

**Small Business Lending**  
**in**  
**Massachusetts**  
**2007-2012**

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**M | C | B | C**

MASSACHUSETTS COMMUNITY & BANKING COUNCIL

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## FOREWORD

The Massachusetts Community & Banking Council (MCBC) is pleased to offer *Small Business Lending in Massachusetts, 2007–2012*, its 15th 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 2013 membership:

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

MCBC's 2013 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.

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# EXECUTIVE SUMMARY

The CRA data for the year ended December 31, 2012 shows that small business loan originations in Massachusetts increased at a moderate pace from 2011 to 2012, the second consecutive year of moderate growth although lending levels remain well below the levels achieved prior to the recent financial crisis. Other more current data sources, including quarterly Call Report data through June 30, 2013, which includes local community banks that are not included in the CRA database, and data compiled by the SBA through September 30, 2013 also showed increases in small business lending across the state including increases to levels above the highs achieved prior to the financial crisis. At the same time, a difficult economic climate in Massachusetts and across the country continues to make the outlook for more robust economic expansion uncertain.

This report is the 15<sup>th</sup> report on small business lending commissioned by the Massachusetts Community & Banking Council (MCBC). The report reviews recent small business lending trends in Massachusetts with an emphasis on traditionally underserved areas across the state. The report also reviews changes in economic conditions and other factors that affect small business lending. The report primarily utilizes two sources of small business lending data: annual data collected under the Community Reinvestment Act (CRA) and quarterly Call Report data. A more detailed discussion of the sources of data is provided in the section entitled Data Sources at the end of this report, and additional detailed data on small business lending trends in Massachusetts is available in the online Appendix.

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

## LOAN VOLUME

- **The annual CRA data shows that the volume of small business loan originations in Massachusetts in 2012 totaled 118,657 loans for \$4.1 billion, which represents a moderate increase compared to the previous year when small business applicants in the state received 109,600 loans for \$3.7 billion.** CRA-reported small business loans in Massachusetts increased by 11.3% and 8.3% in 2012 in terms of the number and dollar amount of loans respectively which was significantly higher than the rate of small business loan growth experienced in the country as whole.
- **The quarterly Call Report data shows that local community banks, many of which are not included in the CRA database, reported 73,734 small business loans for \$10.4 billion as of June 30, 2013, compared to 65,937 loan for \$10.0 billion as of June 30, 2012.** Small business loans at local community banks increased by 11.8% and 4.3% in terms of the number and dollar amount of small business loans during the twelve months ended June 30, 2013 which also exceeded the national averages.
- **According to the US Small Business Administration (SBA), loans guaranteed by the SBA increased across the country as a whole during the agency's fiscal year ended September 30, 2013 but declined slightly in Massachusetts.** SBA loans increased by 5.6% in fiscal year 2013 on a national level but declined by 3.5% in Massachusetts. The decline in Massachusetts can be attributed to a slowdown in 504 development loans which offset a strong increase in the flagship 7(a) loan program.
- **Credit unions in Massachusetts reported 5,458 small business loans for \$1.4 billion as of June 30, 2013, compared to 4,938 loans for \$1.2 billion as of June 30, 2012.** Member business loans at local credit unions increased by 10.5% and 16.1% in terms of the number and dollar amount of small business loans during the twelve months ended June 30, 2013.

## LENDERS

- **The CRA data shows that local CRA reporters, including the large commercial banks that have a physical presence inside Massachusetts but are headquartered outside the state, originated a total of 20,361 small business loans for \$3.0 billion in 2012, which represented 17.2% of the total number of small business loans in Massachusetts and 71.6% of small business loan dollars.** Local CRA reporters account for the substantial majority of small business lending activity in Massachusetts and their overall market share has remained fairly stable for the past few years. In 2012, local CRA reporters saw their share of small business loan dollars increase to 71.6% compared to 70.4% in 2011.
- **A closer examination of the data of local CRA reporters shows that local community banks have generally outperformed the large commercial banks that operate in the state in recent years and local community banks extended their gains in 2012.** 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.
- **Local community banks maintained 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 45.9% of small business loan dollars in Massachusetts in 2012 while their larger commercial bank competitors accounted for 25.7% of small business loan dollars.
- **Over the past five years, the average size of CRA-reported small business loans at local community banks has increased while the average loan size at the large commercial banks has declined.** The average size of a CRA-reported small business loan at a local community bank has increased from \$160,468 in 2007 to \$194,325 in 2012 while the average loan size at the large commercial banks has declined from \$136,958 to \$100,834.
- **Credit card lenders reported an estimated 87,252 small business credit card loans in Massachusetts in 2012 for \$579.4 million, which is up compared to the previous year but well below the levels achieved prior to the recent financial crisis.** Small business credit card loans accounted for 73.2% of the total number of CRA-reported small business loans in the state in 2012 and 13.9% of loan dollars.
- **Other out-of-state CRA lenders reported 11,044 CRA-reported small business loans in Massachusetts in 2012 for \$597.9 million, which is more or less in line with the levels reached before the recent financial crisis.** Small business loans by other out-of-state CRA lenders accounted for 9.3% of the total number of CRA-reported small business loans in the state in 2012 and 14.4% of loan dollars.

## LENDING IN TRADITIONALLY UNDERSERVED AREAS

- **Businesses in low and moderate income census tracts in Massachusetts received a total of 23,368 small business loans in 2012 for \$896.0 million,** compared to the previous year when borrowers in low and moderate income census tracts received 20,662 loans for \$777.9 million.
- **Local CRA lenders continued to account for the vast majority of small business loans dollars in low and moderate income census tracts across the state.** Local CRA lenders made a total of 4,301 loans for \$666.7 million in 2012, representing 18.4% of the total number of small business loans in low and moderate income areas and 74.4% of loan dollars.

- **Both lower income areas and upper income areas in Massachusetts experienced substantial increases in small business loan dollars in 2012, while middle income areas experienced the smallest increase.** Low and moderate income census tracts in Massachusetts experienced overall increases of 11.3% and 17.3% in small business loan dollars from 2011 to 2012 while upper income census tracts experienced an overall increase of 22.4%.
- **Low and moderate income census tracts in Massachusetts received a smaller share of small business loans in 2012 than one might expect given the percentage of the low and moderate income population which is consistent with the national trend.** Low and moderate income census tracts, which account for 28.9% of the total population of Massachusetts, received 19.7% of the total number of CRA-reported small business loans in the state in 2012 and 21.6% of the total loan dollars.
- **The lowest lending rates in Massachusetts, measured in the amount of loan dollars per 100 firms, were recorded in upper income communities in 2012 although it is worth noting that, when arranged by income level, the lending rates fell within a fairly narrow range.** Low and moderate income census tracts received an aggregate \$702,000 and \$721,000 per 100 businesses, while middle and upper income census tracts in Massachusetts received an aggregate \$741,000 and \$688,000 per 100 businesses. The 2012 results represent the first time in the past six years when the lowest lending rates were not in low or moderate income census tracts.
- **In terms of racial composition, as was the case in previous reports on small business lending, the lowest lending rates in 2012 were recorded in high minority communities in Massachusetts** while the highest lending rates were recorded in higher income mixed or white communities.

### **GEOGRAPHIC DISTRIBUTION**

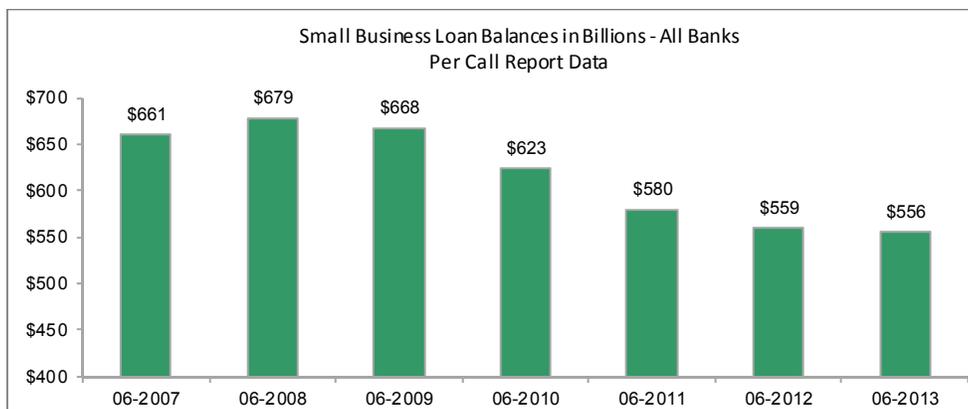
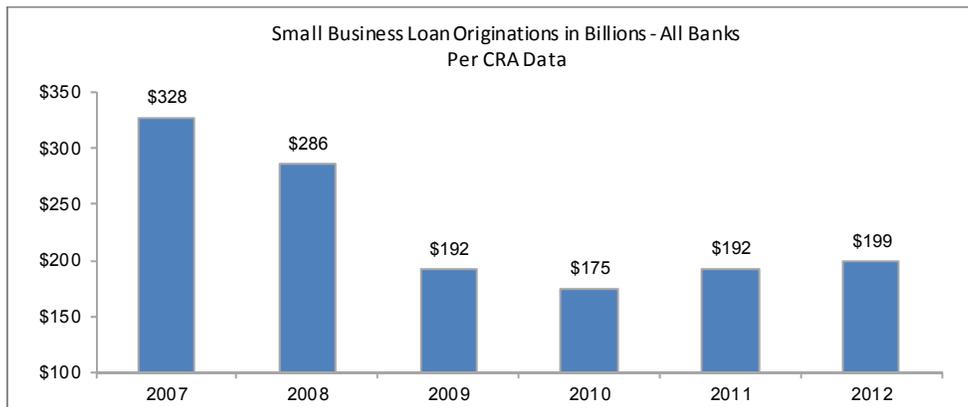
- A review of the annual CRA data from the 15 largest metropolitan areas across the country shows that greater Boston ranked 6<sup>th</sup> compared to other major metropolitan areas across the country in terms of the volume of CRA-reported small business loan dollars per 1,000 residents, and 2<sup>nd</sup> in terms of the change in loan dollars from 2011 to 2012.
- All but two of the 14 counties in Massachusetts experienced increases in CRA-reported small business lending volume in 2012. On a percentage basis, the changes in small business loan dollars ranged from a 49.2% increase in Nantucket County to a 9.5% decrease in Berkshire County. In terms of dollar amounts, the changes in small business loan volume from 2011 to 2012 ranged from an increase of \$89.8 million in Suffolk County to an \$8.2 million decrease in Worcester County.
- The city of Boston, which accounts for 9.4% of the state's population, received \$443.8 million in CRA-reported small business dollars in 2012 and accounted for 10.7% of the total loan dollars, while the cities of Worcester and Springfield, which account for 2.8% and 2.3% of the state's population respectively, received 1.6% and 1.4% of the total loan dollars in the state.

# INTRODUCTION

This report is the 15<sup>th</sup> report on small business lending patterns commissioned by the Massachusetts Community & Banking Council (MCBC). The report reviews recent small business lending trends in Massachusetts with an emphasis on traditionally underserved areas across the state. The report also reviews changes in economic conditions and other factors that affect small business lending. The first section of the report focuses on overall small business lending trends in Massachusetts, and examines changes in loan volume, differences between types of lenders, and changes in the business lending climate. The second section focuses on small business lending patterns in lower income and traditionally underserved areas across the state.

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

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



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

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

In addition to the annual CRA data and quarterly Call Report data, this report also utilizes credit union lending data and data compiled by the US Small Business Administration (SBA), demographic data compiled by the US Census Bureau, economic data compiled by the Bureau of Labor Statistics, and business demographic data compiled by Dunn & Bradstreet.

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

# **SECTION I**

**SMALL BUSINESS LENDING IN MASSACHUSETTS:**

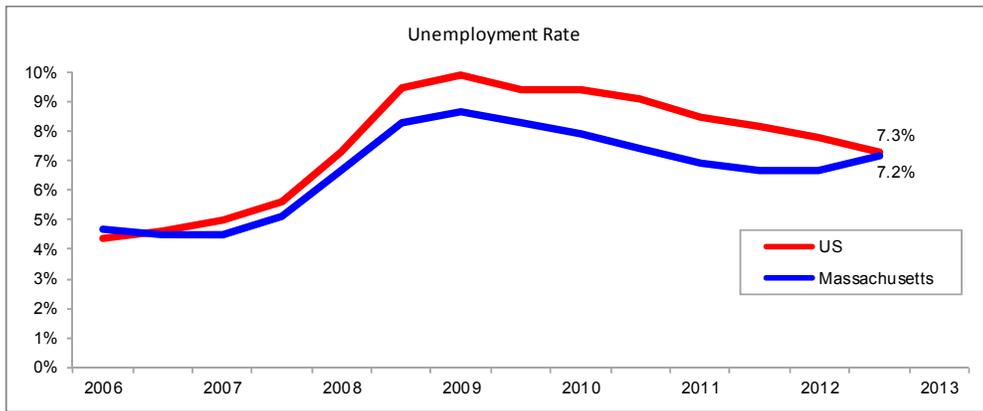
**A STATEWIDE REVIEW**

**CURRENT ECONOMIC CONDITIONS**

A review of some of the current economic conditions that influence small business lending shows that the economic climate in Massachusetts and across the country remains difficult as it has for the past several years due primarily to stubbornly high unemployment and sluggish economic growth, making the outlook for more robust economic expansion uncertain. The summary that follows incorporates the most current economic data available across various sectors of the economy. Readers may notice a difference in the dates used for the economic factors reviewed here, with some dates being more current than others due to the differences in the timing and frequency of the sources of data used in the report.

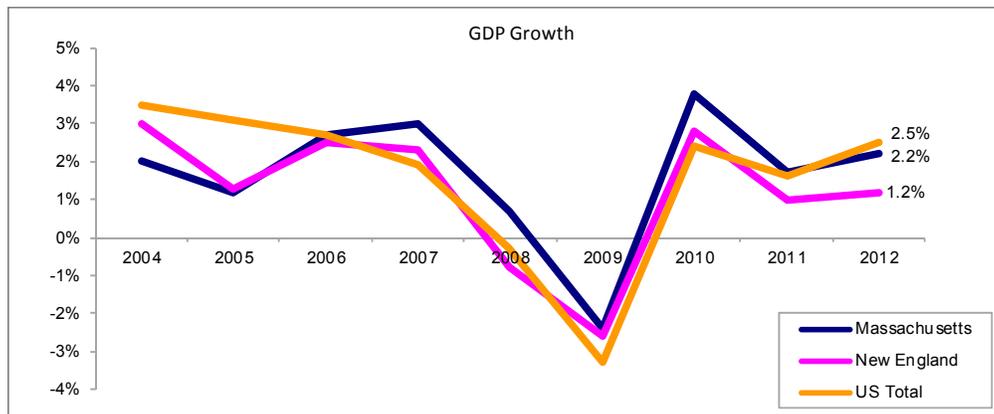
**In terms of unemployment, job growth in Massachusetts slowed significantly in 2013 and the unemployment rate increased from 6.7% as of September 2012 to 7.2% as of September 2013, while the national unemployment rate declined from 7.8% to 7.3%.** The recent slowdown in job growth in Massachusetts represents a disappointing shift in employment trends which could signal slower economic expansion in the near term.

CHART: A recent rise in Massachusetts unemployment could signal slower growth in the near term



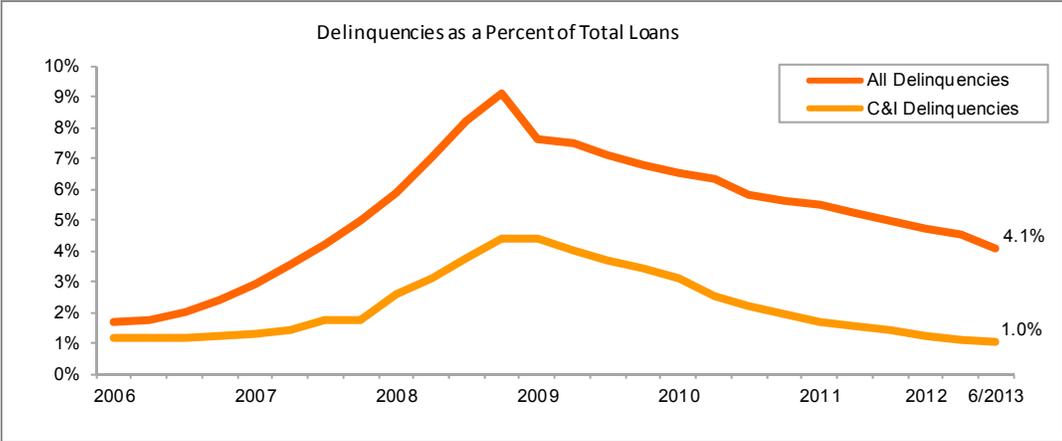
**In terms of productivity, real GDP in Massachusetts grew at a sluggish pace of 2.2% in 2012 which was unchanged compared to the previous year, while the national GDP figures inched up from 2.4% in 2011 to 2.5% in 2012.** National GDP growth figures, which are updated more frequently than state GDP figures, remained sluggish during the first three quarters of 2013, ranging from 1.1% in the first quarter to 2.8% in the third quarter.

CHART: Massachusetts and national GDP growth remains sluggish



In terms of asset quality, a review of Call Report data showed that the overall delinquency rate at banks nationwide, which includes delinquent commercial loans, mortgage loans, and consumer loans, has continued to decline and totaled 4.1% of total loans as of June 30, 2013, an improvement compared to recent levels but still 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 to 1.0% as of June 30, 2013 and more in line with historic levels.

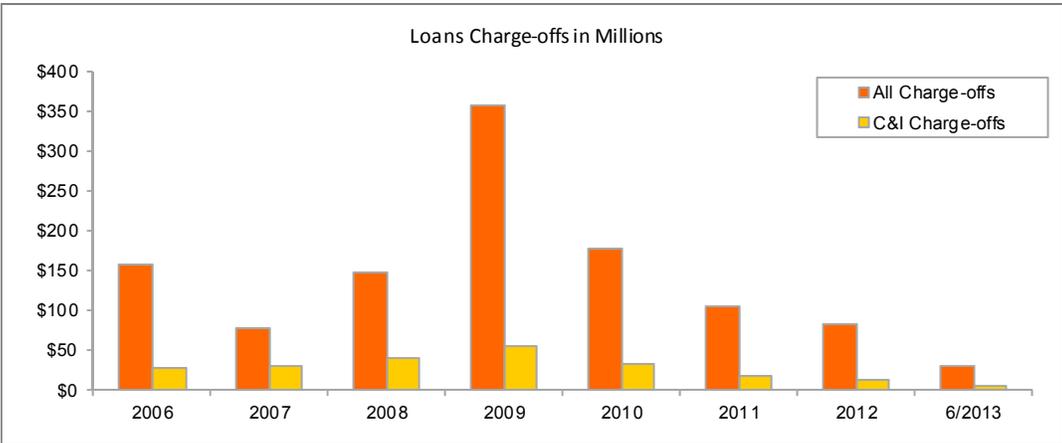
CHART: Loans delinquencies at US banks have steadily improved over the past three years



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

Loan charge-offs at banks have also continued to decline. **For the first six months of 2013, banks reported overall net loan charge-offs of \$30.1 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 \$4.5 million through June 30, 2013, which is also substantially less than half as much as was charged off during the prior full year. While asset quality at banks has steadily improved in recent years, the dramatic rise in charge-offs and delinquencies at the beginning of the recent financial crisis contributed to the greatest number of bank failures across the country since the savings and loan crisis of the 1980s, including the failure of 140 banks in 2009, 157 banks in 2010, 92 banks in 2011, 51 banks in 2012, and 16 banks through the first half of 2013. The high level of nonperforming loans has also weighed heavily on bank profits and capital reserves and has discouraged the easing of underwriting standards.

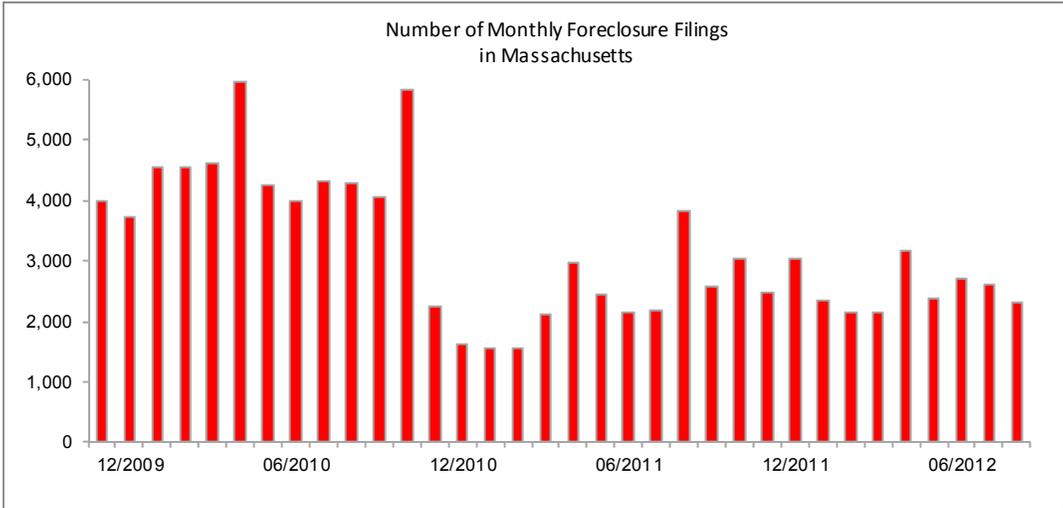
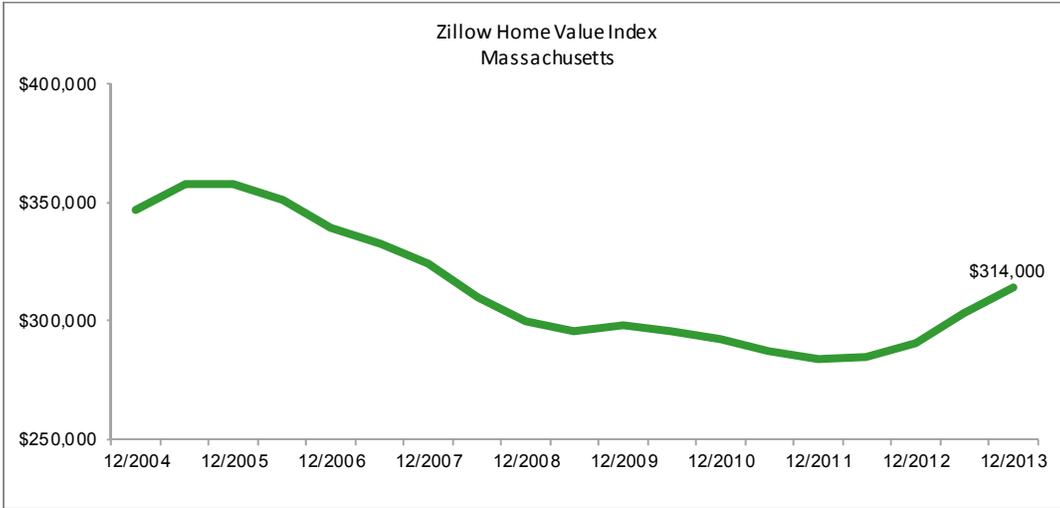
CHART: Loans charge-offs at banks have also declined significantly since their recent peak



**In terms of real estate values, data compiled by Zillow, an online resource for real estate listings and real estate statistics, show that home values in Massachusetts have trended up over the past two years but remain below the levels reached prior the recent financial crisis.** In addition, continued improvement in real estates over the near-term may be weighed down by a potential new wave of foreclosure activity. A recent study by the Massachusetts Housing Partnership predicts an uptick in foreclosure activity beginning in 2013 as lenders adjust to regulatory disclosure requirements that went into effect in 2012. Another study by the Massachusetts Housing Partnership shows that foreclosure activity remains a key issue in large number of cities and towns across the state.

