

**Small Business Lending**  
**in**  
**Massachusetts**  
**2007-2010**

BY  
*Stuart Ryan*  
*BankMaps LLC*  
*860.434.8400*  
*www.bankmaps.com*

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MASSACHUSETTS COMMUNITY & BANKING COUNCIL

P.O. BOX 6276 | BOSTON, MA 02114 | 857.350.4916

[www.mcbc.info](http://www.mcbc.info)

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## FOREWORD

The Massachusetts Community & Banking Council (MCBC) is pleased to offer *Small Business Lending in Massachusetts, 2007-2010*, its thirteenth report on small business lending patterns. The report includes data on small business lending across the state and the impact of small business lending on the state's overall economy. As before, this report also focuses on small business lending in low income and traditionally underserved areas. Along with the report, MCBC is also providing supplemental data tables on small business lending in the form of an on-line appendix. The report and the appendix are both available on MCBC's website at [www.mcbc.info](http://www.mcbc.info). MCBC hopes that this report can help to increase access to credit for small businesses by providing a snapshot of current small business lending patterns and the performance of major types of lenders.

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

MCBC's Economic Development Committee, which includes representatives from city and state programs, regulatory agencies, community and non-profit organizations and financial institutions, oversees preparation of this report and works to identify other ways to leverage public and private resources to support small business development. The Committee regularly hosts speakers from a variety of city, state and community-based programs that assist small businesses and promote economic development in low and moderate income areas. Further information on MCBC's committees and programs, along with other MCBC reports, are also available on MCBC's website.

MCBC depends on the financial support of its members to produce reports like *Small Business Lending in Massachusetts*. MCBC thanks the following financial institutions for their 2011 membership:

Abington Bank	HarborOne Credit Union
Avon Co-operative Bank	Hyde Park Savings Bank
Bank of America	Industrial Credit Union
Boston Private Bank & Trust Company	Leader Bank, N.A.
Braintree Cooperative Bank	Mass Bay Credit Union
Cambridge Savings Bank	Medical Area Federal Credit Union
Central Bank	North Cambridge Co-operative Bank
Chelsea Bank	People's United Bank
Citi	Sovereign Bank/Santander
Citizens Bank of Massachusetts	State Street Corporation
Eagle Bank	StonehamBank – A Co-operative Bank
East Cambridge Savings Bank	TD Bank
Eastern Bank	The Bank of Canton
Everett Co-operative Bank	Winchester Co-Operative Bank
Fiduciary Trust Company	

MCBC's 2011 Community Partners include Chelsea Neighborhood Developers, Community Teamwork, Inc., DotWell, Dudley Square Main Streets, ESAC, the Fair Housing Center of Greater Boston, Interise, the Massachusetts Affordable Housing Alliance, the Massachusetts Association of CDCs, the Metropolitan Boston Housing Partnership and the Somerville Community Corporation.

# TABLE OF CONTENTS

<b>EXECUTIVE SUMMARY</b> .....	1
<b>INTRODUCTION</b> .....	4
<b>SECTION I</b>	
SMALL BUSINESS LENDING IN MASSACHUSETTS – A STATEWIDE REVIEW	
Current Economic Conditions.....	6
CRA Data and Call Report Data.....	9
Small Business Loan Volume.....	10
Small Business Loan Growth.....	11
Breakdown by Original Loan Amount .....	13
Loans to Businesses With Revenues Under \$1 Million.....	14
The Role of Local Lenders.....	15
Credit Card Lenders.....	22
Other Out-of-State Lenders.....	24
Small Business Loans By County.....	26
Small Business Loans By City & Town.....	28
<b>SECTION II</b>	
SMALL BUSINESS LENDING IN TRADITIONALLY UNDERSERVED AREAS – A CRA PERSPECTIVE	
Income Level, Race, & Business Demographics.....	31
Small Business Lending in Lower Income Area.....	34
Small Business Lending in High Minority Areas.....	36
Small Business Loan Growth.....	38
The Role of Local Lenders.....	39
Breakdown by Original Loan Amount.....	41
Loans to Businesses With Revenues Under \$1 Million.....	41
Small Business Loans By County.....	42
Small Business Loans By City & Town.....	43
<b>CONCLUSION</b> .....	46
<b>DATA SOURCES</b>	
<b>ONLINE APPENDIX</b> .....	<a href="http://www.mcabc.info">www.mcabc.info</a>

# EXECUTIVE SUMMARY

CRA-reported small business lending in Massachusetts, which includes the lending activity of large commercial banks that are headquartered outside the state, declined modestly in 2010 representing the third consecutive year of declines. At the same time, a review of quarterly Call Report data shows that the small business loan activity of Massachusetts community banks, many of which are not included in the CRA database, increased in 2010 at a modest pace.

This report is the 13<sup>th</sup> report on small business lending commissioned by the Massachusetts Community & Banking Council (MCBC). The report reviews recent small business lending trends in Massachusetts with an emphasis on traditionally underserved areas across the state. The report also reviews changes in economic conditions and other factors that affect small business lending. The report utilizes two sources of small business lending data: 1) annual data collected under the Community Reinvestment Act (CRA) and 2) quarterly Call Report data. The following are some of the report's most important findings:

## LOAN VOLUME

- **The volume of CRA-reported small business loans in Massachusetts in 2010 totaled 97,124 loans for \$3.5 billion, down slightly compared to the previous year when small businesses in the state received 102,841 loans for \$3.7 billion.** CRA-reported small business loans in Massachusetts declined by 5.6% and 4.9% in 2010 in terms of the number and dollar amount of loans respectively which was substantially smaller than the declines experienced in the rest of the country.
- **Local community banks, many of which are not included in the CRA database, reported 69,725 small business loans for \$10.1 billion as of June 30, 2011, compared to 66,625 loans for \$9.8 billion as of June 30, 2010.** Small business loans at local community banks increased by 6.2% and 3.0% in terms of the number and dollar amount of small business loans during the twelve months ended June 30, 2011 which also substantially exceeds the national averages.
- **Credit unions in Massachusetts reported 4,747 small business loans for \$1.1 billion as of June 30, 2011, compared to 4,290 loans for \$1.0 billion as of June 30, 2010.** Member business loans at local credit unions increased by 10.7% and 6.2% in terms of the number and dollar amount of loans during the twelve months ended June 30, 2011.

## LENDERS

- **The CRA data shows that local CRA lenders, including the large commercial banks that have a physical presence inside Massachusetts but are headquartered outside the state, originated a total of 16,877 small business loans for \$2.5 billion in 2010 representing 17.4% of the total number of small business loans in Massachusetts and 72.2% of small business loan dollars.** Local CRA lenders account for the substantial majority of small business lending activity in Massachusetts and increased their overall market share in 2010 for the third consecutive year after years of declines primarily at the hands of large commercial banks and out-of-state credit card lenders. In 2010, local CRA lenders saw their share of small business loan dollars increase to 72.2% compared to 57.9% a few years ago.
- **The most recent CRA data shows that local community banks have experienced either an increase in small business loan dollars or smaller declines than the large US banks that operate in the state in each of the past three years.** The reasons behind this shift are complex but may be related to the regulatory and internal pressures felt by the nation's largest banks in the wake of the financial crisis to deleverage their balance sheets, tighten their underwriting standards, and improve their capital positions. The Call Report data also shows

that in each of the past three years Massachusetts community banks have outperformed their counterparts in other states in terms of small business loan growth just as they have the nation's largest commercial banks with assets over \$10 billion.

- **Local community banks have established a substantial market advantage over the large commercial banks that have a physical presence in Massachusetts but are headquartered outside the state**, and accounted for 46.3% of small business loan dollars in Massachusetts in 2010 while their larger commercial bank competitors accounted for 25.9% of small business loan dollars.
- **Over the past four years, the average size of a CRA-reported small business loan at local community banks has increased while the average size of a loan at the large commercial banks has declined.** The average size of a small business loan at local community banks increased from \$160,468 in 2007 to \$181,932 in 2010 while the average loan size at the large commercial banks has declined from \$136,958 to \$114,743.
- **Credit card lenders reported an estimated total of 72,725 small business credit card loans in Massachusetts in 2009 for \$460.7 million, which accounted for 74.9% of the total number of CRA-reported small business loans and 13.1% of loan dollars.** Credit card lenders experienced declines of 5.2% and 5.6% in the number and dollar amount of small business loans in 2010, following declines of 61.9% and 67.1% respectively in 2009.
- **Other out-of-state CRA lenders originated 7,149 small business loans in Massachusetts in 2010 for \$490.3 million, which accounted for 7.7% of the total number of reported small business loans and 14.7% of loan dollars.** As was the case for credit card lenders in Massachusetts, other out-of-state lenders in Massachusetts also experienced substantially more modest declines in small business lending volume in 2010 compared to 2009. Other out-of-state lenders reported overall declines in 2010 of 3.1% and 8.5% in the number and dollar amount of CRA-reported small business loans respectively, following declines of 20.5% and 20.2% respectively in 2009.

#### LENDING IN TRADITIONALLY UNDERSERVED AREAS

- **Businesses in low and moderate income census tracts in Massachusetts received a total of 17,799 small business loans for \$730.2 million in 2010**, compared to the previous year when borrowers in low and moderate income census tracts received 18,244 loans for \$740.4 million.
- **Local CRA lenders continued to account for the vast majority of small business loans dollars in low and moderate income census tracts across the state, and the dominance of local lenders increased in 2010 as lending by out-of-state lenders declined.** Local CRA lenders made a total of 3,407 loans for \$542.8 million in 2010, representing 19.1% of the total number of small business loans in low and moderate income areas and 74.3% of loan dollars, compared to 17.7% of the number of loans 73.4% of loan dollars in 2009.
- **For the third straight year, lower income areas in Massachusetts experienced a smaller percentage decline in small business loan dollars in 2010 than was experienced in higher income areas, which helped to slightly narrow the lending gap that has traditionally existed between lower income areas and higher income areas.** Low and moderate income census tracts in Massachusetts experienced an overall decline of 1.4% in small business loan dollars from 2009 to 2010 while middle and upper income census tracts experienced declines of 5.2% and 5.3% in small business lending dollars respectively.
- **Low and moderate income census tracts continued to receive a smaller share of small business loans in 2010 than one might expect given the local demographics.** Low and

moderate income census tracts, which account for 26.3% of the total population of Massachusetts, received 18.3% of the total number of CRA-reported small business loans in the state in 2010 and 20.8% of the total loan dollars, compared to 17.7% and 20.0% respectively for the previous year.

- **The lowest lending rates in Massachusetts were recorded in moderate income communities in 2010 while the highest lending rates were in middle income communities.** Low income census tracts in Massachusetts received an aggregate \$738,000 per 100 businesses, representing 98.1% of the overall lending rate across the state while moderate income census tracts received an aggregate \$644,000 per 100 businesses, representing 85.7% of the overall lending rates across the state.
- **In terms of racial composition, the lowest lending rates were recorded in lower income high minority communities in Massachusetts in 2010 while the highest lending rates were recorded in higher income white communities.** High minority census tracts in Massachusetts received \$493,000 per 100 businesses, representing 65.5% of the overall lending rate across the state. Higher-income white communities received an average \$771,000 per 100 businesses or 102.5% of the overall lending rate.
- **Lending rates in high minority communities declined sharply in 2010 while most other neighborhoods experienced more modest changes in loan volume.** The overall lending rate in high minority census tracts in Massachusetts declined by 19.5% in 2010 while the lending rate in lower income white neighborhoods increased by 2.8%. The lowest small business lending rates have been in either low or moderate income census tracts and high minority census tracts in each of the past four years.

#### **GEOGRAPHIC DISTRIBUTION**

- **A review of the CRA data from the 15 largest metropolitan areas across the country also shows that greater Boston experienced slightly less of a decline in CRA-reported small business loan dollars in 2010 than most major cities across the country.** While each of the 15 largest metro areas experienced modest declines in small business loan origination volume in 2010, Boston ranked relatively close to the top (6<sup>th</sup> out of 15) in terms of the smallest decline in CRA-reported small business loan dollars in 2010. The 2010 results represent the second consecutive year where Boston ranked at or near the top third in terms of small business loan growth. In the previous year, Boston ranked 4<sup>th</sup> out of 15 in terms of the smallest decline in CRA-reported small business loan dollars.
- Three of the fourteen counties in Massachusetts (Bristol, Essex, and Franklin) experienced modest increases in CRA-reported small business lending volume in 2010. On a percentage basis, the declines in small business loan dollars ranged from a 30.7% decline in Dukes County to a 12.7% increase in Franklin County. In terms of dollar amounts, the changes in small business loan volume from 2009 to 2010 ranged from a decline of \$62.9 million in Suffolk County to an increase of \$10.2 million in Bristol County.
- The city of Boston, which accounts for 9.3% of the state's population, received \$301.4 million in CRA-reported small business dollars in 2010 and accounted for 8.7% of the total loan dollars, while the cities of Worcester and Springfield, which account for 2.7% and 2.4% of the state's population respectively, received 2.1% and 1.3% of the total loan dollars in the state.

# INTRODUCTION

This report is the 13<sup>th</sup> report on small business lending patterns commissioned by the Massachusetts Community & Banking Council (MCBC). The report reviews recent small business lending trends in Massachusetts with an emphasis on traditionally underserved areas across the state. The report also reviews changes in economic conditions and other factors that affect small business lending.

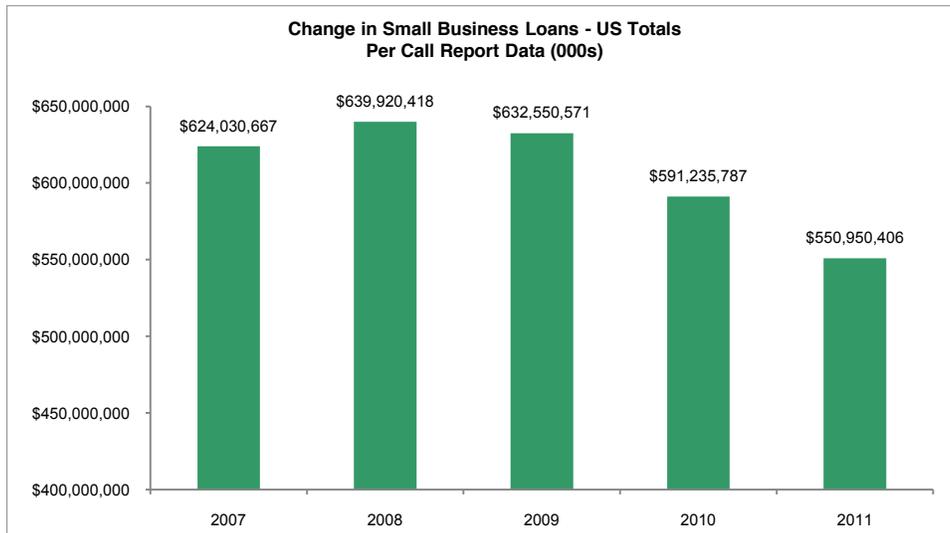
This year's report incorporates new data sources including the small business loan data reported by banks in their quarterly Call Reports. Previous reports have relied solely on the annual data collected under the CRA disclosure requirement. While the CRA data and Call Report data are organized using similar methodologies, the chief advantages of the CRA dataset are that it includes information about the geographic location of the loan which makes it possible to analyze lending trends in traditionally underserved areas, and it makes it possible to analyze the local data of lenders that are not headquartered in Massachusetts. The chief advantages of Call Report data are that it is representative of all banks across the country and it is available on a quarterly rather than annual basis.

The change in methodology is in part a response to a recent study of small business lending in Massachusetts undertaken by the Massachusetts Bankers Association (Mass Bankers). The study, which utilized both CRA disclosure data and quarterly Call Report data, found that local community banks in Massachusetts experienced a modest increase in small business lending activity over the past few years while large commercial banks and out-of-state lenders that do business in the state experienced substantial declines.

This report confirms the key findings from the Mass Bankers study. The data shows that CRA-reported small business lending in Massachusetts, which includes the activity of large commercial banks that are headquartered outside the state, declined modestly in 2010 representing the third consecutive year of declines. At the same time, a review of quarterly Call Report data shows that the small business loan activity of Massachusetts community banks, many of which are not included in the CRA database, increased in 2010 at a modest pace.

The issue of small business lending growth remains an area of concern in Massachusetts and across the country. A review of national Call Report data shows that small business lending activity declined significantly during the twelve months ended June 30, 2011 and is down sharply since the recent financial crisis began in 2008. While there are signs that economic conditions are beginning to improve, the pace and strength of the economic recovery remains uncertain.

CHART: Small business loans at banks across the country have declined significantly over the past few years



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

This report consists of two sections. The first section focuses on overall small business lending trends in Massachusetts, and examines changes in loan volume, differences between types of lenders, and changes in the business lending climate. The second section focuses on small business lending patterns in lower income and traditionally underserved areas across the state. The report bases its findings on annual CRA data collected by the Federal Financial Institutions Examination Council (FFIEC) as well as quarterly Call Report data collected by the Federal Deposit Insurance Corporation (FDIC) and the National Credit Union Administration (NCUA). The report also utilizes lending data compiled by the US Small Business Administration (SBA), demographic data compiled by the US Census Bureau, economic data compiled by the Bureau of Labor Statistics, and business demographic data compiled by Dunn & Bradstreet. A more detailed description of the data sources is provided at the end of the report.

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

# **SECTION I**

**SMALL BUSINESS LENDING IN MASSACHUSETTS:**

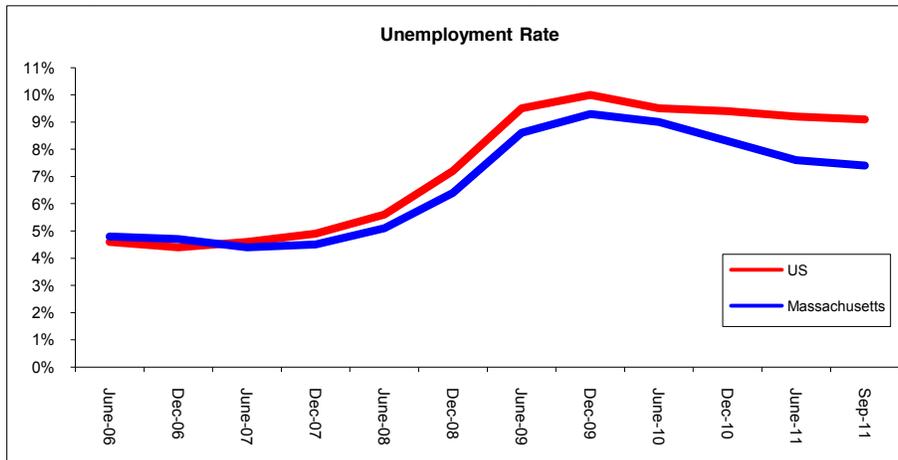
**A STATEWIDE REVIEW**

## CURRENT ECONOMIC CONDITIONS

A review of some of the current economic conditions that influence small business lending shows that the economic climate in Massachusetts appears to be improving at somewhat faster pace than the rest of the country although a recent downturn in national productivity data calls into question the strength and resilience of the recovery.

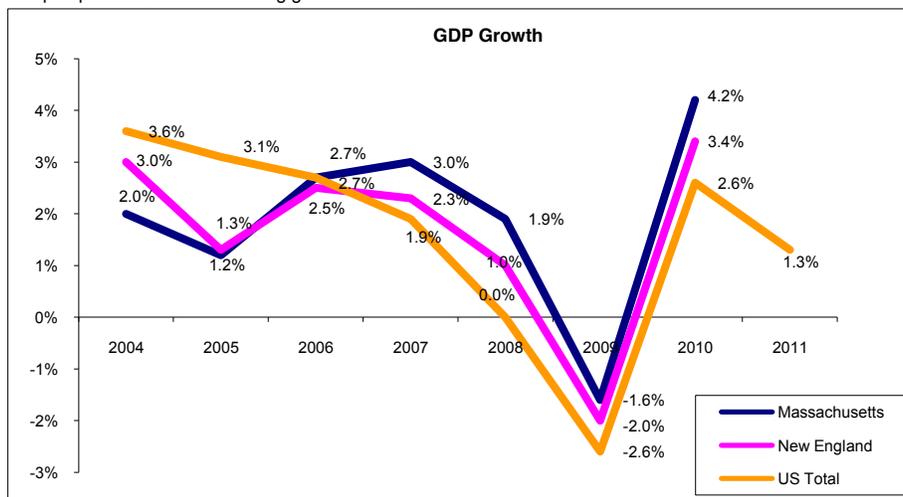
**The unemployment rate in Massachusetts declined slightly to a seasonally-adjusted 7.4% as of September 2011 while the national unemployment rate dipped to 9.1%.** While the Massachusetts unemployment rate has widened its gains over the national average, it remains well above recent historical lows.

CHART: The Massachusetts unemployment rate improved more than the national unemployment rate in 2010 but remains high in historical terms and the prospects for future job growth continue uncertain



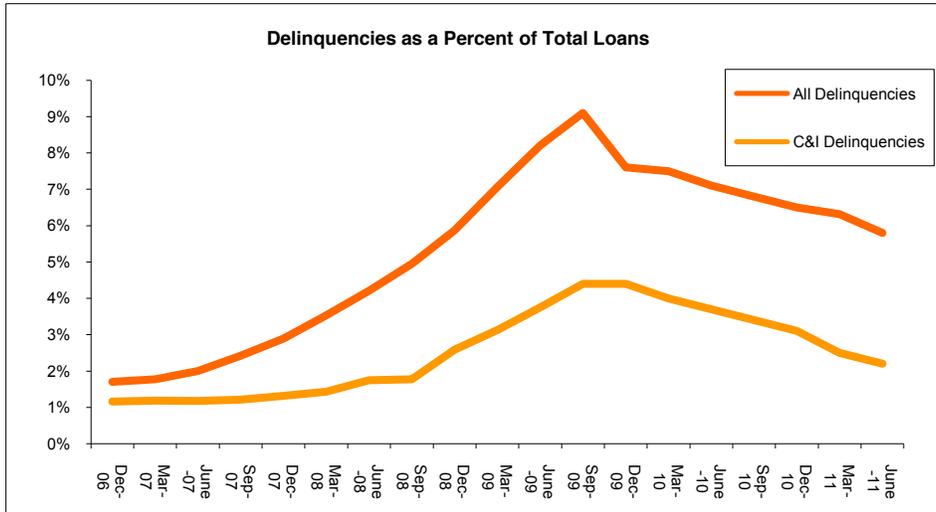
In terms of economic activity, real GDP growth in Massachusetts, which is the state equivalent of the national gross domestic product, bounced back strongly in 2010 with an improvement of 4.2% compared to a contraction of -1.6% in 2009. **At the same time, the most recent national GDP data, which is updated more frequently than state GDP data, revealed that the pace of recovery declined unexpectedly during the first half of 2011 from 2.6% to 1.3% during the first six months of 2011.** The decline coincided with similarly negative economic news from Europe and Asia and prompted the Federal Reserve to mark down its economic forecast for the coming year. It is likely that the disappointing national productivity results will show up in the 2011 state GDP data for Massachusetts although the extent to which the state's productivity results will be negatively affected remains uncertain.

