



COMMONWEALTH OF MASSACHUSETTS

DIVISION OF BANKS

1000 Washington Street, 10TH Floor, Boston, MA 02118-6400
(617) 956-1500 · Fax (617) 956-1599 · TDD (617) 956-1577
www.Mass.Gov/DOB

MAURA T. HEALEY
GOVERNOR

KIM DRISCOLL
LIEUTENANT GOVERNOR

YVONNE HAO
SECRETARY OF ECONOMIC
DEVELOPMENT

LAYLA R. D'EMILIA
UNDERSECRETARY

MARY L. GALLAGHER
COMMISSIONER

REPORT OF THE SMALL BUSINESS LOAN REVIEW BOARD ON THE AVAILABILITY OF CREDIT FOR SMALL BUSINESSES AS OF JUNE 30, 2024

This memorandum serves as an informational summary prepared by the Massachusetts Division of Banks (the Division) on behalf of the Small Business Loan Review Board (the Board) regarding the availability of credit to small businesses within the Commonwealth, as of June 30, 2024, in accordance with the provisions of G.L. c. 167, § 14C.

The scope of the memorandum is to better understand the availability of credit for small businesses in Massachusetts. It is beyond the scope of this memorandum to offer an explanation or evaluation as to the observed outcomes. Rather, it seeks to provide an assessment of current lending conditions afforded to small businesses with the best data available to the Division.

Federal Funds Interest Rate Effect on Small Businesses

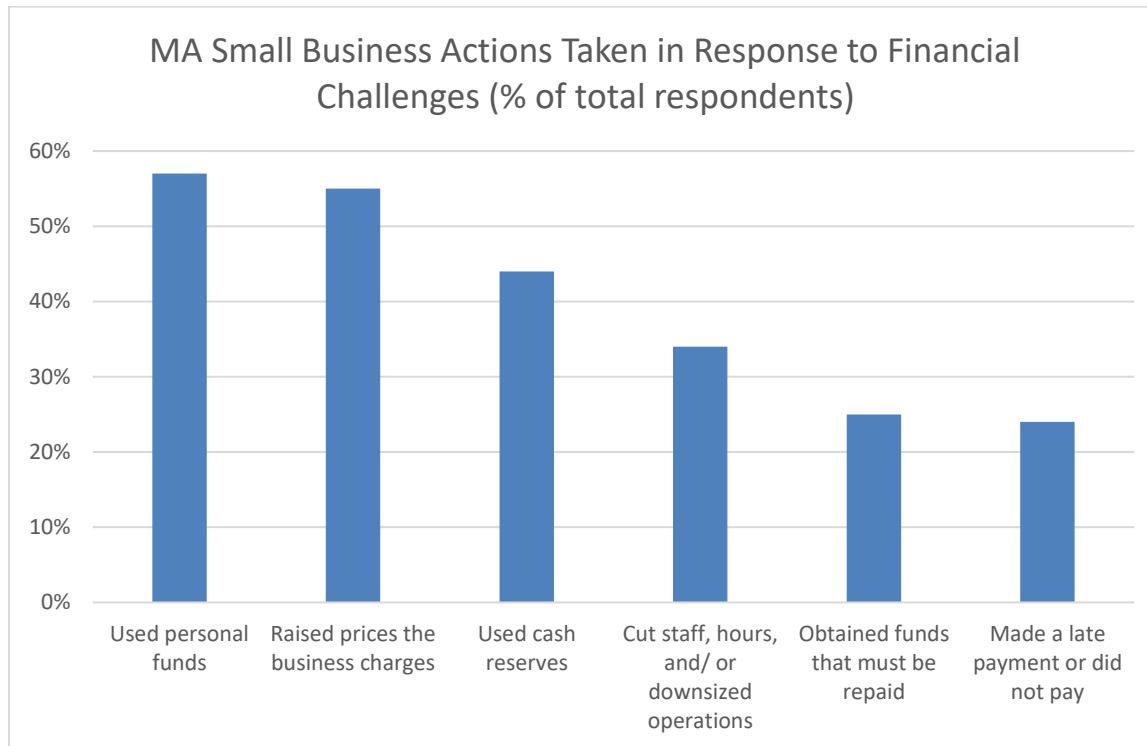
From May 2020 through February 2022, the U.S. Federal Reserve (“Federal Reserve”) maintained a federal funds effective rate below 0.10%. Beginning in March 2022 the Federal Reserve began raising interest rates every two to three months through July 2023. From July 2023 through June 30, 2024, the federal funds effective rate has remained unchanged with an effective interest rate of 5.33%.¹

