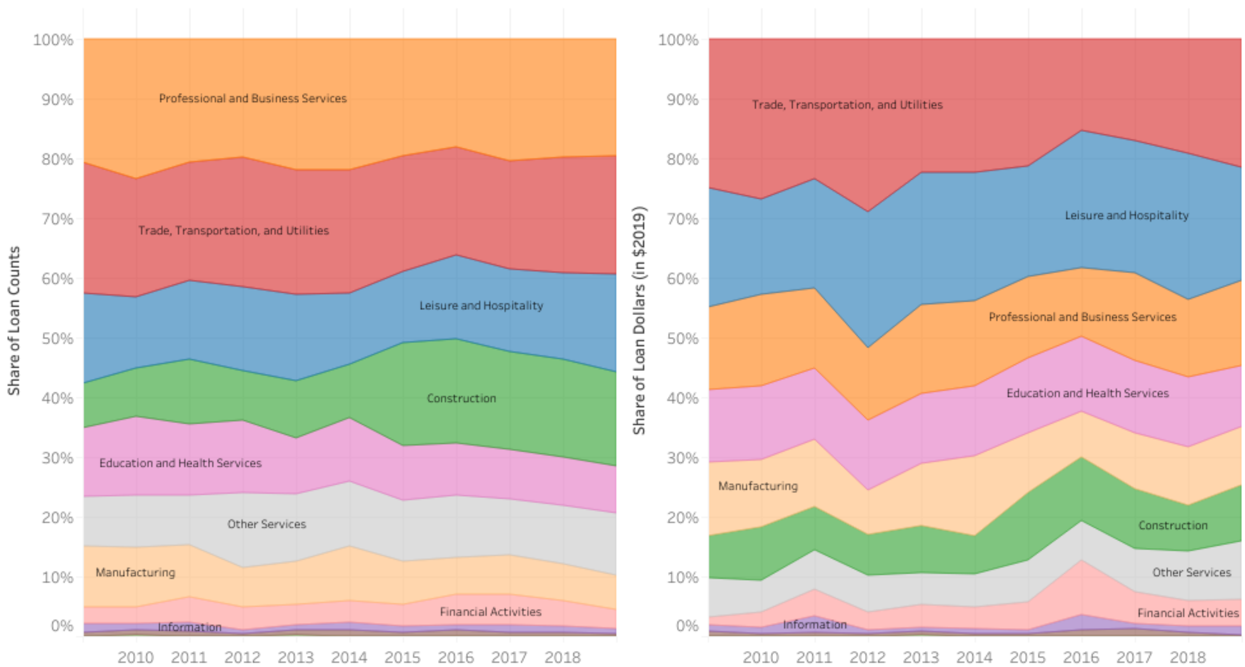
A 504 loan can be used for a range of assets that promote business growth and job creation. These include the purchase or construction of the following:
• Existing buildings or land
• New facilities
• Long-term machinery or equipment
Or the improvement or modernization of:
• Land, streets, utilities, parking lots, landscaping
• Existing facilities

The following pages delve into detail on SBA loans and what can be learned about the industry and lender trends. The report then concludes with a special section analyzing newly available information from key SBA CARES Act programs and the Census Small Business Pulse Survey on the effects of the pandemic on small businesses.

[36] 7(a) loan uses, see https://www.sba.gov/funding-programs/loans/7a-loans for more information.
[37] 504 loan uses, see https://www.sba.gov/funding-programs/loans/504-loans for more information.

Figure 16 below shows the share of SBA loans awarded by business industry[38] across Massachusetts over time. Although businesses in Professional and Business Services; and Trade, Transportation and Utilities industries received nearly 40 percent of all SBA loans, other industries have seen dramatic growth in their loan share, such as Construction. While Professional and Business Services is the industry with largest number of total loans, those loans tend to be small in size compared to loans for businesses in Trade, Transportation and Utilities; and the Leisure and Hospitality industries. Firms in Professional and Business Services often receive 7a loans (as opposed to 504) which helps explain their smaller share of loan dollars given their large share of loan counts.

Figure 16. SBA Industry Shares of Loan Counts and Loan Dollars ($2020), 2009-2019



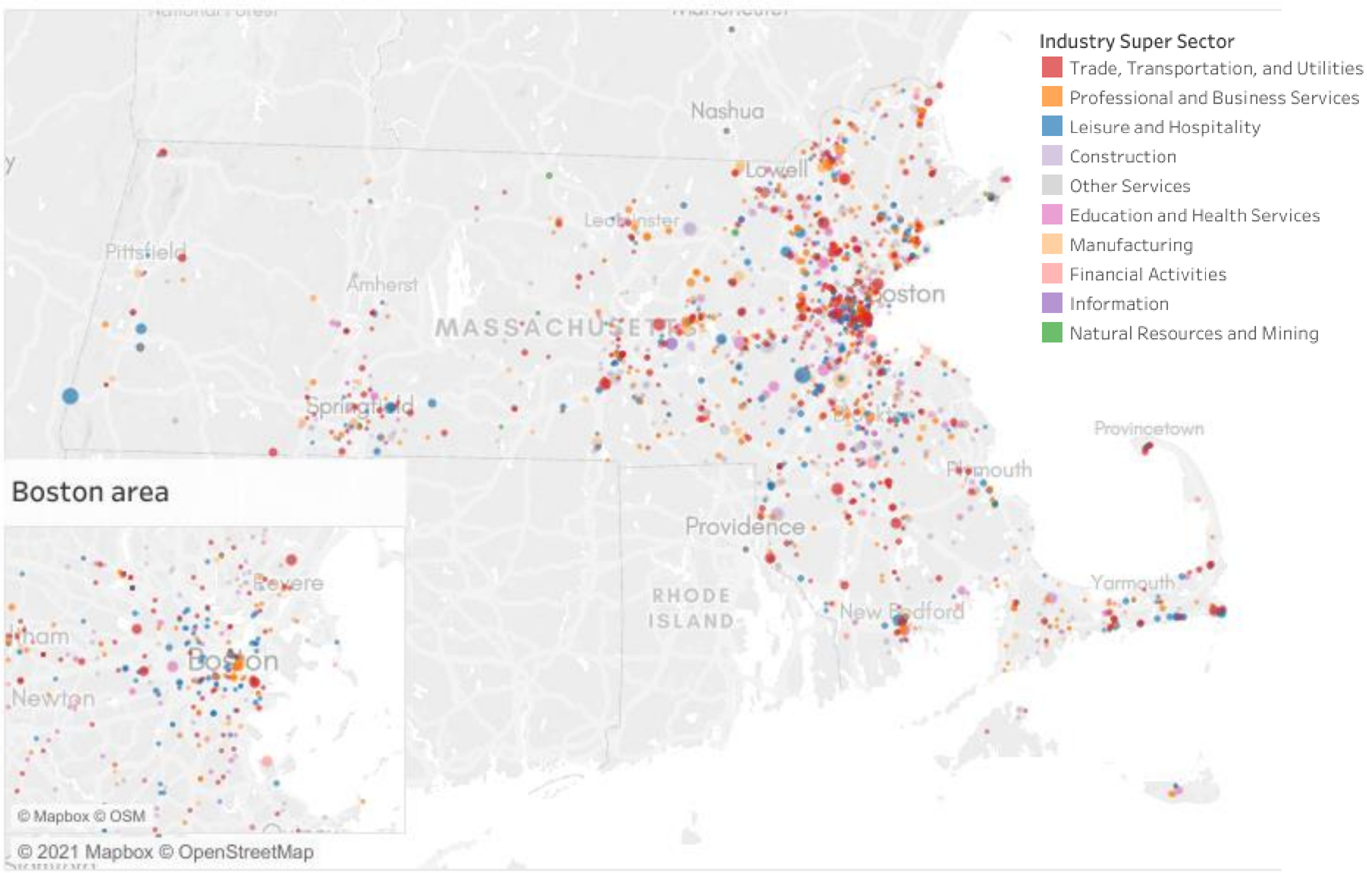
Source: Small Business Administration, SBA 7a and 504 Loan Reports, 2009-2019.

