



# Are Your Online Donations Secure?

**Don't put your donors or your organization at risk. Here's what you need to know.**

By David Solomon

Accepting donations online can be a major step in fundraising. But how can you be sure the online information about your organization and donors is secure? The answer is that you must be knowledgeable about the company you choose to process those donations.

You have two alternatives when picking such a company. One option is to use an aggregator — a merchant service provider that processes donors' credit cards and sends you a monthly check. For a small nonprofit, using an aggregator may be convenient, but there are drawbacks. The donor's credit card statement will list the name of the aggregator and not your organization. This may confuse donors and cause them to cancel their transactions. (These canceled transactions are called chargebacks; if you have over 1% in chargebacks, you'll be placed on the terminated merchant list.) Another disadvantage is the relatively high cost.

An alternative to using an aggregator is to own the merchant service account yourself. If you decide on this option, you must choose an online payment gateway (such as VeloCT, Verisign, or Authorize.net), which will provide standard security features.

When picking a merchant service provider, look for one that offers a single-source solution so that you can resolve issues with

one phone call. If help-desk staff are knowledgeable about processing and technology, they can resolve problems quicker than if you must contact multiple vendors.

Be sure your merchant account is set up correctly. Most credit card statements offer approximately 16 characters of space in which to put your identifier and contact phone number. Place the phone number first if the name of the organization is longer than 16 characters. Also make sure the name matches the name used to solicit the donation. This will act as a reminder for donors and reduce the number of chargebacks.

It's also important to realize that there are several types of rate structure. First is the highly desirable qualified rate. This is the discount rate based on (1) the buy rate from Visa/MasterCard, (2) the risk factor associated with the industry's SIC code, and (3) the profit margin for the processor. Unfortunately, not all transactions will settle at the qualified rate. Many transactions will downgrade to higher, less desirable non-qualified rates. Make sure you ask what those rates are and what would downgrade those transactions. For example, transactions may be downgraded if (1) the batch is older than 24 hours, (2) the CVV2 (the 3 or 4 digit security number) or AVS (address verification) weren't entered in, or (3) the transaction was keyed in rather than swiped. Many processors don't disclose this information, and that's where

they make most of their profit.

Beware of sales gimmicks to get your business. The competition is fierce in the merchant service industry, and as we all know, nothing is really free. Be sure the "free online payment gateway or terminal" you're being offered isn't proprietary. If it is and you want to switch providers, you'll need to purchase a new one. Stick with Verifone, Nurit, Talento, or Hypercom terminals, which can be reprogrammed if you switch. Also check your termination clause. Many sales representatives who offer you bargain-basement rates and free equipment will include higher rates and costly termination fees if you leave.

Before signing your merchant contract, call the customer service number and see how you can expect to be treated. Is the staff friendly? Courteous? Helpful? How long did you wait on hold? Will you be provided with a contact person that you can build a relationship with, or is your call queued to the next available representative?

Don't start collecting donations online till you've taken time to research your options and found the one that best suits your needs. Due diligence is always your best protection when choosing a processing partner. ■

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