NONPROFITS: FUNDRAISING & DEVELOPMENT

New "Pay Later" Donation Options

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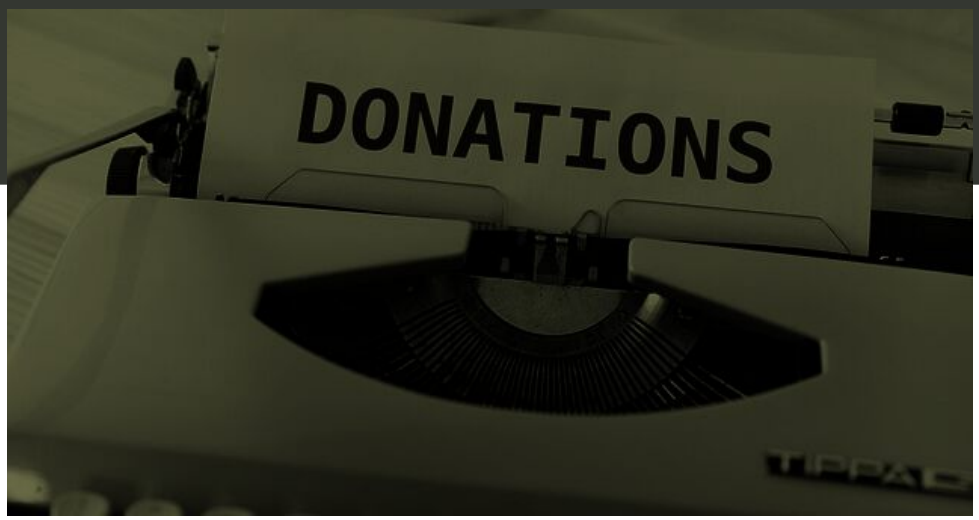

Individual-giving rates are down. Inflation is squeezing most peoples' budgets. Uneven cash flow continues to hinder the plans and goals of many of the nation's nonprofits.

But new and exciting charitable-giving platforms on the market may help to alleviate these problems.

First, in December 2021, new B Corporation Givzey launched its innovative "Give Now, Pay Later" platform. It "… transforms recurring, pledged and consistent donations into up-front capital." See *Introducing Givzey: The First Give Now, Pay Later Solution for Nonprofit Organizations* (December 16, 2021) *accesswire.com.*

Then, in August 2022, start-up B Generous introduced its "Donate Now, Pay Later (DNPL)" platform. It is "a revolutionary new tool allowing donors to make contributions to their favorite nonprofits through a proprietary philanthropic credit product called a Point of Donation Loan™ (PoDL)." See *B Generous Launches Donate Now, Pay Later™, Increasing Average Donation Values by 60%+ for Nonprofits* (August 25, 2022), *prnewswire.com*.

Both platforms are modeled to some extent after the "buy now, pay later" financing programs – like the Affirm program popular with younger consumers – that for-profit retailers offer.

And market research preceding each launch also shows that, given this extended pay option, many people will substantially increase the dollar amount of their contributions.

The reaction has been largely positive, but there are concerns as well, not least of which is the worry that it may encourage donors to commit to paying more they can reasonably afford.

For instance, Axios's Felix Salmon writes: "Donating money to charity is good and worthy. But should nonprofits encourage you to go into debt in order to do so? A new VC-funded company, BGenerous, says the answer is yes." *New company encourages 'donate now, pay later' charitable giving* (August 27, 2022).

Givzey

Adam Martel, the founder and CEO of Givzey, describes the "Give Now Pay Later" platform as a "first-of-its-kind financing opportunity that will "provide donors with more flexible giving options and nonprofit organizations with immediate and affordable access to timely capital."

He explains: "Over the past few years, companies have led the revolution to democratize both payments and access to capital in the for-profit space for consumers and small and mid-sized businesses." But nonprofits, including those with "world-changing programs and purpose" have not had access to these innovations. "Today, that changes."

The Givsey program "utilizes donor data to collateralize microloans for donors, allowing them to split their donations into four equal payments, for free, with no credit checks and no hidden fees."

In test-marketing research, donors significantly increased the size of their gifts, sometimes by over 200%. The flexibility made it possible for supporters to "better align" their charitable giving habits with "the way… they pay for most things in their lives."

On the Givsey website, there is general information about how the program works. The first step is "instant approval." The donor is approved "at the moment they transact their gift without any hard or soft credit checks." The second step is the donor making the donation "on a branded page"; the donee organization "receives the full gift immediately."

The third step is between the donor and the platform. The gift is split "into four installments for free. No interest and no hidden fees. Ever." In this way, Givsey "eliminates the risk of missed and unfulfilled pledges from one-time donors and sustainers."

So how does Givzey get paid? According to a September 20, 2022, blog entry by Mr. Martell: "Givzey …. does not take a percentage of a gift/transaction from a nonprofit. Rather, nonprofits purchase a low-cost Givzey subscription, similar to how they buy other software."

