

**Small Business Lending**  
**in**  
**Massachusetts**  
**2007-2015**

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**M | C | B | C**

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## FOREWORD

The Massachusetts Community & Banking Council (MCBC) is pleased to offer *Small Business Lending in Massachusetts, 2007-2015*, its 18<sup>th</sup> report on small business lending patterns. The report includes data on small business lending across the state and the impact of small business lending on the state's overall economy. As before, this report also focuses on small business lending in low income and traditionally underserved areas. Along with the report, MCBC is also providing supplemental data tables on small business lending in the form of an on-line appendix. The report and the appendix are both available on MCBC's website at [www.mcbc.info](http://www.mcbc.info). MCBC hopes that this report can help to increase access to credit for small businesses by providing a snapshot of current small business lending patterns and the performance of major types of lenders.

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

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

MCBC depends on the financial support of its members to produce reports like *Small Business Lending in Massachusetts*. MCBC thanks the following financial institutions for their 2016 membership:

Abington Bank	Everett Co-operative Bank
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Beverly Co-operative Bank	Mass Bay Credit Union
Blue Hills Bank	Needham Bank
Boston Private Bank & Trust Company	North Cambridge Co-operative Bank
Bridgewater Savings Bank	Patriot Community Bank
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Capital One	Randolph Savings Bank
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East Cambridge Savings Bank	Wellesley Bank
Eastern Bank	Winchester Co-operative Bank
Equitable Bank	

MCBC's 2016 Community Partners include ACCION, City of Boston through the Boston Planning and Development Agency, Community Teamwork, Inc., Dudley Square Main Streets, ESAC, the Fair Housing Center of Greater Boston, Family Independence Initiative, Interise, the Massachusetts Affordable Housing Alliance, the Massachusetts Association of CDCs, the Massachusetts Housing Partnership, the Metropolitan Boston Housing Partnership, the Somerville Community Corporation, South Eastern Economic Development (SEED) Corporation and The Neighborhood Developers.

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# EXECUTIVE SUMMARY

The CRA data for the year ended December 31, 2015 shows that small business lending in Massachusetts increased at a modest pace from 2014 to 2015, the fifth 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, 2016, which includes local community banks that are not included in the CRA database, and data compiled by the SBA through September 30, 2016, also showed continued increases in small business lending across the state including in some cases increases to levels above the highs achieved prior to the financial crisis. A review of some of the current economic conditions that influence small business lending shows that the economic climate in Massachusetts and across the country has continued to improve.

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.

This report is the 18<sup>th</sup> report on small business lending commissioned by the Massachusetts Community & Banking Council (MCBC). The report reviews recent small business lending trends in Massachusetts with an emphasis on traditionally underserved areas across the state. The report also reviews changes in economic conditions and other factors that affect small business lending. The report primarily utilizes two sources of small business lending data: annual data collected under the Community Reinvestment Act (CRA) and quarterly Call Report data. A more detailed discussion of the sources of data is provided in the section entitled Data Sources at the end of this report, and additional detailed data on small business lending trends in Massachusetts is available in the online appendix at [www.mcbc.info](http://www.mcbc.info).

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

## LOAN VOLUME

- **The annual CRA data shows that small business lending volume in Massachusetts increased modestly in 2015 in terms of both the number and dollar amount of loans.** On a percentage basis, the CRA data showed a 10.7% increase in the number of small business loans and a 5.5% increase in the dollar amount of loans. The volume of CRA-reported small business loan originations in Massachusetts in 2015 totaled 125,847 loans for \$4.9 billion, compared to the previous year totals of 118,950 loans for \$4.5 billion. The 2015 increase represents the fifth consecutive annual increase in loan dollars although loan volume remains below the levels achieved prior to the recent financial crisis.
- **The most recent quarterly Call Report data, which includes local community banks that are not included in the annual CRA database, shows a small increases in the dollar volume of small business loans at Massachusetts banks and thrift institutions over the past year but a modest decline in the number of loans.** The volume of small business loans on the books of local community banks totaled 83,910 loans for \$11.631 billion as of June 30, 2016, compared to 85,884 loans for \$10.600 billion as of June 30, 2015. On a percentage basis, the Call Report data showed a 0.3% increase in the dollar amount of small business loans but a 2.3% decline in the number of loans.
- **According to the US Small Business Administration (SBA), loans guaranteed by the SBA also expanded strongly for the third straight year in Massachusetts during the fiscal year ended September 30, 2016 raising the agency's lending volume to record levels.** SBA loans

in Massachusetts totaled \$559.2 million during the most recent fiscal year which represents a 19.3% increase compared to the previous year. On a national basis, SBA lending increased at a more modest 3.5% rate to \$28.9 billion.

- **Credit unions in Massachusetts reported 6,878 small business loans for \$2.1 billion as of June 30, 2016, compared to 6,169 loans for \$1.7 billion as of June 30, 2015.** Member business loans at local credit unions increased by 11.5% and 18.7% in terms of the number and dollar amount of small business loans during the twelve months ended June 30, 2016.
- **When compared to other states, the national CRA data shows that Massachusetts experienced larger overall percentage increases in the number and dollar amount of loans than most states in 2015.** Massachusetts, which has the 14<sup>th</sup> largest state population in the country, ranked 11<sup>th</sup> in terms of the largest percentage change in small business loan dollars from 2014 to 2015 and 24<sup>th</sup> in terms of the percentage change in the number of loans.

## LENDERS

- **The CRA data shows that local CRA reporters originated a total of 36,155 small business loans for \$3.4 billion in 2015 which represented 28.7% of the total number of small business loans in Massachusetts and 69.8% of small business loan dollars.** The 2015 results represented the fifth consecutive year of increases in both the number and dollar amount of loans for local CRA reporters.
- **Local CRA reporters increased their share of the Massachusetts small business loan market in the immediate wake of the recent financial crisis but have not added to their gains over the past few years.** In 2015 local CRA reporters accounted for 69.8% of small business loan dollars in the state which is up compared to 57.9% level recorded in 2007 but down compared to the 72.2% high reached in 2010.
- **A closer examination of the data of local CRA reporters shows that community banks in Massachusetts lost market share in 2015 to large commercial banks that operate in the state in terms of small business lending, which represents a departure from the trend over the past few years.** In 2015, local community banks accounted for 48.6% of small business loan dollars in Massachusetts compared to 47.7% in the previous year, while the large commercial banks with branches in the state accounted for 31.6% of the total compared to 26.8% in the previous year.
- **The average size of a CRA-reported small business loan at a local community bank declined in 2015 for the third straight year, while the average size of a loan at a large commercial bank with branches in the state declined for the sixth straight year.** The average size of a small business loan at local community banks dipped from \$190,840 in 2014 to \$176,510 in 2015 although the average loan size remains above the levels preceding the recent financial crisis.
- **Credit card lenders reported an estimated 76,641 small business credit card loans in Massachusetts in 2015 for \$674.0 million, which represents a decline compared to the previous year and still well below the levels generated in the years leading up to the recent financial crisis.** The decline was influenced to a large extent by an the acquisition of credit card accounts by one of the large commercial banks that operates in Massachusetts. The transaction involved several thousand credit card accounts and accounted for most, and perhaps all, of the decline in credit card lending totals. Small business credit card loans accounted for 60.9% of the total number of CRA-reported small business loans in the state in 2014 and 13.7% of loan dollars.
- **Other out-of-state CRA lenders reported 13,051 small business loans in Massachusetts in 2015 for \$805.7 million, which represents a large increase compared to the previous year**

**and which substantially exceeds the levels reached before the recent financial crisis.** Small business loans by other out-of-state CRA lenders accounted for 10.4% of the total number of small business loans in the state in 2015 and 16.4% of loan dollars.

### **LENDING IN TRADITIONALLY UNDERSERVED AREAS**

- **Businesses in low and moderate income census tracts in Massachusetts received a total of 24,816 small business loans in 2015 for \$984.5 million, which represents a modest increase in terms of both the number and dollar amount of loans compared to the previous year.** Low and moderate income census tracts in Massachusetts experienced overall increases of 4.4% and 3.3% in small business loan dollars from 2014 to 2015 while middle and upper income census tracts experienced increases of 11.3% and 9.9%. While small business loan dollars in low and moderate income census tracts have increased moderately over the past several years, the volume remains well below the highs achieved in 2007.
- **Local CRA lenders continued to account for the vast majority of small business loans dollars in low and moderate income census tracts in Massachusetts in 2015.** Local CRA lenders made a total of 7,485 loans for \$713.7 million in 2015, which accounted for 72.5% of the small business loan dollars in lower income areas in the state.
- **Low and moderate income areas in Massachusetts experienced relatively modest increases in small business loan dollars in 2015, while middle and upper income areas experienced larger increases.** Low and moderate income census tracts in Massachusetts experienced overall increases of 4.4% and 3.3% in small business loan dollars from 2014 to 2015 while middle and upper income census tracts experienced increases of 11.3% and 9.9%.
- **Low and moderate income census tracts in Massachusetts continued to receive a somewhat smaller share of small business loans in 2015 than one might expect given the local demographics.** Low and moderate income census tracts, which account for 27.2% of the total population of Massachusetts, received 20.9% of the total number of CRA-reported small business loans in the state in 2015 and 21.9% of the total loan dollars.
- **The lowest lending rates in Massachusetts, measured in the amount of loan dollars per 100 firms, were recorded in moderate income communities in 2015 although the lending rates between income groups fell within a relatively narrow range of values.** Low and moderate income census tracts received an aggregate \$827,000 and \$804,000 per 100 businesses respectively, while middle and upper income census tracts in Massachusetts received an aggregate \$882,000 and \$838,000 per 100 businesses. The 2015 results represent the fifth time in the past eight years when the lowest overall lending rates were in low or moderate income census tracts.
- **When compared to other states, the national CRA data shows that Massachusetts experienced smaller percentage increases in the number and dollar amount of loans in low and moderate income areas than many states in 2015.** Massachusetts, which has the 15<sup>th</sup> largest population in the country living in low and moderate income areas, ranked 26<sup>th</sup> in terms of the largest percentage increase in loan dollars from 2014 to 2015 and 26<sup>th</sup> in terms of the percentage change in the number of loans.
- **When the racial composition of the area is also taken into consideration, the 2015 CRA data shows that high minority communities with lower income populations, which represent the vast majority of high minority census tracts, experienced an 8.8% increase in small business loan dollars from 2014 to 2015.** In comparison, mixed race communities and white communities in lower income areas experienced increases of 1.1% and 8.3% in small business loan dollars respectively from 2014 to 2015.

- **The overall dollar volume of small business loans in communities in Massachusetts with the largest immigrant populations has recovered from the lows reached in the aftermath of the recent financial crisis but remains well below recent highs.** Businesses in communities where the immigrant populations is 40% or more of the local population, which includes neighborhoods in just over a dozen towns around the greater Boston area, received 3,301 small business loans for \$128.4 million in 2015.

### GEOGRAPHIC COMPARISONS

- **Twelve of the fourteen counties in Massachusetts experienced increases in CRA-reported small business lending volume in 2015.** The largest percentage increases in small business loan dollars were in Dukes, Franklin, Nantucket Counties while the largest dollar increases were in Bristol, Norfolk, and Plymouth Counties. Essex and Hampshire Counties were the only counties that experienced declines in small business loan dollars in 2015.
- 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 2015 ranged from \$1.2 billion in Middlesex County, which accounts for 23.0% of the state's total population, to \$16.1 million in Dukes County, which accounts for 0.3% of the state's total population
- 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 city of Boston, which accounts for 9.4% of the state's population, received \$515.3 million in CRA-reported small business dollars in 2015 and accounted for 12.4% 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 2.2% and 1.6% of the total loan dollars in the state.

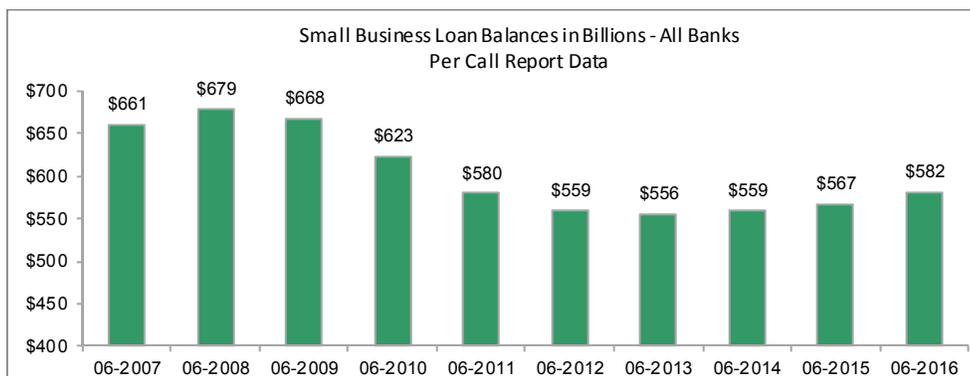
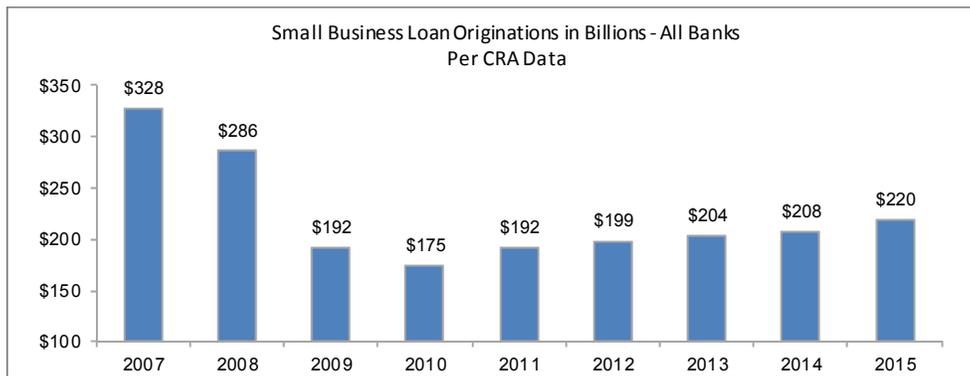
# INTRODUCTION

This report is the 18<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.

This report updates new topics recently added to the report including sections on state rankings, business ownership by race and immigrant status, small business lending in communities with large immigrant populations, and small business lending in Massachusetts Economic Target Areas and Economic Opportunity Areas which are priority economic development areas designated by the Commonwealth and local municipalities respectively.

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

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



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

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

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

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

# **SECTION I**

**SMALL BUSINESS LENDING IN MASSACHUSETTS:**

**A STATEWIDE REVIEW**

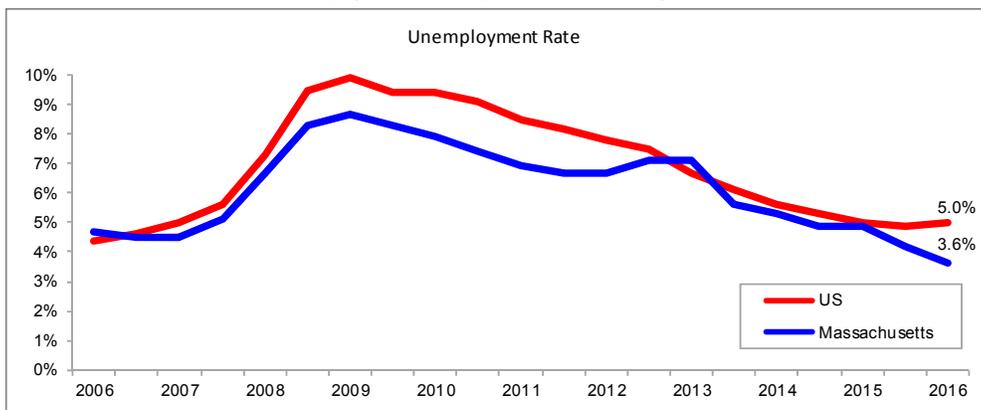
## CURRENT ECONOMIC CONDITIONS

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

### Employment

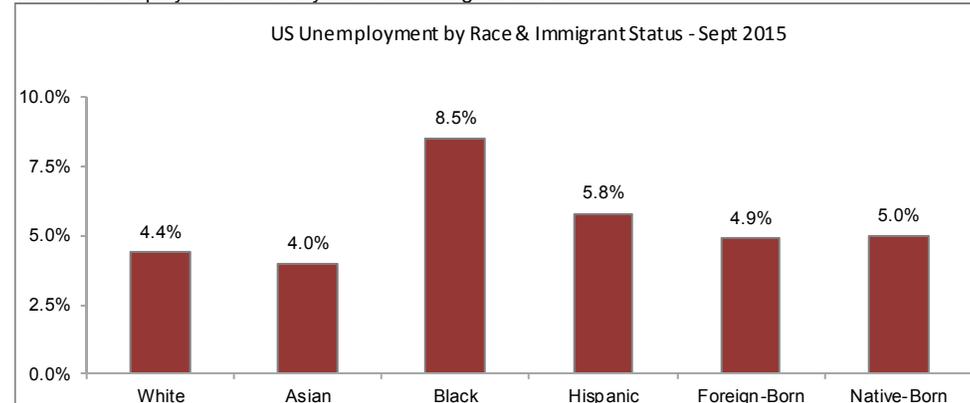
In terms of employment, job growth in Massachusetts continued to improve through 2016 and has outpaced the rest of the nation for the past three years. The state overall unemployment rate declined from 4.8% as of September 2015 to 3.6% as of September 2016, while the national unemployment rate declined from 5.1% to 5.0%.

CHART: The Massachusetts unemployment rate improved substantially from 2013 to 2016



While the overall unemployment rate has improved, a review of the national labor data shows that the jobless rates for Blacks and Hispanics substantially exceed the rates for other population groups. The data shows that the Black unemployment rate is nearly twice the unemployment rate for Whites while the Hispanic unemployment rate is over 30% higher. The data also shows that Asians have a lower unemployment rate than Whites while foreign-born residents, have a lower unemployment rate than native-born residents. One of the factors that is widely viewed as a major influence on employment is educational attainment. The national census data shows a substantially larger percentage of Asians (60%) and Whites (38%) have college degrees compared to Blacks (27%) and Hispanics (19%). A slightly larger percentage of native-born residents (30%) have college degrees compared to foreign-born residents (29%).

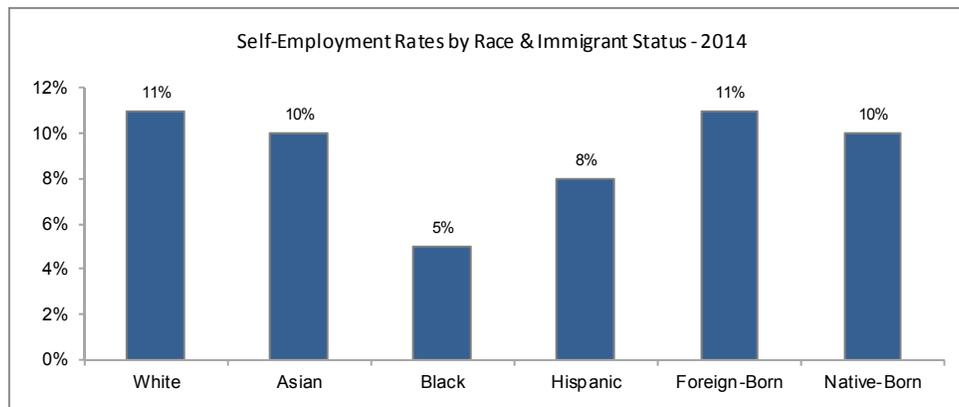
CHART: Unemployment varies by race and immigrant status



## **Business Ownership by Race & Immigrant Status**

The most recent Current Population Survey (CPS) prepared by the Bureau of Labor Statistics and the Census Bureau shows that roughly 10% of the US population is self-employed, which is a primary indicator of business ownership, although there are substantial differences in self-employment rates related to race and immigrant status. Self-employed persons, which includes business owners with employees as well as sole proprietorships, account for an estimated 30% of the national work force. According the Pew Research Center, which conducted a review of the 2014 CPS data, roughly 11% of Whites and 10% of Asians operate their own businesses compared to 5% of Blacks and 8% of Hispanics. Immigrants are also more likely than native-born residents to operate their own business (11% vs 10%).

CHART: Blacks and Hispanics are less likely to run than own businesses than other groups



A review of the Census Bureau's 2012 Survey of Businesses shows that there are 90,515 minority-owned businesses in Massachusetts, including 34,230 Asian-owned businesses, 23,188 Black-owned businesses, and 30,158 Hispanic-owned businesses. The data also shows that there are 200,326 women-owned businesses, 58,970 veteran-owned businesses, and 50,778 immigrant-owned businesses in Massachusetts. Minority-owned businesses account for 15.1% of all private businesses in Massachusetts while women-owned businesses account for 33.4% of businesses while veteran-owned businesses account for 9.8% of the total and immigrant-owned businesses account for 8.5%. According to the survey results, minority-owned businesses increased by 39.3% in Massachusetts from 2007 to 2012, with most of the growth involving Hispanic-owned businesses and Asian-owned businesses, while the number of white-owned businesses declined slightly. The Massachusetts results were generally similar to the national results although black-owned and Hispanic-owned businesses account for a smaller percentage of total privately-held businesses in Massachusetts compared to the nation as a whole and the change in the number of these businesses in Massachusetts from 2007 to 2012 also diverged from national averages.

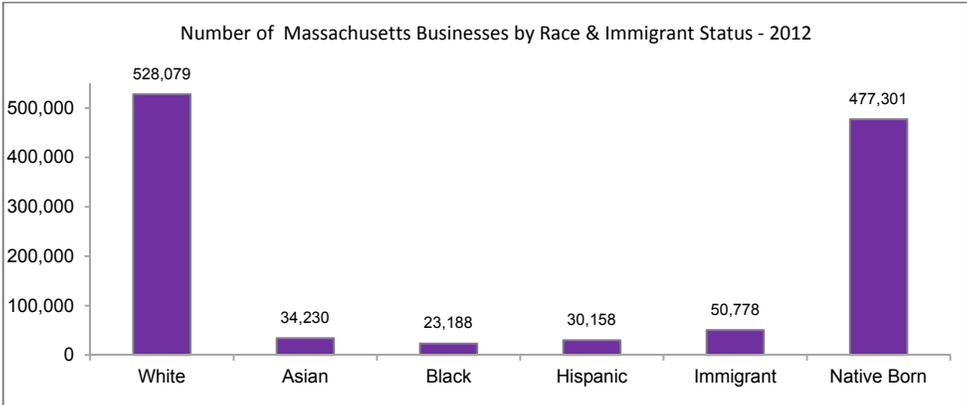
TABLE : Results from the 2012 Survey of Businesses

Type of Business	Massachusetts Totals			US Totals		
	Number of Businesses 2012	% of Total	% Change 2007 to 2012	Number of Businesses 2012	% of Total	% Change
Minority-Owned	90,515	15.1%	39.3%	7,996,226	29.2%	38.8%
Asian	34,230	5.7%	28.8%	1,937,368	7.1%	25.0%
Black	23,188	3.9%	12.9%	2,593,168	9.5%	34.9%
Hispanic	30,158	5.0%	55.4%	3,320,563	12.1%	46.9%
Women-Owned	200,326	33.4%	12.5%	9,932,434	36.2%	27.5%
Veteran-Owned	58,970	9.8%	10.6%	2,540,706	9.3%	3.8%
Immigrant-Owned	50,778	8.5%	N/A	2,434,607	8.9%	N/A
White-Owned	528,079	88.1%	-0.2%	21,748,125	79.3%	-3.7%
Total Privately-Held Businesses	599,279	--	28.8%	27,422,714	--	25.0%

Note: Data is from the Census Bureau's 2012 Survey of Businesses except immigrant-business data is from The Partnership For a New American Economy

The expansion of minority-owned, women-owned, veteran-owned, and immigrant-owned businesses in Massachusetts in recent years reveals the vital role that these entrepreneurs play in starting new businesses and in supporting the “main street” economy of local communities. A study undertaken by the Commerce Department’s Minority Business Development Agency confirms that the growth of minority-owned firms has significantly outpaced the growth of nonminority-owned firms across the country. The role of foreign-born business owners is also detailed in a number of studies including a study by The Partnership For a New American Economy which shows that immigrants are more than twice as likely to start a new business compared to native-born citizens and were responsible for 28% of small businesses created during the period reviewed by the study. Other research suggests that, in many communities throughout Massachusetts and across the country, immigrant business owners operate the majority of certain types of businesses such as gas stations, dry cleaners, convenience stores, and nail salons.

CHART: Distribution of Massachusetts businesses by race and immigrant status

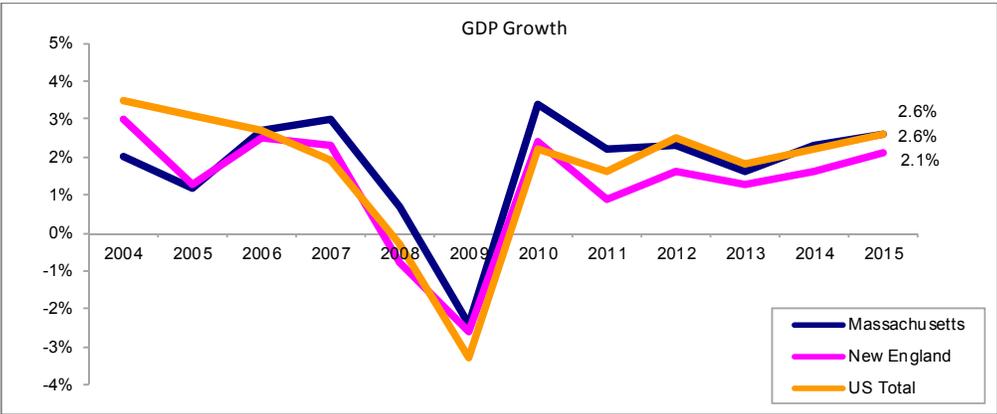


Note: Data is from the Census Bureau’s 2012 Survey of Businesses except immigrant-business data is from The Partnership For a New American Economy

**GDP Growth**

In terms of productivity, real GDP growth in Massachusetts and the country improved at a modest pace in 2015 compared to the previous year. The Massachusetts economy grew at a rate of 2.6% in 2015 compared to 2.3% during the previous year, while the national GDP figures grew 2.6% in 2015 compared to 2.2% in the previous year.

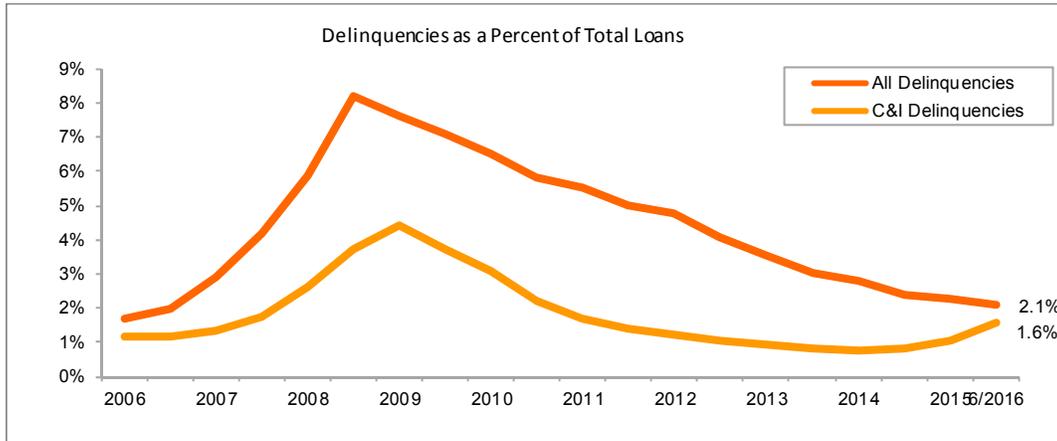
CHART: Massachusetts and national GDP growth improved at a modest pace in 2015



## Asset Quality

In terms of asset quality, loan delinquencies have improved since the recent financial crisis and are nearly in line with historic levels. According to the quarterly Call Report data, the overall delinquency rate at banks nationwide, which includes all delinquent commercial loans, mortgage loans, and consumer loans, declined to 2.4% of total loans as of June 30, 2016, which represents a substantial improvement over the highs reached in 2008. While the data does not allow us to identify the delinquency rate for small business loans, it is likely that the rate for these loans mirrors the delinquency rate for commercial and industrial (C&I) loans which ticked up to 1.6% as of June 30, 2016 from 0.8% in the previous year.

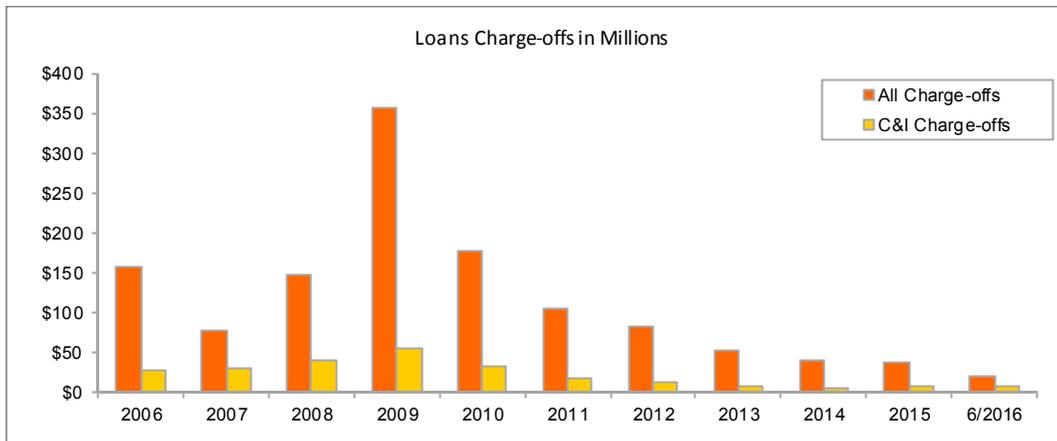
CHART: Loans delinquencies at US banks have steadily improved over the past five years



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

Loan charge-offs at banks have also continued to decline and have returned to historic levels. According to the quarterly Call Report data, banks reported overall net loan charge-offs of \$20.2 million, for the first six months of 2016 which is approximately half as much as was charged off during the prior full year. C&I charge-offs at banks totaled \$7.2 million through June 30, 2016, which represents an increase compared to the previous full year. While asset quality at banks has steadily improved in recent years, the dramatic rise in charge-offs and delinquencies at the beginning of the recent financial crisis contributed to the greatest number of bank failures across the country since the savings and loan crisis of the 1980s, including the failure of 140 banks in 2009, 157 banks in 2010, 92 banks in 2011, 51 banks in 2012, 24 banks in 2013, and 18 banks in 2014, and 8 banks in 2015, and 5 banks through September 2016. The high level of nonperforming loans in recent years has also weighed heavily on bank profits and capital reserves and has discouraged the easing of underwriting standards.