[38] Industries are defined by North American Industry Classification System (NAICS) supersectors, the standard used by Federal statistical agencies in classifying business establishments: https://www.bls.gov/sae/additional-resources/naics-supersectors-for-ces-program.htm

Figure 17 below shows a dot map of all SBA loans by industry in 2019, with dot size increasing as the loan dollar amount increases. While Trade, Transportation and Utilities remains the most common industry super sector to receive SBA loans (which includes detailed industries like retail and grocery stores, merchant wholesalers and freight trucking) loans to businesses in Leisure and Hospitality saw some of the largest total dollar amounts in 2019 despite a smaller number of loans to that sector, which included loans to full-service restaurants, hotels, and bars.

When removing the large commercial 504 loans from our analysis, Professional and Business Services outranks Trade, Transportation and Utilities, as landscapers, lawyers, accountants and engineers (all counted in this supersector) are more likely to seek a 7a loan for operations.[39]

Figure 17. Map of SBA Loans by Industry, 2019



Source: Small Business Administration, SBA 7a and 504 Loan Reports, 2009-2019.

[39] Small Business Administration (SBA) loans in this analysis are combination of 7a and 504 loans, which serve different purposes. 7a loans are more common than 504 loans, often used for smaller expenses such as daily operations including payroll, 504 loans are much larger in dollar amount and are more suited for large capital investments such as building and equipment purchases.

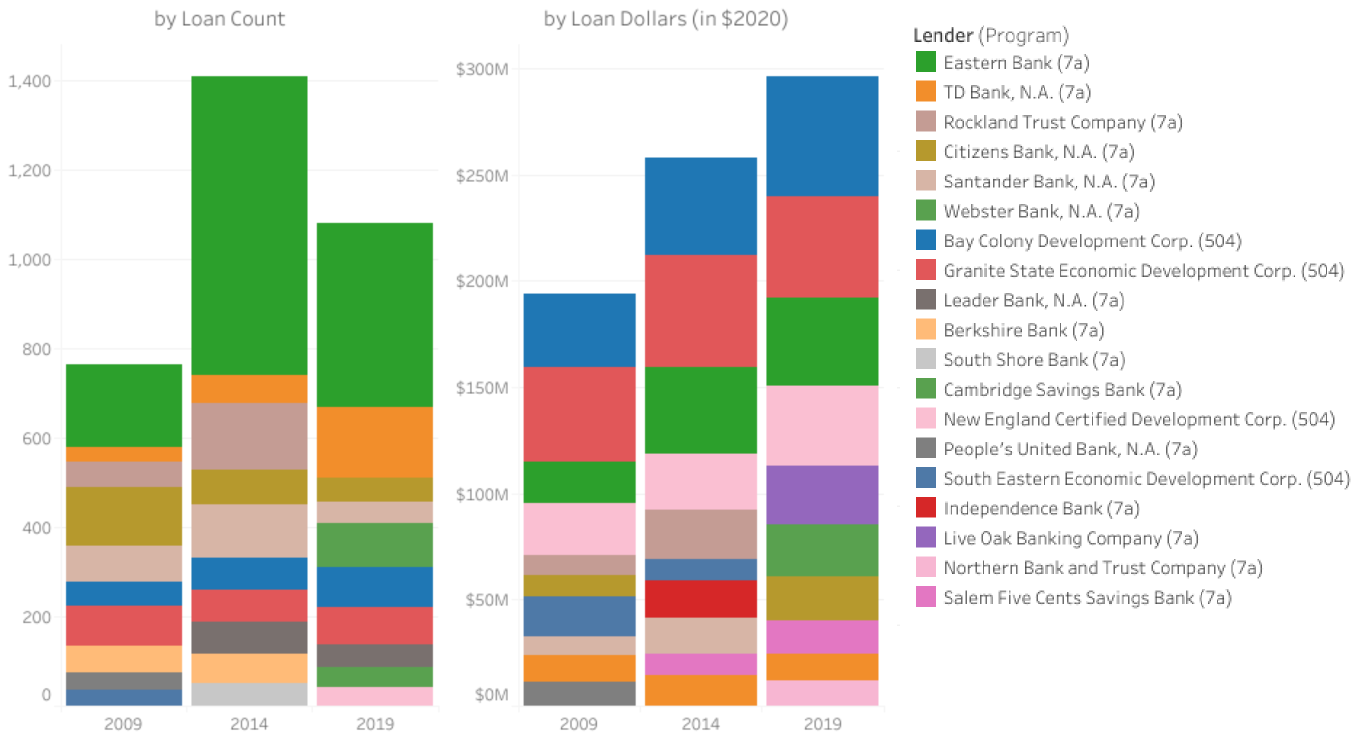
Lender Activity

Lender Activity, Information from SBA Data

This section tracks Small Business Administration (SBA) loan activity levels by two different metrics: counts of loans and total dollar amounts issued. It also examines the trends by SBA lender. Some lenders tend to issue a higher number of smaller loans, and other lenders tend to issue fewer but larger loans. For this reason, the top ten most active lenders in terms of loan count and loan amount are not identical. An example of this is Santander Bank, which was the 8th most active lender in terms of loan count in 2019, but 20th in loan dollars. This is because SBA loans include both 7a and 504 loans. Capital loans for things like infrastructure and equipment (504 loans) are handled by development corporations, and by their nature these are bigger loans than 7a loans, which can be used more flexibly for operations and therefore are typically smaller. This accounts for most of the differences between considering SBA lender activity on the basis of counts vs. lender activity on the basis of overall dollar amounts.

Figure 18 indicates the most active small business lenders in SBA data by loan count and loan dollars. Certified development corporations in general issue bigger loan amounts because the 504 loans they issue are capital loans. As a result, development corporations issue higher total SBA loan dollars but make fewer total loans.

Figure 18. Top Small Business Lenders in SBA Data by Loan Count and Loan Dollars, 2009, 2014, 2019



Source: Small Business Administration, SBA 7a and 504 Loan Reports, 2009, 2014, 2019

Figure 18 above highlights that Eastern Bank has consistently been the most active lender by loan count through 7a loans. They issued the most SBA loans in Massachusetts in 2009, 2014 and 2019—in 2014 Eastern Bank issued 671 7a loans. In 2019, they issued 415 of these SBA loans, with the value of these loans totaling $41.8 million that year.

Figure 18 also shows loan amounts. While the lending has grown, the relationships remain: the top four lenders by loan amount (total dollars) has not changed since 2009. These four lenders are Bay Colony Development Corp, Granite State Economic Development Corp, Eastern Bank, and New England Certified Development Corp, which made just 41 small business loans and was ranked the 10th most active lender in 2019 by loan count. At the same time, they issued the highest total loan amount in Massachusetts overall in 2019, with a total of just over $37 million. Their lending has grown: they more than doubled the total dollars of SBA loans made from 2014 to 2018.[40] Bay Colony Development Corporation has consistently increased the loan dollars they issue, in tandem with their number of loans.

