



## Meaningful Metrics for the Collection Department

Executives depend on metrics to measure success in every department of the credit union. Executive management knows that the credit union must gain new efficiencies to drive costs down while driving growth upward. Before a measurement can begin, it is essential that the metric basis be on a meaningful outcome that the credit union wants its collection department to achieve. Then the collection departments will need to measure the full customer-to-cash process, from establishing the customer relationship all the way to cash in the bank. This article will provide some tips on developing metrics that align business objectives, avoid common pitfalls, and provide some areas of measurement.

### Some Tips on Making Metrics Meaningful

By providing regular feedback of measurement results with collection team members, credit union management can help eliminate the perceived atmosphere of isolation that many collection departments feel. A measurement system should ensure that both efficiency and effectiveness are tracked, monitored, discussed and adjusted accordingly.

- *Efficiency of Internal Activities:* Cash, cost, and service performance are the three main activities that make up the entire process. Clear targets for the number of accounts being worked and conversion percentages are important.
- *Effectiveness of Internal Activities:* Volume, errors, re-works, and cycle time all should be measured. Measure the relationship between volume (calls, invoices, credit memos, bill-to accounts, checks, etc.) and the staff required to process the transactions.

Using the right metrics can improve policies and procedures, increase member satisfaction and retention, focus employee training and support, improve morale, reduce costs, and increase productivity. But if the metric does not measure a specific objective, accomplish a purpose, or fill a need, it should not be used.

Some questions to ask before implementing are:

- Specifically, what will be measured?
- Who will analyze the results of the measurement?
- Does the measurement support Credit Union objectives?
- How will the results be used to improve department policies and process?

Among the metrics credit unions use to measure the performance of their collection departments and collection team members are:

- Write-offs as a percentage of loans
- Operating cost per employee
- Departmental operating costs
- Cost of bad debt collection
- Number of accounts being worked per collector
- Number of calls per collector
- Cost-to-benefit ratios
- Roll rates / Charge-offs

Developing and implementing an effective measurement system will enable corrective adjustments by setting objectives and targets aligned with the overall goals of the credit union and subsequently, increased profitability.

**CU Recovery, Inc.** is a full service collection agency, working exclusively for credit unions, dedicated to maximizing recoveries on charged off loans. **The Loan Service Center, Inc.** provides staffing solutions for credit union collection departments to minimize losses on their delinquent active loan portfolio. The **CU Recovery Collection Academy** is a resource for continuing education to assure the success of Credit Union collection departments in meeting their member service and delinquency reduction goals. For more information:

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