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REPORT OF THE SMALL BUSINESS LOAN REVIEW BOARD ON THE AVAILABILITY OF CREDIT FOR SMALL BUSINESSES AS OF JUNE 30, 2025

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, 2025, 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.

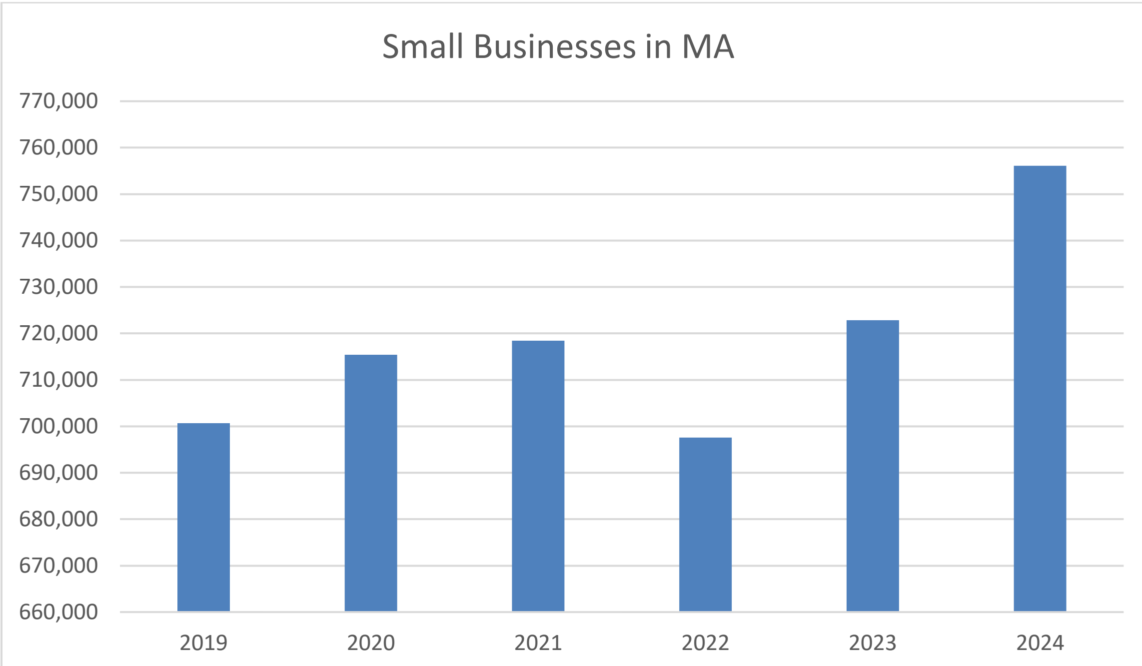
Federal Funds Interest Rate Effect on Small Businesses