CHART: Massachusetts GDP growth improved significantly in 2010 but the recent dip in the national GDP casts the prospects of continued strong growth in doubt



With respect to asset quality, the overall delinquency rate at banks nationwide, which includes delinquent commercial loans, mortgage loans, and consumer loans, declined to 5.8% of total loans as of June 30, 2011, an improvement compared to 2010 levels but still fairly high in historic terms. While the data does not allow us to identify the delinquency rate for small business loans, it is likely that the rate for these loans mirrors the delinquency rate for commercial and industrial (C&I) loans which declined slightly to 2.2% as of June 30, 2011, also still high in historic terms.

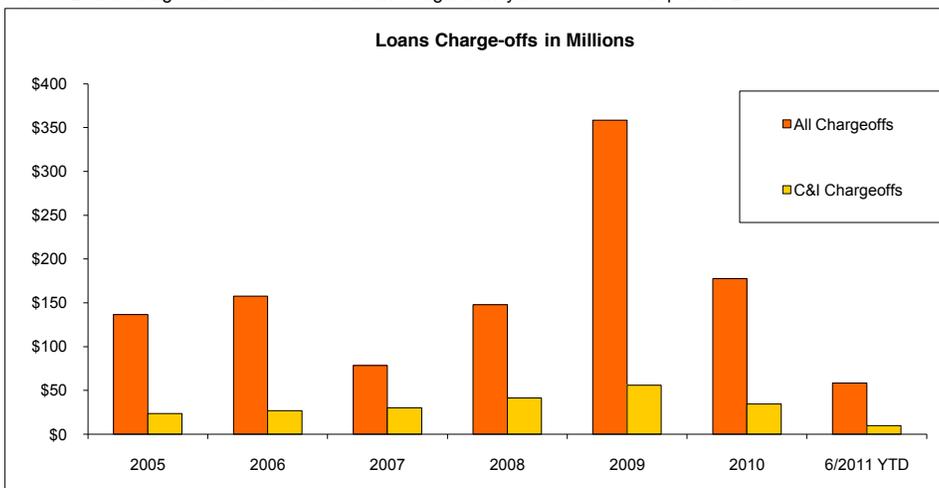
CHART: Loans delinquencies at commercial banks across the US have steadily improved in the past two years



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

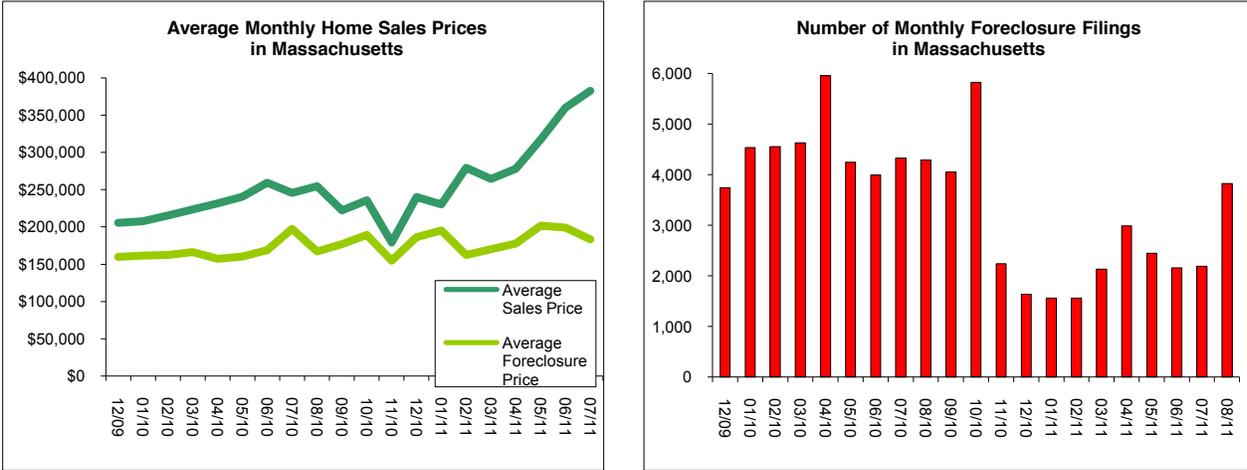
Loan charge-offs at banks have also continued to decline. **For the first six months of 2011, banks reported overall net loan charge-offs of \$58.4 million, which is substantially less than half as much as was charged off during the prior full year.** C&I charge-offs at banks totaled \$9.6 million through June 30, 2011, which is also substantially less than half as much as was charged off during the prior full year. While the level of charge-offs may have peaked in 2009, the toll has been heavy. The high level of delinquencies and charge-offs contributed to the failure of 140 banks in 2009, 158 banks in 2010, and an additional 75 banks through the first nine months of 2011, which are levels not seen since the resolution of the savings and loan crisis two decades ago. The high level of nonperforming loans have also weighed heavily on bank profits and capital reserves and have discouraged the easing of underwriting standards.

CHART: Loans charge-offs at banks have declined significantly since their recent peak in 2010



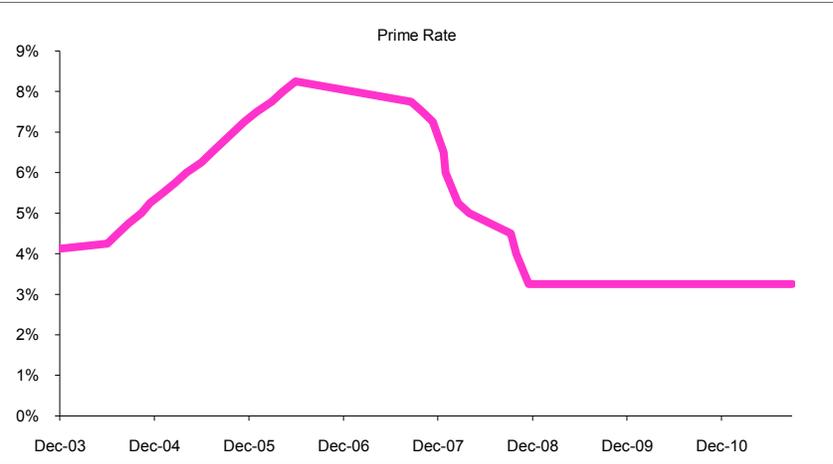
Home values in Massachusetts appeared to have recovered much of the recent decline over the past year while foreclosure filings have generally declined. **According to RealtyTrac, an online resource for real estate statistics and foreclosure data, average home sales prices in Massachusetts have trended up significantly in recent months and monthly foreclosure filings have generally slowed.** A sustained improvement in home values could bode well for homeowners and business owners alike as home equity has historically been a reliable source of discretionary spending and business credit both of which ultimately benefit all participants in the economy. The viability of many small businesses in Massachusetts and across the country depends to a large extent on continued stabilization and improvement in home values.

CHARTS: Home prices in Massachusetts have trended up in recent months while foreclosure filings have generally been well below recent highs



With respect to lending rates, the prime rate, which is the interest rate that banks charge their best business customers, has been at 3.25% for going on three years while the 30 year fixed-rate mortgage has hovered around 4% or thereabouts. While the attractiveness of these rates has persuaded large numbers of consumers and business owners to refinance their homes or take on new business credit, they have not been low enough or in place long enough to absorb the oversupply of foreclosed homes or to offset the longer term concerns about economic stability and job security that appear to be at the heart of the current state of lackluster commercial loan demand.

CHART: The prime rate has not changed since it was lowered to 3.25 in December of 2008



Information regarding changes in small business demographics in Massachusetts, which is updated through 2008 and which traditionally lags the key economic indicators discussed above, is presented in the section on Data Sources at the end of this report.

## CRA DATA AND CALL REPORT DATA

The Community Reinvestment Act (CRA) requires the nation's largest banks to report information on their small business loans, specifically those with original amounts of \$1 million or less, to their federal regulators on an annual basis. The purpose of the CRA law is to encourage depository institutions to help meet the credit needs of the residents and small businesses in the communities in which they operate, particularly in low and moderate income neighborhoods, consistent with safe and sound business operations. The CRA law requires that each institution's record in helping to meet the credit needs of its community be evaluated periodically, and that its record be taken into account in considering an institution's application for deposit facilities and mergers and acquisitions. While the CRA law applies to all insured banks, the CRA disclosure requirement only applies to the largest banks. At the same time, all banks regardless of asset size are required to track the number and volume of small business loans on the books in their quarterly Call Reports and this data is also utilized throughout this report. While the CRA data and Call Report data are organized using similar methodologies, the chief advantages of the CRA dataset are that it includes information about the geographic location of the loan which makes it possible to analyze lending trends in traditionally underserved areas, and it makes it possible to analyze the local data of lenders that are not headquartered in Massachusetts. The chief advantages of Call Report data are that it is representative of all banks across the country and it is available on a quarterly rather than annual basis.

The number of lenders that are required to disclose their small business loan data under the CRA law varies from year to year. The biggest factors affecting the number of reporting institutions is the asset size threshold for the CRA disclosure requirement as well as mergers, acquisitions, and consolidations within the banking industry. The asset-size threshold was increased in 2005 from \$250 million in assets to \$1 billion. As part of this change, the asset size threshold was also pegged to the Consumer Price Index (CPI) to allow the threshold to keep pace with inflation. The asset-size threshold declined slightly to \$1.098 billion for 2010 but will increase to \$1.122 billion for 2011 due to a recent increase in the CPI.

It is important to emphasize that the number of lenders included in the CRA data does not reflect all of the lenders that make small business loans. At the end of 2010 there were a total of 166 FDIC-insured banks headquartered in Massachusetts, most of which make small business loans, as well as 215 state and federal credit unions that serve Massachusetts consumers, many of which also make member business loans. In addition there are large number of other lenders from around the country that do business in Massachusetts but that are not required to file an annual CRA disclosure and, like most local community banks in Massachusetts, are not included in the CRA database. At the same time, while the CRA data does not cover all lenders, it is representative a substantial majority of small business loan activity since banks with assets over \$1 billion account for approximately 90% of lending activity across the country.

**There were 158 lenders that reported CRA activity in Massachusetts in 2010 compared to 153 lenders in the previous year. Of that total, 48 were local lenders, which includes lenders that are headquartered in Massachusetts or have a substantial branch presence in the state, compared to 47 local lenders in the previous year. On a national basis, there were a total of 880 lenders included in the CRA database compared to 941 lenders in the previous year.**

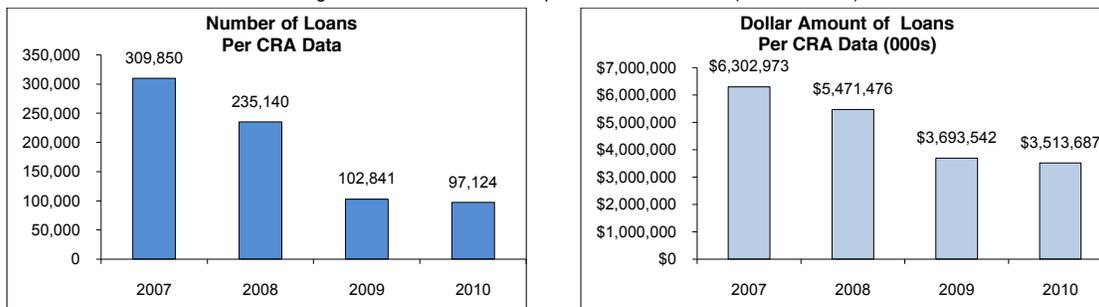
CHART: The number of CRA reporters in Massachusetts has fluctuated slightly in recent years



## SMALL BUSINESS LOAN VOLUME

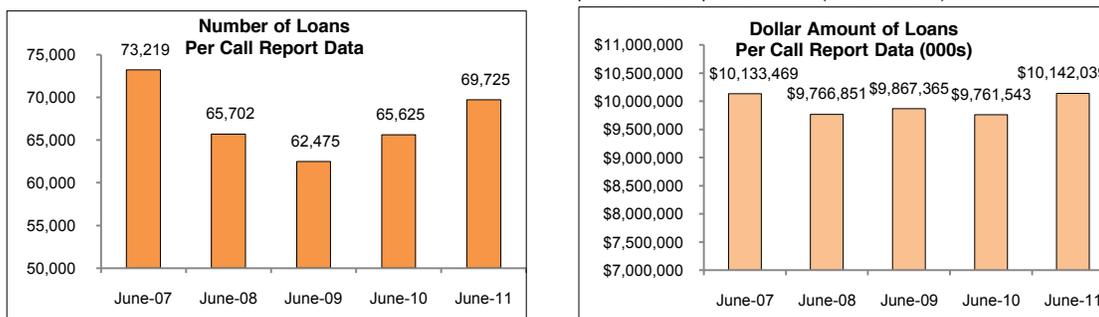
The volume of CRA-reported small business loans in Massachusetts in 2010 totaled 97,124 loans for \$3.5 billion, down slightly compared to the previous year when small business applicants in the state received 102,841 loans for \$3.7 billion. The 2010 decline in CRA-reported loans represents the third consecutive year of declines which is fairly representative of the national trends in the CRA database. Massachusetts community banks, which are discussed in greater detail in a later section, accounted for nearly half of the statewide dollar volume of CRA-reported activity in 2010,

CHARTS: Total small business loan originations in Massachusetts per the CRA database (2007 to 2010)



A review of quarterly Call Report data, which includes local lenders that are not included in the CRA database, shows that Massachusetts banks and thrift institutions increased both the number and volume of small business loans in the past year. The volume of small business loans on the books of local community banks totaled 69,725 small business loans for \$10.1 billion as of June 30, 2011, compared to 66,625 loan for \$9.8 billion as of June 30, 2010.

CHARTS: Small business loans on the books of Massachusetts banks per the Call Report database (2007 to 2011)



Credit unions also experienced a modest increase in small business lending in the past year. Of the 215 state and federal credit unions in Massachusetts, 65 reported member business loans on their books as of June 30, 2011. While the credit union reporting requirements and instructions differ from the CRA and Call Report reporting requirements, it is likely that the vast majority of the credit union member business loans have original amounts under \$1 million and would therefore be considered small business loans under the CRA and bank Call Report instructions. Credit unions in Massachusetts reported 4,747 small business loans for \$1.1 billion as of June 30, 2011, compared to 3,868 loans for \$980.5 million as of June 30, 2010.

TABLE: Credit union business loans in Massachusetts (2007 to 2011)

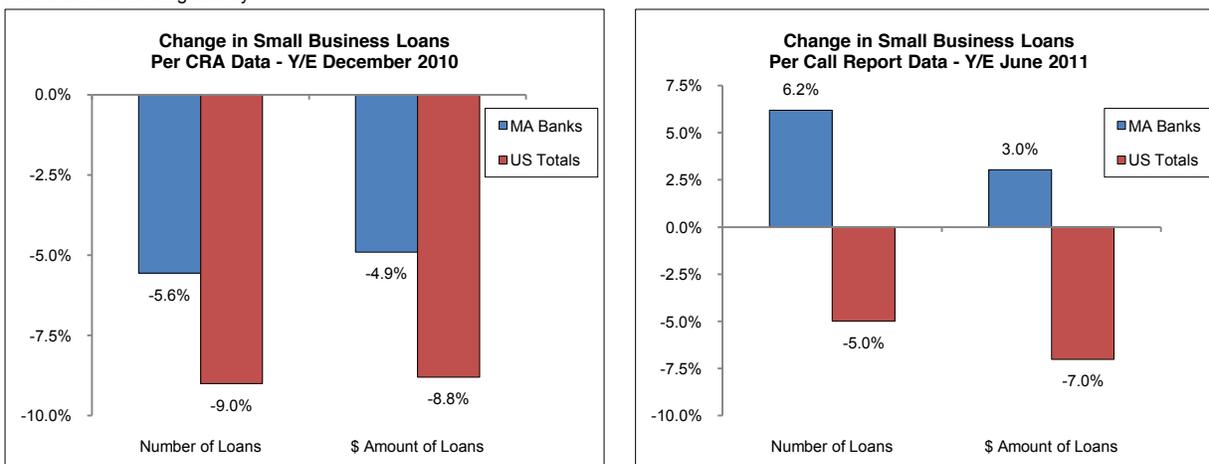
	Number of CUs w/Loans	Number of Loans	\$ Amount of Loans (000s)
June-2007	55	3,223	\$707,283
June-2008	58	3,632	\$879,175
June-2009	61	3,868	\$980,502
June-2010	65	4,290	\$1,025,789
June-2011	65	4,747	\$1,089,783

## SMALL BUSINESS LOAN GROWTH

**CRA-reported small business loans in Massachusetts declined by 5.6% and 4.9% in 2010 in terms of the number and dollar amount of loans which was substantially smaller than the declines experienced in the rest of the country.** Massachusetts community banks managed to achieve a small gain in dollar volume compared to the previous year while other CRA reporters, such as the large commercial banks and other out-of-state lenders that operate in Massachusetts, accounted for the bulk of the decline.

A review of the most recent Call Report data shows that Massachusetts community banks and thrifts actually experienced a modest increase in small business loan volume during the twelve month period ending June 30, 2011. **Small business loans at local community banks increased by 6.2% and 3.0% in terms of the number and dollar amount of small business loans during the twelve months ended June 30, 2011 which also substantially exceeds the national averages.**

CHARTS: Based on both CRA data and Call Report data, Massachusetts has fared substantially better than the rest of the country in terms of recent small business lending activity



While most lenders in Massachusetts and across the country have experienced declines or modest increases in small business lending over the past few years, Massachusetts credit unions have experienced substantial increases in business loans throughout the period covered by the ongoing financial crisis. While their contribution to the overall volume of small business loans may be relatively small when compared to commercial banks, the growth of member business loans at credit unions underscores the important role that credit unions, and other local community lenders, play in meeting local business credit needs. **Small business loans at local credit unions increased by 10.7% and 6.2% in terms of the number and dollar amount of small business loans during the twelve months ended June 30, 2011.**

TABLE: Change in credit union business loans in Massachusetts (2007 to 2011)

	Change in Number of Loans	% Change	Change in \$ Amount of Loans (000s)	% Change
Y/E June-2008	409	12.7%	\$171,891	24.3%
Y/E June-2009	236	6.5%	\$101,327	11.5%
Y/E June-2010	422	10.9%	\$45,287	4.6%
Y/E June-2011	457	10.7%	\$63,994	6.2%

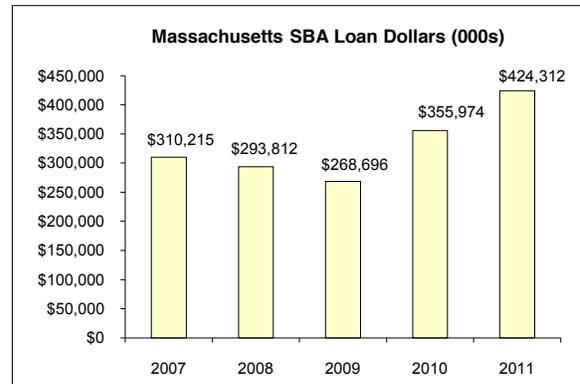
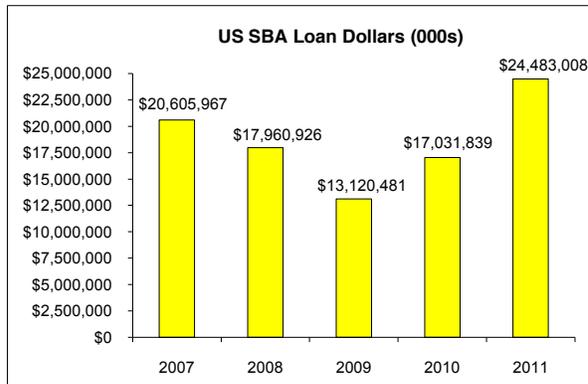
**A review of the CRA data from the 15 largest metropolitan areas across the country also shows that greater Boston experienced slightly less of a decline in CRA-reported small business loan dollars in 2010 than most major cities across the country.** While each of the 15 largest metro areas experienced modest declines in small business loan origination volume in 2010, Boston ranked relatively close to the top (6<sup>th</sup> out of 15) in terms of the smallest decline in CRA-reported small business loan dollars in 2010. The 2010 results represent the second consecutive year where Boston ranked at or near the top third in terms of small business loan growth. In the previous year, Boston ranked 4<sup>th</sup> out of 15 in terms of the smallest decline in CRA-reported small business loan dollars.

TABLE: The greater Boston metro area ranked 6<sup>th</sup> compared to the 15 largest metro areas across the country in terms of the decline in CRA-reported small business lending volume in 2010

	Total Population	Number of Loans	Amount of Loans (000s)	2010 Change in Number of Loans	% Change	2010 Change in \$ Amount of Loans (000s)	% Change
Atlanta (12060)	4,406,747	68,715	\$2,728,831	-6,599	-8.8%	-\$847,884	-23.7%
Boston (14460)	4,390,500	71,577	\$2,573,122	-4,248	-5.6%	-\$197,023	-7.1%
Chicago (16980)	9,112,882	128,894	\$6,927,044	-17,935	-12.2%	-\$445,677	-6.0%
Dallas (19100)	5,166,871	88,929	\$3,374,752	-10,233	-10.3%	-\$54,866	-1.6%
Detroit (19820)	4,452,557	53,943	\$3,048,865	-7,622	-12.4%	-\$73,786	-2.4%
Houston (26420)	4,787,274	87,092	\$3,295,112	-9,490	-9.8%	-\$95,596	-2.8%
Los Angeles (31100)	12,365,627	273,680	\$8,623,110	-12,703	-4.4%	-\$641,543	-6.9%
Miami (33100)	5,007,564	102,614	\$2,627,925	1,309	1.3%	-\$531,058	-16.8%
New York (35620)	15,569,089	281,455	\$8,127,386	-28,056	-9.1%	-\$1,137,511	-12.3%
Philadelphia (37980)	5,687,147	76,391	\$2,964,842	-7,610	-9.1%	-\$752,589	-20.2%
Phoenix (38060)	3,251,876	70,107	\$2,244,372	-7,241	-9.4%	-\$204,594	-8.4%
Riverside-San Bernardino (40140)	3,254,821	45,950	\$1,356,627	-4,888	-9.6%	-\$119,901	-8.1%
San Francisco (41860)	4,123,740	106,337	\$3,328,879	-9,239	-8.0%	-\$348,468	-9.5%
Seattle (42660)	3,043,878	53,609	\$2,133,243	-6,113	-10.2%	-\$372,743	-14.9%
Washington DC (47900)	4,870,279	75,737	\$3,004,139	-6,503	-7.9%	-\$406,020	-11.9%

Loans guaranteed by the SBA also continued to increase over the past year for the second consecutive year and reached record levels in 2011. SBA approvals increased by 43.7% on a national basis during the twelve months ended September 30, 2011, while SBA approvals in Massachusetts increased by 19.2% during the same period. In an effort to build on these gains, the SBA introduced a number of new initiatives in the past year including two new lending programs, the Community Advantage and Small Loan Advantage, designed to streamline applications for loans under \$250,000 and increase the incentive for lenders to make more smaller-dollar loans. It is hoped that the Advantage programs will create new financing options for the nation's smallest businesses, particularly those in traditionally underserved communities which typically rely heavily on smaller-dollar loans. The SBA also recently announced increases to the maximum loan amount for its flagship 7(a) loan program and its 504 loan program from \$2 million to \$5 million to support larger projects that drive long-term economic growth and job creation.

