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September 11, 2019

Technical Director
Financial Accounting Standards Board
401 Merritt 7
Norwalk, CT 06856

Re: Proposed ASU to Delay Effective Dates of Financial Instruments Standards;
File Reference No. 2019-750

To Whom It May Concern:

On behalf of America's credit unions, I am writing about the Financial Accounting Standards Board's (FASB) proposed accounting standards update (ASU) to delay the effective dates of several financial instruments standards, including on credit losses. The Credit Union National Association (CUNA) represents America's credit unions and their 115 million members.

Proposed Delay of Effective Dates

Effective Date Philosophy

In response to concerns related to implementation of standards, particularly from private companies and smaller public companies, FASB has proposed a philosophy to extend and simplify how effective dates are staggered between larger public companies (bucket one) and all other entities (bucket two). The proposal sets forth a new philosophy to facilitate a more efficient and successful transition to major standards.

Under this philosophy, a major accounting standard update would first be effective for bucket-one entities—entities that are Securities and Exchange Commission (SEC) filers, excluding smaller reporting companies (SRCs) under the SEC's definition. All other entities, including credit unions, would compose bucket two. For entities in bucket two, it is anticipated that the Board will consider requiring an effective date staggered at least two years after bucket one for major updates.

We support this proposed philosophy as it would apply to major accounting standard updates. In practice, many major updates have included differing effective dates depending on the type of reporting entity. However, given the challenge credit unions and other non-public entities encounter when implementing major accounting changes, we believe it is important that a delayed effective date for smaller entities be "hardwired" into

FASB’s standards. As a general concept, providing non-public entities additional time over large public companies will provide entities with limited resources the ability to learn from the implementation processes of those entities with vast resources.

While we support this proposed philosophy, we urge the Board to maintain it as just that, a philosophy. We would not support an approach where the Board adopts a strict standard stating that the effective dates of major accounting standards for non-public entities are always, for example, two years after those for large public companies. We believe doing so would fail to allow sufficient flexibility for instances where more (or possibly less) time is appropriate.

Effective Date for Credit Losses

The proposal would apply this change in philosophy to the following standards that have been adopted but not yet become effective:

- Accounting Standards Update No. 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* [referred to as the CECL (current expected credit loss) standard];
- Accounting Standards Update No. 2017-12, *Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities*; and
- Accounting Standards Update No. 2016-02, *Leases (Topic 842)*.

Specifically, the proposal would make the following changes to the effective dates for these standards:

Standard	SEC Filers	All Other Public Business Entities (PBEs)	Private & All Others
Hedging	January 2019	January 2019	January 2020 January 2021
Leases	January 2019	January 2019	January 2020 January 2021
CECL	January 2020 (Except SRCs January 2023)	January 2021 January 2023	January 2021 January 2023

■ = No change in effective date

We appreciate the Board’s recognition of the challenges entities—of all sizes and complexity—are encountering as they work to implement changes necessary to comply with these standards. Thus, we support the proposed changes to the effective dates, as such changes would be consistent with the Board’s proposed new effective date philosophy.

However, it is important FASB be aware that CUNA's longstanding position has been and continues to be that application of CECL to credit unions is inappropriate. CECL is intended to address delayed recognition of credit losses resulting in insufficient funding of the allowance accounts of certain covered entities. However, underfunding of allowance accounts has not generally been an issue for credit unions. Further, the typical user of a credit union's financial statements is not a public investor—such as with large, public banks—but instead is the credit union's prudential regulator, the National Credit Union Administration (NCUA).

In addition to the direct impact the upcoming changes will have on credit unions' financial positions, credit unions are very concerned with the compliance burden of the changes, which require extensive resources to analyze the loan portfolio on a granular level to calculate and project life of loan losses. This comes at a time when many credit unions are struggling to comply with a historic level of new and amended regulations. Even those credit unions able to allocate the resources necessary to comply are encountering major challenges since the level of data analytics required is less common among credit unions, unlike much larger, complex banks.

Further, we maintain that CECL will hinder lenders' (including credit unions) ability to uplift low- and moderate-income borrowers in their goal of achieving financial independence and the American dream. A completely unintended, though real, consequence of CECL is that it will force lenders to be much more discerning of potential borrowers with less than perfect credit.

While we recognize that the proposed delay of the effective date will of course provide credit unions with additional time to implement necessary changes, it does nothing to the onerous substantive requirements within the standard. Thus, we urge the Board to search for any opportunities to provide real relief to credit unions, which consistently cite CECL as one of, if not the, biggest compliance challenge they are facing.

Lastly, we ask FASB to collaborate with the NCUA to assist in the development of compliance resources. Even with the proposed delay, it is critical that credit unions have sufficient guidance well ahead of the effective date.

Conclusion

On behalf of America's credit unions and their 115 million members, thank you for the opportunity to share our comments in support of the proposed delay of the effective date of these financial instruments standards. If you have questions about our comments, please do not hesitate to contact me at (202) 508-6743.

Sincerely,



Luke Martone
Senior Director of Advocacy & Counsel