Small Business Lending in Massachusetts

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Small Business Lending in Massachusetts

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Executive Summary

This report focuses on trends in small business lending in Massachusetts from 2009 through 2020 using mainly Community Reinvestment Act (CRA) data as well as Small Business Administration (SBA) data. Fairness in small business lending is a central component of the Community Reinvestment Act.[1]

Small businesses are the overwhelming majority of all businesses in the United States and Massachusetts. Most small businesses are just the owner, and no payroll employees. Overall, CRA data shows lending institutions made 194,025 small business loans in Massachusetts in 2020. Approximately 35.4 percent of loans went to businesses with annual revenues of $1 million or less. The number of CRA loans has increased gradually since 2009, reaching a new peak in 2020. When the pandemic hit, almost 28,000 more loans were issued compared to 2019.

Distribution of Small Business Lending

There are 495 census tracts in Massachusetts that are either majority people of color (POC), or low- to moderate-income (LMI), or both (out of over 1,450 census tracts total in the state). These tracts appear across 83 different Massachusetts cities and towns. While majority person of color or low income tracts are not evenly spread out across the state, the distribution has increased over time. Boston still has the largest share of these tracts: 60 percent of the tracts in Boston are either low to moderate income or majority people of color. The state's largest cities all make the top 10 in terms of percent low to moderate income or majority people of color tracts; in order of their population sizes, they are: Springfield (81 percent of loans were to LMI/POC tracts), Worcester (58 percent), Cambridge (25 percent), and Lowell (88 percent).

Examining the rate of small business loans per 100 small businesses reveals that there are areas of the Commonwealth that receive loans at a comparatively higher rate. For instance, examining Boston neighborhoods per 100 small businesses shows that businesses in downtown and in the neighborhoods of Roxbury and Dorchester receive loans at comparable rates.

Looking at all tracts across the entire state reveals some stronger disparities in who has access to small business capital and who does not. Majority white and non-LMI tracts experienced the highest loan rate – higher than the state average. Low income, non-majority people of color tracts had the lowest rates. LMI and majority POC tracts also have fewer businesses, on average, than non-LMI, non-POC tracts. The average LMI tract had 394 businesses, and the average majority POC tract had 345 businesses, compared to the average non-LMI, non-POC tract which had 446 businesses.

Compared to 2019, the 2020 CRA data shows some shifts in the number of geographies that received loans. The overall loan count grew; however, there was not a proportionate increase in loans to LMI and POC tracts. Tracts which were not LMI or majority POC received both more loans this year than last overall, and proportionately more of the share of loans issued. There is growing evidence that no matter what the

[1] The Community Reinvestment Act (CRA) was passed in 1977 in order to create more equitable lending practices across the areas banks serve, with the goal of creating more access to credit and capital for low- and moderate-income areas. Federal regulators consider CRA compliance records when banks apply for new branches, mergers, etc. Loans supported by the Small Business Administration (SBA) comprise a small percentage of all small business loans (an estimated 3%), but there is much greater detail available about these loans than there are other small business loans included in Community Reinvestment Act (CRA) lending data.

ultimate cause of disproportionate access to capital, certainly in the rush to get out funding to businesses during the pandemic, equity suffered.

Overall, 13 percent of census tracts in Massachusetts are majority POC (192 total), and 32 percent of census tracts are LMI (461 total), though there is significant overlap between these two: 90 percent of majority POC tracts are also LMI, and 38 percent of LMI tracts are also majority POC. LMI tracts are more abundant than majority POC tracts, and span larger swaths of the state: reaching into parts of the Berkshires and the Cape and Islands. Overall, LMI tracts had a higher loan rate than majority POC tracts, but a lower loan rate than that of non-LMI or non-POC tracts, and the statewide average. Analysis of the underlying data reveals that the share of loans to low and moderate income (LMI) or majority people of color (POC) areas gradually increased since the recession to the end of the available data period (2020), from 14 percent in 2009 to 23 percent in 2020. While moderate income tracts that are majority white still constitute the largest share of this group, 12.3 percent, over time, LMI and majority POC tracts have increased their share by a small amount, 3 percentage points since 2009. However, the most recent year, 2020, denotes a decrease in share to LMI and POC areas since 2019.

Lending by Municipality

Gateway Cities, municipalities designated by the Massachusetts Legislature, are historical manufacturing cities that have been slow to draw new economic investments post-deindustrialization, but also remain regional economic anchors. Gateway Cities also remain lower cost entry points for many immigrants, and as such are often far more racially and ethnically diverse than the municipalities that surround them. Many Gateway Cities actually saw a higher share of dollars flow to LMI and POC communities than their share of LMI and POC communities as a whole. In Springfield, for instance, 97 percent of all loan dollars went to LMI and POC communities, despite the fact that only 81 percent of all tracts in the city are LMI and POC.

Lending by Business Industry (SBA data)

Loans backed by the Small Business Administration comprise a small percentage of all small business loans. Yet, SBA loan data contains much great detail about the industries in which SBA loans are made, information that is not available through CRA lending data. SBA loans include both 504 (capital) and 7a (operating) loans, of which 504 loans are larger by their nature, and are issued less frequently per business.

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

Lender Activity

Examining the trends by SBA lenders shows that some SBA lenders tend to issue a higher number of smaller loans, and other SBA lenders tend to issue fewer but larger loans. This is likely to largely be due to differences in loan type. For this reason, the top ten most active lenders in terms of loan count and loan amount are not identical. An example of this is Eastern Bank which was the most active lender in terms of loan count in 2020, but 3rd in loan dollars, and is a bank, which issues many 7a loans. The different uses for 7a and 504 loans can account for the differences between the top ten in loan counts and the top ten in loan dollars among SBA lenders.

CRA data, which includes business credit cards as a type of small business loan origination, similarly tracks lender activity by count of loans and total dollar amount issued. Utilizing CRA data on the number of loans issued, American Express could be seen as the most active lender in Massachusetts over the last 10 years. However, Bank of America issued more than triple the amount of loan dollars than American Express in Massachusetts. Citizens Bank is the next most active lender on the basis of number of loans issued after Bank of America. Combined, Bank of America and Citizens Bank made up slightly over 20 percent of all the loan dollars issued in Massachusetts in 2020. Additionally these two banks rank 2nd and 3rd respectively in loan originations, after American Express.

In 2020, Eastern Bank and Rockland Trust Company were the most active CRA small business lenders headquartered in Massachusetts. Eastern Bank and Rockland Trust Company have been the two most active lenders headquartered in Massachusetts every year since 2011. Combined, these two important lenders made over 15,846 loans in 2020, nearly three times what they issued in 2019. There were thirteen lenders headquartered in Massachusetts that issued more than 1,000 small business loans in 2020 while that number was only two in 2019.

Pandemic Trends and Relief Loans

The novel coronavirus had an immense negative impact on small businesses. In response, in addition to traditional SBA debt relief and SBA Express Bridge loans, in March 2020 the CARES Act offered a new temporary loan program called the Paycheck Protection Program (PPP) and funding for Economic Injury Disaster Loans (EIDL).

In 2021, Massachusetts received the 21st most PPP loans, a stark contrast from 2020, where Massachusetts was ranked 12th. In terms of average loan size, Massachusetts ranked 4th in the US, following New Hampshire, DC, and Hawaii. Massachusetts received the highest number of PPP loans in New England, and nearly double the number given in Connecticut, which is consistent with its share of the number of businesses in each state.

Low- and moderate-income (LMI) borrowers accounted for 28 percent of loans opposed to 72 percent for non-LMI borrowers. LMI borrowers received 24 percent of all PPP dollars opposed to 76 percent for non-LMI borrowers. The average loan size for LMI borrowers was $29,035 compared to $34,676 for non-LMI borrowers; average loan size for all borrowers was $33,122. LMI data was complete in the PPP data.

Information available to analyze PPP lending by race is highly incomplete. Due to race and ethnicity not being required, information on the race/ethnicity of owners was only available for 24 percent of SBA PPP loan level data. Within that subset of records, businesses recorded as owned by people of color received 8.8 percent of the loans made in Massachusetts and the 2020 SBA Massachusetts report states businesses owned by people of color make up 9 percent of small businesses in the state. White-owned businesses received 15.8 percent. However, the race information was unknown for the owners of over 75 percent of the businesses. Because the lack of reporting may not be equal across demographic groups, these percentages are highly likely to be influenced by this lack of information. When race was known, the average loan size for white borrowers was $37,433, higher than the average, compared to $26,961 for people of color, the lowest average of all groups across race and income. It is relevant to note, however, that average loan size may be influenced by relative business sizes, which also differ by race of owner.

Economic Injury Disaster Loans (EIDL) are 30-year direct loans supported by the SBA for relief to small businesses and nonprofit organizations experiencing a temporary loss of revenue. Around 3.8 million small businesses in the United States received COVID-19 EIDL loans totaling over $308 billion in 2021. Massachusetts received the highest number of EIDL loans in New England with nearly 65,000 loans.

The Small Business Pulse Survey was created by the US Census Bureau to measure the effects of the coronavirus pandemic on small businesses. The survey targets single-location employer businesses with less than 500 employees and receipts of $1,000 or more. The survey questions are designed to reflect overall well-being, expectations for recovery and changing circumstances for small businesses.

As might be expected, the Overall Sentiment Index from the Pulse survey is negative although has been improving over the course of the pandemic. During the pandemic, Massachusetts small businesses usually had a slightly more negative sentiment than the United States overall. Massachusetts small business responses were more positive than the US as a whole for only 13 of the survey's 63 weeks.

By far the most common form of assistance small businesses in Massachusetts and across the U.S. received were Paycheck Protection Program loans and subsequent forgiveness. The trend in the proportion of small businesses in Massachusetts receiving some form of aid followed that of the US very closely, with the majority of small businesses in Massachusetts reporting receiving some form of aid in the available Pulse data.

Over the course of the pandemic, most small businesses in Massachusetts and the U.S. have had at least one or more months' worth of cash on hand for business expenses. It is plausible that this store of cash has in part been made possible by government aid programs, given the high rate of utilization of Paycheck Protection Program loans and other financial assistance programs. Conversely, there has also been a notable share of small businesses operating with only one day to two weeks' worth of cash on hand.

Many small businesses closed during the pandemic and closures were even more heavy in low and moderate income areas as well as communities which are majority people of color. The uneven lending in the Paycheck Protection Program may have been a result of closures taking place before lending happened, or closures may have been disproportionate within these communities in part due to lower access to capital. Distinguishing the cause and effects is not immediately evident from the numerical data available. Furthermore, data captured within the Small Business Pulse Survey can only be gathered on businesses which continue to exist during the polling waves. For this reason the SBPS measurements of business distress are likely to be an underestimate of overall small business distress across periods with high numbers of business closures, and are therefore likely to be an underestimate of issues in low and moderate and majority people of color communities in particular.

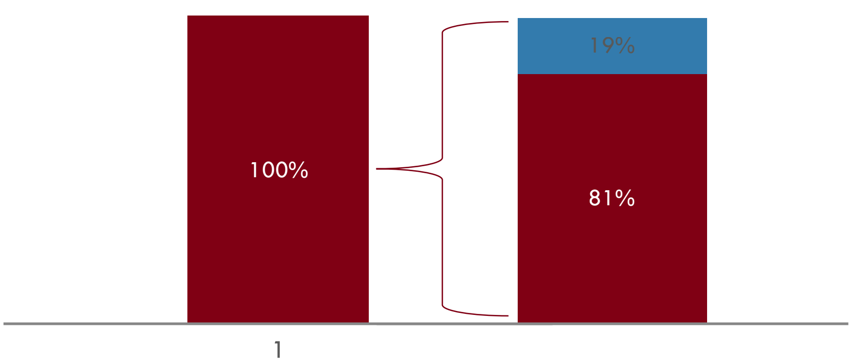
Introduction

This report focuses on Massachusetts small businesses and their access to credit from 2009 to 2020. Small businesses are a crucial part of our communities. From restaurants to accounting firms, small businesses provide important services and employ large swaths of the local workforce. Small businesses often use loans to begin or expand their business, or to cover costs at some point in their operations. This report draws on multiple data sources to add to a greater understanding of small business lending in Massachusetts over the past decade, with information on where small business lending occurs, how much money is borrowed, and which institutions are giving the most small business loans. The effects of the pandemic and relief efforts on small businesses is also tracked through use of data on loan programs specially funded to help small businesses during the COVID-19 crisis (most notably the Paycheck Protection Program) combined with information from the Census Bureau's Small Business Pulse Survey.

Prevalence of Small Businesses

The Small Business Administration (SBA) defines a small business as "an independent business having fewer than 500 employees," a broad definition that includes millions of businesses across the United States, and which differs from the revenue basis definition used in Community Reinvestment Act data. Nevertheless, it provides a birds-eye view that highlights how predominant small businesses are: by this metric, small businesses are 99.9 percent of all firms in the United States and 99.7 percent of all firms with employees (under this SBA definition of 500 employees or fewer).[2] In Massachusetts, 99.5 percent of businesses have fewer than 500 employees, which is more than 700,000 small businesses.[3] Most of these businesses are extremely small: among small businesses nationwide, 81 percent have no employees on their payroll, also known as non-employer businesses—such as single member LLCs, and sole proprietorships, or businesses with contractors only.[4]

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



Employers

Source: US Small Business Administration Office of Advocacy, "Frequently Asked Questions," November 2021; in this publication, the business counts are from the U.S. Census Bureau, Statistics of U.S. Businesses, 2018 and Non-Employer Statistics, 2018.

[2] US Small Business Administration Office of Advocacy, "Frequently Asked Questions," November 2021. https://cdn.advocacy.sba.gov/wp-content/uploads/2021/11/03093005/Small-Business-FAQ-2021.pdf

[3] US Small Business Administration Office of Advocacy, "Small Business Profiles for the States and Territories," August 2021. https://advocacy.sba.gov/2021/08/30/2021-small-business-profiles-for-the-states-the-district-of-columbia-and-the-u-s/

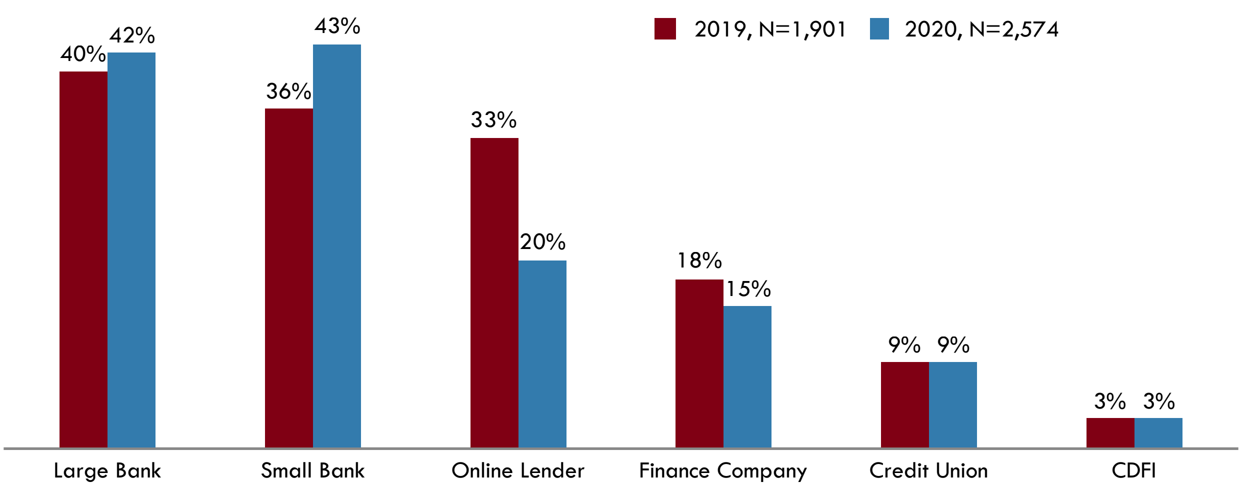
[4] Federal Reserve Bank of New York, "Small Business Credit Survey- Report on Non-Employer Firms," 2021 https://www.fedsmallbusiness.org/medialibrary/FedSmallBusiness/files/2021/2021-sbcs-nonemployer-firms-report

How Small Businesses Get Loans

Small businesses access loans and other credit in several ways, including credit cards. Small businesses often utilize more traditional lending institutions like banks for loans. Lender resources can cover startup costs; help with day-to-day operating expenses, startup funds and capital expenditures; or enable small businesses to expand. Banks are essential for most of these small business needs: in 2014, banks provided about 93 percent of small business credit. Approval rates have declined considerably since that time. In November of 2020, large banks with more than $10 billion in assets had a 13.3 percent approval rate for small business loans – down roughly 15 percentage points from the same month in the previous year. Nationwide, approval rates in smaller banks tend to be slightly more favorable, but they declined more precipitously: smaller banks had approval rates of 18.3 percent - down roughly 32 percentage points year-over-year.[5]

Online lenders are another option for small businesses. "Online lenders" are non-bank alternative and marketplace lenders.[6] They have grown in popularity in recent years, and may appeal to newer small business owners who need funds quickly. There are also other factors that helped this alternative lending market to grow, such as changing market demand, market conditions, and new technologies. Unfortunately, online lenders are less regulated than traditional lenders, and may also have loan terms with higher interest rates than traditional banks; however, approval rates are often higher. 20 percent of small businesses applied to an online lender as a funding source in 2020 down from 33 percent in 2019, according to the 2021 Small Business Credit Survey.[7] **Figure 2** indicates sources of funding applied to by small businesses in 2020.