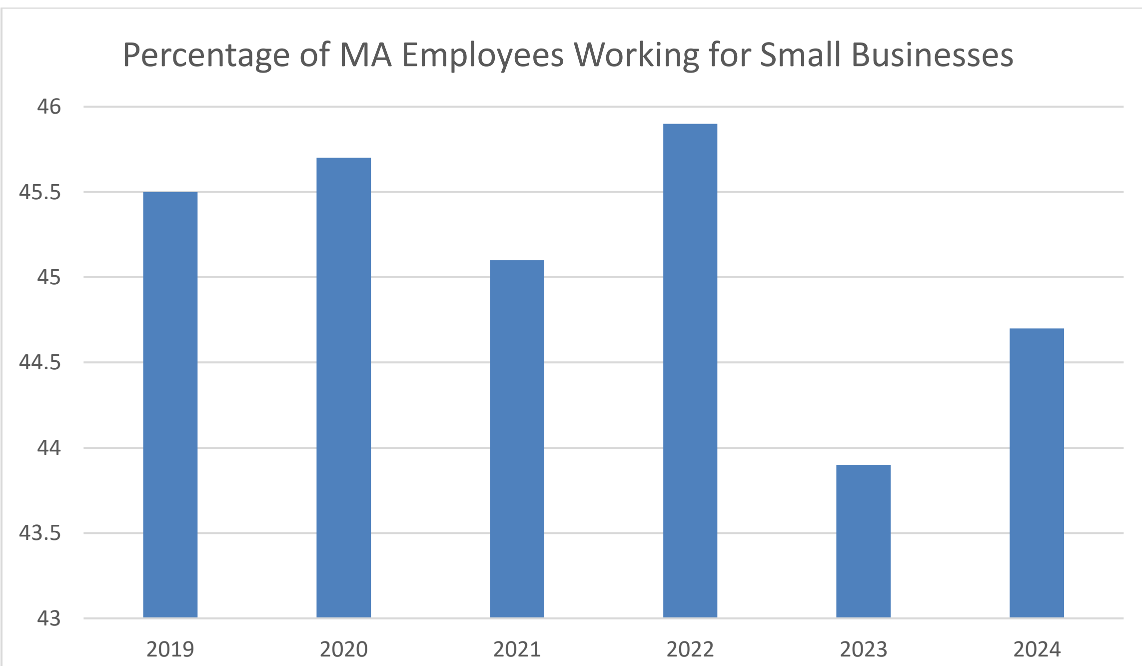
Small businesses are the backbone of many industries and communities, but recent data shows they face significant financial challenges. According to the 2024 Federal Reserve Banks' Small Business Credit Survey, the most recent available, data from 2019 reflects a staggering 59% of small businesses reported being in fair or poor financial condition. This number has risen considerably over the past few years, with 85% of small businesses experiencing financial difficulties in 2021. This represented an increase of almost 20 percent since 2019 and highlights the ongoing struggles small businesses face.

Moreover, only 42% of small businesses report having their financing needs met, illustrating a major gap in credit availability for these businesses. A Federal Reserve survey found that the demand for business loans strengthened in the fourth quarter of 2024. Specifically, banks reported the demand for commercial and industrial loans rose to 9.4%, and the demand for small business firms increased to 3.4%.

Small business Trends in Massachusetts

There appear to have been significant changes in the landscape of small businesses across Massachusetts from a pre-pandemic timeframe to 2024. From 2019 to 2023 the number of small businesses throughout the Commonwealth fluctuated but were still considerably higher than pre-pandemic levels. In 2019 there were 700,646 small businesses in Massachusetts while in 2024 there was an increase to 756,096 small businesses in Massachusetts. From 2023 to 2024, the percentage of Massachusetts employees working in small businesses rose to 44.7% with a net increase of 4,824 jobs. [1] However, this still represents an almost full percentage point drop in the share of Massachusetts employees working for small businesses since 2019.





[1] "2025 Small Business Profiles for The States, Territories, And Nation," *U.S. Small Business Administration Office of Advocacy,* last modified June 30, 2025, https://advocacy.sba.gov/2025/06/30/2025-small-business-profiles-for-the-states-territories-and-nation/

Massachusetts Small Business Challenges

Although in 2024 we saw an increase in the number of small businesses, a recent survey of 635 small businesses across the Commonwealth shows they are struggling to make ends meet under a sea of rising costs after the COVID-19 crisis. [2]

On top of the cost challenges small employers are already facing, the uncertainty of increased costs and product availability under tariffs makes a difficult environment far worse.

But, as the UMass Donahue Institute's Economic & Public Policy Research group recently found, the cost problem has gotten much more complicated for local businesses. In their study surveying members of the Retailers Association of Massachusetts and other small-business organizations, they found that most businesses in Massachusetts (71%) have seen sales increase or remain steady since the pandemic. However, 44% of businesses responded that their overall profitability has decreased over the same period. Operational costs have increased for 91% percent of respondents, with 76% confirming that their expenses are rising faster than sales.

Business owners were asked to list the most negative impacts of running a business in Massachusetts. Five of the top six responses pertained directly to cost, including constrained consumer spending with small businesses, the cost of electricity, interchange fees, payroll taxes, and health insurance premiums. Together these findings show how cost-sensitive small-business owners are and how inflation and the rising expenses of business operations, particularly around health care and energy, are affecting small businesses around the Commonwealth.

Another sign of volatility in the small-business community is the fact that 51% of respondents suggested they were very likely or somewhat likely to sell or close their businesses within the next five years. Many noted that they were nearing retirement age, while others reported the high costs as a driving factor behind the possibility of selling or closing their businesses in the near future.