CHARTS: SBA loan approvals increased to record levels in Massachusetts and across the country in 2011

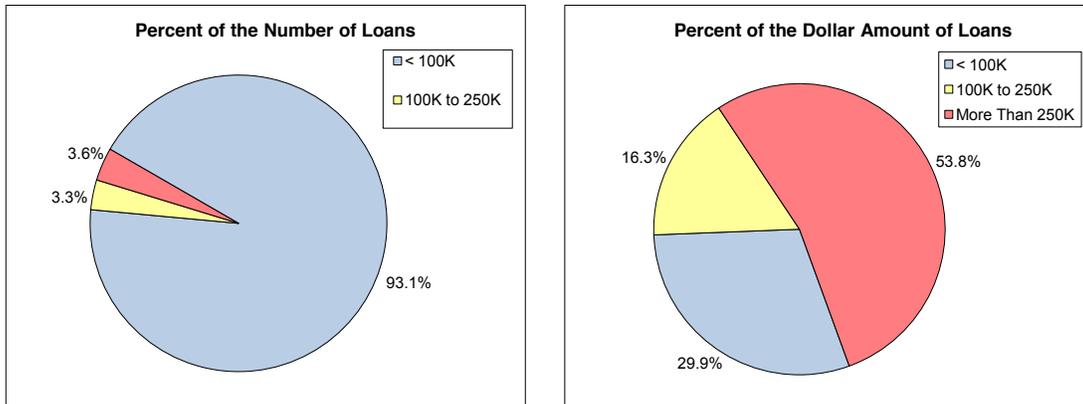


**BREAKDOWN BY ORIGINAL LOAN AMOUNT**

The CRA database provides an aggregate breakdown of loan data by the original amount of the loans using the following three loan size increments: under \$100,000, from \$100,000 to \$250,000, and from \$250,000 to \$1 million.

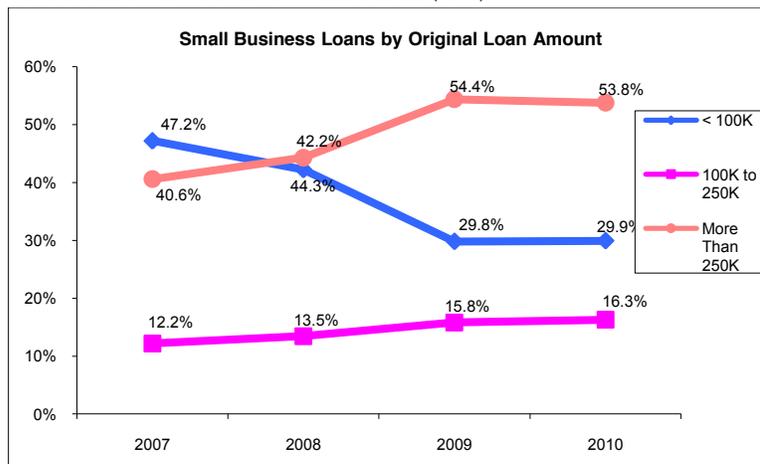
CRA-reported small business loans with an original amount of \$100,000 or less accounted for the vast majority of the total number of loans in Massachusetts in 2010, but accounted for less than one-third of small business loan dollars. In Massachusetts, small business loans under \$100,000 accounted for 93.1% of the total number of loans in 2010 and 29.9% of the dollar amount of loans while larger small business loans - those with an original amount between \$250,000 and \$1 million - accounted for just 3.6% of the number of loans but made up 53.8% of loan dollars.

CHARTS: Small business loans with original amounts under \$100,000, though substantially greater in number, represented less than one-third of small business loan dollars in Massachusetts (2010)



**Much of the recent declines in small business lending involved a decline in loans with original amounts under \$100,000 although the volume of these smaller loans held steady in 2010 after declining significantly in recent years. Such loans accounted for 29.9% of all small business loan dollars in 2010, still a substantial percentage of total volume but down sharply from 47.2% in 2007. The shift is related to a decline in small business credit card lending, discussed in more detail later in this report, which accounts for a substantial portion of overall small business lending in Massachusetts.**

CHART: Small business loans with original amounts over \$250,000 accounted for more than half of the dollar volume of loans in Massachusetts (2010)

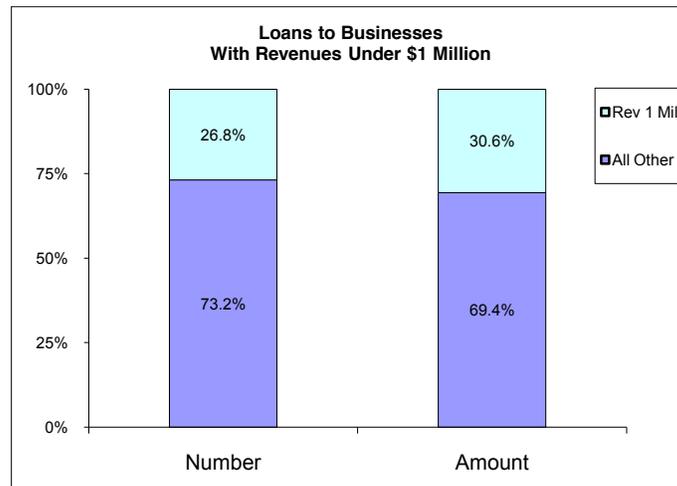


**LOANS TO BUSINESSES WITH REVENUES UNDER \$1 MILLION**

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

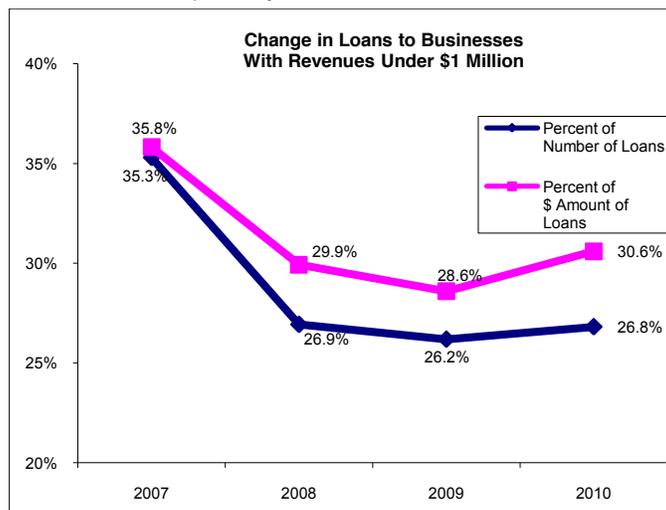
Reported loans to businesses with annual revenues of \$1 million or less accounted for just 26.8% of the total number of loans in Massachusetts in 2010 and 30.6% of the dollar amount of loans, compared to the previous year when such loans represented 26.2% of the number of loans and 28.6% of the dollar volume.

CHART: Loans to businesses with annual revenues under \$1 million accounted for less than one-third of all small business loans in Massachusetts in 2010



The percentage of reported loans to businesses with revenues under \$1 million increased to 30.6% of total loans in 2010 after declining in the previous two years.

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



## THE ROLE OF LOCAL LENDERS

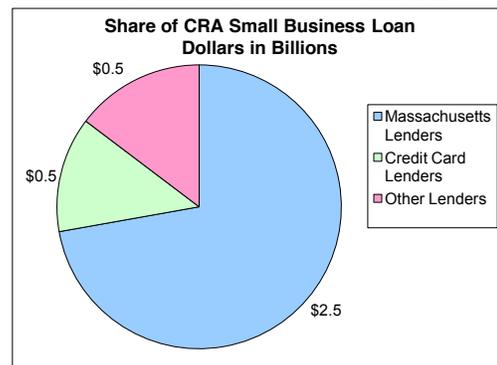
As previously noted, the CRA database contained a total of 48 lenders that are either headquartered in Massachusetts or have a substantial presence across the state. While local banks account for the vast majority of small business lending in Massachusetts, most of these lenders are small community banks that typically report fewer than \$25 million in small business loans per year. In 2010, of the 48 local CRA lenders only 16 reported between \$25 million and \$100 million in small business loan dollars, and just 7 additional lenders reported small business loan volume in Massachusetts greater than \$100 million. These largest local CRA lenders include three Massachusetts community banks as well as four large commercial banks that have a substantial local branch presence but are headquartered outside the state, namely Bank of America, RBS Citizens, Sovereign Bank, and TD Bank. The state's community banks also compete with local credit unions, as well as small business credit card lenders that operate across the country and other out-of-state banks that routinely do business in Massachusetts. The roles of each of these competitors are discussed in more detail in the following sections.

**The CRA data shows that local lenders originated a total of 16,877 small business loans for \$2.5 billion in 2010, representing 17.4% of the total number of small business loans in Massachusetts and 72.2% of small business loan dollars.**

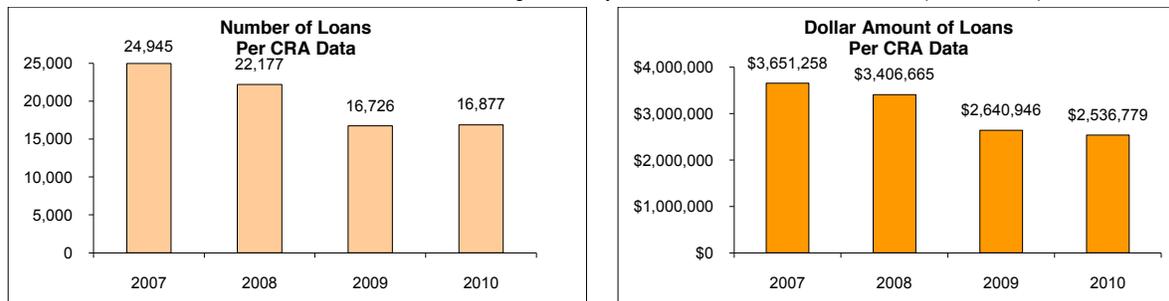
TABLE: Local CRA lenders vs other CRA lenders in Massachusetts (2010)

	Number of Loans	% of Total	\$ Amount of Loans (000s)	% of Total
Local Lenders	16,877	17.4%	\$2,536,779	72.2%
Credit Card Lenders	72,725	74.9%	\$460,676	13.1%
Other Lenders	7,522	7.7%	\$516,232	14.7%
Totals	97,124	100.0%	\$3,513,687	100.0%

CHART: Local CRA lenders accounted for the majority of small business loan dollars in Massachusetts in 2010

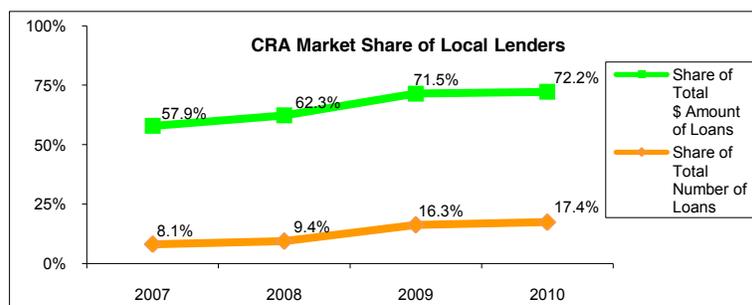


CHARTS: Number and dollar amount of small business loan originations by local CRA lenders in Massachusetts (2007 to 2010)



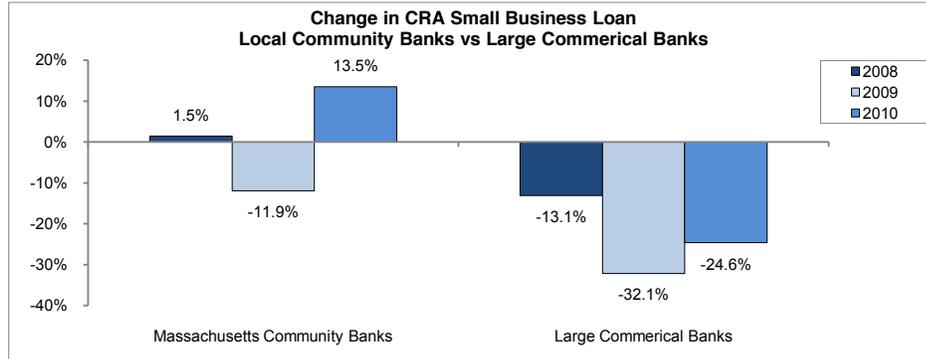
**Local CRA lenders account for the substantial majority of small business lending activity in Massachusetts and increased their overall market share in 2010 for the third consecutive year after years of declines primarily at the hands of credit card lenders and other out-of-state lenders.** In 2010, local CRA lenders saw their share of small business loan dollars increase to 72.2% compared to 57.9% a few years ago.

CHART: Local lenders have steadily gained market share in recent years



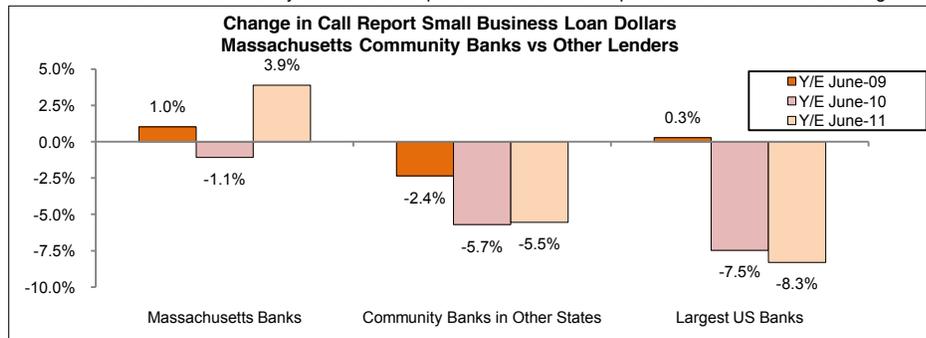
A closer examination of the local lenders in Massachusetts reveals that local community banks appear to have outperformed the large commercial banks that operate in Massachusetts but are headquartered outside the state in recent years, which was one of the key findings of the recent Mass Bankers study. **The most recent CRA data shows that in each of the past three years local community banks have experienced either an increase in small business loan dollars or smaller declines than the large commercial banks that operate in the state.** The reasons behind this shift are complex but may be related to the regulatory and internal pressures felt by the nation's largest banks in the wake of the financial crisis to deleverage their balance sheets, tighten their underwriting standards, and improve their capital positions.

CHART: Local community banks in Massachusetts have stepped up as the large commercial banks have contracted



Another key finding from the recent Mass Bankers study relates to how local community banks in Massachusetts compare to local community banks in other states. For the purpose of this analysis, we define community banks as banks with assets under \$10 billion. **Using this criteria, the Call Report data also shows that in each of the past three years Massachusetts community banks have outperformed their counterparts in other states in terms of small business loan growth just as they have the nation's largest commercial banks with assets over \$10 billion.**

CHART: Massachusetts community banks have outperformed their counterparts in other states and the largest US banks



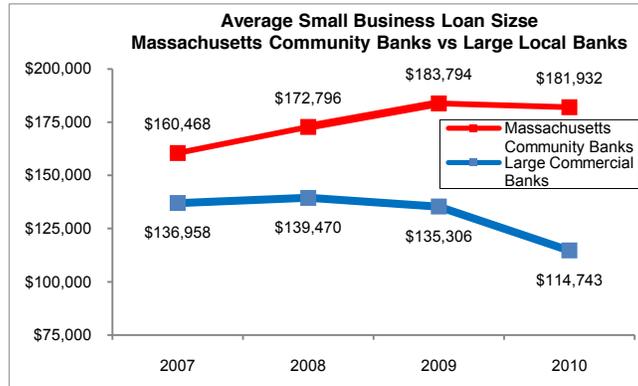
**As a result of their strong performance in recent years, local community banks have established a substantial market share advantage over the large commercial banks that have a physical presence in Massachusetts but are headquartered outside the state. In 2010, local community banks accounted for 46.3% of CRA-reported small business loan dollars in Massachusetts while their larger commercial bank competitors accounted for 25.9%.**

TABLE: Local community banks vs local commercial banks in Massachusetts (2010 CRA data)

	Number of Loans	% Market Share	\$ Amount of Loans (000s)	% Market Share	Average Loan Size
MA Community Banks	8,934	9.2%	\$1,625,378	46.3%	\$181,932
Large Commercial Banks	7,943	8.2%	\$911,401	25.9%	\$114,743
Totals - Local Lenders	16,877	17.4%	\$2,536,779	72.2%	\$150,310

Another consequence of the strong performance of local community banks has been a fairly steady increase in the average size of a small business loan. **Over the past four years, the average size of a CRA-reported small business loan at a local community bank has increased from \$160,468 in 2007 to \$181,932 in 2010 while the average loan size at the large commercial banks has declined from \$136,958 in 2007 to \$114,743 in 2010.**

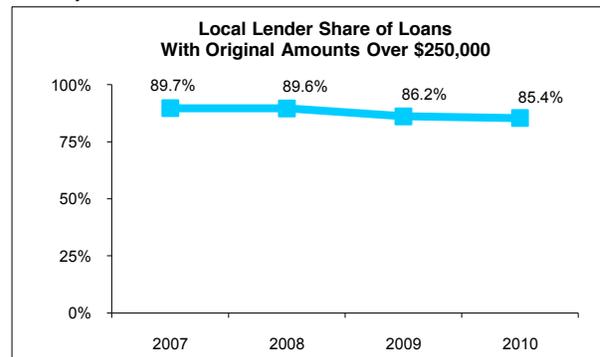
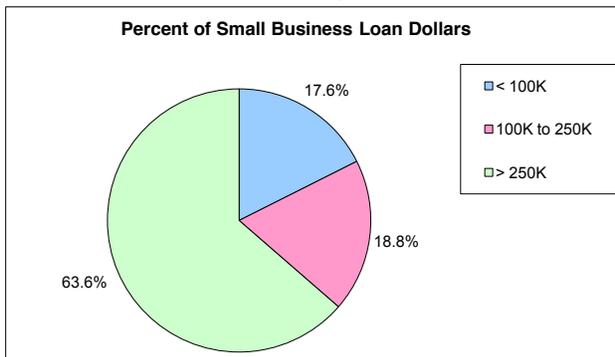
CHART: The average loan size of a small business loan has increased at local community banks and has decreased at the large commercial banks



These results may seem counterintuitive given the widely held perceptions that commercial banks have deep pockets and community banks are conservative lenders, but the reasons behind the disparity may be attributable to a difference in the relationship style and level of commitment to the local community. It is worth noting that the average size of a small business loan at credit unions in Massachusetts, which take great pride in their relationship with their member borrowers, totaled \$229,573 as of June 30, 2011.

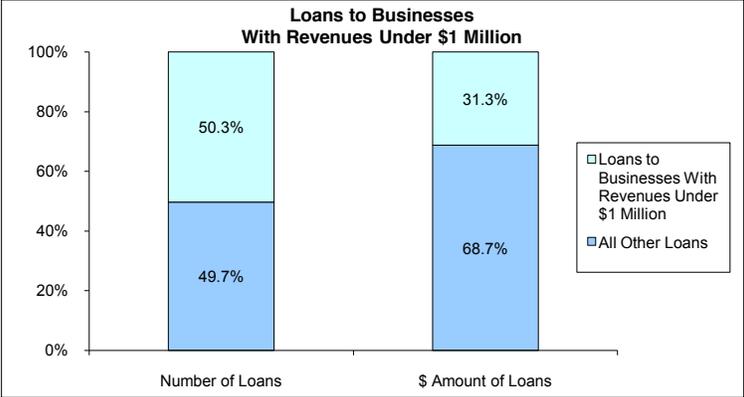
As one might expect given the average size of a small business loan originated by a local lender, a substantial portion of CRA-reported loans made by local lenders had original amounts greater than \$250,000. In 2010 loans with original amounts over \$250,000 accounted for 63.6% of the small business loan volume of local CRA reporters. It is also worth noting that, while local lenders have lost overall market share in recent years primarily at the hands of credit card lenders that deal in smaller loans, they have maintained a dominant share of the market for larger loans – those with an original amount over \$250,000. In 2010, Massachusetts banks accounted for 85.4% of the reported dollar volume of loans over \$250,000. The economic impact of these larger loans is substantial and underscores the vital role that local lenders play in small business lending in Massachusetts.

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



Local lenders reported 8,060 loans to businesses with revenues under \$1 million in 2009 for \$731.8 million, which represented 48.2% of the total number of loans originated by local lenders and 27.7% of the dollar amount of loans.