[40] In 2019, this number declined slightly to the previously mentioned $37.2 million. The overall effect is still a large increase.

Lender Activity, CRA Data

The Community Reinvestment Act (CRA) provides data on small business loans by lender type. This section looks at originated small business CRA loans by lender. Lender activity, very similar to the lender activity by SBA, is analyzed in levels measured by counts of loans and by the total dollar amount issued. It is worth noting that according to CRA reporting requirements, business credit cards are considered a type of small business loan origination although all lines of credit are bundled together for the same period as one loan entry.[41]

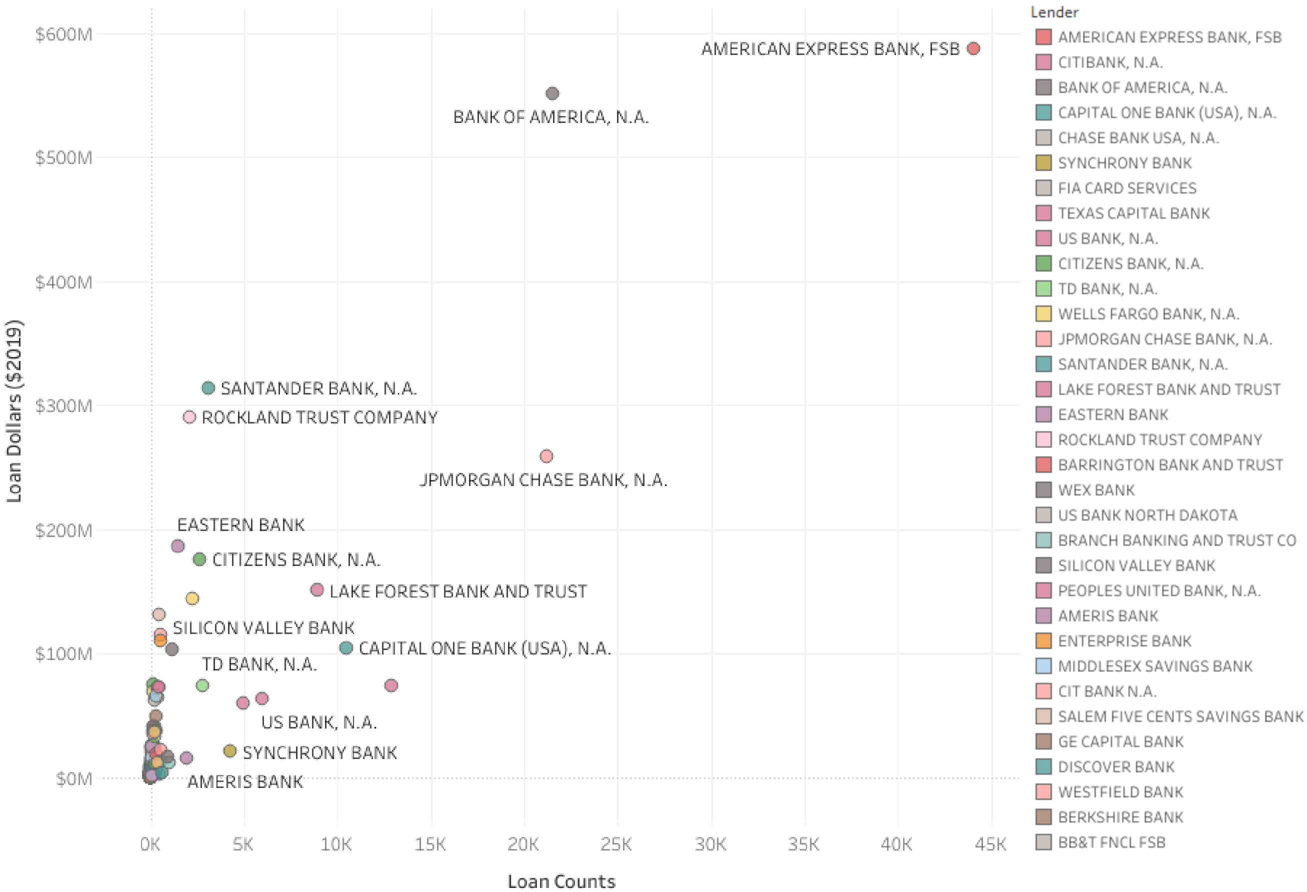
Figure 19 shows CRA small business originations by lender 2019. Over the course of the past 10 years, the most active lender in Massachusetts was American Express. Each year they issued more than twice as many loans as the next most active lender. In 2019, they also surpassed Bank of America by issuing loans with a higher collective loan dollar amount than any other lender in the state. However, when it came down to issued loan dollars, American Express and Bank of America gave nearly the same amount to small businesses. American Express Bank and Bank of America combined made up almost 40 percent of the number of loans, and 22 percent of issued loan dollars in Massachusetts in 2019, demonstrating that their high level of activity is most due to the high volume of loans they originate rather than their dollar amount.

American Express is the largest business credit card issuer in the U.S., according to the Nilson Report. Small businesses are an especially important constituency: its small-business card portfolio is larger than that of its nearest five competitors combined.[42] The company has illustrated a public commitment to small business growth, even created a holiday called "Small Business Saturday" in 2010 to help small businesses get exposure during the holiday season.

[41] A Guide to CRA Data Collection and Reporting, Federal Financial Institutions Examination Council, January 202. See https://www.ffiec.gov/cra/pdf/cra_guide.pdf