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

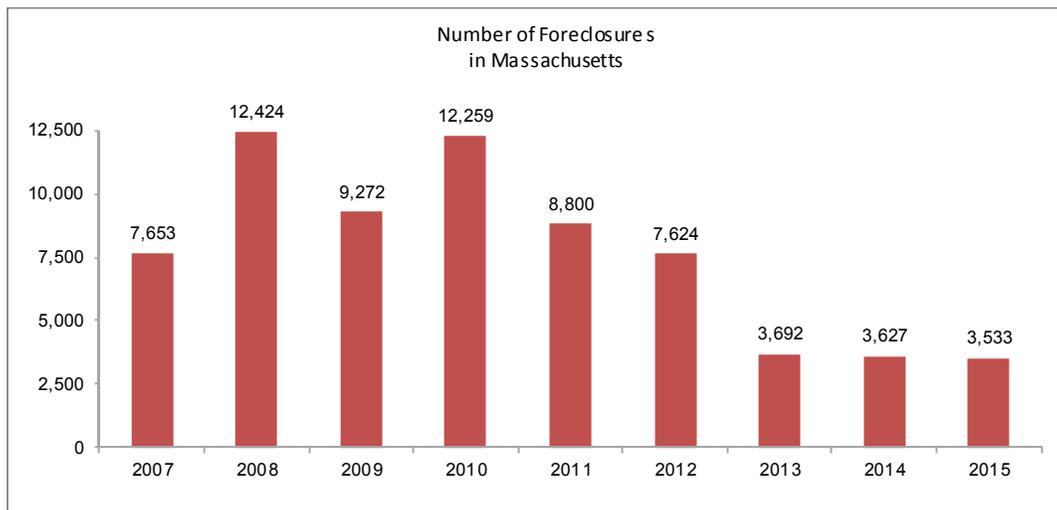
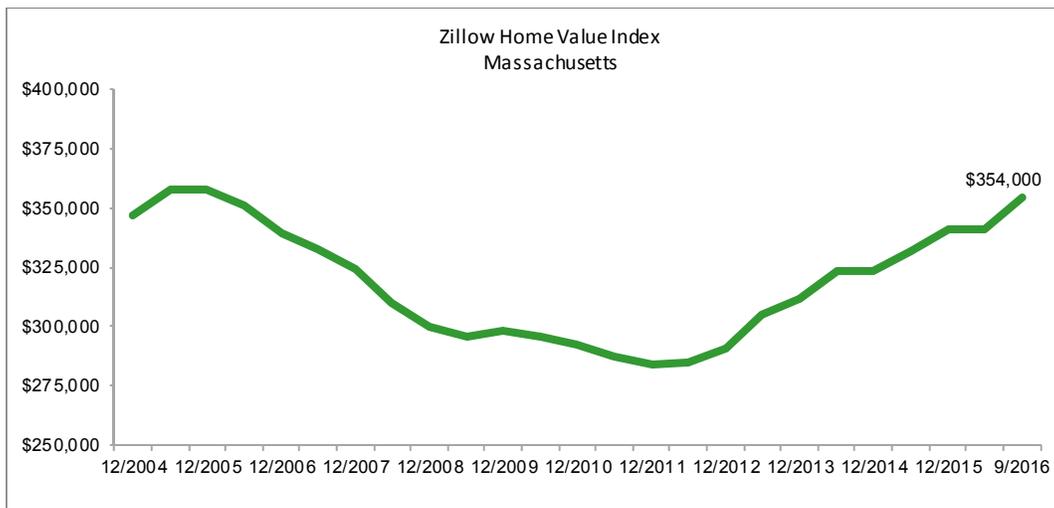


## **Real Estate Values**

In terms of real estate values, data compiled by Zillow, an online resource for real estate listings and real estate statistics, shows that home values in Massachusetts have trended up over the past five years and are approaching the levels reached prior to the recent financial crisis. In addition, while foreclosure activity continued to decline in 2015, The Warren Group, which monitors foreclosure activity, has tracked an increase for the second straight year in petitions to foreclose in Massachusetts, the first step in the foreclosure process. According to their analysis, lenders filed 9,633 petitions to foreclose during the ten months of 2015 which represents a 50.9% increase compared to the same period in the previous year. The recent jump in foreclosure petitions appears to be related to the recent implementation of new legislation in Massachusetts which addressed certain legal uncertainties in the foreclosure process.

Continued 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 most participants in the economy. While home equity is not an available option for large portions of the population, particularly in traditionally underserved communities, that rent rather than own their residences, 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.

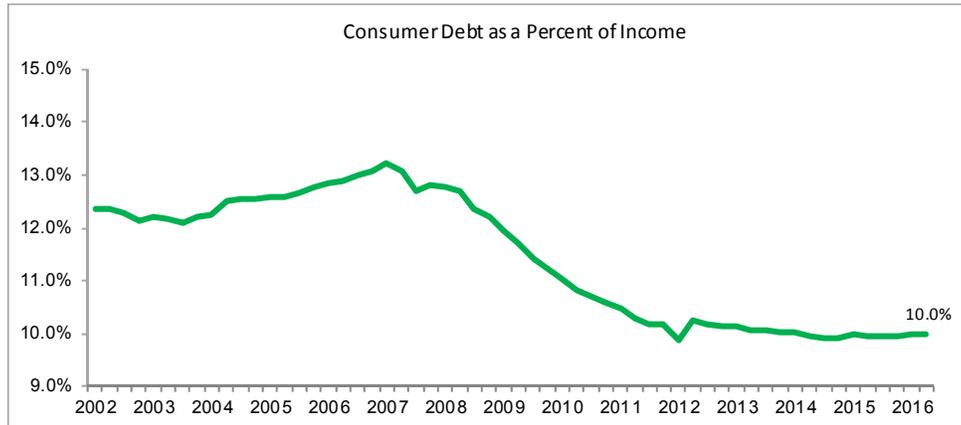
CHARTS: Home prices in Massachusetts have trended up over the past four years while foreclosures have declined



## Consumer Debt

While the attractiveness of low interest rates over the past several years has persuaded large numbers of consumers and business owners to refinance their homes or take on new business credit, they have not yet proved sufficient to completely 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 remains substantially lower now than it was 10 years ago when the country was emerging from its previous major recession.

CHART: Consumer debt has trended down since the recent financial crisis



The reasons behind the decline in consumer debt are likely related to job uncertainty and lack of confidence in the economic outlook. For businesses, many of which have similarly reduced the debt on their balance sheets over the past several 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.

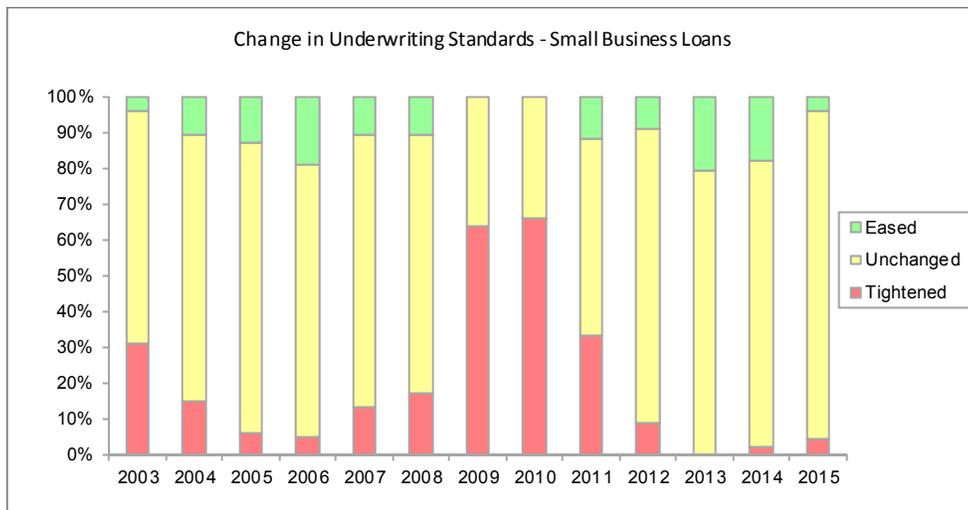
According to a 2011 study undertaken by Mass Bankers, one of the key factors contributing to the decline in small business lending in the years immediately following the financial crisis was a decline in the effective demand for small business loans, which is a measure that combines the desire for a loan with the resources, or credit worthiness, to obtain it. The Mass Bankers study pointed 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 reduced both credit demand and credit worthiness in the years immediately following the recent financial crisis.

## Underwriting Standards

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

According to the OCC's Survey on Credit Underwriting Practices, most banks either eased underwriting standards in 2015 or left them unchanged and only a small percentage of respondents reported tightened standards. Roughly 4% of respondents reported that they had eased standards in 2015, 92% of respondents left underwriting standards unchanged, and 4% reported tightened standards. While recent survey results could indicate a willingness on the part of some banks to take on more risk, it is worth noting that tightened underwriting standards that were put in place a few years ago continue to remain in place at some lenders. According to the OCC survey, increased competition, economic outlook, and market strategy were the primary reasons given by respondents that eased underwriting standards, while competition, risk appetite, and regulatory policies were the primary reasons given by respondents that tightened underwriting standards. A link to the OCC survey is provided in the Data Source section of this report.

CHART: Underwriting standards for small business loans underwent incremental changes in 2015

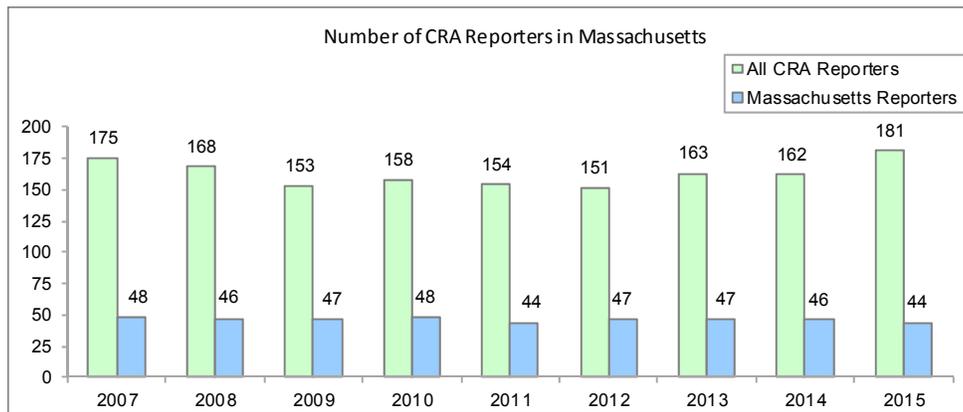


## CRA DATA AND CALL REPORT DATA

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.

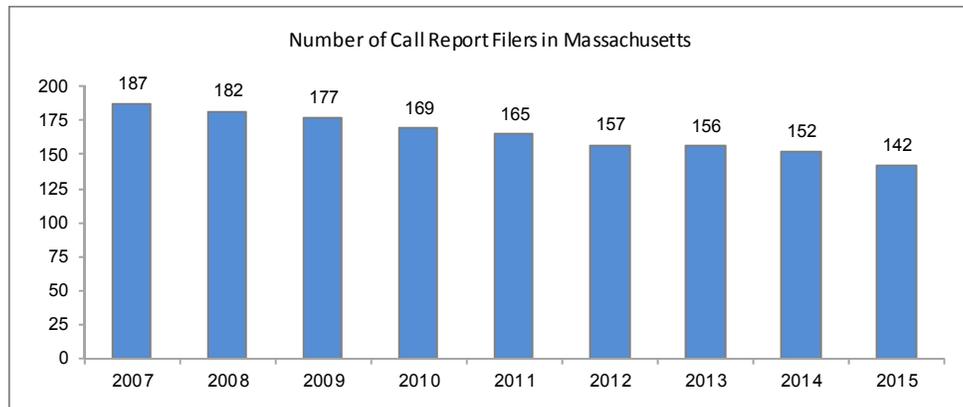
The number of lenders in both the annual CRA database and the Call Report database varies from period to period. A review of the CRA database shows that 181 lenders reported small business loan activity in Massachusetts in 2015 compared to 162 lenders in the previous year. Of that total, 44 were local lenders, which includes lenders that are headquartered in Massachusetts as well as lenders that have a substantial branch presence in the state, compared to 46 local lenders in the previous year. On a national basis, there were a total of 751 lenders included in the 2015 CRA database compared to 767 lenders in the previous year.

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



A review of the Call Report database shows that the number of bank and thrift institutions headquartered in Massachusetts declined from 152 at the end of 2014 to 142 at the end of 2015. On a national basis the total number of banks declined from 6,570 at the end of 2014 to 6,238 at the end of 2015.

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



## SMALL BUSINESS LOAN VOLUME

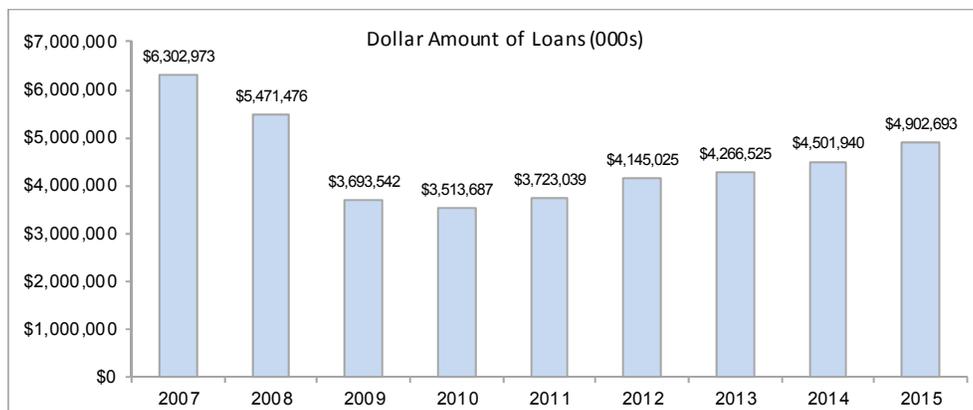
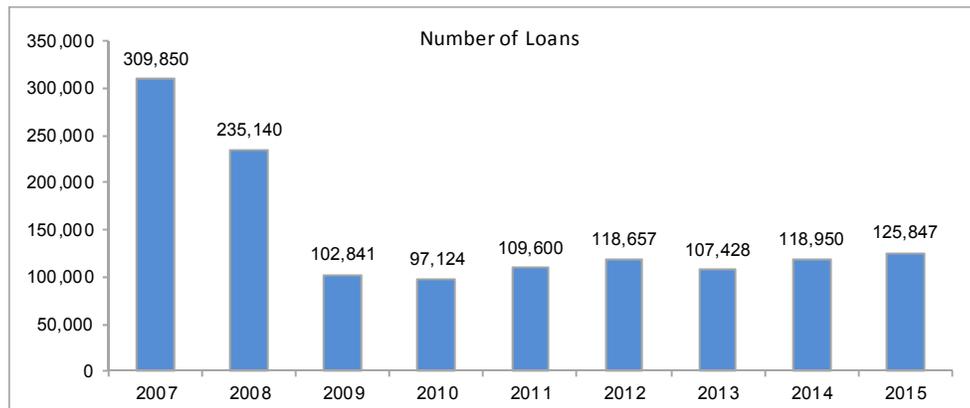
The annual CRA data, which primarily reflects the small business loan activity of the nation's largest lenders, shows that small business lending volume in Massachusetts increased modestly in 2015 in terms of both the number and dollar amount of loans. The 2015 results represent the fifth consecutive annual increase in loan dollars although overall loan volume remains well below the levels achieved prior to the recent financial crisis.

The volume of CRA-reported small business loan originations in Massachusetts in 2015 totaled 125,847 loans for \$4.9 billion, compared to the previous year totals of 118,950 loans for \$4.5 billion. Local CRA reporters, which are discussed in greater detail in a later section, accounted for a substantial portion of the dollar volume of CRA-reported activity in 2015.

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 2015, there were three local community banks with assets below the CRA reporting threshold which discontinued voluntary reporting in 2015 as well as one local community bank with assets above the CRA threshold that reported its data for the first time. These structural changes are worth noting although their net effect is relatively small. For example, the new CRA reporter accounted for substantially less than one percent of the CRA reported loan volume in 2015.

A majority of local CRA-reporters (24 out of 44) that filed CRA submissions for both 2014 and 2015 reported increases in the dollar volume of small business loans while 20 such lenders reported decreases.

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

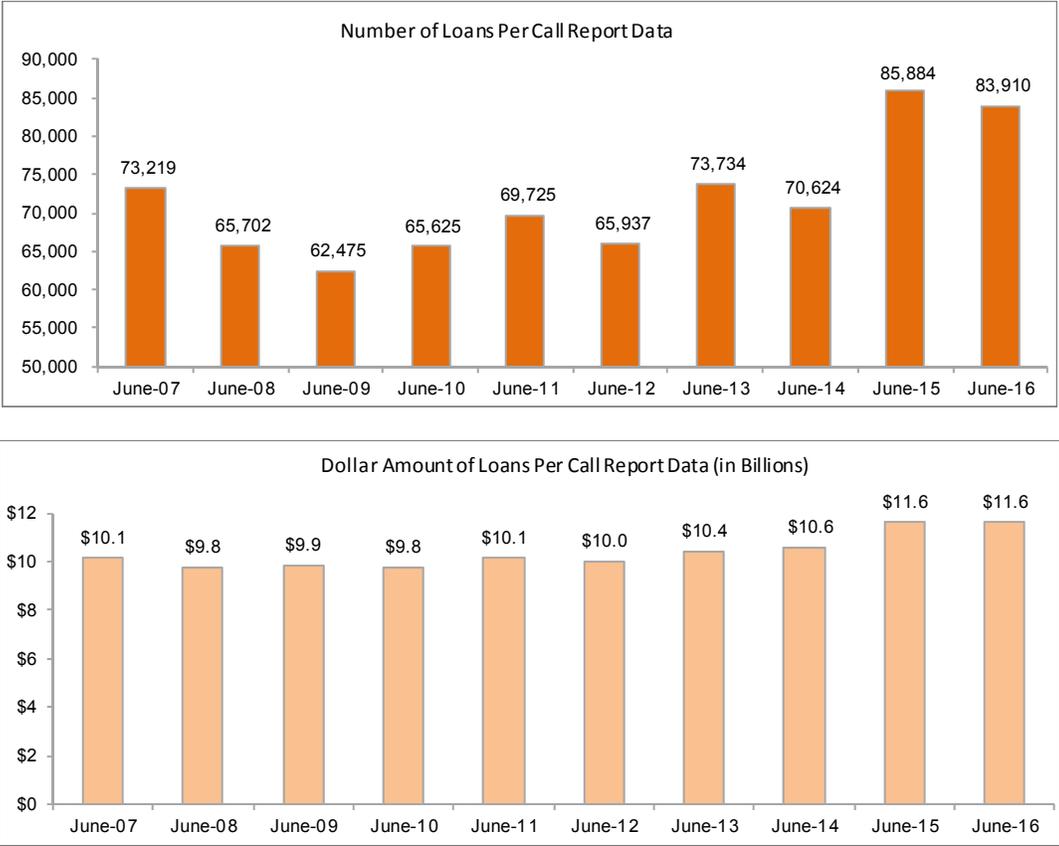


**The most recent quarterly Call Report data, which includes local community banks that are not included in the annual CRA database, showed a small decline in the number of small business loans over the past year but a modest increase in the dollar volume of loans.** The volume of small business loans on the books of local community banks totaled 83,910 loans for \$11.631 billion as of June 30, 2016, compared to 85,884 loans for \$11.600 billion as of June 30, 2015.

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, 2016, three local community banks were acquired by other local banks, one local bank was acquired by a bank headquartered in a neighboring state, and two local banks merged their operations. As was the case with the CRA database, these structural changes are worth noting although their net effect was relatively small.

A majority of Massachusetts community banks (81 out of 137) that have small business loans on their books and that filed Call Reports for both Q2/2015 and Q2/2016 reported increases in the dollar volume of small business loans while 43 such lenders reported declines.

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

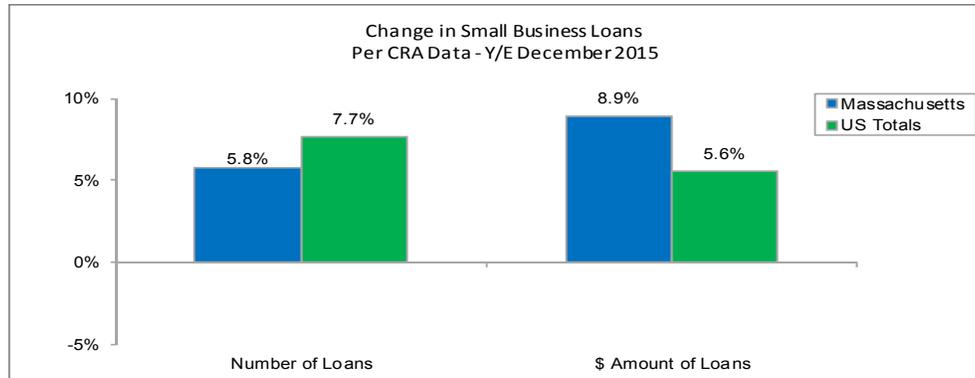


## SMALL BUSINESS LOAN GROWTH

A review of the key sources of small business lending data shows a similar pattern in small business lending growth over the past year in Massachusetts and across the country.

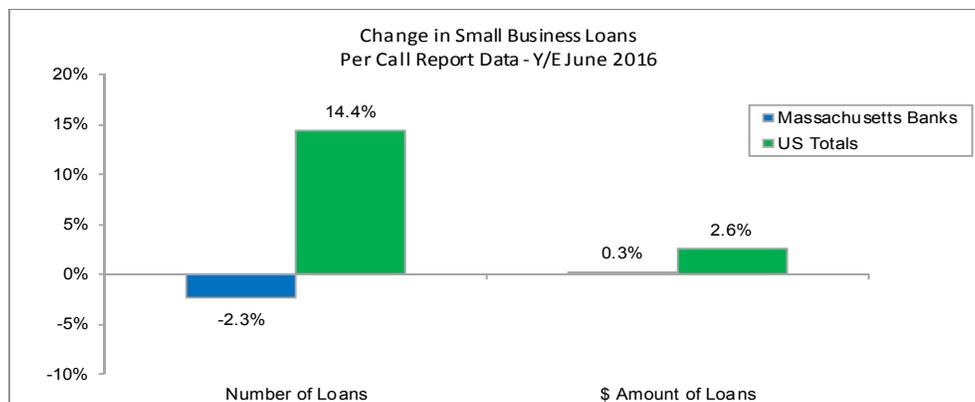
**A review of the most recent CRA data shows that small business loan originations in Massachusetts increased by 5.8% and 8.9% in 2015 in terms of the number and dollar amount of loans due in large part to increases in at locally-based lenders and out-of-state lenders.** The Massachusetts results in 2015 were roughly in line with the results for the country as a whole.

CHART: The annual CRA data shows that the changes in small business loan volume in Massachusetts were somewhat similar to the changes experienced in the country as a whole in 2015



A review of the quarterly Call Report data through June 30, 2015 shows that Massachusetts banks and thrifts experienced a small increase in the dollar amount of small business loans on the books of Massachusetts banks over the past year but a small decline in the dollar amount of loans. **Small business loans on the books of local community banks increased by 0.3% in terms of the dollar amount of small business loans during the twelve months ended June 30, 2016 but declined by 2.3% in terms of the number of loans.**

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



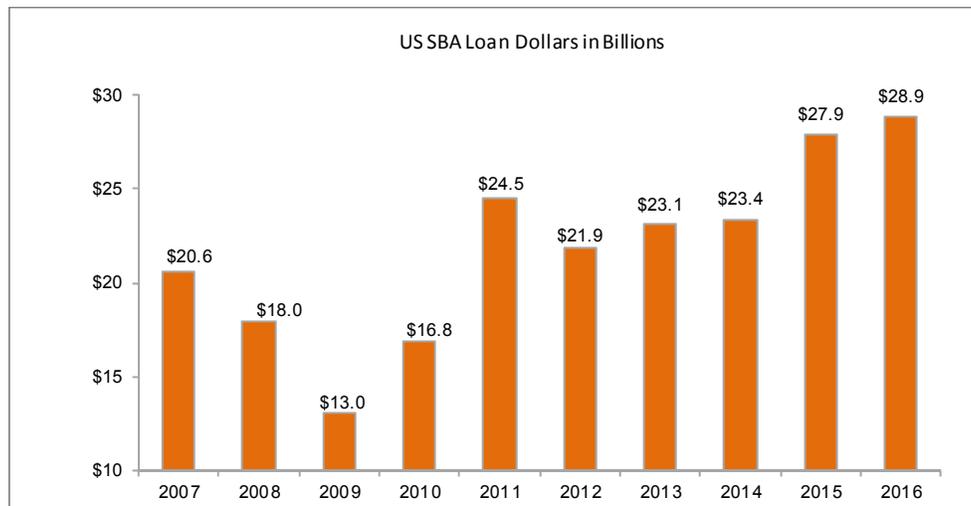
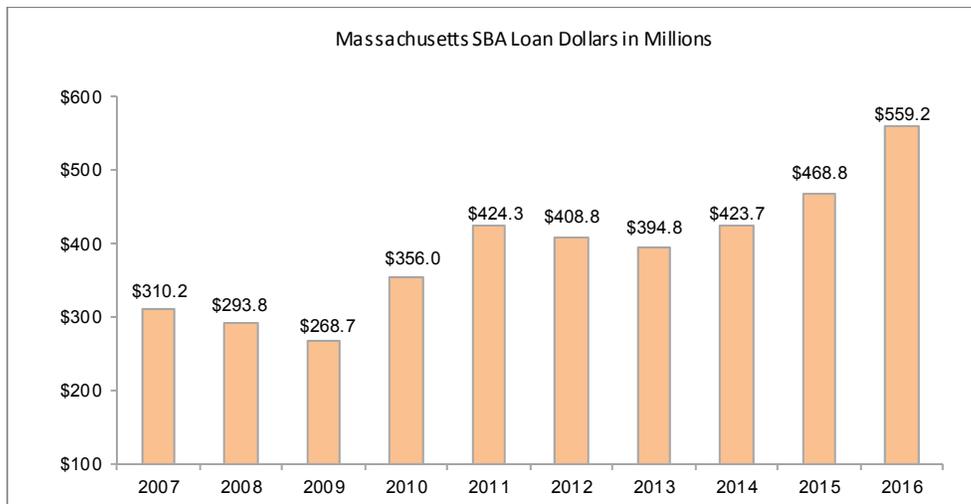
## SBA LOANS

According to the US Small Business Administration (SBA), loans guaranteed by the SBA also expanded strongly for the third straight year in Massachusetts during the fiscal year ended September 30, 2016 raising the agency's lending volume to record levels. SBA loans in Massachusetts totaled \$559.2 million during the most recent fiscal year which represents a 19.3% increase compared to the previous year. On a national basis, SBA lending increased at a more modest 3.5% rate to \$28.9 billion.

The SBA's primary lending programs consists of the 7(a) loan guarantee program and the 504/certified development company loan program. The 7(a) loan program is designed to help start-up and existing small businesses with financing guaranteed for a variety of general business purposes. The SBA does not make the loans itself but rather guarantees loans made by participating lending institutions. The SBA's 504 loan program involves the participation of certified development companies, which are nonprofit corporations established to promote the economic development of their communities, together with participating lenders to provide growing businesses with financing for major fixed assets such as land, buildings, and equipment.

The SBA places an emphasis on lending to traditionally underserved businesses, such as those described as minority, women, and veteran-owned businesses. A review of the available SBA data regarding underserved businesses is included in Section 2 of this report.

CHARTS: SBA loan volume in Massachusetts and US from FY 2007 to 2016



## STATE RANKINGS – CRA DATA

When compared to other states, the national CRA data shows that Massachusetts experienced larger overall percentage increases in the number and dollar amount of loans than most states in 2015. Massachusetts, which has the 14<sup>th</sup> largest state population in the country, ranked 11<sup>th</sup> in terms of the largest percentage change in small business loan dollars from 2014 to 2015 and 24<sup>th</sup> in terms of the percentage change in the number of loans. The national CRA data also shows that 43 states experienced increases in the number of CRA-reported loans from 2014 to 2015 while 41 states experienced increases in the dollar amount of loans.