Figure 2. Funding Sources Used in the Last Year by Employer Firms, 2020



Source: Small Business Credit Survey, 2021 Report on Employer Firms, Federal Reserve Bank.
Note: Totals can be larger than 100% because businesses may obtain loans from more than one source.

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5 The Guardian, December 2020. https://www.theguardian.com/business/2020/dec/14/us-small-businesses-traditional-bank-loans-dry-up

6 Small Business Credit Survey, Federal Reserve Banks, 2021. https://www.fedsmallbusiness.org/medialibrary/FedSmallBusiness/files/2021/2021-sbcs-employer-firms-report

7 *Ibid.*

Additionally, new small businesses who need microloans (loans of $50,000 or less), can also apply to local Certified Development Corporations (CDCs) and Community Development Financial Institutions (CDFIs) both of which serve low income communities that have previously been underserved by traditional financial institutions, and are able to provide microloans as well as larger, more conventional loans to small businesses. Certified Development Corporation CDCs (not to be confused with the perhaps better-known CDCs, Community Development Corporations) provide a range of services supporting economic community development such as nonprofit incubation, youth development, advocacy and community organizing, as well as working with conventional financial institutions to provide access to capital SBA loans (504) for growth, establishment, and expansion of small businesses in underserved communities.[8] Community Development Financial Institutions, CDFIs, are community-focused lenders which are funded by the Treasury, while Certified Development Corporations are more focused and fewer in number, and are certified through the Small Business Administration.[9] CDFIs include a variety of financial institution types such as credit unions, loan funds and venture capital funds that grant loans to low-income communities. Unlike traditional lenders, Community Development Financial Institutions also provide special programing which create relationships to community members and support them in their endeavors. In 2020, CDFI institutions distributed approximately $844 million dollars through more than 100,000 microloans nationwide.[10] In Massachusetts in FY 2020, 9 micro lenders around the state distributed 155 loans for a total of over $2.8 million dollars in financing.[11]

Some banks can also issue loans to small businesses guaranteed by the Small Business Administration (SBA) which have attractive rates, but more involved standards.[12] The most popular SBA loans are 7a loans and 504 loans; 7a is the SBA's main small business lending program and can be used for a variety of operating expenses, while the 504 loans are specifically for capital financing. For this reason, 504 loans tend to be larger and businesses in equipment-heavy industries are more likely to use them, while 7a loans tend to be smaller and go to a larger number of operations. Information on SBA loans provides greater detail on industries and location. However, SBA loans are only about 3 percent of all small business loans issued overall. The Community Reinvestment Act data (CRA) tracks a much bigger proportion of small business loans, supporting a more complete understand the flow of credit to small businesses.

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8 For more, see https://www.tmcfinancing.com/what-is-a-certified-development-company/ and the following footnote.

9 CDCs are non-profits certified by the SBA: there are only 270 nationwide (each covering a specific geographic area). These non-profits work with conventional institutions provide 504 loans to small businesses, usually issuing the second lien loan for up to 40 percent of the project's cost (with the partnered lender issuing the first lien loan for up to 50 percent of the project's cost), reducing the lender's risk and encouraging long-term affordable financing to small businesses. CDFIs are more abundant (over 950 nationwide) and much broader in scope: while CDCs must work with traditional lenders to issue a loan, CDFIs are their own lenders, aided by funds from the Department of the Treasury. There are six basic types of CDFIs: community development banks, community development loan funds, community development credit unions, microenterprise funds, community development corporation-based lenders and investors, and community development venture funds. See https://cdfi.org/what-are-cdfis and http://www.communitybusinessfinance.com/blog/what-certified-development-corporation.

10 CDFI Annual Certification and Data Collection Report (ACR): A Snapshot for Fiscal Year 2020, October 2021 page 26.

11 Note that not all micro-lenders are CDFIs and not all CDFIs issue microloans.

12 The SBA sets guidelines that partner lenders and community development organizations can use to give loans to small businesses. This partnership with SBA reduces the risk that lenders take on, creating more opportunities for small businesses to access capital.

Just as small businesses are the pillar of many communities, fairness in small business lending is a central component of the Community Reinvestment Act (CRA).[13] In fact, small business lending is the largest lending category for the purpose of CRA reporting. In 2016, for example, only 12 percent of single-family loans were eligible for CRA credit for the lending institution, yet 67 percent of small business loans help banks meet the requirements to receive CRA credit.[14] Note that while the CRA data is the most full-coverage source available for data on small business borrowing, it uses a different definition than the "employment under 500" standard used by the SBA. In some ways the CRA data is more fine-tuned: in this critical source of information central to this analysis the loan activity tracked is any loan to a business that is a loan smaller than $1 million, and also any loans made to any businesses which make $1 million or less in revenue—so, both small loans and loans to small businesses on the basis of their revenue size.

This report focuses on small business loans and loans to small businesses in Massachusetts, which are among the many types of activity that qualify for CRA credit.[15]

To analyze trends in small business lending in Massachusetts from 2009 through 2020, with a particular focus on the most recent data on 2020, this report relies mainly on CRA data with some additional SBA data as well. As one of the most comprehensive and geographically specific sources of information about access to credit for small businesses, CRA data is at the heart of this analysis of small business lending. Although SBA loans are a small subset of the small business loan universe (about 3 percent) the separate data sets data available from the SBA on SBA loans has certain detail not included in the CRA data, despite SBA loans being in the CRA data set. This detail in the SBA data includes industry-specific information in addition to loan location and amount, which all CRA-eligible loans report.

Geographic Analysis

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

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

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[13] The Community Reinvestment Act (CRA) was passed in 1977 in order to create more equitable lending practices across the areas banks serve, with the goal of creating more access to credit and capital for low- and moderate-income areas. Federal regulators consider a bank's CRA compliance record when a bank applies for a new branch, or a merger or acquisition.

[14] Urban Institute, Feb. 2020. https://www.urban.org/urban-wire/small-business-and-community-development-lending-are-key-cra-compliance-most-banks

[15] The Federal Office of the Comptroller of the Currency changed the rules of what activities qualify for CRA credit in 2020.

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

Representation in Small Businesses and Borrowing

Black and Hispanic/Latino people are underrepresented among small business owners. According to the SBA, in 2019, Black or African American business owners were just 2.3 percent of employer firm small businesses nationally, despite comprising 12.4 percent of the population. Hispanic/Latino-owned small businesses accounted for 6.0 percent of employer firm small businesses and were 18.4 percent of the country's population in 2019.

In Massachusetts, in 2019, the latest year for which detailed data is available, 1.3 percent of small businesses were Black-owned, and 2.0 percent were Hispanic-owned firms. This represents a decline even pre-pandemic since 2012 when the Black-owned share of small businesses was 3.6 percent in Massachusetts and the Hispanic-owned share was 4.7 percent.[16]

In addition, to date, businesses owned by people of color continue to have fewer successful loan applications. For example, the Federal Reserve Bank found that from 2012 to 2017, Black-owned businesses were the most likely to have applied for bank financing but were turned down for loans twice as often as white business owners. Additionally, smaller shares of Black and Hispanic/Latino-owned businesses received loans of $100,000 or more than compared to businesses owned by other racial and ethnic groups.[17] Because publicly available CRA and SBA small business lending data does not contain information about loan recipients, this report tracks the locations where small business loans go and connects it to the income and race information for the places loans were made, to show access to credit, or the lack thereof, on low income communities and communities of color in Massachusetts.

Organization of this Report

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

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

Next, the report illustrates which industries receive the most small business loans for those which appear in the SBA data. SBA lending data provides details on industry differences in loan sizes and amounts. These

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[16] Annual Business Survey, 2019 for race of owners of firms with less than 500 employees. Population by race data from 2019 ACS 5 Year data

[17] January 2020. https://www.theguardian.com/business/2020/jan/16/black-owned-firms-are-twice-as-likely-to-be-rejected-for-loans-is-this-discrimination. See also https://www.federalreserve.gov/publications/2017-september-availability-of-credit-to-small-businesses.htm Table 6 shows 17.7% of Black-owned firms applied for credit from a bank in 2014, the largest proportion of owners to do so in any racial/ethnic group.

are differences are largely driven by the prevalence of 7a loans, most commonly used by small businesses for operating and other expenses, and some industries' greater need for 504 loans, which are capital loans, restricted to things like equipment and buildings.[18]

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

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

Taken as a whole this report identifies the parts of the state where small businesses are receiving lending support; which communities are accessing small business lending; and which industries make the most use out of small business loans, with an examination of early pandemic impacts in low and moderate income areas and areas where the majority of residents are people of color.

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

Distribution of Small Business Lending

Overall, lending institutions granted 194,025 small business loans in Massachusetts in 2020,[19] meaning the loans were $1 million or lower at the time of origination. Approximately 35.4 percent of these loans went to businesses with annual revenues of $1 million or less. The map in **Figure 3** shows the number of small business loans granted to businesses in each census tract in Massachusetts in 2020 (it also shows municipal outlines). Because the CRA data does not include the race or ethnicity of small business owners, this report shows demographics of the smallest geographies available (census tracts) as a best available proxy for where credit has been flowing. The total number of CRA loans has increased gradually since 2009, reaching a new peak in 2020. When the pandemic hit, almost 28,000 more loans were issued compared to 2019.

Designations of majority people of color (POC)[20] or low to moderate income (LMI)[21] census tracts are important for analyzing lending trends, as they have received smaller shares of loans and loan dollars than higher-income and majority white areas. They are also important to track because the CRA was enacted over forty years ago specifically to meet the credit needs of low- to moderate-income communities. Historic and existing racial discrimination in the labor market, in housing, and other institutions have prevented people of color from building intergenerational wealth. Due to these factors, race and household income remain highly correlated. In a 2020 report on economic opportunity by race, researchers found that Black male children have lower incomes in adulthood than white male children from the same places, in 99 percent of census tracts.[22] In addition to lower incomes, the median net worth for non-immigrant African-American households in the Greater Boston region was $8, versus $247,500 for white households, as reported by the Federal Reserve Bank of Boston in 2015.[23] Overall, there are 495 census tracts in Massachusetts that are either majority people of color, or low- to moderate-income, or both (out of over 1,450 census tracts total in the state). These tracts are marked with black dots, appearing across 83 different Massachusetts cities and towns. While majority person of color or low- and moderate-income tracts are not evenly spread out across the state, the distribution has increased over time. Boston still has the largest share of these tracts: 60 percent of the tracts in Boston are either low- to moderate-income or majority people of color. The state's largest cities all make the top 10 in terms of percent low- to moderate-income or majority people of color tracts; in order of their population sizes, they are: Springfield (81 percent of loans were to LMI/POC tracts), Worcester (58 percent), Cambridge (25 percent), and Lowell (88 percent).

In parts of the Pioneer Valley and Berkshire County, more rural tracts and less populated areas received fewer loans. The number of loans is not necessarily correlated with population size, however. Sections of Cape Cod (such as Provincetown) and the Berkshires (such as Great Barrington) do not have large year-round populations, but each received respectively 269 and 259 loans in 2020. The focus on tourism in

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

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

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

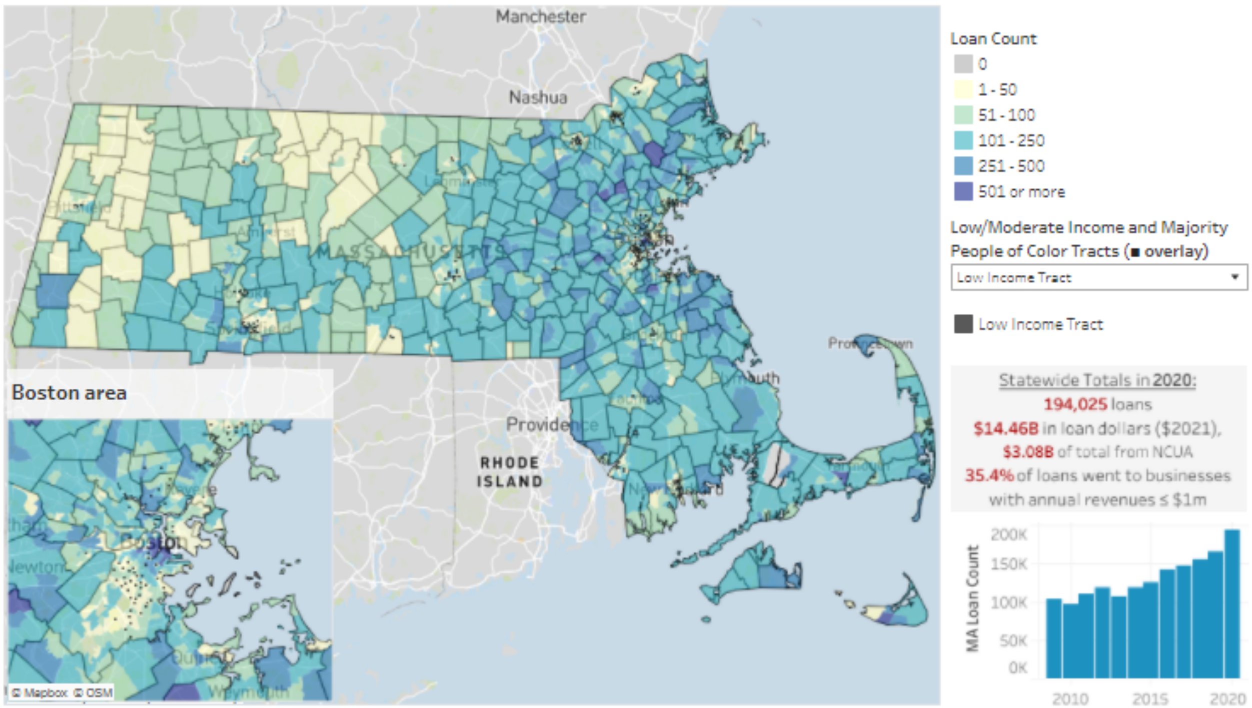
[22] Chetty, R., Hendren, N., Jones, M. R., & Porter, S. R. (2020). Race and economic opportunity in the United States: An intergenerational perspective. The Quarterly Journal of Economics, 135(2), 711-783.

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

these regions means they may have more businesses in need of loans than small suburban communities in other areas of Massachusetts.

Within Boston, most loans went to neighborhoods in and around downtown, with the fewest in Dorchester, Roxbury, Mattapan, and East Boston, areas which are more heavily residential but also have the largest shares of people of low and moderate income and people of color.

Figure 3. Small Business Loan Originations, CRA Data, by Census Tract, 2020

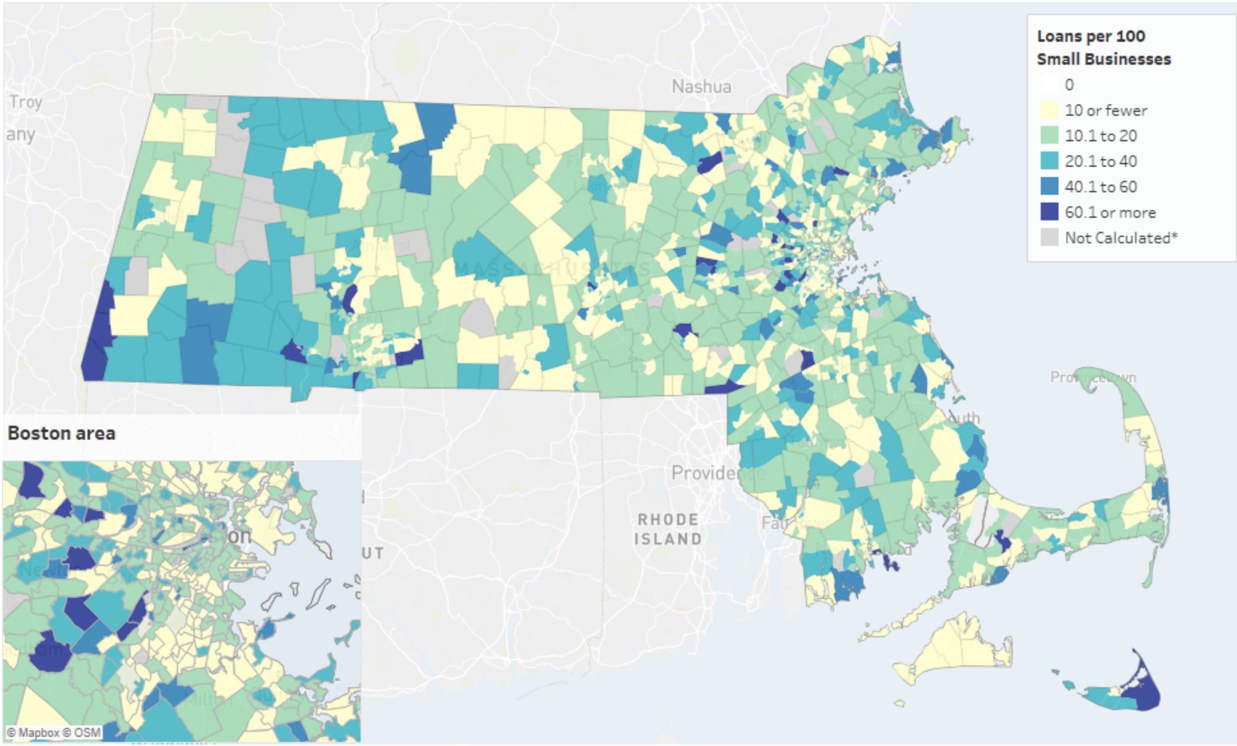


Source: Federal Financial Institutions Examination Council (FFIEC) CRA Disclosure Data, 2020.

