

September 16, 2019

Financial Accounting Standards Board
FASB Technical Director
401 Merritt 7
Norwalk, CT 06856-5116

RE: Comments on Effective Dates; File Reference No. 2019-750

Dear Technical Director,

I am writing on behalf of the California and Nevada Credit Union Leagues (Leagues), one of the largest state trade associations for credit unions in the United States, representing the interests of approximately 250 credit unions and their more than 11 million members.

The Leagues appreciate the opportunity to provide comments to the Financial Accounting Standards Board (FASB) on its proposed Accounting Standards Update (ASU) regarding a change in philosophy on effective dates for major updates and its application to the effective dates for the following major ASUs: current expected credit losses (CECL) (*Topic 326*), Leases (*Topic 842*), and Hedging (*Topic 815*).

Effective Date Philosophy

The proposed ASU describes a new FASB philosophy that extends and simplifies how effective dates for major standards are staggered between larger public companies and all other entities.

Under this philosophy, a major standard would first be effective for public business entities (PBEs) that are SEC filers, except for smaller reporting companies as defined by the SEC. For all other entities, including credit unions, the Board would consider requiring an effective date staggered at least two years later. Generally, it is expected that early application would continue to be permitted for all entities.

The Leagues agree with and support this effective date philosophy. Staggering the effective date on major standards makes sense. Providing entities, including credit unions, with an effective date at least two years later than larger public companies allows credit unions the ability to learn from the implementation processes of those larger public entities. It also allows the FASB to consider the costs and benefits of the new standard as it applies to the larger public entities and to reconsider the standard's value and application to all other entities.

CECL Effective Date

Based on the new effective date philosophy, the Board proposes to amend the effective dates for the following major ASUs that have been adopted but not yet become effective:

- Current Expected Credit Losses (*Topic 326*);
- Leases (*Topic 842*); and
- Hedging (*Topic 815*).

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

How Effective Dates Would Change

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 2022 January 2023

* No change in effective date.

† Also includes Employee Benefit Plans and Not-for-Profit Conduit Bond Obligors that file or furnish financial statements with or to the SEC.

The Leagues support the proposed changes to the effective dates for a number of reasons. First, the changes are consistent with the FASB’s proposed new effective date philosophy. Second, as stated above, the proposed delay will provide credit unions the ability to learn from the implementation processes of larger public entities. Third, the proposed effective date delay to CECL will allow credit unions to conduct more extensive testing to determine the methodology that is most appropriate for their credit union and to adequately prepare for the resulting impact to their reserves requirements.

Additionally, it is our hope that the National Credit Union Administration (NCUA) will use this additional time to adopt a rule that allows federally insured credit unions the option to phase in over a three-year period the day-one adverse effects on regulatory capital that may result from the adoption of the new CECL accounting standard.

Applicability of the CECL ASU

While we support the effective date philosophy and the corresponding changes to the effective dates of the above major updates, we must also reiterate our belief that the 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 entities. However, this has not been an issue for credit unions. Further, CECL is designed to provide better evaluations of for-profit public entities. The CECL ASU should not apply to credit unions and other non- and not-for-profit entities that are not publicly traded.

We urge the FASB to take advantage of the delayed effective date to reconsider the application of CECL on credit unions and other non- and not-for-profit entities that are not publicly traded.

Conclusion

The Leagues thank the FASB for the opportunity to comment on their proposed change in philosophy regarding effective dates of major updates, and in particular, the resulting change to the effective date for CECL. We strongly recommend the FASB also use the additional time to reconsider the application of CECL on non- and not-for-profit entities that are not publicly traded.

Thank you for considering our views and recommendations. If you have any questions regarding our comments, please contact me.

Sincerely,

Diana R. Dykstra
President and CEO
California and Nevada Credit Union Leagues

cc: CCUL