Between 2022 and 2023, while interest rates were rising, 37% of small businesses surveyed applied for loans, lines of credit, and merchant cash advances, compared to 40% of respondent firms a year earlier. In addition, 51% of small businesses were fully approved for financing for which they applied. While this percentage was an improvement on the pandemic-era 46% approval rating for small business credit, this percentage was below pre-pandemic levels of financing, which was 62% in 2019. While approvals for lending remained steady during this time, small business applicants for credit at small banks, credit unions, as well as finance companies, were more likely to be approved for loans than small business applicants at other sources such as large banks and online lenders.²

¹ “U.S. Federal Funds Effective Rate in The United States from July 1954 to Jul 2024,” *Statistia.com*, last modified July 2024, <https://www.statista.com/statistics/187616/effective-rate-of-us-federal-funds-monthly/>.

² “2024 Report on Employer Firms: Findings from the 2023 Small Business Credit Survey,” *Federal Reserve Banks*. Published March 2024, <https://doi.org/10.55350/sbcs-20240307>.

Small businesses surveyed indicated that the higher interest rate environment has led to challenges, specifically: (1) Increased costs and payments on debts; (2) delayed expansion plans and capital spending; (3) reduced customer demand because of higher financing costs; and (4) difficulty refinancing existing debt. As displayed below, based upon the same survey, Massachusetts small businesses responded to the challenges of a higher interest rate environment by taking various courses of action.³