Most of the municipalities receiving the largest number of loans are also large cities with a substantial number of small businesses. Some cities and census tracts received a disproportionate number of loans given their number of small businesses. **Figure 4** illustrates small business loans per 100 small businesses by census tract, using small business count estimates from the Census' Zip Code Business Patterns and County Non-Employer Statistics. Some small municipalities stand out, such as areas in the Berkshires and Franklin County, as well as areas around Lowell (Tyngsborough, Westford, and Andover). Select coastal towns have high rates, likely due to business related to the blue economy (e.g., restaurants located near the ocean or marine tourism businesses), such as Sandwich, Fairhaven, Mashpee, Orleans, and Nantucket.[24]

[24] Note, while parts of the Berkshires appear to stand out, this may be due to the nature of the data only: the small basis for the rate calculation in sparse places makes for misleadingly high-seeming numbers if small businesses are even slightly attributed to the wrong location or remain in the data after closure. These data issues in small places happen in all of the small business data sources, and are likely unreliable estimates in places with shared tracts across municipal lines and where there are fewer than about 30 businesses total. This produces very high calculated rates in smaller places like the Berkshires, rural places in the Pioneer Valley, Nantucket, or the town of Warren in the center of the state. For these reasons, tracts with small estimates have been suppressed from the visualizations to protect accuracy of the data presented. Ratios have not been calculated for places with fewer than 30 small businesses, or with loan counts higher than their small business count. There are 14 tracts with a zero rate, of which half are in Boston, which are greenspace (parks, arboretums, cemeteries). The others are schools, bases, and prisons scattered around the state. They are at UMass Amherst; two colleges in the city of Worcester; military bases in Westfield and Sandwich; and the Bridgewater Correctional facility.

Figure 4. Small Business Loans per 100 Small Businesses, CRA data by Census Tract, 2020



Source: Federal Financial Institutions Examination Council (FFIEC) CRA Disclosure Data, 2020; ZIP Code Business Patterns, 2018; County Non-Employer Statistics, 2018. Note: Loan counts are limited to businesses with annual revenues less than or equal to $1m. Estimates of small business counts were constructed from Census ZIP Code Business Patterns Data, 2018, as well as interpolated from county-level Census Non-Employer Statistics. ZIP code-level small business counts were then crosswalked to tracts using a USPS-HUD crosswalk. For more detail on methodology, see Appendix 4. Technical Notes. Tracts with small estimates have been suppressed to protect accuracy of the data presented. Ratios have not been calculated for places with fewer than 30 small businesses, or with loan counts higher than their small business count.

Despite these areas that cannot provide proper insight due to data challenges, this geographic analysis clearly shows that once you control for the number of businesses in a given tract, small business loans are scattered in their geographic distribution across the state. While the first map of loans seems to show that neighborhoods in Boston such as Roxbury and Dorchester receive far fewer loans than places like downtown Boston, the rate in this second map per 100 businesses present suggests that the smaller number of loans is proportional to the smaller number of small businesses in that area of the city. However, status quo lending, in other words, lending which appears relatively even compared on the basis of the number of existing small businesses, may still not lead to equitable results if there were few small businesses in the area to begin with, if the basis was already inequitable. Furthermore, as **Figures 5** and **6** show below, grouping tracts together by race and income suggests disparities in recent access to small business capital.

Examining the data in the map of the rate per 100 small businesses reveals that there are areas in Boston neighborhoods that receive loans at a slightly higher rate than their downtown counterparts. Some tracts in the above rate map do illuminate other areas of the state where small businesses may actually be accessing capital at a pronounced rate. For example, directly west of Springfield, in the towns of Westfield and Agawam, there are three tracts with 110 small business CRA loans between them and an estimated 173 small businesses, making for an above average loan rate per 100 businesses. This suggests it is a region where small businesses were taking on loans at an above average rate in 2020, perhaps in the hopes of expanding their operations, or accessing capital to help support operations as needed. Similar clusters of commercial activity are visible throughout the state.

Looking at all tracts across the entire state reveals some stronger disparities in who has access to small business capital and who does not. An aggregated look at the same data from the maps, in **Figure 5**, shows rates by four major income and race categories. The table illustrates that when combined, all tracts with majority people of color (POC) residents and all tracts of low and moderate income (LMI) residents have lower rates than the statewide average. Only tracts that were neither LMI nor POC outperformed the state overall. (It is important to note that the majority POC and LMI tracts overlap, as some tracts are both LMI and POC, and should not be added together.) Non-LMI and POC tracts also received much larger small business loans on average.

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

Income/POC Category	Small Business Estimate	Loans to Small Businesses	Loans per 100 Small Businesses	Loan Dollars to Small Businesses (in thousands)	Loan Dollars per 100 Small Businesses (in thousands)
Not LMI or POC tracts	419,370	52,209	12.4	$1,775,764	$423
TOTAL STATEWIDE	**603,563**	**67,156**	**11.1**	**$2,286,295**	**$379**
All LMI tracts	178,544	14,403	8.1	$495,761	$278
All majority POC tracts	65,204	4,885	7.5	$166,005	$255

Sources: Federal Financial Institutions Examination Council (FFIEC) CRA Disclosure Data, 2020; ZIP Code Business Patterns, 2018; County Non-Employer Statistics, 2018. Note: majority POC and LMI tracts overlap. Some tracts are both LMI and POC, don't add them together. Loan counts and loan amounts are to businesses with annual revenues less than $1 million.

Figure 6 also looks at the tracts as groups but with more detailed groupings. Majority white and not LMI tracts experienced the highest loan rate – higher than the state average. Tracts which are low- to moderate- income, majority people of color, or both all were below the state average. Comparing low- to moderate-income and majority people of color tracts, majority people of color tracts that were not LMI had the highest rate of loans per 100 small businesses among those below the state average. Low income, non-majority people of color tracts had the lowest rates. LMI and majority POC tracts also have fewer businesses, on average, than non-LMI, non-POC tracts.

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

Income/POC Category	Small Business Estimate	Loans to Small Businesses	Loans per 100 Small Businesses	Loan Dollars to Small Business (thousands)	Dollars per 100 Small Businesses (thousands)
Not Low/Moderate Income or Majority POC	419,370	52,209	12.4	$1,775,764	$423
TOTAL STATEWIDE	**603,563**	**67,156**	**11.1**	**$2,286,295**	**$379**
Majority POC (Not Low/Moderate Income)	5,650	544	9.6	$14,770	$261
Moderate Income (Not Majority POC)	88,583	8,168	9.2	$270,670	$306
Moderate Income & Majority POC	18,847	1,537	8.2	$45,598	$242
Low Income & Majority POC	40,707	2,804	6.9	$105,637	$260
Low Income (Not Majority POC)	30,406	1,894	6.2	$73,856	$243

Sources: Federal Financial Institutions Examination Council (FFIEC) CRA Disclosure Data, 2020; ZIP Code Business Patterns, 2018; County Non-Employer Statistics, 2018. Note: Loan counts and loan amounts are to businesses with annual revenues less than $1 million.[25]

The business estimates in **Figure 5** and **Figure 6** are based on 2018 data; the business data therefore does not reflect business closings that occurred in 2019 and 2020. The overall loan count grew, however, there was not a proportionate increase in loans to LMI and POC tracts. Tracts which were not LMI or majority POC received both more loans this year than last overall, and proportionately a higher share of loans issued. While there is no way to tell if it was due to business closings, lack of applications, or actual unequal response to requests for funding, there is growing evidence that no matter what the ultimate cause of disproportionate access to capital, certainly in the rush to get out funding to businesses during the pandemic, equity suffered. One examination of PPP loan data in a report from the Center for Investigative Reporting found disparate access to these loans by racial and ethnic community and geographic location. The Center for Investigative Reporting report looked at PPP data and found large disparities between parts of cities with different racial and ethnic compositions. These disparities were driven by a series of policy and administrative failures which didn't account for differing business and financial habits of different communities as well as a persistent lack of trust in financial institutions.[26]

One of the drivers of this disparity is differing access to banking services. A Federal Reserve report from August 2020 notes that most Black business owners do not have an existing banking relationship, which

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[25] Compared to 2019, the 2020 CRA data shows shifts in the number of geographies that received loans. The difference in estimates for businesses is in large part due to a methodological change in how they were estimated, which reduced the count of businesses in certain geographies. The change converted the estimate of non-employers in each tract to a population basis rather than an employer business basis in each tract, for more information, see the technical notes in **Appendix 4**.

[26] See "Rampant racial disparities plagued how billions of dollars in PPP loans were distributed in the U.S." from the Center for Investigative Reporting, https://revealnews.org/article/rampant-racial-disparities-plagued-how-billions-of-dollars-in-ppp-loans-were-distributed-in-the-u-s/

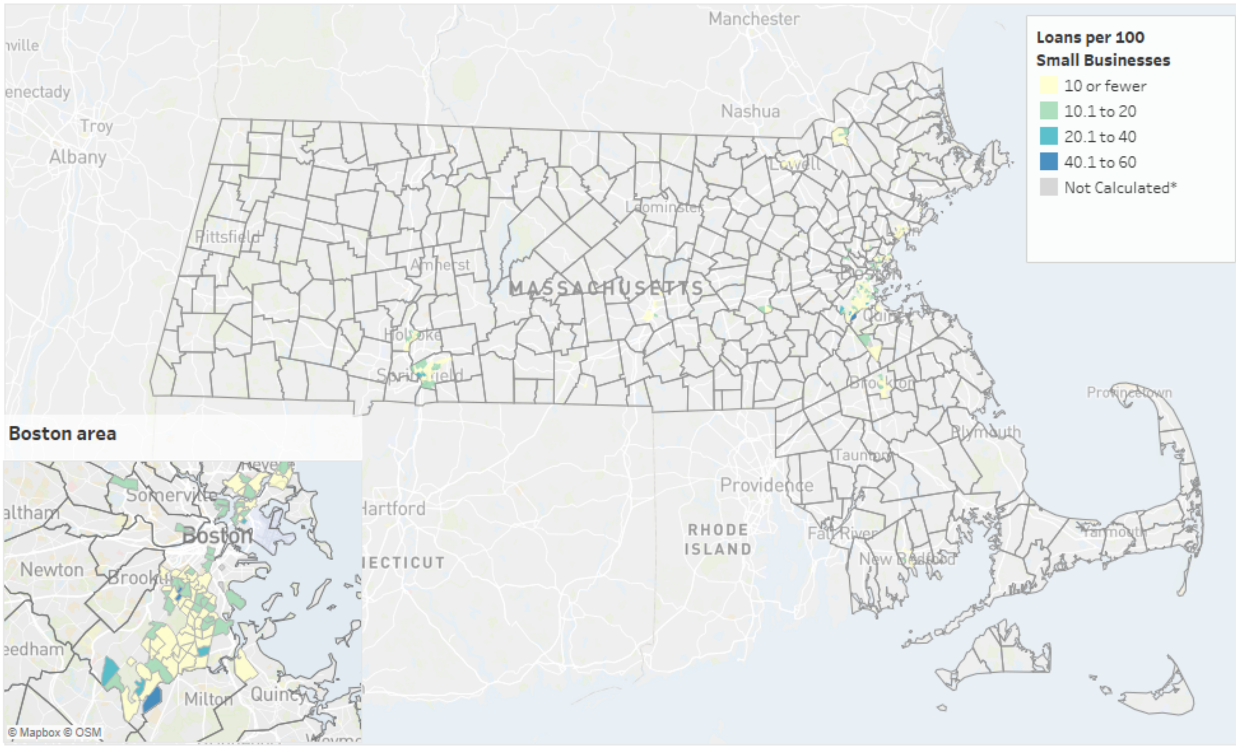
complicated applying for these loans and securing them once the application had been submitted. Even with access to a bank, the ability of that bank to secure PPP loans for their clients varied widely with some banks not submitting applications to the federal government until just before funds had been depleted in the initial round. This weakened PPP loans as a source of aid to communities of color. Business closures were transpiring at this time at very high rates, and more so for owners of color. The Federal Reserve noted that "Nationally representative data on small businesses indicate that the number of active business owners fell by 22 percent from February to April 2020." and that Black-owned business closed at roughly nearly twice the rate of small firms overall (41 percent nationally).[27] The report also notes Hispanic and Asian owned firms closed at above average rates (32 percent and 26 percent respectively) while white firms closed at below average rates (17 percent). These data points suggest that despite large amounts of money being made available to businesses during the first year of COVID, it often did not go to the communities and businesses that needed the help the most. This disparity, or closures which transpired even before the loan program started, or both, may have driven the smaller number of loans to majority POC and low or moderate income tracts in the 2020 CRA dataset. This analysis was in the early phases of the pandemic, and improvements were made to subsequent PPP funding rounds, which made it easier for very small employers (with fewer than 20 employees) and sole proprietors to access funds with the SBA reporting that by early March 2021, loan approvals to communities of color had increased 20 percent, but a severe amount of closures had already transpired. Loans to very small employers are important to businesses owned by people of color because they are more likely to hire a small number of people. 2019 data for Massachusetts on small businesses suggests that 92 percent of businesses owned by people of color have fewer than 10 employees, compared to 79 percent of white owned businesses.[28] The smaller size of businesses may also contribute to lower loan dollar amounts. The following maps illustrate small business loans per 100 small businesses specifically to majority POC or LMI tracts. Overall, 13 percent of census tracts in Massachusetts are majority POC (192 total), and 32 percent of census tracts are LMI (461 total), though there is significant overlap between these two: 90 percent of majority POC tracts are also LMI, and 38 percent of LMI tracts are also majority POC. Spatially, majority POC tracts are largely located in Boston (30 percent of the statewide total), and Gateway Cities[29] around the state such as Springfield (10 percent), Lynn (6 percent), Brockton (6 percent), and Worcester (6 percent). Despite being tied for the third highest number of majority POC tracts (alongside Lynn, Brockton and Lawrence) Worcester's majority POC tracts received a slightly higher rate of loans (9 per 100 small businesses) than Lynn (7 per 100) and Brockton (8 per 100). Springfield had a rate of 10 per 100 small businesses.

[27] See Double Jeopardy: COVID-19's Concentrated Health and Wealth Effects in Black Communities https://www.newyorkfed.org/medialibrary/media/smallbusiness/DoubleJeopardy_COVID19andBlackOwnedBusinesses

[28] Annual Business Survey, 2019.