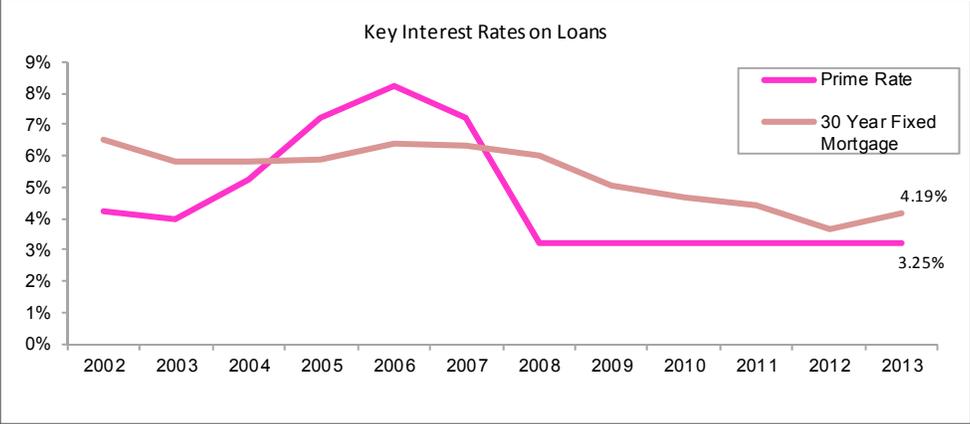
A sustained improvement in home values would bode well for homeowners and business owners alike as home equity has historically been a reliable source of discretionary spending and business credit both of which ultimately benefit all participants in the economy. The viability of many small businesses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

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



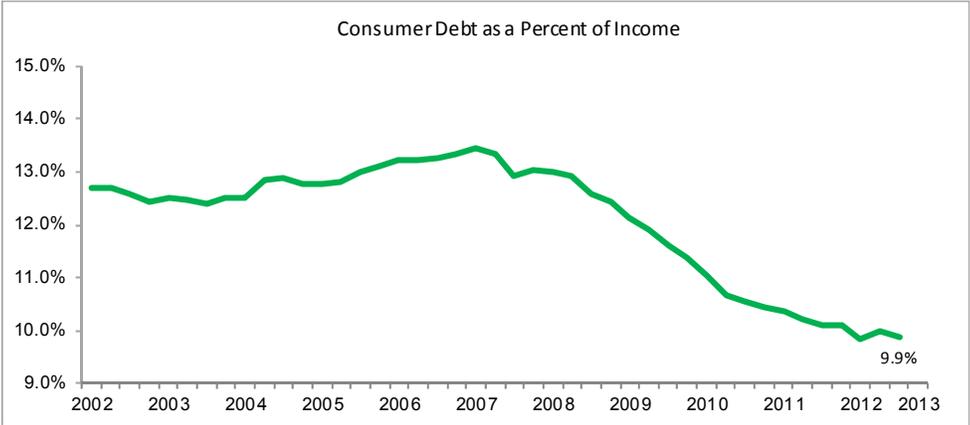
In terms of borrowing costs, the key interest rates for commercial loans and mortgages remain at their lowest levels since the 1950s. **The prime rate, which is the rate that banks charge their best business customers has been pegged at 3.25% since December of 2008 while the rate on 30 year fixed-rate mortgages ticked up to 4.19% as of September 2013.**

CHART: Key lending rates remain near historic lows



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

CHART: Consumer debt has continued to trend down

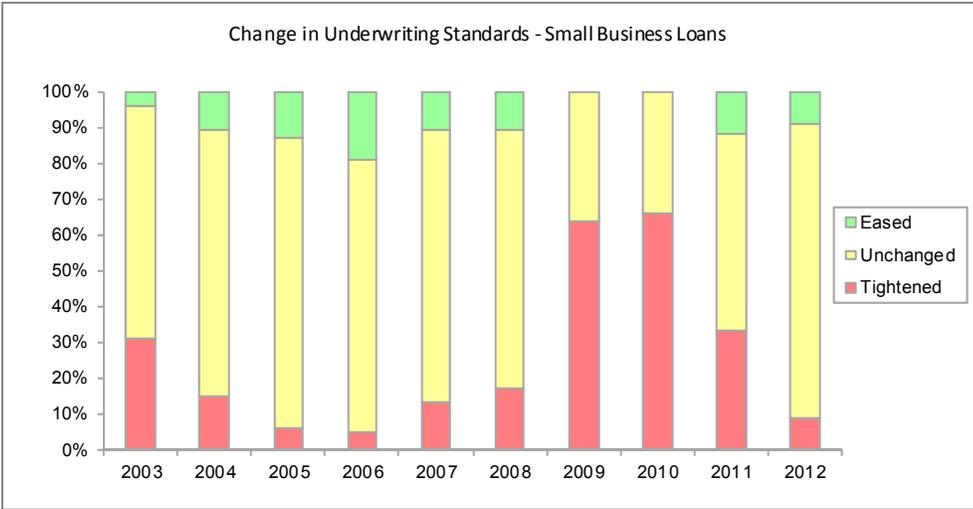


The reasons behind the decline in consumer debt are likely related to high unemployment, job uncertainty, and lack of confidence in the economic outlook. For businesses, many of which have similarly reduced the debt on their balance sheets over the past few years, the reasons appear to be related in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

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

While it is reasonable to link poor economic conditions with a decline in the demand for credit, it is also important to consider the extent to which changes in underwriting standards have contributed to a decline in the supply of credit. **According to the OCC’s 2012 Survey on Credit Underwriting Practices, banks substantially tightened underwriting standards in the wake of the recent financial crisis. The survey, which covers all major loan categories, shows that roughly 60% of respondents tightened standards in 2009 and 2010 for small business loans, 33% tightened standards in 2011, and 9% tightened standards in 2012.** While the trend indicates a slowdown in tightening, it is worth noting that only 12% of respondents in 2011 and 9% of respondents in 2012 reported easing of underwriting standards for small business loans, meaning that the tightened standards that were put in place over the past few years remain, in most cases, in place. For those who tightened standards, the economic outlook was cited a major reason among the majority of respondents, while competition was cited by a majority of respondents as a major reason among those who eased standards.

CHART: Underwriting standards for small business loans have been tightened

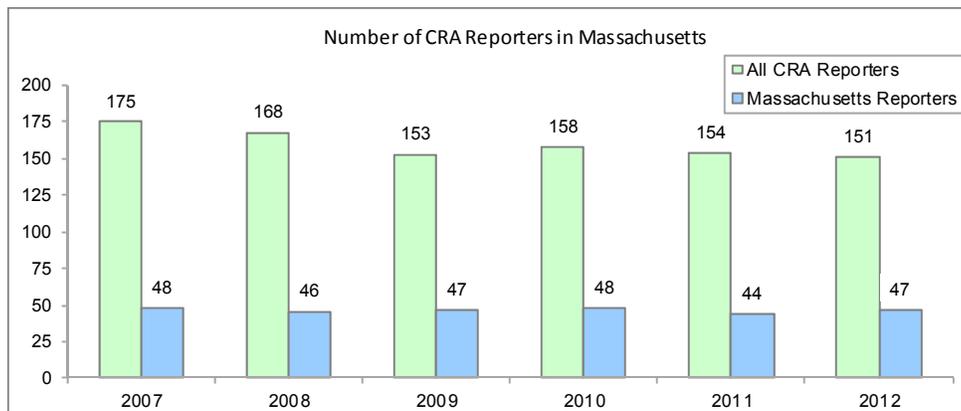


## CRA DATA AND CALL REPORT DATA

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

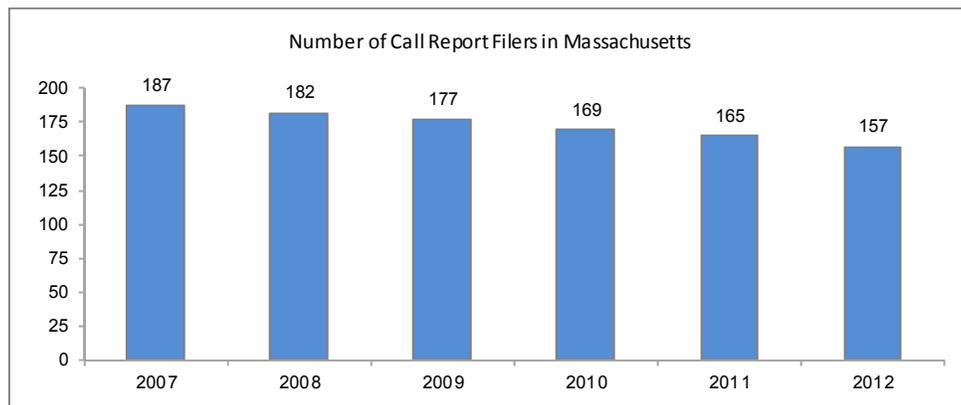
The number of lenders in both the annual CRA database and the Call Report database varies from one period to the next. A review of the CRA database shows that 151 lenders reported small business loan activity in Massachusetts in 2012 compared to 154 lenders in the previous year. Of that total, 47 were local lenders, which includes lenders that are headquartered in Massachusetts as well as lenders that have a substantial branch presence in the state, compared to 44 local lenders in the previous year. On a national basis, there were a total of 830 lenders included in the 2012 CRA database compared to 859 lenders in the previous year.

CHART: A review of the CRA database shows that the number of lenders that reported small business loan originations in Massachusetts has also declined in recent years



A review of the Call Report database shows that the number of bank and thrift institutions headquartered in Massachusetts declined from 165 at the end of 2011 to 157 at the end of 2012. On a national basis the total number of banks declined from 7,468 at the end of 2011 to 7,150 at the end of 2012.

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

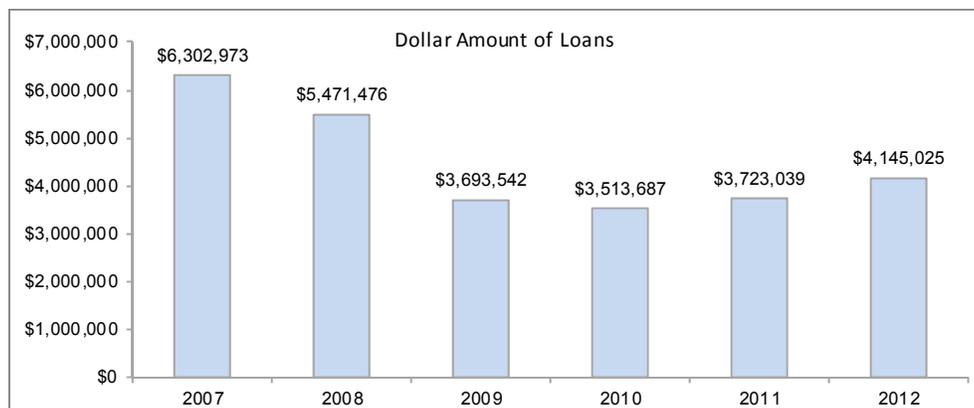
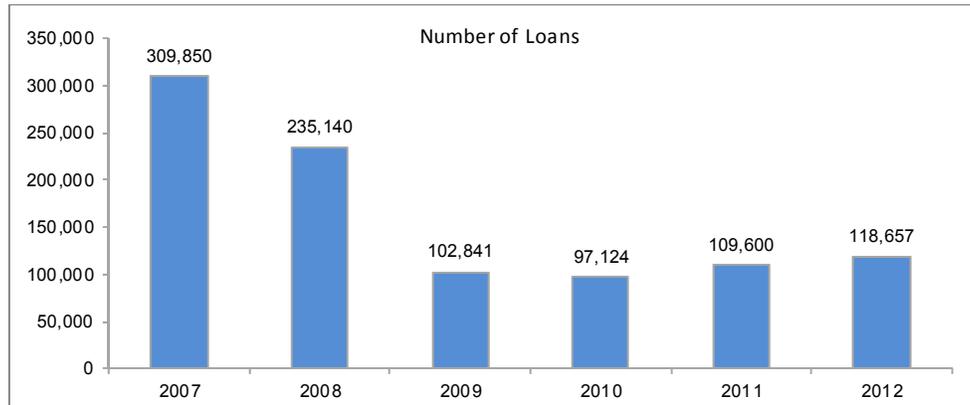


## SMALL BUSINESS LOAN VOLUME

A review of the most recent annual CRA data, which primarily reflects the small business loan activity of the nation's largest lenders, shows that the volume of CRA-reported small business loan originations in Massachusetts in 2012 totaled 118,657 loans for \$4.1 billion, which represents an increase compared to the previous year when small business applicants in the state received 109,600 loans for \$3.7 billion. The 2012 increase represents the second consecutive year of moderate growth although small business loan origination levels remain well below the levels achieved prior to the recent financial crisis. Massachusetts community banks, which are discussed in greater detail in a later section, accounted for substantial portion of the dollar volume of CRA-reported activity in 2012.

It is important to note that the reported CRA small business loan volume is influenced to some extent by both the reporting requirements associated with the CRA law as well as the effects of mergers and acquisitions. In 2012, there were three local community banks that reported CRA data for the first time, including two lending with assets below the CRA reporting threshold. These structural changes are worth noting although their net effect is relatively small. For example, the three new CRA reporters accounted for substantially less than one percent of the CRA reported loan volume in 2012.

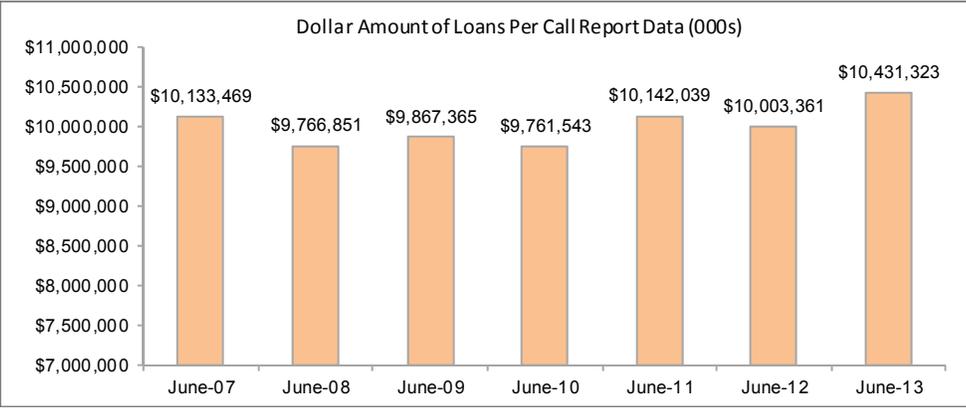
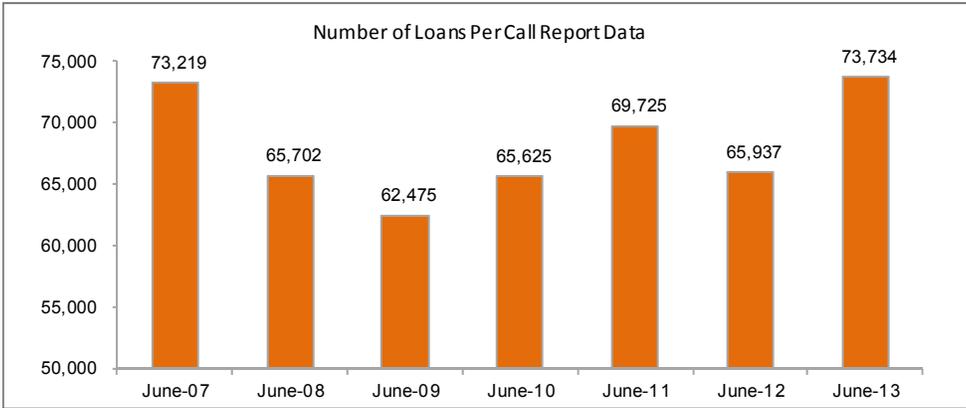
CHARTS: Small business loan originations in Massachusetts per the annual CRA database



The most recent quarterly Call Report data, which includes local community banks that are not included in the annual CRA database, shows that the volume of small business loans at Massachusetts banks and thrift institutions also increased over the past year. **The volume of small business loans on the books of local community banks totaled 73,734 small business loans for \$10.4 billion as of June 30, 2013, compared to 65,937 loan for \$10.0 billion as of June 30, 2012, and is now higher than the levels achieved prior to the recent financial crisis.**

As was the case with the annual CRA database, it is important to note that the small business loan volume associated with the Call Report database is also influenced by structural changes related to mergers and acquisitions. During the twelve months ended June 30, 2013, there were three local community banks that were acquired by other local banks. In addition, there were two local community banks that merged to form a new entity. These structural changes are worth noting although their net effect is relatively small and accounted for substantially less than one percent of the overall loan volume.

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

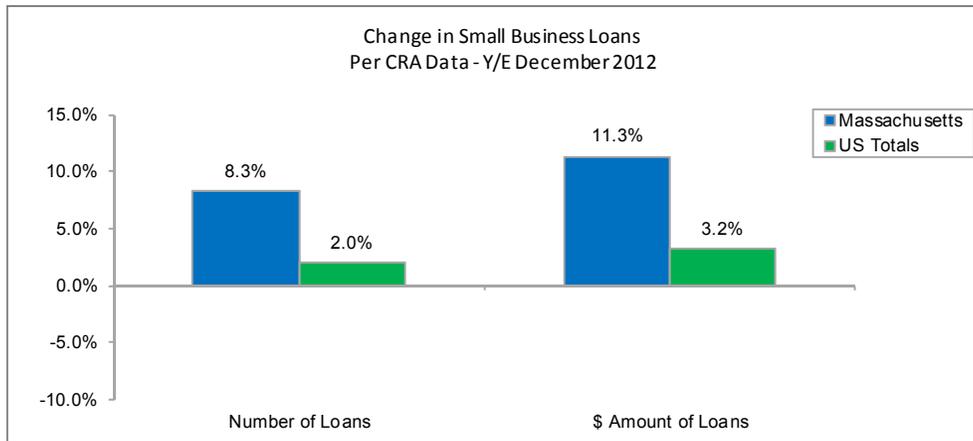


## SMALL BUSINESS LOAN GROWTH

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

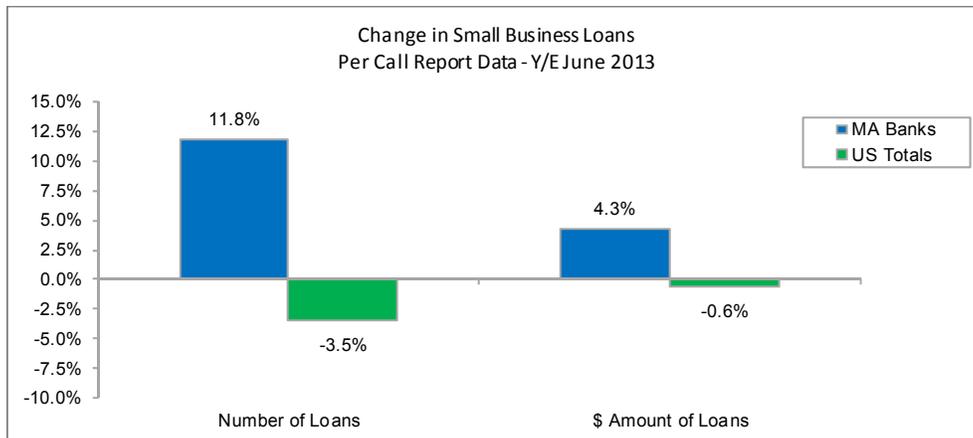
**A review of the most recent CRA data shows that small business loan originations in Massachusetts increased by 11.3% and 8.3% in 2012 in terms of the number and dollar amount of loans respectively which is significantly higher than the rate of small business loan growth experienced in the country as whole.** As will be discussed in greater detail in the next section, local lenders accounted for a substantial portion of the growth in small business loan dollars in 2012 although other CRA reporters, such as the large commercial banks and other out-of-state lenders that operate in Massachusetts, also experienced modest increases in lending volume compared to the previous year.

CHART: The annual CRA data shows that small business loan growth in Massachusetts exceeded the rate of growth in the country as a whole in 2012



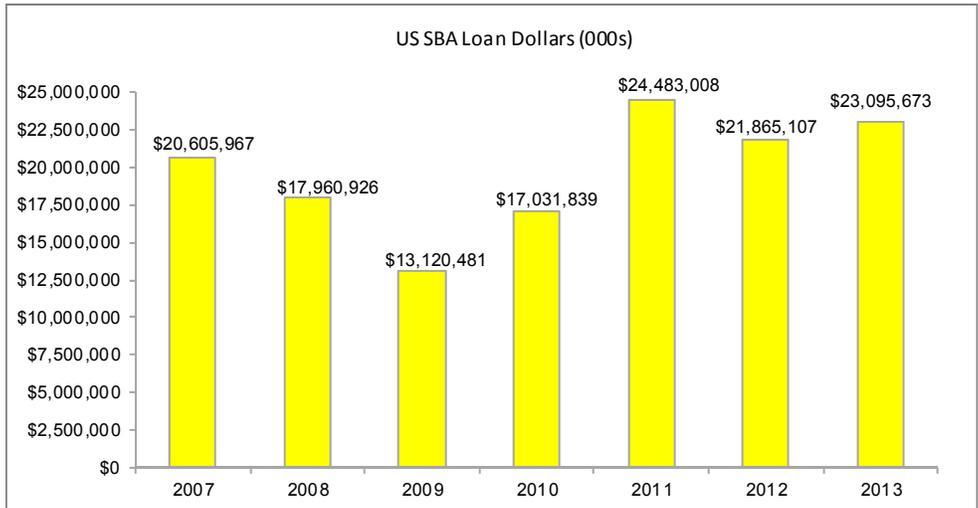
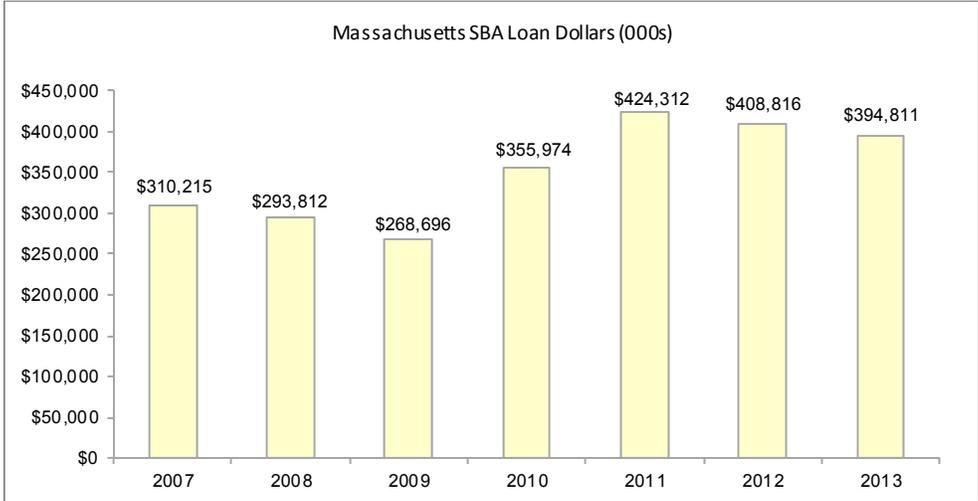
A review of the most recent Call Report data shows that Massachusetts banks and thrifts also experienced a strong increase in small business loan volume during the twelve month period ending June 30, 2013. **Small business loans on the books of local community banks increased by 11.8% and 4.3% in terms of the number and dollar amount of small business loans during the twelve months ended June 30, 2013 which also diverged from national averages.**

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



According to the US Small Business Administration, loans guaranteed by the SBA increased across the country as a whole in during the agency’s fiscal year ended September 30, 2013 but declined slightly in Massachusetts. SBA loans increased by 5.6% in FY 2013 on a national level but declined by 3.5% in Massachusetts. The decline in Massachusetts can be attributed to a slowdown in 504 development loans which offset a strong increase in the agency’s flagship 7(a) loan program.

CHARTS: SBA loan volume in Massachusetts and US from FY 2007 to 2013



A review of the annual CRA data from the 15 largest metropolitan areas across the country shows that greater Boston ranked 6<sup>th</sup> compared to other major metropolitan areas across the country in terms of the volume of CRA-reported small business loan dollars per 1,000 residents, and 2<sup>nd</sup> in terms of the change in loan dollars from 2011 to 2012. In terms of loan volume, five of the 15 largest metropolitan areas recorded lending levels of \$700,000 or more per 1,000 residents, while eight metropolitan areas recorded levels between \$600,000 to \$700,000. In terms of growth, 13 of the 15 largest metropolitan areas experienced increases in small business loan originations in 2012, while two experienced small declines.