TABLE: CRA data by state sorted by total population (Year Ended December 2015)

	Number of Loans	Rank	% Change in Number of Loans	Rank	\$ Amount of Loans (000s)	Rank	% Change in \$ Amount of Loans	Rank	Total Population	Rank
California	963,061	1	12.5%	7	\$28,936,189	1	7.4%	20	37,253,956	1
Texas	457,562	3	6.2%	21	\$17,808,513	2	7.7%	17	25,145,561	2
New York	430,971	4	7.8%	17	\$13,191,199	3	4.3%	32	19,378,102	3
Florida	457,941	2	14.7%	2	\$12,449,342	4	10.5%	8	18,801,310	4
Illinois	217,175	5	6.0%	23	\$9,499,247	5	4.9%	31	12,830,632	5
Pennsylvania	197,788	7	3.2%	33	\$9,159,015	6	-2.4%	45	12,702,379	6
Ohio	155,133	10	0.9%	39	\$7,435,838	10	-0.7%	43	11,536,504	7
Michigan	149,249	11	5.1%	28	\$7,548,892	8	6.2%	26	9,883,640	8
Georgia	178,181	8	12.6%	6	\$6,353,328	11	3.8%	33	9,687,653	9
North Carolina	161,720	9	9.3%	12	\$7,594,561	7	11.6%	7	9,535,483	10
New Jersey	216,400	6	6.9%	19	\$7,444,630	9	5.0%	30	8,791,894	11
Virginia	144,131	12	13.7%	5	\$5,413,249	12	5.6%	28	8,001,024	12
Washington	132,481	14	8.1%	16	\$5,058,734	13	7.0%	21	6,724,540	13
Massachusetts	125,847	15	5.8%	24	\$4,902,693	14	8.9%	11	6,547,629	14
Indiana	80,019	23	1.6%	37	\$4,466,677	16	6.5%	23	6,483,802	15
Arizona	120,948	16	8.6%	14	\$3,699,882	20	7.9%	15	6,392,017	16
Tennessee	81,841	21	7.6%	18	\$3,785,384	19	3.6%	34	6,346,105	17
Missouri	89,915	19	3.7%	31	\$4,077,455	17	5.4%	29	5,988,927	18
Maryland	109,215	17	14.3%	3	\$3,884,020	18	8.0%	13	5,773,552	19
Wisconsin	81,132	22	-3.5%	49	\$3,350,883	23	-8.7%	50	5,686,986	20
Minnesota	98,592	18	0.3%	41	\$3,546,076	22	6.5%	22	5,303,925	21
Colorado	133,340	13	5.5%	25	\$4,631,555	15	6.2%	25	5,029,196	22
Alabama	61,518	28	5.4%	27	\$3,273,815	24	7.6%	18	4,779,736	23
South Carolina	67,485	26	9.8%	11	\$3,001,087	25	7.8%	16	4,625,364	24
Louisiana	69,772	25	-1.4%	48	\$3,578,155	21	2.0%	36	4,533,372	25
Kentucky	51,199	31	1.9%	35	\$2,165,753	29	2.4%	35	4,339,367	26
Oregon	83,146	20	6.4%	20	\$2,954,481	26	7.9%	14	3,831,074	27
Oklahoma	52,071	30	-0.4%	46	\$2,378,312	28	0.6%	41	3,751,351	28
Connecticut	73,773	24	6.1%	22	\$2,481,777	27	6.0%	27	3,574,097	29
Iowa	39,590	33	1.0%	38	\$1,756,838	32	13.3%	5	3,046,355	30
Mississippi	33,045	36	1.7%	36	\$1,671,842	33	-1.2%	44	2,967,297	31
Arkansas	39,826	32	5.4%	26	\$1,887,468	31	7.6%	19	2,915,918	32
Kansas	35,846	34	0.1%	43	\$1,518,242	35	1.7%	38	2,853,118	33
Utah	62,246	27	9.1%	13	\$2,039,150	30	8.6%	12	2,763,885	34
Nevada	54,941	29	11.6%	9	\$1,524,431	34	15.1%	4	2,700,551	35
New Mexico	25,982	40	2.2%	34	\$765,176	45	-3.0%	46	2,059,179	36
West Virginia	17,466	43	-0.3%	45	\$905,789	42	-3.8%	47	1,852,994	37
Nebraska	28,921	38	-0.3%	44	\$1,413,030	37	9.2%	10	1,826,341	38
Idaho	34,477	35	8.1%	15	\$1,439,727	36	13.3%	6	1,567,582	39
Hawaii	30,110	37	21.5%	1	\$1,164,931	39	16.4%	2	1,360,301	40
Maine	24,625	41	0.3%	42	\$1,272,651	38	6.3%	24	1,328,361	41
New Hampshire	24,553	42	3.8%	30	\$928,224	41	16.1%	3	1,316,470	42
Rhode Island	16,734	45	0.6%	40	\$718,107	46	-5.4%	48	1,052,567	43
Montana	27,378	39	11.8%	8	\$974,981	40	10.3%	9	989,415	44
Delaware	16,736	44	11.2%	10	\$700,872	47	20.0%	1	897,934	45
South Dakota	14,790	46	-5.5%	50	\$822,648	43	-7.7%	49	814,180	46
Alaska	14,597	48	-1.1%	47	\$591,637	48	1.5%	40	710,231	47
North Dakota	14,729	47	-7.4%	51	\$782,478	44	-11.2%	51	672,591	48
Vermont	11,216	51	3.9%	29	\$445,796	50	-0.3%	42	625,741	49
Washington, DC	13,985	49	14.0%	4	\$506,423	49	1.5%	39	601,723	50
Wyoming	11,429	50	3.4%	32	\$426,938	51	1.8%	37	563,626	51

## STATE RANKINGS – CALL REPORT DATA

A review of the national Call Report data also shows that Massachusetts experienced smaller percentage changes in the number and dollar amount of loans than most states during the twelve months ended June 30, 2016. Massachusetts ranked 33<sup>rd</sup> in terms of the percentage change in loan dollars during the twelve months end June 30, 2016 and 40<sup>th</sup> in terms of the change in the number of loans. The national Call Report data also shows that 33 states experienced increases in the number of small business loans from June 2015 to June 2016 while 34 states experienced increases in the dollar amount of loans.

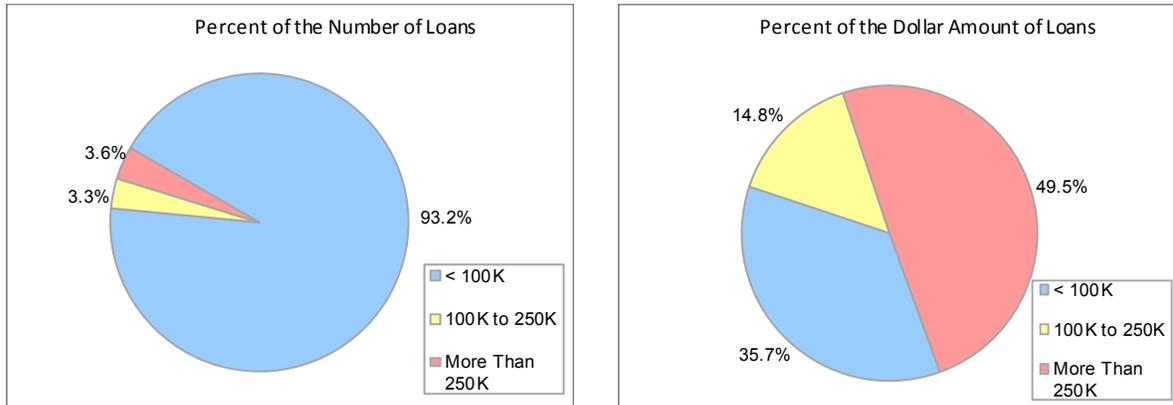
TABLE: Call report data by state sorted by total population (June 2015 to June 2016)

	Number of Loans	Rank	% Change in Number of Loans	Rank	\$ Amount of Loans (000s)	Rank	% Change in \$ Amount of Loans	Rank	Total Population	Rank
California	209,445	10	15.6%	5	\$29,133,760	6	1.8%	27	37,253,956	1
Texas	438,892	7	-2.6%	41	\$29,299,512	5	-0.8%	37	25,145,561	2
New York	187,396	12	2.9%	24	\$20,635,397	8	-3.2%	42	19,378,102	3
Florida	62,029	29	-6.4%	45	\$10,736,309	18	-5.2%	45	18,801,310	4
Illinois	457,760	6	26.3%	3	\$30,144,207	4	25.2%	1	12,830,632	5
Pennsylvania	163,542	14	-5.7%	44	\$16,277,359	10	-9.2%	47	12,702,379	6
Ohio	3,517,820	3	33.3%	2	\$54,690,255	2	-1.3%	40	11,536,504	7
Michigan	62,946	27	-3.3%	43	\$8,302,016	24	0.0%	34	9,883,640	8
Georgia	191,917	11	14.7%	6	\$17,260,320	9	-4.6%	44	9,687,653	9
North Carolina	3,598,456	2	5.0%	20	\$58,238,417	1	7.4%	8	9,535,483	10
New Jersey	47,071	33	6.3%	14	\$9,223,011	21	-0.3%	36	8,791,894	11
Virginia	354,795	9	-1.6%	38	\$11,573,265	15	-3.6%	43	8,001,024	12
Washington	62,631	28	7.1%	11	\$6,775,026	29	7.9%	7	6,724,540	13
Massachusetts	83,910	23	-2.3%	40	\$11,631,995	14	0.3%	33	6,547,629	14
Indiana	79,704	25	1.6%	28	\$8,971,239	22	4.1%	17	6,483,802	15
Arizona	9,103	46	-22.7%	49	\$1,698,464	42	-26.4%	49	6,392,017	16
Tennessee	94,245	20	3.7%	22	\$9,478,208	19	2.9%	22	6,346,105	17
Missouri	136,310	15	4.0%	21	\$12,359,423	13	2.5%	23	5,988,927	18
Maryland	25,448	42	2.2%	25	\$4,175,085	34	3.0%	20	5,773,552	19
Wisconsin	98,397	19	1.8%	26	\$10,905,781	16	-0.1%	35	5,686,986	20
Minnesota	122,090	16	1.5%	30	\$10,852,025	17	-1.1%	39	5,303,925	21
Colorado	39,633	36	5.7%	18	\$4,258,121	33	6.3%	12	5,029,196	22
Alabama	412,184	8	22.7%	4	\$14,107,666	12	3.0%	21	4,779,736	23
South Carolina	34,606	37	-8.0%	46	\$3,963,179	36	-6.4%	46	4,625,364	24
Louisiana	75,135	26	6.3%	15	\$8,200,363	25	6.2%	14	4,533,372	25
Kentucky	59,708	30	0.4%	32	\$6,329,558	30	2.2%	26	4,339,367	26
Oregon	46,734	34	11.9%	8	\$4,048,856	35	-0.8%	38	3,831,074	27
Oklahoma	82,763	24	3.5%	23	\$8,573,951	23	6.3%	13	3,751,351	28
Connecticut	52,245	32	6.6%	12	\$6,920,211	28	8.2%	6	3,574,097	29
Iowa	100,825	18	1.5%	29	\$7,866,888	26	5.2%	15	3,046,355	30
Mississippi	107,606	17	0.7%	31	\$9,331,390	20	6.6%	10	2,967,297	31
Arkansas	86,057	22	11.4%	9	\$7,682,461	27	16.2%	2	2,915,918	32
Kansas	53,782	31	-15.3%	47	\$4,889,933	32	0.8%	30	2,853,118	33
Utah	2,333,116	5	-0.5%	35	\$16,113,764	11	2.3%	25	2,763,885	34
Nevada	2,285	50	-46.2%	51	\$452,006	50	-33.5%	50	2,700,551	35
New Mexico	13,959	43	-20.9%	48	\$1,660,207	43	-13.9%	48	2,059,179	36
West Virginia	34,338	38	-0.6%	36	\$3,257,402	39	0.8%	31	1,852,994	37
Nebraska	180,304	13	8.4%	10	\$5,920,768	31	3.9%	18	1,826,341	38
Idaho	8,402	47	5.8%	17	\$910,793	47	4.5%	16	1,567,582	39
Hawaii	25,840	41	-1.0%	37	\$1,314,492	45	2.4%	24	1,360,301	40
Maine	27,871	40	6.0%	16	\$2,837,996	41	6.6%	9	1,328,361	41
New Hampshire	11,431	45	1.7%	27	\$1,365,987	44	1.0%	29	1,316,470	42
Rhode Island	91,784	21	5.3%	19	\$3,744,131	38	1.6%	28	1,052,567	43
Montana	44,831	35	0.2%	33	\$3,834,313	37	3.5%	19	989,415	44
Delaware	2,358,462	4	12.7%	7	\$21,809,145	7	-2.0%	41	897,934	45
South Dakota	3,703,199	1	35.6%	1	\$51,758,924	3	8.3%	5	814,180	46
Alaska	3,978	49	-0.3%	34	\$655,089	49	0.6%	32	710,231	47
North Dakota	33,452	39	-3.2%	42	\$3,110,181	40	6.5%	11	672,591	48
Vermont	6,762	48	-2.1%	39	\$832,788	48	14.5%	3	625,741	49
Washington, DC	369	51	-41.7%	50	\$88,533	51	-47.2%	51	601,723	50
Wyoming	11,980	44	6.4%	13	\$1,029,610	46	9.6%	4	563,626	51

## BREAKDOWN BY ORIGINAL LOAN AMOUNT

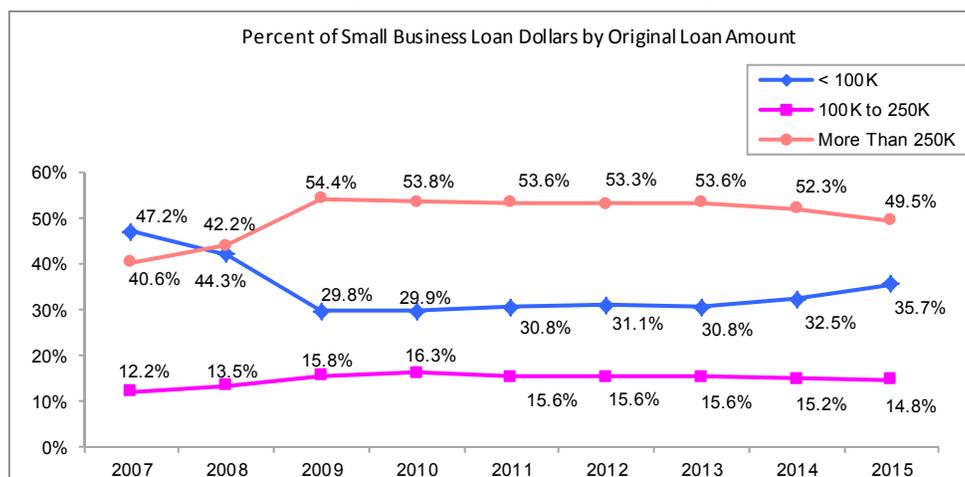
The annual CRA data provides an aggregate breakdown of loan data by the original amount of the loans using the following three loan size increments: under \$100,000, from \$100,000 to \$250,000, and from \$250,000 to \$1 million. CRA-reported small business loans with an original amount of \$100,000 or less accounted for the vast majority of the total number of loans in Massachusetts in 2015, but accounted for just over one-third of small business loan dollars. In Massachusetts, small business loans under \$100,000 accounted for 93.2% of the total number of loans in 2015 and 35.7% of the dollar amount of loans while larger small business loans - those with an original amount between \$250,000 and \$1 million - accounted for just 3.6% of the number of loans but made up 49.5% of loan dollars.

CHARTS: Small business loans with original amounts under \$100,000, though substantially greater in number, represented just over one-third of small business loan dollars in Massachusetts (2015)



**Much of the recent declines in small business lending from 2008 to 2010 involved large declines in loans with original amounts under \$100,000 although the volume of these smaller loans, when measured on a percentage basis, has edged up in recent years.** Such loans accounted for 35.7% of all small business loan dollars in 2015, still a substantial percentage of total volume but down sharply from 47.2% in 2007. The shift is related to a large 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: The volume of loans with original amounts under \$100,000 has edged up in recent years



**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 49.6% of the total number of loans in Massachusetts in 2015 and 32.5% of the dollar amount of loans, compared to the previous year when such loans represented 44.7% of the number of loans and 34.4% of the dollar volume.

CHART: Percentage of reported loans to businesses with annual revenues under \$1 million (2015)

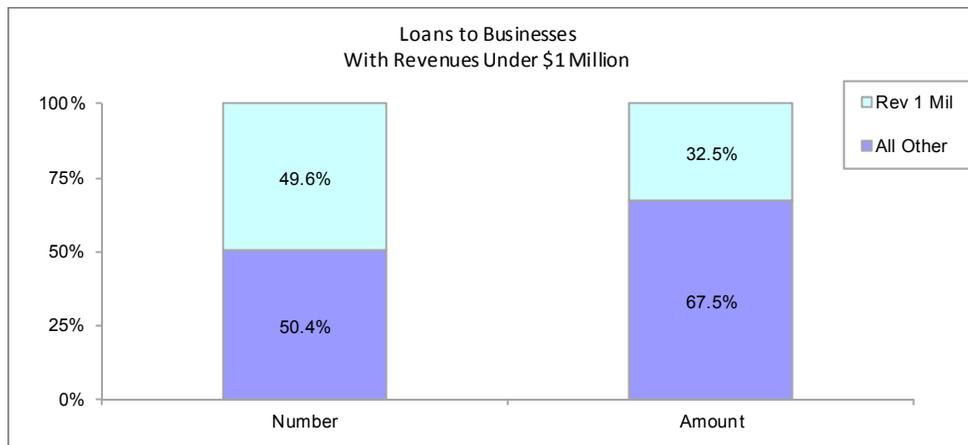
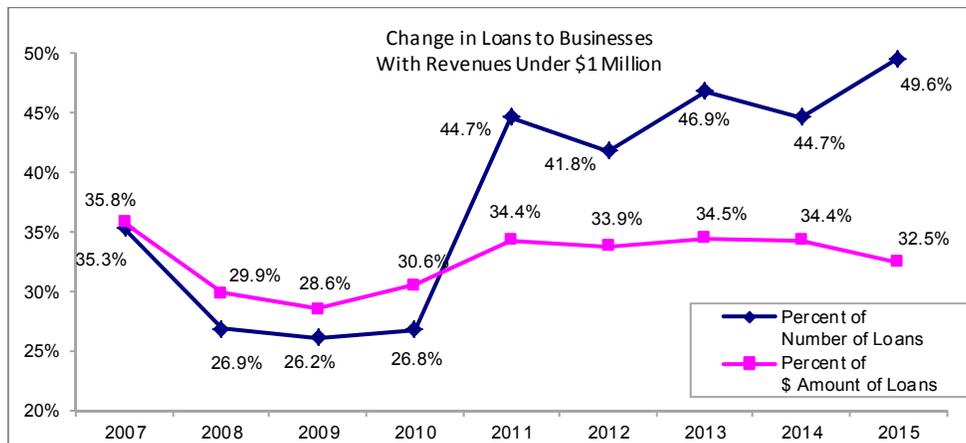


CHART: Change in the percentage of loans to businesses with revenues under \$1 million (2007 to 2015)



## THE ROLE OF LOCAL LENDERS

As noted, the annual CRA data for 2015 contained a total of 40 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 per institution. These four large commercial banks, which include Bank of America, RBS Citizens, Santander Bank, and TD Bank, are treated as local lenders for the purposes of this report, as they have been in past reports, due to their extensive physical presence in the state. The CRA database also contains a handful of community banks headquartered in neighboring states that make small business loans in Massachusetts, but that have a relatively small branch presence involving 50 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.

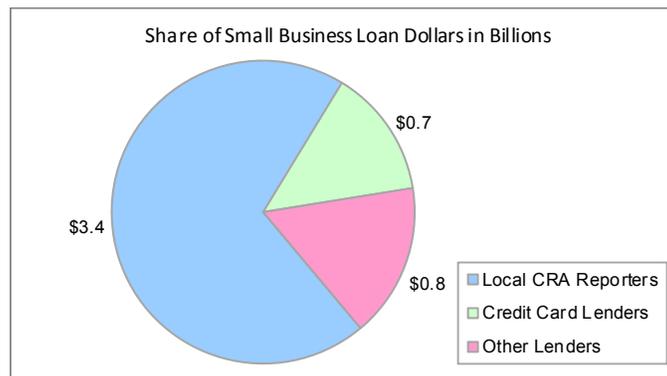
While local CRA reporters account for the vast majority of CRA-reported small business lending in Massachusetts, it is worth noting that most of these lenders are small community banks that typically report fewer than \$25 million in small business loans per year. In 2015, only 17 of the local CRA lenders reported between \$25 million and \$100 million in small business loan dollars, and just eight additional lenders reported small business loan volume in Massachusetts greater than \$100 million. These largest local CRA reporters include four Massachusetts community banks as well as the four large commercial banks noted above.

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

**The annual CRA data shows that local lenders originated a total of 36,155 small business loans for \$3.4 billion in 2015 which represented 28.7% of the total number of small business loans in Massachusetts and 69.8% of small business loan dollars.**

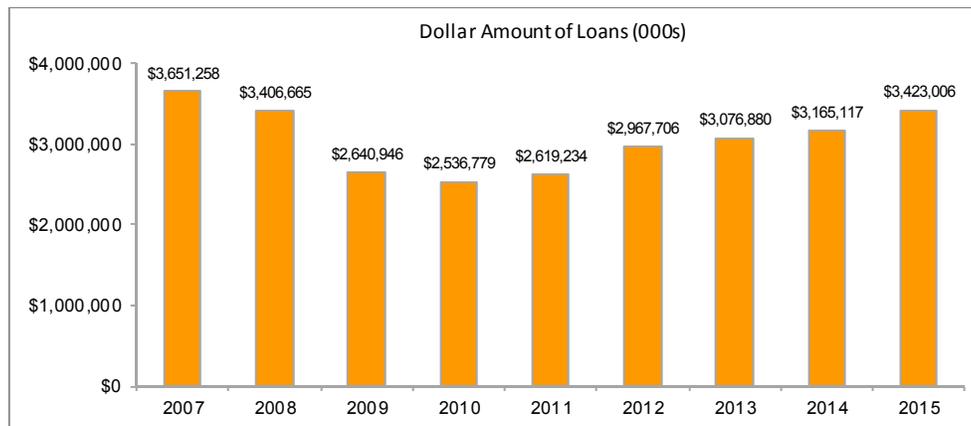
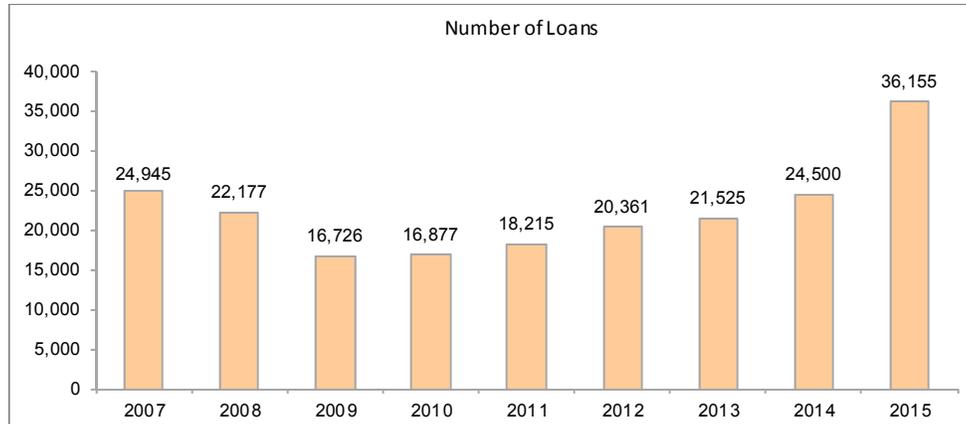
TABLE & CHART: Local CRA reporters vs other lenders (2015)

	Number of Loans	% of Total	\$ Amount of Loans (000s)	% of Total
Local CRA Reporters	36,155	28.7%	\$3,423,006	69.8%
Credit Card Lenders	76,641	60.9%	\$673,959	13.7%
Other Lenders	13,051	10.4%	\$805,728	16.4%
Totals	125,847	100.0%	\$4,902,693	100.0%



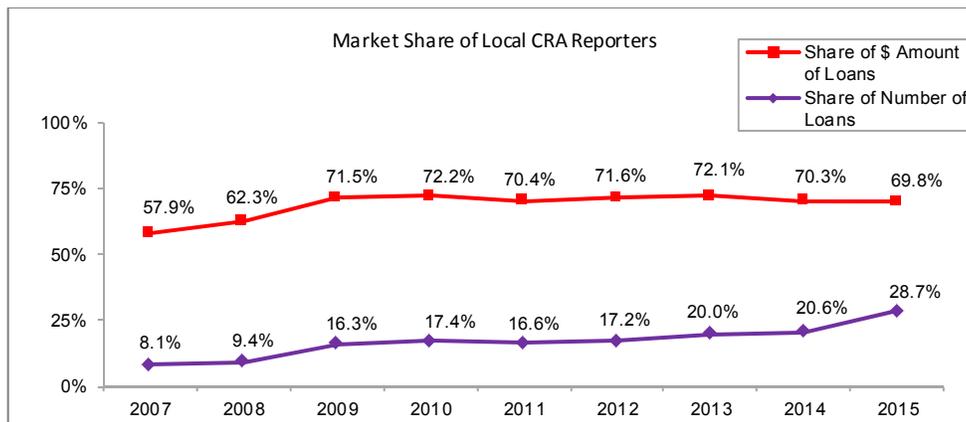
The 2015 results were influenced to a large extent by the acquisition of credit card accounts by one of the large commercial banks that operates in Massachusetts. The transaction involved several thousand credit card accounts and accounted for most but not all of the increase in the number of loans. The 2015 results represented the fifth consecutive year of increases in both the number and dollar amount of loans for local CRA reporters.

CHARTS: Small business loan volume of local CRA reporters



**Local CRA reporters have increased their share of the Massachusetts small business loan market in the immediate wake of the recent financial crisis but have not added to their gains over the past few years.** In 2015 local CRA reporters accounted for 69.8% of small business loan dollars in the state which is up compared to 57.9% level recorded in 2007 but down compared to the 72.2% high reached in 2010.

CHART: The market share of local CRA reporters has increased since the financial crisis



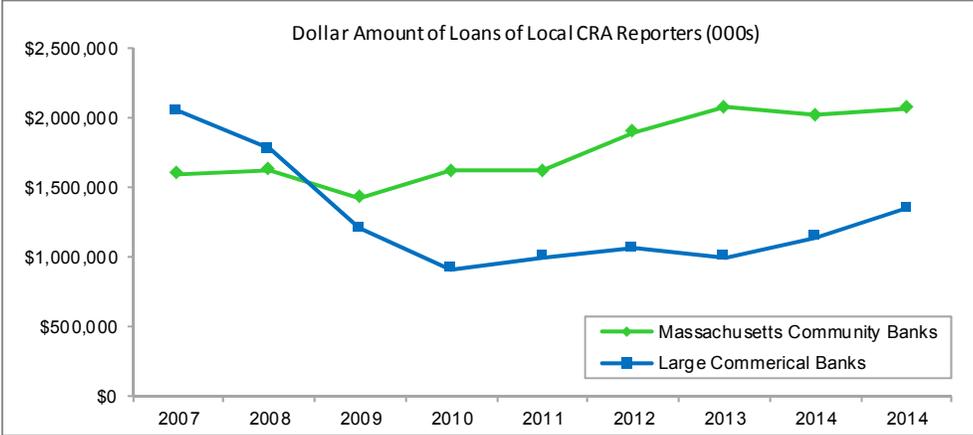
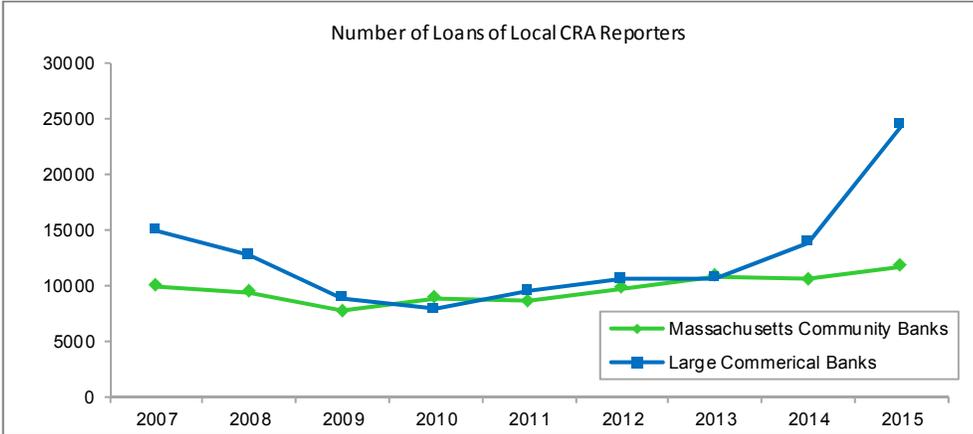
**A closer examination of the data of local CRA reporters shows that community banks in Massachusetts lost market share in 2015 to large commercial banks that operate in the state in terms of small business lending, which represents a departure from the trend over the past few years.** In 2015, local community banks accounted for 48.6% of small business loan dollars in Massachusetts compared to 47.7% in the previous year, while the large commercial banks with branches in the state accounted for 31.6% of the total compared to 26.8% in the previous year.

The annual CRA data shows that Massachusetts community banks made 11,758 small business loans for \$2.1 billion in 2015 while large commercial banks made 24,397 loans for \$1.3 billion. In terms of the change in small business loan volume from 2014 to 2015, local community banks experienced an increase of 8.1% in the number of loans but a decline of 0.2% in loan dollars, while large commercial banks experienced increases of 129.1% in the number of loans and 35.1% in the dollar amount of loans. As noted, the 2015 results were influenced to a large extent by the acquisition of credit card accounts by one of the large commercial banks that operates in Massachusetts.

TABLE: Local community banks vs large commercial banks in Massachusetts (2015 CRA data)

	Number of Loans	% of Total	Percent Change	\$ Amount of Loans (000s)	% of Total	Percent Change
Local Community Banks	11,758	10.9%	8.1%	\$2,075,405	48.6%	-0.2%
Large Commercial Bank	24,397	22.7%	129.1%	\$1,347,601	31.6%	35.1%
Totals - Local CRA Lenders	36,155	33.7%	68.0%	\$3,423,006	80.2%	11.2%

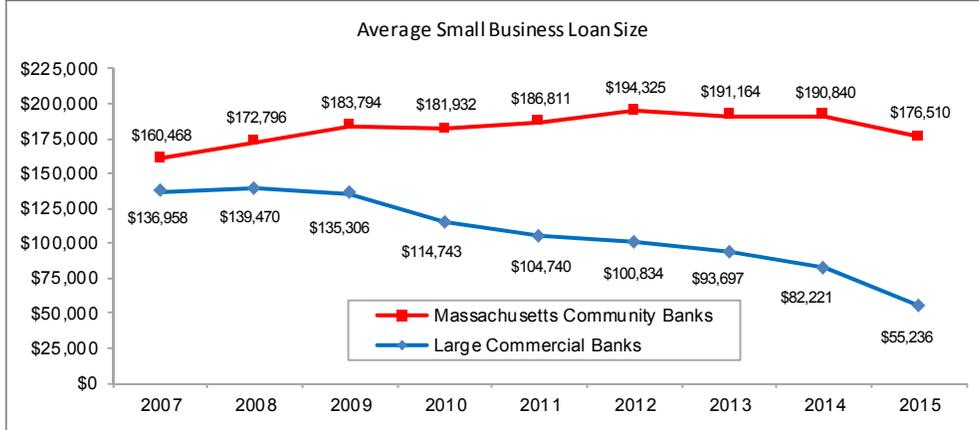
CHARTS: With the exception of 2015, local community banks have generally outperformed the large commercial banks that operate in the state in recent years



**The average size of a CRA-reported small business loan at a local community bank declined in 2015 for the third straight year, while the average size of a loan at a large commercial bank with branches in the state declined for the sixth straight year.** The average size of a small business loan at local community banks dipped from \$190,840 in 2014 to \$176,510 in 2015 although the average loan size remains above the levels preceding the recent financial crisis.