[42] See https://nilsonreport.com/upload/links/acq998la.pdf

Figure 19. CRA Small Business Originations by Lender, 2019

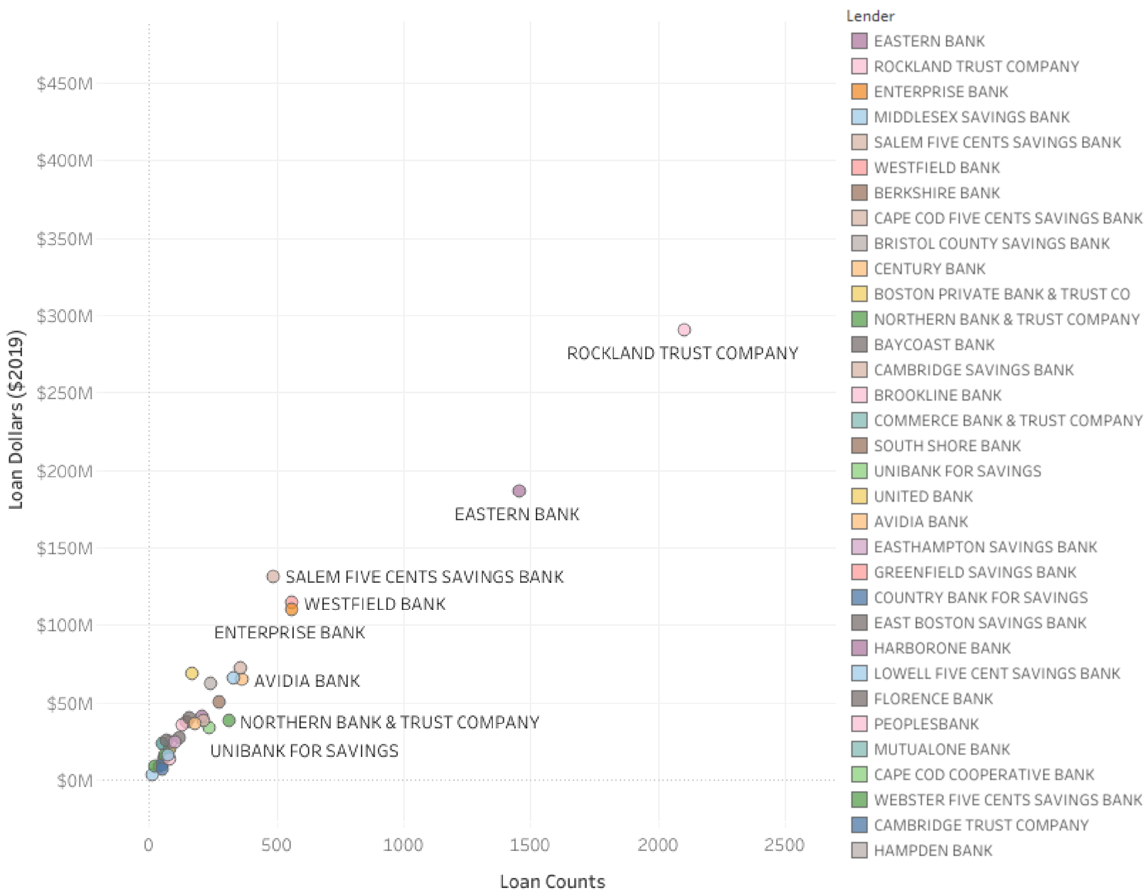


Source: Federal Financial Institutions Examination Council (FFIEC) CRA Disclosure Data, 2019

Figure 20 shows CRA small business originations by institutions headquartered in Massachusetts. In 2019, Rockland Trust Company was by far the most active CRA small business lender headquartered in Massachusetts. Rockland Trust Company made slightly over 2,100 loans in 2019. Of the over 290 million dollars in loans issued by this institution in 2019, over $88 million went to small businesses with annual revenues equal to or less than $1 million, an increase of $3 million over 2018. There were only four lenders headquartered in Massachusetts that issued more than 500 small business loans in 2019. These four lenders ended up issuing more than $100 million each in loans.

Rockland Trust Company and Eastern Bank have been the two most active lenders headquartered in Massachusetts every year since 2011. Both lenders are in the top five largest banks in the state, in terms of total 2019 deposits (Bank of America ranks 1st and Rockland Trust ranks 5th).[43] Rockland Trust is also the largest publicly traded commercial bank headquartered in Massachusetts.[44]

Figure 20. CRA Small Business Originations by Institutions Headquartered in Massachusetts, 2019



Source: Federal Financial Institutions Examination Council (FFIEC) CRA Disclosure Data, 2019

[43] https://www.bizjournals.com/boston/subscriber-only/2019/12/05/largest-banks-in-massachusetts.html
[44] https://www.rocklandtrust.com/about-us/explore/our-story

Massachusetts institutions compare very similarly to national lending institutions in terms of the loan dollars that they issue to small businesses, with 5 of the top 12 lenders being headquartered in Massachusetts. However, these Massachusetts institutions are not coming close in terms of the volume of loans that are issued by national lending institutions. The top five small business lenders in terms of number of loans are all national lending institutions, and make up more than two thirds of all originated small business loans in Massachusetts. These top five national lending institutions are American Express, Bank of America, JP Morgan Chase Bank, Citi Bank, and Capital One Bank. Local banks on average issue higher value loans than the out of state lenders.

No institutions headquartered in Massachusetts had an average loan size below $120,000. The average small business loan size issued in Massachusetts was nearly $31,000 in 2019. Salem Five Cent Savings Bank has the highest average loan size out of the top thirty most active lenders by loan count, with slightly over a quarter million dollars per loan. In contrast, American Express was the most active lender with more than 44,000 issued small business loans, but had an average amount of just $13,500 per loan.

Pandemic Effects and Relief Loans

While this section explores lending trends from 2020 during the COVID-19 pandemic, previous data in the report reflect pre-pandemic lending (2019 and prior) and therefore are not considered in the same time frame. Both analyses are on the most recent data available.

COVID-19 Relief Loans

The novel coronavirus had an immense negative impact on small business. To prevent greater loss to small business' economic activity, in March 2020 the US government under the CARES Act released $376 billion to small businesses. In addition to traditional SBA debt relief and SBA Express Bridge loans, the CARES Act offered new temporary loan programs: the Paycheck Protection Program (PPP) and Economic Injury Disaster Loans (EIDL).

PPP Loans

The Paycheck Protection Program (PPP) loans are a new SBA loan designed to help businesses keep their workforce employed during the Coronavirus (COVID-19) crisis.[45] PPP loans are issued by financial institutions and guaranteed by the SBA, with an interest rate of 1 percent. Any small business with less than 500 employees, or more than 500 employees but which meet SBA's industry standards, are eligible. These loans can be much like grants through eligible spending: forgiveness for PPP loans can be eligible for up to <u>one hundred percent</u> forgiveness if the funds are documented as having been used for eligible payroll costs, payments on business mortgage interest payments, rent, or utilities by small businesses.

From April to August of 2020, more than 5 million small businesses received PPP loans, totaling over $525 billion in the United States. In Massachusetts, over 100,000 businesses received PPP loans of less than $150,000 and more than 18,000 small businesses received PPP loans above $150,000. Loans that were between $5-10 million, the highest loan amounts, accounted for roughly 0.1 percent of all loans. The three industries that received the highest share of PPP loan dollars are the Professional, Scientific, and Technical services industry; the Health Care and Social Assistance industry' and Accommodation and Food Services industry. These industries received 14.5 percent, 10.6 percent, and 10.5 percent of the loan amounts, respectively. Similar to the PPP loan share, the Health Care and Social Assistance industry, and the Food and Accommodation industry had the highest share of unemployment claims since the beginning of the pandemic.

[45] Authorized under the CARES Act. See https://www.sba.gov/funding-programs/loans/coronavirus-relief-options/paycheck-protection-program

California received the highest number of loans in the nation and Massachusetts received the 12th most. **Figure 21** shows the number and amount of PPP Loans. Massachusetts received the highest number of PPP loans in New England, and nearly double the number given in Connecticut. In terms of average loan size, Massachusetts ranked 4th in the US, following DC, Michigan, and Ohio.

Figure 21. Table of Number and Total Dollar Amount of PPP Loans in New England and the US

State	Approved Loans	Approved Loan Amount	Average Loan Size
Connecticut	64,629	$6,718,327,006	$103,952
Massachusetts	118,392	$14,315,290,705	$120,914
Maine	28,309	$2,266,870,258	$80,076
New Hampshire	24,741	$2,563,295,034	$103,605
Rhode Island	17,942	$1,905,859,786	$106,223
Vermont	12,401	$1,201,175,929	$96,861
United States	5,212,128	$525,012,201,124	$100,729

Source: SBA PPP Loan Data, Summary of cumulative Paycheck Protection Program data as of Aug 8, 2020[46]

The SBA closed the second round PPP loan program to new applicants on August 8th, 2020. A third round of PPP loans, totaling $284 billion, is now becoming available for small businesses affected by the COVID-19 crisis in 2021 as the pandemic continues to impact small businesses and employment.