TABLES: The greater Boston metro area ranked 6<sup>th</sup> compared to the 15 largest metropolitan areas across the country in terms of the volume of CRA-reported small business loan dollars per 1,000 residents, and 2<sup>nd</sup> in terms of the change in loan dollars from 2011 to 2012

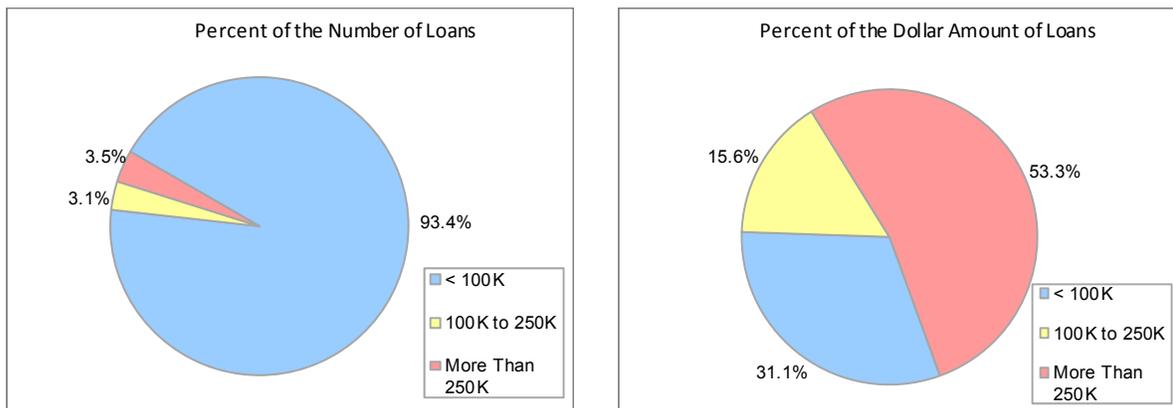
	Total Population	Total Number of Loans	Total Amount of Loans (000s)	Amount of Loans Per 1,000 Residents (000s)
San Francisco (41860)	4,335,391	115,541	\$3,697,187	\$853
Chicago (16980)	9,461,105	159,190	\$7,700,929	\$814
Detroit (19820)	4,296,250	67,094	\$3,379,142	\$787
Los Angeles (31100)	12,828,837	304,091	\$9,571,847	\$746
Seattle (42660)	3,439,809	64,774	\$2,451,175	\$713
Boston (14460)	4,552,402	87,871	\$3,123,464	\$686
New York (35620)	16,064,227	365,971	\$10,855,660	\$676
Houston (26420)	5,946,800	104,845	\$3,941,379	\$663
Miami (33100)	5,564,635	139,923	\$3,633,353	\$653
Washington DC (47900)	5,582,170	95,698	\$3,643,120	\$653
Atlanta (12060)	5,268,860	94,727	\$3,427,356	\$650
Philadelphia (37980)	5,965,343	95,229	\$3,828,348	\$642
Dallas (19100)	6,371,773	110,159	\$3,970,957	\$623
Phoenix (38060)	4,192,887	71,850	\$2,364,265	\$564
Riverside-San Bernardino (40140)	4,224,851	54,809	\$1,570,600	\$372

	2012 Change in Number of Loans	% Change	2012 Change in \$ Amount of Loans (000s)	% Change
Miami (33100)	10,888	8.4%	\$387,261	11.9%
Boston (14460)	7,015	8.7%	\$328,958	11.8%
New York (35620)	8,802	2.5%	\$939,385	9.5%
Riverside-San Bernardino (40140)	153	0.3%	\$131,451	9.1%
Houston (26420)	-1,209	-1.1%	\$279,523	7.6%
Seattle (42660)	-427	-0.7%	\$130,143	5.6%
Dallas (19100)	766	0.7%	\$210,553	5.6%
Washington DC (47900)	8,434	9.7%	\$183,645	5.3%
Chicago (16980)	1,461	0.9%	\$370,326	5.1%
Philadelphia (37980)	3,609	3.9%	\$144,857	3.9%
Los Angeles (31100)	-12,478	-3.9%	\$258,048	2.8%
Atlanta (12060)	5,653	6.3%	\$73,815	2.2%
Detroit (19820)	1,242	1.9%	\$38,036	1.1%
San Francisco (41860)	-11,625	-9.1%	-\$40,650	-1.1%
Phoenix (38060)	-10,339	-12.6%	-\$28,690	-1.2%

## BREAKDOWN BY ORIGINAL LOAN AMOUNT

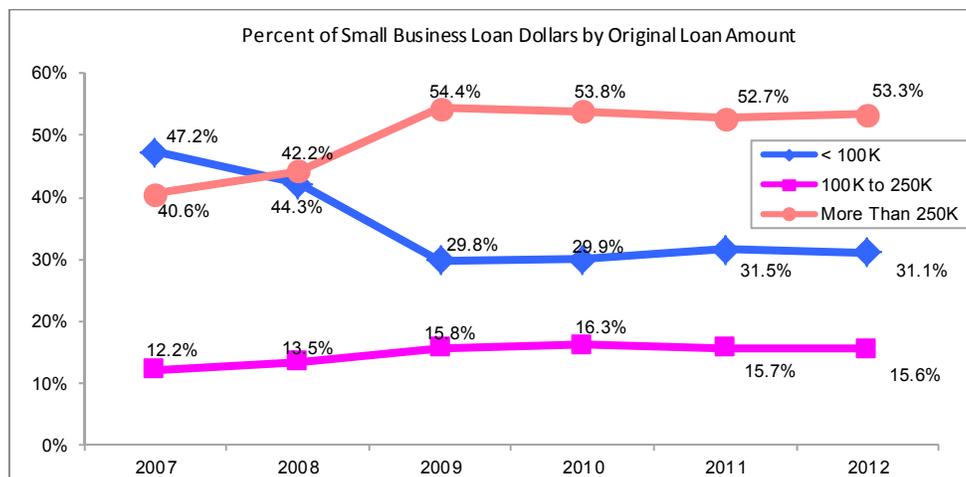
The annual CRA data provides an aggregate breakdown of loan data by the original amount of the loans using the following three loan size increments: under \$100,000, from \$100,000 to \$250,000, and from \$250,000 to \$1 million. CRA-reported small business loans with an original amount of \$100,000 or less accounted for the vast majority of the total number of loans in Massachusetts in 2012, but accounted for less than one-third of small business loan dollars. In Massachusetts, small business loans under \$100,000 accounted for 93.4% of the total number of loans in 2012 and 31.1% 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 3.5% of the number of loans but made up 53.3% 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 (2012)



**Much of the recent declines in small business lending from 2008 to 2010 involved declines in loans with original amounts under \$100,000 although the volume of these smaller loans, when measured on a percentage basis, has held fairly steady in recent years. Such loans accounted for 31.1% of all small business loan dollars in 2012, 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 (2012)

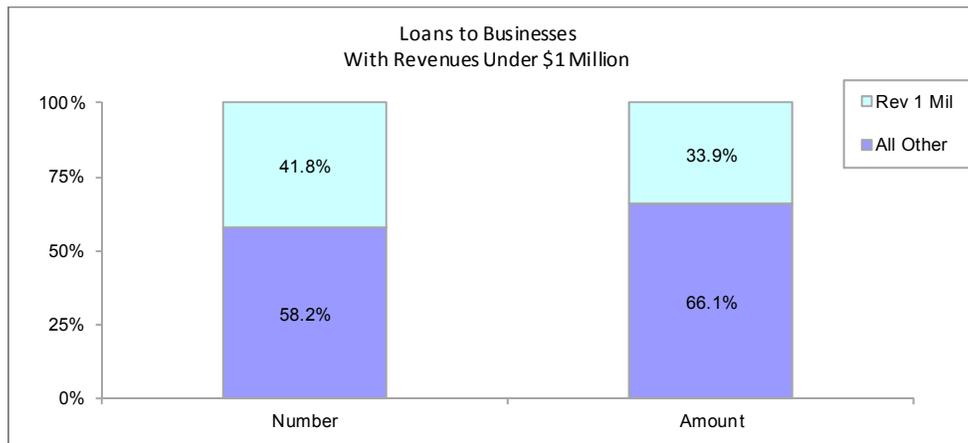


**LOANS TO BUSINESSES WITH REVENUES UNDER \$1 MILLION**

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

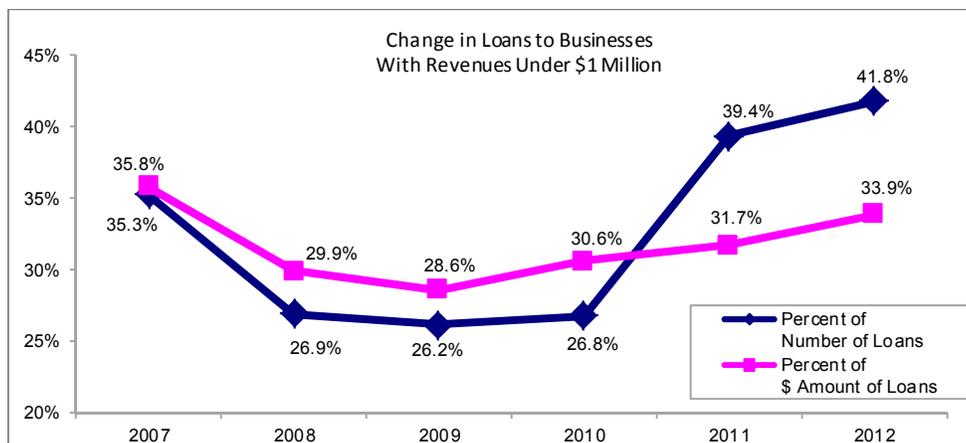
Reported loans to businesses with annual revenues of \$1 million or less accounted for 41.8% of the total number of loans in Massachusetts in 2012 and 33.9% of the dollar amount of loans, compared to the previous year when such loans represented 39.4% of the number of loans and 31.7% of the dollar volume.

CHART: Percentage of reported loans to businesses with annual revenues under \$1 million (2012)



The percentage of reported loans to businesses with revenues under \$1 million increased to 41.8% in terms of the number of loans in 2012 and 33.9% in terms of the dollar amount of loans.

CHART: Change in the percentage of loans to businesses with revenues under \$1 million (2007 to 2011)



## THE ROLE OF LOCAL LENDERS

As noted, the annual CRA data for 2012 contained a total of 43 local community banks that are headquartered in Massachusetts as well as four large commercial banks that are headquartered in other states but that have a substantial branch network across the state involving more than 150 branches. These four large commercial banks, which include Bank of America, RBS Citizens, Sovereign Bank, and TD Bank, are treated as local lenders for the purposes of this report, as they have been in past reports, due to their extensive physical presence in the state. The CRA database also contains a handful of community banks headquartered in neighboring states that make small business loans in Massachusetts, but that have a relatively small branch presence involving 30 or fewer branches. These banks, which include First Niagara, Peoples United Bank, and Webster Bank, are *not* treated as local lenders in this report. Detailed information regarding individual lenders is provided in the online appendix to this report.

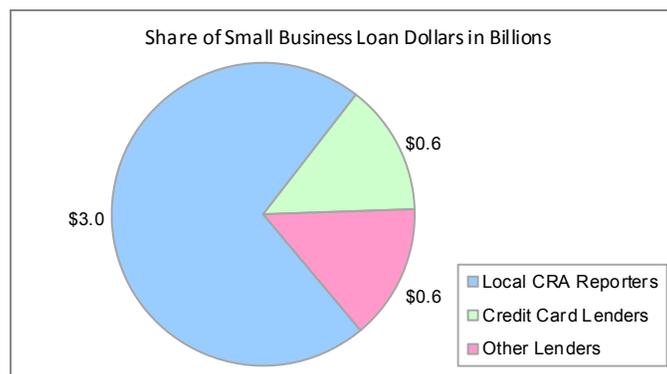
While local CRA reporters account for the vast majority of CRA-reported small business lending in Massachusetts, it is worth noting that most of these lenders are small community banks that typically report fewer than \$25 million in small business loans per year. In 2012, only 17 of the local CRA lenders reported between \$25 million and \$100 million in small business loan dollars, and just six additional lenders reported small business loan volume in Massachusetts greater than \$100 million. These largest local CRA reporters include two Massachusetts community banks as well as the four large commercial banks noted above.

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

**The annual CRA data shows that local lenders originated a total of 20,361 small business loans for \$3.0 billion in 2012, which represented 17.2% of the total number of small business loans in Massachusetts and 71.6% of small business loan dollars.**

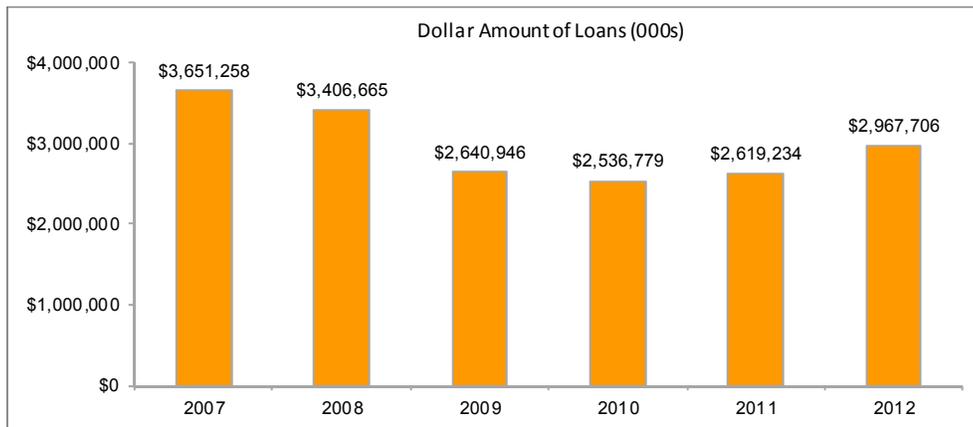
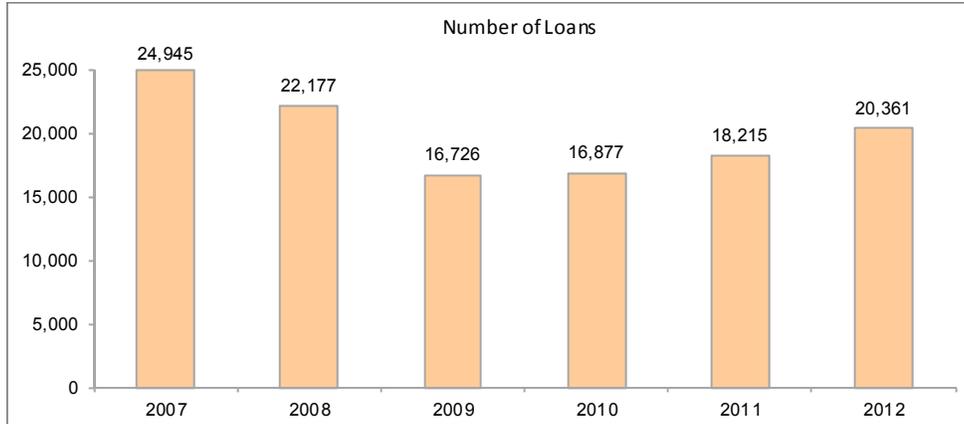
TABLE & CHART: Local CRA reporters vs other lenders (2012)

	Number of Loans	% of Total	\$ Amount of Loans (000s)	% of Total
Local CRA Reporters	20,361	17.2%	\$2,967,706	71.6%
Credit Card Lenders	87,252	73.5%	\$579,413	14.0%
Other Lenders	11,044	9.3%	\$597,906	14.4%
Totals	118,657	100.0%	\$4,145,025	100.0%



While the volume of small business loans of local CRA reporters appears to have turned the corner, origination activity remains well below the lending levels achieved before the recent financial crisis.

CHARTS: Small business loan volume increased further at local CRA reporters in 2012 but remains well below the levels of several years ago



**Local CRA reporters account for the substantial majority of small business lending activity in Massachusetts and their overall market share has remained fairly stable for the past few years.** In 2012, local CRA reporters saw their share of small business loan dollars increase to 71.6% compared to 70.4% in 2011.

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



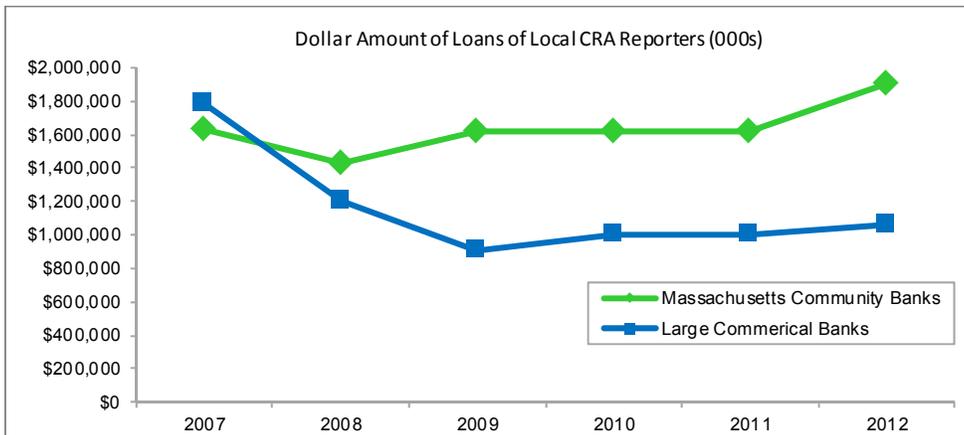
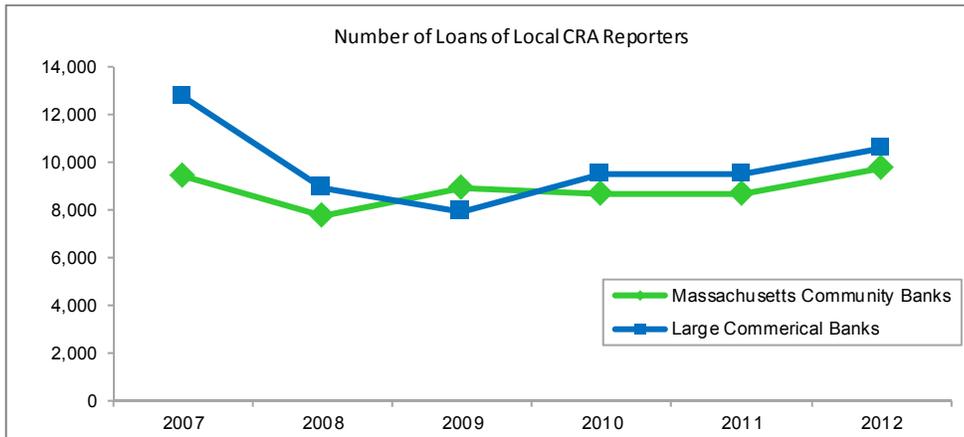
**A closer examination of the data of local CRA reporters shows that local Massachusetts-based community banks have generally outperformed the large commercial banks that operate in the state in recent years and local community banks extended their gains in 2012.** The reasons behind this shift are complex 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 annual CRA data shows that local community banks made 9,783 small business loans for \$1.9 billion in 2012 while large commercial banks made 10,578 loans for \$1.1 billion. Local Massachusetts-based community banks continue to enjoy a substantial market share advantage over the large commercial banks that operate in the state, and extended their gains in 2012. Local community banks experienced increases of 12.9% in the number of loans and 17.4% in loan dollars compared to the previous year, while large commercial banks experienced increases of 10.8% and 6.7% respectively.

TABLE: Local community banks vs large commercial banks in Massachusetts (2012 CRA data)

	Number of Loans	% of Total	Percent Change	\$ Amount of Loans (000s)	% of Total	Percent Change
Local Community Banks	9,783	8.2%	12.9%	\$1,901,079	45.9%	17.4%
Large Commercial Banks	10,578	8.9%	10.8%	\$1,066,627	25.7%	6.7%
Totals - Local CRA Reporters	20,361	17.2%	11.8%	\$2,967,706	71.6%	13.3%

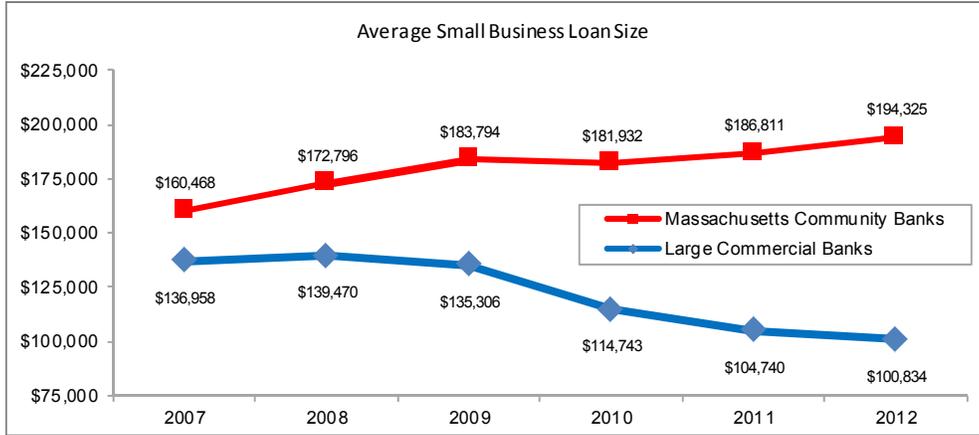
CHARTS: Local community banks have generally outperformed the large commercial banks that operate in the state in recent years



Another consequence of the strong performance of local community banks has been a fairly steady increase in the average size of a small business loan. **Over the past six years, the average size of a CRA-reported small business loan at a local community bank has increased from \$160,468 in 2007 to \$194,325 in 2012 while the average loan size at the large commercial banks has declined from \$136,958 to \$100,834.**

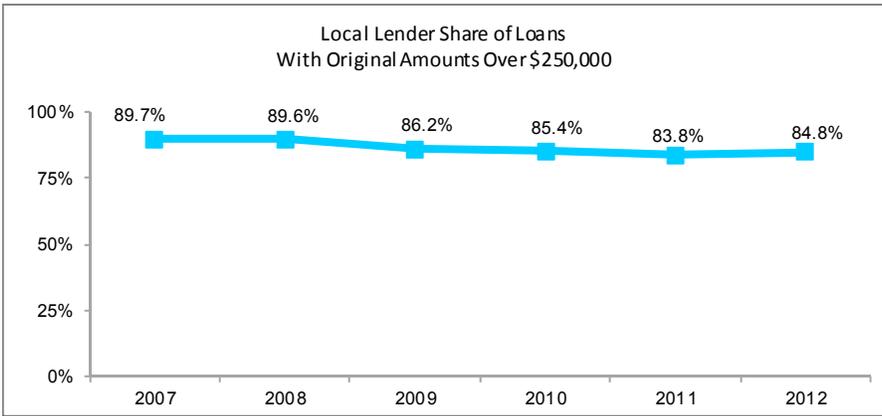
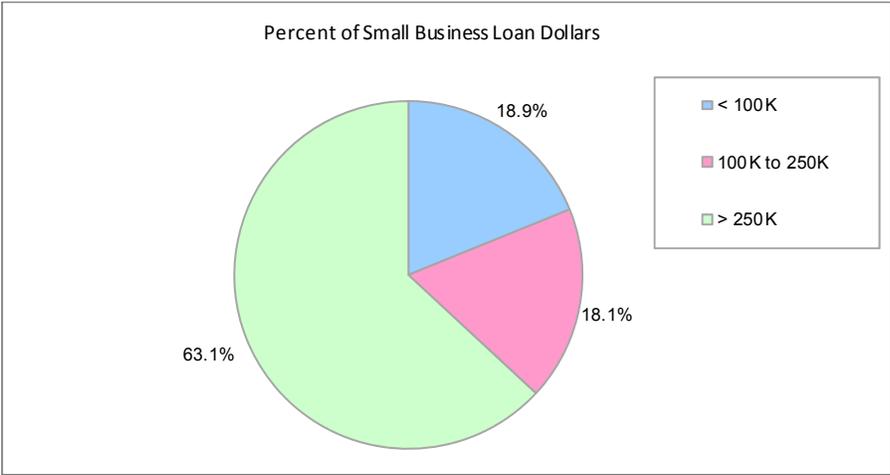
These results may seem counterintuitive given the widely held perceptions that commercial banks have deep pockets and community banks are conservative lenders, but the reasons behind the disparity may be attributable to a difference in the relationship style and level of commitment to the local community. It is worth noting that the average size of a member business loan at credit unions in Massachusetts, which take great pride in their relationship with their member borrowers, totaled \$255,097 as of June 30, 2013, including both small and large business loans.