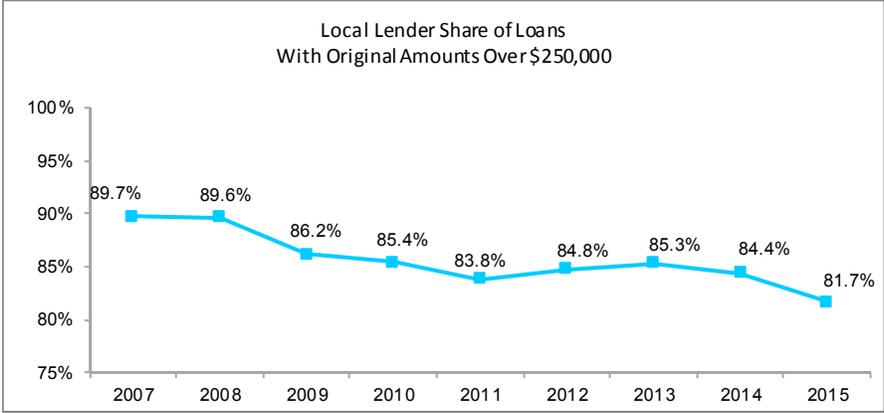
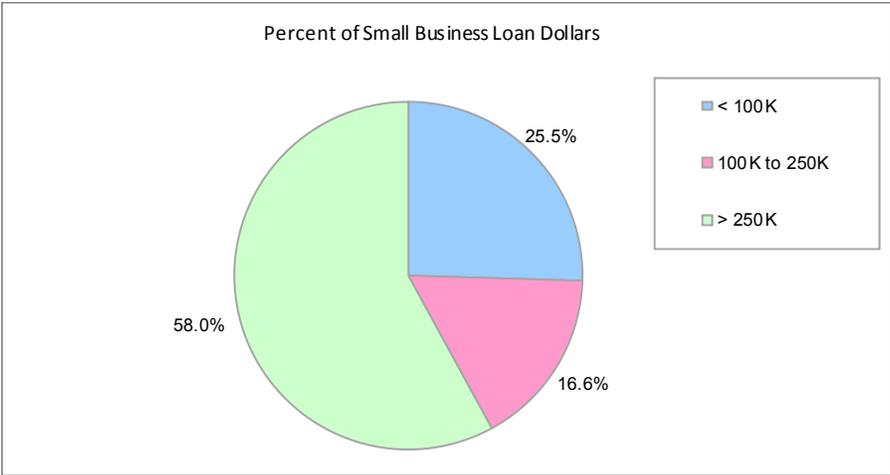
The large gap between the average loan size at local community banks and the large commercial banks that have branches in the state is influenced by a number of factors, including differences in underwriting approaches from one bank to another and the fact that the results for the large commercial banks are likely to include a larger portion of small business credit card loans. 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 \$299,958 as of June 30, 2016, 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



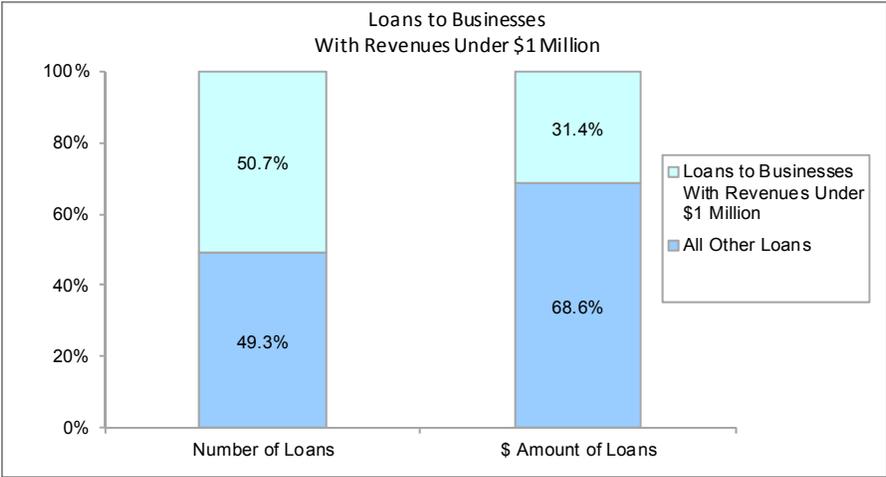
As one might expect given the average size of a small business loan originated by a local lender, a substantial portion of CRA-reported loans made by local lenders had original amounts greater than \$250,000. Loans with original amounts over \$250,000 accounted for 58.0% of the small business loan volume of local CRA reporters in 2015 and, while their market share has slipped slightly in the years since the recent financial crisis, local lenders have continued to maintain a dominant share of the market for larger loans. In 2015, Massachusetts banks accounted for 81.7% 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 18,244 loans to businesses with revenues under \$1 million in 2015 totaling \$1.1 billion, which represented 50.7% of the total number of loans originated by local lenders and 31.4% of the dollar amount of loans.

CHART: Reported loans to businesses with revenues under \$1 million at local lenders (2014)



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.mcabc.info](http://www.mcabc.info).

TABLE: Small business loans by local CRA reporters in Massachusetts sorted by loan dollar volume (CRA Data 2015)

	Town	Massachusetts Deposits (\$000s) 6/30/2015	Number of Loans	\$ Amount of Loans (\$000s)	Average Loan Size (\$000s)
**BANK OF AMERICA, N.A.	WESTLAKE VILLAGE, CA	\$64,392,296	14,494	\$500,238	\$35
EASTERN BANK	LYNN	\$7,706,138	3,174	\$428,908	\$135
**SANTANDER BANK N.A.	WILMINGTON, DE	\$18,461,159	3,847	\$326,637	\$85
**TD BANK N.A.	WILMINGTON, DE	\$12,271,773	3,446	\$310,191	\$90
ROCKLAND TRUST COMPANY	BROCKTON, MA	\$5,996,161	2,067	\$264,064	\$128
**CITIZENS BANK, NA	PROVIDENCE	\$29,774,798	2,610	\$210,535	\$81
ENTERPRISE B&TC	LOWELL	\$1,711,160	744	\$137,222	\$184
SALEM FIVE CENTS SAVINGS BANK	SALEM	\$2,776,775	431	\$117,671	\$273
MIDDLESEX SAVINGS BANK	WESTBOROUGH	\$3,608,370	516	\$92,012	\$178
WESTFIELD BANK	WESTFIELD	\$861,992	369	\$69,650	\$189
BRISTOL COUNTY SAVINGS BANK	TAUNTON	\$1,214,220	337	\$69,621	\$207
BOSTON PRIVATE BANK AND TRUST	BOSTON	\$3,638,668	173	\$65,156	\$377
CAPE COD FIVE CENTS SAVINGS BA	ORLEANS	\$2,325,405	327	\$63,952	\$196
BROOKLINE BANK	BOSTON	\$2,402,966	223	\$62,386	\$280
BAYCOAST BANK	FALL RIVER	\$832,540	224	\$59,503	\$266
CENTURY BANK	MEDFORD	\$2,857,403	244	\$46,393	\$190
BERKSHIRE BANK	PITTSFIELD	\$3,098,206	339	\$44,643	\$132
NORTHERN BANK & TRUST COMPANY	WOBURN	\$1,066,216	149	\$40,448	\$271
COMMERCE BANK & TRUST COMPANY	WORCESTER	\$1,692,880	196	\$38,977	\$199
UNITED BANK	GLASTONBURY	\$1,342,353	168	\$34,376	\$205
EAST BOSTON SAVINGS BANK	PEABODY	\$2,554,890	89	\$32,928	\$370
UNIBANK	WHITINSVILLE	\$1,400,484	189	\$29,920	\$158
CAMBRIDGE SAVINGS BANK	CAMBRIDGE	\$2,304,409	138	\$29,642	\$215
GREENFIELD SAVINGS BANK	GREENFIELD	\$529,106	175	\$28,217	\$161
SOUTH SHORE BANK	SOUTH WEYMOUTH	\$772,274	147	\$26,254	\$179
HINGHAM INSTITUTION FOR SAVING	HINGHAM	\$1,133,167	69	\$24,608	\$357
WEBSTER FIVE CENTS SAVINGS BAN	WEBSTER	\$500,923	105	\$21,573	\$205
CAPE COD COOPERATIVE BANK	YARMOUTH PORT	\$618,719	105	\$21,270	\$203
FIRST IPSWICH BANK	IPSWICH	\$285,713	87	\$19,582	\$225
CAMBRIDGE TRUST COMPANY	CAMBRIDGE	\$1,396,201	91	\$19,057	\$209
LOWELL FIVE CENT SAVINGS BANK	LOWELL	\$806,909	91	\$19,028	\$209
BANK OF CAPE COD	HYANNIS	\$204,321	58	\$18,252	\$315
HARBORONE BANK	BROCKTON	\$1,666,750	153	\$17,619	\$115
INSTITUTION FOR SAVINGS	NEWBURYPORT	\$1,886,279	65	\$17,591	\$271
EASTHAMPTON SAVINGS BANK	EASTHAMPTON	\$904,269	83	\$16,679	\$201
BLUE HILLS BANK	NORWOOD	\$1,397,066	60	\$16,503	\$275
DEDHAM INSTITUTION FOR SAVINGS	DEDHAM	\$1,012,464	57	\$16,241	\$285
PEOPLESBANK	HOLYOKE	\$1,636,448	69	\$12,683	\$184
WATERTOWN SAVINGS BANK	WATERTOWN	\$971,985	41	\$10,887	\$266
NEEDHAM BANK	NEEDHAM	\$1,260,947	50	\$10,877	\$218
COUNTRY BANK	WARE	\$979,438	83	\$9,930	\$120
BELMONT SAVINGS BANK	BELMONT	\$1,155,864	15	\$7,630	\$509
EAST CAMBRIDGE SAVINGS BANK	CAMBRIDGE	\$850,638	29	\$6,759	\$233
THE SAVINGS BANK	WAKEFIELD	\$420,459	28	\$6,693	\$239
TOTALS		NA	36,155	\$3,423,006	\$95

\*\* 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 2016)

	Town	Deposits (\$000s)	Number of Loans	\$ Amount of Loans (\$000s)	Average Loan Size (\$000s)
ROCKLAND TRUST COMPANY	ROCKLAND	\$6,241,825	9,022	\$877,152	\$97
EASTERN BANK	BOSTON	\$8,525,919	6,349	\$875,721	\$138
BROOKLINE BANK	BROOKLINE	\$2,690,858	4,653	\$639,522	\$137
ENTERPRISE BANK AND TRUST COMPANY	LOWELL	\$2,186,405	4,083	\$606,382	\$149
BERKSHIRE BANK	PITTSFIELD	\$5,713,834	5,703	\$421,583	\$74
COMMERCE BANK & TRUST COMPANY	WORCESTER	\$1,935,343	2,534	\$335,358	\$132
CAPE COD FIVE CENTS SAVINGS BANK	HARWICH PORT	\$2,450,272	2,353	\$311,665	\$132
MIDDLESEX SAVINGS BANK	NATICK	\$3,804,501	3,456	\$265,435	\$77
SALEM FIVE CENTS SAVINGS BANK	SALEM	\$2,897,701	1,124	\$238,335	\$212
AVIDIA BANK	HUDSON	\$921,808	2,149	\$236,376	\$110
EAST BOSTON SAVINGS BANK	BOSTON	\$3,055,545	1,000	\$211,135	\$211
BRISTOL COUNTY SAVINGS BANK	TAUNTON	\$1,423,725	1,338	\$201,883	\$151
PROVIDENT BANK, THE	AMESBURY	\$608,280	1,212	\$180,580	\$149
BOSTON PRIVATE BANK & TRUST COMPANY	BOSTON	\$5,715,511	615	\$176,297	\$287
BAYCOAST BANK	SWANSEA	\$965,419	1,076	\$173,650	\$161
NORTHERN BANK & TRUST COMPANY	WOBURN	\$1,251,370	752	\$172,237	\$229
NORTH SHORE BANK, A CO-OPERATIVE BANK	PEABODY	\$619,068	867	\$162,624	\$188
PEOPLESBANK	HOLYOKE	\$1,662,160	544	\$142,219	\$261
WESTFIELD BANK	WESTFIELD	\$923,070	1,506	\$134,286	\$89
SOUTH SHORE BANK	SOUTH WEYMOUTH	\$791,553	759	\$122,210	\$161
CHICOPEE SAVINGS BANK	CHICOPEE	\$545,355	857	\$111,154	\$130
MOUNTAINONE BANK	NORTH ADAMS	\$627,961	744	\$108,245	\$145
STONEHAMBANK	STONEHAM	\$396,428	552	\$108,235	\$196
HINGHAM INSTITUTION FOR SAVINGS	HINGHAM	\$1,325,287	363	\$108,091	\$298
FALL RIVER FIVE CENTS SAVINGS BANK	FALL RIVER	\$713,174	1,051	\$107,865	\$103
RADIUS BANK	BOSTON	\$690,692	397	\$106,125	\$267
COUNTRY BANK FOR SAVINGS	WARE	\$1,030,674	723	\$103,737	\$143
MUTUALONE BANK	FRAMINGHAM	\$538,537	644	\$103,493	\$161
FIDELITY CO-OPERATIVE BANK	FITCHBURG	\$666,869	614	\$94,393	\$154
LEADER BANK, NATIONAL ASSOCIATION	ARLINGTON	\$826,246	471	\$93,788	\$199
INSTITUTION FOR SAVINGS IN NEWBURYPORT	NEWBURYPORT	\$2,193,974	499	\$93,001	\$186
CAMBRIDGE SAVINGS BANK	CAMBRIDGE	\$2,537,940	816	\$92,389	\$113
BANK OF CANTON, THE	CANTON	\$541,900	346	\$88,972	\$257
LOWELL FIVE CENT SAVINGS BANK, THE	LOWELL	\$878,626	631	\$88,551	\$140
BANK OF CAPE COD	HYANNIS	\$197,317	358	\$87,857	\$245
MILFORD NATIONAL BANK AND TRUST COMPANY THE	MILFORD	\$262,531	454	\$86,712	\$191
CAMBRIDGE TRUST COMPANY	CAMBRIDGE	\$1,606,497	508	\$85,392	\$168
CAPE COD CO-OPERATIVE BANK	YARMOUTH PORT	\$694,307	542	\$85,023	\$157
PENTUCKET BANK	HAVERHILL	\$536,099	502	\$84,849	\$169
HOMETOWN BANK	OXFORD	\$361,446	526	\$82,685	\$157
BLUE HILLS BANK	HYDE PARK	\$1,685,890	496	\$77,228	\$156
NEWBURYPORT FIVE CENTS SAVINGS BANK	NEWBURYPORT	\$497,190	369	\$76,520	\$207
MECHANICS COOPERATIVE BANK	TAUNTON	\$406,753	475	\$76,370	\$161
GREENFIELD SAVINGS BANK	GREENFIELD	\$561,158	748	\$76,144	\$102
EASTHAMPTON SAVINGS BANK	EASTHAMPTON	\$1,297,094	816	\$73,771	\$90
FIRST IPSWICH BANK	IPSWICH	\$289,399	343	\$73,722	\$215
NORTH MIDDLESEX SAVINGS BANK	AYER	\$340,103	735	\$70,210	\$96
CENTURY BANK AND TRUST COMPANY	SOMERVILLE	\$3,222,066	280	\$68,420	\$244
LEE BANK	LEE	\$229,200	560	\$64,910	\$116
VILLAGE BANK, THE	AUBURNDALE	\$810,006	424	\$64,614	\$152

## CREDIT UNIONS

Massachusetts credit unions also experienced a strong increase in small business lending in the past year. Of the 174 state and federal credit unions in Massachusetts, 55 reported member business loans on their books as of June 30, 2016. 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 6,878 small business loans for \$2.1 billion as of June 30, 2016, compared to 6,169 loans for \$1.7 billion as of June 30, 2015.**

TABLE: Credit union member business loans in Massachusetts (2007 to 2016)

Reporting Period	Number of CUs w/Loans	Number of Loans	\$ Amount of Loans (000s)
June-2007	55	3,223	\$707,283
June-2008	58	3,632	\$879,175
June-2009	61	3,868	\$980,502
June-2010	65	4,290	\$1,025,789
June-2011	65	4,747	\$1,089,783
June-2012	68	4,938	\$1,199,230
June-2013	65	5,458	\$1,392,325
June-2014	61	5,675	\$1,524,332
June-2015	58	6,169	\$1,738,643
June-2016	55	6,878	\$2,063,113

Unlike most other lenders, Massachusetts credit unions have experienced regular increases in business loans throughout the entire period covered by the recent financial crisis and its aftermath. 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 11.5% and 18.7% in terms of the number and dollar amount of small business loans during the twelve months ended June 30, 2016.** 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 2016)

Reporting Period	Change in Number of Loans	% Change	Change in \$ Amount of Loans (000s)	% Change
June-2008	409	12.7%	\$171,891	24.3%
June-2009	236	6.5%	\$101,327	11.5%
June-2010	422	10.9%	\$45,287	4.6%
June-2011	457	10.7%	\$63,994	6.2%
June-2012	191	4.0%	\$109,447	10.0%
June-2013	520	10.5%	\$193,094	16.1%
June-2014	217	4.0%	\$132,007	9.5%
June-2015	494	8.7%	\$214,311	14.1%
June-2016	709	11.5%	\$324,470	18.7%

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.mcabc.info](http://www.mcabc.info).

TABLE: Member business loans by local credit unions in Massachusetts by dollar volume (June 2016)

Lender	Town	Deposits (\$000s)	Number of Loans	\$ Amount of Loans (\$000s)	\$ Average Loan Size (\$000s)
DIGITAL FCU	MARLBOROUGH	\$5,790,811	993	\$753,539	\$759
JEANNE D'ARC CU	LOWELL	\$1,035,631	575	\$172,774	\$300
METRO CU	CHELSEA	\$1,209,045	221	\$116,450	\$527
ST. ANNE'S OF FALL RIVER CU	FALL RIVER	\$742,829	384	\$100,755	\$262
WEBSTER FIRST FCU	WORCESTER	\$687,968	347	\$82,708	\$238
ROCKLAND FCU	ROCKLAND	\$1,215,341	498	\$79,879	\$160
WORKERS' CU	FITCHBURG	\$946,910	148	\$70,261	\$475
GREYLOCK FCU	PITTSFIELD	\$958,682	464	\$65,406	\$141
FREEDOM CU	SPRINGFIELD	\$428,861	158	\$50,293	\$318
CENTRAL ONE FCU	SHREWSBURY	\$365,465	163	\$41,976	\$258
ST. MARY'S CU	MARLBOROUGH	\$585,513	193	\$36,202	\$188
FIRST CITIZENS' FCU	FAIRHAVEN	\$536,316	230	\$33,524	\$146
MILLBURY FCU	MILLBURY	\$275,679	189	\$33,351	\$176
ALIGN CU	LOWELL	\$431,801	115	\$32,072	\$279
RIVER WORKS CU	LYNN	\$92,108	146	\$27,886	\$191
RTN FCU	WALTHAM	\$742,092	110	\$27,366	\$249
MERRIMACK VALLEY FCU	LAWRENCE	\$505,019	193	\$24,773	\$128
GFA FCU	GARDNER	\$358,011	148	\$23,066	\$156
CRESCENT CU	BROCKTON	\$306,271	134	\$22,454	\$168
SHARON CU	SHARON	\$449,301	117	\$22,035	\$188
BRIDGEWATER CU	BRIDGEWATER	\$270,271	85	\$21,659	\$255
COMMUNITY CREDIT UNION OF LYNN CU	LYNN	\$102,483	92	\$19,850	\$216
SOUTHBRIDGE CU	SOUTHBRIDGE	\$126,642	117	\$17,639	\$151
LEOMINSTER CU	LEOMINSTER	\$440,794	119	\$16,017	\$135
HOMEFIELD CU	NORTH GRAFTON	\$96,454	86	\$15,699	\$183
HANSCOM FCU	HANSCOM AFB	\$1,015,067	126	\$15,698	\$125
TAUNTON FCU	TAUNTON	\$127,064	59	\$15,241	\$258
LIBERTY BAY CU	BRAINTREE	\$447,115	71	\$15,192	\$214
FIRST PRIORITY CU	BOSTON	\$87,636	29	\$13,101	\$452
HOLYOKE CU	HOLYOKE	\$122,006	60	\$12,084	\$201
NAVEO CU	SOMERVILLE	\$109,280	64	\$11,217	\$175
ST. JEAN'S CU	LYNN	\$189,697	39	\$9,509	\$244
LUSO FCU	LUDLOW	\$184,413	77	\$9,138	\$119
LUSO-AMERICAN CU	PEABODY	\$73,545	20	\$9,057	\$453
ALDEN CU	CHICOPEE	\$124,011	63	\$7,922	\$126
ST. MICHAELS FALL RIVER FCU	FALL RIVER	\$37,323	29	\$4,695	\$162
MASS BAY CU	SOUTH BOSTON	\$192,014	18	\$4,596	\$255
TREMONT CU	BRAINTREE	\$149,101	7	\$4,040	\$577
FALL RIVER MUNICIPAL CU	FALL RIVER	\$143,874	30	\$3,563	\$119
BOSTON FIREFIGHTERS CU	DORCHESTER	\$207,424	14	\$3,250	\$232
SOMERSET FCU	SOMERSET	\$117,862	27	\$3,199	\$118
MEMBERS PLUS CU	MEDFORD	\$171,026	19	\$3,100	\$163
I-C FCU	FITCHBURG	\$407,719	23	\$2,361	\$103
SHREWSBURY FCU	SHREWSBURY	\$124,512	12	\$2,132	\$178
TAUPA LITHUANIAN FCU	SOUTH BOSTON	\$16,453	13	\$1,735	\$133
NOTRE DAME COMMUNITY FCU	FALL RIVER	\$41,997	14	\$1,622	\$116
HARVARD UNIVERSITY EMPLOYEES CU	CAMBRIDGE	\$475,791	4	\$1,041	\$260
SOUTHERN MASS CU	FAIRHAVEN	\$179,719	19	\$758	\$40
POLISH NATIONAL CU	CHICOPEE	\$409,236	3	\$434	\$145
ARRHA CU	SPRINGFIELD	\$113,329	2	\$231	\$115

## CREDIT CARD LENDERS

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

**Credit card lenders reported an estimated 76,641 small business credit card loans in Massachusetts in 2015 for \$674.0 million, which represents a decline compared to the previous year and still well below the levels generated in the years leading up to the recent financial crisis.** The decline was influenced to a large extent by an the acquisition of credit card accounts by one of the large commercial banks that operates in Massachusetts. The transaction involved several thousand credit card accounts and accounted for most, and perhaps all, of the decline in credit card lending totals. Small business credit card loans accounted for 60.9% of the total number of CRA-reported small business loans in the state in 2014 and 13.7% of loan dollars.

CHARTS: Estimated small business credit card loan volume in Massachusetts (2007 to 2015)

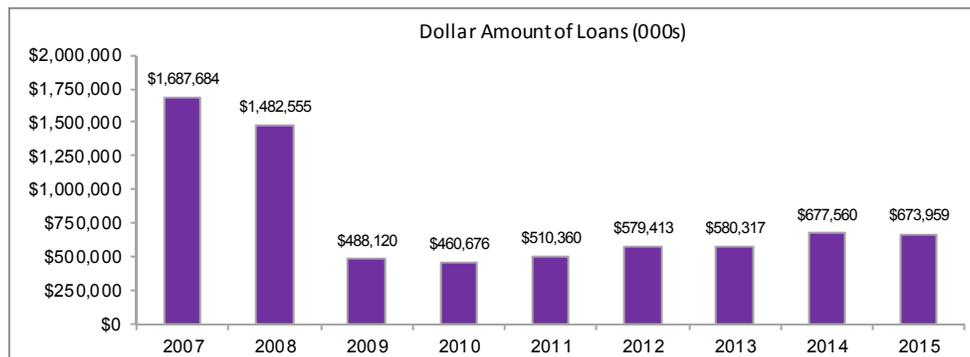
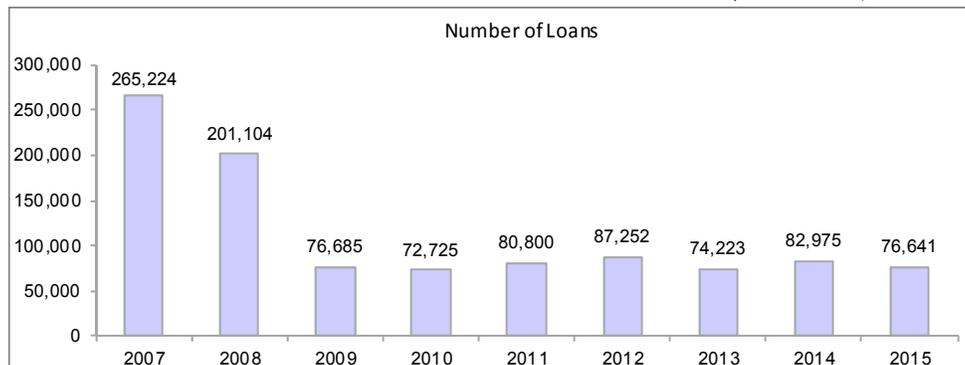
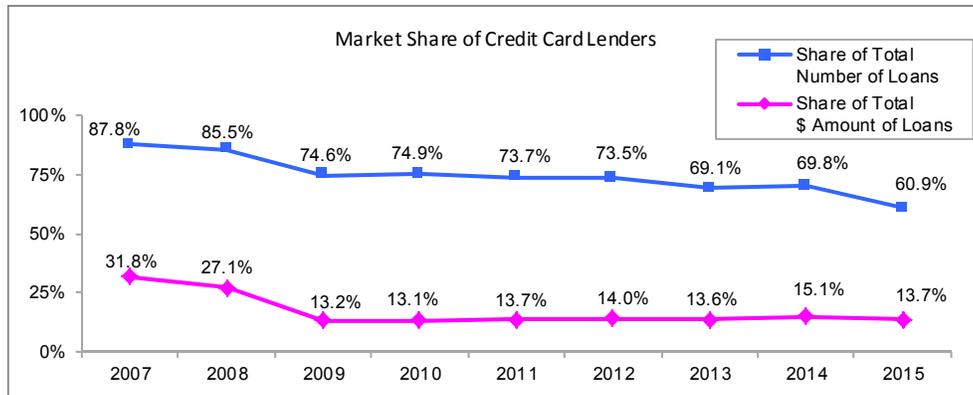


TABLE: Small business credit card lenders in Massachusetts (2015)

Lender	Number of Loans	\$ Amount of Loans (\$000s)	\$ Average Loan Size (\$000s)
AMERICAN EXPRESS, FSB	34,451	\$335,648	\$9,743
CAPITAL ONE BANK (USA), N.A.	12,033	\$114,956	\$9,553
CHASE BANK USA, NA	7,507	\$82,369	\$10,972
CITIBANK, N.A.	11,051	\$60,759	\$5,498
US BANK, N.A.	5,373	\$50,376	\$9,376
SYNCHRONY BANK	4,527	\$18,047	\$3,987
WEX BANK	1,459	\$11,057	\$7,578
DISCOVER BANK	187	\$488	\$2,610
METABANK	53	\$259	\$4,887
TOTALS	76,641	\$673,959	\$8,794

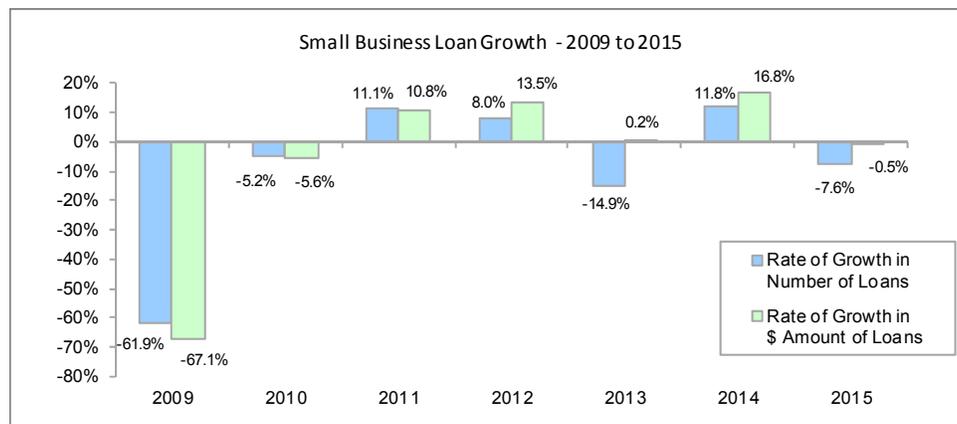
The important role played by credit card lenders in Massachusetts underscores the level of competition for small business loans that exists among all lenders. It also exemplifies the wide variety of loan products and underwriting options that consumers can choose from. Unlike larger, traditional small 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 2015)



**Due in large part to the acquisition of credit card accounts by a large commercial bank that operates in Massachusetts, credit card lenders in Massachusetts experienced overall declines of 7.6% and 0.5% in the number and dollar amount of CRA-reported loans from 2014 to 2015, representing the third year out of the past seven when both the number and dollar volume of small business credit card loans declined in Massachusetts.**

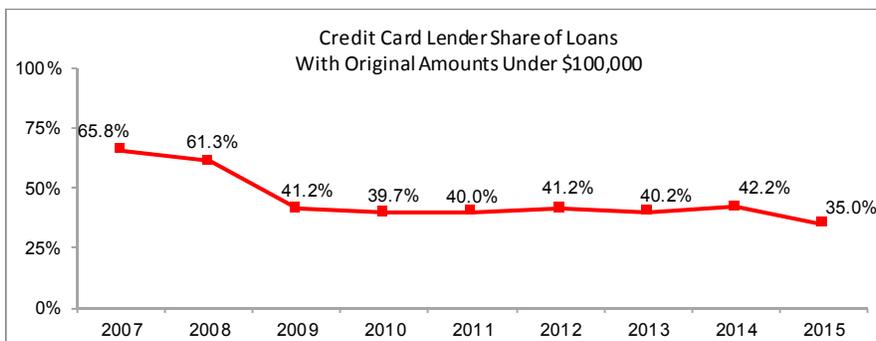
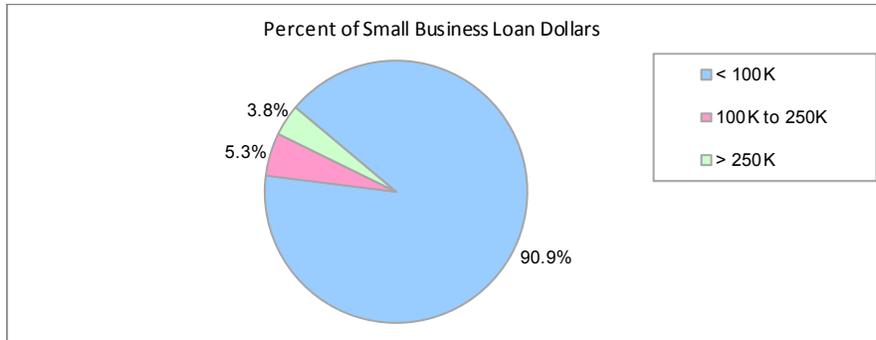
CHART: Change in small business credit card loan volume (2009 to 2015)



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 2015, these loans accounted for 90.9% of all small business loan dollars for credit card lenders compared to 35.7% of loan dollars for local CRA reporters.