Economic Injury Disaster Loans (EIDL)

EIDL loans are for economic relief to small businesses and nonprofit organizations currently experiencing a temporary loss of revenue.[47] These loans became available as economic difficulties arose from the COVID-19 pandemic. EIDL loans are a long-term (30-year) direct loan program supported by the SBA. The fixed APR for EIDL is 3.75 percent for businesses and 2.75 percent for non-profits. Any small business with 500 employees or fewer is eligible.

[46] SBA, PPP Loan Data Key Aspects.

[47] See https://www.sba.gov/funding-programs/loans/coronavirus-relief-options/economic-injury-disaster-loans (SBA also offered EIDL Advance loans, which carry the same terms, but provide advance funds of$1,000 per employee up to $10,000, and are forgivable, specifically targeted to low-income communities. Unfortunately, EIDL Advance loans are not accepting new applications since all funds made available have been expended. They are therefore not included in this analysis.)

Small businesses can be eligible for both PPP and EIDL loans at the same time, as long as the businesses meet the requirements. These loans cannot be used or applied for the same purpose, however. Although PPP loans can be forgiven up to one hundred percent, EIDL loans are not eligible for forgiveness.[48]

Around 3.6 million small businesses received EIDL loans in total over $194 billion in the United States. **Figure 22** below shows the number and approved loan amount of coronavirus EIDL loans. Massachusetts received the highest number of EIDL loans in New England, Connecticut followed with roughly 35,000 loans. In terms of average loan size, Connecticut had the highest average loan size, almost $7,000 higher than the national average.

Figure 22. Number and Total Dollar Amount of COVID-19 EIDL Loans in New England and US

State	Approved Loans	Approved Dollars	Average Loan Size
Connecticut	35,056	$2,110,777,365	$60,212
Maine	10,416	$597,133,800	$57,329
Massachusetts	60,512	$3,537,613,954	$58,461
New Hampshire	11,211	$667,026,121	$59,497
Rhode Island	10,599	$563,332,500	$53,150
Vermont	6,310	$345,615,010	$54,773
United States	3,645,556	$194,374,549,652	$53,318

Source: SBA Disaster Assistance Update Nationwide EIDL Loans / COVID-19
Note: Data shown are as of 11/22/20. This analysis does not include EIDL Advance loans.[49]

[48] Excluding EIDL Advance loans, which are not included in this analysis.
[49] SBA disbursed over 5.7 million EIDL advance loans, totaling $20 billion. Massachusetts small businesses received more than $300 million from over 96,500 the EIDL advance loans. California received the most EIDL advance loans, with more than 800,000 loans. EIDL Advance loans are not accepting new applications since all funds made available were expended. They are therefore not in this analysis. See https://www.sba.gov/sites/default/files/2021-02/EIDL%20COVID-19%20Advance%207.15.20-508.pdf

Figure 19. Employees and Businesses in the New England States, 2019

State	Employees	Businesses	Share of New England Small Businesses
Massachusetts	1,490,416	669,224	45%
Connecticut	750,457	346,950	23%
Maine	289,156	147,270	10%
New Hampshire	295,895	134,760	9%
Rhode Island	229,974	101,516	7%
Vermont	161,080	77,614	5%

Source: 2019 Small Business Profiles for the States and Territories

The state of Massachusetts's high number and dollar amount of loans is consistent with it being the largest small business economy in New England, with a share of small businesses almost twice as large as Connecticut's.

Small Business Pulse Survey

Near the start of the pandemic, the Small Business Pulse Survey, an experimental survey, was created by the US Census Bureau to measure the effects of the coronavirus pandemic on small businesses. The survey targets single-location employer businesses with less than 500 employees and receipts of $1,000 or more. It is weekly survey of around twenty questions on how small businesses are being effected by the coronavirus pandemic with overall well-being, operations, adaptability, finances and expected recovery.[50]

The Small Business Pulse Survey is designed to track changes during the COVID-19 crisis. It also tracks small businesses, receipt of loans from the federal and state government, both coronavirus-specific loans and state and federal loans issued for any reason or purpose. The survey is administered in waves, with small updates to the instrument These waves mean the data has been released in three phases: phase 1 started May 14, 2020; phase 2 started August 20, 2020 and phase 3 began November 19, 2020. The second and third phase survey questions included additional questions on the changing impacts on small businesses. There are approximately twenty survey concept questions, including total revenue, change in

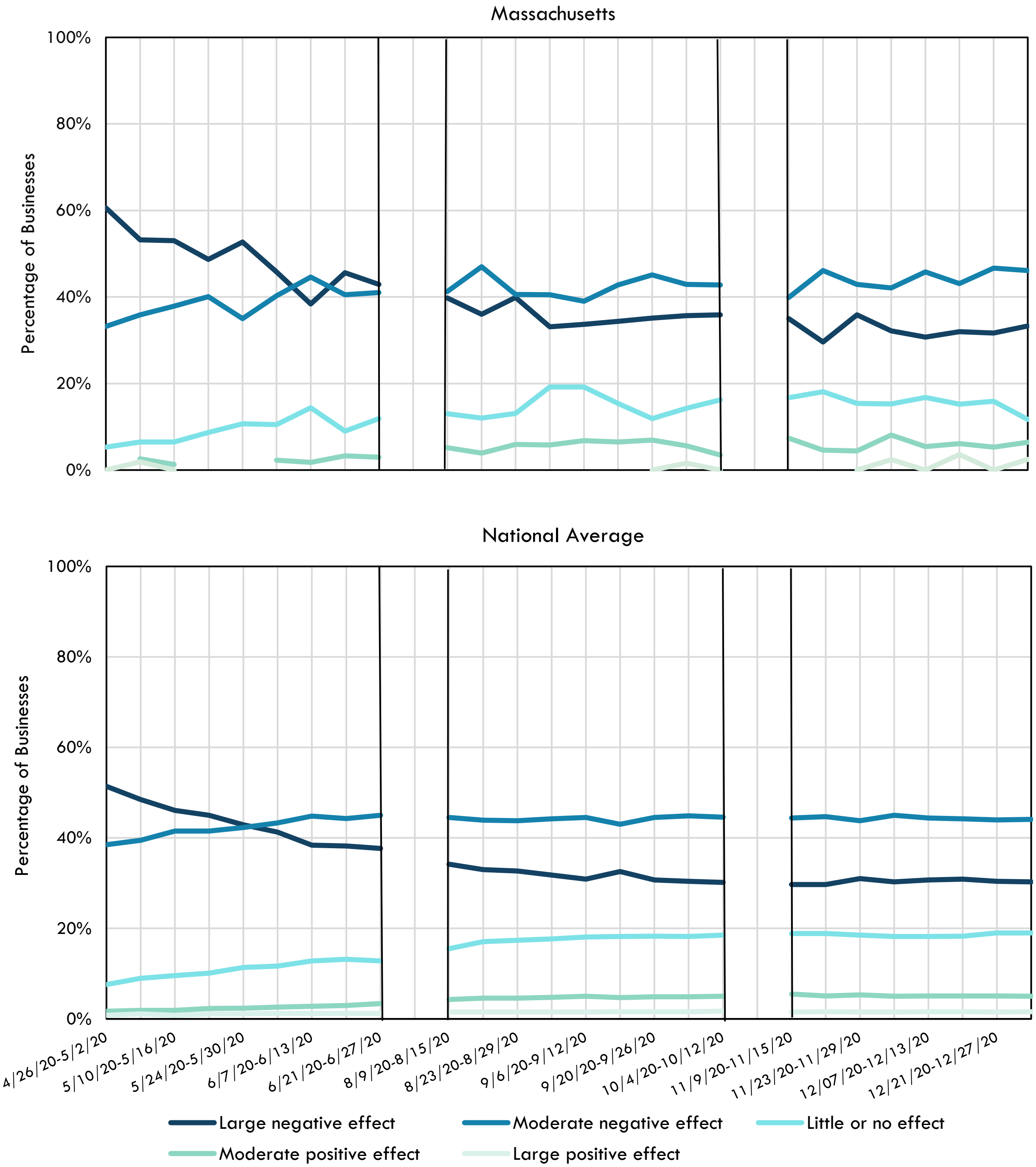
[50] Small Business Pulse Survey questions are as follows:
Overall, how has this business been affected by the Coronavirus pandemic?
In the last month, what were the total operating revenues/sales/receipts for this business, not including any financial assistance or loans?
In the last week, did this business have a change in operating revenues/sales/receipts, not including any financial assistance or loans?
In the last week, did this business have a change in the number of paid employees?
In the last week, did this business have a change in the total number of hours worked by paid employees?
In the last week, did this business require employees to test negative for COVID-19 before physically coming to work?
In the last week, did this business require employees to have proof of COVID-19 vaccination before physically coming to work?
How would you describe this business's current operating capacity relative to its operating capacity prior to the Coronavirus pandemic?
The White House declared a national emergency because of the Coronavirus pandemic on March 13, 2020. Since March 13, 2020, what changes did this business make to its planned capital expenditures for 2020?
Since December 27, 2020, has this business requested financial assistance?
In the next 6 months, do you think this business will have business travel expenditures for air, rail, car rental, or lodging?
In your opinion, how much time do you think will pass before this business returns to its usual level of operations?