CHART: Reported loans to businesses with revenues under \$1 million at local lenders (2010)



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

TABLE: Small business loans by local CRA reporters in Massachusetts by dollar volume (FFIEC CRA Data - 2010)

	Town	Massachusetts Deposits 6/30/2010 (\$000s)	Number of Loans	\$ Amount of Loans (\$000s)	\$ Average Loan Size (\$000s)
**BANK OF AMERICA, N.A.	CALABASAS, CA	\$45,597,124	1,138	\$319,006	\$280
EASTERN BANK	LYNN	\$5,370,740	1,493	\$297,864	\$200
**TD BANK N.A.	FALMOUTH, ME	\$8,716,154	3,204	\$250,998	\$78
**RBS CITIZENS, N.A.	PROVIDENCE, RI	\$24,493,616	2,460	\$183,944	\$75
MIDDLESEX SAVINGS BANK	WESTBOROUGH	\$3,571,679	870	\$171,975	\$198
ROCKLAND TRUST COMPANY	ROCKLAND	\$3,702,041	948	\$159,003	\$168
**SOVEREIGN BANK	WYOMISSING, PA	\$13,622,757	1,141	\$157,453	\$138
SALEM FIVE CENTS SAVINGS BANK	SALEM	\$1,756,835	397	\$96,852	\$244
BRISTOL COUNTY SAVINGS BANK	TAUNTON	\$874,812	301	\$71,265	\$237
BERKSHIRE BANK	PITTSFIELD	\$1,449,853	428	\$61,428	\$144
BOSTON PRIVATE BANK & TRUST CO	BOSTON	\$2,374,928	192	\$60,409	\$315
ENTERPRISE BANK	LOWELL	\$1,136,329	442	\$56,436	\$128
NORTHERN BANK & TRUST COMPANY	WOBURN	\$467,185	220	\$54,604	\$248
CENTURY BANK AND TRUST COMPANY	MEDFORD	\$1,856,904	363	\$51,270	\$141
CAMBRIDGE SAVINGS BANK	ARLINGTON	\$1,743,719	144	\$40,957	\$284
CITIZENS-UNION SAVINGS BANK	FALL RIVER	\$512,063	184	\$39,942	\$217
DANVERSBANK	DANVERS	\$2,000,480	160	\$38,677	\$242
BROOKLINE BANK	BROOKLINE	\$1,712,821	118	\$33,981	\$288
CAPE COD FIVE CENTS SAVINGS BANK	ORLEANS	\$1,687,755	211	\$33,023	\$157
SOUTH SHORE SAVINGS BANK	SO WEYMOUTH	\$649,780	207	\$28,556	\$138
COMMERCE BANK & TRUST COMPANY	WORCESTER	\$908,298	129	\$27,189	\$211
UNITED BANK	W SPRINGFIELD	\$1,135,683	373	\$26,474	\$71
COUNTRY BANK FOR SAVINGS	WARE	\$905,417	155	\$25,223	\$163
EAST BOSTON SAVINGS BANK	PEABODY	\$1,360,946	86	\$23,709	\$276
THE LOWELL FIVE CENT SAVINGS BANK	LOWELL	\$562,916	109	\$18,441	\$169
SOUTHBRIDGE SAVINGS BANK	SOUTHBRIDGE	\$343,734	104	\$16,601	\$160
FRAMINGHAM CO-OPERATIVE BANK	FRAMINGHAM	\$300,465	88	\$16,437	\$187
CAPE COD COOPERATIVE BANK	HYANNIS	\$446,500	99	\$16,218	\$164
HAMPDEN BANK	SPRINGFIELD	\$420,986	82	\$15,607	\$190
GREENFIELD SAVINGS BANK	GREENFIELD	\$449,740	118	\$13,214	\$112
BANK OF CAPE COD	HYANNIS	\$87,799	51	\$12,919	\$253
PEOPLESBANK	HOLYOKE	\$1,135,393	81	\$12,428	\$153
EASTHAMPTON SAVINGS BANK	EASTHAMPTON	\$653,092	95	\$10,722	\$113
WATERTOWN SAVINGS BANK	WATERTOWN	\$955,930	42	\$10,514	\$250
BELMONT SAVINGS BANK	BELMONT	\$335,456	51	\$9,880	\$194
NORTHMARK BANK	N ANDOVER	\$254,225	98	\$9,861	\$101
EAST CAMBRIDGE SAVINGS BANK	CAMBRIDGE	\$689,409	46	\$8,687	\$189
FLORENCE SAVINGS BANK	FLORENCE	\$810,295	103	\$8,535	\$83
THE SAVINGS BANK	WAKEFIELD	\$368,914	35	\$8,097	\$231
WEBSTER FIVE CENTS SAVINGS BANK	WORCESTER	\$447,236	65	\$7,092	\$109
NORTH EASTON SAVINGS BANK	SOUTH EASTON	\$399,480	42	\$6,056	\$144
BNY MELLON, N.A.	PITTSBURGH	\$2,420,889	13	\$5,640	\$434
EAGLE BANK	EVERETT	\$387,741	28	\$5,513	\$197
LEGACY BANKS	PITTSFIELD	\$564,347	62	\$4,281	\$69
FIDELITY COOPERATIVE BANK	LEOMINSTER	\$380,867	43	\$3,260	\$76
RANDOLPH SAVINGS BANK	STOUGHTON	\$268,615	27	\$3,054	\$113
CAPE ANN SAVINGS BANK	GLOUCESTER	\$310,129	27	\$2,774	\$103
CENTRAL COOPERATIVE BANK	SOMERVILLE	\$335,877	4	\$710	\$178
LOCAL LENDER TOTALS		NA	16,877	\$2,536,779	\$150

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

TABLE: Small business loans by local community banks in Massachusetts by dollar volume (FDIC Call Report Data – June 2011)

	Town	Deposits (\$000s)	Number of Loans	\$ Amount of Loans (\$000s)	\$ Average Loan Size (\$000s)
ROCKLAND TRUST COMPANY	ROCKLAND	\$3,815,885	4,458	\$732,864	\$164
ENTERPRISE BANK AND TRUST COMPANY	LOWELL	\$1,320,367	5,101	\$473,185	\$93
EASTERN BANK	BOSTON	\$6,186,454	2,505	\$393,816	\$157
BERKSHIRE BANK	PITTSFIELD	\$2,499,230	3,478	\$349,025	\$100
MIDDLESEX SAVINGS BANK	NATICK	\$3,464,805	3,434	\$302,272	\$88
BOSTON PRIVATE BANK & TRUST	BOSTON	\$4,658,177	1,502	\$276,911	\$184
SALEM FIVE CENTS SAVINGS BANK	SALEM	\$1,958,996	1,178	\$242,941	\$206
CAPE COD FIVE CENTS SAVINGS BANK	HARWICH PORT	\$1,752,477	1,991	\$240,458	\$121
DANVERSBANK	DANVERS	\$2,078,925	1,080	\$217,715	\$202
COMMERCE BANK & TRUST COMPANY	WORCESTER	\$1,203,385	1,532	\$196,444	\$128
BRISTOL COUNTY SAVINGS BANK	TAUNTON	\$966,653	1,074	\$172,770	\$161
EAST BOSTON SAVINGS BANK	BOSTON	\$1,545,197	652	\$154,062	\$236
AVIDIA BANK	HUDSON	\$780,779	1,358	\$145,247	\$107
CITIZENS-UNION SAVINGS BANK	FALL RIVER	\$723,723	691	\$141,501	\$205
NORTHERN BANK & TRUST COMPANY	WOBURN	\$532,777	698	\$140,110	\$201
BANK OF CANTON, THE	CANTON	\$546,752	590	\$138,764	\$235
MERCANTILE BANK AND TRUST COMPANY	BOSTON	\$150,962	727	\$128,223	\$176
PEOPLESBANK	HOLYOKE	\$1,202,062	619	\$126,988	\$205
HINGHAM INSTITUTION FOR SAVINGS	HINGHAM	\$758,193	416	\$118,715	\$285
CHICOPEE SAVINGS BANK	CHICOPEE	\$412,043	848	\$111,956	\$132
NORTH SHORE CO-OPERATIVE BANK	PEABODY	\$346,893	597	\$107,522	\$180
SOUTH SHORE SAVINGS BANK	S WEYMOUTH	\$669,297	621	\$105,598	\$170
BRIDGEWATER SAVINGS BANK	RAYNHAM	\$381,715	347	\$98,010	\$282
BANKFIVE	FALL RIVER	\$625,419	996	\$95,698	\$96
THE PROVIDENT BANK	AMESBURY	\$388,866	646	\$95,378	\$148
PENTUCKET BANK	HAVERHILL	\$542,134	515	\$95,244	\$185
COUNTRY BANK FOR SAVINGS	WARE	\$973,046	631	\$94,827	\$150
THE COMMUNITY BANK	BROCKTON	\$290,375	547	\$82,398	\$151
THE FIRST NATIONAL BANK OF IPSWICH	IPSWICH	\$215,875	385	\$79,566	\$207
FIDELITY CO-OPERATIVE BANK	FITCHBURG	\$400,757	492	\$78,473	\$159
CAPE COD CO-OPERATIVE BANK	YARMOUTHPORT	\$467,886	469	\$77,233	\$165
FRAMINGHAM CO-OPERATIVE BANK	FRAMINGHAM	\$308,171	437	\$74,690	\$171
CENTURY BANK AND TRUST COMPANY	SOMERVILLE	\$2,081,025	331	\$74,453	\$225
NORTH MIDDLESEX SAVINGS BANK	AYER	\$271,615	737	\$69,945	\$95
DEDHAM INSTITUTION FOR SAVINGS	DEDHAM	\$928,149	286	\$69,142	\$242
CAMBRIDGE SAVINGS BANK	CAMBRIDGE	\$1,820,303	297	\$68,880	\$232
LEGACY BANKS	PITTSFIELD	\$660,920	491	\$68,345	\$139
WALPOLE CO-OPERATIVE BANK	WALPOLE	\$268,204	303	\$65,228	\$215
HAMPDEN BANK	SPRINGFIELD	\$418,493	837	\$65,179	\$78
HOMETOWN BANK, A COOPERATIVE BANK	WEBSTER	\$259,804	312	\$65,121	\$209
STONEHAMBANK	STONEHAM	\$300,774	281	\$61,128	\$218
CAMBRIDGE TRUST COMPANY	CAMBRIDGE	\$1,009,934	424	\$58,209	\$137
MILFORD NATIONAL BANK AND TRUST	MILFORD	\$241,048	394	\$56,943	\$145
FLORENCE SAVINGS BANK	FLORENCE	\$805,224	599	\$55,595	\$93
NEWBURYPORT FIVE CENTS SB	NEWBURYPORT	\$455,862	275	\$54,731	\$199
MARTHA'S VINEYARD SAVINGS BANK	EDGARTOWN	\$426,593	295	\$54,198	\$184
WEBSTER FIVE CENTS SAVINGS BANK	WEBSTER	\$465,671	425	\$53,473	\$126
VILLAGE BANK, THE	NEWTON	\$575,002	275	\$52,760	\$192
ROCKPORT NATIONAL BANK	ROCKPORT	\$158,980	365	\$50,174	\$137
CLINTON SAVINGS BANK	CLINTON	\$371,163	272	\$50,163	\$184

TABLE: Small business loans by local credit unions in Massachusetts by dollar volume (NCUA Call Report Data – June 2011)

	Town	Deposits (\$000s)	Number of Loans	\$ Amount of Loans (\$000s)	\$ Average Loan Size (\$000s)
DIGITAL FCU	MARLBOROUGH	\$3,272,925	487	\$399,808	\$821
GREYLOCK FCU	PITTSFIELD	\$1,106,166	581	\$85,726	\$148
JEANNE D'ARC CU	LOWELL	\$766,127	166	\$66,001	\$398
WEBSTER FIRST FCU	WORCESTER	\$437,237	189	\$61,199	\$324
ROCKLAND FCU	ROCKLAND	\$908,596	346	\$47,232	\$137
HARBORONE CU	BROCKTON	\$1,321,787	430	\$45,135	\$105
METRO CU	CHELSEA	\$743,476	227	\$43,999	\$194
FIRST CITIZENS' FCU	FAIRHAVEN	\$436,241	617	\$34,412	\$56
WORKERS' CU	FITCHBURG	\$625,516	119	\$27,982	\$235
MILLBURY FCU	MILLBURY	\$260,049	157	\$27,723	\$177
ST. ANNE'S OF FALL RIVER CU	FALL RIVER	\$661,531	119	\$23,151	\$195
CENTRAL ONE FCU	SHREWSBURY	\$319,947	55	\$18,227	\$331
CRESCENT CU	BROCKTON	\$303,816	105	\$15,929	\$152
GFA FCU	GARDNER	\$262,283	110	\$15,891	\$144
COMMUNITY CREDIT UNION OF LYNN CU	LYNN	\$94,908	94	\$15,330	\$163
INDUSTRIAL CU	BOSTON	\$139,993	43	\$14,389	\$335
BRIDGEWATER CU	BRIDGEWATER	\$259,224	86	\$14,273	\$166
ST. MARY'S CU	MARLBOROUGH	\$521,928	38	\$12,727	\$335
RTN FCU	WALTHAM	\$596,423	67	\$10,507	\$157
RIVER WORKS CU	LYNN	\$74,702	48	\$8,262	\$172
LEOMINSTER CU	LEOMINSTER	\$465,543	79	\$7,990	\$101
FIRST PRIORITY CU	BOSTON	\$108,231	14	\$6,868	\$491
HOLYOKE CU	HOLYOKE	\$96,698	33	\$6,317	\$191
ST. JEAN'S CU	LYNN	\$128,099	26	\$6,189	\$238
MERRIMACK VALLEY FCU	LAWRENCE	\$385,834	54	\$5,886	\$109
FREEDOM CU	SPRINGFIELD	\$370,436	30	\$5,623	\$187
SHARON CU	SHARON	\$361,355	70	\$5,551	\$79
NO. MASS. TEL WORKERS COMMITY CU	LOWELL	\$413,077	15	\$4,979	\$332
TAUNTON FCU	TAUNTON	\$112,720	25	\$4,955	\$198
CAMBRIDGE PORTUGUESE CU	SOMERVILLE	\$86,477	28	\$4,923	\$176
MEDICAL AREA FCU	BROOKLINE	\$66,970	24	\$4,395	\$183
SOUTHBRIDGE CU	SOUTHBRIDGE	\$147,899	25	\$4,314	\$173
MEMBERS PLUS CU	MEDFORD	\$180,138	21	\$3,287	\$157
ST. MICHAELS FALL RIVER FCU	FALL RIVER	\$25,075	18	\$2,789	\$155
TREMONT CU	BRAINTREE	\$151,770	13	\$2,769	\$213
LUSO FCU	LUDLOW	\$143,136	20	\$2,523	\$126
WINTHROP FCU	WINTHROP	\$31,838	9	\$2,427	\$270
SOMERSET FCU	SOMERSET	\$126,939	16	\$2,351	\$147
FALL RIVER MUNICIPAL CU	FALL RIVER	\$145,946	12	\$2,331	\$194
MASS BAY CU	SOUTH BOSTON	\$166,550	9	\$2,313	\$257
LUSO-AMERICAN CU	PEABODY	\$57,741	13	\$2,130	\$164
NOTRE DAME COMMUNITY FCU	FALL RIVER	\$40,541	15	\$2,120	\$141
LIBERTY BAY CU	BRAINTREE	\$554,371	13	\$1,762	\$136
GRAFTON SUBURBAN CU	N GRAFTON	\$109,158	12	\$1,450	\$121
I-C FCU	FITCHBURG	\$332,517	10	\$1,216	\$122
TAUPA LITHUANIAN FCU	SOUTH BOSTON	\$14,262	4	\$1,096	\$274
ACUSHNET FCU	ACUSHNET	\$15,278	5	\$721	\$144
NESC FCU	METHUEN	\$68,072	3	\$455	\$152
BOSTON FIREFIGHTERS CU	DORCHESTER	\$148,409	1	\$344	\$344
METROWEST COMMUNITY FCU	FRAMINGHAM	\$82,378	12	\$294	\$25

## CREDIT CARD LENDERS

While the CRA database does not identify whether a given loan is a small business credit card loan, it does provide a way to estimate which lenders make credit card loans and how big the credit card market is. By reviewing the volume of loans and the average loan size of the largest lenders, a pattern quickly emerges: for some lenders the number of loans reported is quite large but the average loan size is quite small and well below the \$150,000 average loan size of the local lenders that account for the majority of the dollar volume of loans.

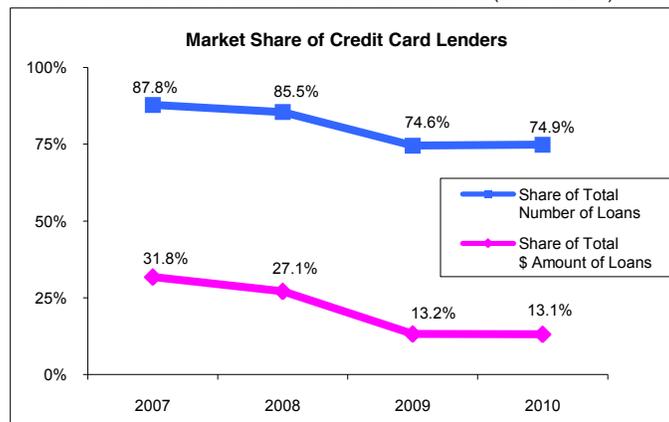
**Credit card lenders reported an estimated total of 72,725 small business credit card loans in Massachusetts in 2009 for \$460.7 million, which accounted for 74.9% of the total number of CRA-reported small business loans and 13.1% of loan dollars.**

TABLE: Estimated small business credit card loans in Massachusetts by dollar volume (2010)

	Number of Loans	\$ Amount of Loans (\$000s)	\$ Average Loan Size (\$000s)
AMERICAN EXPRESS BANK, FSB	34,895	\$200,458	\$5,745
CITIBANK (SOUTH DAKOTA), N.A.	12,151	\$61,903	\$5,094
FIA CARD SERVICES	5,717	\$55,757	\$9,753
CHASE BANK USA, NA	6,477	\$53,100	\$8,198
CAPITAL ONE BANK USA, N.A.	4,540	\$33,122	\$7,296
GE MONEY BANK	6,088	\$21,525	\$3,536
US BANK NORTH DAKOTA	1,521	\$18,931	\$12,446
GE CAPITAL FINANCIAL INC.	161	\$6,986	\$43,391
BB&T FSB CRA	730	\$5,630	\$7,712
FIRST NATIONAL BANK OF OMAHA	323	\$2,609	\$8,077
DISCOVER BANK	122	\$655	\$5,369
CREDIT CARD LENDER TOTALS	72,725	\$460,676	\$6,334

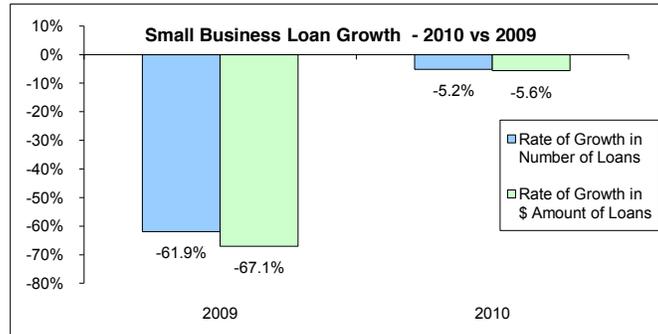
The important role played by credit card lenders in Massachusetts underscores the level of competition for small business loans that exists among all lenders. It also exemplifies the wide variety of loan products and underwriting options that consumers can choose from. Unlike larger, traditional small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

CHART: Credit card lender market share in Massachusetts (2007 to 2010)



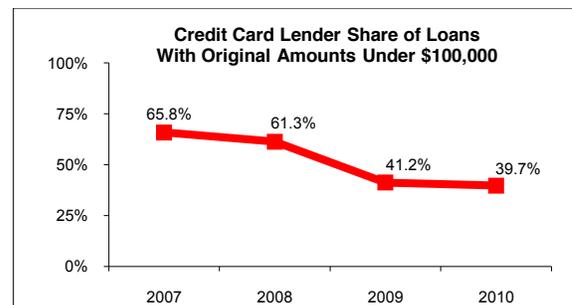
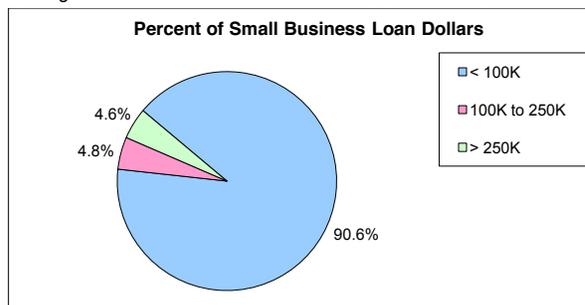
The decline in small business credit card lending moderated significantly in 2010 following a precipitous drop in the previous year. **Credit card lenders experienced declines of 5.2% and 5.6% in the number and dollar amount of CRA-reported small business loans in 2010, following declines of 61.9% and 67.1% respectively in 2009.** The substantial decline in small business credit card volume in recent years stands in stark contrast to the robust growth that these lenders experienced in the years leading up to the recent financial crisis. While credit card solicitations and terms are improving, it seems reasonable to suggest that the continued uncertainty surrounding the country's economic recovery may forestall any dramatic turnaround in weak credit card loan demand.

CHART: The decline in small business lending by credit card lenders in Massachusetts eased somewhat in 2010 after the dramatic decline in 2009



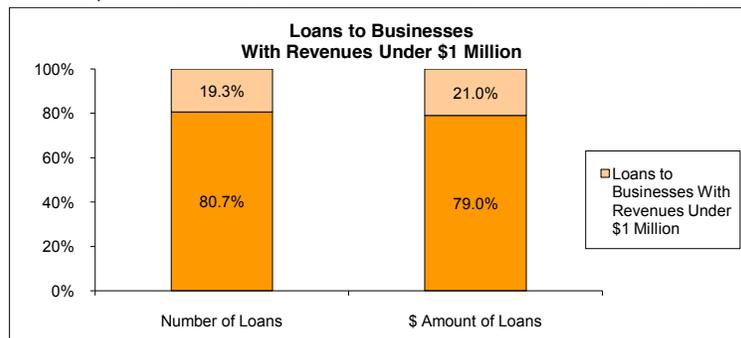
As one might expect given the average size of a small business credit card loan, the vast majority of loans originated by credit card lenders have original amounts less than \$100,000. In 2010, these loans accounted for a 90.6% of all small business loan dollars for credit card lenders although credit card lenders continued to lose market share to local banks and out-of-state lenders.

CHARTS: Loans with an original amount under \$100,000 account for the vast majority of small business loan dollars by credit card lenders although these lenders continued to lose market share in 2010



Credit card lenders reported 14,064 loans to businesses with revenues under \$1 million in Massachusetts in 2010 for \$96.6 million, which represented 19.3% of the total number of loans originated by credit card lenders and 21.0% of the dollar amount of loans.

CHART: Reported loans to businesses with revenues under \$1 million at credit card lenders (2010)



## OTHER OUT-OF-STATE LENDERS

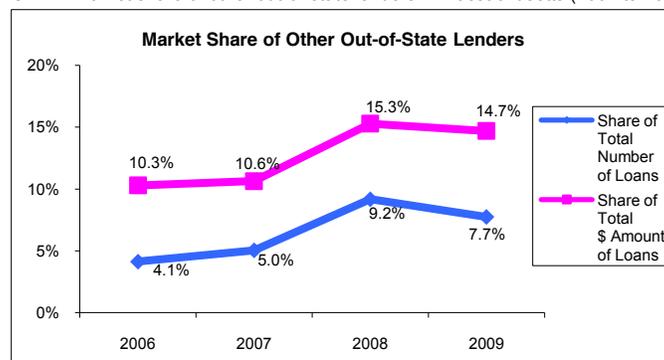
Other out-of-state CRA lenders reported 7,149 CRA-reported small business loans in Massachusetts in 2010 for \$490.3 million, which accounted for 7.7% of the total number of small business loans and 14.7% of loan dollars. The following table shows the total CRA small business loans in 2010 for the 30 largest other out-of-state lenders in Massachusetts ranked by dollar volume. Data for all other out-of-state lenders can be found in the online appendix at [www.mcbc.info](http://www.mcbc.info).

