New Mastercard Regulations Could Harm Recurring Gifts Unless You Take Action Now

By Erica Waasdorp

You may or may not yet have heard about this. Some of the communication from Mastercard may have gone to your donor base CRM, your payment processor or your finance department.

In June, Mastercard introduced new guidelines with specific rules for all subscription payments, which nonprofit recurring gifts currently fall under in Mastercard's definitions. These new rules need to be implemented by Sept. 22.

Here is a summary of the compliance requirements:

Send a confirmation email at the time of enrollment that includes the terms of the subscription and instructions on how to cancel the subscription. (Note: This is a best practice anyway.)

Email a receipt after every successful billing attempt that includes instructions for how to cancel the subscription.

Provide an online cancellation method (similar to unsubscribing from emails).

For recurring payment plans that bill less frequently than every six months, send a notification with the terms of the subscription and instructions on how to cancel the subscription at least seven days prior to the billing date.

These regulations will put an onerous burden on nonprofit staff, mainly by requiring nonprofits to alert all recurring donors every month, and if you can't do it via email or text, requiring monthly mailed notifications.

While most organizations will be able to accommodate some requirements (like monthly receipts via email), many nonprofits may not have the donor’s email (especially if they’ve had recurring donor programs for a while or acquired them through mail and phone).

Other regulations, like announcements of upcoming recurring gifts or portals for online cancellations, are often not in place and certainly will not be in place by the deadline.

The Nonprofit Alliance is therefore asking any and all nonprofits with recurring gifts to support a letter to Mastercard to allow an exemption for nonprofits and provide any additional information to help it in its effort.

These processes will only make recurring gifts feel much more like a transaction, whereas it should really be about the relationship and community of which the recurring donor is a part. I’ve always advocated for giving donors updates on how their gifts are making a difference, rather than just providing receipts, which are much less warm and fuzzy.

Also, for many older donors, donor portals are cumbersome, and most systems don’t have that option available.

The big reason why Mastercard is looking to implement these new guidelines is to prevent unnecessary chargebacks and disputes.

TNPA has spoken with an extensive number of nonprofit organizations and providers to show that nonprofit donations do not result in substantial chargebacks.

One of the biggest reasons nonprofits can expect fewer chargebacks for recurring gifts is because fundraisers have been primed to always ask for donor permission and donor intent for the initial recurring gift and subsequent upgrades or changes.

This is also the reason why I've vehemently opposed automatic upgrades. It's always important to give the donor as much control over their giving as you can.

From the research TNPA has done to date, and from looking at the number of Mastercard charges, these Mastercard regulations, if applicable, could put an undue burden on nonprofits and would not move the needle on Mastercard's goal of reducing chargebacks.

There is also some confusion in interpretations by payment processors, so it behooves every nonprofit that there is a clear ruling.

That is what the TNPA is trying to accomplish with this letter writing campaign, especially now as recurring gifts have finally become such an important part of a nonprofit's fundraising efforts, the last thing I'd like to see is undue pressure and a threat to the crucial ongoing support recurring gifts provide to nonprofits' missions and impact.

Please share this message with your colleagues. The more nonprofits that complete the survey and sign the letter, the better. Thank you in advance for helping to prevent

Mastercard from putting an undue burden on the recurring gifts that you're working too hard to grow.

https://www.nonprofitpro.com/post/new-mastercard-regulations-harm-recurring-gifts