revenues, change in employees, operating, future expectations, and received and requested assistance. The Small Business Survey questions are designed to reflect overall well-being, expectations for recovery and changing circumstances for small businesses. This analysis focuses only on the overall effect of the pandemic, and resulting changes in revenue for small businesses.

Figure 23, following, shows the overall effect of the pandemic on small businesses nationwide from April through January 2021. The Massachusetts and the national averages followed a very similar trend. At the beginning of the pandemic, more than half of the small businesses experienced a large negative effect due to the pandemic, and the share has declined to about 30 percent in phases 2 and 3. Understandably, small businesses in Massachusetts almost never responded to the survey that they experienced a large positive effect from the pandemic. Nationwide, 31 percent of small businesses experienced a large negative effect, and a slightly higher share of Massachusetts based small businesses reported experiencing a large negative effect, at 33 percent.[51]

[51] Data collection dates were 12/28 to 1/3. https://portal.census.gov/pulse/data/#data

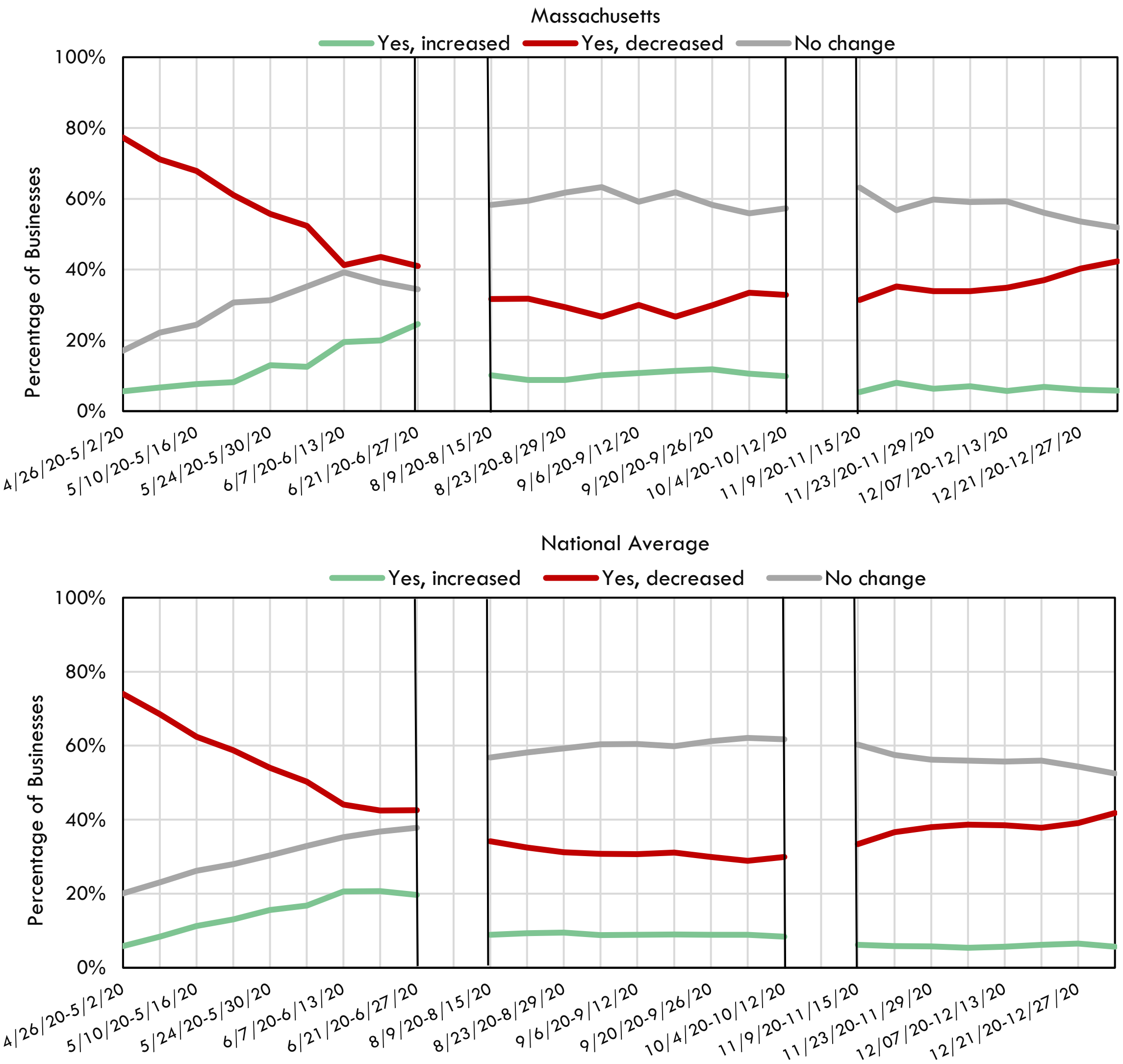
Figure 23. Perception of Pandemic Effects on Business



Source: US Census Bureau, Small Business Pulse Survey. The item asked was “Overall, how has this business been affected by the Coronavirus pandemic?”

Figure 24 below shows the change in revenue for small businesses. In both the national average, and in Massachusetts, 42 percent of the small businesses' revenues have decreased. At the beginning of the pandemic this was almost twice as high, with nearly 80 percent of small businesses reported having revenue loss. Reported revenue losses for small businesses had been decreasing since phase 1, but during phase 3 the small business perception of revenue losses began increasing again.