TABLE: Small business loans by the 30 largest other out-of-state lenders by dollar volume (2010)

	Number of Loans	\$ Amount of Loans (\$000s)	\$ Average Loan Size (\$000s)
WELLS FARGO BANK, NA	4,213	\$152,833	\$36,277
PEOPLE'S UNITED BANK	651	\$114,254	\$175,505
WEBSTER BANK, N.A.	191	\$32,462	\$169,958
SILICON VALLEY BANK	154	\$30,377	\$197,253
MANUFACTURERS & TRADERS TRUST	50	\$27,158	\$543,160
JPMORGAN CHASE BANK, NA	669	\$25,205	\$37,676
CAPITAL ONE NA	80	\$11,258	\$140,725
NEWALLIANCE BANK	52	\$9,722	\$186,962
NORTHFIELD BANK	638	\$9,713	\$15,224
CITIBANK, N.A.	47	\$6,700	\$142,553
THE WASHINGTON TRUST COMPANY	15	\$6,180	\$412,000
COMERICA BANK	11	\$5,988	\$544,364
BANK RHODE ISLAND	27	\$5,888	\$218,074
CATHAY BANK	25	\$5,474	\$218,960
US BANK, N.A.	78	\$4,999	\$64,090
MB FINANCIAL BANK NA	18	\$4,828	\$268,222
HSBC BANK USA, NA	30	\$4,724	\$157,467
KEYBANK NATIONAL ASSOCIATION	11	\$4,207	\$382,455
FIRST BANK OF HIGHLAND PARK	31	\$3,668	\$118,323
HARRIS N.A.	14	\$3,571	\$255,071
SUNTRUST BANKS, INC	23	\$3,401	\$147,870
BRIDGE BANK	7	\$3,188	\$455,429
BRANCH BANKING AND TRUST CO	9	\$2,532	\$281,333
ALLY BANK F/K/A/ GMAC BANK	7	\$2,522	\$360,286
PNC BANK NA	19	\$2,042	\$107,474
EAST WEST BANK	6	\$1,981	\$330,167
SALISBURY BANK AND TRUST CO	17	\$1,644	\$96,706
MUTUAL OF OMAHA BANK	4	\$1,405	\$351,250
STEARNS BANK N A	48	\$1,228	\$25,583
BANKNEWPORT	4	\$1,188	\$297,000
OTHER LENDER TOTALS	7,149	\$490,340	\$68,589

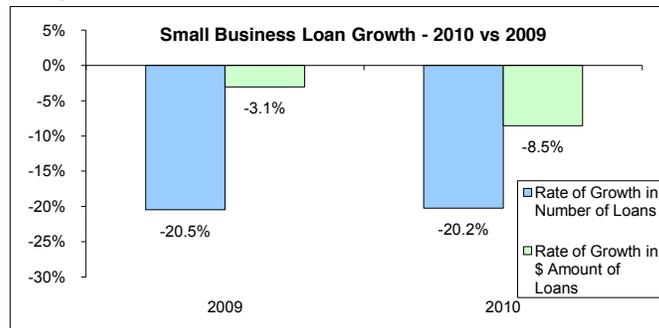
The volume of loans by other out-of-state lenders underscore the important role they play in serving the credit needs of small businesses in Massachusetts as well as the level of competition that exists in the marketplace for small business loans.

CHART: Market share of other out-of-state lenders in Massachusetts (2007 to 2010)



As was the case for credit card lenders in Massachusetts, other out-of-state lenders in Massachusetts also experienced substantially more modest declines in small business lending volume in 2010 compared to 2009. Other out-of-state lenders reported overall declines in 2010 of 3.1% and 8.5% in the number and dollar amount of CRA-reported small business loans respectively, following declines of 20.5% and 20.2% respectively in 2009.

CHART: Other out-of-state lenders experienced more modest declines in small business lending volume in 2010 compared to 2009



Loans with original amounts over \$100,000 accounted for roughly half of the small business loan dollars by out-of-state lenders although the average loan size was roughly \$69,000 in 2010.

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

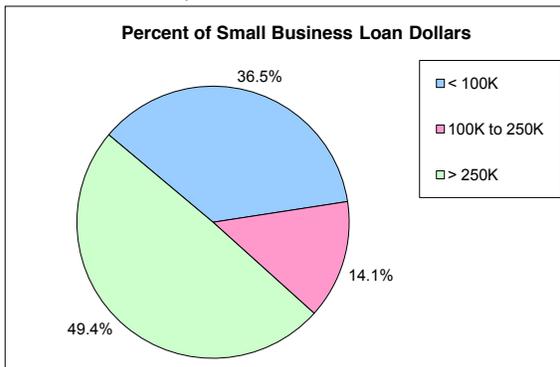
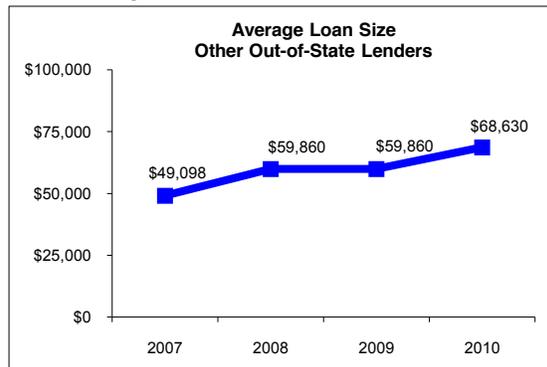
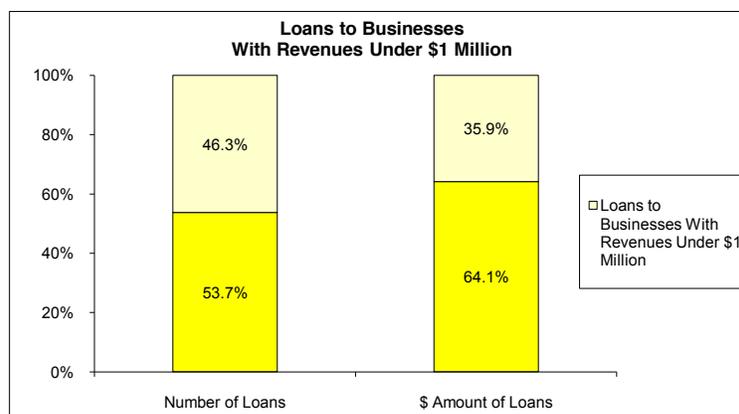


CHART: Average loan size of other out-of-state lenders



Other out-of-state lenders reported 3,482 loans to businesses with revenues under \$1 million in Massachusetts in 2010 for \$185.2 million, which represented 46.3% of the total number of loans originated by other out-of-state lenders and 35.9% of the dollar amount of loans.

CHART: Reported loans to businesses with revenues under \$1 million at other out-of-state lenders (2010)



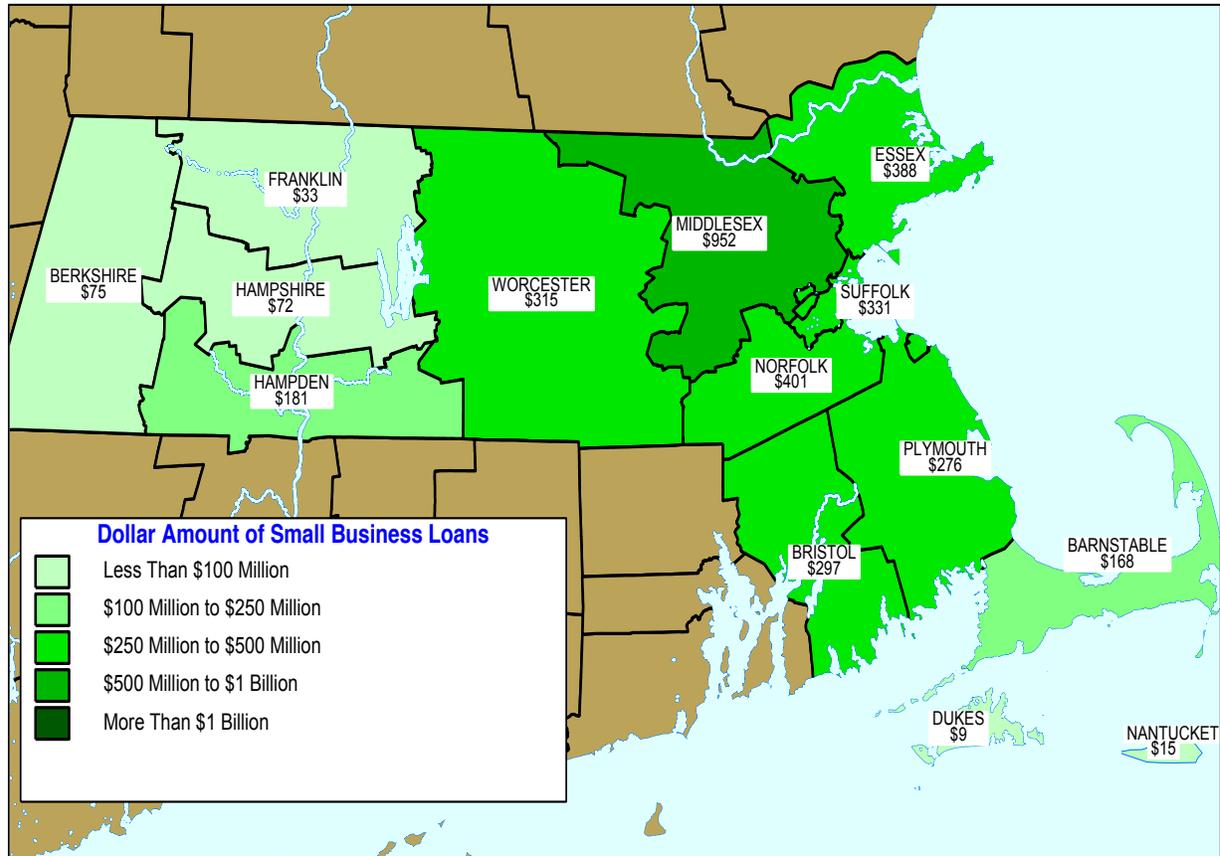
## SMALL BUSINESS LOANS BY COUNTY

The distribution of small business loans by county in Massachusetts generally follows each county's percentage of the total state population. In terms of dollar amounts, the volume of small business loans in 2010 ranged from \$951.9 million in Middlesex County, which accounts for 23.1% of the state's total population, to \$8.9 million in Dukes County, which account for 0.3% of the state's total population. Detailed small business loan data for all counties can be found in the online appendix at [www.mcbe.info](http://www.mcbe.info).

TABLE: The distribution of small business loans in Massachusetts generally follows each county's share of the state's total population (2010)

	Number of Loans	% of Total	\$ Amount of Loans (\$000s)	% of Total	Total Population	% of Total
Barnstable	4,490	4.6%	\$167,861	4.8%	222,219	3.5%
Berkshire	1,954	2.0%	\$74,979	2.1%	133,349	2.1%
Bristol	7,006	7.2%	\$297,461	8.5%	534,678	8.4%
Dukes	479	0.5%	\$8,884	0.3%	29,974	0.5%
Essex	11,193	11.5%	\$387,947	11.0%	723,419	11.4%
Franklin	946	1.0%	\$33,276	0.9%	67,758	1.1%
Hampden	5,608	5.8%	\$181,260	5.2%	451,510	7.1%
Hampshire	2,208	2.3%	\$72,442	2.1%	147,650	2.3%
Middlesex	25,310	26.1%	\$951,890	27.1%	1,465,396	23.1%
Nantucket	460	0.5%	\$14,803	0.4%	19,040	0.3%
Norfolk	11,631	12.0%	\$401,494	11.4%	650,308	10.2%
Plymouth	7,207	7.4%	\$275,968	7.9%	472,822	7.4%
Suffolk	9,219	9.5%	\$330,549	9.4%	689,807	10.9%
Worcester	9,413	9.7%	\$314,873	9.0%	749,127	11.8%
Totals	97,124	100.0%	\$3,513,687	100.0%	6,357,057	100.0%

Map: Small business loans dollars volume by county (2010)



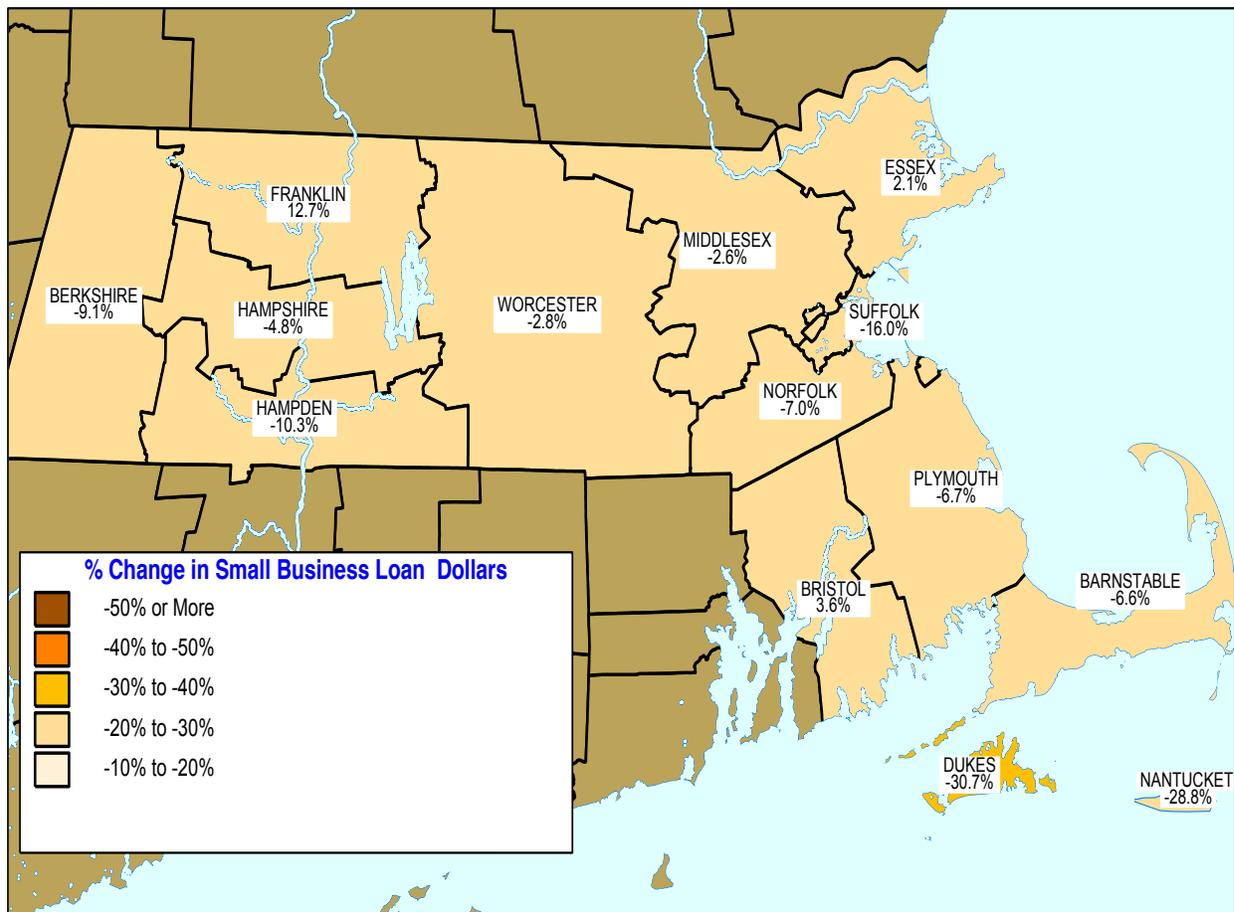
**Three of the fourteen counties in Massachusetts (Bristol, Essex, and Franklin) experienced modest increases in CRA-reported small business lending volume in 2010.** On a percentage basis, the declines in small business loan dollars ranged from a 30.7% decline in Dukes County to a 12.7% increase in Franklin County.

In terms of dollar amounts, the changes in small business loan volume from 2009 to 2010 ranged from a decline of \$62.9 million in Suffolk County to an increase of \$10.2 million in Bristol County.

TABLE: Change in small business loan originations by county (2010)

	2010 Change in Number of Loans	% Change	2010 Change in \$ Amount of Loans (\$000s)	% Change
Barnstable	-615	-12.0%	-\$11,830	-6.6%
Berkshire	-183	-8.6%	-\$7,467	-9.1%
Bristol	-188	-2.6%	\$10,227	3.6%
Dukes	-61	-11.3%	-\$3,931	-30.7%
Essex	-717	-6.0%	\$7,797	2.1%
Franklin	10	1.1%	\$3,753	12.7%
Hampden	-331	-5.6%	-\$20,813	-10.3%
Hampshire	-190	-7.9%	-\$3,690	-4.8%
Middlesex	-678	-2.6%	-\$25,825	-2.6%
Nantucket	-42	-8.4%	-\$5,998	-28.8%
Norfolk	-912	-7.3%	-\$30,418	-7.0%
Plymouth	-636	-8.1%	-\$19,862	-6.7%
Suffolk	-652	-6.6%	-\$62,893	-16.0%
Worcester	-522	-5.3%	-\$8,905	-2.8%
Totals	-5,717	-5.6%	-\$179,855	-4.9%

MAP: Change in small business loan dollar volume by county (2010)



## SMALL BUSINESS LOANS BY CITY & TOWN

Compared to the distribution of loans by county, there is somewhat greater variability between the relative distribution of small business loans and total population at the city and town level. **The city of Boston, which accounts for 9.3% of the state's population, received \$301.4 million in CRA-reported small business dollars in 2010 and accounted for 8.7% of the total loan dollars, while the cities of Worcester and Springfield, which account for 2.7% and 2.4% of the state's population respectively, received 2.1% and 1.3% of the total loan dollars in the state.**

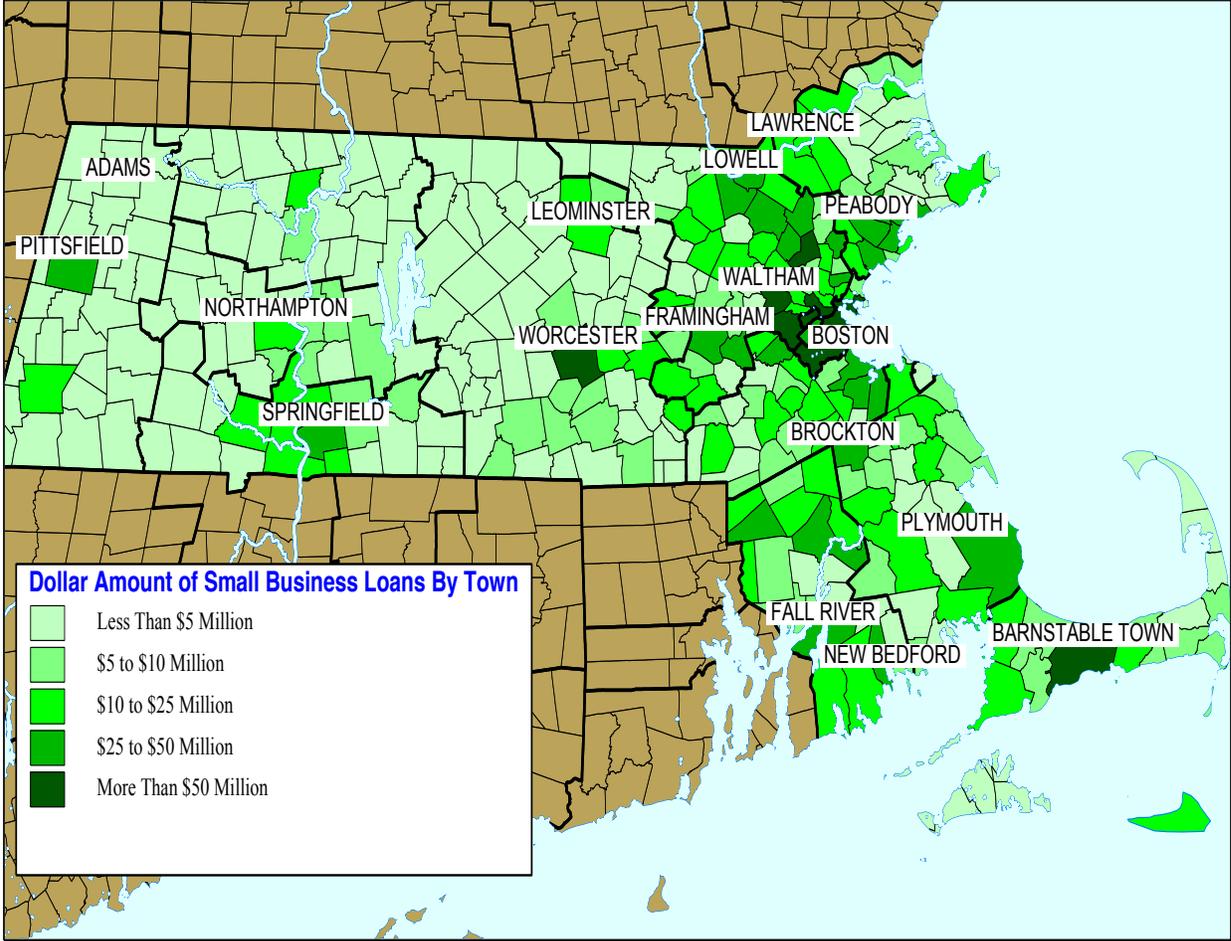
The following chart shows the total small business loans in 2010 for the top 50 Massachusetts cities and towns ranked by total population. Data for all cities and towns in Massachusetts can be found in the online appendix at [www.mcbs.info](http://www.mcbs.info).