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



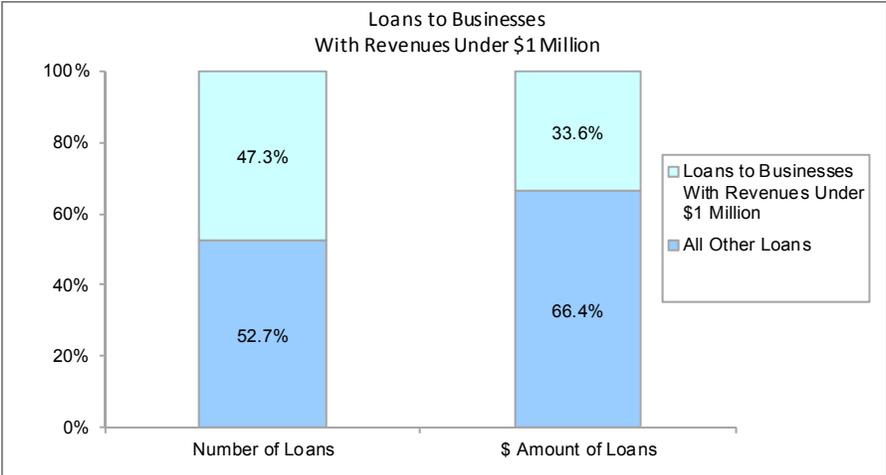
As one might expect given the average size of a small business loan originated by a local lender, a substantial portion of CRA-reported loans made by local lenders had original amounts greater than \$250,000. In 2012 loans with original amounts over \$250,000 accounted for 63.1% of the small business 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 2012, Massachusetts banks accounted for 84.8% 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 9,621 loans to businesses with revenues under \$1 million in 2012 for \$996.0 million, which represented 47.3% of the total number of loans originated by local lenders and 33.6% of the dollar amount of loans.

CHART: Reported loans to businesses with revenues under \$1 million at local lenders (2012)



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

TABLE: Small business loans by local CRA reporters in Massachusetts by dollar volume (CRA Data 2012)

	Town	Massachusetts Deposits (\$000s) 6/30/2011	Number of Loans	\$ Amount of Loans (\$000s)	Average Loan Size (\$000s)
**BANK OF AMERICA, N.A.	WESTLAKE VILLAGE, CA	\$54,711,382	3,203	\$451,540	\$141
EASTERN BANK	LYNN	\$6,517,999	1,595	\$314,588	\$197
ROCKLAND TRUST COMPANY	PLYMOUTH, MA	\$4,110,601	1,628	\$313,183	\$192
**SOVEREIGN BANK, N.A.	WILMINGTON, DE	\$18,905,587	1,494	\$216,964	\$145
**TD BANK N.A.	FALMOUTH, ME	\$10,834,124	2,671	\$201,758	\$76
**RBS CITIZENS, N.A.	PROVIDENCE	\$30,906,567	3,210	\$196,365	\$61
SALEM FIVE CENTS SAVINGS BANK	SALEM	\$1,998,044	386	\$97,620	\$253
BOSTON PRIVATE BANK & TRUST CO	BOSTON	\$2,905,997	318	\$96,022	\$302
ENTERPRISE B&TC	LOWELL	\$1,327,531	556	\$95,369	\$172
BRISTOL COUNTY SAVINGS BANK	TAUNTON	\$972,400	310	\$75,259	\$243
MIDDLESEX SAVINGS BANK	WESTBOROUGH	\$3,565,949	436	\$67,379	\$155
WESTFIELD BANK	WESTFIELD	\$748,216	399	\$65,040	\$163
BROOKLINE BANK	BROOKLINE	\$2,118,132	211	\$60,046	\$285
CENTURY BANK	MEDFORD	\$2,360,153	343	\$54,721	\$160
CAPE COD FIVE CENTS SAVINGS BA	ORLEANS	\$1,949,388	303	\$50,532	\$167
CAMBRIDGE SAVINGS BANK	ARLINGTON	\$1,962,310	204	\$48,659	\$239
BAYCOAST BANK	FALL RIVER	\$713,365	206	\$48,407	\$235
NORTHERN BANK & TRUST COMPANY	WOBURN	\$598,587	220	\$47,336	\$215
BERKSHIRE BANK	PITTSFIELD	\$1,931,387	309	\$45,616	\$148
EAST BOSTON SAVINGS BANK	PEABODY	\$1,705,960	117	\$42,661	\$365
UNITED BANK	WEST SPRINGFIELD	\$1,277,098	332	\$35,580	\$107
COMMERCE BANK & TRUST COMPANY	WORCESTER	\$1,214,190	165	\$35,263	\$214
MUTUALONEBANK	FRAMINGHAM	\$308,337	156	\$31,155	\$200
GREENFIELD SAVINGS BANK	GREENFIELD	\$460,504	184	\$22,847	\$124
HINGHAM INSTITUTION FOR SAVING	HINGHAM	\$830,086	55	\$22,660	\$412
HAMPDEN BANK	SPRINGFIELD	\$436,025	109	\$22,277	\$204
UNIBANK	WHITINSVILLE	\$1,268,052	139	\$20,087	\$145
WATERTOWN SAVINGS BANK	WATERTOWN	\$950,940	49	\$18,731	\$382
SOUTH SHORE BANK	SO WEYMOUTH	\$671,230	120	\$17,934	\$149
FLORENCE SAVINGS BANK	FLORENCE	\$840,663	112	\$16,926	\$151
EASTHAMPTON SAVINGS BANK	EASTHAMPTON	\$788,374	118	\$15,578	\$132
THE LOWELL FIVE CENT SAVINGS B	LOWELL	\$668,477	76	\$15,546	\$205
THE SAVINGS BANK	WAKEFIELD	\$394,001	50	\$13,985	\$280
COUNTRY BANK	WARE	\$956,262	93	\$13,695	\$147
PEOPLESBANK	HOLYOKE	\$1,349,885	83	\$13,032	\$157
BANK OF CAPE COD	HYANNIS	\$149,342	52	\$12,377	\$238
INSTITUTION FOR SAVINGS	NEWBURYPORT	\$1,127,672	42	\$8,348	\$199
CAPE ANN SAVINGS BANK	GLOUCESTER	\$326,158	47	\$8,163	\$174
FIDELITY BANK	LEOMINSTER	\$415,727	54	\$7,343	\$136
WEBSTER FIVE CENTS SAVINGS BAN	WORCESTER	\$460,377	48	\$5,142	\$107
BAY STATE SAVINGS BANK	WORCESTER	\$222,025	41	\$5,136	\$125
EAST CAMBRIDGE SAVINGS BANK	CAMBRIDGE	\$685,451	39	\$4,992	\$128
BELMONT SAVINGS BANK	BELMONT	\$580,273	17	\$3,613	\$213
NORTH EASTON SAVINGS BANK	SOUTH EASTON	\$428,784	37	\$2,839	\$77
EAGLE BANK	EVERETT	\$365,417	12	\$2,586	\$216
BNY MELLON, N.A.	PITTSBURGH	\$3,484,657	9	\$2,439	\$271
BLUE HILLS BANK	BOSTON	\$764,753	3	\$367	\$122
LOCAL LENDER TOTALS		NA	20,361	\$2,967,706	\$146

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

TABLE: Small business loans of local community banks in Massachusetts by dollar volume (Call Report Data – June 2013)

	Town	Deposits (\$000s)	Number of Loans	\$ Amount of Loans (\$000s)	Average Loan Size (\$000s)
ROCKLAND TRUST COMPANY	ROCKLAND	4,693,716	4,331	\$791,851	\$183
BROOKLINE BANK	BROOKLINE	2,209,761	8,570	\$526,602	\$61
EASTERN BANK	BOSTON	6,970,387	3,107	\$493,177	\$159
ENTERPRISE BANK AND TRUST COMPANY	LOWELL	1,579,998	3,309	\$490,922	\$148
COMMERCE BANK & TRUST COMPANY	WORCESTER	1,554,606	2,045	\$358,047	\$175
MIDDLESEX SAVINGS BANK	NATICK	3,517,370	3,459	\$278,039	\$80
UNITED BANK	WEST SPRINGFIELD	1,951,638	2,007	\$277,844	\$138
CAPE COD FIVE CENTS SAVINGS BANK	HARWICH PORT	2,095,744	2,217	\$277,286	\$125
EAST BOSTON SAVINGS BANK	BOSTON	2,066,846	860	\$238,018	\$277
SALEM FIVE CENTS SAVINGS BANK	SALEM	2,206,942	1,103	\$222,169	\$201
BOSTON PRIVATE BANK & TRUST COMPANY	BOSTON	4,628,662	760	\$211,800	\$279
BERKSHIRE BANK	PITTSFIELD	3,847,809	2,817	\$201,343	\$71
AVIDIA BANK	HUDSON	794,095	1,672	\$179,671	\$107
BRISTOL COUNTY SAVINGS BANK	TAUNTON	1,093,831	1,114	\$178,328	\$160
BAYCOAST BANK	FALL RIVER	777,164	863	\$148,907	\$173
PROVIDENT BANK, THE	AMESBURY	470,406	950	\$142,599	\$150
NORTHERN BANK & TRUST COMPANY	WOBURN	790,058	685	\$142,281	\$208
BANK OF CANTON, THE	CANTON	549,763	493	\$125,380	\$254
CHICOPEE SAVINGS BANK	CHICOPEE	472,924	883	\$125,178	\$142
PEOPLESBANK	HOLYOKE	1,468,976	611	\$124,545	\$204
NORTH SHORE BANK, A CO-OPERATIVE BANK	PEABODY	358,067	660	\$120,549	\$183
SOUTH SHORE BANK	SOUTH WEYMOUTH	687,003	720	\$113,608	\$158
HINGHAM INSTITUTION FOR SAVINGS	HINGHAM	895,474	407	\$112,837	\$277
WESTFIELD BANK	WESTFIELD	783,307	1,435	\$110,128	\$77
LEADER BANK, NATIONAL ASSOCIATION	ARLINGTON	460,784	312	\$103,434	\$332
COUNTRY BANK FOR SAVINGS	WARE	950,691	593	\$95,726	\$161
MUTUALONE BANK	FRAMINGHAM	439,263	595	\$95,153	\$160
BANKFIVE	FALL RIVER	640,464	1,102	\$94,104	\$85
PENTUCKET BANK	HAVERHILL	544,077	472	\$84,952	\$180
CAPE COD CO-OPERATIVE BANK	YARMOUTH PORT	540,279	501	\$83,184	\$166
FIDELITY CO-OPERATIVE BANK	FITCHBURG	431,364	487	\$80,420	\$165
STONEHAMBANK	STONEHAM	320,601	368	\$79,048	\$215
HAMPDEN BANK	SPRINGFIELD	476,577	1,019	\$76,162	\$75
CAMBRIDGE TRUST COMPANY	CAMBRIDGE	1,248,783	496	\$75,206	\$152
CAMBRIDGE SAVINGS BANK	CAMBRIDGE	2,032,226	624	\$74,783	\$120
BRIDGEWATER SAVINGS BANK	RAYNHAM	395,639	256	\$73,712	\$288
CENTURY BANK AND TRUST COMPANY	SOMERVILLE	2,655,117	299	\$72,827	\$244
NORTH MIDDLESEX SAVINGS BANK	AYER	276,580	769	\$71,339	\$93
WALPOLE CO-OPERATIVE BANK	WALPOLE	282,214	315	\$68,663	\$218
MARTHA'S VINEYARD SAVINGS BANK	EDGARTOWN	436,639	370	\$66,633	\$180
DEDHAM INSTITUTION FOR SAVINGS	DEDHAM	980,284	264	\$65,772	\$249
MILFORD NATIONAL BANK AND TRUST COMPANY THE	MILFORD	243,501	431	\$64,504	\$150
MECHANICS COOPERATIVE BANK	TAUNTON	376,488	429	\$64,465	\$150
FIRST IPSWICH BANK	IPSWICH	249,717	336	\$64,330	\$191
ROCKPORT NATIONAL BANK	ROCKPORT	177,669	446	\$64,008	\$144
HOOSAC BANK	NORTH ADAMS	341,044	449	\$62,116	\$138
ROLLSTONE BANK & TRUST	FITCHBURG	332,541	403	\$61,872	\$154
GREENFIELD SAVINGS BANK	GREENFIELD	468,656	562	\$61,024	\$109
LOWELL FIVE CENT SAVINGS BANK, THE	LOWELL	787,316	421	\$60,732	\$144
BANK OF CAPE COD	HYANNIS	164,224	273	\$60,048	\$220

## CREDIT UNIONS

Credit unions also experienced a strong increase in small business lending in the past year. Of the 195 state and federal credit unions in Massachusetts, 65 reported member business loans on their books as of June 30, 2013. While the credit union reporting requirements and instructions differ from the annual CRA and quarterly Call Report reporting requirements, it is likely that the vast majority of the credit union member business loans have original amounts under \$1 million and would therefore be considered small business loans under the CRA and Call Report instructions. **Credit unions in Massachusetts reported 5,458 small business loans for \$1.4 billion as of June 30, 2013, compared to 4,938 loans for \$1.2 billion as of June 30, 2012.**

TABLE: Credit union member business loans in Massachusetts (2007 to 2013)

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

While most lenders in Massachusetts and across the country have experienced declines or modest increases in small business lending over the past few years, Massachusetts credit unions have experienced regular increases in business loans throughout the period covered by the ongoing financial crisis. While their contribution to the overall volume of small business loans may be relatively small when compared to commercial banks, the growth of member business loans at credit unions underscores the important role that credit unions, and other local community lenders, play in meeting local business credit needs. **Small business loans at local credit unions increased by 10.5% and 16.1% in terms of the number and dollar amount of small business loans during the twelve months ended June 30, 2013.** The increases in member business loans at Massachusetts credit unions have generally been in line with national credit union averages over the period reviewed.

TABLE: Annual year-over-year change in member business loans in Massachusetts (2008 to 2013)

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

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

TABLE: Member business loans by local credit unions in Massachusetts by dollar volume (June 2013)

	Town	Deposits (\$000s)	Number of Loans	\$ Amount of Loans (\$000s)	\$ Average Loan Size (\$000s)
DIGITAL FCU	MARLBOROUGH	\$4,128,391	723	\$544,438	\$753
HARBORONE CU	BROCKTON	\$1,332,419	589	\$75,840	\$129
METRO CU	CHELSEA	\$976,666	235	\$71,271	\$303
WEBSTER FIRST FCU	WORCESTER	\$532,070	265	\$68,234	\$257
JEANNE D'ARC CU	LOWELL	\$860,366	262	\$64,961	\$248
GREYLOCK FCU	PITTSFIELD	\$1,026,154	467	\$63,709	\$136
ROCKLAND FCU	ROCKLAND	\$996,855	392	\$48,058	\$123
ST. ANNE'S OF FALL RIVER CU	FALL RIVER	\$706,512	204	\$47,622	\$233
MILLBURY FCU	MILLBURY	\$263,951	180	\$33,461	\$186
GFA FCU	GARDNER	\$316,271	193	\$31,832	\$165
WORKERS' CU	FITCHBURG	\$698,614	126	\$30,368	\$241
CENTRAL ONE FCU	SHREWSBURY	\$342,175	73	\$26,080	\$357
FREEDOM CU	SPRINGFIELD	\$441,216	124	\$21,762	\$175
ST. MARY'S CU	MARLBOROUGH	\$539,405	68	\$21,377	\$314
FIRST CITIZENS' FCU	FAIRHAVEN	\$450,472	209	\$18,486	\$88
BRIDGEWATER CU	BRIDGEWATER	\$272,459	83	\$16,772	\$202
CRESCENT CU	BROCKTON	\$313,302	114	\$15,728	\$138
LEOMINSTER CU	LEOMINSTER	\$476,997	145	\$14,702	\$101
COMMUNITY CREDIT UNION OF LYNN CU	LYNN	\$92,985	79	\$14,216	\$180
INDUSTRIAL CU	BOSTON	\$136,235	43	\$13,686	\$318
RTN FCU	WALTHAM	\$692,000	71	\$12,697	\$179
FIRST PRIORITY CU	BOSTON	\$92,968	26	\$12,253	\$471
HOLYOKE CU	HOLYOKE	\$97,279	45	\$10,444	\$232
ALIGN CU	LOWELL	\$416,412	36	\$10,444	\$290
RIVER WORKS CU	LYNN	\$73,494	56	\$10,117	\$181
MERRIMACK VALLEY FCU	LAWRENCE	\$453,907	73	\$9,941	\$136
SHARON CU	SHARON	\$408,547	64	\$9,277	\$145
SOUTHBRIDGE CU	SOUTHBRIDGE	\$133,829	48	\$7,519	\$157
CAMBRIDGE PORTUGUESE CU	SOMERVILLE	\$98,494	37	\$6,943	\$188
ST. JEAN'S CU	LYNN	\$134,890	23	\$5,669	\$246
LIBERTY BAY CU	BRAINTREE	\$518,009	35	\$4,681	\$134
ST. MICHAELS FALL RIVER FCU	FALL RIVER	\$28,791	30	\$4,249	\$142
FALL RIVER MUNICIPAL CU	FALL RIVER	\$148,241	29	\$4,160	\$143
TAUNTON FCU	TAUNTON	\$112,652	22	\$4,090	\$186
MEMBERS PLUS CU	MEDFORD	\$183,000	21	\$3,426	\$163
SOMERSET FCU	SOMERSET	\$126,982	24	\$3,171	\$132
HANSCOM FCU	HANSCOM AFB	\$920,278	38	\$3,138	\$83
LUSO-AMERICAN CU	PEABODY	\$64,073	11	\$3,016	\$274
LUSO FCU	LUDLOW	\$139,975	20	\$2,904	\$145
ALDEN CU	CHICOPEE	\$94,954	26	\$2,682	\$103
BOSTON FIREFIGHTERS CU	DORCHESTER	\$165,037	12	\$2,435	\$203
TREMONT CU	BRAINTREE	\$145,818	12	\$2,412	\$201
MASS BAY CU	SOUTH BOSTON	\$176,022	11	\$2,301	\$209
TAUPA LITHUANIAN FCU	SOUTH BOSTON	\$16,170	9	\$1,727	\$192
NOTRE DAME COMMUNITY FCU	FALL RIVER	\$42,850	13	\$1,668	\$128
GRAFTON SUBURBAN CU	NORTH GRAFTON	\$106,819	15	\$1,604	\$107
I-C FCU	FITCHBURG	\$354,101	17	\$1,309	\$77
POLISH NATIONAL CU	CHICOPEE	\$411,143	20	\$877	\$44
ACUSHNET FCU	ACUSHNET	\$16,822	6	\$722	\$120
CITY OF BOSTON CU	BOSTON	\$251,744	4	\$697	\$174

## CREDIT CARD LENDERS

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

**Based on our estimates, credit card lenders reported 87,252 small business credit card loans in Massachusetts in 2012 for \$579.4 million, which is up compared to the previous year but well below the levels achieved prior to the recent financial crisis.** Small business credit card loans accounted for 73.2% of the total number of CRA-reported small business loans in the state in 2012 and 13.9% of loan dollars.

CHARTS: Estimated small business credit card loan volume in Massachusetts (2007 to 2012)

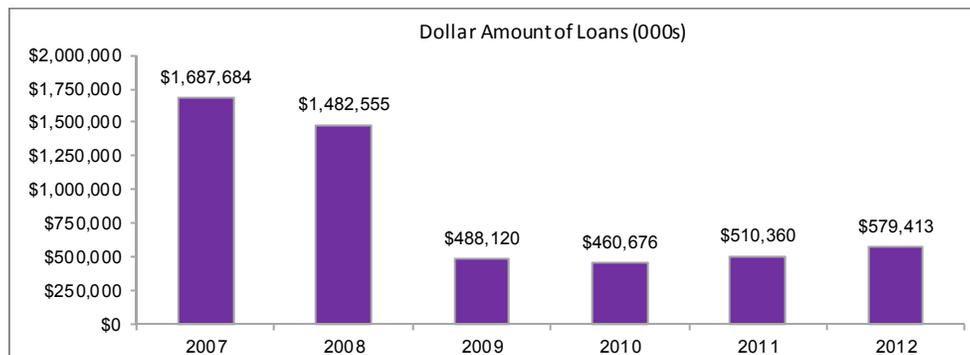
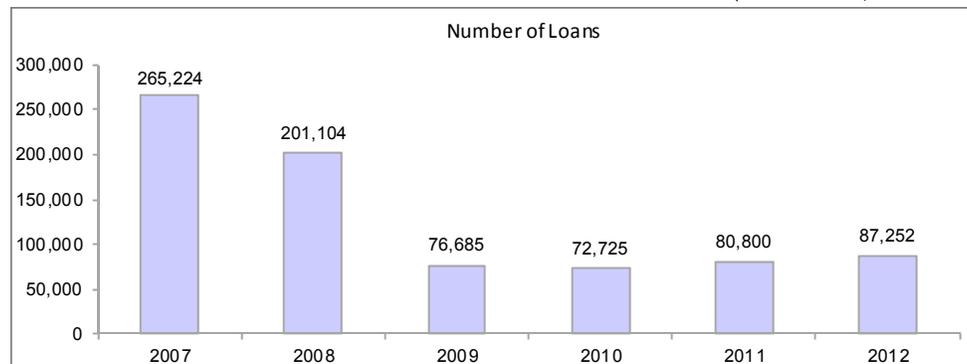
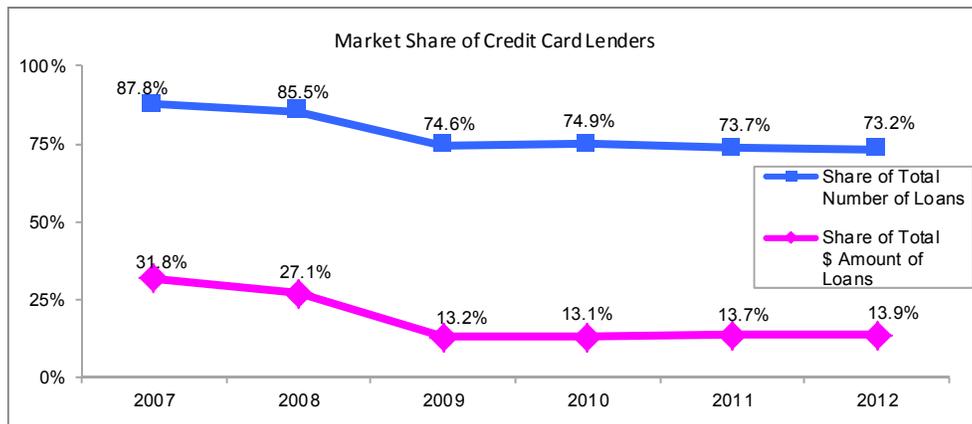


TABLE: Small business credit card lenders in Massachusetts (2012)