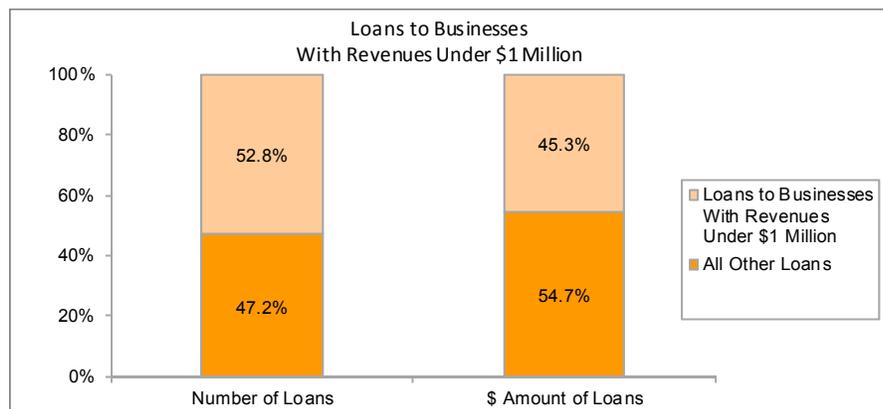
In terms of market share, small business credit card lenders accounted for 35.0% of small business loans in Massachusetts with original amounts under \$100,000 in 2015 which represents a decrease compared to the results over the past several years and which remains well below the market share levels achieved prior to the recent financial crisis.

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 since the recent financial crisis



Credit card lenders reported 40,497 loans to businesses with revenues under \$1 million in Massachusetts in 2015 for \$305.2 million, which represented 52.8% of the total number of loans originated by credit card lenders and 45.3% of the dollar amount of loans.

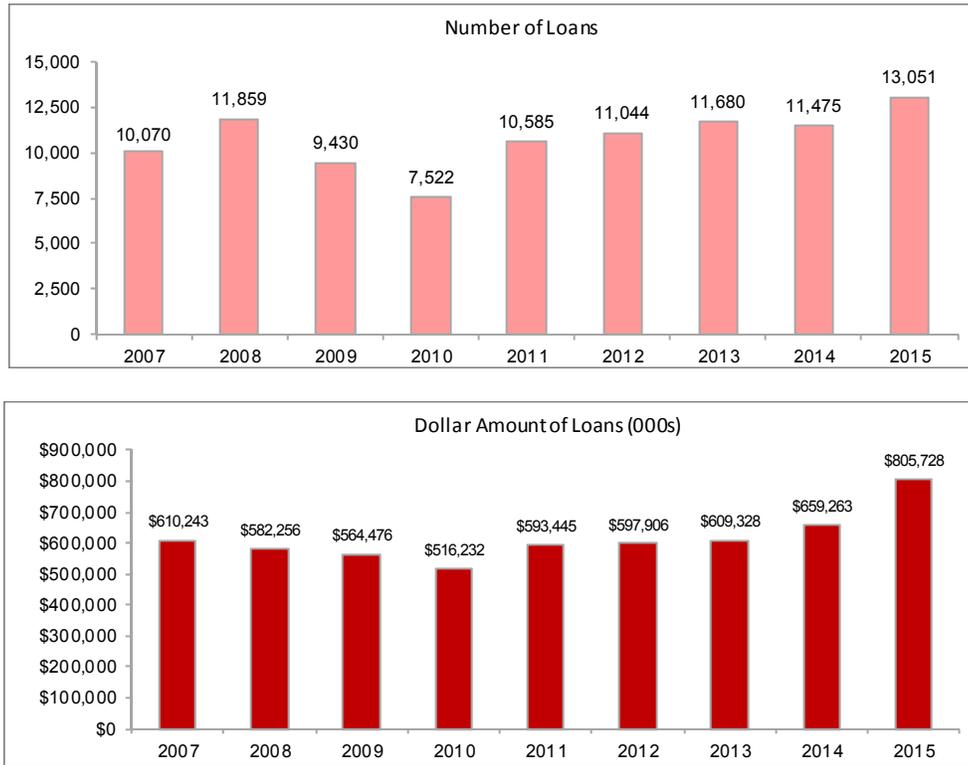
CHART: Loans to businesses with revenues under \$1 million at credit card lenders (2015)



## OTHER OUT-OF-STATE LENDERS

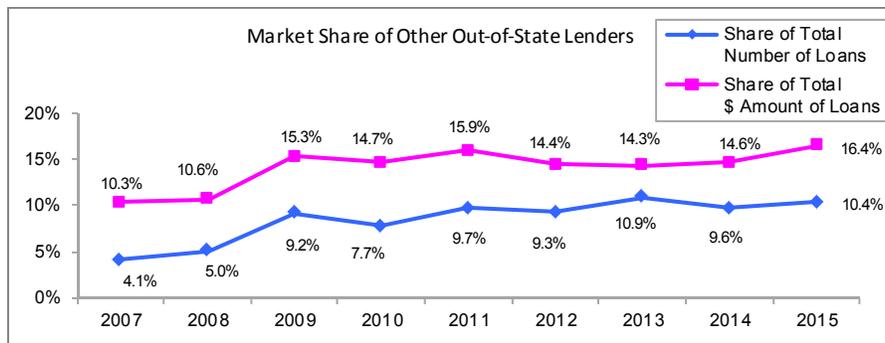
Other out-of-state CRA lenders reported 13,051 CRA-reported small business loans in Massachusetts in 2015 for \$805.7 million, which represents a large increase compared to the previous year and which substantially exceeds the levels reached before the recent financial crisis. Small business loans by other out-of-state CRA lenders accounted for 10.4% of the total number of CRA-reported small business loans in the state in 2015 and 16.4% of loan dollars.

CHARTS: Small business loans by other out-of-state lenders in Massachusetts (2007 to 2015)



The volume of loans by other out-of-state lenders underscores 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 2015)



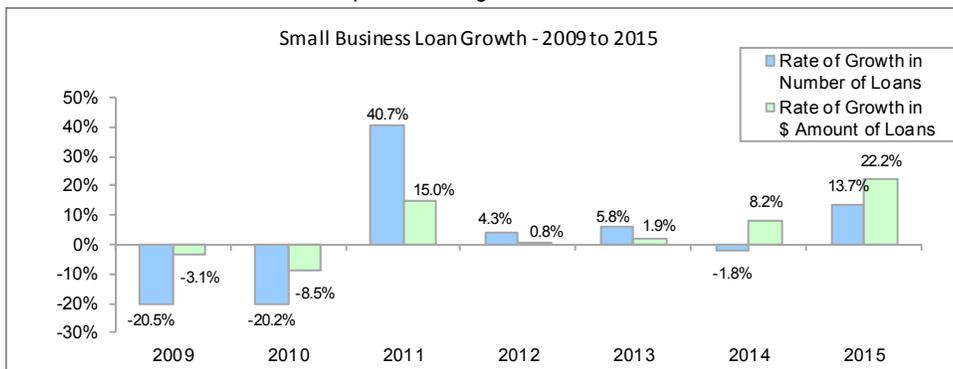
The following table shows the total CRA small business loans in 2015 for the 30 largest other out-of-state lenders in Massachusetts ranked by dollar volume. Data for all other out-of-state lenders can be found in the online appendix at [www.mcabc.info](http://www.mcabc.info).

TABLE: Small business loans by the 30 largest other out-of-state lenders by dollar volume (2015)

Lender	Number of Loans	\$ Amount of Loans (\$000s)	\$ Average Loan Size (\$000s)
WELLS FARGO BANK, N.A.	1,857	\$98,223	\$52,893
PEOPLES UNITED BANK	517	\$93,877	\$181,580
M&T BANK	122	\$71,510	\$586,148
WEBSTER BANK, N.A.	276	\$58,597	\$212,308
SILICON VALLEY BANK	652	\$56,526	\$86,696
TEXAS CAPITAL BANK	4,385	\$41,791	\$9,530
JPMORGAN CHASE BANK, NA	639	\$32,054	\$50,163
SIGNATURE BANK	93	\$24,876	\$267,484
TCF NATIONAL BANK	194	\$22,299	\$114,943
MERCHANTS BANK	90	\$20,132	\$223,689
GE CAPITAL BANK	320	\$18,821	\$58,816
FIRST REPUBLIC BANK	50	\$18,804	\$376,080
THE HUNTINGTON NATIONAL BANK	458	\$14,964	\$32,672
STEARNS BANK N A	239	\$14,835	\$62,071
COMERICA BANK	63	\$13,045	\$207,063
FARMINGTON BANK	46	\$12,060	\$262,174
CIT BANK NA	326	\$11,992	\$36,785
BRANCH BANKING AND TRUST CO	1,012	\$11,642	\$11,504
BANK OF THE WEST	128	\$9,817	\$76,695
WESTERN ALLIANCE BANK	17	\$9,795	\$576,176
EAST WEST BANK	37	\$9,147	\$247,216
SQUARE 1 BANK	21	\$8,231	\$391,952
FIRST NIAGARA BANK, N.A.	126	\$7,175	\$56,944
BOFI FEDERAL BANK	146	\$6,901	\$47,267
BANK RHODE ISLAND	27	\$6,802	\$251,926
MB FINANCIAL BANK NA	15	\$5,402	\$360,133
CONNECTICUT COMMUNITY BANK, NA	15	\$5,215	\$347,667
NBT BANK NA	39	\$5,004	\$128,308
BANKNEWPORT	10	\$4,930	\$493,000
PACIFIC WESTERN BANK	13	\$4,527	\$348,231
TOTALS	13,051	\$805,728	\$61,737

**Other out-of-state lenders experienced a 13.7% increase in the number of CRA-reported small business loan dollars in 2015 and a 22.2% increase in the dollar amount of loans.** The increase in dollar volume of other out-of-state lenders in Massachusetts represented the fifth consecutive year of increases and the largest increase since 2011.

CHART: Other out-of-state lenders experienced large increases in 2015



Loans with original amounts over \$250,000 accounted for just over half of the small business loan dollars by out-of-state lenders in 2015 and the average loan size was roughly \$62,000.

CHART: Breakdown by loan amount at other out-of-state lenders (2015)

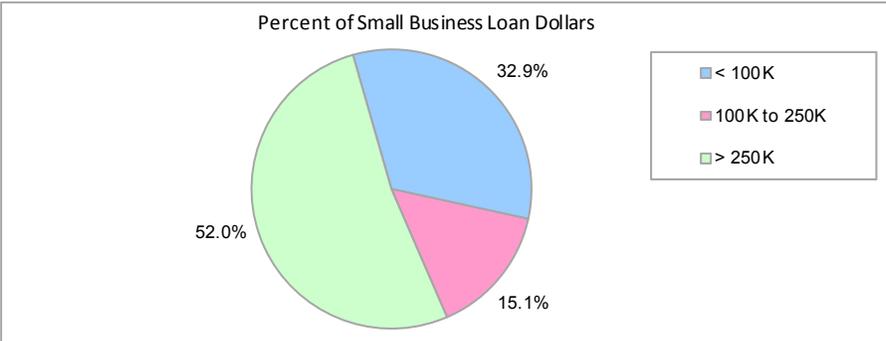
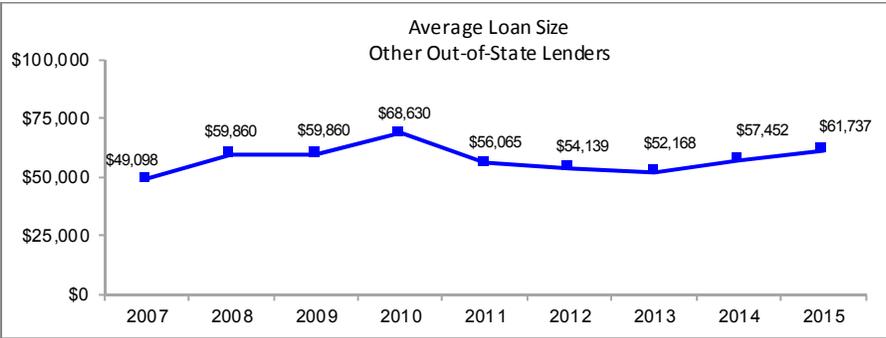
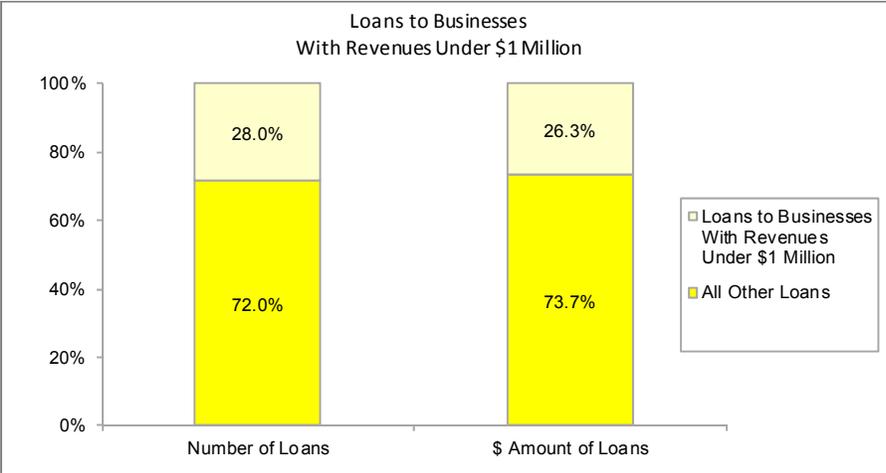


CHART: Average loan size of other out-of-state lenders (2015)



Out-of-state lenders reported 3,705 loans to businesses with revenues under \$1 million in Massachusetts in 2015 for \$220.7 million, which represented 28.0% of the total number of loans originated by out-of-state lenders and 26.3% of the dollar amount of loans.

CHART: Loans to businesses with revenues under \$1 million at out-of-state lenders (2015)



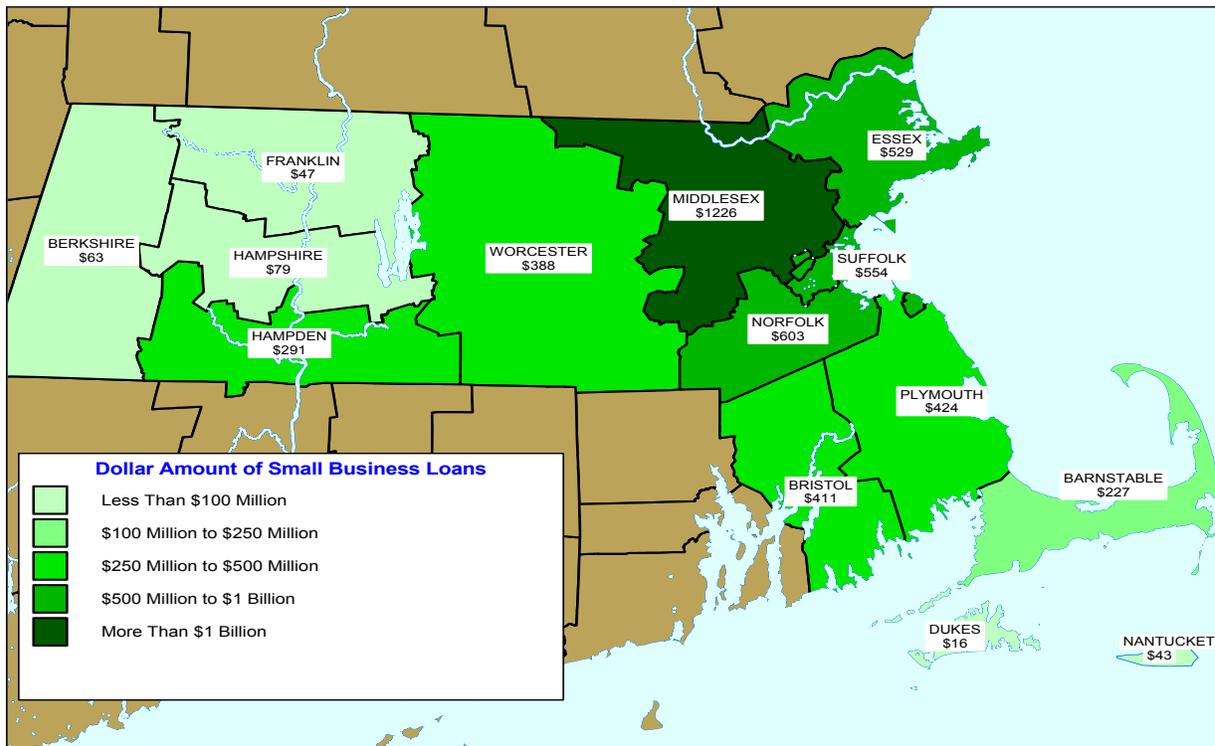
## SMALL BUSINESS LOANS BY COUNTY

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 2015 ranged from \$1.2 billion in Middlesex County, which accounts for 23.0% of the state's total population, to \$16.1 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.mcbsc.info](http://www.mcbsc.info).

TABLE: Small business loans by county (2015)

County	Number of Loans	% of Total	\$ Amount of Loans (\$000s)	% of Total	Total Population	% of Total
Barnstable	5,967	4.7%	\$227,499	4.6%	215,888	3.3%
Berkshire	2,207	1.8%	\$62,682	1.3%	131,219	2.0%
Bristol	9,027	7.2%	\$411,245	8.4%	548,285	8.4%
Dukes	632	0.5%	\$16,149	0.3%	16,535	0.3%
Essex	14,319	11.4%	\$528,838	10.8%	743,159	11.4%
Franklin	1,057	0.8%	\$47,281	1.0%	71,372	1.1%
Hampden	6,780	5.4%	\$291,211	5.9%	463,490	7.1%
Hampshire	2,419	1.9%	\$78,545	1.6%	158,080	2.4%
Middlesex	33,117	26.3%	\$1,226,252	25.0%	1,503,085	23.0%
Nantucket	782	0.6%	\$42,998	0.9%	10,172	0.2%
Norfolk	14,841	11.8%	\$603,047	12.3%	670,850	10.2%
Plymouth	9,962	7.9%	\$424,057	8.6%	494,919	7.6%
Suffolk	13,427	10.7%	\$554,494	11.3%	722,023	11.0%
Worcester	11,310	9.0%	\$388,395	7.9%	798,552	12.2%
State Totals	125,847	100.0%	\$4,902,693	100.0%	6,547,629	100.0%

Map: Small business loans dollars by county (2015)

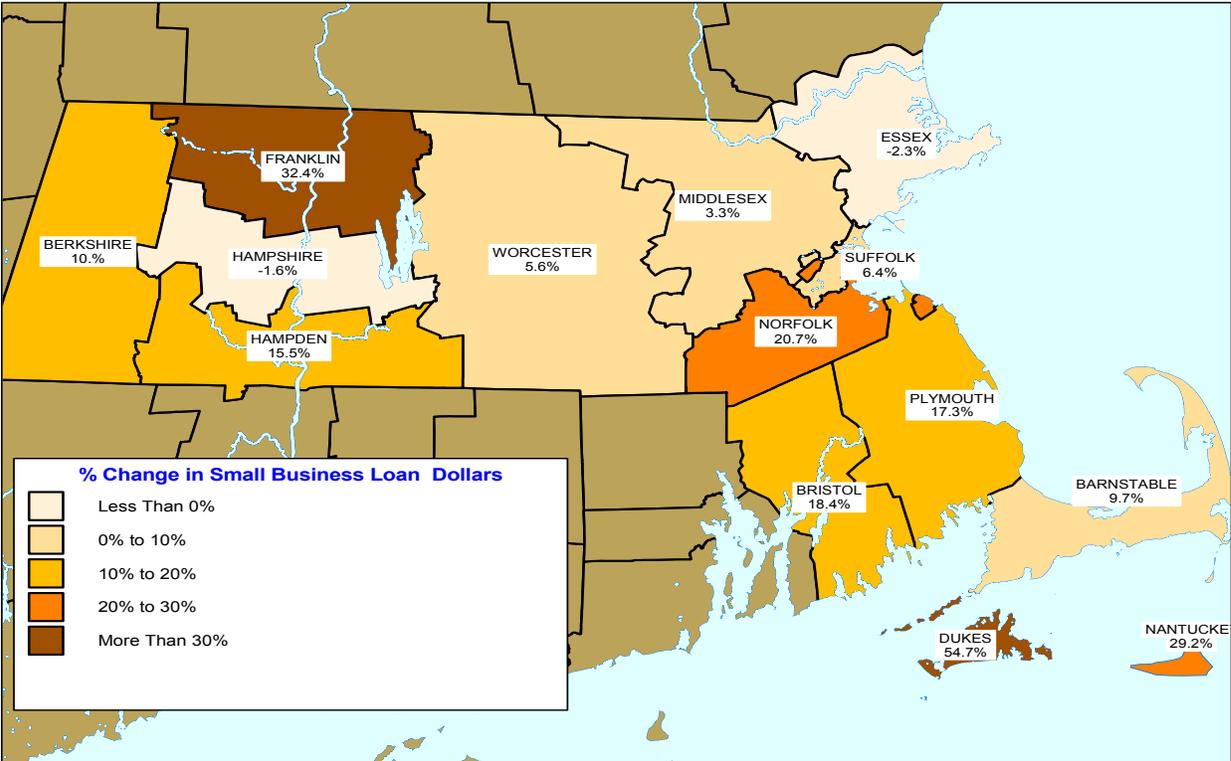


**Twelve of the 14 counties in Massachusetts experienced increases in CRA-reported small business lending volume in 2015.** The largest percentage increases in small business loan dollars were in Dukes, Franklin, Nantucket Counties while the largest dollar increases were in Bristol, Norfolk, and Plymouth Counties. Essex and Hampshire Counties were the only counties that experienced declines in small business loan dollars in 2015.

TABLE: Change in small business loans by county (2015)

County	2015 Change in Number of Loans	% Change	2015 Change in \$ Amount of Loans (\$000s)	% Change	Total Population	% of Total
Barnstable	440	8.0%	\$20,043	9.7%	440	8.0%
Berkshire	51	2.4%	\$5,715	10.0%	51	2.4%
Bristol	949	11.7%	\$63,773	18.4%	949	11.7%
Dukes	41	6.9%	\$5,711	54.7%	41	6.9%
Essex	802	5.9%	-\$12,704	-2.3%	802	5.9%
Franklin	64	6.4%	\$11,582	32.4%	64	6.4%
Hampden	558	9.0%	\$39,185	15.5%	558	9.0%
Hampshire	15	0.6%	-\$1,267	-1.6%	15	0.6%
Middlesex	1,325	4.2%	\$39,290	3.3%	1,325	4.2%
Nantucket	76	10.8%	\$9,713	29.2%	76	10.8%
Norfolk	895	6.4%	\$103,252	20.7%	895	6.4%
Plymouth	842	9.2%	\$62,614	17.3%	842	9.2%
Suffolk	721	5.7%	\$33,114	6.4%	721	5.7%
Worcester	118	1.1%	\$20,732	5.6%	118	1.1%
State Totals	6,897	5.8%	\$400,753	8.9%	6,897	5.8%

Map: Change in small business loans dollars by county (2015)



## 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 \$515.3 million in CRA-reported small business dollars in 2015 and accounted for 12.4% 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 2.2% and 1.6% of the total loan dollars in the state.

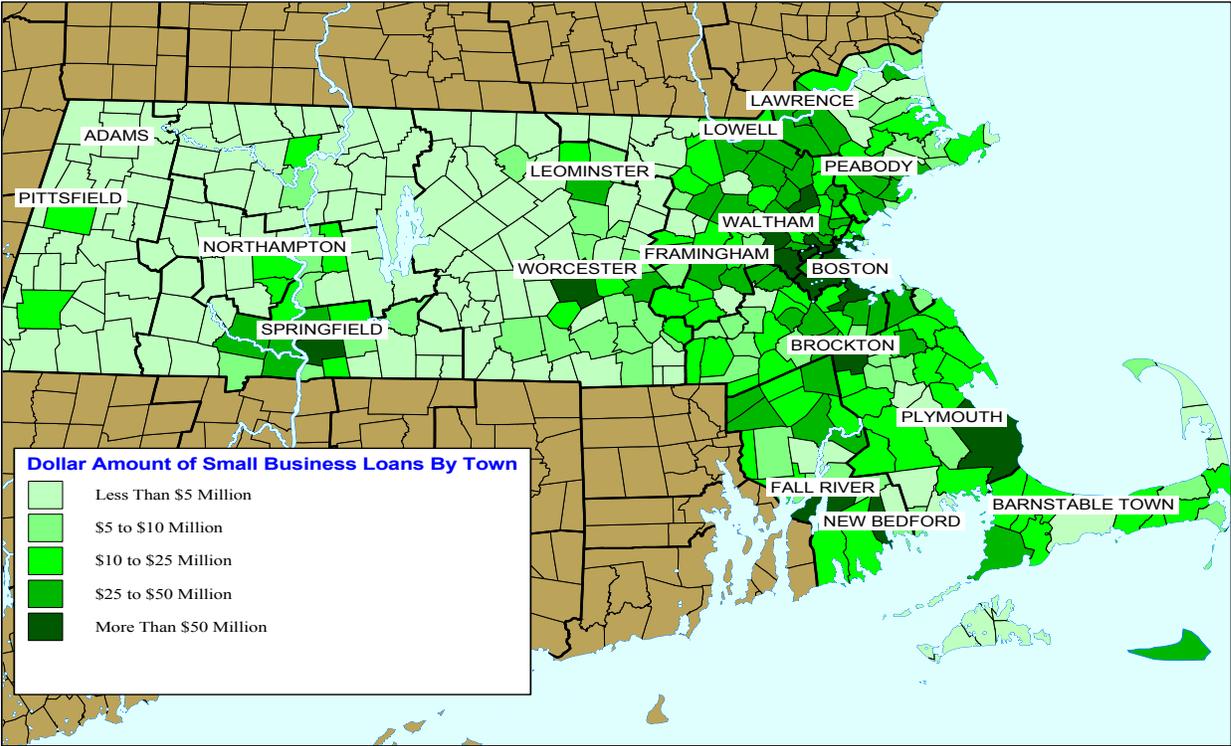
The table below shows the 2015 small business loan volume for the 40 largest cities and towns in Massachusetts sorted by total population. More detailed small business loan data by city and town can be found in the online appendix at [www.mcbsc.info](http://www.mcbsc.info).

TABLE: Small business loan volume by city and town (2015)

City/Town	Number of Loans	% of Total	\$ Amount of Loans (\$000s)	% of Total	Total Population	% of Total
Boston	12,086	10.2%	\$515,340	12.4%	617,019	9.4%
Worcester	2,255	1.9%	\$89,876	2.2%	181,045	2.8%
Springfield	1,597	1.3%	\$68,062	1.6%	153,060	2.3%
Lowell	1,118	0.9%	\$42,274	1.0%	106,519	1.6%
Cambridge	2,709	2.3%	\$95,750	2.3%	105,162	1.6%
New Bedford	1,240	1.0%	\$64,820	1.6%	95,072	1.5%
Brockton	1,249	1.1%	\$55,887	1.3%	93,810	1.4%
Quincy	1,799	1.5%	\$64,916	1.6%	92,271	1.4%
Lynn	838	0.7%	\$31,161	0.8%	90,329	1.4%
Fall River	1,105	0.9%	\$50,270	1.2%	88,857	1.4%
Newton	2,579	2.2%	\$79,572	1.9%	85,146	1.3%
Lawrence	764	0.6%	\$35,570	0.9%	76,377	1.2%
Somerville	1,222	1.0%	\$37,276	0.9%	75,754	1.2%
Framingham	1,433	1.2%	\$47,243	1.1%	68,318	1.0%
Haverhill	757	0.6%	\$23,191	0.6%	60,879	0.9%
Waltham	1,554	1.3%	\$70,372	1.7%	60,632	0.9%
Malden	989	0.8%	\$32,948	0.8%	59,450	0.9%
Brookline	1,333	1.1%	\$48,304	1.2%	58,732	0.9%
Plymouth	1,193	1.0%	\$50,178	1.2%	56,468	0.9%
Medford	1,007	0.8%	\$29,557	0.7%	56,173	0.9%
Taunton	779	0.7%	\$29,814	0.7%	55,874	0.9%
Chicopee	656	0.6%	\$26,494	0.6%	55,298	0.8%
Weymouth	891	0.8%	\$29,600	0.7%	53,743	0.8%
Revere	640	0.5%	\$14,206	0.3%	51,746	0.8%
Peabody	1,063	0.9%	\$42,851	1.0%	51,251	0.8%
Methuen	731	0.6%	\$27,275	0.7%	47,255	0.7%
Barnstable	1,291	1.1%	\$51,285	1.2%	45,193	0.7%
Pittsfield	724	0.6%	\$18,254	0.4%	44,737	0.7%
Attleboro	709	0.6%	\$42,882	1.0%	43,593	0.7%
Arlington	723	0.6%	\$14,502	0.3%	42,844	0.7%
Everett	653	0.6%	\$18,742	0.5%	41,667	0.6%
Salem	915	0.8%	\$37,173	0.9%	41,340	0.6%
Westfield	716	0.6%	\$40,409	1.0%	41,094	0.6%
Leominster	621	0.5%	\$27,078	0.7%	40,759	0.6%
Fitchburg	403	0.3%	\$21,185	0.5%	40,318	0.6%
Billerica	800	0.7%	\$47,552	1.1%	40,243	0.6%
Holyoke	418	0.4%	\$18,670	0.5%	39,880	0.6%
Beverly	924	0.8%	\$31,935	0.8%	39,502	0.6%
Marlborough	730	0.6%	\$23,827	0.6%	38,499	0.6%
Woburn	1,378	1.2%	\$71,120	1.7%	38,120	0.6%

The following map shows that small business loan dollars in Massachusetts in 2015 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 (2015)



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 2015 (Lowell, New Bedford, Quincy, and Worcester), while three cities experienced modest increases (Boston, Fall River, and Springfield), and two cities experienced declines (Cambridge and Lynn). The table below shows the 2015 change in small business loan volume for the 40 largest cities and towns in Massachusetts sorted by total population. More detailed small business loan data by city and town can be found in the online appendix at [www.mcabc.info](http://www.mcabc.info).