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

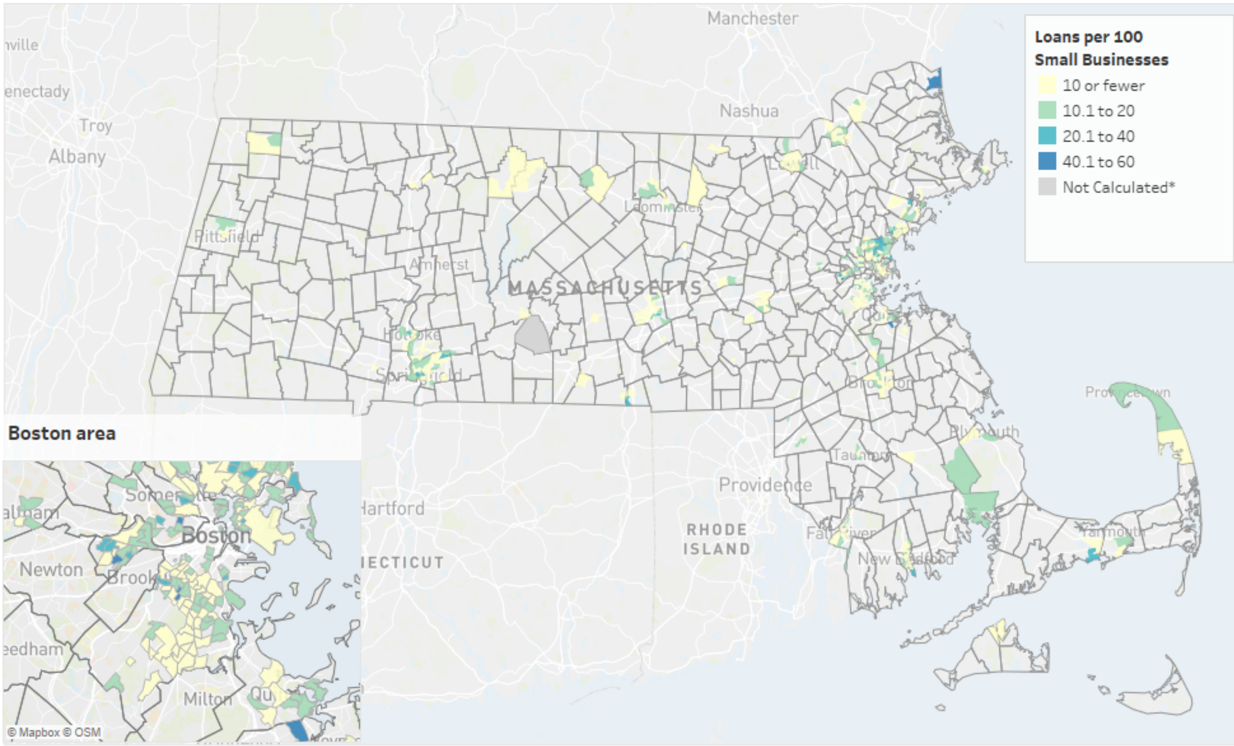
Figure 7. Small Business Loans to All Majority People of Color (POC) Tracts per 100 Small Businesses, CRA data by Census Tract, 2020



Sources: Federal Financial Institutions Examination Council (FFIEC) CRA Disclosure Data, 2020; ZIP Code Business Patterns, 2018; County Non-Employer Statistics, 2018. Note: Estimates of small business counts were constructed from Census ZIP Code Business Patterns Data, 2018, as well as interpolated from county-level Census Non-Employer Statistics. ZIP code-level small business counts were then crosswalked to tracts using a USPS-HUD crosswalk. For more detail on methodology, see Appendix 4. Technical Notes. Tracts with small estimates have been suppressed to protect accuracy of the data presented. Ratios have not been calculated for places with fewer than 30 small businesses, or with loan counts higher than their small business count.

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

Figure 8. Small Business Loans to All Low- to Moderate-Income (LMI) Tracts per 100 Small Businesses, CRA data by Census Tract, 2020

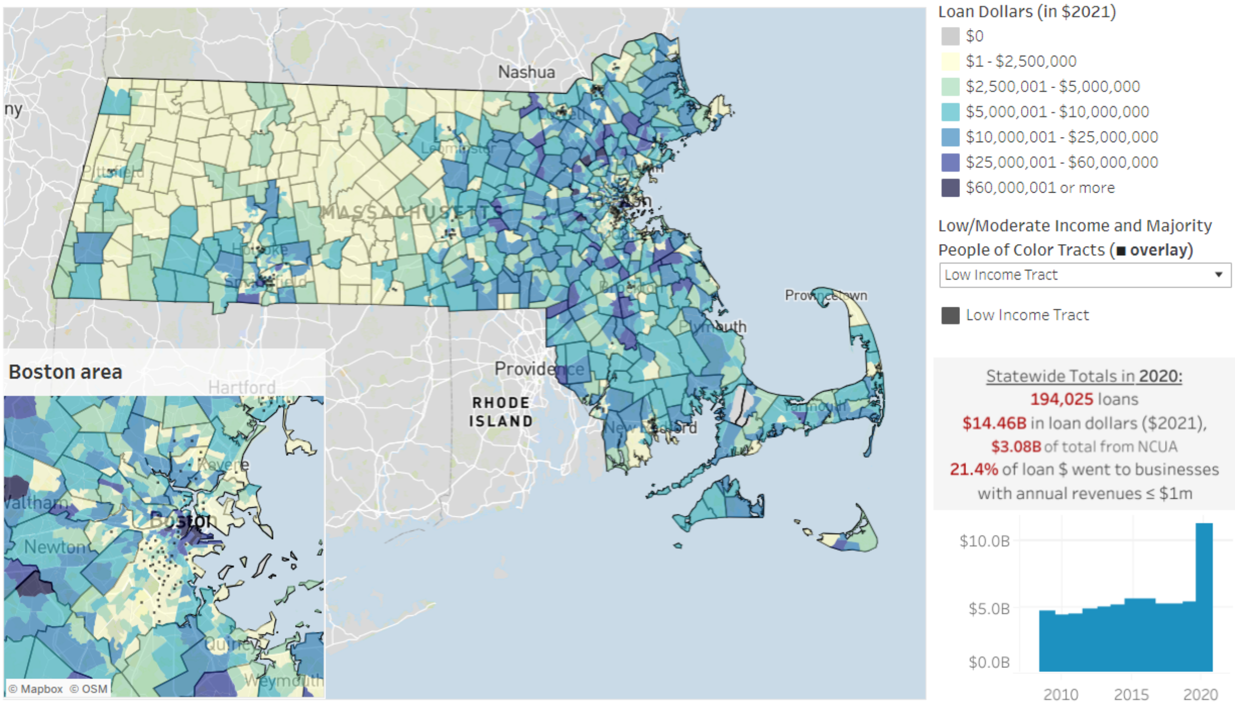


Sources: Federal Financial Institutions Examination Council (FFIEC) CRA Disclosure Data, 2020; ZIP Code Business Patterns, 2018; County Non-Employer Statistics, 2018. Note: Estimates of small business counts were constructed from Census ZIP Code Business Patterns Data, 2018, as well as interpolated from county-level Census Non-Employer Statistics. ZIP code-level small business counts were then crosswalked to tracts using a USPS-HUD crosswalk. For more detail on methodology, see Appendix 4. Technical Notes.
Tracts with small estimates have been suppressed to protect accuracy of the data presented. Ratios have not been calculated for places with fewer than 30 small businesses, or with loan counts higher than their small business count.

Data are also available by total loan dollar amounts, which are mapped in Figure 9, below. As is shown in the bar chart in Figure 9, total dollars loaned to small businesses across the state swelled by 76 percent from 2019 to 2020 as a result of policy interventions in response to the pandemic, such as the Paycheck Protection Program. Overall, communities in Eastern Massachusetts received the largest dollar amount of loans. There are a number of communities in Greater Boston that received between $2.5 million and $25 million in loan dollars. In Western Massachusetts, some communities in Hampden County (such as Springfield, Chicopee, Westfield and Agawam) received over $25 million in small business loans.

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

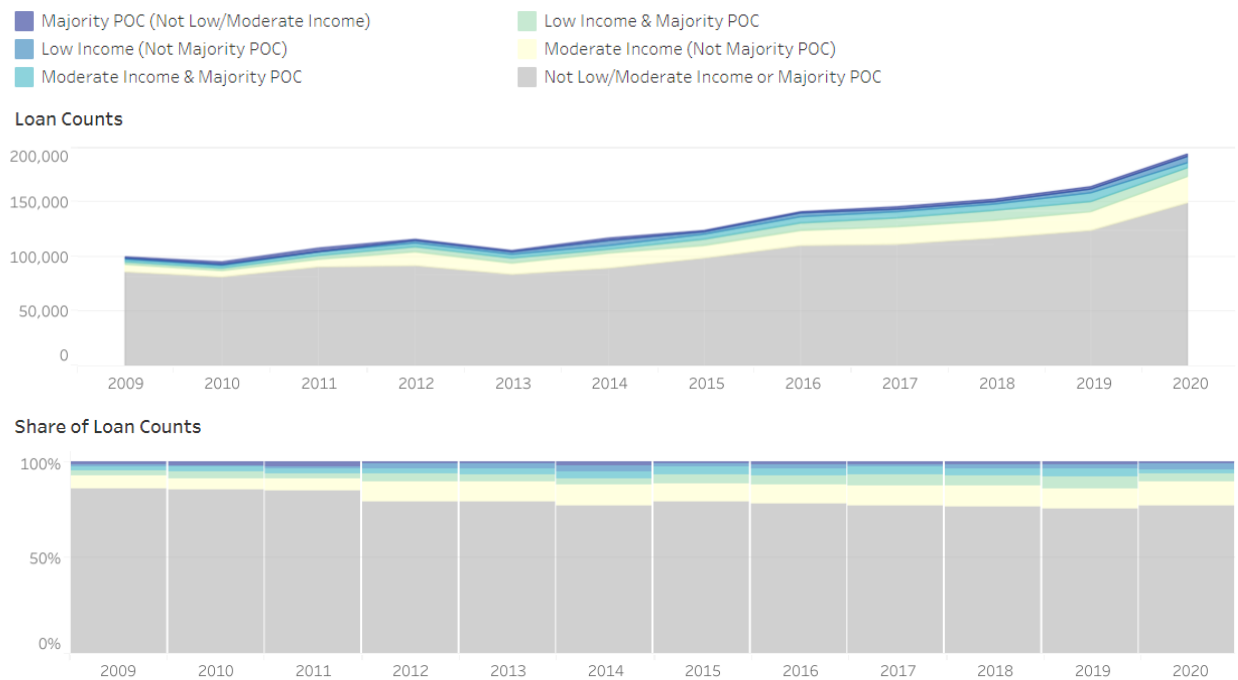
Figure 9. Small Business Loan Dollars from CRA Data, by Census Tract, Originations 2020



Source: Federal Financial Institutions Examination Council (FFIEC) CRA Disclosure Data, 2020.

The loan dollar map above marks census tracts that are low- and moderate-income with dots in their centers. Another dynamic view of the same dataset shows tracts with residents of color comprising more than 50 percent of residents. Analysis of the underlying data reveals that the share of loans to low and moderate income (LMI) or majority people of color (POC) areas gradually increased since the recession to the end of the available data period (2020), from 14 percent in 2009 to 23 percent in 2020. While moderate income tracts that are majority white still constitute the largest share of this group (12.3 percent) LMI and majority POC tracts have increased by 3 percentage points since 2009. However, the most recent year, 2020 denotes a decrease in share to LMI and POC areas since 2019.

Figure 10. Small Business Loan Counts to LMI and POC Communities, from CRA Data Originations 2009-2020



Source: Federal Financial Institutions Examination Council (FFIEC) CRA Disclosure Data, 2009-2020, U.S. Census Bureau ACS 5-Year Estimates.

Figure 11. Table of Small Business Loan Counts to LMI and POC Communities, from CRA Data Originations 2009-2020

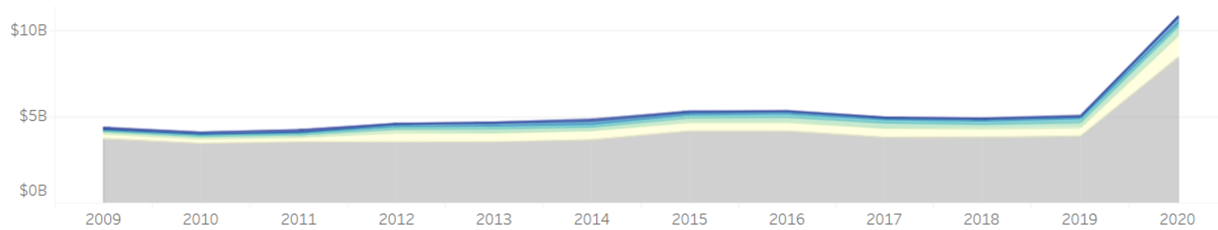
Year	Total	Low Income	Moderate Income	Majority POC	Low Income Share of Total	Moderate Income Share of Total	Majority POC Share of Total
2009	100,034	3,460	8,753	6,334	3.5%	8.8%	6.3%
2010	94,804	3,406	8,434	7,205	3.6%	8.9%	7.6%
2011	107,627	3,965	9,735	8,763	3.7%	9.0%	8.1%
2012	116,193	7,418	15,950	9,658	6.4%	13.7%	8.3%
2013	105,654	6,881	14,472	8,562	6.5%	13.7%	8.1%
2014	116,999	7,923	16,609	10,397	6.8%	14.2%	8.9%
2015	124,237	8,255	16,561	11,707	6.6%	13.3%	9.4%
2016	141,066	9,724	19,312	14,345	6.9%	13.7%	10.2%
2017	145,300	10,768	21,275	15,840	7.4%	14.6%	10.9%
2018	152,971	11,279	22,096	16,747	7.4%	14.4%	10.9%
2019	164,154	12,559	24,678	20,377	7.7%	15.0%	12.4%
2020	193,342	14,895	27,886	14,615	7.7%	14.4%	7.6%

Source: Federal Financial Institutions Examination Council (FFIEC) CRA Disclosure Data, 2009-2020, U.S. Census Bureau ACS 5-Year Estimates.

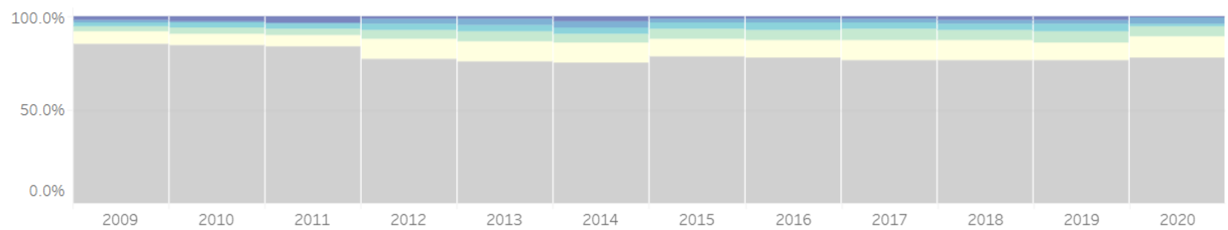
When considering the dollar amount of loans going to LMI tracts and areas that are majority people of color, the picture is largely the same as with loan counts. The large increase in total dollars loaned out across the state in 2020 is more obvious than in the loan count trends. Total loan dollars have increased over the past decade, even when adjusted for inflation, and exploded in 2020 as the Federal government pumped money into the economy via a variety of loan programs, including the Paycheck Protection Program. By far largest increase in lending share amongst all these groups of interest has been to moderate income, majority white communities.

Figure 12. Small Business Loan Dollars to LMI and POC Communities, from CRA Data Originations 2009-2020

Loan Dollars ($2021)



Share of Loan Dollars ($2021)



Source: Federal Financial Institutions Examination Council (FFIEC) CRA Disclosure Data, 2009-2020, U.S. Census Bureau ACS 5-Year Estimates.

Figure 13. Table of Small Business Loan Dollars to LMI and POC Communities, from CRA Data Originations 2009-2020 (in $2021)

Year	Total	Low Income	Moderate Income	Majority POC	Low Income Share of Total	Moderate Income Share of Total	Majority POC Share of Total
2009	$4.60B	$200.48M	$389.73M	$311.43M	4.36%	8.47%	6.77%
2010	$4.33B	$184.55M	$386.10M	$346.95M	4.27%	8.92%	8.02%
2011	$4.47B	$198.55M	$385.98M	$398.62M	4.44%	8.64%	8.92%
2012	$4.85B	$358.59M	$698.91M	$437.89M	7.39%	14.40%	9.02%
2013	$4.93B	$416.16M	$705.47M	$478.73M	8.44%	14.30%	9.71%
2014	$5.12B	$403.96M	$731.13M	$509.98M	7.89%	14.27%	9.96%
2015	$5.58B	$412.06M	$713.43M	$533.00M	7.38%	12.78%	9.55%
2016	$5.64B	$431.52M	$737.33M	$593.87M	7.66%	13.08%	10.54%
2017	$5.24B	$407.24M	$757.84M	$572.74M	7.77%	14.46%	10.93%
2018	$5.19B	$376.63M	$744.52M	$543.29M	7.26%	14.35%	10.47%
2019	$5.35B	$412.54M	$747.67M	$659.90M	7.71%	13.97%	12.33%
2020	$11.35B	$895.78M	$1,523.35M	$848.28M	7.89%	13.42%	7.47%

Source: Federal Financial Institutions Examination Council (FFIEC) CRA Disclosure Data, 2009-2020, U.S. Census Bureau ACS 5-Year Estimates.

