Crowdfunding for Real Estate Investors - *Regulation D, Rule 506(C) vs. Regulation A +*

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Crowdfunding is the biggest buzzword in raising capital since the “Jumpstart Our Business Startups Act of 2012” (JOBS Act) was enacted. The word crowdfunding has become synonymous with advertising for investors, which under certain provisions of the JOBS Act is allowed. Crowdfunding was permitted prior to the enactment of the JOBS Act, but only for not-for-profit ventures; for-profit companies could not advertise for investors unless they had an approved intrastate offering.

Title II of the JOBS Act directed the Securities and Exchange Commission (SEC) to draft regulations allowing advertising of offerings limited to accredited investors, which resulted in the SEC’s adoption of Regulation D, Rule 506(c) in September 2013.

Title IV of the JOBS Act, also referred to as Regulation A+, allows companies to use equity crowdfunding platforms to raise as much as $50M from both accredited and non-accredited investors. Regulation A + is broken up into two tiers, Tier 1 and Tier 2. This white paper will explore the differences between Rule 506(c) and Regulation A +.

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