

Comments on Crowdfunding Proposed Rule
File No. S7-09-13
Commenter: Peter DeMarco
Response to Question 22 in § II.B.1

November 12, 2013

Chair White:

The Commission should permit electronic filing in languages other than English.

Allowing issuers to submit electronic filings in languages other than English will enhance access to equity-based crowdfunding among entrepreneurs with limited English proficiency.

Immigrant and Hispanic businesses are increasingly important contributors to our national economy, but they have less access to capital than non-minority businesspersons.

10.5% of the immigrant workforce owns a business compared to 9.3% of the national workforce.¹ The business formation rate among immigrants is two times that among non-immigrants.² Between 2002 and 2007, the number of Hispanic-owned businesses grew at twice the national rate. There were 2.3 million Hispanic-owned businesses in 2007.³ Nevertheless, Hispanic individuals, even controlling for creditworthiness, are less likely to apply for and to be approved for loans.⁴ Consequently, on average they rely less on traditional financing channels when starting businesses and more on self-financing and loans from friends and family.⁵

Limited English proficiency is a significant barrier to minority, and especially Hispanic, entrepreneurs hoping to start or expand their businesses.

41% of all Hispanic adults report that they speak English “less than very well.”⁶ The Ninth Federal Reserve District reports that low literacy and limited English proficiency

¹ ROBERT W. FAIRLEE, U.S. SMALL BUS. ADMIN. OFFICE OF ADVOCACY, IMMIGRANT ENTREPRENEURS AND SMALL BUSINESS OWNERS, AND THEIR ACCESS TO FINANCIAL CAPITAL 5 (2012), *available at* <http://www.sba.gov/sites/default/files/rs396tot.pdf>.

² *Id.* at 6-7.

³ Press Release, U.S. Census Bureau, Census Bureau Reports Hispanic-Owned Businesses Increase at More Than Double the National Rate (Sept. 21, 2010), *available at* http://www.census.gov/newsroom/releases/archives/business_ownership/cb10-145.html.

⁴ ALICIA ROBB, U.S. SMALL BUS. ADMIN. OFFICE OF ADVOCACY, ACCESS TO CAPITAL AMONG YOUNG FIRMS, MINORITY-OWNED FIRMS, WOMEN-OWNED FIRMS, AND HIGH-TECH FIRMS 7, 21, 23, 25 (2013), *available at* <http://www.sba.gov/sites/default/files/files/rs403tot%282%29.pdf>.

⁵ *Id.* at 29.

⁶ PEW RESEARCH CTR., STATISTICAL PORTRAIT OF HISPANICS IN THE UNITED STATES, 2011 (2013) TABLE 20, *available at* http://www.pewhispanic.org/files/2013/02/Statistical-Portrait-of-Hispanics-in-the-United-States-2011_FINAL.pdf.

hinder Hispanic entrepreneurs from starting new businesses.⁷ Numerous press accounts attest to the role of language barriers in stymying minority business creation and expansion.⁸

Allowing issuers to file electronic documents in languages other than English will decrease burdens on issuers with limited English proficiency without reducing protections to investors.

Minority entrepreneurs already rely heavily on their social networks to obtain financing otherwise unavailable through formal financial channels, and so equity-based crowdfunding can provide a powerful tool for expanding minority entrepreneurs' access to capital.⁹

But only if the barriers to access are not too high. As the Commission acknowledges, filing requirements present considerable burdens even for English-speaking entrepreneurs. Would-be issuers with limited English proficiency would face an even heavier burden if required to file complicated financial forms in English.

That issuers could file in English and then make Spanish-language copies available through intermediaries does not address this concern. Additionally, removing the English-only requirement does not put English-speaking investors at risk. They will either obtain translations or avoid investing in these offerings entirely.

Although filings in languages other than English will not remove all barriers that face limited English proficiency entrepreneurs seeking access to equity-based crowdfunding, it is a step that will demonstrate the Commission's commitment to this goal.

⁷ Michou Kokodoko, *Hispanic entrepreneurship grows, but barriers persist*, COMMUNITY DIVIDEND, April 1, 2011, available at http://www.minneapolisfed.org/publications_papers/pub_display.cfm?id=4632.

⁸ See, e.g., Amy Friedenberger, *As Latino-owned businesses continue to increase, organizations provide resources to keep up*, READING EAGLE, Oct 20, 2012, available at <http://readingeagle.com/article.aspx?id=516805> ("The [Latino Business Resource Center at Kutztown University] identified that Hispanics had an entrepreneurial streak, . . . [b]ut some of the barriers were language."); Jack Lambert, *Baltimore's Hispanic businesses rising despite troubles*, BALTIMORE BUSINESS JOURNAL, June 29, 2012, available at <http://www.bizjournals.com/baltimore/print-edition/2012/06/29/baltimores-hispanic-businesses-rising.html?page=all> ("The hurdles facing some Hispanic business startups in Baltimore, however, are daunting. City programs designed to help small-business owners do not have fluent Spanish speakers on staff. Many necessary permitting documents are available only in English. Add in many Hispanics' distrust of or unfamiliarity with banks and it becomes even harder to finance a small business."); Dominique Fong, *Latino business owners in Beaverton face challenges as their enterprises grow*, THE OREGONIAN, Jan 26, 2012, available at http://www.oregonlive.com/beaverton/index.ssf/2012/01/latino_business_owners_in_beav.html (According to WorkSource Oregon, "Latino business owners often don't know how to ask for help because of language and cultural barriers.").

⁹ Steven Overly, *Crowdfunding expands access to capital for women, minority entrepreneurs*, WASHINGTON POST, April 07, 2013, available at http://articles.washingtonpost.com/2013-04-07/business/38354293_1_entrepreneurs-crowdfunding-minority.