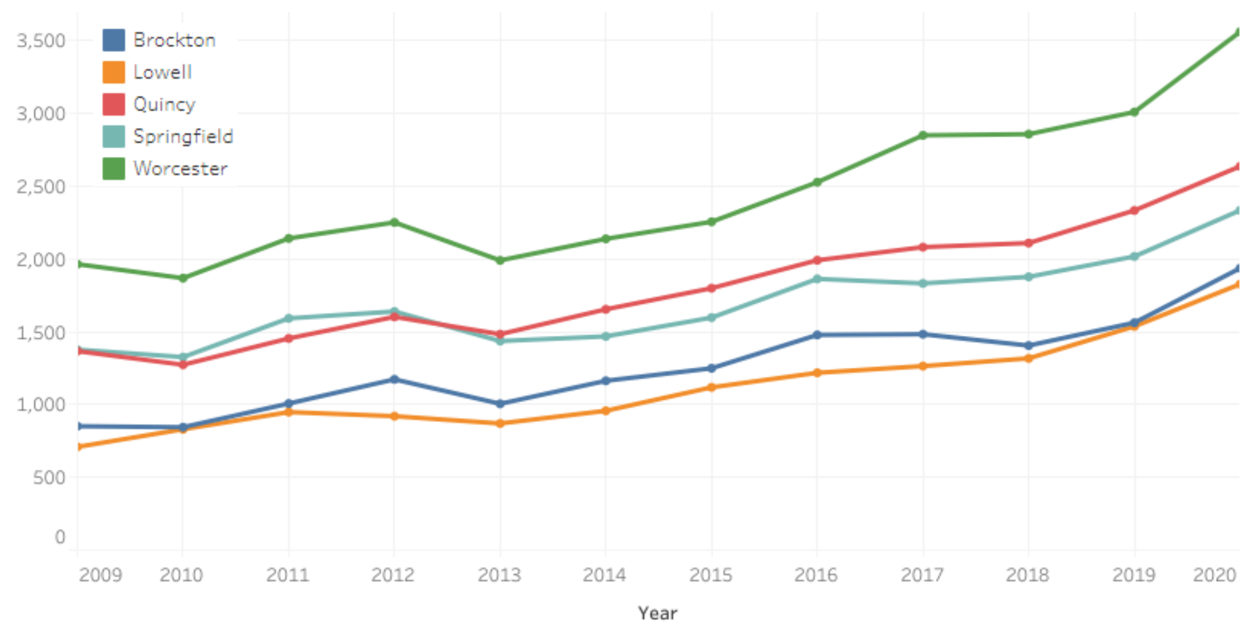
Despite increasing loan shares to LMI and majority POC communities, some cities are still not seeing lending to LMI and majority POC areas at a proportionate rate number of LMI/POC. For example, while 60 percent of Boston's tracts are LMI/POC, only 36 percent of loans went to these tracts. Statewide, 33 percent of all tracts are LMI/POC, but only 23 percent of loans were issued to these tracts in 2020. Interestingly, cities with the largest shares of LMI/POC tracts did tend to have proportional loan shares.

Lending by Municipality

Gateway Cities are historical manufacturing cities that have been slow to draw new economic investments post-deindustrialization, but also remain regional economic anchors.[30] Gateway Cities also remain lower cost entry points for many immigrants, making them a "gateway" to pursuing success in America. As such, Gateway Cities are often far more racially and ethnically diverse than the municipalities that surround them. The Massachusetts Legislature defines and designates the Gateway Cites. (Currently they are: Attleboro, Barnstable, Brockton, Chelsea, Chicopee, Everett, Fall River, Fitchburg, Haverhill, Holyoke, Lawrence, Leominster, Lowell, Lynn, Malden, Methuen, New Bedford, Peabody, Pittsfield, Quincy, Revere, Salem, Springfield, Taunton, Westfield, and Worcester.) While these 26 communities across the Commonwealth, for broad policy purposes, are often treated as having the same needs, the CRA small business lending data reveals that while following the same general trend, there is variation between Gateway Cities.

Figure 14 below shows small business loans to the five most populous Gateway Cities over time. Despite Springfield's rank as the third largest city in the state with a population of over 150,000 in 2020, Quincy, a modest sized city near Boston with a population near 95,000, has consistently received more loans than Springfield since 2013.

Figure 14. Small Business Loan Counts from CRA Data for Five Largest Gateway Cities, Originations 2009-2020



Source: Federal Financial Institutions Examination Council (FFIEC) CRA Disclosure Data, 2009-2020.

Many Gateway Cities actually saw a higher share of dollars flow to LMI and POC communities than their share of LMI and POC communities as a whole, which is shown in **Figure 15** below. In Springfield, for instance, 97 percent of all loan dollars went to LMI and POC communities, despite the fact that only 81 percent of all tracts in the city are LMI and POC. However, in Boston, the disparity between dollar share

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

and LMI/POC share is even greater than with loan counts: 26 percent of loan dollars in Boston went to LMI and POC communities, despite its LMI and POC population share of 60 percent. Some places stand out with higher representation: Barnstable, the largest city in the Cape and islands region, saw a remarkably high rate of lending to LMI/POC tracts. 57 percent of loan dollars and 44 percent of loans went to LMI/POC communities, despite the fact that LMI/POC tracts comprise less than 30 percent of all tracts in the city.

Figure 15. Table of LMI, POC Population vs Loan Shares in Gateway Cities, Boston, State, 2020

City	Share of Tracts that are LMI/POC	Share of loans to LMI/POC tracts	Share of dollars to LMI/POC tracts
Everett	100%	100%	100%
Lawrence	100%	100%	100%
Malden	91%	95%	96%
Revere	90%	94%	91%
Lowell	88%	91%	94%
Chelsea	88%	92%	94%
Lynn	86%	88%	91%
Holyoke	82%	81%	87%
Springfield	81%	89%	97%
New Bedford	81%	77%	73%
Fall River	80%	77%	68%
Brockton	71%	69%	61%
Fitchburg	70%	77%	77%
Boston	**60%**	**36%**	**26%**
Worcester	58%	55%	56%
Haverhill	57%	64%	71%
Peabody	56%	53%	51%
Salem	56%	57%	58%
Chicopee	50%	51%	59%
Quincy	40%	46%	50%
Attleboro	38%	28%	27%
Methuen	36%	41%	38%
Pittsfield	36%	46%	38%
Taunton	36%	30%	23%
Barnstable	27%	44%	57%
Leominster	22%	29%	29%
Westfield	13%	17%	13%
Massachusetts	**33%**	**23%**	**22%**

Source: Federal Financial Institutions Examination Council (FFIEC) CRA Disclosure Data, 2020.

Lending by Business Industry

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

Note that SBA loans included in this analysis come from two SBA programs, 7a and 504. More 7a loans are issued than 504 loans, whereas 504 loans tend to be much larger. This is because 7a loans are used for general operations purposes such as purchasing an existing business, refinancing current debt, or purchasing materials and supplies.[31] 504 loans are much bigger in dollar amount, as they are capital loans, mostly issued for commercial real estate and equipment, such as buying a building, financing construction or building improvements, or purchasing heavy machinery.[32] For these reasons, most businesses may only receive one 504 loan in their lifetime, as opposed to multiple 7a loans.

Uses for a 7(a) loan include:

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

A 504 loan can be used for a range of assets that promote business growth and job creation. These include the purchase or construction of the following:

- Existing buildings or land
- New facilities
- Long-term machinery or equipment

Or the improvement or modernization of:

- Land, streets, utilities, parking lots, landscaping
- Existing facilities

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

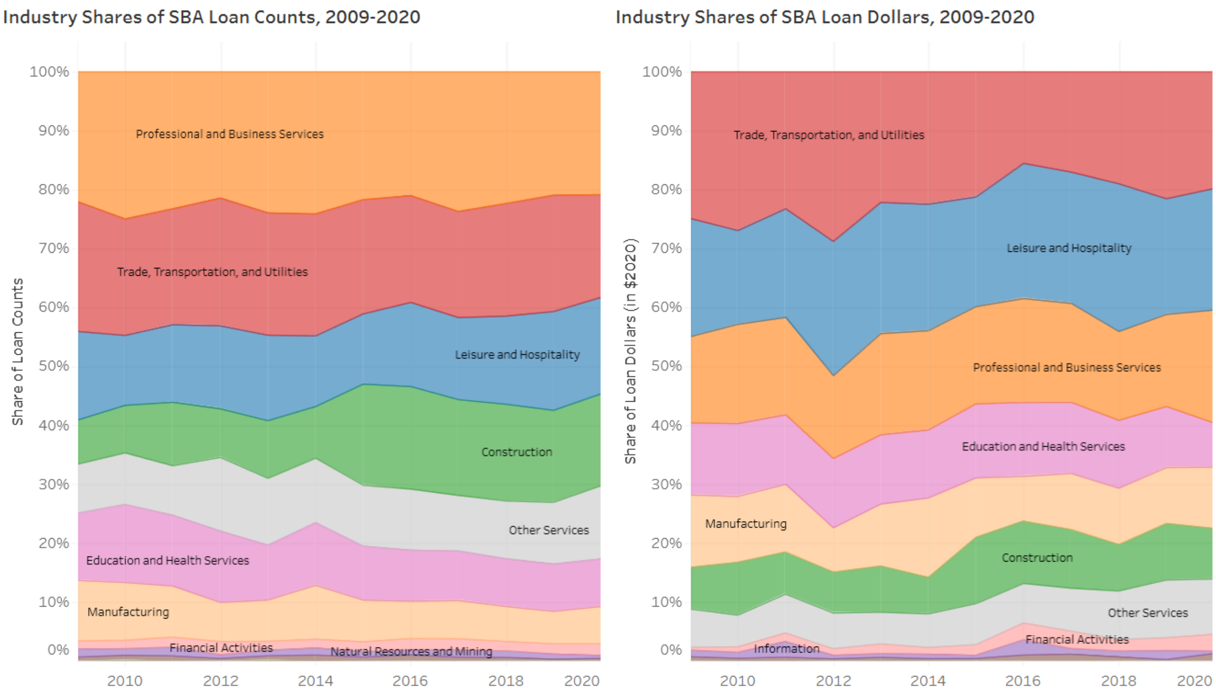
Figure 16 below shows the share of SBA loans awarded by business industry[33] across Massachusetts over time. Although businesses in Professional and Business Services; and Trade, Transportation and Utilities industries received nearly 40 percent of all SBA loans, other industries have seen dramatic growth in their loan share, such as Construction. While Professional and Business Services is the industry with largest number of total loans, those loans tend to be small in size compared to loans for businesses in Trade, Transportation and Utilities; and the Leisure and Hospitality industries. Firms in Professional and Business Services often receive 7a loans (as opposed to 504) which helps explain their smaller share of loan dollars given their large share of loan counts.

[31] 7(a) loan uses, see https://www.sba.gov/funding-programs/loans/7a-loans for more information.

[32] 504 loan uses, see https://www.sba.gov/funding-programs/loans/504-loans for more information.

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

Figure 16. SBA Industry Shares of Loan Counts and Loan Dollars, 2009-2020

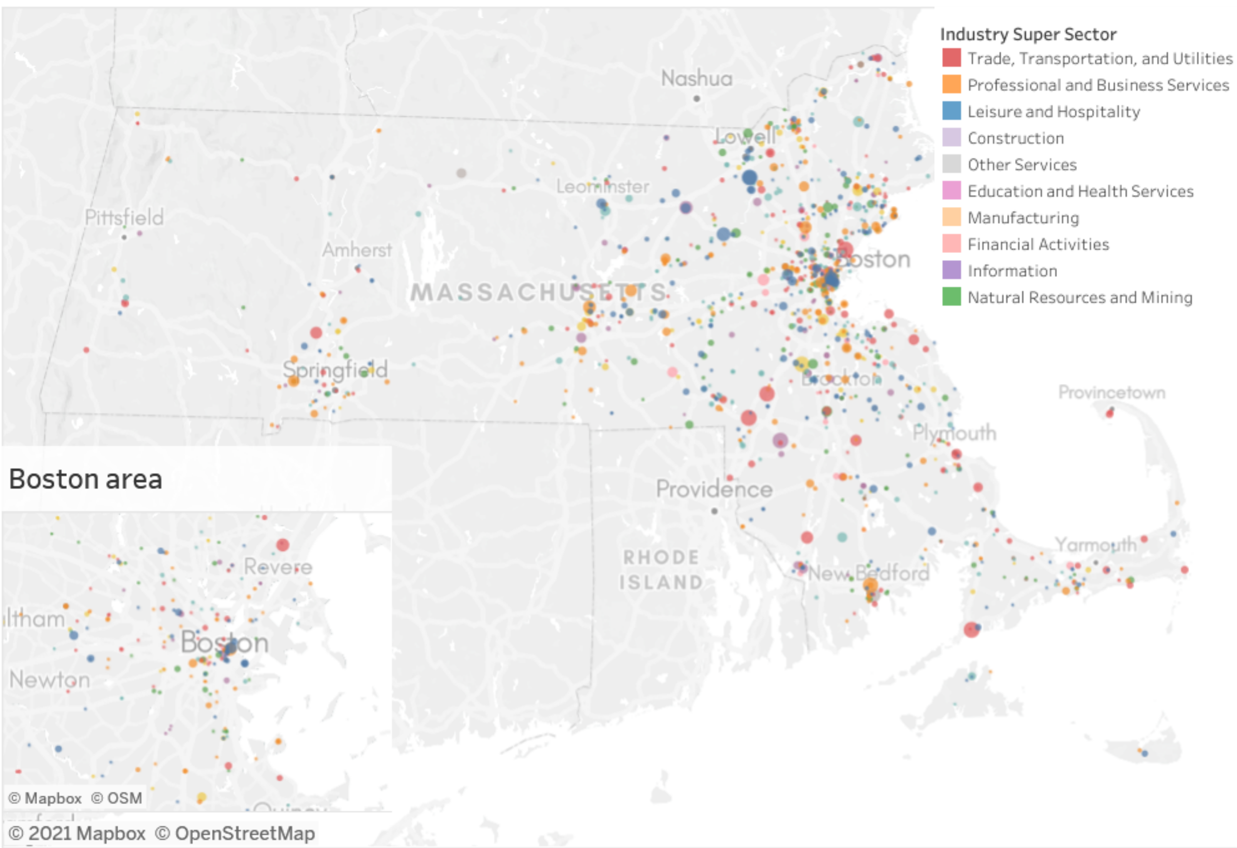


Source: Small Business Administration, SBA 7a and 504 Loan Reports, 2009-2020. Dollar amounts are expressed in 2021 dollars.

Figure 17 below shows a dot map of all SBA loans by industry in 2020, with dot size proportional to the loan dollar amount. While Trade, Transportation and Utilities remains the most common industry super sector to receive SBA loans (which includes detailed industries like retail and grocery stores, merchant wholesalers and freight trucking) loans to businesses in Leisure and Hospitality saw some of the largest total dollar amounts in 2020 despite a smaller number of loans to that sector, which included loans to full-service restaurants, hotels, and bars.

When removing the large commercial 504 loans from our analysis, Professional and Business Services outranks Trade, Transportation and Utilities, as landscapers, lawyers, accountants and engineers (all counted in this supersector) are more likely to seek a 7a loan for operations.[34]

Figure 17. Map of SBA Loans by Industry, 2020



Source: Small Business Administration, SBA 7a and 504 Loan Reports, 2009-2020.

