



# Are CUs falling short on rate intelligence?

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► Last year, Milwaukee-based Datatrac, a leading provider of rate-intelligence services, unveiled an online tool to help credit unions identify possible weaknesses in their rate gathering and setting processes.

Datatrac's 12-question Rate IQ Quiz (available at [www.datatrac.net/cuna](http://www.datatrac.net/cuna)) provides an immediate score and analysis in four key pricing categories: efficiency, effectiveness, competitive knowledge, and internal rate-setting practices. A rate IQ of 120 is excellent, 85-119 is good, 60-84 is moderate, and a score of 59 or less indicates rate-intelligence practices

or internal rate-setting policies may need improvement.

Responses from 641 credit unions reveal some interesting findings:

- Overall, the average Rate IQ score was 63 out of a possible 120 (Figure I). Nearly half of credit unions taking the quiz earn a grade of "may need improvement," while only about one of five are "excellent" or "good."

- Credit unions taking the quiz get four component scores and a customized analysis with recommended improvements. Overall, the lowest component scores relate to the efficiency of processes for collecting competitive rate-intelligence data. Credit unions' "effectiveness" and "competitive

knowledge" component scores also are low, with 40% to 50% of respondents earning a "may need improvement" grade. Credit unions gain higher scores for "internal rate-setting practices," although 26% receive a "may need improvement" grade in this category.

- Datatrac highlights questionable rate-intelligence practices. The most common questionable practices at some credit unions include using reports that aren't formatted to show the credit union's rank and recent rate changes in the market (48%); using valuable management resources to collect information manually rather than outsourcing the collection of rate-intelligence information (32%); and, surprisingly, verifying competitors' rate changes or new special offers only when notified by a member (21%).

- At credit unions where the board of directors approves final rate changes, rate IQ scores averaged only 42.

In addition to obtaining its board's final approval to rate changes, a credit union that "may need improvement" in its rate IQ is likely to:

- Change rates infrequently, generally on a monthly basis;
- Obtain data on competitors' rates infrequently (generally monthly) that isn't complete for all com-

petitors and is done internally using limited quality controls; and

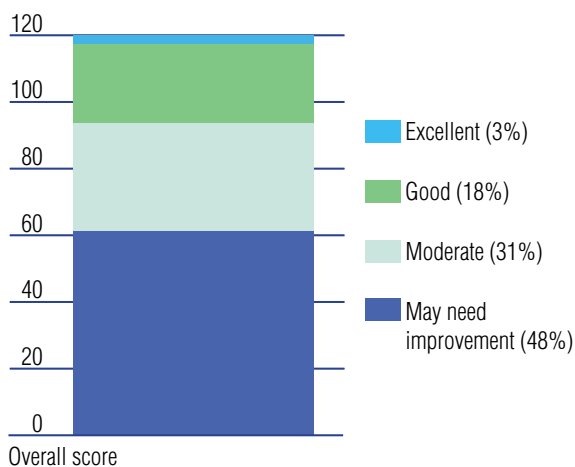
- Have rate intelligence reports that aren't formatted for rapid decision making.

"By taking the Rate IQ quiz, we uncovered the need to improve our methods of obtaining competitive interest-rate data," notes Ron Davis, vice president of member service and marketing for University & Community Federal Credit Union, Stillwater, Okla. "We've taken steps to achieve this and, by doing so, increased our competitiveness."

In 2001, the National Credit Union Administration (NCUA) authorized delegating rate-setting authority to management (see NCUA opinion letter 01-0344). For a free white paper and PowerPoint presentation featuring case studies on this topic, visit [www.datatrac.net/cuna](http://www.datatrac.net/cuna) or call Datatrac at 800-257-7101, ext. 4. ■

*Datatrac is a rate-intelligence service provider with 15 years of experience serving the credit union movement. Credit unions that provide their rate IQ score and sign up for 12 months of rate-intelligence service by June 30, 2003, will receive a free month of service. This offer is available only for new sign-ups. To take the Rate IQ Quiz, visit [www.datatrac.net/cuna](http://www.datatrac.net/cuna).*

FIGURE I  
RATE IQ SCORE (AVERAGE = 63)



SOURCE: Datatrac's Rate IQ Quiz