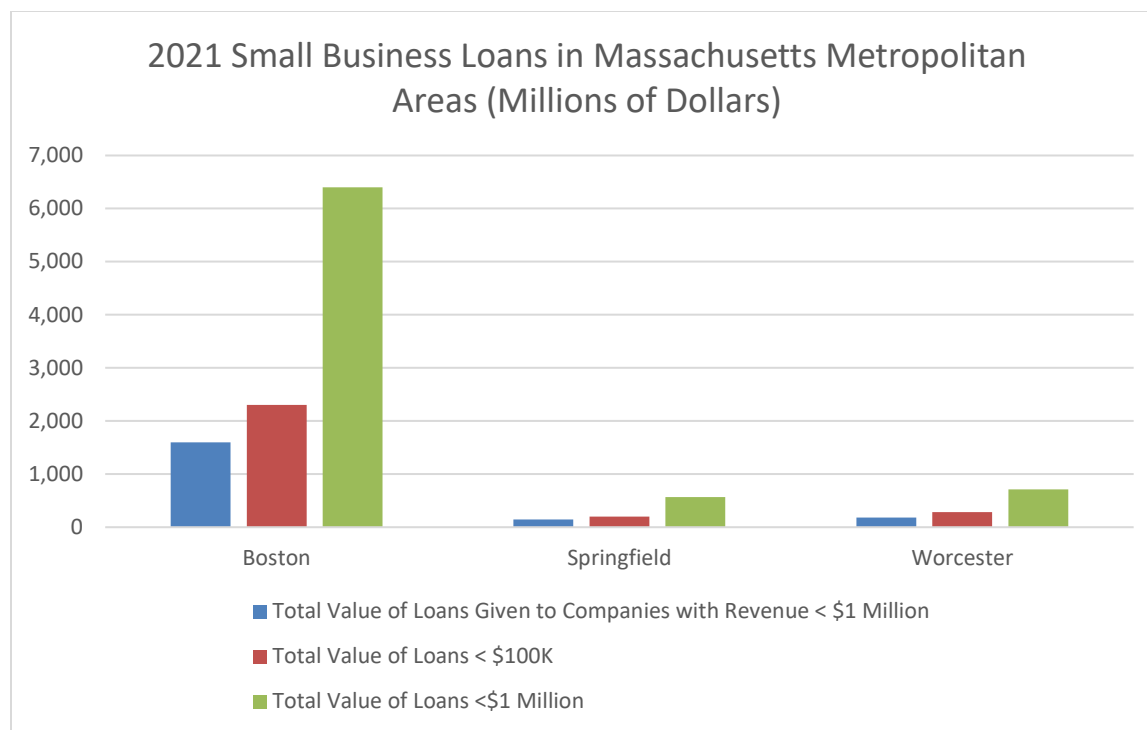


The Federal Reserve’s July 2024 Senior Loan Officer Opinion Survey on Bank Lending Practices found that almost 10% of banks reported having somewhat tightened lending standards for small business loans since the beginning of 2024, although 82% of respondents indicated that lending standards for small business remained basically unchanged.

The below chart, based upon the most recent available data, illustrates various types of loans given to Massachusetts small businesses based upon the metropolitan areas of Boston, Springfield, and Worcester.⁴

³ “2024 Report on Employer Firms: Findings from the 2023 Small Business Credit Survey,” *Federal Reserve Banks*. Published March 2024, <https://doi.org/10.55350/sbcs-20240307>.