Apparently, the rest of the details are available after an interested nonprofit signs up for a free trial or requests a demo.

B Generous

The newer launch – the "Donate Now, Pay Later" version by B Generous – has received quite a bit of media buzz since its introduction last month. Through these articles as well as from the website and B Generous's promotional materials, there is more easily available and detailed information than for Givzey's "Give Now, Pay Later" option.

The B Generous founders describe themselves as a "a team of 'nonprofit executives, philanthropists, fundraisers, and technologists who have created a new way to donate to nonprofits now … but pay later.'" They are "… powering nonprofits and donors to achieve more together," by

using financial technology "for good."

Founder and CEO Dominic Kalms explains that the "biggest goal is to help nonprofits scale their mission…." Kalms adds that, according to "proprietary research," these "Point of Donation loans … could increase average donation values by 60%." See *Donate Now Pay Later Fundraising Tool Launched* (September 20, 2022) *The NonProfit Times*.

Mr. Kalms told Felix Salmon for the Axios article that "when given the opportunity to pay over time, 82% of donors double their donation — with that number rising to 89% among donors giving $1,000 or more." By using "Donate Now, Pay Later," participating organizations "… enjoy larger average donations, higher donor conversion and retention, and more money, faster, and best of all, [they] put an end to monthly donor cancellations and pledge defaults."

"Donate Now, Pay Later was launched in conjunction with St. Paul, Minn.-based Drake Bank, a 20-year-old community bank." How does the platform work? "The nonprofit receives the donation immediately, and the donor gets the tax receipt right away, but the donor pays nothing out of pocket at the point of donation and instead pays over time, with no interest, costs or fees."

The platform's functionality "allows nonprofits to receive more money, faster' and it "allows donors to support their favorite nonprofits without stressing their bank account." Donors "can finance amounts from $75 to $50,000, while paying no interest, transaction or late fees."

Felix Salmon also explains how it works: The donor making the donation pays "no money up front. Instead, Drake Bank lends" the donor the money but pays it directly to the charity. The donor pays the bank back "in installments, interest-free, over three to nine months." The Bank and BGenerous "split a commission of between 8.25% and 15% of the total donated, paid by the charity (or by the donor, if they're feeling extra-generous)."

Deirdre Newman of *bizjournals.com* also provides more information. See With Donate Now, Pay Later, this startup is changing how you give to charity (September 1, 2022). She quotes the chairwoman of Drake Bank, Nichol Dehmer, who explains that "[m]aking the decision to partner with B Generous was not only strategic, but natural. The insights into nonprofits that B Generous can offer pairs well with the financial experience and processes we can bring to the table. The potential impact of point-of-donation loans on (the) donation landscape is monumental."

She adds: "While Kalms declined to disclose clients who are using the fintech platform, nonprofit executives who publicly support it on B Generous' website include leaders from Susan G. Komen, Planned Parenthood and UNICEF, among others." And all "… of the featured executives — such as Mariam McIntosh, a United Way Worldwide board member — are advisors to B Generous, and some are investors as well, Kalms said."

B Generous also offers donors an option to cover any portion of the nonprofit's transaction costs. So far, opt-in rates for this are quite high — above 75%, according to CEO Kalms.

In *Risks and Rewards With Donate Now, Pay Later Charitable Giving Model* (September 7, 2022) *thestreet.com,* Brian O'Connell offers more details and thoughts. "Fewer Americans are donating to charity. Donate Now, Pay Later (DNPL) could change that." He adds: "Charitable giving experts say

the 'Donate Now, Pay Later" idea has merit.'"

He continues: "Donors can either give to one of 1.7 million charities via DNPL on the B Generous platform or press a DNPL button on their favorite charity's website and donate on an installment plan, choosing to pay the full amount by nine months after the original donation was made."

Conclusion

There are risks, though. "'Proponents of this strategy point to an increase in donor gifts, which is admirable,' said Glen Goland, senior wealth strategist at the financial planning firm Arnerich Massena." But, "'... we discourage this sort of strategy for the same reason we discourage our clients from financing their livelihoods with their credit cards.' Sound financial 'planning should involve a budget you can stick with, and it should involve reducing unnecessary costs.'"

And, in *The HUGE Difference Between Pledges and Donate Now, Pay Later*, *wholewhale.com,* George Weiner discusses both B Generous and Givzey. "Donate now, pay later should probably be done in addition to, NOT instead of existing donation strategies that are working."

Mr. Weiner, in that same article, also compares and contrasts another new entry in the online giving landscape: CauseVox's "Pledge Now, Pay Now" functionality which does not involve any loan or credit element. It is, instead, a new way to manage pledges.

– Linda J. Rosenthal, J.D., FPLG Information & Research Director