TABLE: Change in small business loans by city and town (2015)

City/Town	2015 Change in Number of Loans	% Change	2015 Change in \$ Amount of Loans (\$000s)	% Change	Total Population	% of Total
Boston	631	5.5%	\$26,434	5.4%	617,019	9.4%
Worcester	117	5.5%	\$21,543	31.5%	181,045	2.8%
Springfield	129	8.8%	\$6,811	11.1%	153,060	2.3%
Lowell	161	16.8%	\$15,058	55.3%	106,519	1.6%
Cambridge	51	1.9%	-\$2,123	-2.2%	105,162	1.6%
New Bedford	157	14.5%	\$9,227	16.6%	95,072	1.5%
Brockton	86	7.4%	\$1,455	2.7%	93,810	1.4%
Quincy	145	8.8%	\$12,945	24.9%	92,271	1.4%
Lynn	69	9.0%	-\$8,995	-22.4%	90,329	1.4%
Fall River	186	20.2%	\$5,238	11.6%	88,857	1.4%
Newton	63	2.5%	\$1,101	1.4%	85,146	1.3%
Lawrence	60	8.5%	-\$1,441	-3.9%	76,377	1.2%
Somerville	4	0.3%	-\$4,378	-10.5%	75,754	1.2%
Framingham	-14	-1.0%	\$420	0.9%	68,318	1.0%
Haverhill	25	3.4%	-\$5,176	-18.2%	60,879	0.9%
Waltham	103	7.1%	\$2,885	4.3%	60,632	0.9%
Malden	84	9.3%	\$551	1.7%	59,450	0.9%
Brookline	-62	-4.4%	\$7,625	18.7%	58,732	0.9%
Plymouth	57	5.0%	\$6,667	15.3%	56,468	0.9%
Medford	60	6.3%	\$1,579	5.6%	56,173	0.9%
Taunton	113	17.0%	\$4,134	16.1%	55,874	0.9%
Chicopee	79	13.7%	\$5,319	25.1%	55,298	0.8%
Weymouth	97	12.2%	\$441	1.5%	53,743	0.8%
Revere	80	14.3%	\$1,581	12.5%	51,746	0.8%
Peabody	106	11.1%	\$4,701	12.3%	51,251	0.8%
Methuen	82	12.6%	\$4,416	19.3%	47,255	0.7%
Barnstable	68	5.6%	-\$633	-1.2%	45,193	0.7%
Pittsfield	65	9.9%	-\$2,026	-10.0%	44,737	0.7%
Attleboro	122	20.8%	\$14,211	49.6%	43,593	0.7%
Arlington	39	5.7%	-\$2,209	-13.2%	42,844	0.7%
Everett	64	10.9%	-\$5,912	-24.0%	41,667	0.6%
Salem	64	7.5%	\$1,593	4.5%	41,340	0.6%
Westfield	69	10.7%	\$5,000	14.1%	41,094	0.6%
Leominster	-17	-2.7%	\$3,227	13.5%	40,759	0.6%
Fitchburg	-7	-1.7%	\$230	1.1%	40,318	0.6%
Billerica	-23	-2.8%	\$9,573	25.2%	40,243	0.6%
Holyoke	35	9.1%	\$3,825	25.8%	39,880	0.6%
Beverly	45	5.1%	\$1,227	4.0%	39,502	0.6%
Marlborough	12	1.7%	-\$7,308	-23.5%	38,499	0.6%
Woburn	101	7.9%	\$13,558	23.6%	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.

Census tract income level classifications are periodically updated by the FFIEC to reflect changes in the boundaries, demographics, and income characteristics of MSAs and census tracts across the country, which can make it difficult to interpret changes in small business lending patterns. The FFIEC census tract classifications were last updated with the 2014 CRA data to reflect recent changes in MSA boundaries and median family income figures in many parts of the country including Massachusetts.

Based on the FFIEC census data for 2015, there are 164 low income census tracts and 281 moderate income census tracts in Massachusetts which account for 9.2% and 18.0% of the total population of the state.

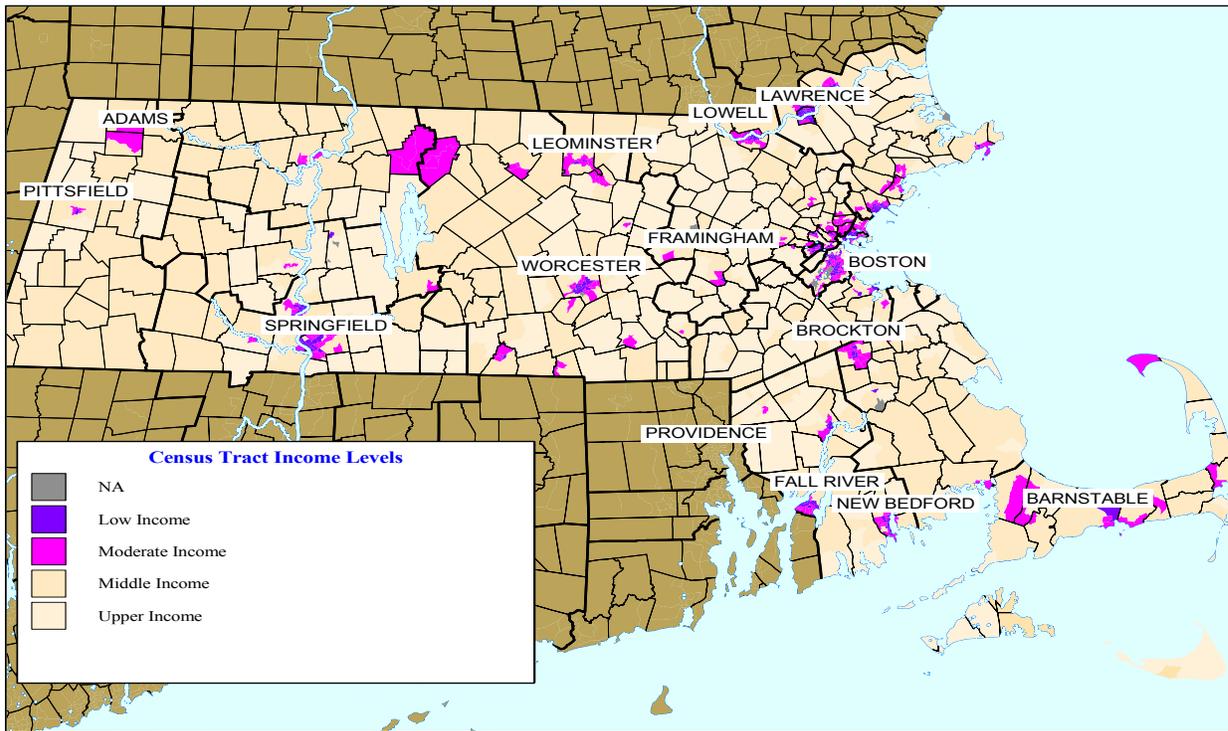
TABLE : Population by income level in Massachusetts Based on 2014 Census Data

Census Tract Income Level	Number of Census Tracts	Total Population	% of Total	Minority Population %
Low	164	603,091	9.2%	65.7%
Moderate	281	1,177,106	18.0%	41.3%
Middle	598	2,777,796	42.4%	15.7%
Upper	411	1,979,535	30.2%	12.1%
NA	18	10,101	0.2%	35.6%
Totals	1,472	6,547,629	100.0%	23.9%
Low & Moderate Combined	445	1,780,197	27.2%	49.6%

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 have generally had lower lending rates than higher income and lower minority areas.

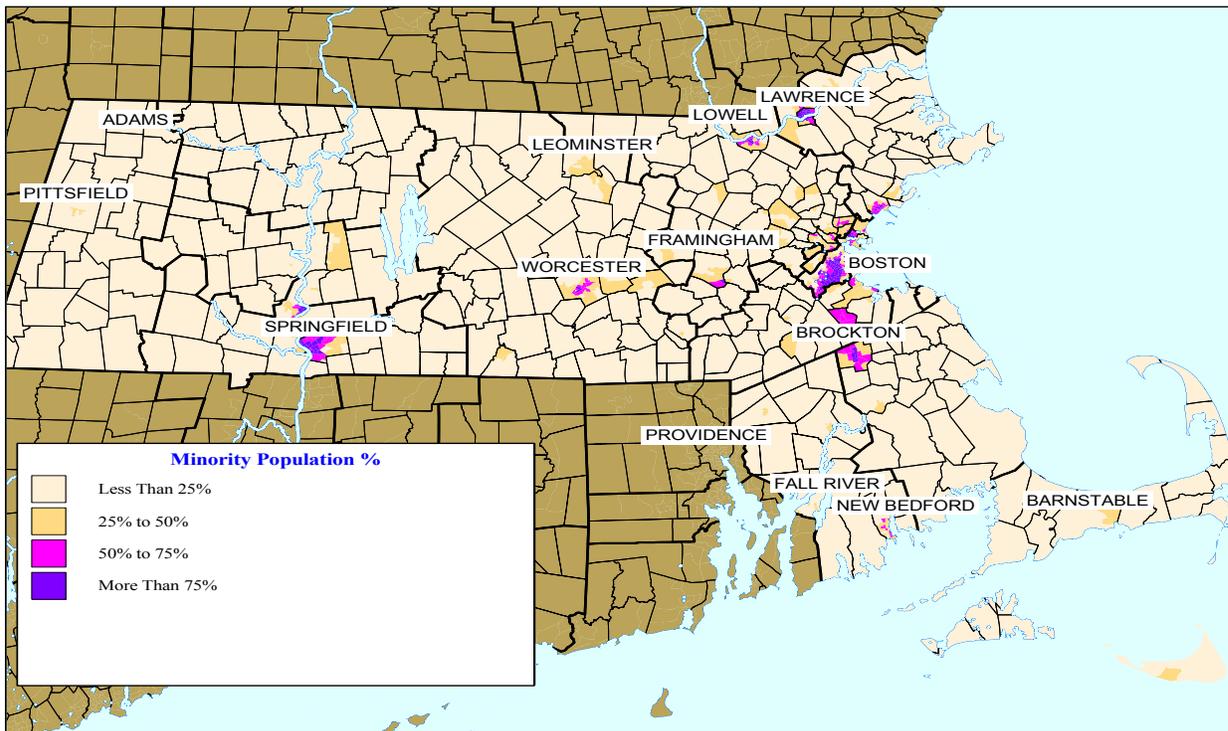
Based on the 2015 FFIEC census data, low income and moderate income areas are spread out over 71 cities and towns across the state, including 25 cities and towns that have both low and moderate income areas.

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 2015 census data, minorities account for approximately 23.9% of the total population of the state. Blacks, Hispanics, and Asians represent the largest minority groups. There are 102 high-minority census tracts across the state where the minority population is more than 75% of the total population of the tract and an additional 412 mixed-race census tracts where the minority population is between 25% and 75% of the total population.

TABLES : Massachusetts population totals by race and neighborhood racial composition (2015)

	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	410	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	1,472	6,547,629	100.0%
White	4,984,800	76.1%				
Total	6,547,629	100.0%				
All Minorities Combined	1,562,829	23.9%				

To evaluate whether race is a more important factor than income level in determining lending patterns, this report also utilizes demographic categories that take both income level and race into account as illustrated in the table below. To simplify our analysis, we have combined low and moderate income tracts together as one group and combined middle and upper income tracts together as another group. The demographic data for Massachusetts shows that there are slightly more minority residents living in low and moderate income areas (352,067 or 5.4% of the total population) as there are white residents (336,085 or 5.1% of the total). At the same time, however, the data shows that there are substantially fewer minority residents living in middle and upper income areas.

TABLE : Neighborhood composition by race and income level (2015)

	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	261	1,092,045	16.7%
Mixed-Race & Middle-Upper	139	631,351	9.6%
White & Low-Moderate	88	336,085	5.1%
White & Middle-Upper	866	4,107,644	62.7%
Not Available	18	10,101	0.2%
Totals	1,472	6,547,629	100.0%

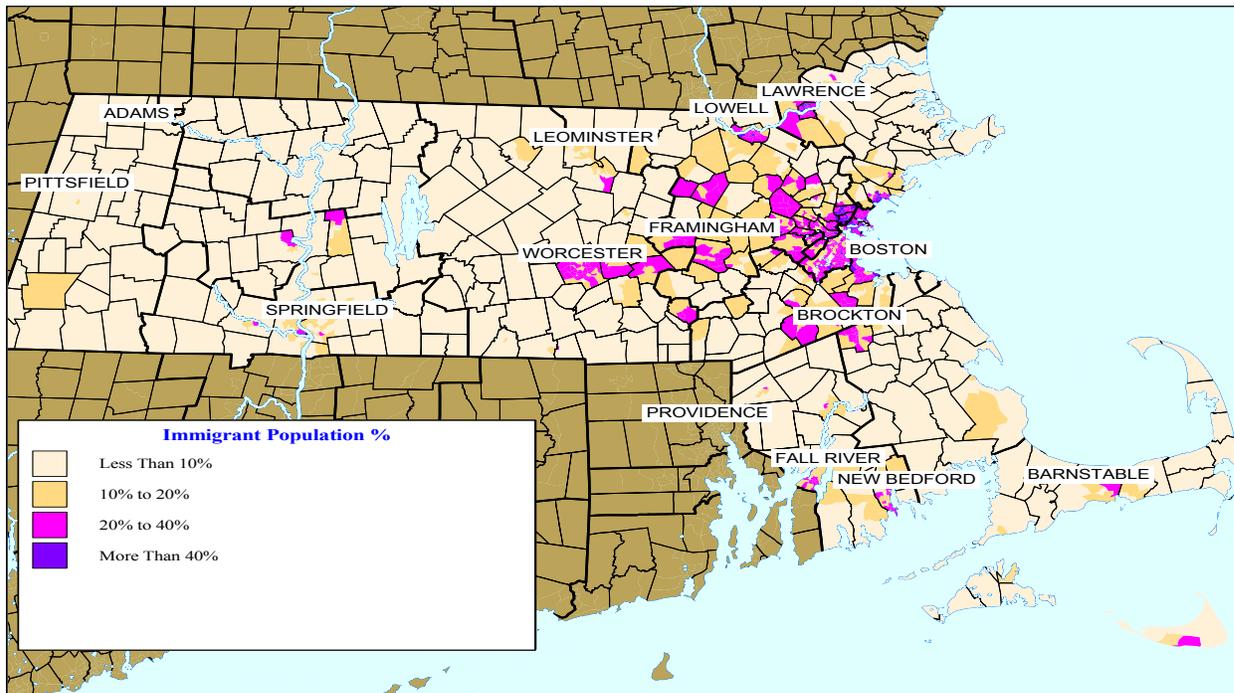
According to the Census Bureau there are 41.3 million immigrants living in the United States representing 13.0% of the total population of the country. Unlike most native-born business owners, foreign-born business owners are more likely to face cultural and language barriers which may limit their access to credit. In Massachusetts foreign-born residents account for 15.0% of the total population of the state and represent more than 40% of the local population in 58 census tracts covering 13 cities and towns in the greater Boston area, while many more communities in the state have immigrant populations of between 20% and 40% of the total.

TABLE : Neighborhood composition by immigrant status (2015)

Immigrant Population as % of Local Population	Number of Census Tracts	Immigrant Population	% of Local Population
Less Than 10%	638	161,710	5.5%
10% to 20%	403	257,368	14.3%
20% to 40%	373	452,570	27.8%
More Than 40%	58	120,060	47.3%
Totals	1,472	991,708	15.0%

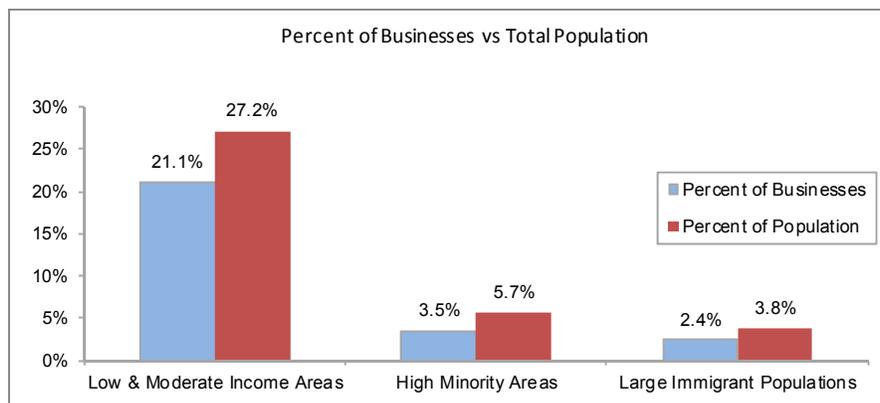
The areas of concentration of the state’s immigrant population are shown in the following map.

MAP : Communities with the largest immigrant populations are shown in shades of purple



It is important to note that the distribution of businesses across the state does not always mirror the demographic characteristics of the local population. According to Dunn & Bradstreet, a leading source of business demographic data, low and moderate income census tracts in Massachusetts account for 27.2% of the total population, but are home to just 21.1% of the businesses in the state. Similarly, census tracts with high minority populations account for 5.7% of the total population but just 3.5% of the business establishments while communities with large immigrant populations account for 3.8% of the population but just 2.4% of business establishments.

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

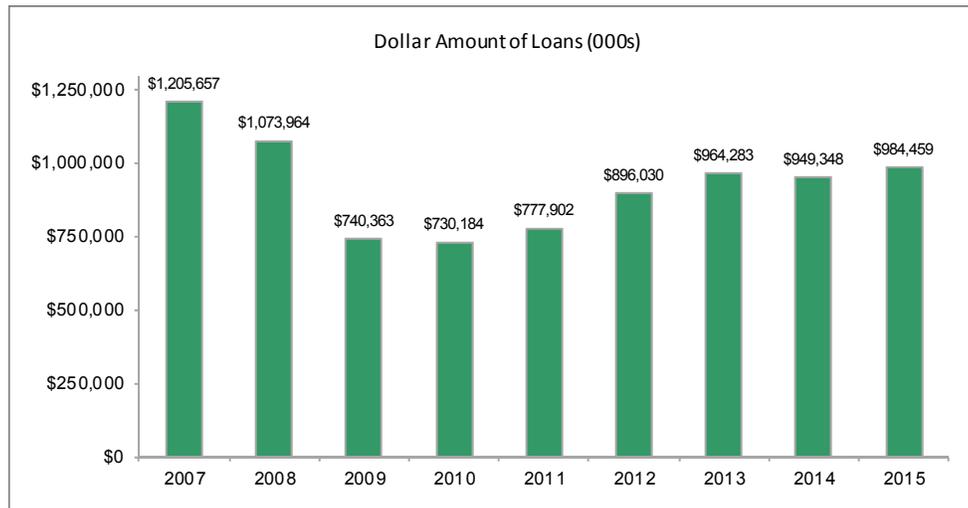
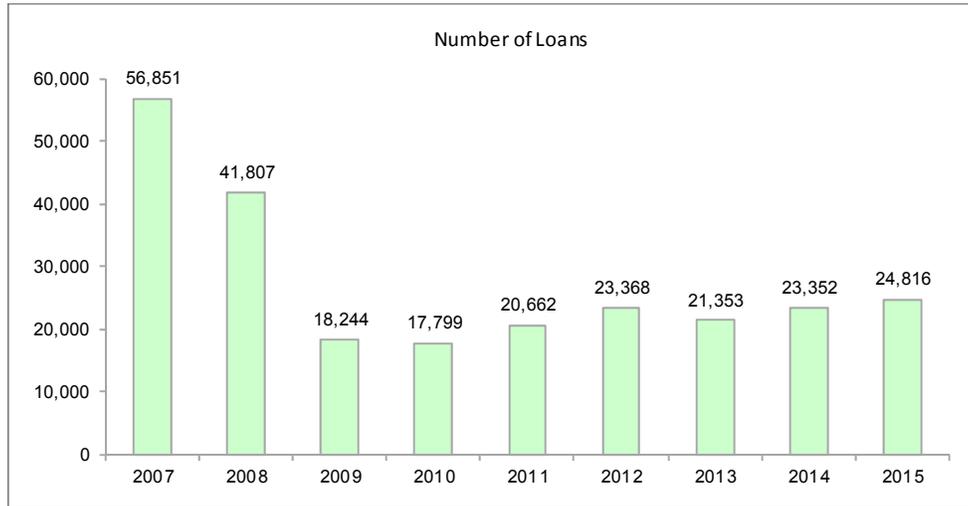


To facilitate comparisons between geographic areas and across demographics lines, this section of the report also includes an analysis of lending rates, measured in the amount of loans per 100 firms, which provides a mechanism for evaluating the extent to which various demographic characteristics influence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

## SMALL BUSINESS LENDING IN LOWER INCOME AREAS

**Businesses in low and moderate income census tracts in Massachusetts received a total of 24,816 small business loans in 2015 for \$984.5 million, which represents a modest increase in terms of both the number and dollar amount of loans compared to the previous year.** While small business loan dollars in low and moderate income census tracts have increased moderately over the past several years, the volume remains well below the highs achieved in 2007 prior to the recent financial crisis.

CHARTS: Small business lending in lower income areas increased modestly in Massachusetts in terms of both the number and dollar amount of loans in 2015



**Low and moderate income census tracts in Massachusetts continued to receive a somewhat smaller share of small business loans in 2015 than one might expect given the local demographics.** Low and moderate income census tracts, which account for 27.2% of the total population of Massachusetts, received 20.9% of the total number of CRA-reported small business loans in the state in 2015 and 21.9% 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 (2015)

	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	24,816	20.9%	\$984,459	21.9%	1,780,197	27.2%
Connecticut	15,377	22.1%	\$575,249	24.6%	1,041,215	29.1%
Maine	3,253	13.3%	\$189,269	15.8%	178,918	13.5%
New Hampshire	4,223	17.9%	\$171,722	21.5%	266,062	20.2%
Rhode Island	3,874	23.3%	\$176,907	23.3%	313,315	29.8%
Vermont	1,593	14.8%	\$56,975	12.7%	113,171	18.1%
Totals	53,136	20.1%	\$2,154,581	21.4%	3,692,878	25.6%
Memo: US Total	1,266,633	21.6%	\$53,145,139	24.2%	84,792,810	27.1%

TABLE : Small business loans in Massachusetts by income level (2015)

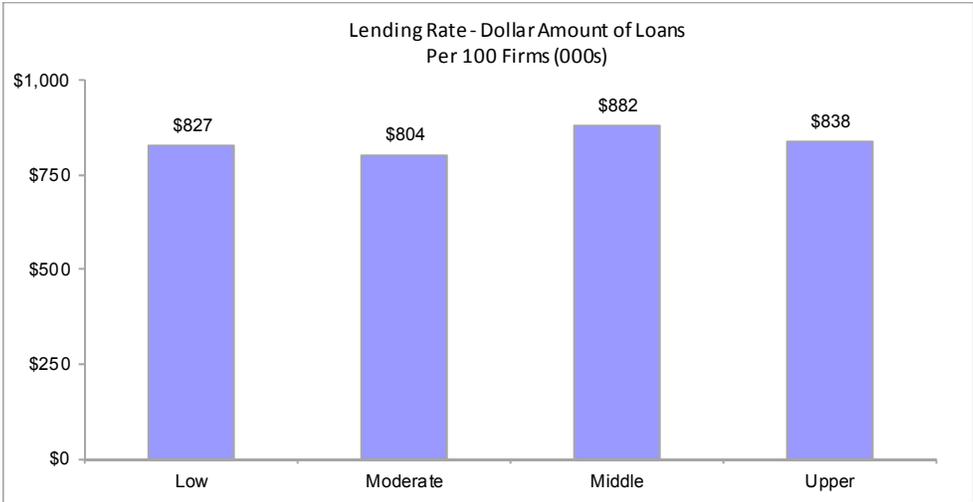
	Number of Loans	% of Total	\$ Amount of Loans (000s)	% of Total	Total Population	% of Total
Low	8,255	6.6%	\$360,425	7.3%	603,091	9.2%
Moderate	16,561	13.2%	\$624,034	12.7%	1,177,106	18.0%
Middle	52,355	41.6%	\$2,066,208	42.1%	2,777,796	42.4%
Upper	46,826	37.2%	\$1,817,255	37.0%	1,979,535	30.2%
NA	1,866	1.5%	\$40,839	0.8%	10,101	0.2%
Totals	125,863	100.0%	\$4,908,761	100.0%	6,547,629	100.0%
Memo: Low & Moderate	24,816	19.7%	\$984,459	20.1%	1,780,197	27.2%

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 moderate income communities in 2015 although the lending rates between income groups fell within a relatively narrow range of values.** Low and moderate income census tracts received an aggregate \$827,000 and \$804,000 per 100 businesses respectively, while middle and upper income census tracts in Massachusetts received an aggregate \$882,000 and \$838,000 per 100 businesses. The 2015 results represent the fifth time in the past eight years when the lowest overall lending rates were in low or moderate income census tracts.

TABLE : The lowest lending rates in Massachusetts were recorded in moderate income areas in 2015 although the lending rates fell within a relatively narrow range of values

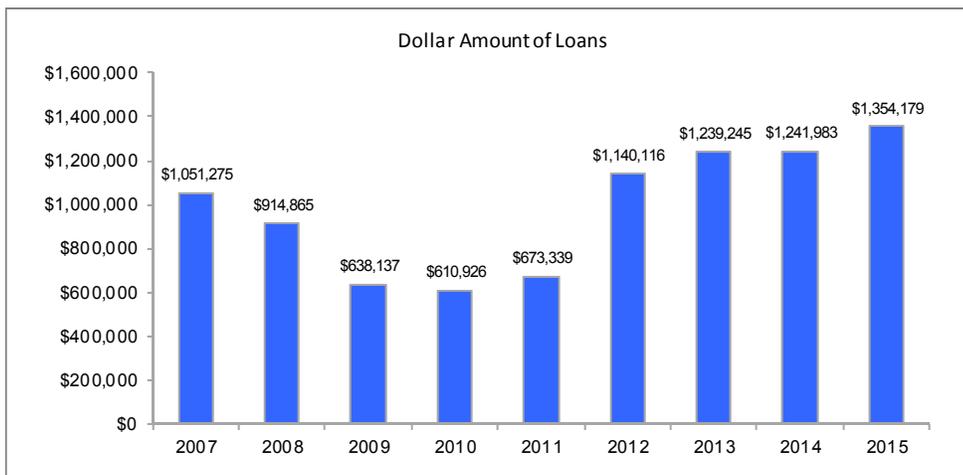
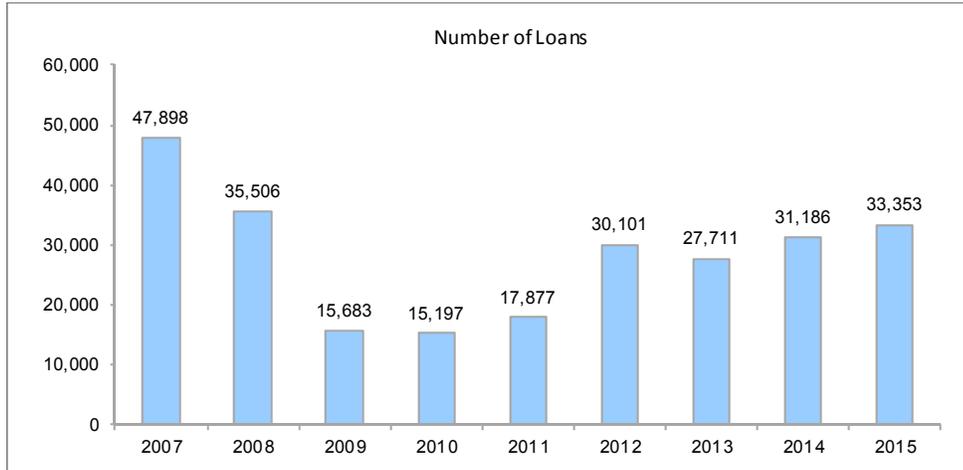


	Lending Rate Per 100 Firms (000s)	% of Overall Lending Rate	2015 Change in Lending Rate
Low	\$827	96.6%	4.4%
Moderate	\$804	93.9%	3.3%
Middle	\$882	103.0%	11.3%
Upper	\$838	97.8%	9.9%
Totals	\$856	100.0%	9.0%
Memo: Low & Moderate Areas	\$812	94.9%	3.7%

## SMALL BUSINESS LENDING IN HIGH MINORITY AREAS

The overall dollar volume of loans in high minority and mixed-race neighborhoods in Massachusetts has increased over each of the past four years and now surpasses the highs achieved prior to the recent financial crisis. Businesses in high minority and mixed-race communities across the state received a reported 33,353 small business loans for \$1.4 billion in 2015, compared to the previous year when such businesses reported 31,186 loans for \$1.2 billion.

CHARTS: The number and dollar volume of small business loans in high minority census tracts and mixed-race census tracts in Massachusetts increased in 2015



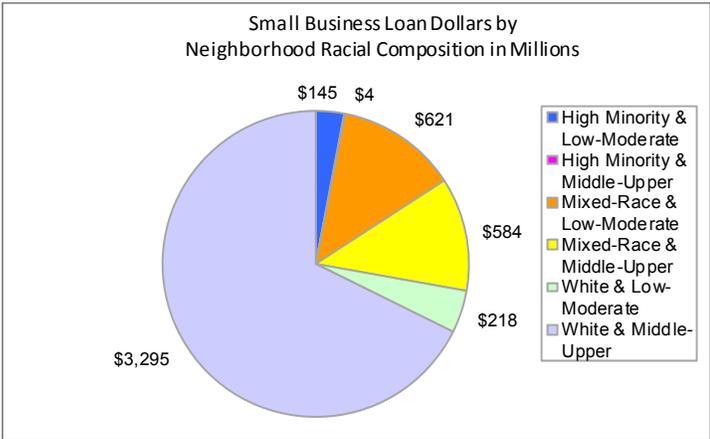
The lower income communities with the highest minority populations in Massachusetts received 3,435 small business loans in 2015 for \$145.4 million, which represents 2.7% of the total number of loans and 3.0% of the dollar amount of loans. Lower income mixed-race communities received 15,797 loans for \$620.7 million, representing 12.6% of the number of loans and 12.6% of the dollar amount of loans. While most neighborhood categories received fewer small business loans than one might expect given their total share of the state’s total population, only higher income mixed race and white communities received larger shares of loan dollars in 2015 compared to their shares of the state’s total population.