TABLE: Small business loan volume in the 50 largest cities and towns in Massachusetts (2010)

	Number of Loans	% of Total	\$ Amount of Loans (\$000s)	% of Total	Total Population	% of Total
Boston	8,227	8.7%	\$301,364	8.7%	589,141	9.3%
Worcester	1,868	2.0%	\$73,401	2.1%	172,648	2.7%
Springfield	1,326	1.4%	\$45,119	1.3%	152,082	2.4%
Lowell	830	0.9%	\$30,082	0.9%	105,167	1.7%
Cambridge	1,803	1.9%	\$58,316	1.7%	101,355	1.6%
Brockton	844	0.9%	\$34,967	1.0%	94,304	1.5%
New Bedford	1,065	1.1%	\$46,471	1.3%	93,768	1.5%
Fall River	824	0.9%	\$41,305	1.2%	91,938	1.5%
Lynn	614	0.6%	\$31,414	0.9%	89,050	1.4%
Quincy	1,273	1.3%	\$43,469	1.2%	88,025	1.4%
Newton	1,958	2.1%	\$56,635	1.6%	83,829	1.3%
Somerville	732	0.8%	\$21,941	0.6%	77,478	1.2%
Lawrence	499	0.5%	\$18,427	0.5%	72,043	1.1%
Framingham	1,152	1.2%	\$45,772	1.3%	66,910	1.1%
Waltham	1,277	1.3%	\$59,430	1.7%	59,226	0.9%
Haverhill	574	0.6%	\$17,879	0.5%	58,969	0.9%
Brookline	1,002	1.1%	\$33,279	1.0%	57,107	0.9%
Malden	659	0.7%	\$33,404	1.0%	56,340	0.9%
Taunton	526	0.6%	\$25,755	0.7%	55,976	0.9%
Medford	676	0.7%	\$21,382	0.6%	55,765	0.9%
Chicopee	516	0.5%	\$14,128	0.4%	54,653	0.9%
Weymouth	646	0.7%	\$26,014	0.7%	53,988	0.9%
Plymouth	869	0.9%	\$32,986	0.9%	51,701	0.8%
Peabody	772	0.8%	\$34,619	1.0%	48,129	0.8%
Barnstable Town	981	1.0%	\$54,833	1.6%	47,821	0.8%
Revere	425	0.4%	\$7,993	0.2%	47,283	0.7%
Pittsfield	587	0.6%	\$32,153	0.9%	45,793	0.7%
Methuen	526	0.6%	\$15,785	0.5%	43,789	0.7%
Arlington	533	0.6%	\$9,663	0.3%	42,389	0.7%
Attleboro	521	0.5%	\$30,864	0.9%	42,068	0.7%
Leominster	532	0.6%	\$20,347	0.6%	41,303	0.7%
Salem	656	0.7%	\$33,334	1.0%	40,407	0.6%
Westfield	512	0.5%	\$12,789	0.4%	40,072	0.6%
Beverly	714	0.8%	\$25,832	0.7%	39,862	0.6%
Holyoke	374	0.4%	\$14,767	0.4%	39,838	0.6%
Fitchburg	380	0.4%	\$20,771	0.6%	39,102	0.6%
Billerica	641	0.7%	\$27,395	0.8%	38,981	0.6%
Everett	388	0.4%	\$20,495	0.6%	38,037	0.6%
Woburn	1,053	1.1%	\$62,997	1.8%	37,258	0.6%
Marlborough	604	0.6%	\$24,656	0.7%	36,255	0.6%
Chelsea	266	0.3%	\$15,578	0.4%	35,080	0.6%
Amherst	301	0.3%	\$9,621	0.3%	34,874	0.6%
Chelmsford	654	0.7%	\$28,472	0.8%	33,858	0.5%
Braintree	709	0.7%	\$29,066	0.8%	33,828	0.5%
Watertown	599	0.6%	\$19,664	0.6%	32,986	0.5%
Falmouth	554	0.6%	\$20,119	0.6%	32,660	0.5%
Natick	734	0.8%	\$32,599	0.9%	32,170	0.5%
Shrewsbury	492	0.5%	\$17,689	0.5%	31,640	0.5%
Andover	639	0.7%	\$20,678	0.6%	31,247	0.5%
Randolph	302	0.3%	\$14,560	0.4%	30,963	0.5%

The following map shows that small business loan dollars in Massachusetts in 2010 continue to be relatively concentrated around the state's urban centers and the I-495/Route 128 high-tech corridor.

MAP: Distribution of small business loan dollars in Massachusetts by town (2010)



While the vast majority of cities and towns across the state experienced declines in small business loan volume from 2009 to 2010 there was also considerable variability in the amount of the declines. Boston experienced a decline in small business loan dollars of \$59.5 million or 16.5% in 2010, while Worcester and Springfield experienced declines of 7.6% and 26.2% respectively. On a percentage basis, the changes in small business loan volume among the largest cities and towns in Massachusetts ranged from a 33.6% decline in Revere to a 77.1% increase in Lowell.

The following chart shows the change in small business loans from 2009 to 2010 for the top 50 Massachusetts cities and towns ranked by total population. Data for all cities and towns in Massachusetts can be found in the online appendix at [www.mcabc.info](http://www.mcabc.info).

TABLE: Change in small business loans from 2009 to 2010 in the 50 largest cities and towns in Massachusetts

	2010 Change in Number of Loans	% Change	2010 Change in \$ Amount of Loans (\$000s)	% Change	Total Population	% of Total
Boston	-504	-5.8%	-\$59,490	-16.5%	589,141	9.3%
Worcester	-96	-4.9%	-\$6,042	-7.6%	172,648	2.7%
Springfield	-51	-3.7%	-\$16,006	-26.2%	152,082	2.4%
Lowell	121	17.1%	\$13,100	77.1%	105,167	1.7%
Cambridge	38	2.2%	-\$11,460	-16.4%	101,355	1.6%
Brockton	-7	-0.8%	\$5,395	18.2%	94,304	1.5%
New Bedford	47	4.6%	\$2,401	5.4%	93,768	1.5%
Fall River	-41	-4.7%	\$1,601	4.0%	91,938	1.5%
Lynn	-64	-9.4%	\$4,512	16.8%	89,050	1.4%
Quincy	-94	-6.9%	-\$2,434	-5.3%	88,025	1.4%
Newton	11	0.6%	-\$10,796	-16.0%	83,829	1.3%
Somerville	-26	-3.4%	-\$7,304	-25.0%	77,478	1.2%
Lawrence	-17	-3.3%	\$5,382	41.3%	72,043	1.1%
Framingham	-16	-1.4%	\$9,388	25.8%	66,910	1.1%
Waltham	-40	-3.0%	\$1,500	2.6%	59,226	0.9%
Haverhill	-22	-3.7%	-\$5,846	-24.6%	58,969	0.9%
Brookline	-59	-5.6%	\$3,537	11.9%	57,107	0.9%
Malden	28	4.4%	\$11,266	50.9%	56,340	0.9%
Taunton	-105	-16.6%	-\$93	-0.4%	55,976	0.9%
Medford	18	2.7%	\$1,785	9.1%	55,765	0.9%
Chicopee	-61	-10.6%	-\$5,491	-28.0%	54,653	0.9%
Weymouth	-27	-4.0%	\$3,703	16.6%	53,988	0.9%
Plymouth	-89	-9.3%	-\$4,805	-12.7%	51,701	0.8%
Peabody	-213	-21.6%	-\$2,803	-7.5%	48,129	0.8%
Barnstable Town	-117	-10.7%	\$11,571	26.7%	47,821	0.8%
Revere	-78	-15.5%	-\$4,045	-33.6%	47,283	0.7%
Pittsfield	-76	-11.5%	-\$1,345	-4.0%	45,793	0.7%
Methuen	4	0.8%	\$4,199	36.2%	43,789	0.7%
Arlington	-76	-12.5%	-\$3,051	-24.0%	42,389	0.7%
Attleboro	21	4.2%	\$4,608	17.6%	42,068	0.7%
Leominster	-36	-6.3%	-\$1,547	-7.1%	41,303	0.7%
Salem	-30	-4.4%	\$3,662	12.3%	40,407	0.6%
Westfield	-35	-6.4%	-\$24	-0.2%	40,072	0.6%
Beverly	-71	-9.0%	-\$2,222	-7.9%	39,862	0.6%
Holyoke	-54	-12.6%	-\$1,272	-7.9%	39,838	0.6%
Fitchburg	-1	-0.3%	\$6,383	44.4%	39,102	0.6%
Billerica	-30	-4.5%	-\$7,396	-21.3%	38,981	0.6%
Everett	-60	-13.4%	\$5,799	39.5%	38,037	0.6%
Woburn	-61	-5.5%	-\$1,263	-2.0%	37,258	0.6%
Marlborough	-30	-4.7%	-\$757	-3.0%	36,255	0.6%
Chelsea	-61	-18.7%	\$377	2.5%	35,080	0.6%
Amherst	-51	-14.5%	-\$1,544	-13.8%	34,874	0.6%
Chelmsford	-32	-4.7%	\$11,452	67.3%	33,858	0.5%
Braintree	-4	-0.6%	\$4,934	20.4%	33,828	0.5%
Watertown	-61	-9.2%	-\$3,739	-16.0%	32,986	0.5%
Falmouth	-36	-6.1%	-\$1,888	-8.6%	32,660	0.5%
Natick	-49	-6.3%	-\$4,625	-12.4%	32,170	0.5%
Shrewsbury	-34	-6.5%	\$1,180	7.1%	31,640	0.5%
Andover	-2	-0.3%	-\$1,251	-5.7%	31,247	0.5%
Randolph	-88	-22.6%	-\$3,116	-17.6%	30,963	0.5%

## **SECTION II**

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

**A CRA PERSPECTIVE**

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

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

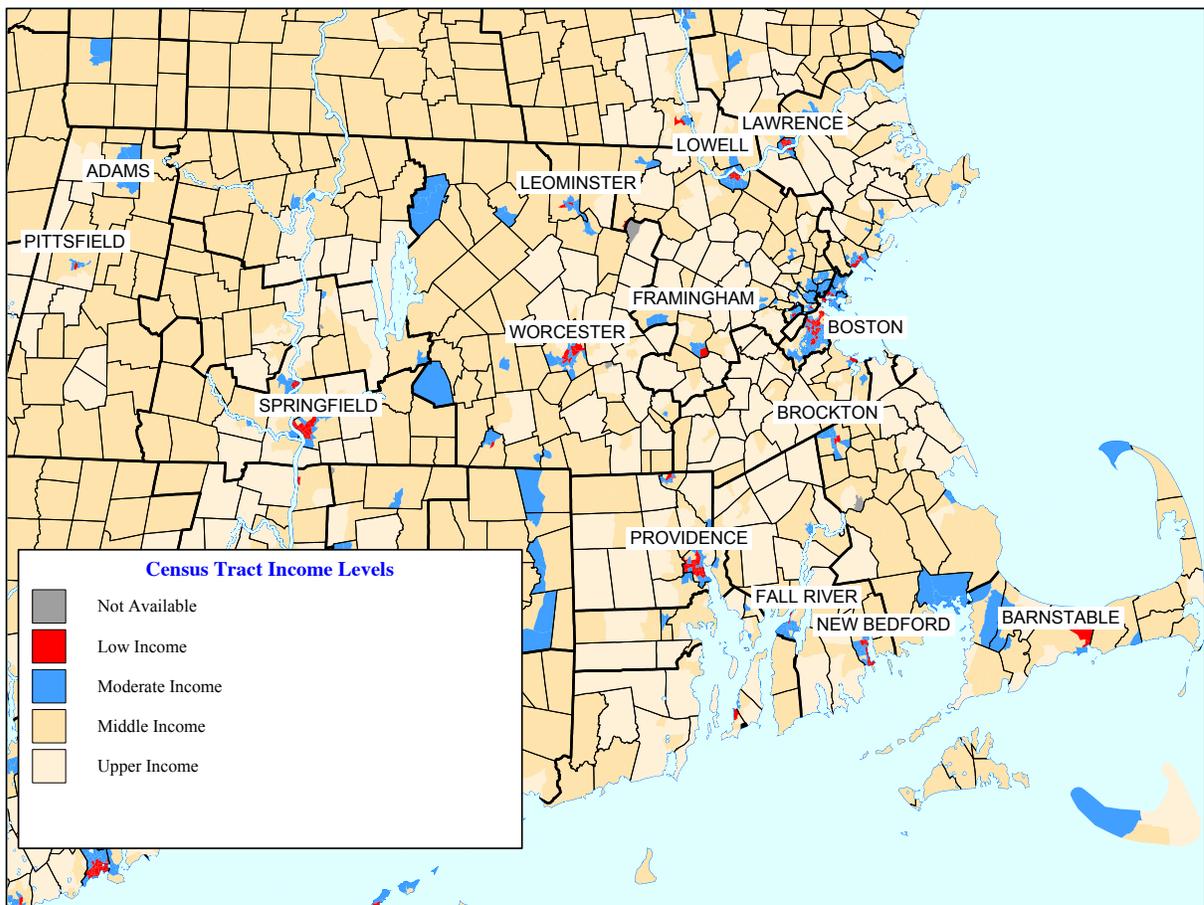
According to the most recent census data, there are 114 low income census tracts and 295 moderate income census tracts in Massachusetts, which account for 5.7% and 20.5% of the total population of the state.

TABLE : Population by income level in Massachusetts

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

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

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



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

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

TABLES : Massachusetts population totals by race and neighborhood racial composition

	Total Population	% of Total		Number of Census Tracts	Total Population	% of Total
Asian	238,191	3.8%	High Minority (> 75% Minority)	72	248,866	3.9%
Black	318,193	5.0%	Mixed-Race	280	1,177,148	18.6%
Hispanic	428,480	6.8%	White (> 75% White)	1,009	4,906,536	77.5%
Other Race	164,954	2.6%	Total	1,361	6,332,550	100.0%
White	5,182,732	81.8%				
Total	6,332,550	100.0%				
All Minorities Combined	1,149,818	18.2%				

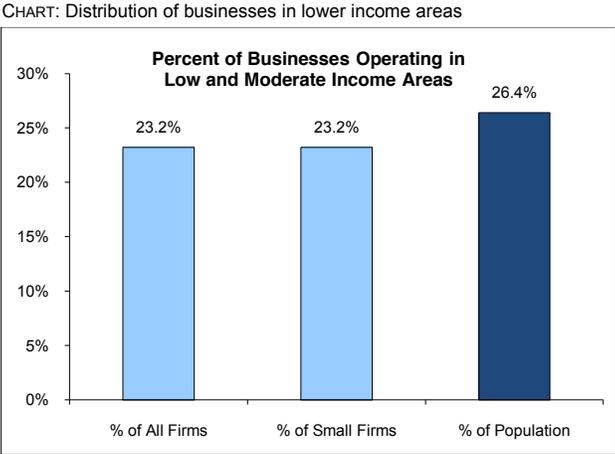
In an effort to measure whether income or race is more important in determining the patterns of lending, we will utilize categories that take both income level and race/ethnicity into account. A finding of lower lending rates in high minority, low income tracts than in white, low income tracts would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

TABLE : Neighborhood composition by race and income level

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

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

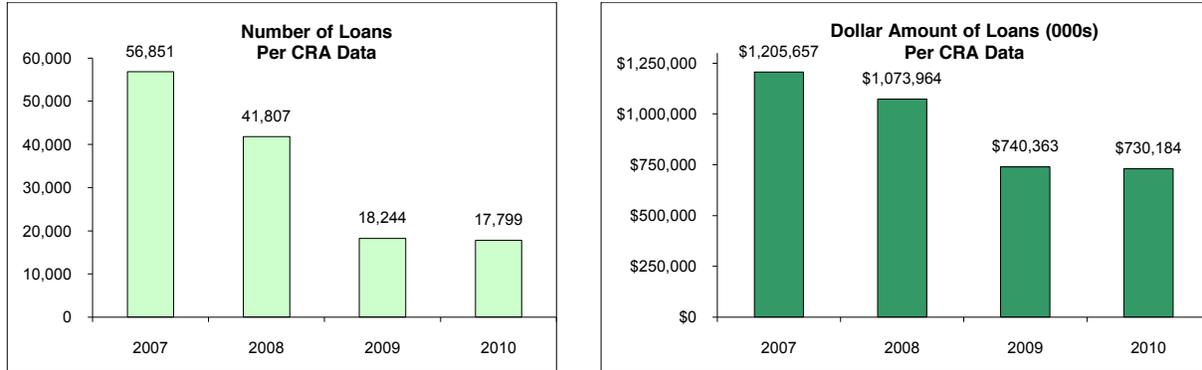
The source for the number of firms data used in this report is Dunn & Bradstreet, which compiles business demographic data by reviewing government business filings as well as direct surveys of business owners. The business information company estimates that 23.2% of all businesses in the state, and 23.2%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



**SMALL BUSINESS LENDING IN LOWER INCOME AREAS**

**Businesses in low and moderate income census tracts in Massachusetts received a total of 17,799 small business loans in 2010 for \$730.2 million, compared to the previous year when borrowers in low and moderate income census tracts received 18,244 loans for \$740.4 million.**

CHARTS: The rate of decline in the number and dollar volume of small business loans in lower income areas in Massachusetts moderated in 2010



**Low and moderate income census tracts, which account for 26.3% of the total population of Massachusetts, received 18.3% of the total number of CRA-reported small business loans in the state in 2010 and 20.8% of the total loan dollars, compared to 17.7% and 20.0% respectively for the previous year.** While these percentages fall short of the levels one might expect given the size of population that live in low and moderate income tracts, they are essentially in line with comparable results in other New England states and the US as a whole.

TABLE : Small business loans in low and moderate income census tracts by state (2010)

	Number of Loans in Low & Moderate Census Tracts	% of Total	\$ Amount of Loans in Low & Moderate Census Tracts (000s)	% of Total	Total Population in Low & Moderate Census Tracts	% of Total
Massachusetts	17,799	18.3%	\$730,184	20.8%	1,669,814	26.4%
Connecticut	9,896	18.5%	\$435,656	25.4%	907,427	26.7%
Maine	2,455	12.2%	\$141,605	13.1%	159,771	12.6%
New Hampshire	2,207	11.2%	\$71,403	12.6%	190,757	15.5%
Rhode Island	2,826	18.9%	\$134,734	22.4%	269,754	25.7%
Vermont	1,151	11.1%	\$54,654	11.8%	71,481	11.8%
Totals	36,334	16.8%	\$1,568,236	19.7%	3,269,004	23.6%
US Total	726,946	17.2%	\$36,828,503	21.1%	71,541,392	25.4%

TABLE : Small business loans in Massachusetts by income level (2010)

	Number of Loans	% of Total	\$ Amount of Loans (000s)	% of Total	Total Population	% of Total
Low	5,008	5.2%	\$247,592	7.0%	364,959	5.7%
Moderate	12,791	13.2%	\$482,592	13.7%	1,304,855	20.5%
Middle	45,126	46.5%	\$1,670,339	47.5%	3,037,077	47.8%
Upper	31,851	32.8%	\$1,078,464	30.7%	1,646,183	25.9%
NA	2,348	2.4%	\$34,700	1.0%	3,983	0.1%
Totals	97,124	100.0%	\$3,513,687	100.0%	6,357,057	100.0%
Memo: Low & Moderate	17,799	18.3%	\$730,184	20.8%	1,669,814	26.3%

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

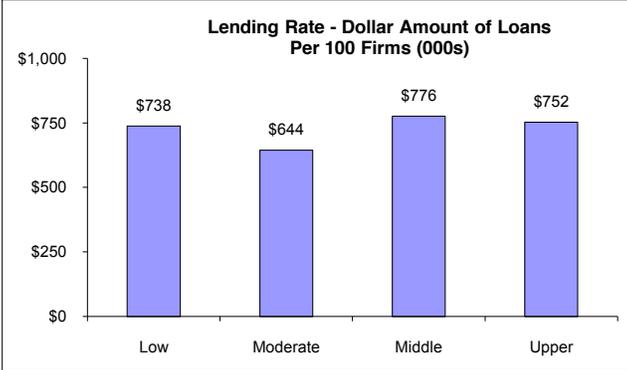
As previously noted, since lending rates utilize a combination of loan volume and the number of firms, they can be used to compare small business lending activity within a given geographic area or across different geographic areas regardless of population characteristics or other demographic factors.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

**The lowest lending rates in Massachusetts, measured in the amount of loan dollars per 100 firms, were recorded in moderate income communities in 2010 while the highest lending rates were in middle income communities.** Low income census tracts in Massachusetts received an aggregate \$738,000 per 100 businesses, representing 98.1% of the overall lending rate across the state while moderate income census tracts received an aggregate \$644,000 per 100 businesses, representing 85.7% of the overall lending rates across the state. The lowest small business lending rates have been in either low or moderate income census tracts in each of the past four years.

TABLE : The highest lending rates in Massachusetts were recorded in middle income areas in 2010 while moderate income areas experienced the lowest lending rates

	Lending Rate Per 100 Firms (000s)	% of Overall Lending Rate	2009 Change in Lending Rate
Low	\$738	98.1%	-11.2%
Moderate	\$644	85.7%	4.6%
Middle	\$776	103.2%	-5.2%
Upper	\$752	100.0%	-5.3%
Totals	\$752	100.0%	-4.9%
Memo: Low & Moderate Areas	\$673	89.5%	-1.4%

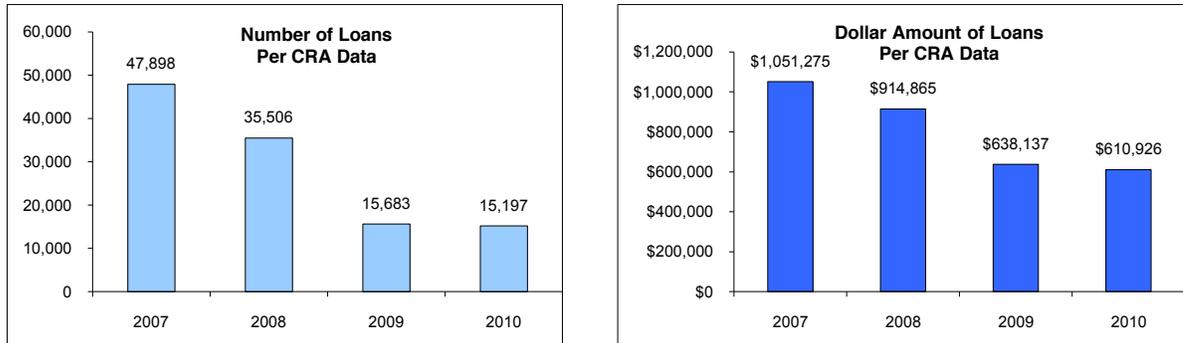
CHART: Massachusetts lending rates by income level (2010)



## SMALL BUSINESS LENDING IN HIGH MINORITY AREAS

Businesses in high minority and mixed-race communities across the state received a reported 15,197 small business loans for \$610.9 million in 2010, which represents a modest decline in total volume compared to the previous year when such businesses received 15,683 loans for \$638.1 million.

CHARTS: The number and dollar volume of small business loans in minority census tracts and mixed-race census tracts in Massachusetts declined significantly in 2010

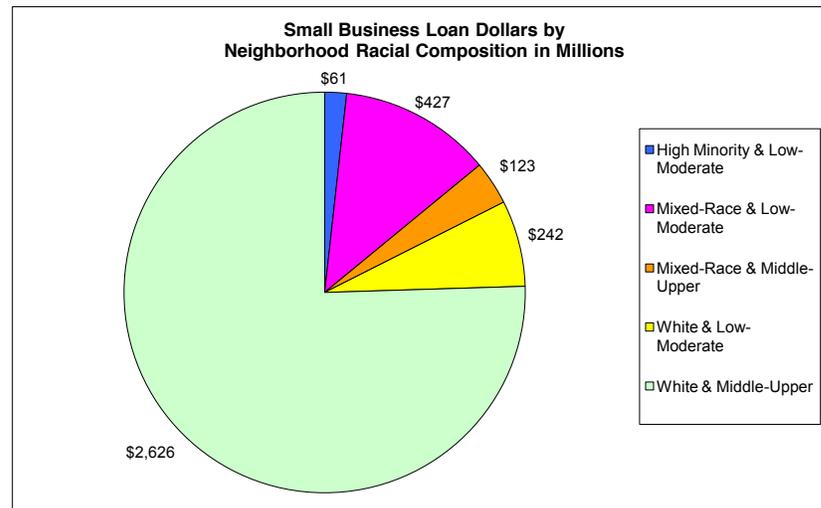


The communities with the highest minority populations in Massachusetts received 1,696 small business loans in 2010 for \$61.2 million, which represents 1.7% of the number of loans and 1.7% of the dollar amount of loans. Lower income mixed-race communities received 9,954 loans for \$427.2 million, representing 10.2% of the number of loans and 12.2% of the dollar amount of loans. While most neighborhood categories received less small business loans than one might expect given their total share of the state's total population, only higher income white communities received a larger share of loan dollars in 2010 compared to their share of the state's total population.