	Number of Loans	\$ Amount of Loans (\$000s)	\$ Average Loan Size (\$000s)
AMERICAN EXPRESS, FSB	41,490	\$274,089	\$6,606
FIA CARD SERVICES	9,059	\$76,920	\$8,491
CHASE BANK USA, NA	6,656	\$61,812	\$9,287
CITIBANK, N.A.	10,037	\$60,098	\$5,988
CAPITAL ONE BANK USA, N.A.	7,465	\$36,913	\$4,945
US BANK NORTH DAKOTA	2,926	\$28,495	\$9,739
GE CAPITAL RETAIL BANK	7,364	\$23,902	\$3,246
BB&T FNCL FSB	1,416	\$11,675	\$8,245
FIRST NATIONAL BANK OF OMAHA	364	\$3,681	\$10,113
DISCOVER BANK	475	\$1,828	\$3,848
<b>CREDIT CARD LENDER TOTALS</b>	<b>87,252</b>	<b>\$579,413</b>	<b>\$6,641</b>

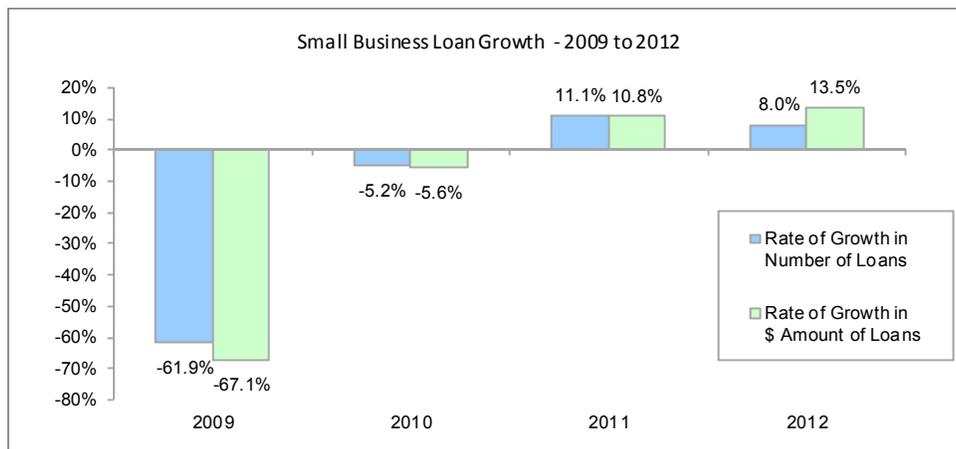
The important role played by credit card lenders in Massachusetts underscores the level of competition for small business loans that exists among all lenders. It also exemplifies the wide variety of loan products and underwriting options that consumers can choose from. Unlike larger, traditional small 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 2012)



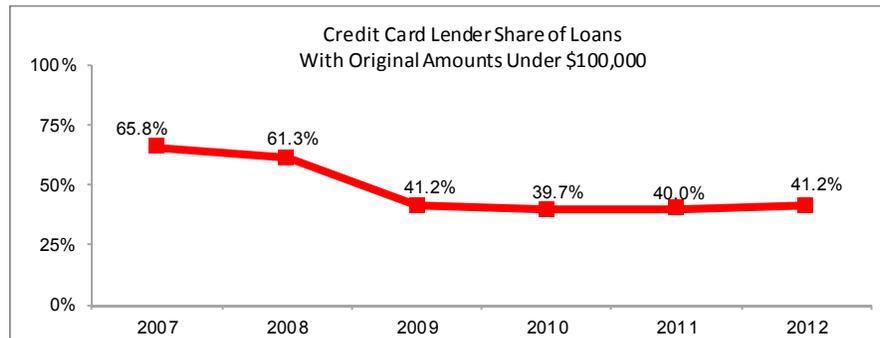
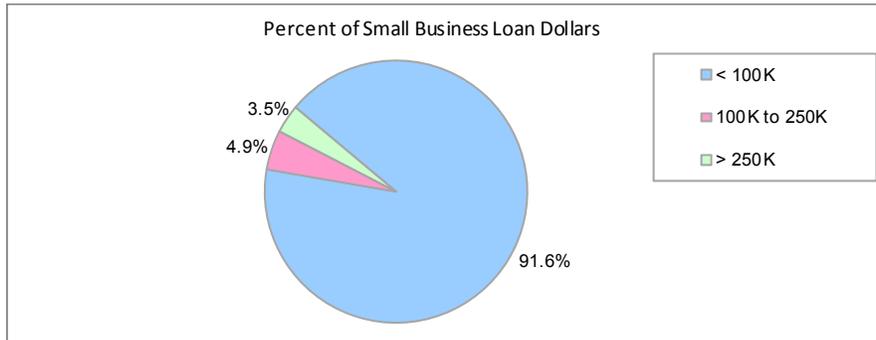
Small business credit card lending in Massachusetts increased in 2012 at a moderate pace for the second consecutive year. **Credit card lenders experienced increases of 8.0% and 13.5% in the number and dollar amount of CRA-reported small business loans in 2012, following increases of 11.1% and 10.8% respectively in 2011, although**

CHART: Small business lending by credit card lenders in Massachusetts increased in 2011 after recent declines



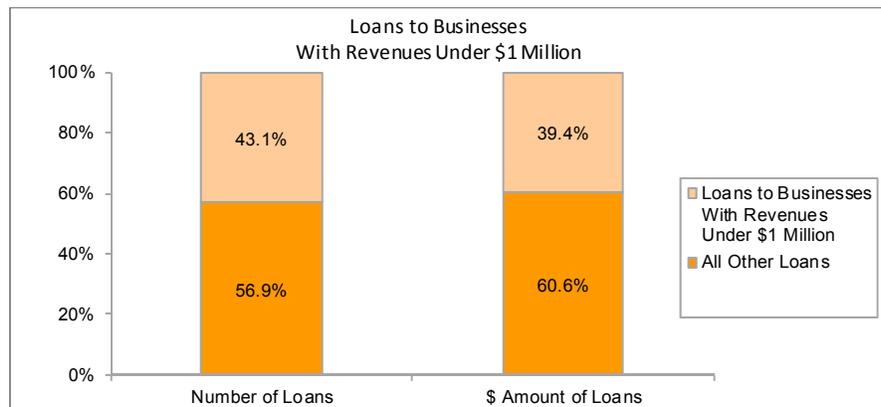
As one might expect given the average size of a small business credit card loan, the vast majority of loans originated by credit card lenders have original amounts less than \$100,000. In 2012, these loans accounted for 91.6% of all small business loan dollars for credit card lenders although small business credit card lenders have lost market share to local banks and out-of-state lenders in recent years.

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



Credit card lenders reported 37,581 loans to businesses with revenues under \$1 million in Massachusetts in 2012 for \$228.0 million, which represented 43.1% of the total number of loans originated by credit card lenders and 39.4% of the dollar amount of loans.

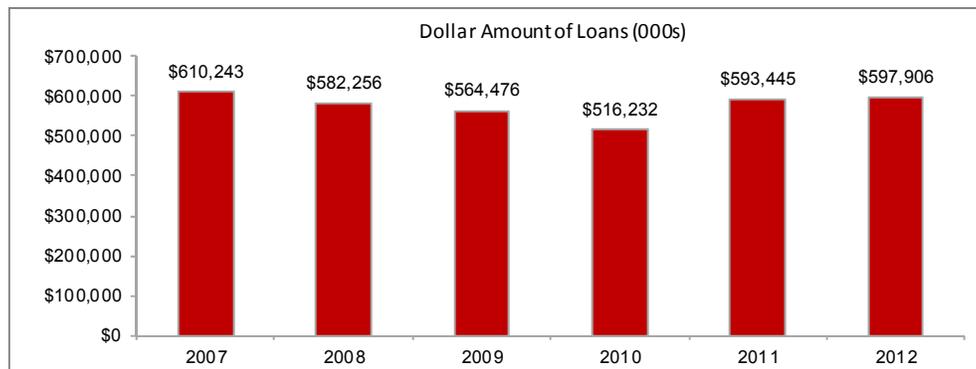
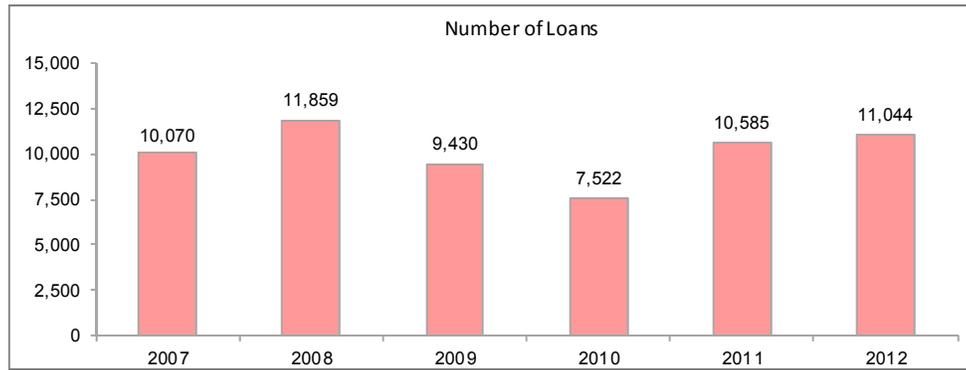
CHART: Loans to businesses with revenues under \$1 million at credit card lenders (2012)



**OTHER OUT-OF-STATE LENDERS**

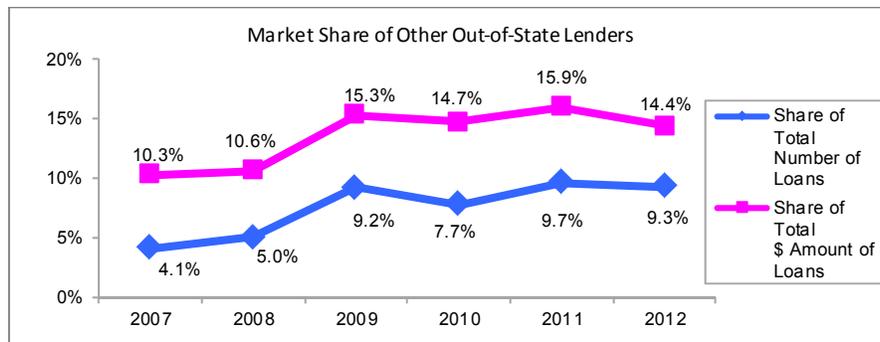
**Other out-of-state CRA lenders reported 11,044 CRA-reported small business loans in Massachusetts in 2012 for \$597.9 million, which is more or less in line with the levels reached before the recent financial crisis.** Small business loans by other out-of-state CRA lenders accounted for 9.3% of the total number of CRA-reported small business loans in the state in 2012 and 14.4% of loan dollars.

CHARTS: Small business loans by other out-of-state lenders in Massachusetts (2007 to 2012)



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 2012)



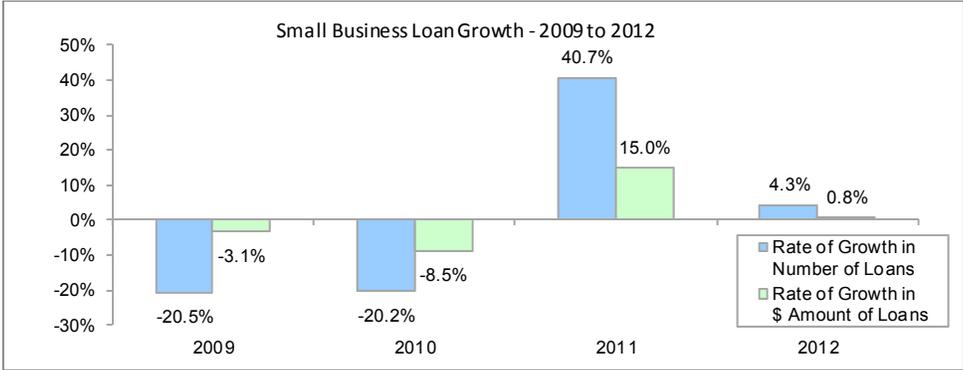
The following table shows the total CRA small business loans in 2012 for the 30 largest other out-of-state lenders in Massachusetts ranked by dollar volume. Data for all other out-of-state lenders can be found in the online appendix at [www.mcbsc.info](http://www.mcbsc.info).

TABLE: Small business loans by the 30 largest other out-of-state lenders by dollar volume (2012)

	Number of Loans	\$ Amount of Loans (\$000s)	\$ Average Loan Size (\$000s)
PEOPLES UNITED BANK	676	\$115,021	\$170,149
WELLS FARGO BANK, N.A.	2,177	\$109,260	\$50,188
SILICON VALLEY BANK	473	\$53,779	\$113,698
WEBSTER BANK, N.A.	267	\$48,374	\$181,176
M&T BANK	64	\$41,223	\$644,109
TEXAS CAPITAL BANK	4,743	\$37,411	\$7,888
JPMORGAN CHASE BANK, NA	524	\$26,275	\$50,143
GE CAPITAL BANK	229	\$14,354	\$62,681
SIGNATURE BANK	37	\$8,945	\$241,757
FIRST NIAGARA BANK, N.A.	99	\$8,807	\$88,960
FIRST REPUBLIC BANK	24	\$7,786	\$324,417
CAPITAL ONE NA	135	\$7,633	\$56,541
KEYBANK NATIONAL ASSOCIATION	24	\$7,349	\$306,208
US BANK, N.A.	161	\$7,076	\$43,950
THE HUNTINGTON NATIONAL BANK	241	\$6,577	\$27,290
BANK RHODE ISLAND	23	\$6,390	\$277,826
SALISBURY BANK AND TRUST CO	44	\$5,938	\$134,955
NBT BANK NA	19	\$5,520	\$290,526
MORGAN STANLEY BANK, N.A.	11	\$5,052	\$459,273
STEARNS BANK N A	117	\$4,767	\$40,744
BRIDGEHAMPTON NATIONAL BANK	55	\$4,726	\$85,927
BRIDGE BANK	9	\$4,472	\$496,889
BANKNEWPORT	9	\$4,165	\$462,778
WASHINGTON TRUST COMPANY	13	\$3,899	\$299,923
HSBC BANK USA, NA	228	\$3,808	\$16,702
EAST WEST BANK	13	\$3,295	\$253,462
PNC BANK N.A.	11	\$3,006	\$273,273
SUNTRUST BANKS, INC	16	\$2,998	\$187,375
OPTUM BANK	6	\$2,932	\$488,667
JOHN DEERE FINANCIAL, F.S.B.	397	\$2,806	\$7,068
OTHER LENDER TOTALS	11,044	\$597,906	\$54,139

As was the case for credit card lenders in Massachusetts, other out-of-state lenders in Massachusetts also experienced an increase in small business lending in 2012 although the decline was more modest and much smaller than the decline in the previous year. **Other out-of-state lenders experienced increases of 4.3% in the number of CRA-reported small business loans and 0.8% in loan dollars in 2012, following increases of 40.7% and 15.0% respectively in 2011.**

CHART: Other out-of-state lenders experienced a modest increase in small business lending volume in 2012 following a much larger increase in the previous year



Loans with original amounts over \$100,000 accounted for roughly half of the small business loan dollars by out-of-state lenders in 2012 and the average loan size was roughly \$54,000.

CHART: Breakdown by loan amount at other out-of-state lenders (2012)

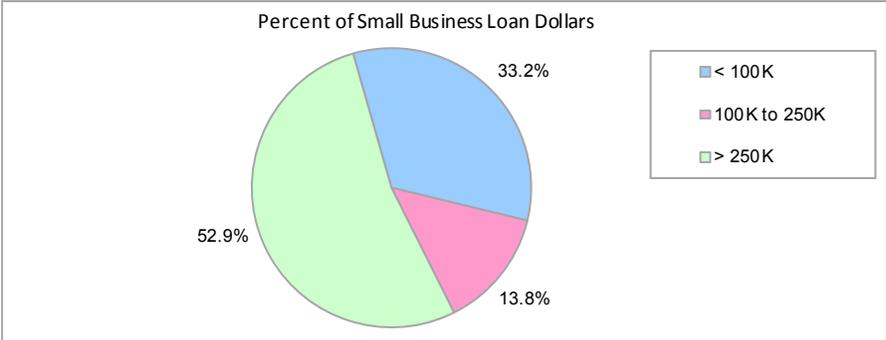
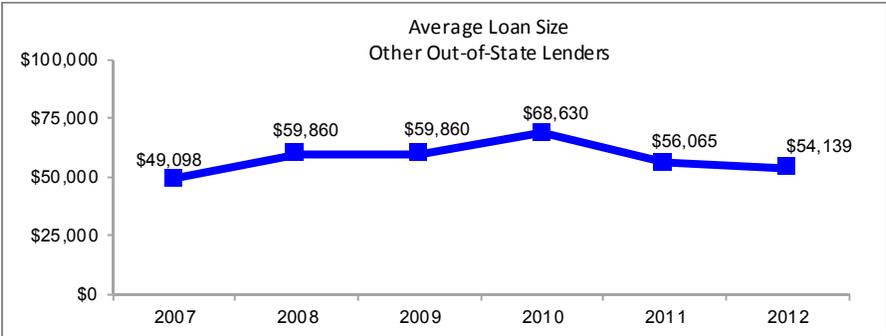
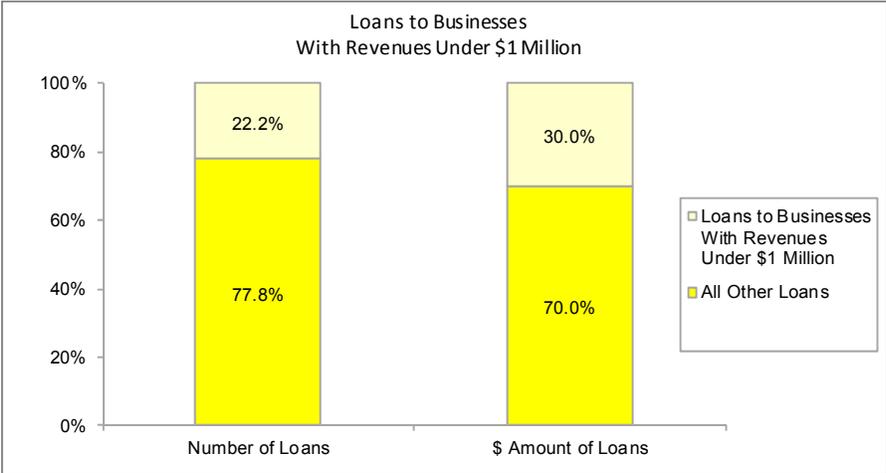


CHART: Average loan size of other out-of-state lenders (2012)



Out-of-state lenders reported 2,449 loans to businesses with revenues under \$1 million in Massachusetts in 2011 for \$179.5 million, which represented 22.2% of the total number of loans originated by out-of-state lenders and 30.0% of the dollar amount of loans.

CHART: Loans to businesses with revenues under \$1 million at out-of-state lenders (2012)



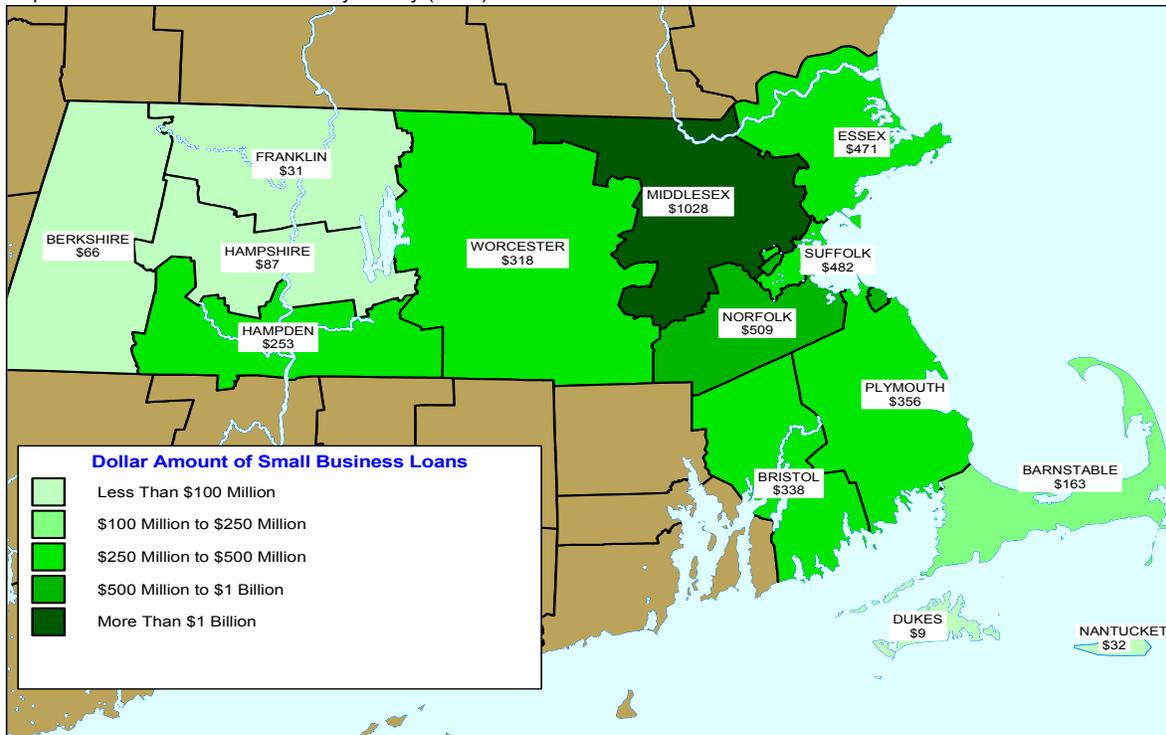
## SMALL BUSINESS LOANS BY COUNTY

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 2012 ranged from \$1.0 billion in Middlesex County, which accounts for 23.0% of the state's total population, to \$9.3 million in Dukes County, which accounts for 0.3% of the state's total population. Detailed small business loan data for all counties can be found in the online appendix at [www.mcbc.info](http://www.mcbc.info).

TABLE: Small business loans by county (2012)

	Number of Loans	% of Total	\$ Amount of Loans (\$000s)	% of Total	Total Population	% of Total
Barnstable	5,275	4.4%	\$163,188	3.9%	215,888	3.3%
Berkshire	2,284	1.9%	\$66,152	1.6%	131,219	2.0%
Bristol	8,328	7.0%	\$337,837	8.2%	548,285	8.4%
Dukes	575	0.5%	\$9,329	0.2%	16,535	0.3%
Essex	13,567	11.4%	\$471,457	11.4%	743,159	11.4%
Franklin	1,058	0.9%	\$31,336	0.8%	71,372	1.1%
Hampden	6,897	5.8%	\$253,119	6.1%	463,490	7.1%
Hampshire	2,638	2.2%	\$86,836	2.1%	158,080	2.4%
Middlesex	30,384	25.6%	\$1,028,209	24.8%	1,503,085	23.0%
Nantucket	658	0.6%	\$32,305	0.8%	10,172	0.2%
Norfolk	14,450	12.2%	\$508,926	12.3%	670,850	10.2%
Plymouth	9,161	7.7%	\$356,282	8.6%	494,919	7.6%
Suffolk	12,166	10.3%	\$482,213	11.6%	722,023	11.0%
Worcester	11,216	9.5%	\$317,836	7.7%	798,552	12.2%
State Totals	118,657	100.0%	\$4,145,025	100.0%	6,547,629	100.0%

Map: Small business loans dollars by county (2012)

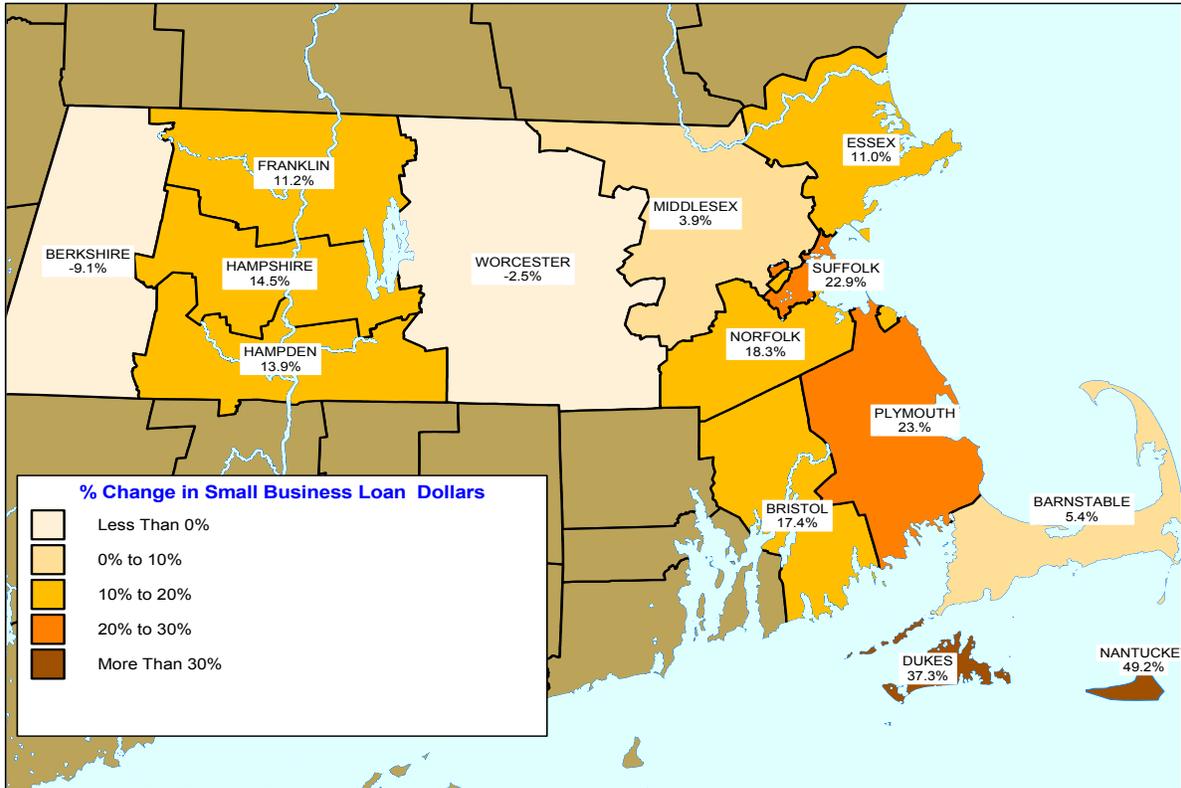


All but two of the 14 counties in Massachusetts experienced increases in CRA-reported small business lending volume in 2012. On a percentage basis, the changes in small business loan dollars ranged from a 49.2% increase in Nantucket County to a 9.5% decrease in Berkshire County. In terms of dollar amounts, the changes in small business loan volume from 2011 to 2012 ranged from an increase of \$89.8 million in Suffolk County to an \$8.2 million decrease in Worcester County.