Massachusetts Initiatives for Businesses

With all the volatility, the Healey-Driscoll administration has launched two initiatives to strengthen Massachusetts' position as a top destination for businesses: the **"Business Front Door"**, a digital-focused platform designed to connect businesses with personalized guidance to navigate state funding opportunities and incentives, and **"Why Massachusetts"**, a new website designed to attract businesses to locate and grow in the state.

The **Business Front Door** was a recommendation from the administration's 2023 economic development plan and will leverage the resources and policy tools developed in collaboration with the state Legislature as part of the nearly $4 billion economic development bill, the Mass Leads Act, which Gov. Maura Healey signed in November 2024.

[2] https://www.bostonglobe.com/2025/05/05/opinion/small-businesses-massachusetts-rising-costs/?p1=BGSearch_Overlay_Results

The benefit of **Business Front Door** is that it provides a centralized hub for interacting and coordinating with a group of state agencies working in collaboration to lead future generations. These agencies are collectively known as Team MA. This plan reflects a vision for Massachusetts which is organized around three main priorities, supported by specific initiatives for each:

1. Fundamentals: Investing in fundamentals to enable economic growth,
2. Talent: Retaining and attracting the world's best talent across all backgrounds, and
3. Sectors: Supporting businesses that power the state's economy.

As a benefit of the program, businesses receive a designated Team MA point of contact and know who to communicate with for one-on-one support. They can use the point of contact as a channel for asking questions and flagging barriers to their growth. They can more easily determine which state resources are most relevant to them, receive guidance tailored to their business needs, and track these opportunities in their business dashboard. Further, organizations supporting the business ecosystem throughout the state (e.g., chambers, municipalities, etc.) can effortlessly refer businesses to Team MA.

Why Massachusetts promotes the state's global leadership in innovation, talent and quality of life while showcasing the key industry sectors where Massachusetts leads, including life sciences, artificial intelligence, climate tech and advanced manufacturing. The site highlights the data-driven reasons why businesses thrive in Massachusetts, including top rankings in education, health care, and quality of life; world-class research institutions; a highly educated workforce; and access to global markets.

The **Why Massachusetts** platform provides personalized guidance on state funding options and incentives, streamlining the process for companies looking to establish or grow in Massachusetts. Businesses can easily access various state resources through the Business Front Door portal, which includes a Navigator service to assist with potential issues and queries. The initiative aims to foster job creation and economic investment across Massachusetts by making it easier for businesses to learn about and access available resources. The initiative supports the development of an inclusive workforce, which is crucial for addressing labor shortages in high-demand sectors and ensuring a sustainable pipeline of talent. These benefits are intended to contribute to a more competitive business environment, attracting more business and job opportunities to Massachusetts.

Massachusetts' Largest SBA Loan Recipients in Q4 2024

According to the Small Business Administration (SBA), they offer several different loan types to small businesses in Massachusetts, including the 7(a) program and the 504 program. The 7(a) program is intended to assist small businesses in financing a variety of general business purposes by guaranteeing loans made by participating lenders.

7(a) loans can be used for:

- Acquiring, refinancing, or improving real estate and buildings
- Short- and long-term working capital
- Refinancing current business debt
- Purchasing and installation of machinery and equipment, including AI-related expenses
- Purchasing furniture, fixtures, and supplies
- Changes of ownership (complete or partial)
- Multiple purpose loans, including any of the above

The maximum loan amount for a 7(a) loan is $5 million. Key eligibility factors are based on what the business does to receive its income, its credit history, and where the business operates.

The 504 program originates private-sector loans to cover project costs, with notable features including junior and senior lines as well as minimum equity investments by borrowers. The 504-loan program provides long-term, fixed rate financing for major fixed assets that promote business growth and job creation.

504 loans are available through Certified Development Companies (CDCs), SBA's community-based nonprofit partners who promote economic development within their communities. CDCs are certified and regulated by SBA. The maximum loan amount for a 504 loan is $5.5 million.

The SBA’s 7(a) and 504 programs produced the five largest loan recipients in Massachusetts from October 1 to December 31, 2024. These loans included four 7(a) loans that ranged from $3.16 million to $5 million and one 504 loan for $5.5 million.

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 efforts are being made to bring positive changes to small businesses in the Commonwealth.