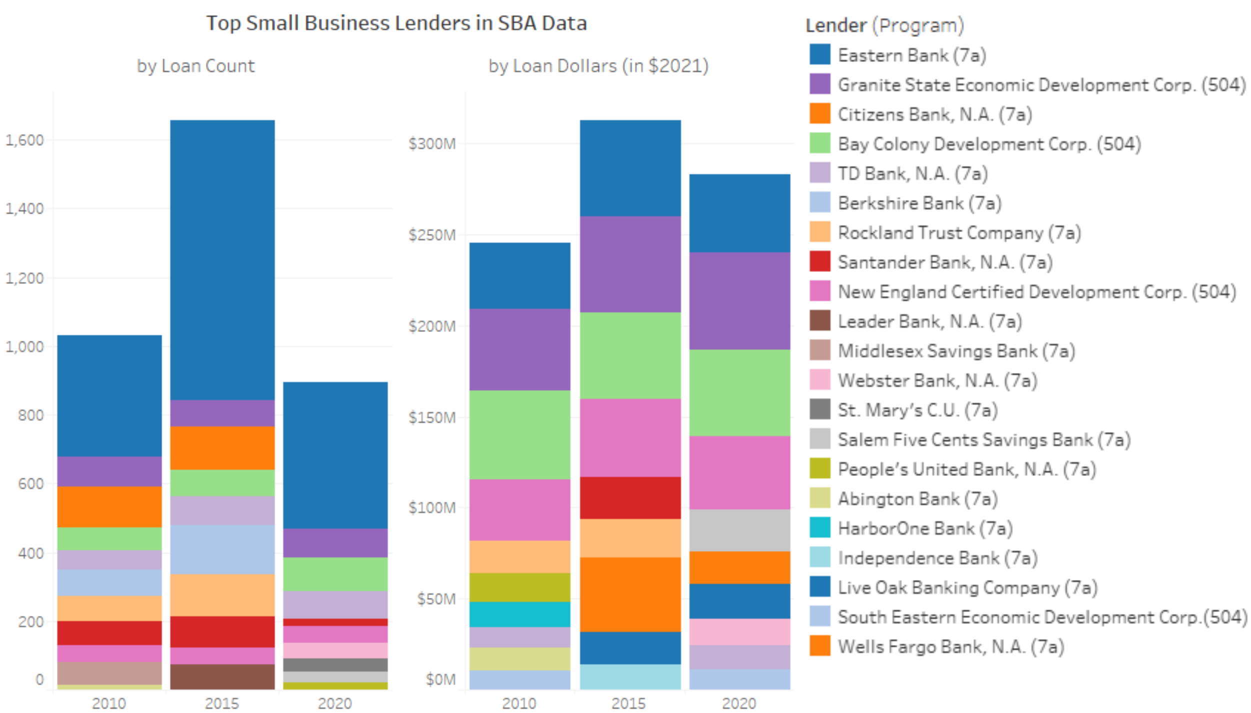
[34] Small Business Administration (SBA) loans in this analysis are combination of 7a and 504 loans, which serve different purposes. 7a loans are more common than 504 loans, often used for smaller expenses such as daily operations including payroll, 504 loans are much larger in dollar amount and are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

Lender Activity

Lender Activity, Information from SBA Data

This section tracks Small Business Administration (SBA) loan activity levels by two different metrics: counts of loans and total dollar amounts issued. It also examines the trends by SBA lender. Some lenders tend to issue a higher number of smaller loans, and other lenders tend to issue fewer but larger loans. For this reason, the top ten most active lenders in terms of loan count and loan amount are not identical. An example of this is Eastern Bank, which was the most active lender in terms of loan count in 2020, but 3rd in loan dollars. This is because SBA loans include both 7a and 504 loans. Capital loans for things like infrastructure and equipment (504 loans) are handled by development corporations, and by their nature these are bigger loans than 7a loans, which can be used more flexibly for operations and therefore are typically smaller. Eastern Bank issues high numbers of 7a loans. The difference in the nature of these two loan types accounts for most of the differences between SBA lender activity when considering it on the basis of counts vs. overall dollars issued as the basis of assessing lender activity.

Figure 18. Top Small Business Lenders in SBA Data by Loan Count and Loan Dollars, 2010, 2015, 2020



Source: Small Business Administration, SBA 7a and 504 Loan Reports, 2010, 2015, 2020

Figure 18 above highlights that Eastern Bank has consistently been the most active lender by loan count through 7a loans. They issued the most SBA loans in Massachusetts in 2010, 2015 and 2020—in 2015 Eastern Bank issued 815 7a loans. In 2020, they issued 426 SBA loans, with the value of these loans totaling $43.2 million that year.

Figure 18 also shows loan amounts. While the lending has grown, the relationships remain: the top four lenders by loan amount (total dollars) has not changed since 2009. These four lenders are Granite State

Economic Development Corp. (504), Bay Colony Development Corp. (504), Eastern Bank (7a), and New England Certified Development Corp. (504). New England Certified Development Corp. made just 49 small business loans and was ranked the 5th most active lender in 2020 by loan count. Bay Colony Development Corporation has consistently increased the loan dollars they issue, in tandem with their number of loans.

Lender Activity, CRA Data

The Community Reinvestment Act (CRA) provides data on small business loans by lender information. This section looks at originated small business CRA loans by lender. Lender activity, very similar to the lender activity by SBA, is analyzed in levels measured by counts of loans and by the total dollar amount issued. It is worth noting that according to CRA reporting requirements, business credit cards are considered a type of small business loan origination although all lines of credit are bundled together for the same period as one loan entry.[35]

Figure 19 shows CRA small business originations by lender 2020. Over the course of the past 10 years, the most active lender in Massachusetts was American Express. However, Bank of America issued more than triple the amount of loan dollars than American Express. Combined, Bank of America and Citizens Bank made up slightly over 20 percent of the issued loan dollars in Massachusetts in 2020, additionally these two banks rank 2nd and 3rd respectively in loan originations.

American Express is the largest business credit card issuer in the U.S., according to the Nilson Report. Small businesses are an especially important constituency: its small-business credit card portfolio is larger than that of its nearest five competitors combined.[36] The company has illustrated a public commitment to small business growth, even created "Small Business Saturday" events in 2010 to help small businesses get exposure during the holiday season.

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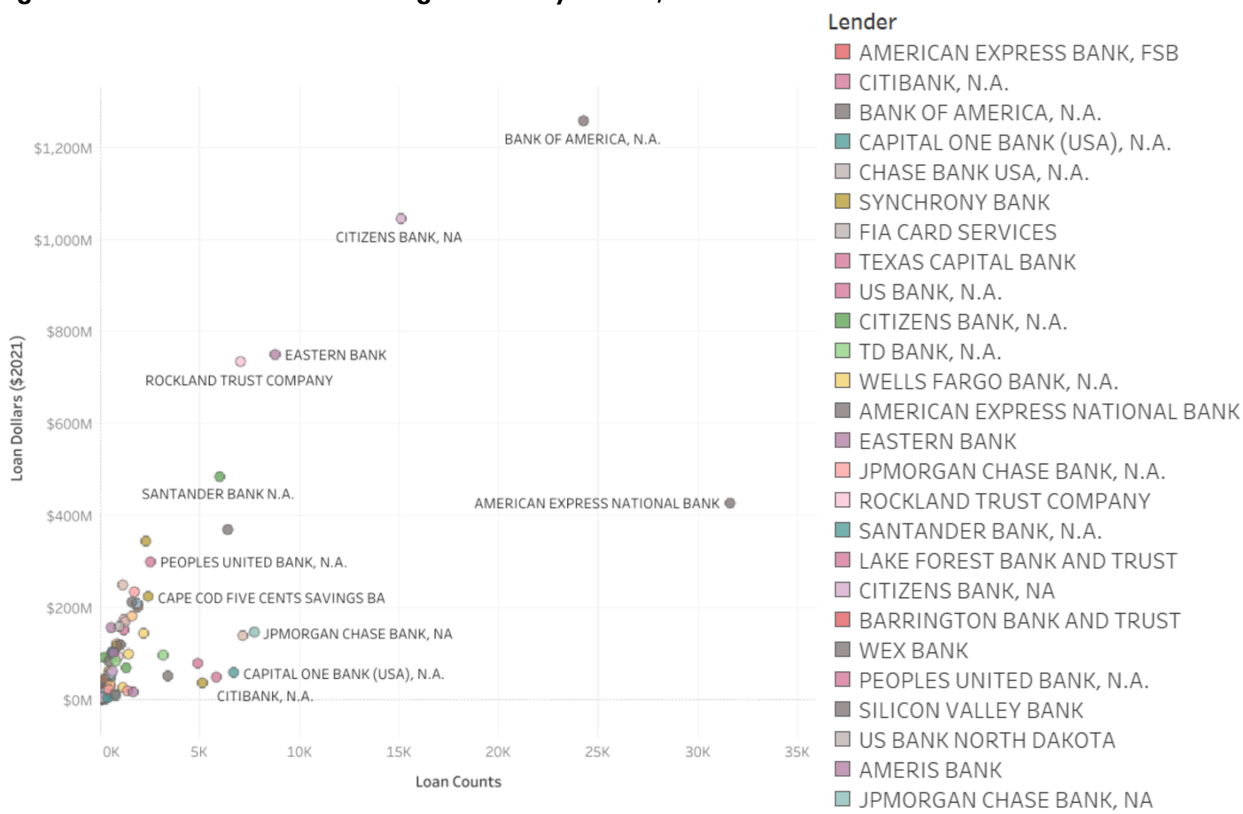
[35] A Guide to CRA Data Collection and Reporting, Federal Financial Institutions Examination Council, January 2021. See https://www.ffiec.gov/cra/pdf/cra_guide.pdf

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

Figure 19. CRA Small Business Originations by Lender, 2020



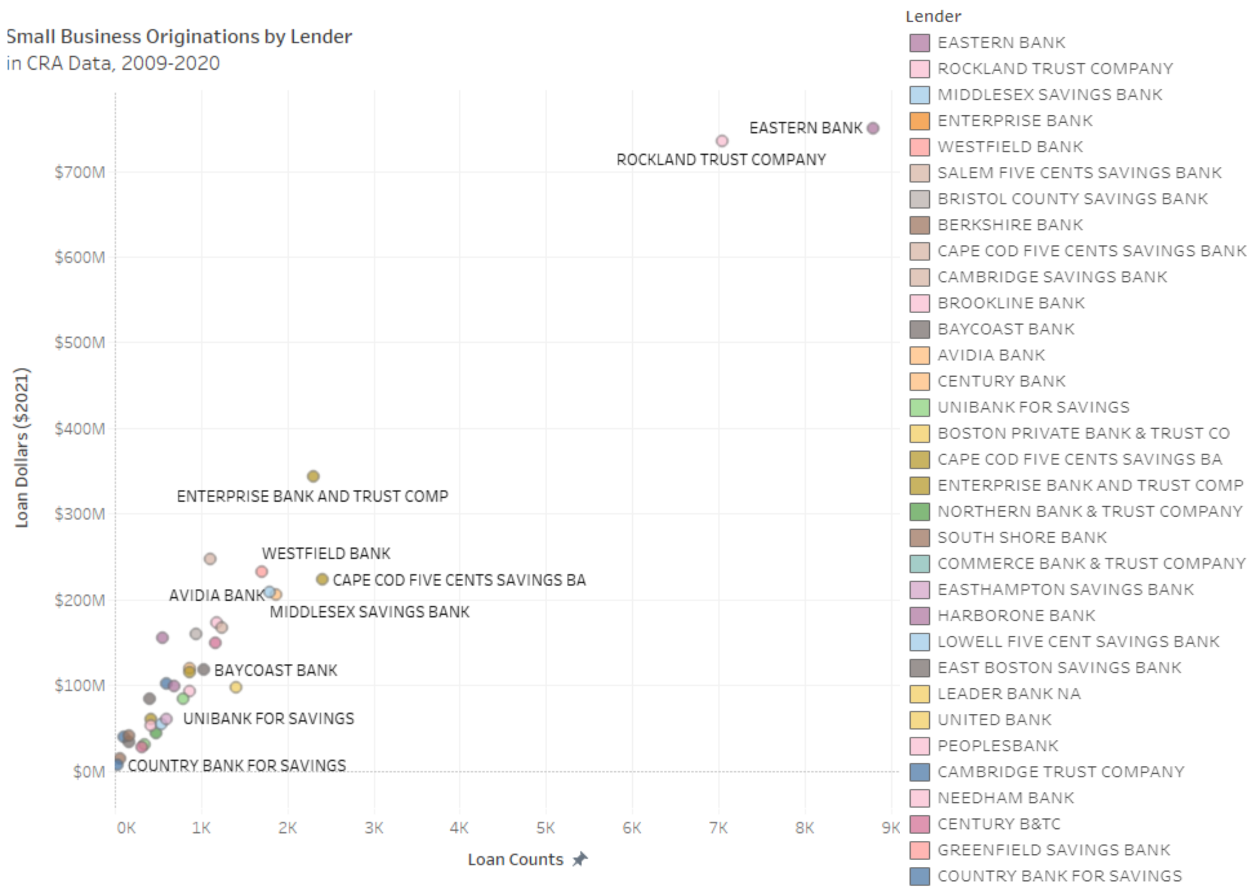
Source: Federal Financial Institutions Examination Council (FFIEC) CRA Disclosure Data, 2020

Figure 20 shows CRA small business originations by institutions headquartered in Massachusetts. In 2020, Eastern Bank and Rockland Trust Company were the most active CRA small business lenders headquartered in Massachusetts. Combined, Eastern Bank and Rockland Trust Company made over 15,846 loans in 2020, nearly three times what they issued in 2019. Of the over 1.5 billion dollars in loans issued by these two institutions in 2020, over $166 million went to small businesses with annual revenues equal to or less than $1 million. There were thirteen lenders headquartered in Massachusetts that issued more than 1,000 small business loans in 2020 while that number was only two in 2019.

Eastern Bank and Rockland Trust Company have been the two most active lenders headquartered in Massachusetts every year since 2011. Rockland Trust is also the largest publicly traded commercial bank headquartered in Massachusetts and Eastern is the largest mutual.[37]

[37] https://www.rocklandtrust.com/about-us/explore/our-story

Figure 20. CRA Small Business Originations by Institutions Headquartered in Massachusetts, 2020



Source: Federal Financial Institutions Examination Council (FFIEC) CRA Disclosure Data, 2020

Massachusetts-based institutions are competitive to national lending institutions in terms of the loan dollars that they issue to small businesses, with 6 of the top 12 lenders being headquartered in Massachusetts. However, these Massachusetts institutions are not coming as close in terms of the volume of loans that are issued by national lending institutions. One of the top five small business lenders in terms of number of loans is Eastern Bank. With other national lending institutions, these top five made up 45 percent of all small business loans in Massachusetts. These lending institutions are American Express, Bank of America, Citizens Bank, Eastern Bank and JP Morgan Chase Bank. Local banks on average issue higher value loans than the out of state lenders. No institutions headquartered in Massachusetts had an average loan size below $70,000 in 2020. The average small business loan issued in Massachusetts was nearly $58,000 in 2020. Boston Private Bank and Trust has the highest average loan size out of the top thirty most active lenders by loan count, with slightly over a quarter million dollars per loan. In contrast, American Express was the most active lender, issuing more than 31,000 small business loans, but had an average amount of just $13,500 per loan.

Pandemic Effects and Relief Loans

COVID-19 Relief Loans

The novel coronavirus had an immense negative impact on small businesses. To prevent greater loss to small business' economic activity, in March 2020 the US government under the CARES Act released $376 billion to small businesses, and the Consolidated Appropriations Act continued to the CARES Act programs by adding new phases and guidance to continue address the economic obstacles as the pandemic continues. The Consolidated Appropriations Act (2021) was passed by Congress on December 21, 2020, and signed into law on December 27, 2020.[38] In addition to traditional SBA debt relief and SBA Express Bridge loans, the CARES Act offered new temporary loan programs: the Paycheck Protection Program (PPP) and Economic Injury Disaster Loans (EIDL).

PPP Loans

The Paycheck Protection Program (PPP) loans were a new type of SBA loan designed to help businesses keep their workforce employed during the COVID-19 crisis. PPP loans were issued by financial institutions and guaranteed by the SBA, with an interest rate of 1 percent. Any small business with less than 500 employees, or more than 500 employees but which meet SBA's industry standards, were eligible. These loans could become grants through eligible spending, with up to one hundred percent forgiveness if the funds were documented and used for eligible payroll costs, payments on business mortgage interest payments, rent, or utilities by small businesses. In 2021, as the pandemic continued to impact small businesses, SBA allowed businesses that received a first draw loan to apply for and receive a second draw PPP loan under certain conditions. SBA mostly kept the terms the same for the second draw loans, and the program closed on May 31, 2021.[39]

From April to August of 2020, more than 5 million small businesses received PPP loans, totaling over $525 billion in the United States. In 2021, the second draw of the PPP program, 6.6 million loans were approved totaling $277.7 billion. The three industries that received the highest share of PPP loan dollars are the Accommodation and Food Services industry; the Construction industry and Health Care and Social Assistance industry. These industries received 15 percent, 12 percent, and 10 percent of the loan amounts, respectively. The biggest change is that Professional, Scientific, and Technical services industry received the largest share of dollars last year at 14.5 percent, but they received the 4th highest share in 2021 at 10 percent.

California received the highest number of loans in the nation and Massachusetts received the 21st most, a stark contrast from 2020, where Massachusetts was 12th. **Figure 21** shows the number and amount of PPP Loans in New England states and the US. Massachusetts received the highest number of PPP loans in New England, and nearly double the number given in Connecticut. In terms of average loan size, Massachusetts ranked 4th in the US, following, New Hampshire, DC, and Hawaii.