TABLE: Change in small business loans by county (2012)

	2012 Change in Number of Loans	% Change	2012 Change in \$ Amount of Loans (\$000s)	% Change	Total Population	% of Total
Barnstable	271	5.4%	\$8,350	5.4%	271	5.4%
Berkshire	171	8.1%	-\$6,629	-9.1%	171	8.1%
Bristol	655	8.5%	\$50,060	17.4%	655	8.5%
Dukes	56	10.8%	\$2,533	37.3%	56	10.8%
Essex	1,057	8.4%	\$46,909	11.0%	1,057	8.4%
Franklin	-2	-0.2%	\$3,145	11.2%	-2	-0.2%
Hampden	270	4.1%	\$30,818	13.9%	270	4.1%
Hampshire	105	4.1%	\$11,004	14.5%	105	4.1%
Middlesex	2,250	8.0%	\$38,447	3.9%	2,250	8.0%
Nantucket	146	28.5%	\$10,657	49.2%	146	28.5%
Norfolk	1,446	11.1%	\$78,603	18.3%	1,446	11.1%
Plymouth	698	8.2%	\$66,523	23.0%	698	8.2%
Suffolk	1,318	12.1%	\$89,781	22.9%	1,318	12.1%
Worcester	616	5.8%	-\$8,215	-2.5%	616	5.8%
State Totals	9,057	8.3%	\$421,986	11.3%	9,057	8.3%

Map: Change in small business loans dollars by county (2012)



## SMALL BUSINESS LOANS BY CITY & TOWN

Compared to the distribution of loans by county, there is somewhat greater variability between the relative distribution of small business loans and total population at the city and town level, due in part to the large number of cities and towns that make up the Massachusetts small business loan market. The state is made up of 351 cities and towns of which 5 have total populations over 100,000, 20 have populations between 50,000 and 100,000, and 326 have populations under 50,000.

**The city of Boston, which accounts for 9.4% of the state's population, received \$443.8 million in CRA-reported small business dollars in 2012 and accounted for 10.7% of the total loan dollars, while the cities of Worcester and Springfield, which account for 2.8% and 2.3% of the state's population respectively, received 1.6% and 1.4% of the total loan dollars in the state.**

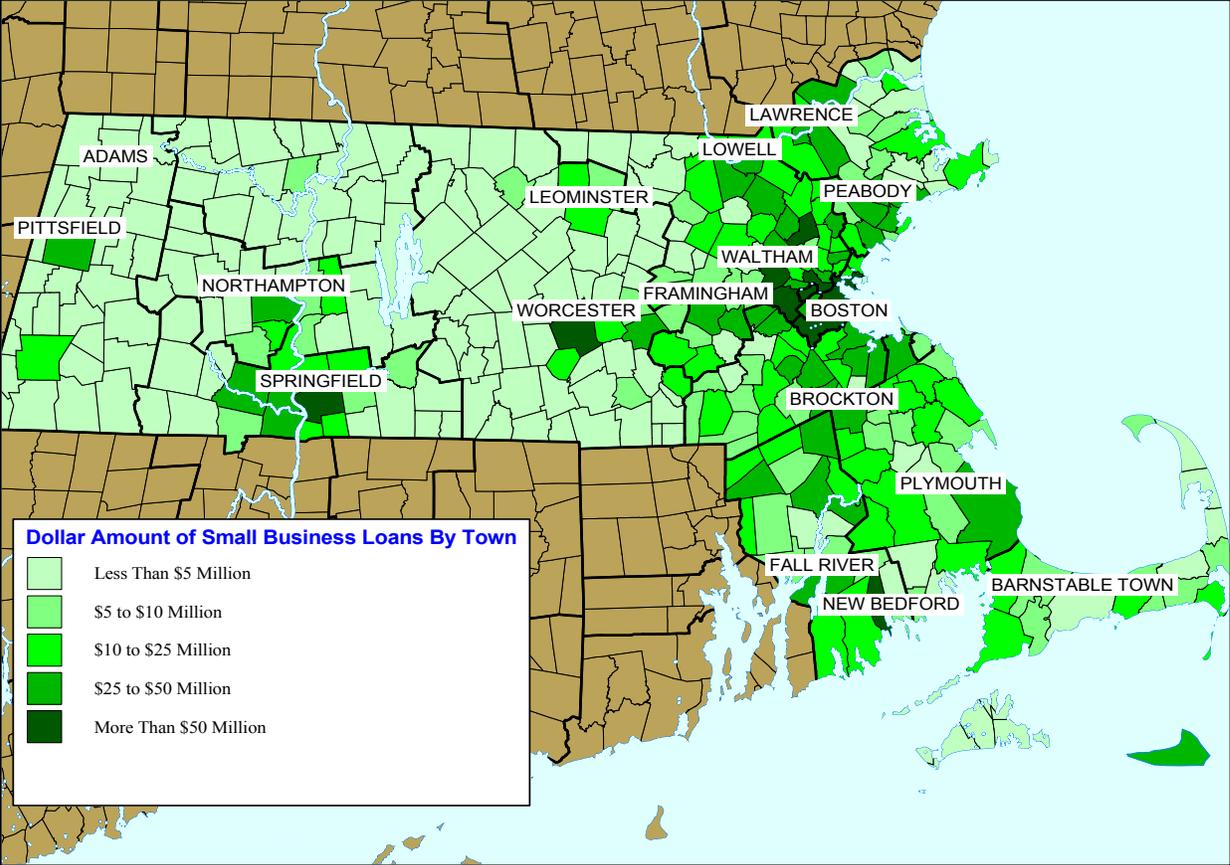
Detailed small business loan data by city and town can be found in the online appendix at [www.mcbc.info](http://www.mcbc.info).

TABLE: Small business loans by city and town (2012)

	Number of Loans	% of Total	\$ Amount of Loans (\$000s)	% of Total	Total Population	% of Total
Boston	10,942	9.2%	\$443,782	10.7%	617,053	9.4%
Worcester	2,251	1.9%	\$68,071	1.6%	181,045	2.8%
Springfield	1,639	1.4%	\$58,406	1.4%	153,060	2.3%
Lowell	920	0.8%	\$29,967	0.7%	106,519	1.6%
Cambridge	2,467	2.1%	\$83,011	2.0%	105,162	1.6%
New Bedford	1,151	1.0%	\$50,593	1.2%	95,072	1.5%
Brockton	1,173	1.0%	\$49,469	1.2%	93,810	1.4%
Quincy	1,602	1.4%	\$47,544	1.1%	92,271	1.4%
Lynn	783	0.7%	\$26,615	0.6%	90,329	1.4%
Fall River	985	0.8%	\$39,939	1.0%	88,857	1.4%
Newton	2,619	2.2%	\$77,504	1.9%	85,146	1.3%
Lawrence	702	0.6%	\$30,588	0.7%	76,377	1.2%
Somerville	1,004	0.8%	\$30,410	0.7%	75,754	1.2%
Framingham	1,248	1.1%	\$43,862	1.1%	68,318	1.0%
Haverhill	713	0.6%	\$28,518	0.7%	60,879	0.9%
Waltham	1,438	1.2%	\$68,041	1.6%	60,632	0.9%
Malden	705	0.6%	\$25,520	0.6%	59,450	0.9%
Brookline	1,379	1.2%	\$37,758	0.9%	58,732	0.9%
Plymouth	1,104	0.9%	\$37,931	0.9%	56,468	0.9%
Medford	846	0.7%	\$24,785	0.6%	56,173	0.9%
Taunton	694	0.6%	\$28,783	0.7%	55,874	0.9%
Chicopee	600	0.5%	\$13,993	0.3%	55,298	0.8%
Weymouth	846	0.7%	\$36,006	0.9%	53,743	0.8%
Revere	520	0.4%	\$14,921	0.4%	51,755	0.8%
Peabody	955	0.8%	\$38,387	0.9%	51,251	0.8%
Methuen	649	0.5%	\$18,576	0.4%	47,255	0.7%
Barnstable	1,159	1.0%	\$33,555	0.8%	45,193	0.7%
Pittsfield	672	0.6%	\$28,969	0.7%	44,737	0.7%
Attleboro	574	0.5%	\$39,612	1.0%	43,593	0.7%
Arlington	708	0.6%	\$15,804	0.4%	42,844	0.7%
Everett	466	0.4%	\$16,438	0.4%	41,667	0.6%
Salem	829	0.7%	\$37,399	0.9%	41,340	0.6%
Westfield	740	0.6%	\$34,757	0.8%	41,094	0.6%
Leominster	560	0.5%	\$19,769	0.5%	40,759	0.6%
Fitchburg	442	0.4%	\$18,448	0.4%	40,318	0.6%
Billerica	762	0.6%	\$34,542	0.8%	40,243	0.6%
Holyoke	427	0.4%	\$16,631	0.4%	39,880	0.6%
Beverly	910	0.8%	\$28,442	0.7%	39,502	0.6%
Marlborough	775	0.7%	\$23,751	0.6%	38,499	0.6%
Woburn	1,296	1.1%	\$66,061	1.6%	38,120	0.6%

The following map shows that small business loan dollars in Massachusetts in 2012 continue to be relatively concentrated around the state's urban centers and the I-495/Route 128 high-tech corridor.

MAP: Small business loan dollars by city and town (2012)



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

Of the ten most populated cities in the Commonwealth, four cities experienced strong increases in small business loan dollars in 2012 (Boston, Brockton, New Bedford, and Springfield), while three cities experienced modest increases (Fall River, Lynn, and Quincy), and three cities experienced declines (Cambridge, Lowell, and Worcester).

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

TABLE: Change in small business loans by city and town (2012)

	2012 Change in Number of Loans	% Change	2012 Change in \$ Amount of Loans (\$000s)	% Change	Total Population	% of Total
Boston	1,156	11.8%	\$79,377	21.8%	617,053	9.4%
Worcester	110	5.1%	-\$3,655	-5.1%	181,045	2.8%
Springfield	47	3.0%	\$8,530	17.1%	153,060	2.3%
Lowell	-28	-3.0%	-\$3,084	-9.3%	106,519	1.6%
Cambridge	278	12.7%	-\$535	-0.6%	105,162	1.6%
New Bedford	49	4.4%	\$6,191	13.9%	95,072	1.5%
Brockton	166	16.5%	\$14,284	40.6%	93,810	1.4%
Quincy	148	10.2%	\$964	2.1%	92,271	1.4%
Lynn	48	6.5%	\$819	3.2%	90,329	1.4%
Fall River	17	1.8%	\$979	2.5%	88,857	1.4%
Newton	385	17.2%	\$13,100	20.3%	85,146	1.3%
Lawrence	147	26.5%	\$6,142	25.1%	76,377	1.2%
Somerville	116	13.1%	\$5,577	22.5%	75,754	1.2%
Framingham	14	1.1%	-\$2,815	-6.0%	68,318	1.0%
Haverhill	85	13.5%	\$6,370	28.8%	60,879	0.9%
Waltham	85	6.3%	\$5,349	8.5%	60,632	0.9%
Malden	-3	-0.4%	-\$1,756	-6.4%	59,450	0.9%
Brookline	232	20.2%	\$7,285	23.9%	58,732	0.9%
Plymouth	-27	-2.4%	-\$5,635	-12.9%	56,468	0.9%
Medford	73	9.4%	-\$15	-0.1%	56,173	0.9%
Taunton	1	0.1%	\$3,755	15.0%	55,874	0.9%
Chicopee	-41	-6.4%	-\$2,673	-16.0%	55,298	0.8%
Weymouth	33	4.1%	\$8,780	32.2%	53,743	0.8%
Revere	63	13.8%	\$3,493	30.6%	51,755	0.8%
Peabody	37	4.0%	\$1,026	2.7%	51,251	0.8%
Methuen	83	14.7%	\$789	4.4%	47,255	0.7%
Barnstable	45	4.0%	-\$2,562	-7.1%	45,193	0.7%
Pittsfield	36	5.7%	-\$2,150	-6.9%	44,737	0.7%
Attleboro	30	5.5%	\$12,031	43.6%	43,593	0.7%
Arlington	42	6.3%	\$4,759	43.1%	42,844	0.7%
Everett	29	6.6%	\$1,514	10.1%	41,667	0.6%
Salem	37	4.7%	\$4,867	15.0%	41,340	0.6%
Westfield	46	6.6%	\$462	1.3%	41,094	0.6%
Leominster	43	8.3%	-\$4,399	-18.2%	40,759	0.6%
Fitchburg	50	12.8%	\$1,665	9.9%	40,318	0.6%
Billerica	30	4.1%	\$6,918	25.0%	40,243	0.6%
Holyoke	12	2.9%	\$551	3.4%	39,880	0.6%
Beverly	117	14.8%	\$1,934	7.3%	39,502	0.6%
Marlborough	84	12.2%	\$2,662	12.6%	38,499	0.6%
Woburn	97	8.1%	\$280	0.4%	38,120	0.6%

## **SECTION II**

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

**A CRA PERSPECTIVE**

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

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

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

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

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

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

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

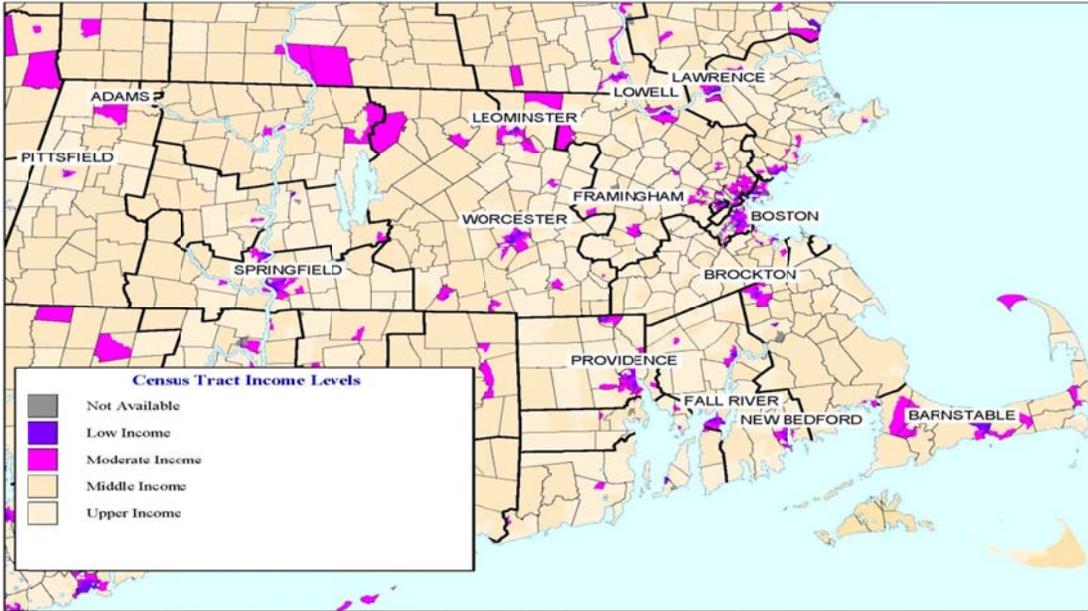
TABLE : Population by income level in Massachusetts Based on 2000 Census

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

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

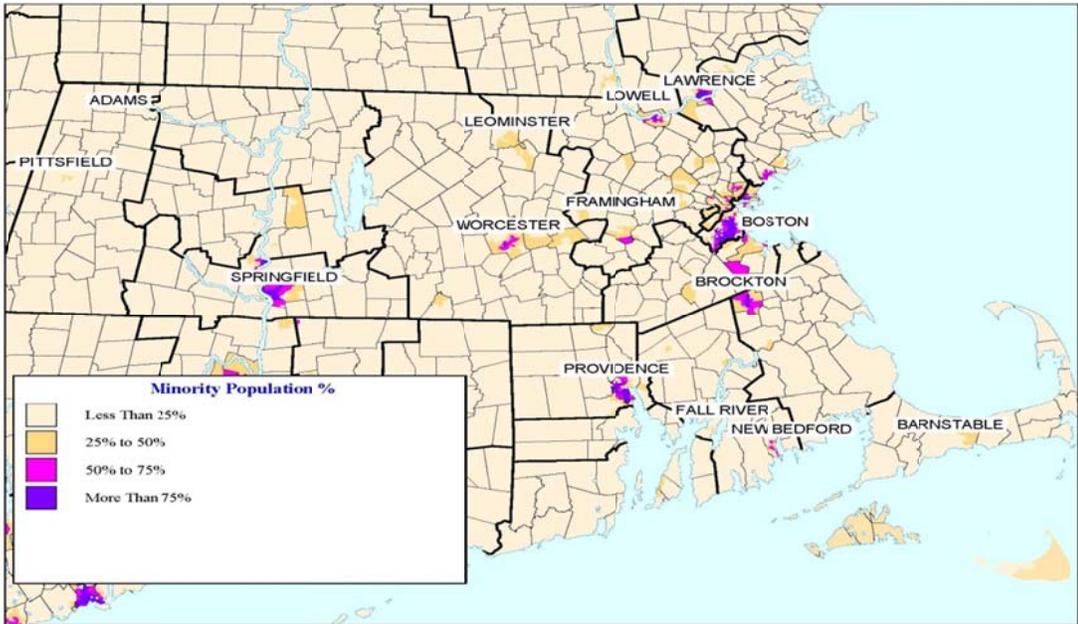
Based on the 2010 census data, low income and moderate income areas are spread out over 74 cities and towns across the state, including 24 cities and towns that have both low and moderate income areas.

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



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

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



Based on the 2010 census data, minorities account for approximately 23.9% of the total population of the state. Blacks, Hispanics, and Asians represent the largest minority groups. There are 102 high-minority census tracts across the state, where the minority population is more than 75% of the total population of the tract, and an additional 412 mixed-race census tracts that together comprise roughly 32.1% of the state’s population. Of the high minority tracts, 48 are located in Boston, 15 are located in Lawrence, 14 are located in Springfield, and the remaining 25 census tracts are located in Brockton, Chelsea, Framingham, Holyoke, Lowell, Lynn, and Worcester.

TABLES : Massachusetts population totals by race and neighborhood racial composition

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

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.

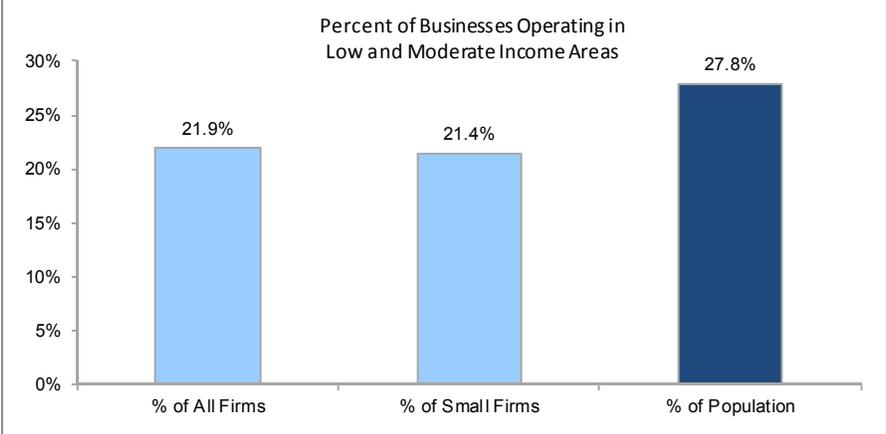
TABLE : Neighborhood composition by race and income level

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

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 21.9% of all businesses in the state, and 21.4% of businesses with revenues under \$1 million, are located in low and moderate income areas even though lower income areas account for 27.8% of the state's total population.

CHART: Distribution of businesses in lower income areas

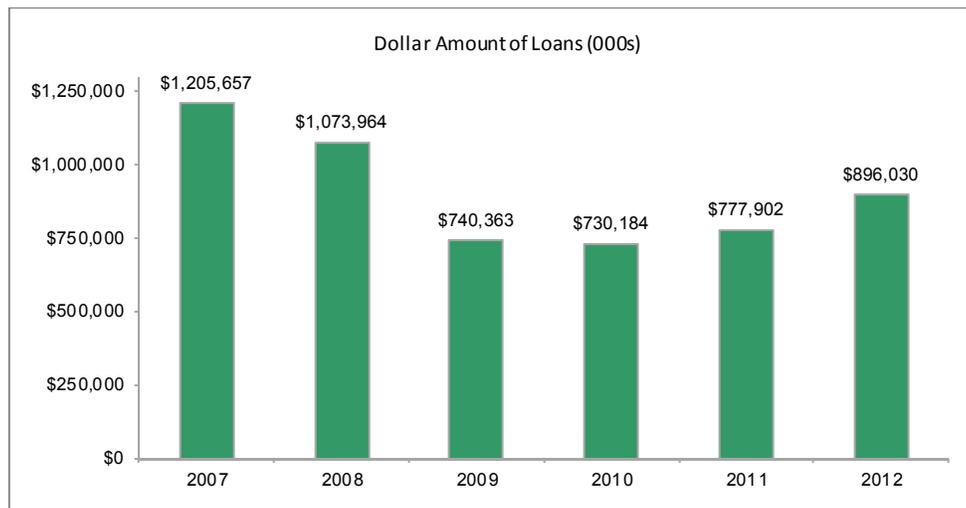
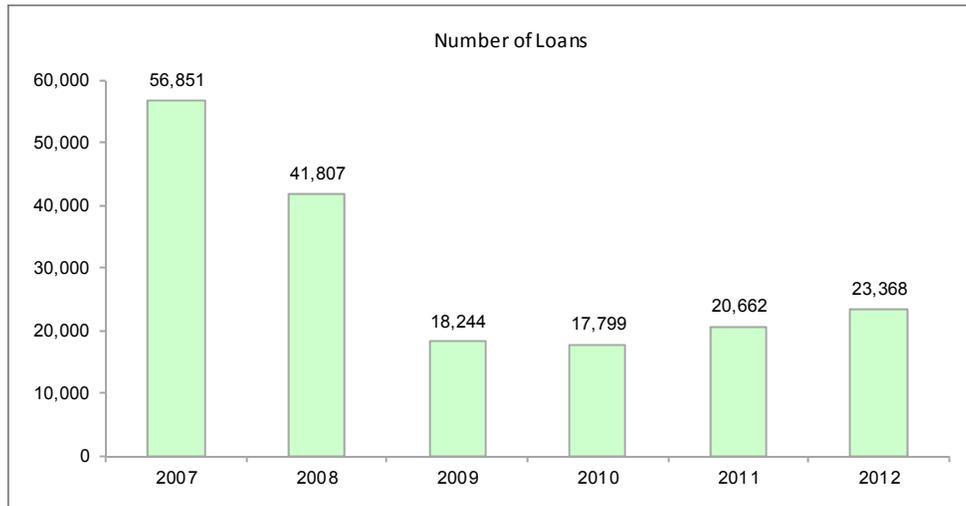


### SMALL BUSINESS LENDING IN LOWER INCOME AREAS

Based on the annual CRA data, businesses in low and moderate income census tracts in Massachusetts received a total of 23,368 small business loans in 2012 for \$896.0 million, compared to the previous year when borrowers in low and moderate income census tracts received 20,662 loans for \$777.9 million.