Figure 24. Change in Revenues

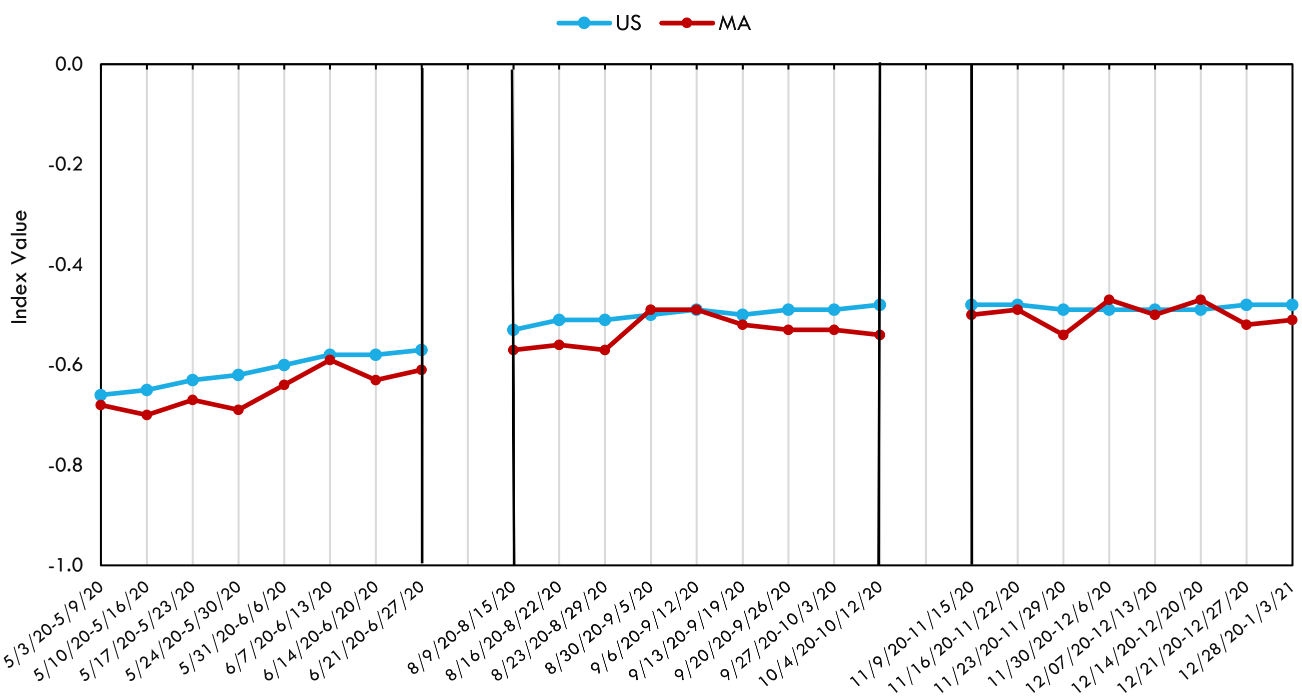


Source: US Census Bureau, Small Business Pulse Survey. The item asked was "In the last week, did this business have a change in operating revenues/sales/receipts, not including any financial assistance or loans?"

The Overall Sentiment Index, one of the four indexes that Census created in the Small Business Pulse Survey, assesses the overall effect of the pandemic on businesses.[52, 53] The possible Overall Sentiment Index values range between -1 and +1. Negative values indicate a negative effect, 0 indicates little or no effect and positive values indicate a positive effect on small businesses.

Figure 25 below shows the Overall Sentiment Index for Massachusetts and the United States. As might be expected, the values are negative. At the beginning of the pandemic, small businesses had the most negative sentiment. Over time, sentiment about the overall effect of the pandemic on small businesses has been getting somewhat less negative. Massachusetts small businesses have usually had a slightly more negative sentiment than the United States overall. Massachusetts small business responses were more positive than the US as a whole for only four of the 25 weeks.

Figure 25. Overall Sentiment Index



Source: US Census Bureau, Small Business Pulse Survey
Note: Index values range from -1to1 with -1 representing the most negative sentiment, and +1 representing the most positive sentiment.

52 See https://portal.census.gov/pulse/data/#about
53 These are the Expected Recovery Index, Financial Stress Index, Operational Challenges Index and Overall Sentiment Index.

Appendices

Appendix 1. Peer Group Information and Methodology

Peer groups provide a way to compare institutions' performance under similar structure or conditions. The FFIEC publishes a quarterly list of peer groups. The FFIEC defines 33-36 peer groups, doing so by taking multiple factors into account, including institution asset size, number of branches, and whether banks are in a Metropolitan Statistical Area (MSA) or non-MSA. The number of peer groups changes year to year. Since the list of peer groups comes out every quarter, financial institutions can be a part of different peer groups quarter to quarter.

This report focuses on Insured Commercial Bank Peer Groups, FDIC Insured Savings Bank Peer Groups, Credit Card Specialty Banks Peer Groups and, Savings Banks Peer Groups.

The FFIEC's published list provides average assets for all banks and financial institutions in any peer group. This is one of the components to compare banks within the same peer group.

Connecting peer group information with CRA data gives banks and other financial institutions the ability to see how they are doing in regard to CRA compliance compared to their respective peer banks. Peer groups can also be compared against each other. For example, information can be gathered by looking at peer groups that have similar asset sizes and number of branches but differ in location.

The FFIEC's quarterly peer group list is published in addition to the quarterly Uniform Bank Performance Report (UBPR). This report provides banks' information in peer groups with critical information including location, assets, and net income. While peer group data is provided by quarter, UBPR also provides annual assets for each financial institution in the last quarterly report. Using these sources, we produced an annual average for all banks in any peer group.

CRA Bank Size

The CRA defines three groups for banks based on asset size: small institutions, intermediate-small institutions, and large institutions. The cut-off for each group is defined by annual average asset size, and in 2019 the cut-offs were $326 million or less, $326 million to $1.305 billion, and $1.305 billion and above, respectively. An institution's cutoffs change every year based on an increase or decrease in the Consumer Price Index (specifically, the CPI-W) for the year. The Federal Reserve System and the Federal Deposit Insurance Corporation announce an annual adjustment to the asset-size thresholds that defines bank sizes under CRA regulations.

Banks are evaluated with different examination procedures under CRA regulations based on their asset-size classification.

Appendix 2. Table: Market Shares of CRA Small Business Data by Total Loan Count and Total Loan Amount for Most Active Lenders (by Total Loan Count) in Massachusetts, 2019