TABLE : Most neighborhood categories received a smaller share of loans dollars in 2015 than one might expect given their share of the state’s total population, except higher income mixed race and white neighborhoods which received larger shares

	Number of Loans	% of Total	\$ Amount of Loans (000s)	% of Total	Total Population	% of Total
High Minority & Low-Moderate	3,435	2.7%	\$145,407	3.0%	352,067	5.4%
High Minority & Middle-Upper	148	0.1%	\$4,334	0.1%	18,336	0.3%
Mixed-Race & Low-Moderate	15,797	12.6%	\$620,677	12.6%	1,092,045	16.7%
Mixed-Race & Middle-Upper	13,973	11.1%	\$583,761	11.9%	631,351	9.6%
White & Low-Moderate	5,584	4.4%	\$218,375	4.4%	336,085	5.1%
White & Middle-Upper	85,060	67.6%	\$3,295,368	67.1%	4,107,644	62.7%
NA	1,866	1.5%	\$40,839	0.8%	10,101	0.2%
Totals	125,863	100.0%	\$4,908,761	100.0%	6,547,629	100.0%

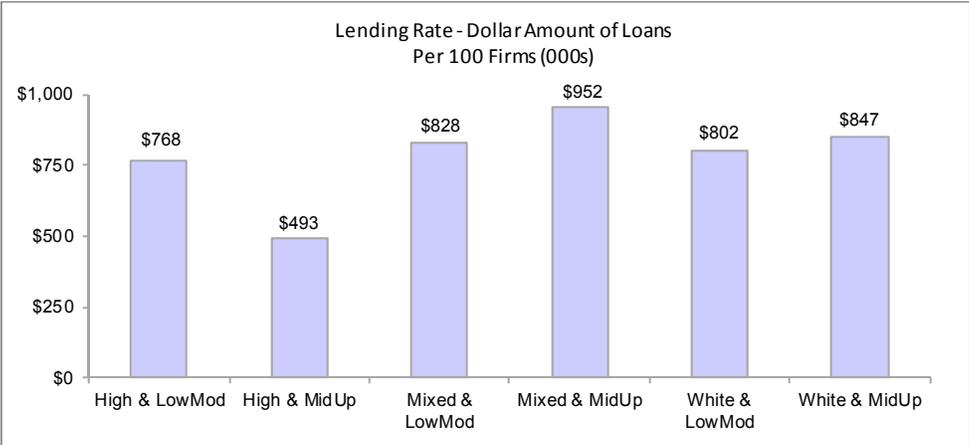
Note: The category "NA" includes small business loans where the CRA reporter did not record the census tract location of the loan

CHART : The lower income communities in Massachusetts with the highest minority populations received \$134 million in small business loans in 2015



**The lowest lending rates in Massachusetts were recorded in high minority communities in 2015 for the second consecutive year.** High minority census tracts in lower income areas in Massachusetts received \$768,000 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 \$493,000 per 100 businesses. In comparison, lower income white communities received an average \$802,000 per 100 businesses while middle and upper income white communities received \$847,000. Lower income minority neighborhoods in Massachusetts have experienced lower lending rates than lower income white neighborhoods in eight of the past nine years.

CHART & TABLE: The lowest lending rates were recorded in high minority areas in 2015



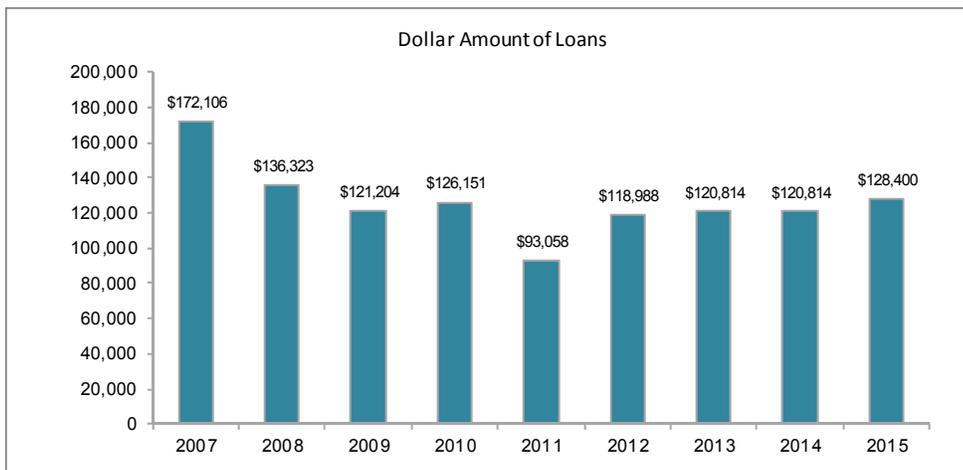
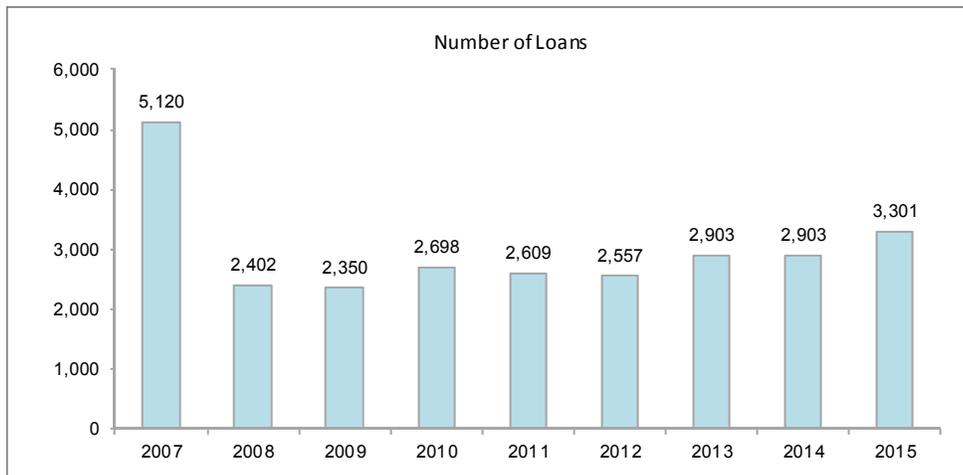
	Lending Rate Per 100 Firms (000s)	% of Overall Lending Rate	2015 Change in Lending Rate
High Minority & Low-Moderate	\$768	89.7%	-3.1%
High Minority & Middle-Upper	\$493	57.5%	-38.0%
Mixed-Race & Low-Moderate	\$828	96.7%	4.2%
Mixed-Race & Middle-Upper	\$952	111.1%	20.0%
White & Low-Moderate	\$802	93.6%	17.6%
White & Middle-Upper	\$847	98.9%	17.4%
Totals	\$856	100.0%	15.1%

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 and the relatively small number of high minority census tracts in the state (102 tracts out of 1,472 total tracts in the state).

## SMALL BUSINESS LENDING IN COMMUNITIES WITH LARGEST IMMIGRANT POPULATIONS

**The overall dollar volume of small business loans in communities in Massachusetts with the largest immigrant populations has recovered from the lows reached in the aftermath of the recent financial crisis but remains well below recent highs.** Businesses in communities where the immigrant populations is 40% or more of the local population, which includes neighborhoods in just over a dozen towns around the greater Boston area, received 3,301 small business loans for \$128.4 million in 2015, compared to the previous year when such businesses received 2,903 loans for \$120.8 million.

CHARTS: The number and dollar volume of small business loans in communities with the largest immigrant populations have yet to significantly recover from recent lows



**Despite the decline in loan volume, the lending rate per 100 firms that are located in neighborhoods with the large immigrant populations exceeded the lending rate in communities with the lowest immigrant populations in 2014 marking the sixth year out of the past nine years when this has occurred.** Businesses in communities with the largest immigrant populations in Massachusetts received \$918,000 per 100 firms in 2015, compared to \$825,000 per 100 firms in neighborhoods where the immigrant populations is less than 10% of the local population.

As was the case with the previous section on lending in high minority areas, readers are urged to use caution when interpreting these findings given the relatively small number of census tracts (58 tracts out of 1,472 total tracts in the state) where the immigrant population is 40% or more of the total population.

## **SBA LOANS TO UNDERSERVED BORROWERS**

While the annual CRA loan data allows for an analysis of the geographic distribution of lending patterns such as lending in lower income areas and high minority areas, the data does not provide detailed application information about the race, gender, or other characteristics of the loan applicant.

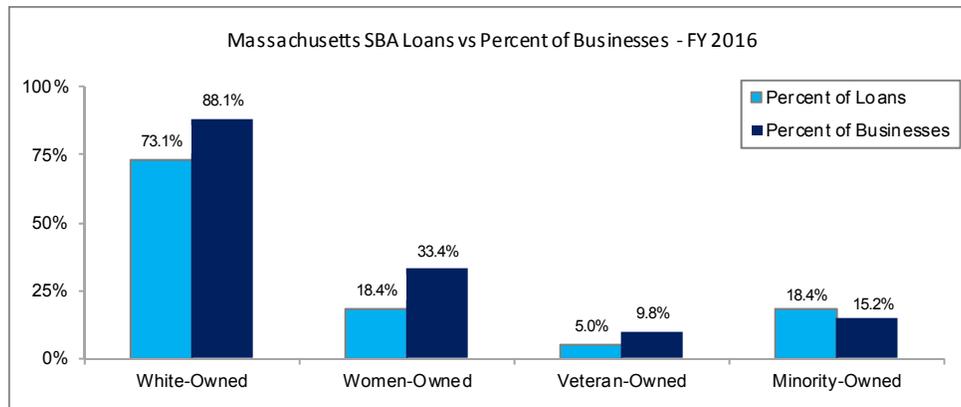
This critical gap in the data is filled to a limited extent by the Small Business Administration which actively monitors its lending to traditionally underserved businesses including those described as minority-owned, women-owned, and veteran-owned businesses. In Massachusetts, the data shows that SBA loans to minority-owned business increased by 24.3% during the twelve months ended September 30, 2016, while loans to white-owned businesses increased by 3.9% and loans to women-owned businesses increased by 2.3%. In comparison, loans to white-owned businesses increased by 7.0% during the same period. Data on loans to immigrant-owned businesses was not available.

TABLE : Massachusetts SBA loans by type of borrower

Type of Borrower	Number of Loans FY 2016	% of Total	Number of Loans FY 2015	% of Total	Change in Loan Volume
Minority-Owned	521	18.4%	419	16.2%	24.3%
Women-Owned	521	18.4%	487	18.8%	7.0%
Veteran-Owned	143	5.0%	93	3.5%	53.8%
White-Owned	2,074	73.1%	1,997	77.1%	3.9%
All Loans	2,836	100.0%	2,591	100.0%	9.5%

A comparison of the percent of Massachusetts SBA loans compared to the percentage of businesses shows that SBA lenders in Massachusetts made slightly more loans to minority-owned businesses than one might expect given the business demographics while making somewhat less loans than one might expect to women-owned businesses and veteran-owned businesses. White-owned businesses in Massachusetts also received a smaller share compared to their contribution to the total number of businesses in the state.

CHART : Minority-owned businesses in Massachusetts received a higher share of SBA loans compared to their contribution to the total number of businesses in the state while other groups received less

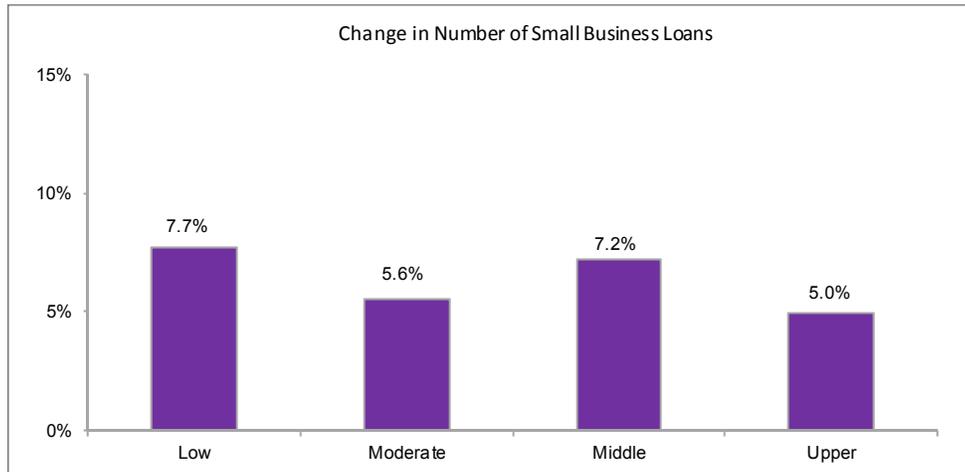
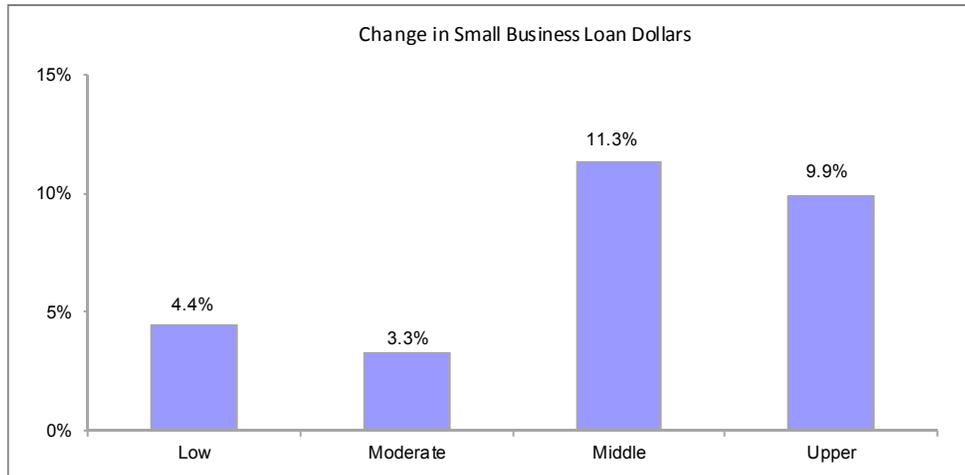


The availability of training and technical assistance is an important part of improving access to credit, particularly for underserved borrowers and new business owners. Such assistance is commonly offered through local nonprofit community development corporations and in conjunction with local SBA offices, and consists of assistance in developing business plans, budgets, and financial statements to help their businesses succeed and improve their chances of qualifying for a business loan from a traditional lender. The Massachusetts office of the SBA estimates that it has provided technical assistance to over 19,000 new entrepreneurs and business owners in coordination with other providers during the twelve months ended September 30, 2016.

## SMALL BUSINESS LOAN GROWTH

**Low and moderate income areas in Massachusetts experienced relatively modest increases in small business loan dollars in 2015, while middle and upper income areas experienced larger increases.** Low and moderate income census tracts in Massachusetts experienced overall increases of 4.4% and 3.3% in small business loan dollars from 2014 to 2015 while middle and upper income census tracts experienced increases of 11.3% and 9.9%.

TABLE & CHART: Low income census tracts experienced the largest increase in small business loan dollars in 2015

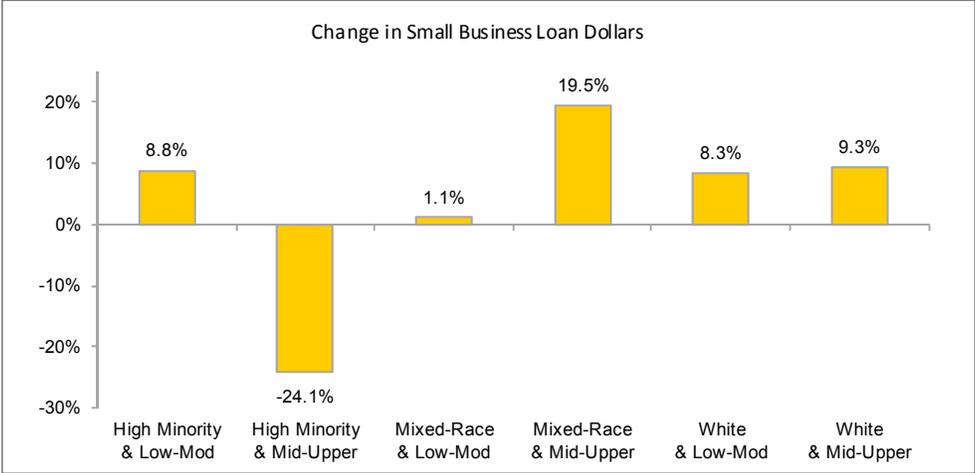


	2015 Change in Number of Loans	% Change	2015 Change in \$ Amount of Loans	% Change
Low	590	7.7%	\$15,325	4.4%
Moderate	874	5.6%	\$19,786	3.3%
Middle	3,506	7.2%	\$209,396	11.3%
Upper	2,221	5.0%	\$163,775	9.9%
NA	-278	-13.0%	-\$1,461	-3.5%
Totals	6,913	5.8%	\$406,821	9.0%
Memo: Low & Moderate	1,464	6.3%	\$35,111	3.7%

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 2015 CRA data shows that high minority communities with lower income populations, which represent the vast majority of high minority census tracts, experienced an 8.8% increase in small business loan dollars from 2014 to 2015. In comparison, mixed race communities and white communities in lower income areas experienced increases of 1.1% and 8.3% in small business loan dollars respectively from 2014 to 2015.

CHART & TABLE: Change in small business loan dollars by minority level and income level (2015 vs 2014)



	2015 Change in Number of Loans	% Change	2015 Change in \$ Amount of Loans	% Change
High Minority & Low-Moderate	339	10.9%	\$11,723	8.8%
High Minority & Middle-Upper	40	37.0%	-\$1,379	-24.1%
Mixed-Race & Low-Moderate	688	4.6%	\$6,626	1.1%
Mixed-Race & Middle-Upper	1,100	8.5%	\$95,226	19.5%
White & Low-Moderate	437	8.5%	\$16,762	8.3%
White & Middle-Upper	4,587	5.7%	\$279,324	9.3%
NA	-278	-13.0%	-\$1,461	-3.5%
Totals	6,913	5.8%	\$406,821	9.0%

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

The slow recovery from the recent financial crisis 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.

**STATE RANKINGS - CRA LOANS IN LOW & MODERATE INCOME AREAS**

When compared to other states, the national CRA data shows that Massachusetts experienced smaller percentage increases in the number and dollar amount of loans in low and moderate income areas than many states in 2015. Massachusetts, which has the 15<sup>th</sup> largest population in the country living in low and moderate income areas, ranked 26<sup>th</sup> in terms of the largest percentage increase in loan dollars from 2014 to 2015 and 26<sup>th</sup> in terms of the percentage change in the number of loans. The national CRA data also shows that 49 states experienced increases in the number of loans in lower income areas from 2014 to 2015 while 22 states experienced increases in the dollar amount of loans.

TABLE: CRA loans in low and moderate income areas by state sorted by low and moderate population (2015)

	Number of Loans	Rank	% Change in Number of Loans	Rank	\$ Amount of Loans (000s)	Rank	% Change in \$ Amount of Loans	Rank	Total Population	Rank
California	229,842	1	13.1%	6	\$7,862,364	1	6.5%	19	12,384,098	1
Texas	109,372	2	9.0%	17	\$4,747,800	2	7.9%	12	8,019,823	2
New York	107,469	3	14.9%	5	\$2,917,392	4	3.5%	29	6,340,139	3
Florida	100,459	4	12.9%	7	\$3,298,123	3	8.5%	9	5,086,985	4
Illinois	40,529	5	11.3%	11	\$1,855,021	7	3.7%	27	3,627,745	5
Ohio	33,243	11	3.7%	36	\$1,926,260	5	-3.1%	45	2,959,569	6
Pennsylvania	34,668	8	9.6%	16	\$1,645,855	10	-4.4%	47	2,884,405	7
Georgia	40,332	6	12.8%	8	\$1,688,792	9	0.7%	39	2,712,857	8
Michigan	30,547	12	7.4%	21	\$1,901,475	6	5.7%	22	2,465,137	9
North Carolina	33,254	10	11.7%	10	\$1,777,853	8	11.2%	4	2,303,925	10
New Jersey	40,167	7	9.8%	14	\$1,273,437	13	6.1%	20	2,146,594	11
Arizona	26,155	15	10.7%	13	\$1,090,768	15	6.7%	18	2,039,172	12
Virginia	26,181	14	16.3%	4	\$1,072,446	16	9.0%	7	1,883,928	13
Maryland	25,903	16	17.6%	2	\$874,589	21	4.5%	23	1,846,621	14
Massachusetts	24,813	17	6.3%	26	\$984,368	19	3.7%	26	1,780,197	15
Washington	28,845	13	7.3%	22	\$1,424,546	12	6.0%	21	1,639,658	16
Indiana	17,462	21	4.3%	34	\$1,134,774	14	8.8%	8	1,630,328	17
Tennessee	18,683	18	5.2%	32	\$1,057,731	17	1.3%	36	1,556,193	18
Colorado	34,060	9	8.1%	18	\$1,476,713	11	7.0%	17	1,513,575	19
Missouri	17,906	19	5.3%	31	\$985,351	18	4.5%	24	1,387,168	20
South Carolina	14,580	25	12.2%	9	\$790,443	24	7.5%	13	1,255,676	21
Louisiana	16,247	23	2.9%	39	\$863,569	22	3.6%	28	1,239,600	22
Alabama	13,836	26	4.5%	33	\$902,407	20	4.5%	25	1,189,681	23
Wisconsin	11,985	27	-2.0%	49	\$548,004	29	-15.4%	50	1,118,015	24
Kentucky	11,446	30	6.2%	27	\$568,616	28	1.4%	35	1,059,901	25
Connecticut	15,377	24	7.5%	20	\$575,249	27	1.6%	34	1,041,215	26
Minnesota	16,305	22	1.8%	42	\$647,681	25	0.1%	40	1,029,769	27
Oklahoma	11,455	29	0.9%	44	\$622,357	26	-1.7%	44	955,284	28
Oregon	17,480	20	7.2%	23	\$791,861	23	7.3%	15	818,095	29
Nevada	11,700	28	11.1%	12	\$403,362	33	10.6%	6	749,621	30
Mississippi	6,425	38	3.3%	37	\$363,367	35	1.2%	37	707,682	31
New Mexico	6,449	37	2.6%	40	\$252,249	39	7.5%	14	656,407	32
Kansas	7,084	34	2.1%	41	\$363,024	36	0.9%	38	641,142	33
Arkansas	7,893	32	3.2%	38	\$456,114	31	2.3%	33	600,544	34
Utah	11,260	31	6.4%	25	\$456,230	30	3.1%	30	550,301	35
Iowa	6,576	35	1.1%	43	\$397,839	34	8.3%	10	504,762	36
Nebraska	4,280	40	-0.4%	46	\$258,301	38	10.8%	5	347,810	37
Hawaii	7,612	33	17.1%	3	\$406,592	32	13.0%	2	341,940	38
West Virginia	3,448	44	5.8%	30	\$214,887	40	-1.1%	43	334,517	39
Washington, DC	4,684	39	27.8%	1	\$145,943	48	8.0%	11	333,066	40
Rhode Island	3,874	43	4.1%	35	\$176,907	44	-4.3%	46	313,315	41
Idaho	6,555	36	6.4%	24	\$349,033	37	15.7%	1	302,639	42
New Hampshire	4,223	41	6.1%	28	\$171,722	45	12.5%	3	266,062	43
Delaware	3,189	46	7.9%	19	\$157,774	47	7.2%	16	219,802	44
Maine	3,253	45	-1.9%	48	\$189,269	41	-0.3%	41	178,918	45
Montana	4,176	42	9.8%	15	\$161,127	46	2.9%	31	176,754	46
Alaska	2,837	47	-3.0%	51	\$136,312	49	2.8%	32	172,111	47
South Dakota	2,444	49	0.6%	45	\$187,205	42	-8.2%	48	140,582	48
Vermont	1,593	51	-1.8%	47	\$56,975	51	-18.2%	51	113,171	49
Wyoming	2,747	48	5.9%	29	\$107,156	50	-1.0%	42	105,918	50
North Dakota	2,273	50	-2.5%	50	\$177,882	43	-13.9%	49	96,998	51

## 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 in Massachusetts in 2015.** Local CRA lenders made a total of 7,485 loans for \$713.7 million in 2015, while credit card lenders made 14,517 loans for \$120.1 million and other out-of-state lenders made 2,811 loans for \$150.6 million. Local CRA lenders accounted for 72.5% of the small business loan dollars in lower income areas in the state in 2015.

TABLE & CHART: Local lenders accounted for a substantial majority of the small business loan dollars in in lower income areas in 2015

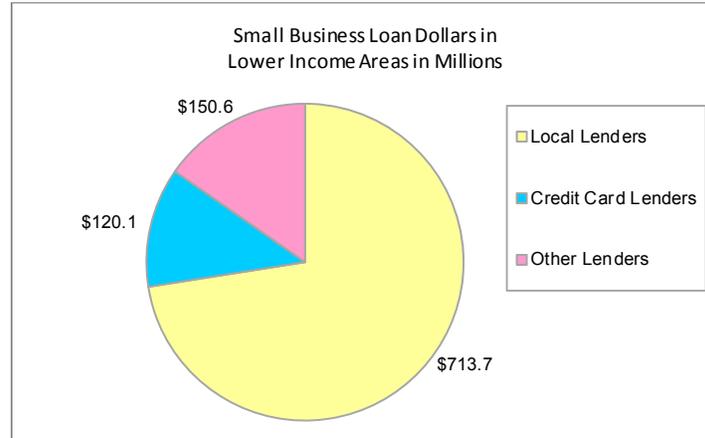


TABLE : Small business loans in lower income areas (2015 CRA data)

	Number of Loans	% of Total	\$ Amount of Loans (000s)	% of Total
Local Lenders	7,485	30.2%	\$713,714	72.5%
Credit Card Lenders	14,517	58.5%	\$120,074	12.2%
Other Lenders	2,811	11.3%	\$150,580	15.3%
Totals	24,813	100.0%	\$984,368	100.0%

TABLE : Small business loans in lower income areas (2014 CRA data)

	Number of Loans	% of Total	\$ Amount of Loans (000s)	% of Total
Local Lenders	5,088	21.8%	\$694,664	73.2%
Credit Card Lenders	15,720	67.3%	\$123,152	13.0%
Other Lenders	2,544	10.9%	\$131,532	13.9%
Totals	23,352	100.0%	\$949,348	100.0%

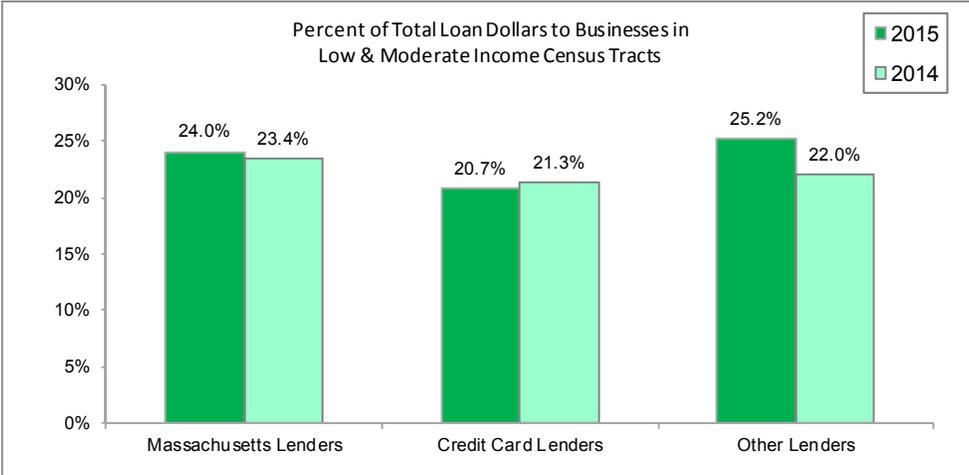
**Credit card lenders experienced decreases in the number and dollar volume of loans in lower income areas in Massachusetts in 2015 while local lenders recorded a large increase in the number of loans and a modest increase in the dollar amount of loans.** Credit card lenders reported overall declines of 7.7% and 2.5% in the number and dollar amount of small business loans in lower income areas in 2015 while local lenders reported increases of 47.1% in the number of loans and 2.7% in the dollar amount of loans. Other out-of-state lenders also recorded increases in both the number and dollar amount of small business loan volume in 2015.

TABLE : Small business loans in lower income areas (2015 CRA data)

	2015 Change in Number of Loans	% Change	2015 Change in \$ Amount of Loans (000s)	% Change
Local Lenders	2,397	47.1%	\$19,050	2.7%
Credit Card Lenders	-1,203	-7.7%	-\$3,078	-2.5%
Other Lenders	267	10.5%	\$19,048	14.5%
Totals	1,461	6.3%	\$35,020	3.7%

Local lenders and traditional out-of-state lenders have historically made a larger percentage of their loans in low and moderate income census tracts than credit card lenders although the gap has narrowed. In 2015 local lenders and traditional out-of-state lenders made 24.0% and 25.2% of their overall small business loan dollars in low and moderate income areas across the state respectively, compared to 20.7% for credit card lenders.