TABLE: Most neighborhood categories received a smaller share of loans dollars in 2010 than one might expect given their share of the state's total population, except higher income white neighborhoods which received a larger share

	Number of Loans	% of Total	\$ Amount of Loans (000s)	% of Total	Total Population	% of Total
High Minority & Low-Moderate	1,696	1.7%	\$61,218	1.7%	248,865	3.9%
Mixed-Race & Low-Moderate	9,954	10.2%	\$427,184	12.2%	908,459	14.3%
Mixed-Race & Middle-Upper	3,547	3.7%	\$122,524	3.5%	289,214	4.6%
White & Low-Moderate	6,149	6.3%	\$241,782	6.9%	512,490	8.1%
White & Middle-Upper	73,430	75.6%	\$2,626,279	74.7%	4,369,539	69.0%
NA	2,348	2.4%	\$34,700	1.0%	3,983	0.1%
Totals	97,124	100.0%	\$3,513,687	100.0%	6,332,550	100.0%

CHART: The communities in Massachusetts with the highest minority populations received \$76.0 million in small business loans in 2010



As was the case in previous reports on small business lending, the lowest lending rates were recorded in lower income high minority communities in Massachusetts in 2010 while the highest lending rates were recorded in higher income white communities. High minority census tracts in Massachusetts received \$493,000 per 100 businesses, representing 65.5% of the overall lending rate across the state. Higher-income white communities received an average \$771,000 per 100 businesses or 102.5% of the overall lending rate. In each of the past four years, lower income minority neighborhoods in Massachusetts have experienced lower lending rates than lower income white neighborhoods.

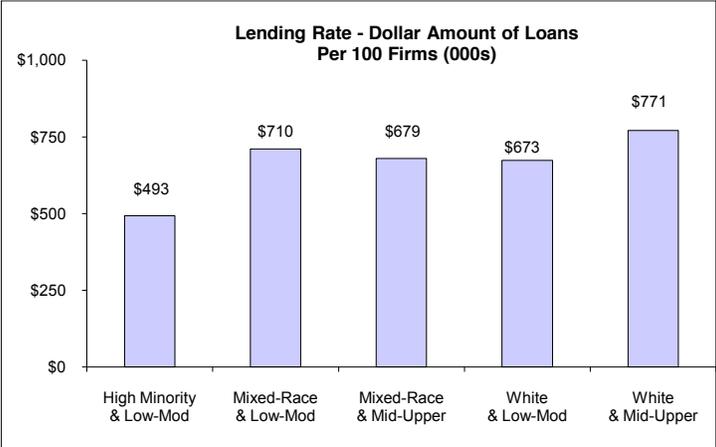
Lending rates in high minority communities declined sharply in 2010 while most other neighborhoods experienced more modest changes in loan volume. The overall lending rate in high minority census tracts in Massachusetts declined by 19.5% in 2010 while the lending rate in lower income white neighborhoods increased by 2.8%.

Readers are urged to use caution when interpreting the findings discussed in this report, given the strong correlation between high minority populations and low income levels.

TABLE : The lowest lending rates in Massachusetts were recorded in lower income areas with high minority populations in 2010

	Lending Rate Per 100 Firms (000s)	% of Overall Lending Rate	2009 Change in Lending Rate
High Minority & Low-Moderate	\$493	65.5%	-19.5%
Mixed-Race & Low-Moderate	\$710	94.4%	-0.4%
Mixed-Race & Middle-Upper	\$679	90.3%	-7.9%
White & Low-Moderate	\$673	89.6%	2.8%
White & Middle-Upper	\$771	102.5%	-5.1%
Totals	\$752	100.0%	-4.9%

CHART: Massachusetts Lending rates by income level and racial composition (2010)

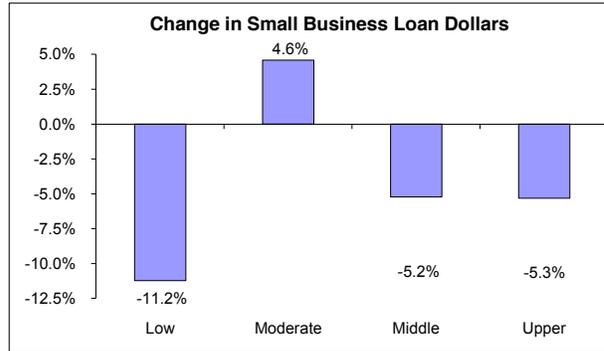


**SMALL BUSINESS LOAN GROWTH**

**For the third straight year, lower income areas in Massachusetts experienced a smaller percentage decline in small business loan dollars in 2009 than was experienced in higher income areas, which helped to slightly narrow the lending gap that has traditionally existed between lower income areas and higher income areas.** Low and moderate income census tracts in Massachusetts experienced an overall decline of 1.4% in small business loan dollars from 2009 to 2010 while middle and upper income census tracts experienced declines of 5.2% and 5.3% in small business lending dollars respectively.

TABLE & CHART: Low income census tracts in Massachusetts experienced the largest decline in small business loan dollars in 2010 while moderate income areas experienced a modest increase

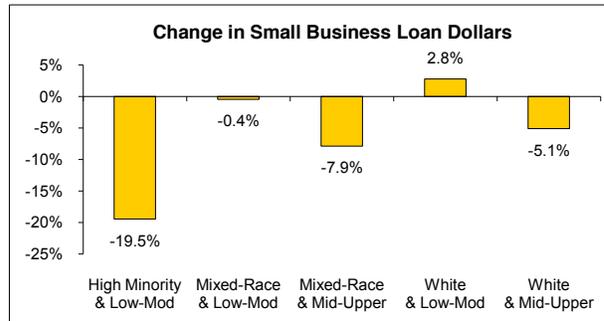
	2010 Change in Number of Loans	% Change	2010 Change in \$ Amount of Loans (000s)	% Change
Low	-130	-2.5%	-\$31,335	-11.2%
Moderate	-315	-2.4%	\$21,156	4.6%
Middle	-2,834	-5.9%	-\$92,108	-5.2%
Upper	-1,934	-5.7%	-\$60,565	-5.3%
NA	-504	-17.7%	-\$17,003	-32.9%
Totals	-5,717	-5.6%	-\$179,855	-4.9%
	-130	-2.5%	-\$31,335	-11.2%
Memo: Low & Moderate	-445	-2.4%	-\$10,179	-1.4%



**When the racial composition of the area is also taken into consideration, the data shows that small business loan volume declined substantially more in lower income high minority neighborhoods than in lower income white neighborhoods.** Lower income high minority communities experienced an overall decline of 19.5% in small business loan dollars in 2010, while lower income white areas experienced an increase 2.8%.

TABLE & CHART: Lower income high minority communities in Massachusetts experienced a smaller decline in small business loan volume in 2010 than lower income white areas

	2010 Change in Number of Loans	% Change	2010 Change in \$ Amount of Loans (000s)	% Change
High Minority & Low-Moderate	-156	-8.4%	-\$14,800	-19.5%
Mixed-Race & Low-Moderate	-119	-1.2%	-\$1,926	-0.4%
Mixed-Race & Middle-Upper	-211	-5.6%	-\$10,485	-7.9%
White & Low-Moderate	-170	-2.7%	\$6,547	2.8%
White & Middle-Upper	-4,557	-5.8%	-\$142,188	-5.1%
NA	-504	-17.7%	-\$17,003	-32.9%
Totals	-5,717	-5.6%	-\$179,855	-4.9%



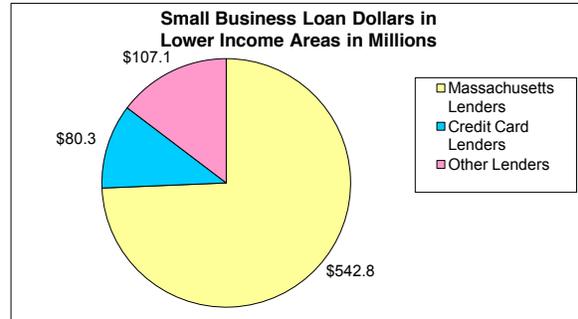
The dramatic slowdown in small business lending in since 2007 has placed additional pressures on all communities across the state, particularly lower income neighborhoods and high minority areas. The economic revitalization of these traditionally underserved communities depends to a large extent on an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

## THE ROLE OF LOCAL LENDERS

**Local CRA lenders continued to account for the vast majority of small business loans dollars in low and moderate income census tracts across the state, and the dominance of local lenders increased in 2010 as lending by out-of-state lenders declined.** Local CRA lenders made a total of 3,407 loans for \$542.8 million in 2010, representing 19.1% of the total number of small business loans in low and moderate income areas and 74.3% of loan dollars. In comparison, local CRA lenders accounted for 17.7% of the number of small business loans in lower income areas and 73.4% of loan dollars in 2009.

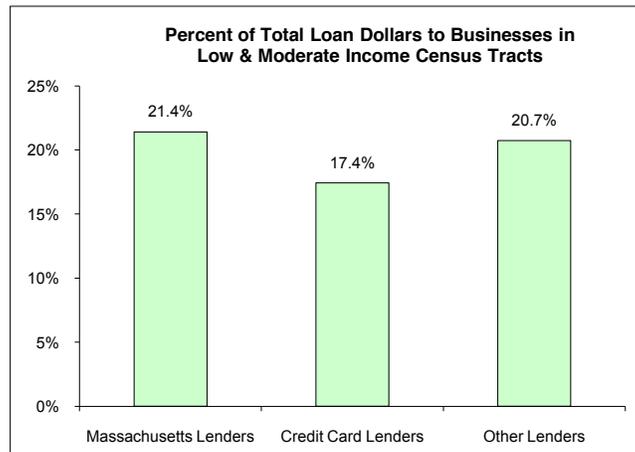
TABLE & CHART: Local lenders made 10.7% of the number of loans in low and moderate income areas and 67.3% of the dollar amount of loans in 2010

	Number of Loans	% of Total	\$ Amount of Loans (000s)	% of Total
Local Lenders	3,402	19.1%	\$542,809	74.3%
Credit Card Lenders	12,901	72.5%	\$80,300	11.0%
Other Lenders	1,496	8.4%	\$107,075	14.7%
Totals	17,799	100.0%	\$730,184	100.0%



Local lenders and traditional out-of-state lenders historically make a larger percentage of their loans in low and moderate income census tracts than credit card lenders. In 2010 local lenders and traditional out-of-state lenders made 21.4% and 20.7% of their overall small business loan dollars in low and moderate income areas across the state respectively, compared to 17.4% for credit card lenders. The 2010 results are fairly typical of the results in previous years.

CHART: Local lenders and traditional out-of-state lenders made a larger portion of their loans in low and moderate income tracts than credit card lenders in 2010



Local lenders reported an overall 5.1% increase in the number of small business loans in lower income areas in 2010 and a 0.1% decline in the dollar amount of such loans. Credit card lenders recorded a small decline in the number of loans and a small increase in the dollar amount of loans while other out-of-state lenders experienced large declines in both the number and dollar amount of small business loans in Massachusetts in 2010.

TABLE: Change in small business loans in lower income areas in Massachusetts (2010)

	2010 Change in Number of Loans	% Change	2010 Change in \$ Amount of Loans (000s)	% Change
Local Lenders	165	5.1%	-\$747	-0.1%
Credit Card Lenders	-289	-2.2%	\$1,092	1.4%
Other Lenders	-321	-17.7%	-\$10,524	-8.9%
Totals	-445	-2.4%	-\$10,179	-1.4%

It is important to note that the local lenders that are included in the 2009 CRA database are considered to be *CRA-covered* lenders in that most of their banking activities in Massachusetts are subject to CRA regulatory review. Credit card lenders and other out-of-state lenders that do not have a branch presence in Massachusetts are considered *non-covered* lenders in that their banking activities in Massachusetts are not subject to CRA regulatory review.

The following table shows the statewide small business loan volume in low income and moderate areas of the state for local lenders that reported small business lending activity in 2010. More detailed information on these lenders is provided in the online appendix at [www.mcbsc.info](http://www.mcbsc.info).

TABLE: Small business loans in lower income areas by local lenders in Massachusetts (2010)

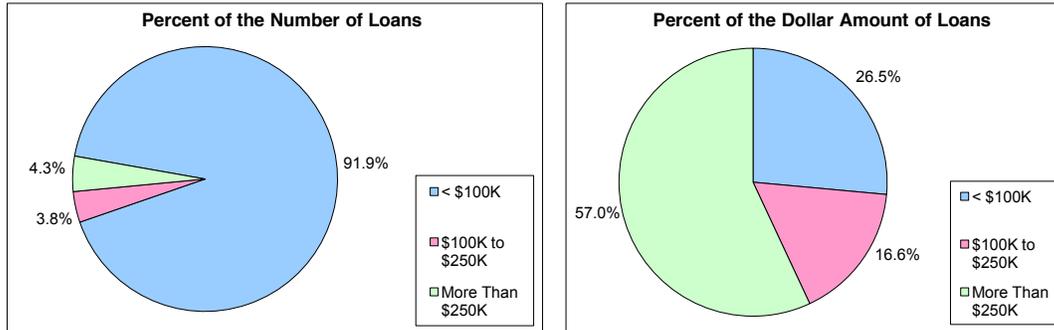
	Town	Massachusetts Deposits 6/30/2010 (\$000s)	Number of Loans	\$ Amount of Loans (\$000s)	\$ Average Loan Size (\$000s)
EASTERN BANK	LYNN	\$5,370,740	307	\$65,320	\$213
**BANK OF AMERICA, N.A.	CALABASAS, CA	\$45,597,124	189	\$57,530	\$304
**TD BANK N.A.	FALMOUTH, ME	\$8,716,154	610	\$56,457	\$93
**SOVEREIGN BANK	WYOMISSING, PA	\$13,622,757	258	\$39,376	\$153
**RBS CITIZENS, N.A.	PROVIDENCE, RI	\$24,493,616	542	\$35,056	\$65
ROCKLAND TRUST COMPANY	ROCKLAND	\$3,702,041	137	\$31,279	\$228
SALEM FIVE CENTS SAVINGS BANK	SALEM	\$1,756,835	91	\$21,212	\$233
CENTURY BANK AND TRUST COMPANY	MEDFORD	\$1,856,904	140	\$19,572	\$140
MIDDLESEX SAVINGS BANK	WESTBOROUGH	\$3,571,679	63	\$16,762	\$266
CITIZENS-UNION SAVINGS BANK	FALL RIVER	\$512,063	84	\$16,455	\$196
BOSTON PRIVATE BANK & TRUST CO	BOSTON	\$2,374,928	42	\$15,472	\$368
NORTHERN BANK & TRUST COMPANY	WOBURN	\$467,185	39	\$13,043	\$334
ENTERPRISE BANK	LOWELL	\$1,136,329	109	\$12,806	\$117
CAMBRIDGE SAVINGS BANK	ARLINGTON	\$1,743,719	33	\$11,732	\$356
BERKSHIRE BANK	PITTSFIELD	\$1,449,853	85	\$10,591	\$125
DANVERSBANK	DANVERS	\$2,000,480	36	\$9,842	\$273
CAPE COD FIVE CENTS SAVINGS BANK	ORLEANS	\$1,687,755	29	\$9,034	\$312
EAST BOSTON SAVINGS BANK	PEABODY	\$1,360,946	34	\$8,995	\$265
BROOKLINE BANK	BROOKLINE	\$1,712,821	34	\$8,428	\$248
UNITED BANK	W SPRINGFIELD	\$1,135,683	101	\$7,903	\$78
BRISTOL COUNTY SAVINGS BANK	TAUNTON	\$874,812	38	\$7,721	\$203
THE LOWELL FIVE CENT SAVINGS BANK	LOWELL	\$562,916	37	\$6,843	\$185
BANK OF CAPE COD	HYANNIS	\$87,799	22	\$6,225	\$283
COMMERCE BANK & TRUST COMPANY	WORCESTER	\$908,298	33	\$6,077	\$184
PEOPLESBANK	HOLYOKE	\$1,135,393	22	\$4,564	\$207
EAST CAMBRIDGE SAVINGS BANK	CAMBRIDGE	\$689,409	20	\$4,404	\$220
HAMPDEN BANK	SPRINGFIELD	\$420,986	30	\$4,384	\$146
FRAMINGHAM CO-OPERATIVE BANK	FRAMINGHAM	\$300,465	21	\$4,214	\$201
SOUTHBRIDGE SAVINGS BANK	SOUTHBRIDGE	\$343,734	26	\$3,754	\$144
COUNTRY BANK FOR SAVINGS	WARE	\$905,417	12	\$3,200	\$267
WEBSTER FIVE CENTS SAVINGS BANK	WORCESTER	\$447,236	21	\$3,004	\$143
WATERTOWN SAVINGS BANK	WATERTOWN	\$955,930	11	\$2,539	\$231
GREENFIELD SAVINGS BANK	GREENFIELD	\$449,740	25	\$2,417	\$97
BELMONT SAVINGS BANK	BELMONT	\$335,456	10	\$2,361	\$236
SOUTH SHORE SAVINGS BANK	S WEYMOUTH	\$649,780	17	\$2,318	\$136
BNY MELLON, N.A.	PITTSBURGH	\$2,420,889	2	\$1,750	\$875
EAGLE BANK	EVERETT	\$387,741	6	\$1,745	\$291
FIDELITY COOPERATIVE BANK	LEOMINSTER	\$380,867	16	\$1,647	\$103
CAPE COD COOPERATIVE BANK	HYANNIS	\$446,500	10	\$1,480	\$148
CAPE ANN SAVINGS BANK	GLOUCESTER	\$310,129	14	\$1,338	\$96
LEGACY BANKS	PITTSFIELD	\$564,347	10	\$1,335	\$134
THE SAVINGS BANK	WAKEFIELD	\$368,914	4	\$932	\$233
NORTHMARK BANK	N ANDOVER	\$254,225	14	\$525	\$38
FLORENCE SAVINGS BANK	FLORENCE	\$810,295	5	\$510	\$102
EASTHAMPTON SAVINGS BANK	EASTHAMPTON	\$653,092	10	\$335	\$34
CENTRAL COOPERATIVE BANK	SOMERVILLE	\$335,877	2	\$310	\$155
NORTH EASTON SAVINGS BANK	SOUTH EASTON	\$399,480	1	\$12	\$12
RANDOLPH SAVINGS BANK	STOUGHTON	\$268,615	0	\$0	\$0
LOCAL LENDER TOTALS			3,095	\$477,489	\$154

\*\* Denotes local commercial banks headquartered outside Massachusetts

**BREAKDOWN BY ORIGINAL LOAN AMOUNT**

The 2010 CRA small business loan data indicates that there is some variability in the breakdown by original loan amount in lower income areas in Massachusetts versus higher income areas, although the variance does not appear to be significant. Small business loans under \$100,000 accounted for 91.9% of the total number of loans in lower income areas in 2010 and 26.5% of the dollar amount of loans (versus 93.1% and 29.9% for all income groups in the state) while larger small business loans - those with an original amount between \$250,000 and \$1 million - accounted for 4.3% of the number of loans and 57.0% of loan dollars (versus 3.6% and 53.8% statewide).

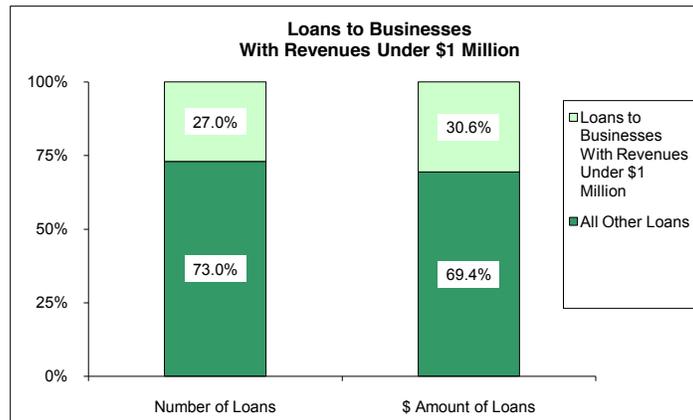
CHARTS: Breakdown of small business loans by original loan amount in lower income areas in Massachusetts (2010)



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

The 2010 CRA small business loan data also indicates that there is also some variability in the percentage of loans to businesses with annual revenues of \$1 million or less, although again the variance does not appear to be significant. In 2010, loans to businesses with annual revenues of \$1 million or less accounted for 27.0% of the number of loans in lower income areas and 30.6% of the dollar amount of loans (compared to 26.8% and 30.6% for all income groups statewide).

CHART: Breakdown of loans to businesses with annual revenues under \$1 million in lower income areas of Massachusetts (2010)



## SMALL BUSINESS LOANS BY COUNTY

The CRA database has historically shown that there is some correlation between the percentage of small business loans *originated* in lower income areas and the percentage of the population *living* in lower income areas, although considerable variability exists in this relationship. In 2010, two of the fourteen counties in Massachusetts (Barnstable and Franklin) recorded a higher percentage of small business loan dollars in lower income areas than one might expect given the percentage of their populations living in lower income areas. Essex, Middlesex, and Suffolk Counties, which have the largest lower income populations in the state, recorded a lower percentage of small business loan dollars in lower income areas than one might expect given the percentage of their populations living in lower income areas.

TABLE : Distribution of small business loans in low and moderate income census tracts by county (2010)

	Number of Loans	% of County Total	\$ Amount of Loans (\$000s)	% of County Total	Total Population	% of County Total
Barnstable	615	13.7%	\$36,990	22.0%	19,553	8.8%
Berkshire	317	16.2%	\$13,696	18.3%	26,236	19.7%
Bristol	1,449	20.7%	\$64,622	21.7%	146,616	27.4%
Essex	1,902	17.0%	\$78,248	20.2%	184,281	25.5%
Franklin	168	17.8%	\$6,535	19.6%	12,040	17.8%
Hampden	1,559	27.8%	\$58,855	32.5%	152,859	33.9%
Hampshire	33	1.5%	\$996	1.4%	13,633	9.2%
Middlesex	4,339	17.1%	\$183,972	19.3%	377,754	25.8%
Nantucket	14	3.0%	\$107	0.7%	423	4.4%
Norfolk	130	1.1%	\$5,737	1.4%	13,933	2.1%
Plymouth	942	13.1%	\$42,616	15.4%	81,187	17.2%
Suffolk	4,482	48.6%	\$161,263	48.8%	459,589	66.6%
Worcester	1,849	19.6%	\$76,547	24.3%	181,710	24.3%
Totals	17,799	18.3%	\$730,184	20.8%	1,669,814	26.4%

There was even greater variability from one county to the next with respect to the change in loan volume in lower income areas in 2010.

As an example, small business loan dollars declined by 20.3% in the lower income areas of Berkshire County in 2010 while increasing by 15.7% in the lower income areas of Barnstable County. At the same time, Nantucket and Hampshire Counties, which have relatively small populations living in lower income areas, experienced relatively large declines in small business dollar volume from 2009 to 2010.