Adjusted for inflation, with 2020 dollars

Lender	Loan Count	Share	Loan Dollars ($ 2020)	Share	Loan Dollars with Annual Revenues ≤ $1M	Share
American Express Bank, FSB	44,037	26.5%	$594,625,402	11.6%	$117,819,811	7.2%
Bank of America, N.A.	21,514	13.0%	$557,567,799	10.9%	$198,582,020	12.1%
JPMorgan Chase Bank, N.A.	21,176	12.8%	$262,168,921	5.1%	$126,474,279	7.7%
Citibank, N.A.	12,856	7.7%	$74,435,103	1.4%	$61,011,517	3.7%
Capital One Bank (USA), N.A.	10,510	6.3%	$105,949,149	2.1%	$50,440,695	3.1%
Lake Forest Bank and Trust	8,948	5.4%	$152,659,383	3.0%	$303,701	0.0%
US Bank, N.A.	5,952	3.6%	$63,589,939	1.2%	$44,939,657	2.7%
Texas Capital Bank	4,925	3.0%	$60,987,221	1.2%	$0	0.0%
Synchrony Bank	4,268	2.6%	$20,861,225	0.4%	$37,456	0.0%
Santander Bank, N.A.	3,076	1.9%	$317,558,932	6.2%	$28,914,365	1.8%
TD Bank, N.A.	2,748	1.7%	$74,595,053	1.5%	$52,363,123	3.2%
Citizens Bank, N.A.	2,657	1.6%	$177,844,299	3.5%	$86,146,828	5.3%
Wells Fargo Bank, N.A.	2,217	1.3%	$145,715,765	2.8%	$53,044,426	3.2%
Rockland Trust Company	2,104	1.3%	$294,204,321	5.7%	$89,788,204	5.5%
Ameris Bank	1,931	1.2%	$15,757,023	0.3%	$0	0.0%
Eastern Bank	1,457	0.9%	$188,442,454	3.7%	$85,700,388	5.2%
Silicon Valley Bank	1,182	0.7%	$104,346,620	2.0%	$26,457,423	1.6%
Branch Banking and Trust Co	1,016	0.6%	$11,848,390	0.2%	$9,897,617	0.6%
Wex Bank	904	0.5%	$16,136,649	0.3%	$0	0.0%
Discover Bank	643	0.4%	$3,311,354	0.1%	$2,796,074	0.2%
Westfield Bank	562	0.3%	$115,862,964	2.3%	$25,591,875	1.6%
Enterprise Bank	561	0.3%	$111,334,781	2.2%	$38,311,888	2.3%
CIT Bank N.A.	521	0.3%	$22,913,232	0.4%	$3,448,019	0.2%
HSBC Bank USA, N.A.	507	0.3%	$13,607,832	0.3%	$67,827	0.0%
Salem Five Cents Savings Bank	488	0.3%	$133,213,405	2.6%	$54,659,103	3.3%
Total	**166,020**	**-**	**$5,135,877,365**	**-**	**$1,640,292,422**	**-**

Source: Federal Financial Institutions Examination Council (FFIEC) CRA Disclosure Data, 2019

Appendix 3. Table: Market Shares of CRA Small Business Data by Total Loan Count and Total Loan Amount for Most Active Lenders (by Total Loan Dollars) in Massachusetts, 2019

Adjusted for inflation, with 2020 dollars

Lender	Loan Count	Share	Loan Dollars ($ 2020)	Share	Loan Dollars with Annual Revenues < $1M	Share
American Express Bank, FSB	44,037	26.5%	$594,625,402	11.6%	$117,819,811	7.2%
Bank of America, N.A.	21,514	13.0%	$557,567,799	10.9%	$198,582,020	12.1%
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Silicon Valley Bank	1,182	0.7%	$104,346,620	2.0%	$26,457,423	1.6%
M&T Bank	118	0.1%	$75,996,127	1.5%	$3,188,861	0.2%
TD Bank, N.A.	2,748	1.7%	$74,595,053	1.5%	$52,363,123	3.2%
Citibank, N.A.	12,856	7.7%	$74,435,103	1.4%	$61,011,517	3.7%
Webster Bank, N.A.	393	0.2%	$73,224,348	1.4%	$24,040,975	1.5%
Cape Cod Five Cents Savings Bank	358	0.2%	$73,017,832	1.4%	$21,438,257	1.3%
Peoples United Bank, N.A.	487	0.3%	$72,916,598	1.4%	$22,779,604	1.4%
Boston Private Bank & Trust Co	168	0.1%	$69,595,121	1.4%	$6,813,027	0.4%
Middlesex Savings Bank	331	0.2%	$66,301,989	1.3%	$16,573,979	1.0%
Avidia Bank	367	0.2%	$65,300,788	1.3%	$25,266,915	1.5%
US Bank, N.A.	5,952	3.6%	$63,589,939	1.2%	$44,939,657	2.7%
Bristol Country Savings Bank	242	0.1%	$63,170,831	1.2%	$11,571,010	0.7%
Total	**166,020**	**-**	**$5,135,877,365**	**-**	**$1,640,292,422**	**-**

Source: Federal Financial Institutions Examination Council (FFIEC) CRA Disclosure Data, 2019

Appendix 4. Technical Notes

Normalization by Number of Small Businesses- Maps such as **Figure 3** display the raw count of loans, but these numbers scales proportionally with population. This leads to a map that conveys the fact that places with the most people have the most loans, except in a few exceptional places. For this reason, rather than creating additional maps displaying number of loans in each geography, this report also displays data in **Figure 4** in terms of loans "per 100 small businesses" The number of loans in a given geography is divided by the total number of small businesses, divided by 100. This produces a number which is a normalized estimate that accounts for the small business density in a given place so that it can be compared statewide. A place with an extremely high normalized loan rate estimate has a disproportionate amount of loans for its size. The normalized Massachusetts map of this data shows pretty even distribution of loans overall. There are a few places in the state that this estimate shows with proportionately more small business loans such as Agawam and West Springfield.

SBA versus CRA data

The Community Reinvestment Act (CRA) requires federal banking agencies implement a small business data reporting requirement for institutions with assets above $1 billion. These data are submitted annually to the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), and the Federal Deposit Insurance Corporation (FDIC). These agencies, in turn, release the data publicly through the Federal Financial Institutions Examination Council (FFIEC). All CRA data used in this report come from the FFIEC, which publicly provides loans by census tract, income category (on the tract level), revenue size of the small business (above and below $1 million), and by categories of dollar amount (below $100,000, $100,000 to $250,000, and above $250,000) for each depository institution.[54]

The Small Business Administration (SBA) provides data on SBA programs including 7a, 504, and the microloan program. While these data are incorporated in the CRA loan data provided by the FFIEC, they only reflect 3 percent of all small business loans. SBA eligibility requirements are more restrictive than loans reflected in CRA data. Qualifying small businesses must meet size standards based on either 1) number of employees or 2) the number of dollars (average annual receipts) both of which vary based on NAICS code. CRA data defines small business loans as either loans less than $1 million dollars, or loans made to businesses with revenues of $ l million or less—if either condition is met, it is included in the data. Fortunately, because the size of the business as having revenues above or below $1 million, and the size of the loan are also recorded in the FFIEC CRA data, so the loans to businesses which are small can be analyzed on their own.

Small Business Loans Normalized by Number of Small Businesses

Estimates in **Figure 4 used to normalize the small business loan counts by the prevalence of small businesses in that area** were constructed using 2018 ZIP Code Business Patterns (ZCBP) data from the U.S Census Bureau, as well as 2018 county level Non-Employer Statistics (from the CES data set), also from the U.S. Census Bureau. ZIP Code Business Patterns data include counts of the number of businesses by

[54] NCRC White Paper: Small Business Loan Data – Recommendations Consumer Financial Protection Bureau for Implementing Section 1071 of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010: https://ncrc.org/wp-content/uploads/2014/08/recommendations-to-cfpb-on-small-business-loan-data.pdf

employee size, and were filtered to get he counts of only smaller businesses, using the SBA standard of those with 500 or fewer employees. County level non-employer counts were interpolated to ZIP code boundaries, by applying ZIP-code-level business shares by county from the ZCBP. In order to relate businesses to loans, small businesses counts by ZIP code were crosswalked to census tracts using a crosswalk developed by HUD and the USPS[55]. While the definition of small business used in the denominator (businesses) is based on data available by employee size of 500 or fewer employees, the numerator (loans counts from the CRA data) is based on revenue size, and reflects small business loans to businesses with annual revenues below $1 million. Therefore, this normalization should be utilized as an estimate only.

55 https://www.huduser.gov/portal/datasets/usps_crosswalk.html