[38] https://home.treasury.gov/policy-issues/coronavirus/about-the-cares-act

[39] https://www.sba.gov/funding-programs/loans/covid-19-relief-options/paycheck-protection-program/second-draw-ppp-loan

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

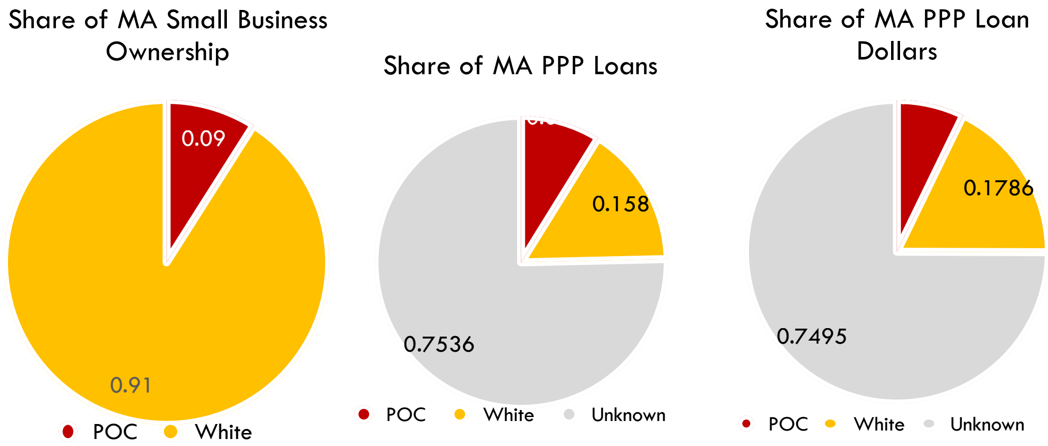
State	Approved Loans	Approved Loan Amount	Average Loan Size
Connecticut	55,612	$3,240,741,724	$58,274
Massachusetts	103,507	$6,896,694,622	$66,630
Maine	19,471	$994,866,271	$51,095
New Hampshire	16,617	$1,156,553,713	$69,601
Rhode Island	17,282	$1,000,161,994	$57,873
Vermont	9,541	$564,206,007	$59,135
United States	6,681,929	$277,700,108,079	$41,560

Source: SBA PPP Loan Data, Summary of cumulative Paycheck Protection Program approvals through 05/31/2021.
Note: Approved loans are the total of first and second loan draws.

SBA approved over 6.6 million PPP loans, totaling $277 billion in 2021. PPP loans were available for small businesses affected by the COVID-19 crisis in 2021 as the pandemic continues to impact small businesses and employment.

Figure 22 below shows the demographic information in Massachusetts for PPP loans. The top pie chart here is built from the SBA's 2020 Massachusetts Small Business Profile, bottom left and right-hand pie are created from SBA PPP loan level data. Race and ethnicity information was only available for 24 percent of records. Of that subset of records, POC-owned businesses received 8.8 percent of the loans made in Massachusetts and the 2020 SBA Massachusetts report states POC businesses make up 9 percent of small businesses in the state. White-owned businesses received 15.8 percent. However, this data on ownership by race and ethnicity must be treated with caution. Because over 75 percent of the businesses which received loans have unknown ownership, and the lack of reporting may not be equal across demographic groups, these percentages are highly likely to be influenced by this lack of information. Further, we believe many more informal businesses were not able to secure PPP funding. Therefore, the data must be interpreted with caution. Unfortunately, none of the data available contains information which allows investigation further into this; race and ethnicity information would need to be collected as a requirement.

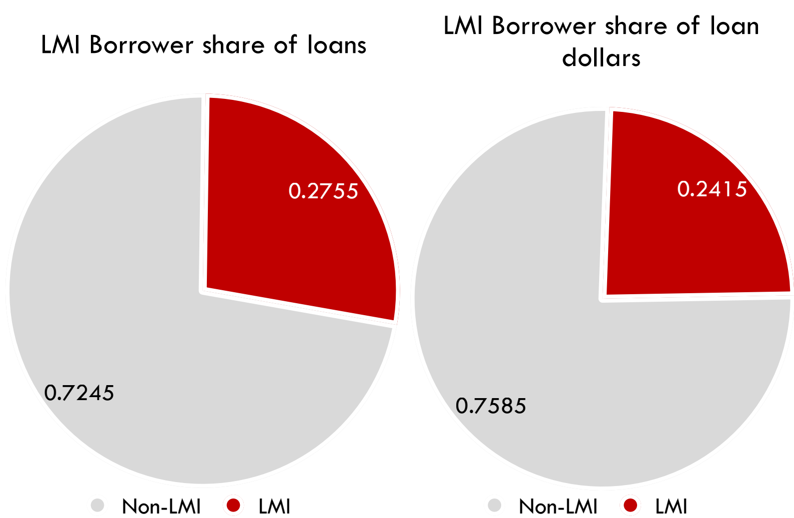
Figure 22. Paycheck Protection Program Massachusetts Demographic Information



Sources: Small Business Association 2020 Massachusetts Small Business Profile (top chart);
PPP Loan-level data complete as of November 24, 2021, obtained December 2021 (bottom charts).

Figure 23 shows LMI borrowers' share of loans and loan dollars in 2020 in Massachusetts. LMI borrowers accounted for 28 percent of loans opposed to 72 percent for non-LMI borrowers. LMI borrowers received 24 percent of all PPP dollars opposed to 76 percent for non-LMI borrowers.

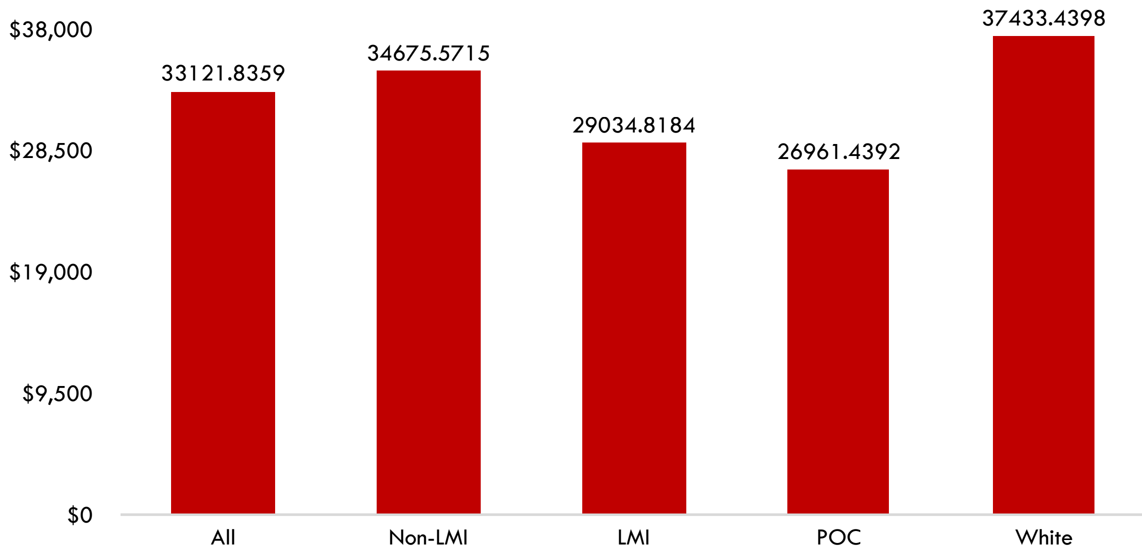
Figure 23. Paycheck Protection Program Low Moderate Income (LMI) Borrowers



Sources: PPP Loan-level data complete as of November 24, 2021, obtained December 2021.

As it shows in **Figure 24**, the average loan size for LMI borrowers was $29,035 compared to $34,676 for non-LMI borrowers; average loan size for all borrowers was $33,122. When race was known, the average loan size for white borrowers was $37,433, higher than the average, compared to $26,961 for people of color, the lowest average of all groups. Average loan size may be influenced by relative business sizes.

Figure 24. Paycheck Protection Program, Average Loan Size by Group



Sources: PPP Loan-level data complete as of November 24, 2021, obtained December 2021.

COVID-19 Economic Injury Disaster Loans (EIDL)

EIDL loans are for economic relief to small businesses and nonprofit organizations when they experience a temporary loss of revenue.[40] These federal loans became available as economic difficulties arose from the COVID-19 pandemic. SBA provides easy-to-access loans to small businesses that need capital. EIDL loans are a long-term (30-year) direct loan supported by the SBA. The fixed APR for EIDL is 3.75 percent for businesses and 2.75 percent for non-profits. Any small business with 500 employees or fewer is eligible. As of October 8, 2021, SBA began new COVID-19 EIDL policy increasing the maximum loan cap from $500,000 to $2 million. EIDL loan applications were discontinued December 31, 2021, but recipients can still request increases, reconsideration of denials, and appeal declined reconsiderations. Borrowers can apply for loan increases up to their maximum loan amount up to two years after the date of their origination, or until the funds are exhausted. Reconsideration requests can be filed six months from the date of decline of the original loan, and appeals to denials of reconsiderations can be filed 30 days from the date of the reconsideration decline.[41]

Small businesses can be eligible for both PPP and EIDL loans at the same time, as long as the businesses meet the requirements. However these loans cannot be used or applied for the same purpose. Although PPP loans can be forgiven up to one hundred percent, EIDL loans are not eligible for forgiveness.[42]

Around 3.8 million small businesses in the United States received COVID-19 EIDL loans totaling over $308 billion in 2021. **Figure 25** below shows the number and approved loan amount of coronavirus EIDL loans. Massachusetts received the highest number of EIDL loans in New England with nearly 65,000 loans, Connecticut followed with roughly over 37,000 loans. In terms of average loan size, Connecticut had the highest average loan size in New England, $7,660 higher than the national average. Massachusetts had the second highest average loan size in New England, comparable to that of Connecticut.

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

[41] https://www.sba.gov/funding-programs/loans/covid-19-relief-options/eidl/covid-19-eidl

[42] Excluding EIDL Advance loans, which are not included in this analysis.

Figure 25. Number and Total Dollar Amount of COVID-19 EIDL Loans in New England and US

State	Approved Loans	Approved Dollars	Average Loan Size
Connecticut	37,296	$3,240,076,208	$86,875
Maine	10,914	$869,518,442	$79,670
Massachusetts	64,586	$5,564,340,321	$86,154
New Hampshire	11,666	$983,521,890	$84,307
Rhode Island	11,216	$837,912,355	$74,707
Vermont	6,522	$473,279,310	$72,567
United States	3,848,924	$304,892,061,312	$79,215

Source: SBA Disaster Assistance Update Nationwide COVID-19 EIDL Loans
Note: Data shown are as of 12/01/2021. This analysis does not include EIDL Advance loans.

California had the highest number and dollar amount of approved EIDL COVID-19 loans with over 582,000 loans and over $54.5 billion. Massachusetts ranked 14th in terms of loan dollars and 16th in number of loans among the US States and territories in 2021.

Figure 26. Employees and Businesses in the New England States, 2019

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

Source: 2019 Small Business Profiles for the States and Territories

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

Small Business Pulse Survey

Near the start of the pandemic, the Small Business Pulse Survey, an experimental survey, was created by the US Census Bureau to measure the effects of the coronavirus pandemic on small businesses. The survey targets single-location employer businesses with less than 500 employees and receipts of $1,000 or more. It is a weekly survey of around twenty questions on how small businesses are being effected by the coronavirus pandemic with overall well-being, operations, adaptability, finances and expected recovery.[43] The Small Business Pulse Survey is designed to track changes during the COVID-19 crisis. It also tracks small businesses' receipt of loans from the federal and state government, both coronavirus-specific loans and state and federal loans issued for any reason or purpose. The survey is administered in phases, with small updates to the instrument each time[44]. The second and third phase survey questions included additional questions on the changing impacts on small businesses. There are approximately twenty survey concept questions, including total revenue, change in revenues, change in employees, operating, future expectations, and received and requested assistance. The Small Business Survey questions are designed to reflect overall well-being, expectations for recovery and changing circumstances for small businesses. This analysis focuses only on the overall effect of the pandemic, usage of financial assistance, and cash available on hand for small businesses.

The Overall Sentiment Index, one of the four indexes that the Census created in the Small Business Pulse Survey, assesses the overall effect of the pandemic on businesses.[45]The possible Overall Sentiment Index values range between -1 and +1. Negative values indicate a negative effect, 0 indicates little or no effect and positive values indicate a positive effect on small businesses.

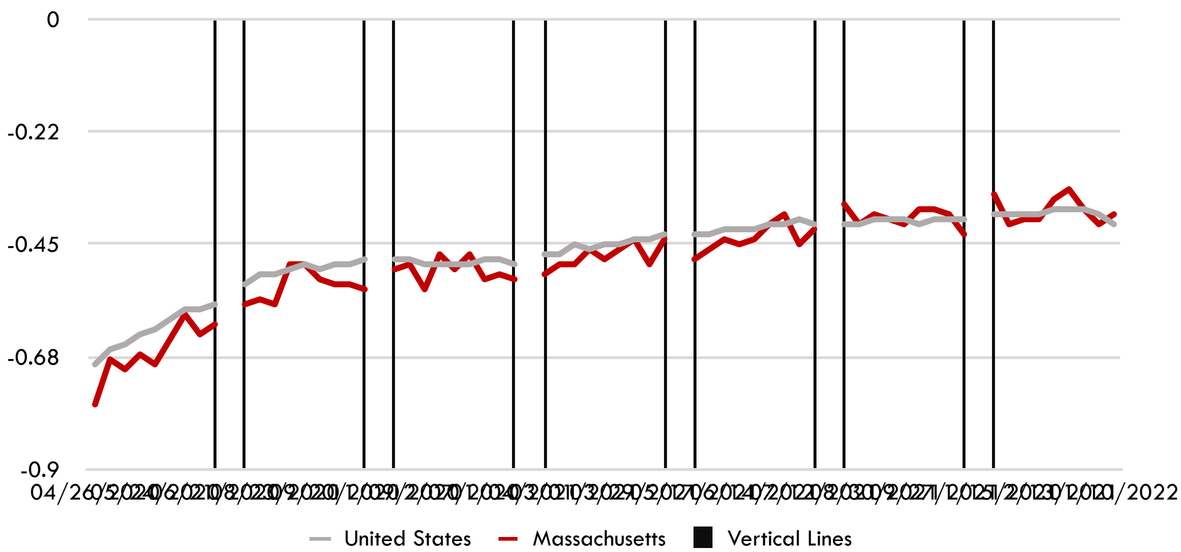
Figure 27 below shows the Overall Sentiment Index for Massachusetts and the United States. As might be expected, the values are negative. Overall sentiment of small businesses was lowest at the beginning of the pandemic. Over time, sentiment about the overall effect of the pandemic on small businesses has been getting somewhat less negative. Massachusetts small businesses have usually had a slightly more negative sentiment than the United States overall. Massachusetts small business responses were more positive than the US as a whole for only 13 of the 63 weeks.

[43] Small Business Pulse Survey is an experimental Census product designed and launched during the pandemic. For more, including the questions on the survey and additional data not highlighted here, see: https://portal.census.gov/pulse/data/?#research?

[44] Phase 1 began May 14th, 2020 and ended July 2nd, 2020; Phase 2 began August 20th, 2020 and ended October 15th, 2020; Phase 3 began November 19th, 2020 and ended January 14th, 2021; Phase 4 began February 25th, 2021 and ended April 22nd, 2021; Phase 5 began May 27th, 2021 and ended July 22nd, 2021; Phase 6 began August 26th, 2021 and ended October 21st, 2021; Phase 7 began November 24th, 2021 and ended January 20th, 2022

[45] See https://portal.census.gov/pulse/data/#about

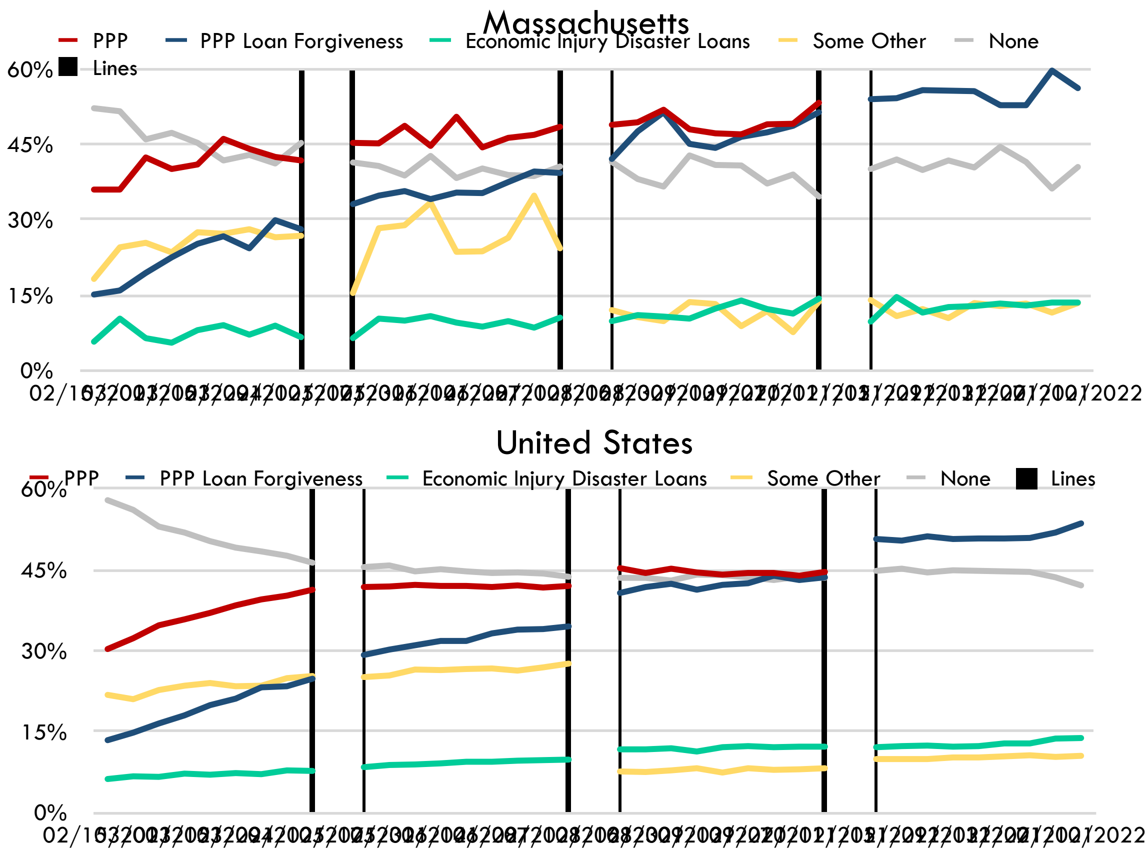
Figure 27. Overall Sentiment Index



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

Figure 28, below, shows the proportion of businesses in Massachusetts and the U.S. that have received at least one form of financial assistance since December 27th, 2020. By far the most common form of assistance small businesses in Massachusetts and across the U.S. received were Paycheck Protection Program loans and subsequent forgiveness. The trend in the proportion of small businesses in Massachusetts receiving some form of aid followed that of the US very closely. Within the ‘Some Other’ category, the most common form of assistance came from State or local programs or from the owners themselves. The proportion of small businesses that received no form of financial assistance has steadily fallen since the beginning of 2021, with 58 percent of small businesses in Massachusetts reporting receiving some form of aid since December 27th of 2020 in the most recent survey week, highlighting the importance of financial assistance programs during the pandemic.

