



A new platform is letting donors give now and pay later

By Ben Sales

Like nonprofits everywhere, the Jewish Federation of Western Massachusetts relies partly on monthly donations to fund its \$5 million in total annual revenue. But instead of giving the federation a measure of confidence about its cash flow, CEO Nora Gorenstein said the monthly gifts can be a vehicle for uncertainty.

Gorenstein sketched out a typical scenario: The federation takes the necessary steps to process a credit card payment for a recurring gift, which she said could be difficult. “You’re really taking a risk as an organization that the person will perhaps not fulfill the whole cycle of that recurring gift,” she told eJewishPhilanthropy, explaining that should a donor “make a donation, let’s say, for \$100 a month, for us, depending on when you start that during the year, it can be complicated to figure out what your exact intention is... Is it a pledge to be paid off in \$100 segments, or should we just consider whatever ends up coming to us as revenue?”

Now, when prospective donors log onto the federation’s donation page, a new button appears — a blue oval with four words in the middle: “Donate now, pay later!” Gorenstein, whose federation takes in less than \$100,000 a year in online donations, calls the idea “a new model of philanthropy.”

“We’re very excited about it, and to help pioneer a new model of philanthropy,” Gorenstein told eJP. “Our giving is pledge-based anyway for our annual campaign, so it feels like it will be a good fit for our community.”

Buttons such as those are showing up on the sites of nearly 40 nonprofits, courtesy of a new platform called B Generous, which launched six weeks ago. The idea behind B Generous, according to founder Dominic Kalms, is to bring the increasingly popular concept of “buy now, pay later” to nonprofits, which Kalms hopes will enable people to give larger donations than they generally do by spacing them out over time. According to the firm GlobalData, the “buy now, pay later” market grew to \$120 billion worldwide last year.

Kalms, 34, who worked in government before founding the donation platform Gvng, said his larger goal is to bring financial technology tools innovated by the for-profit sector to the world of philanthropy. Kalms says the flexibility offered in the U.S.'s \$870 billion e-commerce market should also be available to American donors, who collectively gave \$484 billion to charity last year.

“One of these markets, which is the e-commerce market, is just saturated with credit and lending products and all sorts of cool technology systems and platforms,” he told eJP. “And the nonprofit industry’s largely been ignored... The nonprofit market is highly fragmented, highly inefficient and has very little technology to address these problems.”

Here’s how it works: A donor who logs onto the Western Massachusetts federation website and clicks on the “Donate now, pay later” link selects an amount to donate — say, \$250 — and then chooses to pay it off in three months (\$83.34 per month) or six months (\$41.67 per month). They are then asked for their email address and cell phone number and then, after their identity is confirmed, the donor inputs their address and birthday to begin a soft credit check.

Once they’re approved, seconds later, they can donate the amount selected. The federation immediately gets the entire \$250. Meanwhile, the donor becomes eligible for a tax deduction for that amount and faces neither interest payments nor late fees if they default.

If it feels too good to be true, the catch is that the nonprofits receiving the donations pay fees of anywhere from 8.25% to 15% on donations (the Western Massachusetts

federation pays nearly 13% — or approximately \$32.37 on a \$250 gift), though Kalms said 75% of donors opt to cover part or all of the fees themselves. The fee is divided between B Generous and Drake Bank, based in St. Paul, Minn., which is backing the donations. Because the bank enjoys that profit margin, it assumes risks for any default, though Kalms is doubtful that defaults will be a major issue.

“People almost entirely donate to nonprofits they have a personal connection to, or some kind of emotional connection to,” Kalms said. “So the idea that I would make this transaction and then say, ‘Hey, screw it, I’m not going to pay it back,’ even though the nonprofit is not affected and has no damage from this, because the bank writes off the loan, the optics make people very uncomfortable.”

B Generous declined to provide an exact number of donations processed thus far, though it hopes to hit its 100th total donation this month. It has a total of about \$28,500 in donation loan requests so far. Along with the Massachusetts federation, one of its clients is the Milken Community School, a Jewish day school in Los Angeles of which Kalms is an alumnus.

“I think the buy now, pay later concept is catching on, which completely aligns with donor mentality about wanting to maximize their impact,” Danny Spiegel, Milken’s associate head of school for external relations, told eJP. “If you can pay over time, which maximizes your impact to the organization immediately, that is a win-win for everyone.”

Spiegel added that in the case of monthly recurring donations, “We have to do a lot of work on our end to charge the credit cards every month. It’s not like it’s set automatically.” The school takes in about \$1.7 million in individual donations such as these, toward a total budget of \$36 million.

While the almost 13% the Massachusetts federation pays in fees is much higher than an average credit card fee of 2% to 3%, Gorenstein said it isn’t much higher than other platforms for nonprofit donations, which Spiegel said was the case for Milken as well. The platform is also offering the federation a match of up to \$5,000. The biggest

challenge involved with B Generous, she said, is keeping track of another giving platform, and training her staff to manage it.

“The biggest challenge for any nonprofit in taking on something new like this is that you’re adding yet another platform that you need to be paying attention to,” she said. “There’s a possibility of really diluting your fundraising.”

Another potential risk of the concept is that donors will stretch their budgets too far when making a donation that, down the line, they won’t be able to pay for, something market observers have worried about with the growth of “buy now, pay later.” Kalms said that B generous has built safeguards against that possibility by approving people for a maximum donation that’s under their monthly credit limit and by declining to charge interest or late fees.

“We don’t want to be loading people up with debt even if it’s interest-free debt,” he said. “We look into a whole series of considerations.”

As he works to grow the platform, Kalms told eJP he hopes B Generous will mark the end of what was once a staple of fundraising: pledge drives. Instead of committing people to a donation over a phone, and then spending energy calling back to collect on the pledge, he hopes nonprofits will now be able to receive the full amount immediately — and trust his technology to do the rest.

“Nobody should ever take a pledge again if our system is available,” he said.”

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