Heartland
Credit Union Association

September 16, 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 the 2.2 million credit union members we represent, the Heartland Credit Union Association (HCUA) appreciates the opportunity to comment on 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.

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.

It is important FASB be aware that HCUA'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).

6800 College Boulevard
Suite 300
Overland Park, KS 66211

223 Madison Street
Jefferson City, MO 65101

2055 Craigshire Road
Suite 200
Saint Louis, MO 63146

901 SW Topeka Boulevard
Topeka, KS 66612

2544 North Maize Court
Suite 100
Wichita, KS 67205

TF 800 392 3074

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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.

As always, we appreciate the opportunity to review this issue. We will be happy to respond to any questions regarding these comments.

Sincerely,

Brad Douglas
President/CEO

TF 800 392 3074 HeartlandCUA.org