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# New Mastercard Rules Affecting Recurring Donations Will Now Be Optional for Most Nonprofits

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Last month, we wrote about how Mastercard's announced transaction processing requirements would affect nonprofits that offer recurring donations. We promised to update our readers regarding any new developments so nonprofits can both comply with any new requirements and ethically steward their donors.

There have indeed been new developments. Last Friday, we met with executives from Mastercard to follow up on our earlier communications with the company about the new requirements. At that meeting, Mastercard's executives informed us they would be announcing a new, nonprofit-specific policy this week, and they confirmed that the notices went to connected financial institutions this morning.

Mastercard told us Friday that it developed the new rules to reduce chargebacks and other kinds of "friction" between cardholders and merchants; however, it turns out that the vast majority of nonprofits don't have a chargeback problem. Therefore, in response to concerns shared with Mastercard by many nonprofit groups and different nonprofits around the globe, the new requirements will become **optional, recommended practices for nonprofits** except in specific circumstances.

Seth Eisen, Senior Vice President for Communications at Mastercard, wrote to us:

*We appreciate the dialogue that we have had with members of the non-profit community over the past several weeks. It is based on these conversations that we have decided to make the requirements for confirming and offering the ability to cancel a recurring or subscription payment optional for non-profits.*

*This change is effective immediately and will only become a requirement for those non-profits that have excessive consumer complaints or chargebacks for four consecutive months. We believe this approach reflects the concerns for both operational efficiencies and a better donor experience. We'll continue our conversations and consultation with the community around these standards to ensure continued support of best practices.*

In other words, instead of imposing new **requirements** on nonprofits as of the previously announced implementation date of March 22, 2023, the new standards are now **optional** recommendations for nonprofits, effective immediately.

Below, we've posted our best understanding of the new recommended practices. These practices will become mandatory requirements only for nonprofits that have "excessive" consumer complaints or chargebacks for four consecutive months.

If a nonprofit is flagged for having excessive complaints or chargebacks, Mastercard will work with the organization to adjust the practices that are causing the problems, which most often result from a lack of clarity or sometimes outright deceptive tactics.

The best way to prevent friction and disputes with cardholders is to be up-front and transparent with donors (or others who might set up a recurring transaction with your nonprofit, such as subscribers or members) about what they are signing up for and how to cancel recurring transactions. In this article, we'll use the term "recurring donations" to cover all recurring payments to nonprofits, including not just donations but also subscriptions, membership dues, and any other transactions.

## **Summary of the new recommended procedures for recurring donations**

Nonprofits should be clear about the terms of the recurring donation at the outset, send initial and electronic receipts every time a charge is made with instructions on how to cancel the recurring donation online, post clear online instructions on how to cancel such donations, and provide advance notice of a scheduled recurring donation if the frequency is less often than every six months.

While these procedures may sound daunting on the technical side, many nonprofits may already have suitable systems in place to be transparent and communicative with donors. Nonprofits should consider implementing these procedures even if the processing is done through a Constituent Relationship Management platform (CRM) or app.

## Five main recommendations

There are five main recommendations that will affect recurring donations to nonprofits, primarily those that are set up or charged online. Note: in this summary, we'll use the terms "Nonprofit" and "Donor," instead of Mastercard's "Merchant" and "Cardholder," to make these procedures easier to understand and apply.

Again, these will no longer be requirements for nonprofits, but are still recommended as best practices by Mastercard, and as wise donor stewardship by the National Council of Nonprofits.

1. **The nonprofit should clearly and prominently display the terms of the recurring donation** (amount and frequency) on any screen where the donor enters their credit card information, including an order confirmation/checkout screen. Donors should be allowed to "affirmatively accept" the subscription terms (as opposed to being forced to opt out, for example).
2. Immediately after the donor signs up for recurring donations, the nonprofit should promptly **send an electronic confirmation message to the donor** (email or text) that restates the terms and provides clear instructions on how to cancel the recurring donation.
3. **Each time a recurring donation is charged, the nonprofit should send an electronic receipt** to the donor (email or text) that includes clear instructions on how to cancel the recurring donation. Donors should be able to opt out of receiving these notices.
4. The nonprofit should **provide an online cancellation method** or clear instructions on how to cancel that are easily accessible online, such as a

“Manage Recurring Donation” or “Cancel Recurring Donation” link on the home page. This link may go to an email address for the person responsible for cancelling recurring transactions.

5. **For donations that automatically recur less often than every six months** (for example, an annual donation), the nonprofit should send an electronic reminder to the donor at **least seven days**, but **no more than 30 days**, in advance of the next billing date, including the donation terms and clear instructions on how to cancel the donation. The communication should **clearly state in the subject line** that it relates to upcoming charges to the donor, and the message should be **distinct from any marketing communications**.

In our view, the general concepts underlying these five practices seem reasonable and reflect good stewardship of a nonprofit’s donors. It’s a good practice to communicate frequently with donors, and many nonprofits already have automatic receipting in place for their online donors.

## **Your CRM should have ways to automate compliance with these new requirements**

CRM or donation apps should be able to automate many of the procedures, although it may take some time to set it up properly. For example, Neon One created [new customizable emails and processes](#) to help users comply. [Classy](#) released upgrades so their customers would be in compliance with the new rules by the original deadline of September 22, 2022.

Some CRMs, including Classy and Neon One, allow donors to log in and cancel or change their recurring donation on their own, a feature that can be useful to donors in other ways as well – such as updating the expiration date on their credit card or increasing the amount of the donation.

## **What about donors who sign up for recurring donations on paper?**

Nonprofits need not generate frequent receipts by alternate means (such as postal mail) for recurring donors whose email addresses are not available.

Of course, if you do have a physical address for these donors, you should be sending an acknowledgement letter with a tax receipt at least once per year anyway, [thanking the donor](#) for their recurring donation and ensuring they can contact you with any changes.

If you don't have a physical address, valid email, or phone number for a donor, one option Mastercard identified is to include your nonprofit's phone number or web address in the "city" field of the credit card transaction message so that the donor can contact your nonprofit with any questions.

In the future, when acquiring new recurring donors, your nonprofit should attempt to collect both email and physical addresses.

In all cases, sending a letter or making an annual phone call to recurring donors is just good stewardship. It's something board members and other volunteers can do. Recurring donors are the best prospects for [legacy gifts](#), so if your nonprofit is automatically processing these gifts without communicating with the donor, then you're missing an important opportunity. It's nice when doing the right thing also results in more revenue to support your nonprofit's mission.

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