



May 30, 2019

Wes Bricker
Chief Accountant
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

Russ Golden
Chairman
Financial Accounting Standards Board
401 Merritt 7 / P.O. Box 5116
Norwalk, CT 06856

Dear Mr. Bricker and Mr. Golden:

The development and implementation of accounting standards is one of the foundational elements of U.S. financial markets. Over the past several years, the Financial Accounting Standards Board (FASB) has developed new accounting standards that greatly impact the financial statements of businesses and financial institutions, including Revenue Recognition, treatment of Leases, and Current Expected Credit Losses (CECL). Our members have raised material concerns over the past year about CECL in particular, and we believe that a delay is warranted to allow for additional study on the impacts of CECL, not only because it represents a material shift from the current standard, but also because it will be layered into a changing environment with several other new standards going into effect at the same time. Smooth execution of such a significant transition requires a transparent and granular attempt to better understand the challenges in implementation, educational needs, and impacts on credit availability and the economy.

Additionally, in this letter, CREFC recommends instituting extending inclusive public and private communication channels between the agencies and covered institutions to allow for the real-time feedback as they prepare to conform to the CECL standard.

CREFC understands that CECL is intended to enhance the availability of decision-useful information related to loan and other credit losses. We appreciate that the standard is principles-based and allows tailoring depending on circumstances and resources. We also understand that the SEC and FASB have conducted extensive outreach with various covered institutions to date, and while this due diligence has proven useful in the development of the standard, CREFC members believe there remains an opportunity to take several additional steps that will allow the official sector and the adopters to more thoroughly prepare for the transition. The potential for unintended consequences related to the CECL standard is particularly acute, and CREFC members propose the following to allow for covered institutions to interact with the Securities and Exchange Commission (SEC), FASB, and the Public Company Accounting Oversight Board (PCAOB) to quickly identify and address these issues:

1. As noted in our prior letter, CREFC continues to believe that a delay and further study is the most efficient way to identify and mitigate unexpected consequences, and to achieve a transition without market disruptions. In addition, CREFC members believe that any

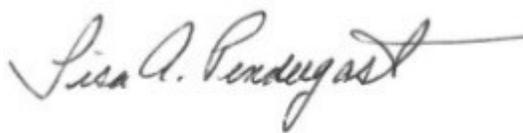
delay for the CECL standard itself, should be recognized by the banking agencies and adjustments should be made to their regulatory capital requirements accordingly;

2. Ensure that any guidance for auditors emanating from the PCAOB, including that from subsequent PCAOB inspection of audit engagements that involve accounting under the new standard, is aligned with guidance from the FASB and SEC; and
3. Additionally, CREFC believes it is important for the FASB and SEC to promote ongoing communication in public and private venues throughout the transition process in order to share information, seek clarifications, and to more efficiently implement the CECL standard. The continuation of inclusive public roundtables and privately-held industry forums that include the SEC, FASB and PCAOB in the discussions would be welcomed. Such roundtables and forums could prove to be useful for gathering and integrating different types of feedback from various stakeholders on implementation issues and provide an opportunity to make necessary clarifications, safe harbors, and/or adjustments to the standard.

CREFC is already on record recommending further steps be taken by the SEC and FASB in our letter of March 8, 2019 that, together with the additional recommendations enclosed, would facilitate better communication between all stakeholders, more efficiently surface solutions to implementation challenges, and provide a lab-like setting in which to identify unintended consequences before enforcement actions could be applied.

Thank you for your consideration of these suggestions. CREFC stands ready to discuss them with you further and assist in any way that we can.

Sincerely,

A handwritten signature in cursive script that reads "Lisa A. Pendergast". The signature is written in black ink and includes a long horizontal flourish extending to the right.

Lisa Pendergast
Executive Director
CRE Finance Council