While small business loan dollars in low and moderate income census tracts have increased moderately over the past two years, they remain 26% below the highs achieved in 2007 prior to the recent financial crisis.

CHARTS: Small business lending in lower income areas increased strongly in Massachusetts in 2012 But remain below the highs achieved in 2007



**Low and moderate income census tracts continued to receive a smaller share of small business loans in 2012 than one might expect given the local demographics.** Low and moderate income census tracts, which account for 28.9% of the total population of Massachusetts, received 19.7% of the total number of CRA-reported small business loans in the state in 2012 and 21.6% of the total loan dollars. While these percentages fall short of the levels one might expect given the size of population that live in low and moderate income tracts, they are essentially in line with the results of other New England states and the US as a whole.

TABLE : Small business loans in low and moderate income census tracts by state (2012)

	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	23,368	19.7%	\$896,030	21.6%	1,823,086	27.8%
Connecticut	13,473	19.6%	\$547,947	23.3%	1,032,110	28.9%
Maine	3,229	13.5%	\$164,238	15.0%	178,918	13.5%
New Hampshire	3,753	16.6%	\$123,248	17.9%	266,062	20.2%
Rhode Island	3,864	23.0%	\$187,054	26.5%	313,315	29.8%
Vermont	1,813	15.6%	\$73,146	15.8%	113,171	18.1%
Totals	49,500	18.9%	\$1,991,663	21.1%	3,726,662	25.8%
Memo: US Total	1,039,193	20.5%	\$49,011,862	24.7%	86,951,090	27.8%

TABLE : Small business loans in Massachusetts by income level (2012)

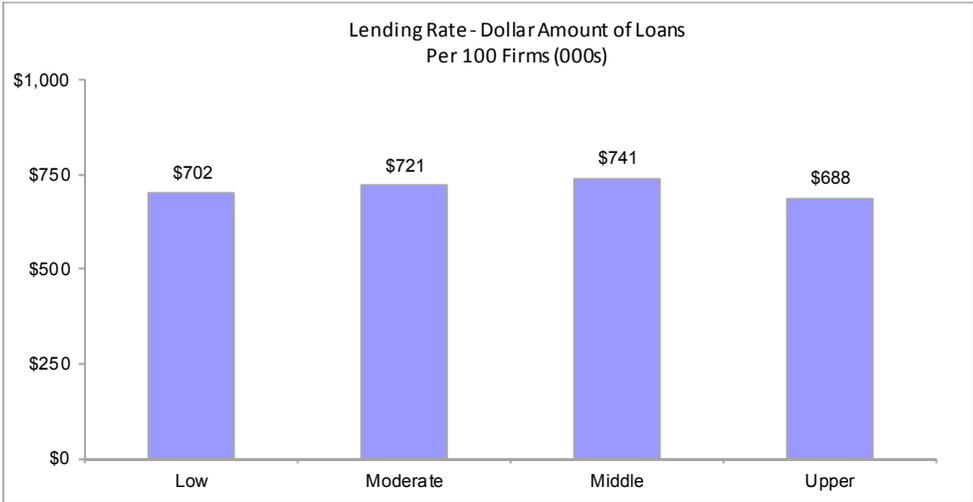
	Number of Loans	% of Total	\$ Amount of Loans (000s)	% of Total	Total Population	% of Total
Low	7,418	6.3%	\$303,837	7.3%	584,496	8.9%
Moderate	15,950	13.4%	\$592,193	14.3%	1,238,590	18.9%
Middle	49,907	42.1%	\$1,773,910	42.8%	2,800,664	42.8%
Upper	42,734	36.0%	\$1,428,859	34.5%	1,913,778	29.2%
NA	2,648	2.2%	\$46,226	1.1%	10,101	0.2%
Totals	118,657	100.0%	\$4,145,025	100.0%	6,547,629	100.0%
Memo: Low & Moderate	23,368	19.7%	\$896,030	21.6%	1,823,086	27.8%

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

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

**The lowest lending rates in Massachusetts, measured in the amount of loan dollars per 100 firms, were recorded in upper income communities in 2012 although it is worth noting that, when arranged by income level, the lending rates fell within a fairly narrow range.** Low and moderate income census tracts received an aggregate \$702,000 and \$721,000 per 100 businesses, while middle and upper income census tracts in Massachusetts received an aggregate \$741,000 and \$688,000 per 100 businesses. The 2012 results represent the first time in the past six years when the lowest lending rates were not in low or moderate income census tracts.

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



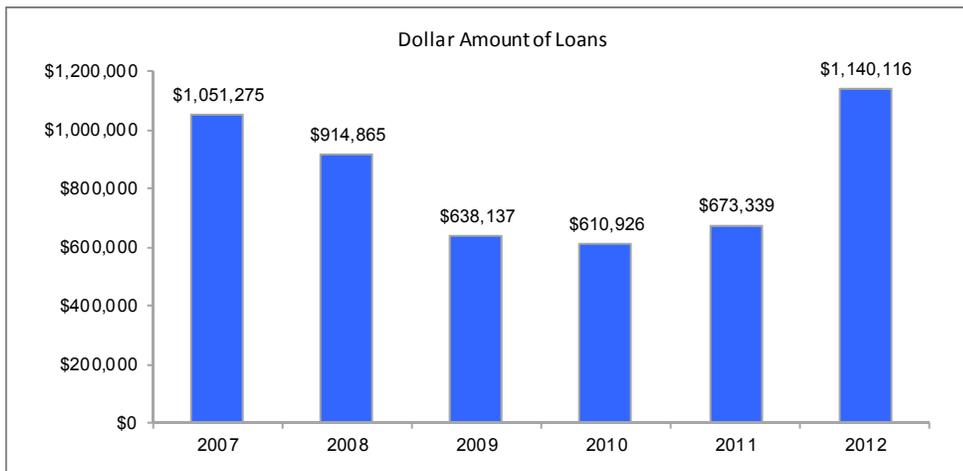
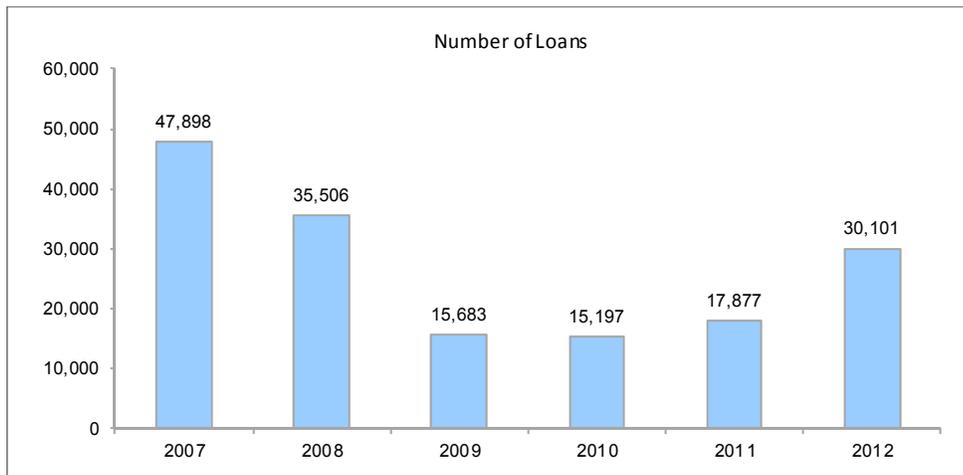
	Lending Rate Per 100 Firms (000s)	% of Overall Lending Rate	2012 Change in Lending Rate
Low	\$702	97.2%	-13.7%
Moderate	\$721	99.7%	7.0%
Middle	\$741	102.6%	-9.4%
Upper	\$688	95.1%	-15.5%
Totals	\$723	100.0%	-9.3%
Memo: Low & Moderate Areas	\$714	98.8%	-0.4%

## SMALL BUSINESS LENDING IN HIGH MINORITY AREAS

Businesses in high minority and mixed-race communities across the state received a reported 30,101 small business loans for \$1.1 billion in 2012, which represents a large increase in total volume compared to the previous year when such businesses reported 17,877 loans for \$673.3 million and surpasses the highs achieved in 2007.

It should be noted, however, that the volume of loans in high minority and mixed-race communities in in Massachusetts in 2012 was influenced by an increase in the number of high minority areas and mixed-race communities in Massachusetts resulting from the transition from the 2000 decennial census data to the 2010 decennial census data.

CHARTS: The number and dollar volume of small business loans in minority census tracts and mixed-race census tracts in Massachusetts increased in 2012



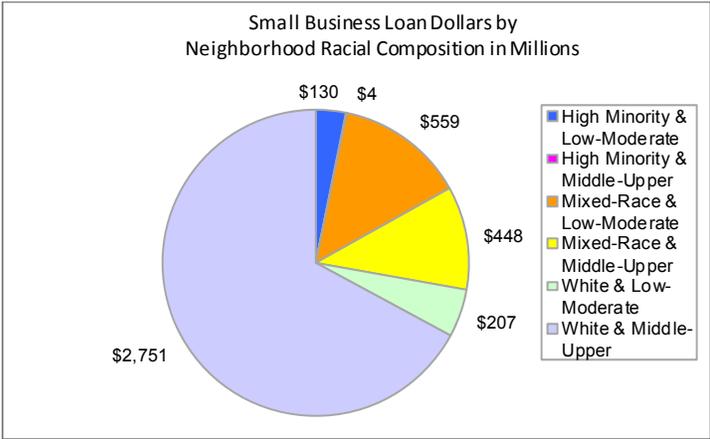
The lower income communities with the highest minority populations in Massachusetts received 3,245 small business loans in 2012 for \$129.7 million, which represents 2.7% of the number of loans and 3.1% of the dollar amount of loans. Lower income mixed-race communities received 14,842 loans for \$558.9 million, representing 12.5% of the number of loans and 13.5% 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 2012 compared to their share of the state’s total population.

TABLE : Most neighborhood categories received a smaller share of loans dollars in 2012 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	3,245	2.7%	\$129,673	3.1%	352,067	5.4%
High Minority & Middle-Upper	164	0.1%	\$3,741	0.1%	18,336	0.3%
Mixed-Race & Low-Moderate	14,842	12.5%	\$558,875	13.5%	1,130,146	17.3%
Mixed-Race & Middle-Upper	11,850	10.0%	\$447,827	10.8%	593,250	9.1%
White & Low-Moderate	5,281	4.5%	\$207,482	5.0%	340,873	5.2%
White & Middle-Upper	80,627	67.9%	\$2,751,201	66.4%	4,102,856	62.7%
NA	2,648	2.2%	\$46,226	1.1%	10,101	0.2%
Totals	118,657	100.0%	\$4,145,025	100.0%	6,547,629	100.0%

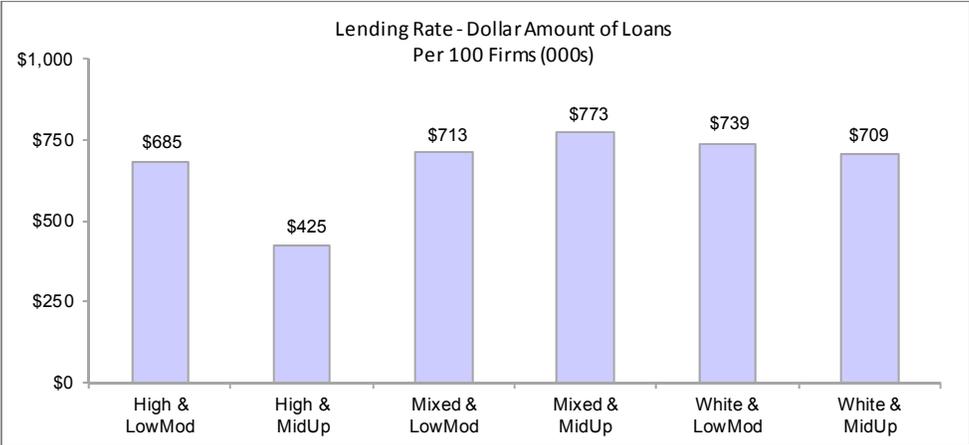
Note: The category “NA” includes small business loans where the CRA reporter did not record the census tract location of the loan

CHART : The lower income communities in Massachusetts with the highest minority populations received \$130 million in small business loans in 2012



As was the case in previous reports on small business lending, the lowest lending rates in 2012 were recorded in high minority communities in Massachusetts while the highest lending rates were recorded in higher income mixed or white communities. High minority census tracts in lower income areas in Massachusetts received \$685,000 per 100 businesses while high minority census tracts in middle and upper income areas in Massachusetts, which account for just a handful of census tracts, received \$425,000 per 100 businesses. In comparison, lower income white communities received an average \$739,000 per 100 businesses while middle and upper income white communities received \$709,000. In each of the past six years, lower income minority neighborhoods in Massachusetts have experienced lower lending rates than lower income white neighborhoods.

CHART & TABLE: The lowest lending rates were recorded in high minority areas in 2012



	Lending Rate Per 100 Firms (000s)	% of Overall Lending Rate	2012 Change in Lending Rate
High Minority & Low-Moderate	\$685	94.7%	12.9%
High Minority & Middle-Upper	\$425	58.8%	--
Mixed-Race & Low-Moderate	\$713	98.6%	-6.8%
Mixed-Race & Middle-Upper	\$773	107.0%	1.3%
White & Low-Moderate	\$739	102.2%	9.5%
White & Middle-Upper	\$709	98.0%	-13.5%
Totals	\$723	100.0%	-9.3%

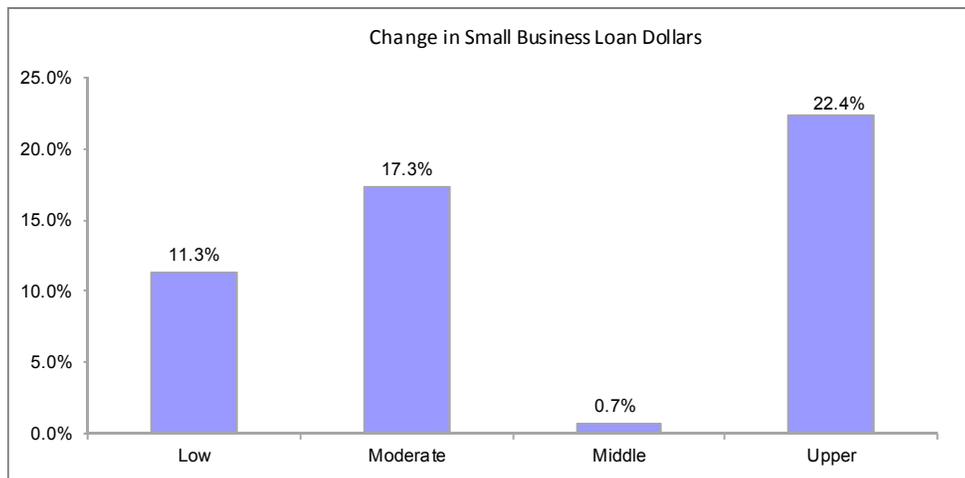
Readers are urged to use caution when interpreting the findings discussed in this report, given the strong correlation between high minority populations and low income levels.

**SMALL BUSINESS LOAN GROWTH**

As noted, the recently released 2010 census data reflects significant changes in census tract boundaries and demographic data, including data pertaining to income level classifications and racial composition, which can make it difficult to interpret changes in small business lending patterns. Readers should use caution when interpreting the results presented here.

**Both Lower income areas and upper income areas in Massachusetts experienced substantial increases in small business loan dollars in 2012, while middle income areas experienced the smallest increase.** Low and moderate income census tracts in Massachusetts experienced overall increases of 11.3% and 17.3% in small business loan dollars from 2011 to 2012 while upper income census tracts experienced an overall increase of 22.4%.

TABLE & CHART: Middle income census tracts experienced the small increase in small business loan dollars in 2012

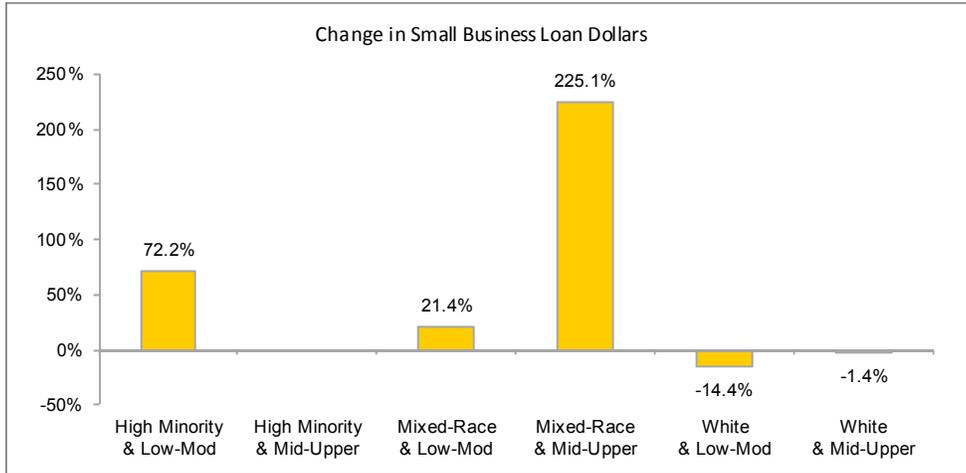


	2012 Change in Number of Loans	% Change	2012 Change in \$ Amount of Loans	% Change
Low	1,561	26.7%	\$30,769	11.3%
Moderate	1,145	7.7%	\$87,359	17.3%
Middle	-1,328	-2.6%	\$12,551	0.7%
Upper	7,045	19.7%	\$261,489	22.4%
NA	634	31.5%	\$29,818	181.7%
Totals	9,057	8.3%	\$421,986	11.3%
Memo: Low & Moderate	2,706	13.1%	\$118,128	15.2%

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

When the racial composition of the area is also taken into consideration, the 2012 CRA data shows extensive variability related to the change in small business loan volume between neighborhoods, due in large part to the demographic shifts associated with the new 2010 census data. While mixed-race higher income areas experienced the largest increase in small business loan dollars in 2012, high minority lower income areas also experienced a large increase while lower income white areas experienced a decline in lending.

CHART & TABLE: High minority communities in Massachusetts experienced a larger increase in small business loan volume in 2012 than other areas



	2012 Change in Number of Loans	% Change	2012 Change in \$ Amount of Loans	% Change
High Minority & Low-Moderate	1,064	48.8%	\$54,372	72.2%
High Minority & Middle-Upper	164	--	\$3,741	--
Mixed-Race & Low-Moderate	3,281	28.4%	\$98,592	21.4%
Mixed-Race & Middle-Upper	7,715	186.6%	\$310,072	225.1%
White & Low-Moderate	-1,639	-23.7%	-\$34,836	-14.4%
White & Middle-Upper	-2,162	-2.6%	-\$39,773	-1.4%
NA	634	31.5%	\$29,818	181.7%
Totals	9,057	8.3%	\$421,986	11.3%

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

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

**THE ROLE OF LOCAL LENDERS**

**Local CRA lenders continued to account for the vast majority of small business loans dollars in low and moderate income census tracts across the state.** Local CRA lenders made a total of 4,301 loans for \$666.7 million in 2012, representing 18.4% of the total number of small business loans in low and moderate income areas and 74.4% of loan dollars. In comparison, local CRA lenders accounted for 18.1% of the number of small business loans in lower income areas and 73.4% of loan dollars in 2011.

TABLE & CHART: Local lenders accounted for a substantial majority of the small business loan dollars in in lower income areas in 2012

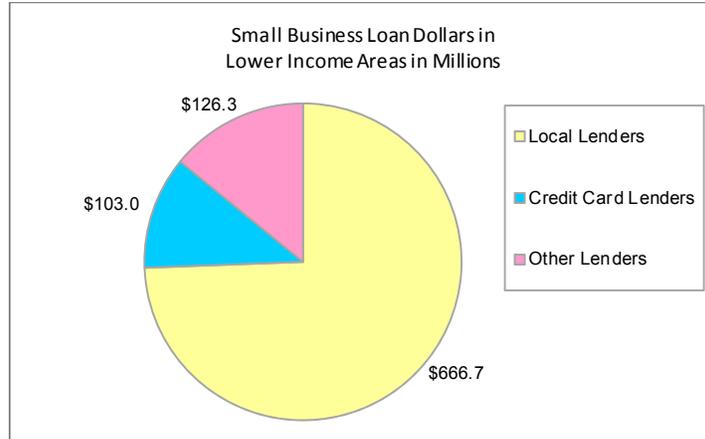
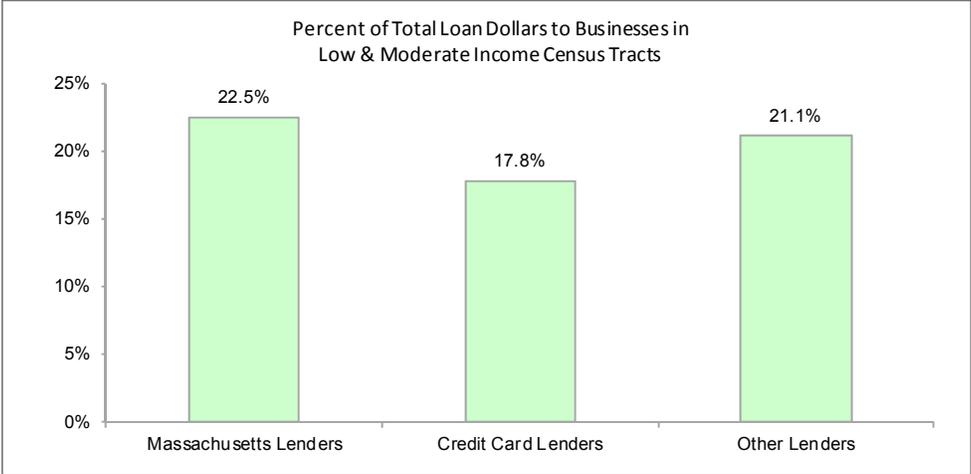


TABLE : Change in small business loans in lower income areas (2012)

	Number of Loans	% of Total	\$ Amount of Loans (000s)	% of Total
Local Lenders	4,301	18.4%	\$666,727	74.4%
Credit Card Lenders	16,289	69.7%	\$103,000	11.5%
Other Lenders	2,778	11.9%	\$126,303	14.1%
Totals	23,368	100.0%	\$896,030	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 2012 local lenders and traditional out-of-state lenders made 22.5% and 21.1% of their overall small business loan dollars in low and moderate income areas across the state respectively, compared to 17.8% for credit card lenders. The 2012 results are fairly typical of the results in previous years.

CHART: Local lenders, credit card lenders, and other out-of-state lenders made a comparable portion of their loans in low and moderate income tracts in 2012



Local lenders reported an overall 14.8% increase in the number of small business loans in lower income areas in 2012 and a 16.7% increase in the dollar amount of such loans, and credit card lenders and other out-of-state lenders also recorded increases in lending volume in 2012.