CHART: Local lenders and other out-of-state lenders made a larger percentage of their loans in low and moderate income tracts than credit card lenders although the gap narrowed in 2015



It is important to note that the local lenders that are included in the 2014 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 2015. 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 (2015)

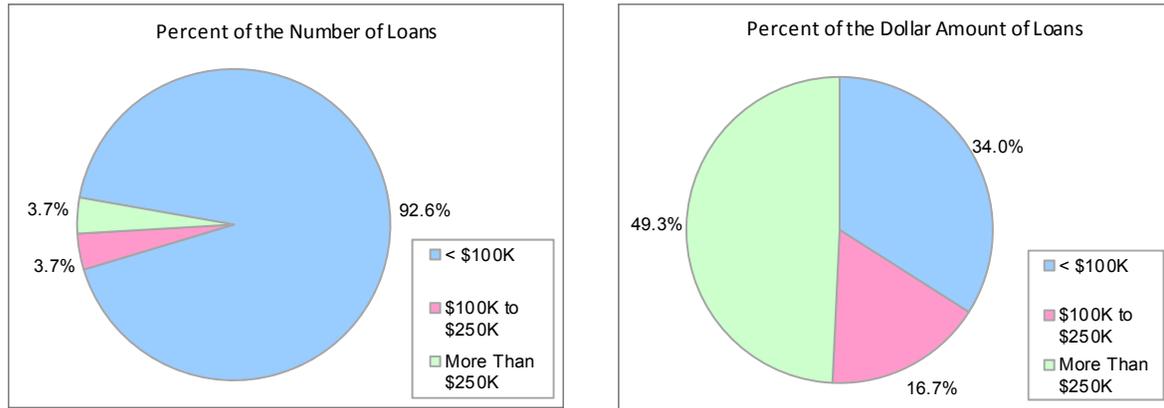
	Town	Massachusetts Deposits 6/30/2015 (\$000s)	Number of Loans	\$ Amount of Loans (\$000s)	\$ Average Loan Size (\$000s)
EASTERN BANK	LYNN	\$7,706,138	704	\$96,439	\$137
**BANK OF AMERICA, N.A.	WESTLAKE VLG, FL	\$64,392,296	2,955	\$79,380	\$27
**SANTANDER BANK N.A.	WILMINGTON, DE	\$18,461,159	910	\$75,594	\$83
**TD BANK N.A.	WILMINGTON, DE	\$12,271,773	677	\$73,426	\$108
ROCKLAND TRUST COMPANY	BROCKTON	\$5,996,161	330	\$45,478	\$138
**CITIZENS BANK, NA	PROVIDENCE, RI	\$29,774,798	506	\$38,668	\$76
ENTERPRISE B&TC	LOWELL	\$1,711,160	212	\$35,545	\$168
SALEM FIVE CENTS SAVINGS BANK	SALEM	\$2,776,775	97	\$28,680	\$296
CENTURY BANK	MEDFORD	\$2,857,403	95	\$20,200	\$213
WESTFIELD BANK	WESTFIELD	\$861,992	116	\$20,143	\$174
BAYCOAST BANK	FALL RIVER	\$832,540	80	\$19,508	\$244
BRISTOL COUNTY SAVINGS BANK	TAUNTON	\$1,214,220	76	\$14,010	\$184
COMMERCE BANK & TRUST COMPANY	WORCESTER	\$1,692,880	52	\$13,652	\$263
EAST BOSTON SAVINGS BANK	PEABODY	\$2,554,890	36	\$12,926	\$359
UNITED BANK	GLASTONBURY	\$1,342,353	56	\$11,245	\$201
BERKSHIRE BANK	PITTSFIELD	\$3,098,206	70	\$10,260	\$147
NORTHERN BANK & TRUST COMPANY	WOBURN	\$1,066,216	24	\$8,594	\$358
CAPE COD FIVE CENTS SAVINGS BANK	ORLEANS	\$2,325,405	52	\$8,530	\$164
BROOKLINE BANK	BOSTON	\$2,402,966	33	\$8,470	\$257
CAMBRIDGE SAVINGS BANK	CAMBRIDGE	\$2,304,409	25	\$7,607	\$304
UNIBANK	WHITINSVILLE	\$1,400,484	35	\$7,606	\$217
MIDDLESEX SAVINGS BANK	WESTBOROUGH	\$3,608,370	28	\$6,401	\$229
FIRST IPSWICH BANK	IPSWICH	\$285,713	22	\$6,107	\$278
GREENFIELD SAVINGS BANK	GREENFIELD	\$529,106	36	\$5,802	\$161
BANK OF CAPE COD	HYANNIS	\$204,321	17	\$5,609	\$330
BOSTON PRIVATE BANK AND TRUST	BOSTON	\$3,638,668	17	\$5,304	\$312
HINGHAM INSTITUTION FOR SAVINGS	HINGHAM	\$1,133,167	12	\$4,708	\$392
INSTITUTION FOR SAVINGS	NEWBURYPORT	\$1,886,279	16	\$4,521	\$283
CAPE COD COOPERATIVE BANK	YARMOUTH PORT	\$618,719	23	\$4,200	\$183
HARBORONE BANK	BROCKTON	\$1,666,750	18	\$3,801	\$211
WATERTOWN SAVINGS BANK	WATERTOWN	\$971,985	12	\$3,800	\$317
EAST CAMBRIDGE SAVINGS BANK	CAMBRIDGE	\$850,638	12	\$3,344	\$279
WEBSTER FIVE CENTS SAVINGS BANK	WEBSTER	\$500,923	23	\$3,041	\$132
EASTHAMPTON SAVINGS BANK	EASTHAMPTON	\$904,269	19	\$3,025	\$159
CAMBRIDGE TRUST COMPANY	CAMBRIDGE	\$1,396,201	18	\$2,883	\$160
THE SAVINGS BANK	WAKEFIELD	\$420,459	6	\$2,726	\$454
PEOPLESBANK	HOLYOKE	\$1,636,448	16	\$2,648	\$166
DEDHAM INSTITUTION FOR SAVINGS	DEDHAM	\$1,012,464	5	\$2,289	\$458
SOUTH SHORE BANK	SOUTH WEYMOUTH	\$772,274	11	\$2,068	\$188
LOWELL FIVE CENT SAVINGS BANK	LOWELL	\$806,909	13	\$1,819	\$140
BELMONT SAVINGS BANK	BELMONT	\$1,155,864	4	\$1,210	\$303
NEEDHAM BANK	NEEDHAM	\$1,260,947	4	\$1,070	\$268
COUNTRY BANK	WARE	\$979,438	9	\$762	\$85
BLUE HILLS BANK	NORWOOD	\$1,397,066	3	\$615	\$205
LOCAL LENDER TOTALS			7,485	\$713,714	\$95

\*\* Denotes local commercial banks headquartered outside Massachusetts

**BREAKDOWN BY ORIGINAL LOAN AMOUNT**

Small business loans under \$100,000 accounted for 92.6% of the total number of loans in lower income areas in 2015 and 34.0% of the dollar amount of loans (versus 93.2% and 35.7% 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 3.7% of the number of loans and 49.3% of loan dollars (versus 3.6% and 49.5% statewide).

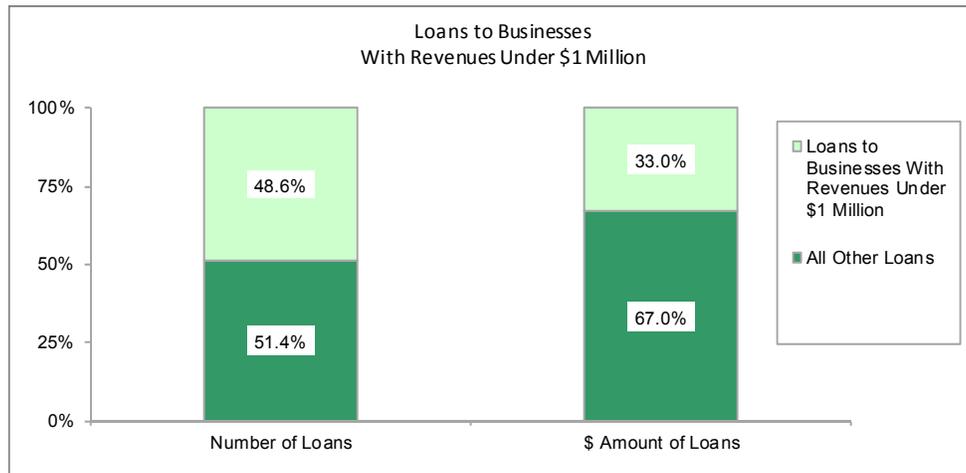
CHARTS: Breakdown of small business loans by original loan amount in lower income areas in Massachusetts (2015)



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

In 2015, loans to businesses with annual revenues of \$1 million or less accounted for 48.6% of the number of loans in lower income areas and 33.0% of the dollar amount of loans (compared to 49.6% and 32.5% for all income groups statewide).

CHART: Breakdown of loans to businesses with annual revenues under \$1 million in lower income areas of Massachusetts (2015)



## 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 2015, four of the fourteen counties in Massachusetts recorded a higher percentage of small business loan dollars in lower income areas than one might expect given the percentage of their populations living in lower income areas (Barnstable, Berkshire, Franklin, and Worcester). 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 (2015)

	Number of Loans	% of County Total	\$ Amount of Loans (\$000s)	% of County Total	Low & Moderate Population	% of County Total
Barnstable	1,288	21.6%	\$57,036	25.1%	28,208	13.1%
Berkshire	304	13.8%	\$9,768	15.6%	17,343	13.2%
Bristol	2,067	22.9%	\$97,276	23.7%	161,205	29.4%
Dukes	0	0.0%	\$0	0.0%	0	0.0%
Essex	3,647	25.5%	\$149,484	28.3%	262,882	35.4%
Franklin	270	25.5%	\$15,014	31.8%	19,478	27.3%
Hampden	2,311	34.1%	\$102,945	35.4%	185,565	40.0%
Hampshire	160	6.6%	\$4,310	5.5%	19,187	12.1%
Middlesex	5,789	17.5%	\$217,016	17.7%	332,038	22.1%
Nantucket	0	0.0%	\$0	0.0%	0	0.0%
Norfolk	637	4.3%	\$25,092	4.2%	36,297	5.4%
Plymouth	1,051	10.6%	\$45,727	10.8%	85,638	17.3%
Suffolk	4,798	35.7%	\$156,088	28.1%	434,974	60.2%
Worcester	2,494	22.1%	\$104,703	27.0%	197,382	24.7%
State Totals	24,816	19.7%	\$984,459	20.1%	1,780,197	27.2%

**Eight counties in Massachusetts experienced increases in small business loan dollars in lower income areas in 2015 while four counties experienced declines**, although there was considerable variability from one county to the next. As an example, small business loan dollars declined by 45.5% in the lower income areas of Hampshire County in 2015 while increasing by 194.0% in the lower income areas of Franklin County. Essex, Plymouth, and Suffolk Counties also experienced percentage declines in loan volume while Barnstable, Berkshire, Bristol, Hampden, Middlesex, Norfolk, and Worcester Counties experienced increases.

TABLE : Change in loan volume in lower income areas (2015)

	2015 Change in Number of Loans	% Change	2015 Change in \$ Amount of Loans (\$000s)	% Change
Barnstable	104	8.8%	\$7,902	16.1%
Berkshire	41	15.6%	\$4,331	79.7%
Bristol	280	15.7%	\$6,787	7.5%
Dukes	--	--	--	--
Essex	231	6.8%	-\$11,973	-7.4%
Franklin	55	25.6%	\$9,908	194.0%
Hampden	133	6.1%	\$6,329	6.6%
Hampshire	10	6.7%	-\$3,600	-45.5%
Middlesex	336	6.2%	\$10,933	5.3%
Nantucket	--	--	--	--
Norfolk	14	2.2%	\$454	1.8%
Plymouth	96	10.1%	-\$1,972	-4.1%
Suffolk	175	3.8%	-\$1,403	-0.9%
Worcester	-11	-0.4%	\$7,415	7.6%
State Totals	1,464	6.3%	\$35,111	3.7%

The 2015 CRA data shows considerable variability at the county level between lending rates in lower income areas compared to higher income areas. Lending rates were lower in low and moderate income areas in 2015 compared to middle and upper income *areas* in six counties in Massachusetts that have low or moderate income census tracts, but were also higher in six other counties. The lending rates in counties with lower income areas ranged from \$375,000 per 100 firms in Hampshire County to \$1,018,000 per 100 firms in Norfolk County.

TABLE : Lending rates in lower income vs higher income areas (2015)

	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	\$982	120.8%	\$768	89.4%
Berkshire	\$525	64.6%	\$505	58.8%
Bristol	\$974	119.9%	\$1,067	124.2%
Dukes	--	--	--	--
Essex	\$856	105.3%	\$820	95.4%
Franklin	\$805	99.0%	\$695	80.9%
Hampden	\$825	101.5%	\$1,005	117.0%
Hampshire	\$375	46.1%	\$641	74.6%
Middlesex	\$910	112.1%	\$843	98.1%
Nantucket	--	--	--	--
Norfolk	\$1,018	125.3%	\$935	108.8%
Plymouth	\$973	119.7%	\$1,036	120.6%
Suffolk	\$641	78.9%	\$924	107.6%
Worcester	\$689	84.8%	\$610	71.0%
State Totals	\$812	100.0%	\$859	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 (2015)

	Number of Loans	% of Town Total	\$ Amount of Loans (\$000s)	% of Town Total	Population in Lower Income	% of Town Total
Boston	3,994	33.0%	\$128,200	24.9%	365,409	59.2%
Springfield	1,335	83.6%	\$61,521	90.4%	117,411	76.7%
Worcester	1,344	59.6%	\$58,111	64.7%	101,016	55.8%
Lowell	881	78.8%	\$32,843	77.7%	88,491	83.1%
Lawrence	764	100.0%	\$35,570	100.0%	76,377	100.0%
Brockton	854	68.4%	\$38,535	69.0%	72,245	77.0%
Lynn	632	75.4%	\$27,618	88.6%	70,120	77.6%
New Bedford	877	70.7%	\$45,826	70.7%	68,707	72.3%
Fall River	818	74.0%	\$34,086	67.8%	63,941	72.0%
Cambridge	1,103	40.7%	\$44,117	46.1%	46,058	43.8%
Malden	776	78.5%	\$28,639	86.9%	42,357	71.2%
Everett	606	92.8%	\$18,038	96.2%	37,834	90.8%
Revere	432	67.5%	\$8,958	63.1%	36,453	70.4%
Somerville	530	43.4%	\$19,708	52.9%	33,555	44.3%
Chelsea	372	92.8%	\$18,930	95.5%	33,112	94.1%
Holyoke	326	78.0%	\$16,890	90.5%	31,219	78.3%
Haverhill	322	42.5%	\$8,888	38.3%	29,763	48.9%
Fitchburg	318	78.9%	\$18,196	85.9%	25,698	63.7%
Framingham	450	31.4%	\$15,351	32.5%	24,985	36.6%
Salem	503	55.0%	\$23,056	62.0%	24,190	58.5%
Chicopee	251	38.3%	\$8,620	32.5%	21,507	38.9%
Quincy	362	20.1%	\$13,107	20.2%	21,494	23.3%
Taunton	213	27.3%	\$7,750	26.0%	17,513	31.3%
Gloucester	376	66.9%	\$15,575	73.2%	15,964	55.5%
Waltham	338	21.8%	\$17,323	24.6%	15,275	25.2%
Leominster	234	37.7%	\$9,729	35.9%	15,124	37.1%
Methuen	226	30.9%	\$11,690	42.9%	14,601	30.9%
Medford	308	30.6%	\$12,710	43.0%	14,355	25.6%
Beverly	500	54.1%	\$17,472	54.7%	13,940	35.3%
Peabody	238	22.4%	\$7,421	17.3%	12,665	24.7%
Southbridge	98	71.0%	\$1,930	52.4%	12,385	74.1%
Amherst	10	2.7%	\$63	0.6%	12,079	31.9%
Pittsfield	254	35.1%	\$8,035	44.0%	11,955	26.7%
Athol	79	100.0%	\$3,660	100.0%	11,584	100.0%
Barnstable	542	42.0%	\$27,023	52.7%	11,033	24.4%
Webster	97	48.0%	\$1,299	48.1%	10,265	61.2%
Westfield	155	21.6%	\$5,819	14.4%	9,567	23.3%
Orange	80	100.0%	\$4,280	100.0%	7,839	100.0%
Marlborough	200	27.4%	\$5,873	24.6%	7,497	19.5%
Greenfield	144	47.5%	\$9,716	51.2%	7,426	42.5%

Lending rates were generally lower in 2015 in low and moderate income areas compared to higher income areas although there was considerable variability by town. In three of the ten Massachusetts cities with the largest minority populations lending rates were highest in lower income areas (Lynn, Springfield, and Worcester) while in seven other large cities they were lowest (Boston, Lowell, Brockton, New Bedford, and Fall River).

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

TABLE: Small business lending rates by town (2015)

	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	\$611	72.3%	\$952	112.7%
Springfield	\$806	106.4%	\$485	64.0%
Worcester	\$753	107.0%	\$631	89.6%
Lowell	\$680	96.8%	\$795	113.2%
Lawrence	\$919	100.0%	--	--
Brockton	\$980	95.9%	\$1,129	110.5%
Lynn	\$804	113.6%	\$366	51.7%
New Bedford	\$1,150	96.2%	\$1,321	110.5%
Fall River	\$840	92.3%	\$1,103	121.2%
Cambridge	\$1,063	131.4%	\$672	83.0%
Malden	\$1,067	111.3%	\$571	59.6%
Everett	\$761	103.4%	\$402	54.6%
Revere	\$507	92.7%	\$632	115.6%
Somerville	\$953	123.6%	\$635	82.4%
Chelsea	\$1,191	106.7%	\$478	42.8%
Holyoke	\$820	111.9%	\$366	49.9%
Haverhill	\$447	78.3%	\$690	120.9%
Fitchburg	\$988	118.7%	\$425	51.0%
Framingham	\$777	111.8%	\$661	95.2%
Salem	\$1,129	109.6%	\$900	87.4%
Chicopee	\$753	80.9%	\$1,050	112.8%
Quincy	\$996	105.7%	\$929	98.6%
Taunton	\$632	76.2%	\$931	112.3%
Gloucester	\$831	114.5%	\$539	74.3%
Waltham	\$1,292	123.9%	\$981	94.1%
Leominster	\$640	76.1%	\$1,022	121.4%
Methuen	\$1,233	143.6%	\$699	81.4%
Medford	\$1,063	143.7%	\$601	81.3%
Beverly	\$918	114.1%	\$699	87.0%
Peabody	\$757	73.0%	\$1,124	108.4%
Southbridge	\$250	71.0%	\$641	182.2%
Amherst	\$23	4.7%	\$575	116.6%
Pittsfield	\$540	112.7%	\$440	91.9%
Athol	\$544	100.0%	--	--
Barnstable	\$1,026	130.4%	\$625	79.4%
Webster	\$210	92.6%	\$245	108.0%
Westfield	\$806	52.8%	\$1,797	117.7%
Orange	\$747	100.0%	--	--
Marlborough	\$662	111.0%	\$578	96.9%
Greenfield	\$989	96.1%	\$1,076	104.5%

## LENDING IN GATEWAY CITIES & ECONOMIC TARGET AREAS

This report includes a review of CRA-reported small business lending in Massachusetts Gateway Cities and Economic Target Areas which represents a new addition to the report. The inclusion of this component of the report is intended to provide interested parties with additional information regarding credit flows in these priority economic development areas for informational purposes. It is important to note that the annual CRA data does not include the small business lending activity of many Massachusetts community banks and other lenders that play an important role in the economic development of Massachusetts cities and towns. At the same time, the CRA data remains the only publicly available dataset that provides a geographic breakdown of small business lending trends.

### Gateway Cities

The term Gateway City is a state designation that refers to municipalities with populations between 35,000 and 250,000, median family incomes below the state average, and rates of educational attainment at the college degree level below the state averages. The goal of the Gateway Cities program is to promote economic development agenda through long-term investments in education, innovation, and infrastructure, with special attention to the growth potential of entrepreneurs and small businesses. State resources available for supporting revitalization of Gateway Cities include expedited permitting, smart zoning initiatives, community development block grants, community investment tax credits, district improvement financing, and other incentives. Additional information regarding the program is available online at: <http://www.mass.gov/hed/community/planning/gateway-cities-and-program-information.html>.

A summary of the 2015 CRA-reported small business lending data in the Gateway Cities is shown in the following table.

TABLE: CRA-reported small business loans in Gateway Cities (2015)

	Number of Loans	\$ Amount of Loans (\$000s)	2015 vs 2014 % Change in Number of Loans	2015 vs 2014 % Change in \$ Amount of Loans	Lending Rate Per 100 Firms
Attleboro	709	\$42,882	20.8%	49.6%	\$1,554
Barnstable	1,291	\$51,285	5.6%	-1.2%	\$787
Brockton	1,249	\$55,887	7.4%	2.7%	\$1,022
Chelsea	401	\$19,815	11.4%	36.6%	\$1,117
Chicopee	656	\$26,494	13.7%	25.1%	\$931
Everett	653	\$18,742	10.9%	-24.0%	\$736
Fall River	1,105	\$50,270	20.2%	11.6%	\$910
Fitchburg	403	\$21,185	-1.7%	1.1%	\$832
Haverhill	757	\$23,191	3.4%	-18.2%	\$571
Holyoke	418	\$18,670	9.1%	25.8%	\$733
Lawrence	764	\$35,570	8.5%	-3.9%	\$919
Leominster	621	\$27,078	-2.7%	13.5%	\$842
Lowell	1,118	\$42,274	16.8%	55.3%	\$702
Lynn	838	\$31,161	9.0%	-22.4%	\$707
Malden	989	\$32,948	9.3%	1.7%	\$959
Methuen	731	\$27,275	12.6%	19.3%	\$859
New Bedford	1,240	\$64,820	14.5%	16.6%	\$1,195
Peabody	1,063	\$42,851	11.1%	12.3%	\$1,037
Pittsfield	724	\$18,254	9.9%	-10.0%	\$479
Quincy	1,799	\$64,916	8.8%	24.9%	\$942
Revere	640	\$14,206	14.3%	12.5%	\$547
Salem	915	\$37,173	7.5%	4.5%	\$1,030
Springfield	1,597	\$68,062	8.8%	11.1%	\$758
Taunton	779	\$29,814	17.0%	16.1%	\$829
Westfield	716	\$40,409	10.7%	14.1%	\$1,515
Worcester	2,255	\$89,876	5.5%	31.5%	\$703
Gateway City Totals	24,431	\$995,108	9.8%	11.4%	\$864
State Averages			10.7%	5.5%	\$785

## Economic Target Areas & Regional Technology Centers

The terms Economic Target Area (ETA) and Regional Technology Centers (RTC) are state designations based on income, unemployment and other economic characteristics of an area that enables a municipality to offer local tax incentives and allows businesses contemplating expanding within an ETA or RTC the ability to apply for tax credits. Additional information regarding the program is available online at: <http://www.mass.gov/hed/economic/eohed/bd/econ-development/eligibility/etaeo/>.

A summary of the 2015 CRA-reported small business lending data in the ETAs and RTCs is shown in the following tables.

TABLE: CRA-reported small business loans in Economic Target Areas (2015)

	Number of Loans	\$ Amount of Loans (\$000s)	2015 vs 2014 % Change in Number of Loans	2015 vs 2014 % Change in \$ Amount of Loans	Lending Rate Per 100 Firms
<b>ETAs</b>					
Attleboro	709	\$42,882	20.8%	49.6%	\$1,554
Auburn	302	\$12,577	2.7%	0.8%	\$743
Barnstable County	5,758	\$224,486	9.2%	9.8%	\$816
Berkshire County	1,393	\$43,129	7.6%	10.7%	\$575
Beverly & Salem	2,643	\$112,124	5.9%	0.8%	\$1,051
Billerica	800	\$47,552	-2.8%	25.2%	\$1,403
Blackstone Valley	1,557	\$47,014	-0.9%	2.5%	\$594
Brockton	1,531	\$73,046	7.1%	1.9%	\$1,141
Brookfield	35	\$295	94.4%	178.3%	\$138
Cambridge	2,709	\$95,750	1.9%	-2.2%	\$809
Cape Ann	1,398	\$52,208	4.9%	-11.0%	\$829
Chelsea, Revere & Winthrop	1,253	\$37,415	9.5%	25.1%	\$678
East Brookfield	17	\$531	-5.6%	28.9%	\$352
Fall River, Somerset & Westport	1,642	\$72,508	15.3%	3.4%	\$897
Fort Devens, Ayer & Groton	289	\$14,045	-10.5%	6.0%	\$883
Framingham-Marlborough Region	5,142	\$166,467	2.6%	-8.2%	\$687
Greater Boston	12,086	\$515,340	5.5%	5.4%	\$845
Greater Franklin County	2,146	\$86,719	2.8%	17.2%	\$652
Greater New Bedford	2,983	\$131,145	13.7%	16.1%	\$1,040
Greater Taunton	1,580	\$66,303	8.1%	11.8%	\$922
Holyoke Regional	2,023	\$97,048	7.8%	18.2%	\$1,053
Lawrence, Methuen & North Andover	952	\$43,501	8.8%	-6.7%	\$948
Lowell & Chelmsford	1,530	\$69,623	15.6%	45.1%	\$907
Lynn	838	\$31,161	9.0%	-22.4%	\$707
Middleborough	438	\$16,158	13.5%	-0.5%	\$835
Milford	312	\$14,221	-9.6%	58.2%	\$815
Northern Berkshire County	311	\$8,611	-0.3%	6.0%	\$389
Northern Worcester County	2,389	\$91,090	3.2%	-0.9%	\$672
Old Colony Regional ETA	1,944	\$77,126	13.1%	24.5%	\$1,002
Peabody	1,063	\$42,851	11.1%	12.3%	\$1,037
Pepperell	174	\$4,554	0.6%	1.7%	\$534
Quincy Area	6,769	\$293,054	12.4%	23.7%	\$1,062
Russell	106	\$2,688	0.0%	42.4%	\$557
Shirley	71	\$1,857	-17.4%	-38.1%	\$450
Somerville	1,222	\$37,276	0.3%	-10.5%	\$771
South Central Massachusetts	1,219	\$29,818	-6.5%	-12.0%	\$405
South Hadley	291	\$8,977	27.6%	31.4%	\$855
South Shore Tri-Town ETA	1,512	\$57,863	11.0%	16.2%	\$902
Springfield	1,597	\$68,062	8.8%	11.1%	\$758
Waltham	1,554	\$70,372	7.1%	4.3%	\$1,043
Ware River Valley	729	\$20,169	2.1%	-1.1%	\$466
Wareham/ Buzzards Bay	593	\$30,314	16.0%	16.8%	\$1,213
West Springfield	713	\$30,293	6.3%	-6.6%	\$1,114
Worcester	2,255	\$89,876	5.5%	31.5%	\$704
ETA Totals	76,578	\$3,078,099	6.9%	8.6%	\$845
State CRA Totals			10.7%	5.5%	\$785

TABLE: CRA-reported small business loans in Regional Technology Centers (2015)

	Number of Loans	\$ Amount of Loans (\$000s)	2015 vs 2014 % Change in Number of Loans	2015 vs 2014 % Change in \$ Amount of Loans	Lending Rate Per 100 Firms
<b>RTCs</b>					
495 Regional Technology Center	820	\$41,121	9.9%	17.3%	\$1,152
Andover-Tewksbury Regional Technology Center	1,285	\$53,462	-0.5%	-8.9%	\$884
Bedford	369	\$17,895	-1.9%	-24.4%	\$1,073
Burlington	731	\$34,236	-1.9%	0.6%	\$963
Dracut High Technology	446	\$17,169	8.5%	18.2%	\$851
Georgetown I-95 Regional Technology Center	192	\$5,346	24.7%	11.5%	\$700
I-495/95 South Regional Technology Center	3,493	\$152,713	3.1%	14.0%	\$952
Lexington	974	\$33,272	13.9%	18.7%	\$823
Maynard	176	\$4,539	-9.3%	-28.6%	\$488
Needham	872	\$40,216	-4.3%	15.9%	\$988
Newton Regional Technology Center ETA	2,579	\$79,572	2.5%	1.4%	\$705
Northern Essex Regional	2,360	\$90,236	0.3%	-4.5%	\$735
Plymouth	1,193	\$50,178	5.0%	15.3%	\$989
TeleCom City	894	\$25,522	7.2%	-18.8%	\$726
Watertown Regional Technology Center	788	\$26,230	0.3%	-12.5%	\$837
Westborough Regional Technology Center	533	\$28,237	0.0%	-4.6%	\$1,081
Westwood	383	\$13,345	7.9%	51.9%	\$785
Woburn Regional Technology Center	1,378	\$71,120	7.9%	23.6%	\$1,390
RTC Totals	19,466	\$784,409	3.2%	4.9%	\$897
ETA & RTC Totals	96,044	3,862,508	6.1%	7.8%	\$856
State CRA Totals			10.7%	5.5%	\$785

## CONCLUSION

A review of the most recent annual CRA data shows that small business loan volume in Massachusetts increased in 2015 for the fifth consecutive year, while quarterly Call Report data and data compiled by the SBA in 2016, also showed increases in small business lending. A review of some of the current economic conditions that influence small business lending shows that the economic climate in Massachusetts and across the country has improved and most indicators point to continued improvement.

The 2015 CRA data shows that lower income areas in Massachusetts, which account for roughly one-quarter of the state's population, experienced modest increases in small business loan dollars in 2015 compared to the previous year while middle and upper income areas experienced somewhat larger increases.

At the same time, the CRA data also shows that the lowest lending rates in Massachusetts, measured in the amount of loan dollars per 100 firms, were recorded in moderate income communities in 2015 although the lending rates between income groups fell within a relatively narrow range of values. The 2015 results represent the fifth time in the past eight years when the lowest overall lending rates were in low or moderate income census tracts.

# 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.

Data on business ownership by minority, gender, veteran, and immigrant status was obtained from the Census Bureau’s Survey of Businesses and the American Community Survey.

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 The Warren Group which are leading online resources for real estate sales statistics and foreclosure data.

## DEMOGRAPHIC DATA

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

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

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

High minority neighborhoods are defined for the purposes of this report as census tracts where the white non-Hispanic population is less than 25%. Mixed-race neighborhoods are defined for the purposes of this report as census tracts where the white non-Hispanic population is between 25% and 75%. White neighborhoods are defined for the purposes of this report as census tracts where the white non-Hispanic population is greater than 75%. Based on the most recent decennial census data, ten cities and towns in Massachusetts have high minority census tracts including Boston, Brockton, Chelsea, Framingham, Holyoke, Lawrence, Lowell, Lynn, Springfield, and Worcester.

Thirteen cities and towns in Massachusetts have census tracts containing immigrant, or foreign-born, populations that exceed 40% of the total population including Boston, Cambridge, Chelsea, Everett, Lawrence, Lowell, Lynn, Malden, Medford, Quincy, Revere, Somerville, and Waltham.

### **SMALL BUSINESS LOAN DATA**

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

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

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

The number of lenders that are reflected in both databases varies from one reporting period to the next, primarily due to the effects of mergers, acquisitions, and consolidations within the banking industry. In addition, the number of lenders that are included in the annual CRA data is also influenced by the asset-size threshold for the CRA disclosure requirement, which was raised several years ago from \$250 million in assets to \$1 billion and which is now pegged to the Consumer Price Index (CPI) to keep pace with inflation. The asset-size threshold was increased to \$1.2221 billion for 2015 and will decline slightly to \$1.216 billion for 2016. 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 142 banks and thrifts headquartered in Massachusetts at the end of 2015, most of which make small business loans but of which only 40 were included in the annual CRA database. There were also 174 state and federal credit unions in Massachusetts at the end of Q2/2016, 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 make small business in Massachusetts but that are not required to file an annual CRA disclosure.

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, 2016 banks with assets over \$1 billion accounted for 87.7% of the total number of small business loans and 72.1% 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 recent financial crisis.

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, Citizens Bank, Santander 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 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