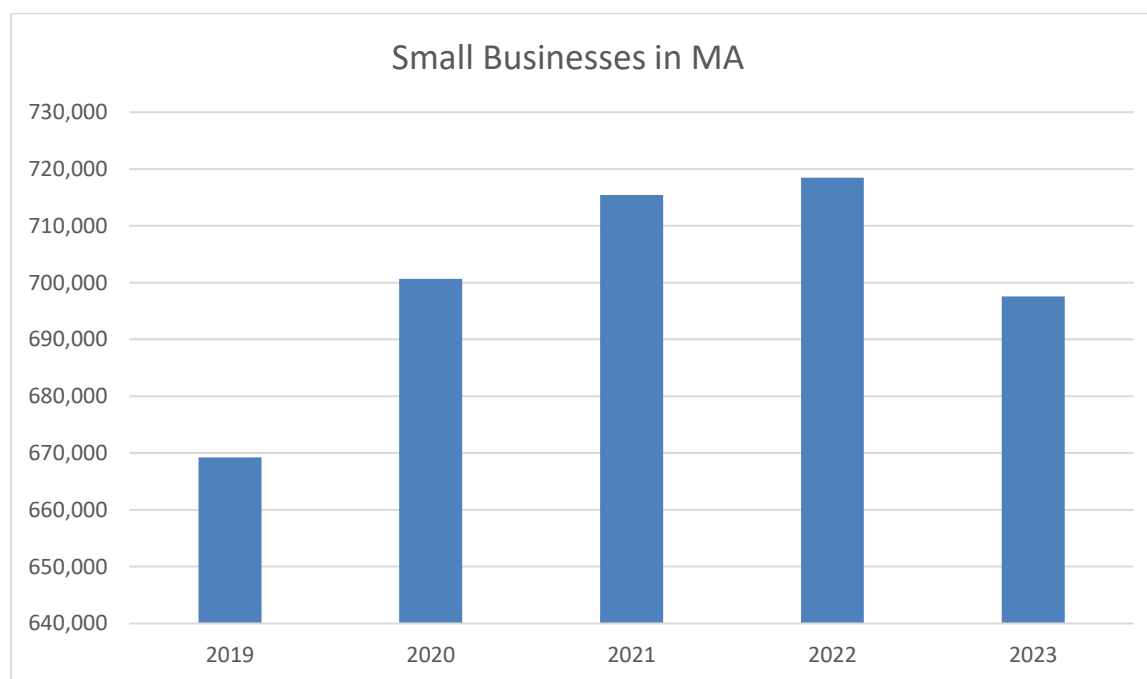
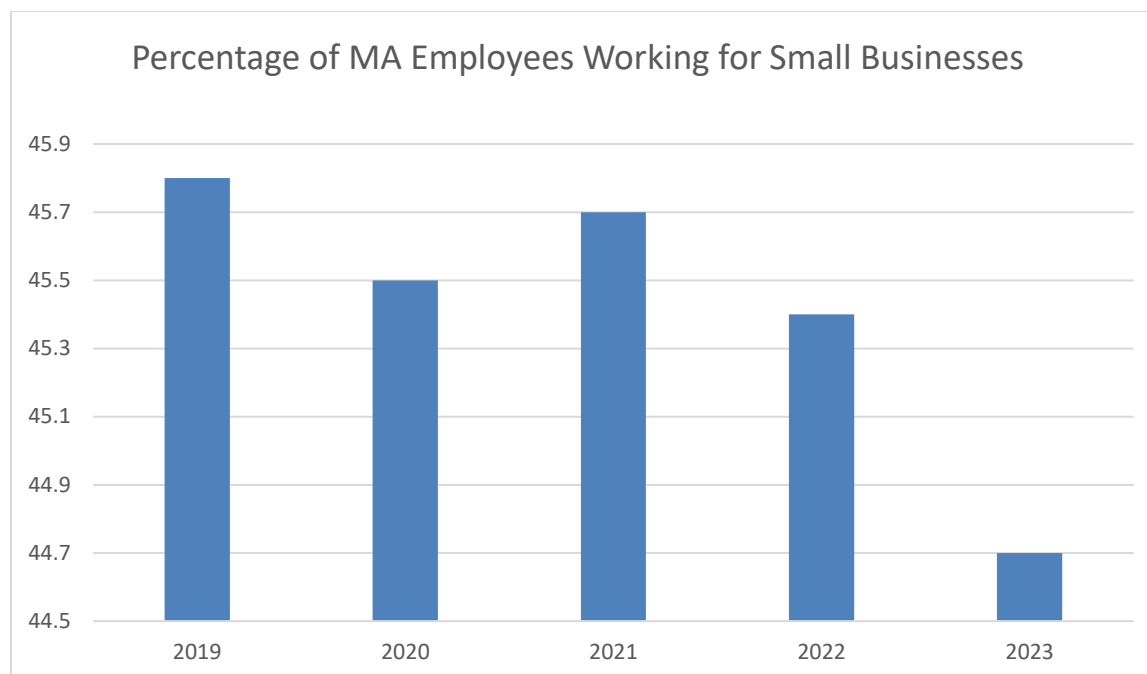
⁴ “Small Business Profiles for Major Metropolitan Areas of the Northeast 2023” *U.S. Small Business Administration Office of Advocacy*, last modified July 2023, https://advocacy.sba.gov/wp-content/uploads/2023/07/Northeast_2023_07_03.pdf.



Small Businesses Trends in Massachusetts

There appear to have been significant changes in the landscape of small businesses across Massachusetts since the beginning of the pandemic. From 2019 to 2023 the number of small businesses throughout the Commonwealth has fluctuated, but is still considerably higher than pre-pandemic levels. In 2018 there were 652,661 small businesses in Massachusetts, while as of 2023 there were 697,585. The percentage of Massachusetts employees working in small businesses has slightly decreased from the high of 45.3% in 2022, to 44.7% in 2023. On the other hand, between March 2021 and March 2022, 14,201 small businesses opened in Massachusetts. During this period, small business in Massachusetts added 143,605 jobs.⁵

⁵ “2023 Small Business Profiles for The States, Territories, And Nation,” *U.S. Small Business Administration Office of Advocacy*, last modified November 14, 2023, <https://advocacy.sba.gov/2023/11/14/2023-small-business-profiles-for-the-states-territories-and-nation/>



While, as stated above, it is beyond the scope of this memorandum to offer an explanation or evaluation as to the observed outcomes, it is clear that significant changes for small businesses in the Commonwealth are underway.