TABLE : Change in small business loans in lower income areas (2012)

	2012 Change in Number of Loans	% Change	2012 Change in \$ Amount of Loans (000s)	% Change
Local Lenders	554	14.8%	\$95,380	16.7%
Credit Card Lenders	1,769	12.2%	\$16,849	19.6%
Other Lenders	383	16.0%	\$5,899	4.9%
Totals	2,706	13.1%	\$118,128	15.2%

It is important to note that the local lenders that are included in the 2012 CRA data are considered to be *CRA-covered* lenders in that most of their banking activities in Massachusetts are subject to a CRA regulatory review which places an emphasis on lending in lower income and traditional underserved areas. Credit card lenders and other out-of-state lenders that do not have a branch presence in Massachusetts are considered *non-covered* lenders in that their banking activities in Massachusetts are not typically subject to such as CRA regulatory review.

The following table shows the statewide small business loan volume in low income and moderate areas of the state for local lenders that reported small business lending activity in 2012. 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 (2012)

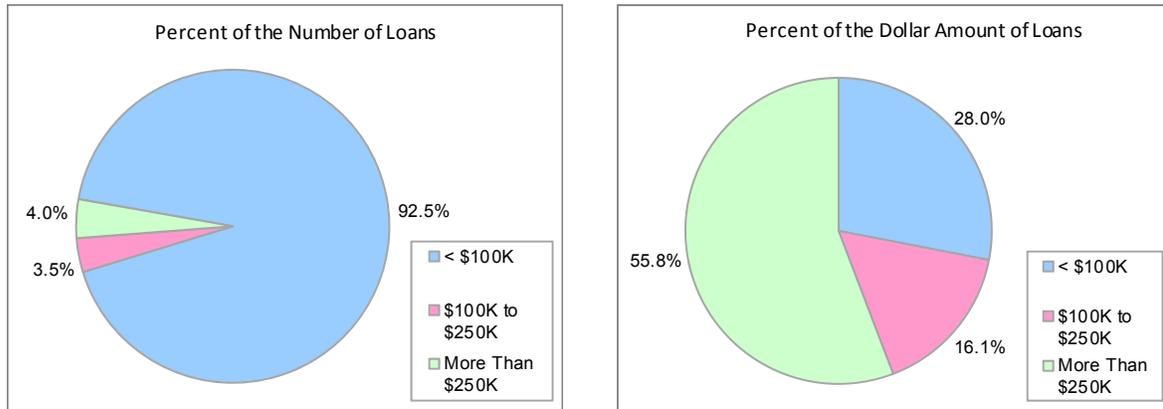
	Town	Massachusetts Deposits 6/30/2010 (\$000s)	Number of Loans	\$ Amount of Loans (\$000s)	\$ Average Loan Size (\$000s)
**BANK OF AMERICA, N.A.	WESTLAKE VILLAGE	\$54,711,382	595	\$80,301	\$135
EASTERN BANK	LYNN	\$6,517,999	360	\$73,329	\$204
ROCKLAND TRUST COMPANY	PLYMOUTH	\$4,110,601	264	\$55,416	\$210
**SOVEREIGN BANK, N.A.	WILMINGTON	\$18,905,587	390	\$52,156	\$134
**TD BANK N.A.	FALMOUTH	\$10,834,124	544	\$51,641	\$95
**RBS CITIZENS, N.A.	PROVIDENCE	\$30,906,567	612	\$39,167	\$64
SALEM FIVE CENTS SAVINGS BANK	SALEM	\$1,998,044	92	\$26,064	\$283
ENTERPRISE B&TC	LOWELL	\$1,327,531	144	\$23,538	\$163
WESTFIELD BANK	WESTFIELD	\$748,216	135	\$21,160	\$157
CENTURY BANK	MEDFORD	\$2,360,153	121	\$21,089	\$174
BROOKLINE BANK	BROOKLINE	\$2,118,132	52	\$16,039	\$308
BAYCOAST BANK	FALL RIVER	\$713,365	77	\$15,673	\$204
EAST BOSTON SAVINGS BANK	PEABODY	\$1,705,960	41	\$14,076	\$343
COMMERCE BANK & TRUST COMPANY	WORCESTER	\$1,214,190	57	\$13,495	\$237
CAPE COD FIVE CENTS SAVINGS BA	ORLEANS	\$1,949,388	62	\$12,844	\$207
HAMPDEN BANK	SPRINGFIELD	\$436,025	58	\$12,719	\$219
UNITED BANK	WEST SPRINGFIELD	\$1,277,098	96	\$12,329	\$128
CAMBRIDGE SAVINGS BANK	ARLINGTON	\$1,962,310	47	\$12,320	\$262
BOSTON PRIVATE BANK & TRUST CO	BOSTON	\$2,905,997	35	\$11,511	\$329
BRISTOL COUNTY SAVINGS BANK	TAUNTON	\$972,400	54	\$11,061	\$205
WATERTOWN SAVINGS BANK	WATERTOWN	\$950,940	27	\$10,578	\$392
MUTUALONEBANK	FRAMINGHAM	\$308,337	48	\$9,526	\$198
BERKSHIRE BANK	PITTSFIELD	\$1,931,387	46	\$6,704	\$146
HINGHAM INSTITUTION FOR SAVING	HINGHAM	\$830,086	16	\$5,400	\$338
PEOPLESBANK	HOLYOKE	\$1,349,885	35	\$5,174	\$148
THE LOWELL FIVE CENT SAVINGS B	LOWELL	\$668,477	20	\$4,941	\$247
MIDDLESEX SAVINGS BANK	WESTBOROUGH	\$3,565,949	27	\$4,506	\$167
BANK OF CAPE COD	HYANNIS	\$149,342	17	\$3,974	\$234
CAPE ANN SAVINGS BANK	GLOUCESTER	\$326,158	15	\$3,717	\$248
NORTHERN BANK & TRUST COMPANY	WOBURN	\$598,587	22	\$3,656	\$166
FLORENCE SAVINGS BANK	FLORENCE	\$840,663	14	\$3,591	\$257
BAY STATE SAVINGS BANK	WORCESTER	\$222,025	21	\$3,253	\$155
THE SAVINGS BANK	WAKEFIELD	\$394,001	12	\$3,195	\$266
FIDELITY BANK	LEOMINSTER	\$415,727	17	\$3,142	\$185
GREENFIELD SAVINGS BANK	GREENFIELD	\$460,504	37	\$2,854	\$77
COUNTRY BANK	WARE	\$956,262	7	\$2,790	\$399
UNIBANK	WHITINSVILLE	\$1,268,052	15	\$2,440	\$163
EAGLE BANK	EVERETT	\$365,417	8	\$2,407	\$301
EASTHAMPTON SAVINGS BANK	EASTHAMPTON	\$788,374	16	\$2,374	\$148
SOUTH SHORE BANK	SO WEYMOUTH	\$671,230	11	\$2,172	\$197
WEBSTER FIVE CENTS SAVINGS BAN	WORCESTER	\$460,377	15	\$1,563	\$104
EAST CAMBRIDGE SAVINGS BANK	CAMBRIDGE	\$685,451	12	\$1,506	\$126
INSTITUTION FOR SAVINGS	NEWBURYPORT	\$1,127,672	2	\$1,050	\$525
BNY MELLON, N.A.	PITTSBURGH	\$3,484,657	3	\$195	\$65
BELMONT SAVINGS BANK	BELMONT	\$580,273	2	\$91	\$46
BLUE HILLS BANK	BOSTON	\$764,753	0	\$0	\$0
NORTH EASTON SAVINGS BANK	SOUTH EASTON	\$428,784	0	\$0	\$0
LOCAL LENDER TOTALS			4,301	\$666,727	\$155

\*\* Denotes local commercial banks headquartered outside Massachusetts

**BREAKDOWN BY ORIGINAL LOAN AMOUNT**

Small business loans under \$100,000 accounted for 92.5% of the total number of loans in lower income areas in 2012 and 28.0% of the dollar amount of loans (versus 93.4% and 31.1% 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 4.0% of the number of loans and 55.8% of loan dollars (versus 3.5% and 53.3% statewide).

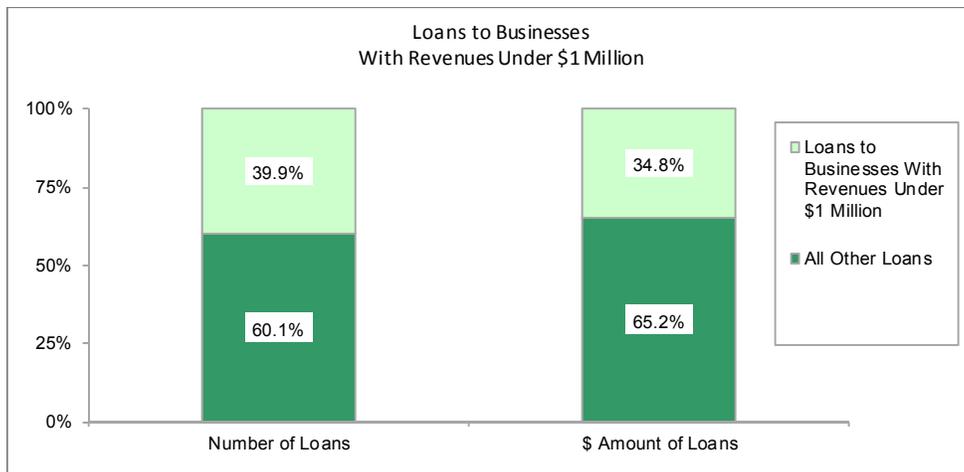
CHARTS: Breakdown of small business loans by original loan amount in lower income areas in Massachusetts (2012)



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

In 2012, loans to businesses with annual revenues of \$1 million or less accounted for 38.9% of the number of loans in lower income areas and 34.8% of the dollar amount of loans (compared to 41.8% and 33.9% for all income groups statewide).

CHART: Breakdown of loans to businesses with annual revenues under \$1 million in lower income areas of Massachusetts (2012)



## 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 2012, two of the fourteen counties in Massachusetts recorded a higher percentage of small business loan dollars in lower income areas than one might expect given the percentage of their populations living in lower income areas (Franklin and Worcester). Essex, Middlesex, and Suffolk Counties, which have the largest lower income populations in the state, recorded a lower percentage of small business loan dollars in lower income areas than one might expect given the percentage of their populations living in lower income areas.

TABLE : Small business loans in low and moderate income census tracts by county (2012)

	Number of Loans	% of County Total	\$ Amount of Loans (\$000s)	% of County Total	Low & Moderate Population	% of County Total
Barnstable	1,115	21.1%	\$48,142	29.5%	28,208	13.1%
Berkshire	304	13.3%	\$8,562	12.9%	17,343	13.2%
Bristol	1,823	21.9%	\$81,194	24.0%	161,205	29.4%
Dukes	0	0.0%	\$0	0.0%	0	0.0%
Essex	2,915	21.5%	\$120,284	25.5%	224,179	30.2%
Franklin	206	19.5%	\$6,767	21.6%	15,214	21.3%
Hampden	2,380	34.5%	\$94,760	37.4%	190,187	41.0%
Hampshire	172	6.5%	\$8,103	9.3%	19,187	12.1%
Middlesex	5,937	19.5%	\$223,181	21.7%	399,951	26.6%
Nantucket	0	0.0%	\$0	0.0%	0	0.0%
Norfolk	581	4.0%	\$24,101	4.7%	36,297	5.4%
Plymouth	945	10.3%	\$34,488	9.7%	85,638	17.3%
Suffolk	4,339	35.7%	\$151,374	31.4%	434,974	60.2%
Worcester	2,651	23.6%	\$95,074	29.9%	210,703	26.4%
State Totals	23,368	19.7%	\$896,030	21.6%	1,823,086	27.8%

Eight counties experienced increases in small business loan dollars in lower income areas in 2012, although there was considerable variability from one county to the next. As an example, small business loan dollars declined by 19.0% in the lower income areas of Suffolk County in 2012 while increasing by 150.9% in the lower income areas of Hampshire County. Berkshire and Plymouth Counties also experienced large percentage declines in loan volume while Barnstable and Essex Counties experienced large increases.

TABLE : Change in loan volume in lower income areas (2012)

	2012 Change in Number of Loans	% Change	2012 Change in \$ Amount of Loans (\$000s)	% Change
Barnstable	409	57.9%	\$23,447	94.9%
Berkshire	-45	-12.9%	-\$1,425	-14.3%
Bristol	233	14.7%	\$14,516	21.8%
Dukes	0	--	\$0	--
Essex	811	38.5%	\$36,318	43.3%
Franklin	16	8.4%	-\$115	-1.7%
Hampden	420	21.4%	\$18,991	25.1%
Hampshire	116	207.1%	\$4,873	150.9%
Middlesex	877	17.3%	\$29,157	15.0%
Nantucket	-7	-100.0%	-\$30	-100.0%
Norfolk	428	279.7%	\$16,738	227.3%
Plymouth	-155	-14.1%	-\$5,769	-14.3%
Suffolk	-1,010	-18.9%	-\$35,566	-19.0%
Worcester	613	30.1%	\$16,993	21.8%
State Totals	2,706	13.1%	\$118,128	15.2%

The 2012 CRA data shows considerable variability at the county level between lending rates in lower income areas compared to higher income areas and provides no discernable relationship. Lending rates were lower in low and moderate income areas in 2012 compared to middle and upper income *areas* in five counties in Massachusetts that have low or moderate income census tracts, but were also higher in seven other counties. The lending rates in counties with lower income areas ranged from \$460,000 per 100 firms in Berkshire County to \$978,000 per 100 firms in Norfolk County.

TABLE : Lending rates in lower income vs higher income areas (2012)

	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	\$828	116.0%	\$510	71.2%
Berkshire	\$460	64.4%	\$549	76.7%
Bristol	\$813	113.8%	\$869	121.3%
Dukes	--	--	\$335	46.7%
Essex	\$807	112.9%	\$717	100.1%
Franklin	\$435	60.9%	\$496	69.2%
Hampden	\$745	104.2%	\$853	119.0%
Hampshire	\$705	98.6%	\$679	94.7%
Middlesex	\$747	104.6%	\$705	98.4%
Nantucket	--	--	\$1,367	190.8%
Norfolk	\$978	136.9%	\$783	109.3%
Plymouth	\$733	102.7%	\$878	122.6%
Suffolk	\$622	87.1%	\$762	106.4%
Worcester	\$592	82.9%	\$486	67.8%
State Totals	\$714	100.0%	\$716	100.0%

## SMALL BUSINESS LOANS BY CITY & TOWN

As was the case at the county level, there also exists considerable variability at the city and town level between the percentage of small business loans *originated* in lower income areas and the percentage of the population *living* in lower income areas.

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

TABLE: Volume of small business loans in lower income areas by town (2012)

	Number of Loans	% of Town Total	\$ Amount of Loans (\$000s)	% of Town Total	Population in Lower Income	% of Town Total
Boston	3,714	33.9%	\$125,354	28.2%	365,409	59.2%
Springfield	1,346	82.1%	\$54,371	93.1%	117,411	76.7%
Worcester	1,397	62.1%	\$48,390	71.1%	107,608	59.4%
Lowell	839	91.2%	\$28,761	96.0%	98,095	92.1%
Lawrence	702	100.0%	\$30,588	100.0%	76,377	100.0%
Brockton	779	66.4%	\$27,009	54.6%	72,245	77.0%
Lynn	594	75.9%	\$24,111	90.6%	70,120	77.6%
New Bedford	790	68.6%	\$36,335	71.8%	68,707	72.3%
Fall River	709	72.0%	\$25,594	64.1%	63,941	72.0%
Cambridge	1,126	45.6%	\$38,235	46.1%	49,508	47.1%
Malden	603	85.5%	\$24,663	96.6%	47,655	80.2%
Everett	436	93.6%	\$16,081	97.8%	37,834	90.8%
Revere	328	63.1%	\$10,038	67.3%	36,453	70.4%
Somerville	487	48.5%	\$16,658	54.8%	35,996	47.5%
Chelsea	297	87.1%	\$15,982	91.3%	33,112	94.1%
Holyoke	351	82.2%	\$15,004	90.2%	31,219	78.3%
Framingham	427	34.2%	\$17,414	39.7%	28,027	41.0%
Chicopee	261	43.5%	\$5,649	40.4%	26,129	47.3%
Fitchburg	343	77.6%	\$16,535	89.6%	25,698	63.7%
Medford	350	41.4%	\$12,836	51.8%	24,550	43.7%
Waltham	488	33.9%	\$23,019	33.8%	21,544	35.5%
Quincy	334	20.8%	\$13,036	27.4%	21,494	23.3%
Haverhill	208	29.2%	\$4,585	16.1%	17,946	29.5%
Taunton	186	26.8%	\$9,126	31.7%	17,513	31.3%
Leominster	219	39.1%	\$8,835	44.7%	15,124	37.1%
Methuen	227	35.0%	\$10,280	55.3%	14,601	30.9%
Salem	327	39.4%	\$13,926	37.2%	13,370	32.3%
Watertown	387	52.7%	\$18,079	72.1%	12,395	38.8%
Southbridge	100	68.5%	\$3,001	88.0%	12,385	74.1%
Amherst	19	5.1%	\$758	6.5%	12,079	31.9%
Pittsfield	252	37.5%	\$6,890	23.8%	11,955	26.7%
Athol	53	100.0%	\$2,350	100.0%	11,584	100.0%
Barnstable	463	39.9%	\$19,429	57.9%	11,033	24.4%
Webster	112	54.4%	\$922	38.8%	10,265	61.2%
Beverly	450	49.5%	\$19,142	67.3%	9,722	24.6%
Gardner	115	58.1%	\$5,767	62.2%	9,679	47.8%
Westfield	160	21.6%	\$5,286	15.2%	9,567	23.3%
Peabody	160	16.8%	\$5,253	13.7%	8,570	16.7%
Gloucester	165	29.4%	\$9,254	53.6%	8,211	28.5%
Marlborough	161	20.8%	\$4,472	18.8%	7,497	19.5%

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

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

TABLE: Small business lending rates by town (2012)

	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	\$598	82.1%	\$779	107.1%
Springfield	\$712	109.5%	\$299	46.0%
Worcester	\$599	112.4%	\$422	79.2%
Lowell	\$514	103.2%	\$286	57.5%
Lawrence	\$791	100.0%	--	--
Brockton	\$687	75.9%	\$1,461	161.6%
Lynn	\$702	116.1%	\$258	42.8%
New Bedford	\$912	97.7%	\$992	106.3%
Fall River	\$631	87.2%	\$978	135.3%
Cambridge	\$809	115.4%	\$629	89.8%
Malden	\$841	113.3%	\$169	22.8%
Everett	\$679	105.1%	\$204	31.6%
Revere	\$568	101.1%	\$472	84.1%
Somerville	\$738	117.4%	\$533	84.8%
Chelsea	\$1,006	101.9%	\$824	83.5%
Holyoke	\$728	111.5%	\$334	51.2%
Framingham	\$689	106.9%	\$619	95.9%
Chicopee	\$420	85.5%	\$556	113.0%
Fitchburg	\$898	123.9%	\$272	37.5%
Medford	\$739	119.2%	\$528	85.2%
Waltham	\$1,153	114.3%	\$948	94.0%
Quincy	\$991	143.6%	\$619	89.7%
Haverhill	\$332	47.3%	\$892	127.1%
Taunton	\$744	93.0%	\$829	103.6%
Leominster	\$582	94.6%	\$644	104.8%
Methuen	\$1,084	185.5%	\$372	63.7%
Salem	\$979	94.5%	\$1,073	103.6%
Watertown	\$1,072	133.9%	\$484	60.5%
Southbridge	\$388	119.1%	\$150	46.1%
Amherst	\$277	50.5%	\$576	105.2%
Pittsfield	\$463	60.9%	\$952	125.1%
Athol	\$349	100.0%	--	--
Barnstable	\$738	143.3%	\$364	70.6%
Webster	\$149	74.7%	\$254	127.3%
Beverly	\$1,110	155.1%	\$414	57.8%
Gardner	\$831	111.8%	\$634	85.2%
Westfield	\$732	56.2%	\$1,515	116.3%
Peabody	\$713	76.7%	\$976	105.0%
Gloucester	\$937	159.2%	\$412	69.9%
Marlborough	\$504	84.8%	\$621	104.4%

## CONCLUSION

The issue of small business lending growth remains an area of concern in Massachusetts and across the country. A review of the most recent annual CRA data shows that small business loan originations in Massachusetts increased in 2012 for the second consecutive year, while quarterly Call Report data and data compiled by the SBA in 2013, also showed increased in small business lending. At the same time, as lending volume continues to trail the levels reached prior to the recent financial crisis, high unemployment and uneven economic growth continue to weigh down the economic climate in Massachusetts and across the country continues making the outlook for more robust economic expansion uncertain.

The 2012 CRA data is the first dataset to utilize the recently released 2010 decennial census data and, when combined with the new demographic data, the lending data shows that lower income areas in Massachusetts, which account for roughly one-quarter of the state's population, experienced small business lending rates in 2012 that were roughly comparable to higher income areas in 2012. At the same time, the data also shows that high minority communities continued to experience lower small business lending rates than lower income white communities.

# DATA SOURCES

## ECONOMIC CLIMATE

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

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

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

Consumer debt data was obtained from the Federal Reserve Board.

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

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

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

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

## SMALL BUSINESS DEMOGRAPHICS

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

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

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

## **DEMOGRAPHIC DATA**

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

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

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

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

## **SMALL BUSINESS LOAN DATA**

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

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

The number of lenders that are reflected in both databases varies from one reporting period to the next, primarily due to the effects of mergers, acquisitions, and consolidations within the banking industry. In addition, the number of lenders that are included in the annual CRA data is also influenced by the asset-size threshold for the CRA disclosure requirement, which was raised several years ago from \$250 million in assets to \$1 billion and which is now pegged to the Consumer Price Index (CPI) to keep pace with inflation. The asset-size threshold was increased to \$1.160 billion for 2012 and will increase to \$1.186

billion for 2013. Banks with assets below the reporting threshold also have the option to file an annual CRA disclosure if they wish, and many such banks are also included in the CRA database. Credit unions, on the other hand, whether state or federally chartered, are not subject to the provisions of the CRA law, including the annual disclosure requirement, and are not included in the annual CRA database.

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

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

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

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

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

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

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

## SMALL BUSINESS ECONOMIC DATA

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

Data compiled in 2008 by the Census Bureau and the Bureau of Labor Statistics indicates that there are approximately 613,280 businesses operating in Massachusetts consisting of 141,843 firms with employees and an additional 471,437 sole proprietorships or non-employers, which together account for 3.5 million jobs in the state. The majority of these firms are private, for-profit business organizations although the figures also include data for non-profit employers which are a growing source of employment and represent approximately 6% of the firms in the state and an estimated 14% of the workforce. It is important to note, however, that the figures do not include government employers, which account for an additional 12.5% of the state's workforce, as well as self-employed individuals who do not operate as sole proprietorships and for which little data is available. The business demographic data and employment data is also complicated by the fact that many people have two or more jobs or may work for two or more firms or sole proprietorships, while others may work as an employee of a firm while also operating a sole proprietorship. The data is further muddled by the fact that a small number of sole proprietorships are not active, going concerns and a small number of businesses, such as cash-only businesses, operate completely under the radar.

Identifying the number of *small* businesses is even more challenging since, despite the frequency with which the term is used in our lexicon, there is no universally accepted definition of a small business. The most common measures of business size are based on the number of employees or the annual revenues of the business as compiled by the Census Bureau and the Bureau of Labor Statistics. While these measures are essentially arbitrary and vary from industry to industry, they represent our best source of information about small business demographics. Regardless of the measure used, it is clear that small businesses account for the majority of the *number* of businesses in Massachusetts and across the country. What is less clear is the precise contribution that small businesses make toward the overall economy since different people define small businesses in different ways. When we define small businesses as businesses with fewer than 20 employees, which is a commonly used measure, we find that such businesses account for 97% of the total number of businesses in Massachusetts and 32% of the jobs across the state.

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