TABLE : Change in loan volume in lower income areas (2010)

	2010 Change in Number of Loans	% Change	2010 Change in \$ Amount of Loans (\$000s)	% Change
Barnstable	-65	-9.6%	\$5,010	15.7%
Berkshire	-6	-1.9%	-\$3,497	-20.3%
Bristol	-13	-0.9%	\$5,046	8.5%
Essex	6	0.3%	\$8,986	13.0%
Franklin	33	24.4%	-\$301	-4.4%
Hampden	-110	-6.6%	-\$9,799	-14.3%
Hampshire	3	10.0%	-\$537	-35.0%
Middlesex	83	2.0%	\$27,922	17.9%
Nantucket	1	7.7%	-\$817	-88.4%
Norfolk	-10	-7.1%	\$317	5.8%
Plymouth	-46	-4.7%	-\$1,536	-3.5%
Suffolk	-265	-5.6%	-\$37,261	-18.8%
Worcester	-56	-2.9%	-\$3,712	-4.6%
Totals	-445	-2.4%	-\$10,179	-1.4%

Lending rates in 2010, shown in the table below, were lower in low and moderate income areas compared to higher income areas in 7 of the 13 counties in Massachusetts that have low or moderate income census tracts.

The lending rates in counties with lower income areas ranged from \$170,000 per 100 firms in Nantucket County to \$957,000 per 100 firms in Barnstable County, while the lending rates in higher income areas ranged from \$635,000 per 100 firms in Worcester County to \$971,000 per 100 firms in Bristol County.

TABLE : Lending rates in lower income vs higher income areas (2010)

	Low & Moderate Areas		Middle & Upper Areas	
	Lending Rate Per 100 Firms (\$000s)	% of Overall Lending Rate	Lending Rate Per 100 Firms (\$000s)	% of Overall Lending Rate
Barnstable	\$957	142.1%	\$671	87.6%
Berkshire	\$524	77.8%	\$698	91.1%
Bristol	\$783	116.4%	\$971	126.7%
Essex	\$709	105.3%	\$768	100.2%
Franklin	\$596	88.5%	\$719	93.8%
Hampden	\$574	85.3%	\$737	96.2%
Hampshire	\$239	35.6%	\$708	92.4%
Middlesex	\$769	114.2%	\$826	107.8%
Nantucket	\$170	25.2%	\$765	99.8%
Norfolk	\$849	126.1%	\$774	101.0%
Plymouth	\$792	117.7%	\$818	106.8%
Suffolk	\$568	84.3%	\$659	86.0%
Worcester	\$613	91.0%	\$635	82.8%
Totals	\$673	100.0%	\$766	100.0%

## SMALL BUSINESS LOANS BY CITY & TOWN

As was the case at the county level, there also exists considerable variability at the city and town level between the percentage of small business loans *originated* in lower income areas and the percentage of the population *living* in lower income areas. Lower income areas in Boston received 47.3% of total small business loan dollars in the city in 2010 which is less than one might expect given the percentage of the population living in lower income areas. In comparison, lower income areas in the cities of Worcester, Lowell, and Springfield, each received a higher share of small business loan dollars than one might expect given the percentage of the population living in lower income areas.

The following table shows the 2010 small business loan volume in the largest cities and towns in Massachusetts that have low and moderate income census tracts ranked by the size of the lower income population. Data for all cities and towns in Massachusetts can be found in the online appendix at [www.mcabc.info](http://www.mcabc.info).

TABLE: Volume of small business loan in lower income areas by town (2010)

	Number of Loans	% of Town Total	\$ Amount of Loans (\$000s)	% of Town Total	Population in Lower Income	% of Town Total
Boston	3,947	48.0%	\$143,202	47.5%	390,314	66.3%
Worcester	1,068	57.2%	\$50,661	69.0%	95,029	55.0%
Lowell	735	88.6%	\$27,676	92.0%	91,279	86.8%
Springfield	828	62.4%	\$30,895	68.5%	89,672	59.0%
New Bedford	772	72.5%	\$34,177	73.5%	71,437	76.2%
Fall River	569	69.1%	\$24,556	59.5%	65,619	71.4%
Lynn	450	73.3%	\$24,980	79.5%	65,183	73.2%
Lawrence	455	91.2%	\$16,486	89.5%	65,002	90.2%
Somerville	562	76.8%	\$17,634	80.4%	62,216	80.3%
Brockton	394	46.7%	\$16,085	46.0%	53,475	56.7%
Cambridge	718	39.8%	\$28,644	49.1%	47,085	46.5%
Everett	388	100.0%	\$20,495	100.0%	38,037	100.0%
Revere	313	73.6%	\$6,329	79.2%	36,439	77.1%
Malden	463	70.3%	\$25,036	74.9%	34,199	60.7%
Chelsea	222	83.5%	\$11,732	75.3%	32,836	93.6%
Holyoke	279	74.6%	\$13,576	91.9%	30,892	77.5%
Fitchburg	220	57.9%	\$10,579	50.9%	23,390	59.8%
Framingham	321	27.9%	\$16,055	35.1%	23,240	34.7%
Medford	288	42.6%	\$11,075	51.8%	22,781	40.9%
Wareham	324	100.0%	\$13,967	100.0%	20,335	100.0%
Haverhill	206	35.9%	\$4,029	22.5%	20,005	33.9%
Waltham	357	28.0%	\$17,747	29.9%	18,749	31.7%
Chicopee	158	30.6%	\$2,719	19.2%	16,990	31.1%
Marlborough	180	29.8%	\$5,489	22.3%	13,370	36.9%
Gloucester	179	35.6%	\$5,793	36.4%	12,505	41.3%
Pittsfield	197	33.6%	\$9,025	28.1%	12,023	26.3%
Athol	49	100.0%	\$1,782	100.0%	11,299	100.0%
Gardner	67	47.5%	\$1,972	40.7%	10,020	48.2%
Southbridge	91	56.9%	\$3,295	42.0%	9,997	58.1%
Amherst	12	4.0%	\$531	5.5%	9,931	28.5%
Taunton	108	20.5%	\$5,889	22.9%	9,560	17.1%
Salem	210	32.0%	\$8,611	25.8%	8,718	21.6%
Quincy	86	6.8%	\$2,945	6.8%	8,598	9.8%
Greenfield	132	45.7%	\$3,751	33.8%	7,847	43.2%
North Adams	73	63.5%	\$3,686	84.2%	7,508	51.1%
Woburn	137	13.0%	\$8,592	13.6%	7,429	19.9%
Plymouth	224	25.8%	\$12,564	38.1%	7,377	14.3%
Leominster	139	26.1%	\$5,411	26.6%	7,313	17.7%
Barnstable Town	365	37.2%	\$30,387	55.4%	7,178	15.0%
Webster	65	34.9%	\$772	18.7%	6,786	41.3%
Adams	47	78.3%	\$985	87.5%	6,705	76.1%
Watertown	70	11.7%	\$1,250	6.4%	6,587	20.0%
Spencer	39	36.8%	\$600	26.3%	6,032	51.6%
West Springfield	170	31.3%	\$8,601	46.3%	5,859	21.0%
Bourne	84	25.1%	\$3,011	24.7%	5,746	30.7%
Dracut	72	25.1%	\$2,141	17.6%	5,533	19.4%
Westfield	70	13.7%	\$1,839	14.4%	5,341	13.3%
Weymouth	44	6.8%	\$2,792	10.7%	5,335	9.9%
Warren	33	100.0%	\$649	100.0%	4,776	100.0%
Beverly	288	40.3%	\$14,809	57.3%	4,773	12.0%

Lower income areas in Boston and Springfield experienced declines of 17.9% and 24.1% in small business loan dollars from 2009 to 2010 respectively, while lower income areas in Lowell experienced an increase of 74.5% in 2010.

The following table shows the change small business loan volume from 2009 to 2010 in the largest cities and towns in Massachusetts that have low and moderate income census tracts ranked by the size of the lower income population. Data for all cities and towns in Massachusetts can be found in the online appendix at [www.mcbs.info](http://www.mcbs.info).

TABLE: Change in small business loan volume in lower income areas by town (2010)

	2010 Change in Number of Loans	% Change	2010 Change in \$ Amount of Loans (\$000s)	% Change	Population in Lower Income Areas	% of Town Total
Boston	-145	-3.5%	-\$31,177	-17.9%	390,314	66.3%
Worcester	-27	-2.5%	-\$2,054	-3.9%	95,029	55.0%
Lowell	113	18.2%	\$11,817	74.5%	91,279	86.8%
Springfield	-41	-4.7%	-\$9,797	-24.1%	89,672	59.0%
New Bedford	20	2.7%	\$2,638	8.4%	71,437	76.2%
Fall River	-22	-3.7%	\$342	1.4%	65,619	71.4%
Lynn	-38	-7.8%	\$4,262	20.6%	65,183	73.2%
Lawrence	-12	-2.6%	\$4,875	42.0%	65,002	90.2%
Somerville	-20	-3.4%	-\$8,002	-31.2%	62,216	80.3%
Brockton	-38	-8.8%	-\$601	-3.6%	53,475	56.7%
Cambridge	21	3.0%	-\$3,926	-12.1%	47,085	46.5%
Everett	-60	-13.4%	\$5,799	39.5%	38,037	100.0%
Revere	-57	-15.4%	-\$3,711	-37.0%	36,439	77.1%
Malden	46	11.0%	\$9,045	56.6%	34,199	60.7%
Chelsea	-63	-22.1%	-\$2,373	-16.8%	32,836	93.6%
Holyoke	-49	-14.9%	\$284	2.1%	30,892	77.5%
Fitchburg	-8	-3.5%	\$2,099	24.8%	23,390	59.8%
Framingham	-4	-1.2%	\$2,417	17.7%	23,240	34.7%
Medford	12	4.3%	-\$285	-2.5%	22,781	40.9%
Wareham	-22	-6.4%	-\$2,384	-14.6%	20,335	100.0%
Haverhill	29	16.4%	\$26	0.6%	20,005	33.9%
Waltham	6	1.7%	\$5,748	47.9%	18,749	31.7%
Chicopee	-22	-12.2%	-\$2,982	-52.3%	16,990	31.1%
Marlborough	-14	-7.2%	-\$530	-8.8%	13,370	36.9%
Gloucester	-15	-7.7%	-\$5,543	-48.9%	12,505	41.3%
Pittsfield	-22	-10.0%	-\$3,465	-27.7%	12,023	26.3%
Athol	-15	-23.4%	-\$1,422	-44.4%	11,299	100.0%
Gardner	-22	-24.7%	\$35	1.8%	10,020	48.2%
Southbridge	-3	-3.2%	-\$637	-16.2%	9,997	58.1%
Amherst	8	200.0%	\$439	477.2%	9,931	28.5%
Taunton	-11	-9.2%	\$2,066	54.0%	9,560	17.1%
Salem	0	0.0%	\$1,993	30.1%	8,718	21.6%
Quincy	-5	-5.5%	-\$363	-11.0%	8,598	9.8%
Greenfield	28	26.9%	-\$1,911	-33.8%	7,847	43.2%
North Adams	11	17.7%	\$912	32.9%	7,508	51.1%
Woburn	-7	-4.9%	\$4,611	115.8%	7,429	19.9%
Plymouth	14	6.7%	\$1,449	13.0%	7,377	14.3%
Leominster	21	17.8%	\$706	15.0%	7,313	17.7%
Barnstable Town	-20	-5.2%	\$8,142	36.6%	7,178	15.0%
Webster	-7	-9.7%	-\$1,302	-62.8%	6,786	41.3%
Adams	5	11.9%	-\$944	-48.9%	6,705	76.1%
Watertown	-12	-14.6%	\$528	73.1%	6,587	20.0%
Spencer	14	56.0%	\$293	95.4%	6,032	51.6%
West Springfield	-1	-0.6%	\$1,728	25.1%	5,859	21.0%
Bourne	-1	-1.2%	\$124	4.3%	5,746	30.7%
Dracut	8	12.5%	\$422	24.5%	5,533	19.4%
Westfield	10	16.7%	\$742	67.6%	5,341	13.3%
Weymouth	-5	-10.2%	\$680	32.2%	5,335	9.9%
Warren	-7	-17.5%	\$279	75.4%	4,776	100.0%
Beverly	45	18.5%	\$3,763	34.1%	4,773	12.0%

Lending rates were generally lower in lower income areas compared to higher income areas although there was considerable variability by town. The lending rates in the lower income areas in Boston and Springfield fell short of the lending rates in those cities’ higher income areas in 2010. At the same time, the lending rates in the lower income areas of Worcester and Lowell exceeded the lending rates in those cities’ higher income areas.

The following table shows the small business lending rates for 2010 in the largest cities and towns in Massachusetts that have low and moderate income census tracts ranked by the size of the lower income population. Data for all cities and towns in Massachusetts can be found in the online appendix at [www.mcbs.info](http://www.mcbs.info).

TABLE: Small business lending rates by town (2010)

	Low & Moderate Areas		Middle & Upper Areas	
	Lending Rate Per 100 Firms (\$000s)	% of Overall Lending Rate	Lending Rate Per 100 Firms (\$000s)	% of Overall Lending Rate
Boston	\$568	92.3%	\$666	108.2%
Worcester	\$777	111.2%	\$571	81.7%
Lowell	\$633	101.2%	\$548	87.7%
Springfield	\$532	96.5%	\$599	108.5%
New Bedford	\$874	92.4%	\$1,225	129.5%
Fall River	\$697	77.9%	\$1,534	171.3%
Lynn	\$861	105.6%	\$675	82.8%
Lawrence	\$531	95.8%	\$886	159.8%
Somerville	\$508	100.3%	\$501	98.9%
Brockton	\$564	77.5%	\$967	132.9%
Cambridge	\$709	120.4%	\$506	85.9%
Everett	\$924	100.0%	NA	NA
Revere	\$386	110.5%	\$257	73.4%
Malden	\$1,165	108.3%	\$874	81.3%
Chelsea	\$751	82.7%	\$2,497	275.1%
Holyoke	\$753	110.6%	\$325	47.8%
Fitchburg	\$653	73.3%	\$1,433	160.9%
Framingham	\$899	111.4%	\$765	94.8%
Medford	\$763	112.9%	\$602	89.0%
Wareham	\$932	100.0%	NA	NA
Haverhill	\$278	50.6%	\$767	139.6%
Waltham	\$1,063	99.3%	\$1,074	100.3%
Chicopee	\$311	55.4%	\$694	123.8%
Marlborough	\$478	66.0%	\$849	117.3%
Gloucester	\$538	81.4%	\$761	115.0%
Pittsfield	\$571	64.0%	\$1,143	128.1%
Athol	\$294	100.0%	NA	NA
Gardner	\$289	65.8%	\$682	155.2%
Southbridge	\$485	60.5%	\$1,525	190.2%
Amherst	\$237	45.3%	\$564	107.7%
Taunton	\$723	86.1%	\$882	105.0%
Salem	\$882	80.1%	\$1,206	109.5%
Quincy	\$800	102.6%	\$779	99.8%
Greenfield	\$449	50.3%	\$1,802	201.9%
North Adams	\$585	129.2%	\$206	45.4%
Woburn	\$1,294	89.7%	\$1,470	101.9%
Plymouth	\$1,223	142.5%	\$726	84.5%
Leominster	\$661	87.1%	\$803	105.7%
Barnstable Town	\$1,500	151.3%	\$697	70.4%
Webster	\$162	39.1%	\$644	155.9%
Adams	\$243	102.3%	\$204	86.2%
Watertown	\$558	74.0%	\$772	102.4%
Spencer	\$217	64.2%	\$421	124.8%
West Springfield	\$924	119.1%	\$681	87.8%
Bourne	\$549	78.9%	\$763	109.6%
Dracut	\$481	61.5%	\$904	115.5%
Westfield	\$359	64.7%	\$611	110.1%
Weymouth	\$906	115.2%	\$775	98.4%
Warren	\$345	100.0%	NA	NA
Beverly	\$1,531	186.0%	\$508	61.7%

## CONCLUSION

The issue of small business lending growth remains an area of concern in Massachusetts and across the country. A review of national Call Report data shows that small business lending activity declined significantly during the twelve months ended June 30, 2011 and is down sharply since the recent financial crisis began in 2008. While there are signs that economic conditions are beginning to improve, the pace and strength of the economic recovery remains uncertain.

This report confirms the key findings from a recent study undertaken by the Massachusetts Bankers Association. The data shows that CRA-reported small business lending in Massachusetts, which includes the activity of large commercial banks that are headquartered outside the state, declined modestly in 2010 representing the third consecutive year of declines. At the same time, a review of quarterly Call Report data shows that the small business loan activity of Massachusetts community banks, many of which are not included in the CRA database, increased in 2010 at a modest pace.

The data also shows that lower income areas in Massachusetts, which account for roughly one-quarter of the state's population, continued to experience overall lower small business lending rates than higher income areas in 2010, although lending rates declined more in higher income areas than in lower income areas for the second consecutive year. The data further shows that lower income high minority communities also continued to experience lower small business lending rates than lower income white communities and experienced a sharp decline in CRA-reported small business loans in 2010.

# DATA SOURCES

## ECONOMIC CLIMATE

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

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

Prime rate data was obtained from the Wall Street Journal.

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

Housing price data and foreclosure data was obtained from RealtyTrac, an online resource for real estate sales statistics and foreclosure data.

## SMALL BUSINESS DEMOGRAPHICS

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

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

The number of firms data used in the calculation of lending rates, which is discussed in more detail below in the section on CRA small business loan data, was obtained from Dunn & Bradstreet and is based on 2005 data. The author of the report has elected to use number of firms data for 2005 in order to minimize the year-to-year variability inherent in this data source. Such variability made it difficult in past reports to analyze the impact of changes in lending volume in traditionally underserved areas. The number of firms data is scheduled to be updated in future reports in conjunction with the update to other demographic data, which is discussed in more detail in the following section.

## DEMOGRAPHIC DATA

All demographic data, including total population data, income level data, and minority population data, was obtained from the Federal Financial Institutions Examination Council (FFIEC) and is based on 2000 census data compiled by the US Census Bureau. The FFIEC is a formal interagency body empowered to prescribe uniform principles, standards, and report forms for the federal examination of financial institutions by the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, the National Credit Union Administration, the Office of the Comptroller of the Currency, and the Office of Thrift Supervision. The next update to the FFIEC's demographic data will be based on 2010 census data although the timeframe for the release of the 2010 data was not available when this report was prepared.

Census tract income levels are defined in accordance with CRA guidelines and are broken down into low, moderate, middle, and upper income categories where low is less than 50% of the median family income of a given metropolitan statistical area, moderate is 50% to 80%, middle is 80% to 120%, and upper is 120% or more.

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

neighborhoods are defined for the purposes of this report as census tracts where the white non-Hispanic population is greater than 75%.

### **CRA SMALL BUSINESS LOAN DATA**

CRA small business loan data used throughout this report reflects small business loan origination only and does not reflect purchased loans or small farm loans. The data was obtained from the FFIEC, FDIC, and NCUA and consisted of annual CRA disclosure data as well as quarterly bank and credit union Call Report data.

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

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

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

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

### **SMALL BUSINESS DEMOGRAPHICS**

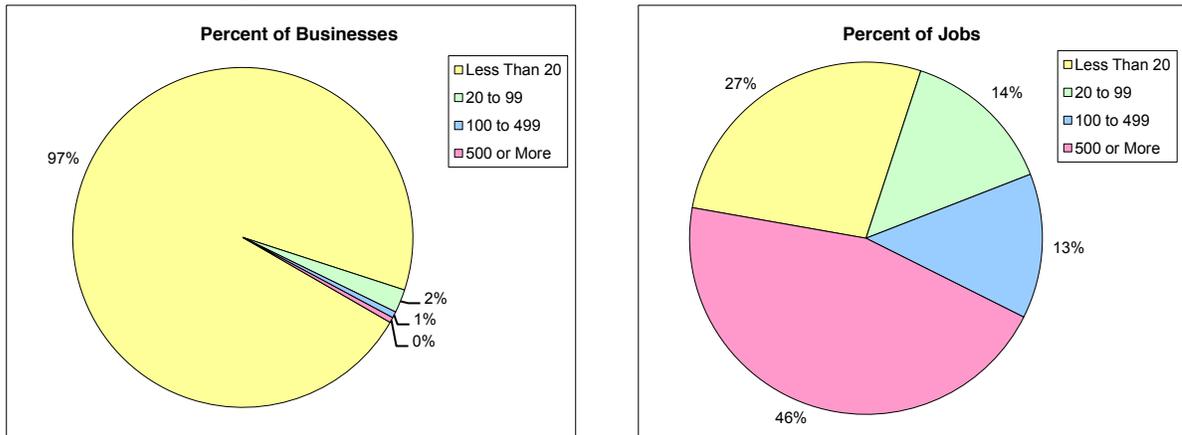
Unlike the state and national economic data discussed in this report, which is updated continuously, current information related to business demographics – such as the number of businesses operating within a particular geographic area – is harder to come by. The most recent business demographic data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

Data compiled by the Census Bureau and the Bureau of Labor Statistics indicates that there were approximately 597,484 businesses in Massachusetts as of March 2008 consisting of 141,843 firms with employees and an additional 455,641 sole proprietorships or non-employers, which together account for 3.5 million jobs in the state. The majority of these firms are private, for-profit business organizations although the figures also include data for non-profit employers which are a growing source of employment and represent approximately 6% of the firms in the state and an estimated 14% of the workforce. It is important to note, however, that the figures do not include government employers, which account for an additional 12.5% of the state's workforce, as well as self-employed individuals who do not operate as sole proprietorships and for which little data is available. The business demographic data and employment data is also complicated by the fact that many people have two or more jobs or may work for two or more firms or sole proprietorships, while others may work as an employee of a firm while also operating a sole proprietorship. The data is further muddled by the fact that a small number of sole proprietorships are not active, going concerns and a small number of businesses, such as cash-only businesses, operate completely under the radar.

Identifying the number of *small* businesses is even more challenging since, despite the frequency with which the term is used in our lexicon, there is no universally accepted definition of a small business. The most common measures of business size are based on the number of employees or the annual revenues of the business as compiled by the Census Bureau and the Bureau of Labor Statistics. While these measures

are essentially arbitrary and vary from industry to industry, they represent our best source of information about small business demographics. Regardless of the measure used, it is clear that small businesses account for the majority of the *number* of businesses in Massachusetts and across the country. What is less clear is the precise contribution that small businesses make toward the overall economy since different people define small businesses in different ways. When we define small businesses as businesses with fewer than 20 employees, which is a commonly used measure, we find that such businesses account for 97% of the total number of businesses in Massachusetts and 27% of the jobs across the state.

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



According to the Census Bureau data, the number of sole proprietorships in Massachusetts has increased significantly in recent years. Sole proprietorships in Massachusetts declined by 2.0% from 465,019 in 2007 to 455,641 in 2008 while the annual receipts of sole proprietorships shrank 4.0% from \$21.780 billion in 2007 to \$20.916 billion in 2008.

CHART: The number of sole proprietorships in Massachusetts has increased significantly in recent years but declined in 2008

