

Crowdfunding: New Opportunity for Start-Ups & Credit Unions

By [Roy Urrico](#)
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A partnership between New York City based GrowthFountain, an equity [crowdfunding platform](#), and \$7.6 billion, Marlborough, Mass.-based [Digital Federal Credit Union](#) enables entrepreneurs to raise capital and members to invest.

Crowdfunding is the practice of funding a project or venture by raising small amounts of money from a large number of people, typically via the internet.

The JumpStart Our Business Startups Act, or JOBS Act, which passed in 2012, encourages small business funding in the United States by reducing many securities regulations. Under SEC new rules effective May 16, 2016, the public can now help finance start-up companies.

“The JOBS act was born out of the great recession,” GrowthFountain CEO Ken Staut said. “We started thinking about what crowdfunding is and how it works, its helping local businesses so they can hire people and grow.”

Staut noted local [businesses](#) contribute in the area of 2-4 times the economic development benefit for its local community. “Those statistics sounded like it had so much in common with what credit unions are all about.” That is, a focus on community development and growth.

“This partnership is a natural evolution of what a credit union is, and that’s people helping people. We are taking it to the next level,” DCU Marketing Manager John LaHair explained. “We have been crowdfunding since the inception of credit unions; members indirectly helping each other out.”

Working with GrowthFountain, DCU receives a white-label platform built specifically for the Massachusetts credit union. There anyone in its community, as well as nationwide through GrowthFountain’s rebroadcast, can log in and see who is raising money and help that local business receive the funding it needs.

Staut explained they set out to have the GrowthFountain platform automate processes for the small business.

“It’s word of mouth, it’s that social engagement,” LaHair said. “It actually serves two purposes: its allowing our members the opportunity to invest back in the community and vice versa, we’re going to expose small businesses to potentially 600,000 plus members.”

Read more about crowdfunding in the March 29, 2017 print issue of CU Times.