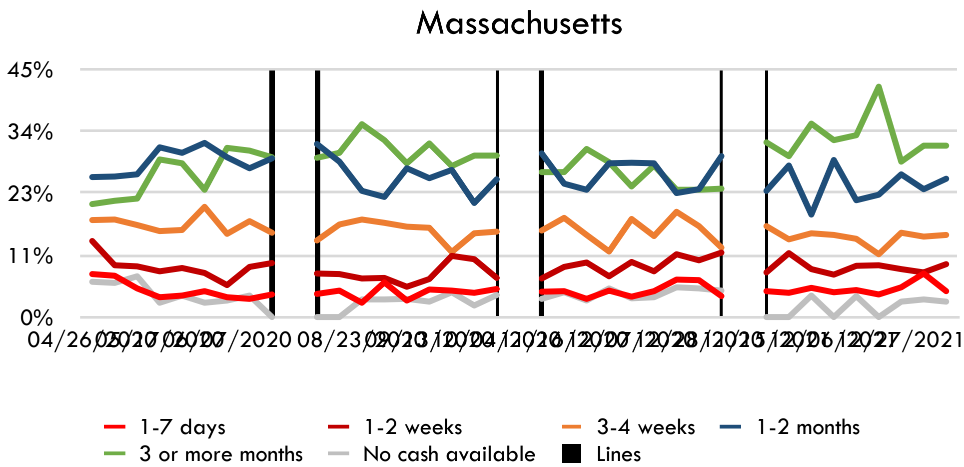
Figure 28. Businesses Receiving Financial Assistance

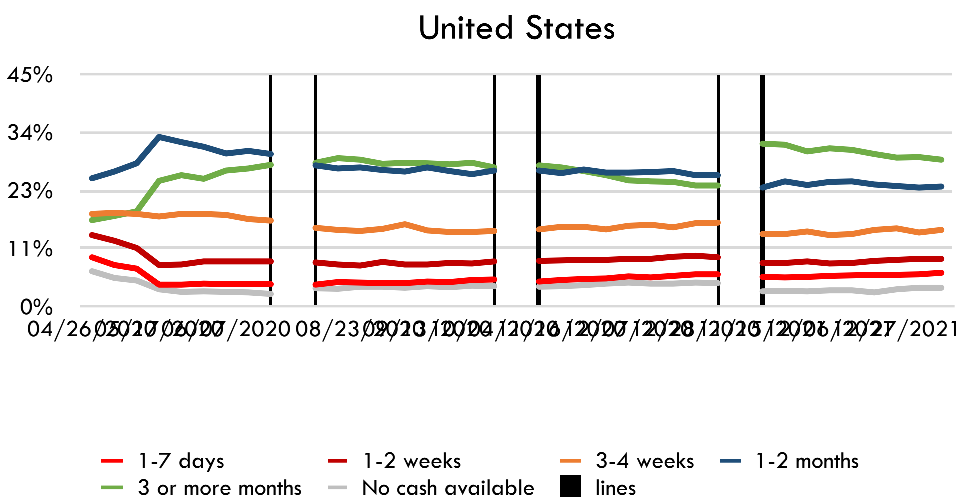


Source: US Census Bureau, Small Business Pulse Survey. The item asked was "Since December 27, 2020, has this business received financial assistance from any of the following sources?" Note: "Some Other" includes paid sick and family leave credit, employee retention and rehiring credit, other Federal programs, State or local programs, banks or other financial institutions, owners, family or friends, Restaurant Revitalization fund, Shuttered Venue Operators Grants, Child Care Stabilization Fund, and other sources.

Figure 29, below, depicts the amount of cash on hand that small businesses in Massachusetts and the U.S. possess, framed in terms of how long that cash will support their business operations. Over the course of the pandemic, most small businesses in Massachusetts and the U.S. have had at least one or more months' worth of cash on hand for business expenses. It is plausible that this store of cash has in part been made possible by government aid programs, given the high rate of utilization of Paycheck Protection Program loans and other financial assistance programs (see **Figure 28**). Conversely, there has also been a notable share of small businesses operating with only one day to two weeks' worth of cash on hand.

Figure 29. Cash on Hand





Source: US Census Bureau, Small Business Pulse Survey. The item asked was "How would you describe the current availability of cash on hand for this business?". Note: Omitted "Not Sure" from chart.

Appendix 1

Peer Group Information and Methodology

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

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

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

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

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

CRA Bank Size

The CRA defines three groups for banks based on asset size: small institutions, intermediate-small institutions, and large institutions. The cut-off for each group is defined by annual average asset size, and in 2020 the cut-offs were $330 million or less, $330 million to $1.322 billion, and $1.322 billion and above, respectively. An institution's cutoffs change every year based on an increase or decrease in the Consumer Price Index (specifically, the CPI-W) for the year. The Federal Reserve System and the Federal Deposit Insurance Corporation announce an annual adjustment to the asset-size thresholds that defines bank sizes under CRA regulations. Banks are evaluated with different examination procedures under CRA regulations based on their asset size classification.

Appendix 2

Table: Market Shares of CRA Small Business Data by Total Loan Count and Total Loan Amount for Most Active Lenders (by Total Loan Count) in Massachusetts, 2020

Adjusted for inflation, to 2021 dollars

Lender	Loan Count	Share	Loan Dollars ($ 2021)	Share	Loan Dollars with Annual Revenues < $1M ($2021)	Share
American Express, N.A.	31,617	16.3%	$426,565,920	3.8%	$99,786,639	4.1%
Bank of America, N.A.	24,272	12.5%	$1,258,938,235	11.1%	$479,856,166	19.7%
Citizens Bank, N.A.	15,086	7.8%	$1,044,447,584	9.2%	$434,775,292	17.8%
Eastern Bank	8,797	4.5%	$750,269,173	6.6%	$75,011,945	3.1%
JP Morgan Chase Bank, N.A.	7,711	4.0%	$145,356,453	1.3%	$49,013,332	2.0%
Lake Forest Bank & Trust, N.A.	7,134	3.7%	$138,400,316	1.2%	$442,873	0.0%
Rockland Trust Company	7,049	3.6%	$734,685,919	6.5%	$91,577,267	3.8%
Capital One Bank (USA), N.A.	6,677	3.4%	$57,569,255	0.5%	$25,682,425	1.1%
TD Bank N.A.	6,430	3.3%	$368,516,101	3.2%	$130,271,562	5.3%
Santander Bank, N.A.	5,999	3.1%	$485,042,906	4.3%	$12,433,937	0.5%
Citibank, N.A.	5,836	3.0%	$48,068,956	0.4%	$30,914,185	1.3%
Synchrony Bank	5,130	2.6%	$34,862,348	0.3%	$4,188	0.0%
Texas Capital Bank	4,908	2.5%	$77,253,530	0.7%	$0	0.0%
US Bank, N.A.	3,363	1.7%	$49,595,453	0.4%	$31,457,568	1.3%
Cross River	3,178	1.6%	$96,163,040	0.8%	$710,900	0.0%
Peoples United Bank, N.A.	2,529	1.3%	$298,793,500	2.6%	$34,767,072	1.4%
Cape Cod Five Cents Savings	2,407	1.2%	$223,237,124	2.0%	$20,634,933	0.8%
Enterprise Bank And Trust Comp.	2,306	1.2%	$342,915,340	3.0%	$29,950,963	1.2%
Wells Fargo Bank, N.A.	2,164	1.1%	$142,568,345	1.3%	$49,158,863	2.0%
Berkshire Bank	1,897	1.0%	$201,401,305	1.8%	$36,173,167	1.5%
Avidia Bank	1,865	1.0%	$205,494,997	1.8%	$34,279,180	1.4%
Middlesex Savings Bank	1,801	0.9%	$208,004,609	1.8%	$41,497,061	1.7%
Westfield Bank	1,712	0.9%	$232,545,826	2.0%	$41,924,229	1.7%

Ameris Bank	1,671	0.9%	$15,804,167	0.1%	$0	0.0%
Silicon Valley Bank	1,587	0.8%	$211,915,080	1.9%	$36,549,033	1.5%
Total	**194,025**	**-**	**$11,373,196,507**	**-**	**$2,438,019,100**	**-**

Source: Federal Financial Institutions Examination Council (FFIEC) CRA Disclosure Data, 2020

Appendix 3

Table: Market Shares of CRA Small Business Data by Total Loan Count and Total Loan Amount for Most Active Lenders (by Total Loan Dollars) in Massachusetts, 2020

Adjusted for inflation to 2021 dollars

Lender	Loan Count	Share	Loan Dollars ($ 2021)	Share	Loan Dollars with Annual Revenues < $1M ($2021)	Share
Bank of America, N.A.	24,272	12.5%	$1,258,938,235	11.1%	$479,856,166	19.7%
Citizens Bank, N.A.	15,086	7.8%	$1,044,447,584	9.2%	$434,775,292	17.8%
Eastern Bank	8,797	4.5%	$750,269,173	6.6%	$75,011,945	3.1%
Rockland Trust Company	7,049	3.6%	$734,685,919	6.5%	$91,577,267	3.8%
Santander Bank, N.A.	5,999	3.1%	$485,042,906	4.3%	$12,433,937	0.5%
American Express, N.A.	31,617	16.3%	$426,565,920	3.8%	$99,786,639	4.1%
TD Bank, N.A.	6,430	3.3%	$368,516,101	3.2%	$130,271,562	5.3%
Enterprise Bank And Trust Comp	2,306	1.2%	$342,915,340	3.0%	$29,950,963	1.2%
Peoples United Bank, N.A.	2,529	1.3%	$298,793,500	2.6%	$34,767,072	1.4%
Salem Five Cents Savings Bank	1,108	0.6%	$247,693,536	2.2%	$47,322,459	1.9%
Westfield Bank	1,712	0.9%	$232,545,826	2.0%	$41,924,229	1.7%
Cape Cod Five Cents Savings	2,407	1.2%	$223,237,124	2.0%	$20,634,933	0.8%
Silicon Valley Bank	1,587	0.8%	$211,915,080	1.9%	$36,549,033	1.5%
Middlesex Savings Bank	1,801	0.9%	$208,004,609	1.8%	$41,497,061	1.7%
Avidia Bank	1,865	1.0%	$205,494,997	1.8%	$34,279,180	1.4%
Berkshire Bank	1,897	1.0%	$201,401,305	1.8%	$36,173,167	1.5%
Webster Bank, N.A.	1,585	0.8%	$180,247,069	1.6%	$75,766,818	3.1%
Brookline Bank	1,183	0.6%	$172,653,322	1.5%	$26,959,741	1.1%
Cambridge Savings Bank	1,237	0.6%	$167,329,427	1.5%	$11,371,252	0.5%
Bristol County Savings Bank	936	0.5%	$158,996,512	1.4%	$17,108,704	0.7%
Boston Private Bank & Trust	552	0.3%	$155,906,873	1.4%	$9,818,581	0.4%

Century B&T	1,162	0.6%	$149,631,273	1.3%	$9,542,178	0.4%
JP Morgan Chase Bank, N.A.	7,711	4.0%	$145,356,453	1.3%	$49,013,332	2.0%
Wells Fargo Bank, N.A.	2,164	1.1%	$142,568,345	1.3%	$49,158,863	2.0%
Lake Forest Bank & Trust, N.A.	7,134	3.7%	$138,400,316	1.2%	$442,873	0.0%
Total	**194,025**	**-**	**$11,373,196,507**	**-**	**$2,438,019,100**	**-**

Source: Federal Financial Institutions Examination Council (FFIEC) CRA Disclosure Data, 2020

Appendix 4

Technical Notes

SBA versus CRA data

The Community Reinvestment Act (CRA) requires federal banking agencies to implement a small business data reporting requirement for institutions with assets above $1 billion. These data are submitted annually to the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), and the Federal Deposit Insurance Corporation (FDIC). These agencies, in turn, release the data publicly through the Federal Financial Institutions Examination Council (FFIEC). All CRA data used in this report come from the FFIEC, which publicly provides loans by census tract, income category (on the tract level), revenue size of the small business (above and below $1 million), and by categories of dollar amount (below $100,000, $100,000 to $250,000, and above $250,000) for each depository institution.[46] The Small Business Administration (SBA) provides data on SBA programs including 7a, 504, and the microloan program. While these data are incorporated in the CRA loan data provided by the FFIEC, they only reflect 3 percent of all small business loans. SBA eligibility requirements are more restrictive than loans reflected in CRA data. Qualifying small businesses must meet size standards based on either 1) number of employees or 2) the number of dollars (average annual receipts) both of which vary based on NAICS code. CRA data defines small business loans as either loans less than $1 million dollars, or loans made to businesses with revenues of $ 1 million or less—if either condition is met, it is included in the data. Fortunately, because the size of the business as having revenues above or below $1 million, and the size of the loan are also recorded in the FFIEC CRA data, so the loans to businesses which are small can be analyzed on their own.

Normalization by Number of Small Businesses

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

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

Small Business Estimation method

The count of loans to each tract in Figure 3 was normalized in Figure 4 (to create loan counts per 100) using an estimate of small business created using several data sources. The 2018 ZIP Code Business Patterns (ZCBP) data from the U.S Census Bureau provide a count of businesses in each zip code with employment and allows you to filter out business over 500 employees; the SBA threshold for a small business. Data on businesses without employees (who make up the majority of small businesses) is available from the 2018 Non-Employer Statistics which are only available down to the county level. These two sets of data, zip code business and non-employer statistics needed to be combined to create a total count of small businesses. To this end, the county level non-employer business counts were distributed to their component zip codes based on population from the American Community survey 5 year data for 2019. If 5 percent of a counties population was in a tract, it was assumed that 5 percent of the counties total non-employer population could also be found in the tract. This is a departure from the method used with the 2019 loan data, which assumed that non-employers existed in proportion with the number of employer businesses in a given area. However research by the Donahue Institute in the interim revealed anecdotally that many non-employer businesses lack brick and mortar locations, and often operate out of a home[47], and may more closely follow patterns of population than employer businesses. Furthermore, in 2018 the Small Business Administration estimated that about half of all businesses operate from a home setting, and that over 60 percent of non-employer businesses operate out of a home.[48] The final zip code estimate of non-employers was added to the zip code employer business count to create a final small business count for every zip code in the state.

In order to relate businesses to loans, small businesses counts by ZIP code were crosswalked to census tracts using a crosswalk developed by HUD and the USPS. While the definition of small business used in the denominator (businesses) is based on data available by employee size of 500 or fewer employees, the numerator (loans counts from the CRA data) is based on revenue size, and reflects small business loans to businesses with annual revenues below $1 million. Therefore, this normalization should be utilized as an estimate only.

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[47] The Non-Employer Statistics count non-employer as establishments even if they are operating out of a home. https://www.census.gov/quickfacts/fact/note/US/NES010218

[48] See 2018 SBA FAQ https://www.sba.gov/sites/default/files/advocacy/Frequently-Asked-Questions-Small-Business-2018.pdf