

From: Robert Rutkowski <r_e_rutkowski@att.net>

Sent: Monday, October 14, 2019 3:11 PM

To: Russell Golden

Subject: Delay Implementation of CECL to Study Its Effect on LMI Families and Communities of Color

Russell G. Golden; Chairman
Financial Accounting Standards Board
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Re: Delay Implementation of CECL to Study Its Effect on LMI Families and Communities of Color

Dear Chairman:

The Financial Accounting Standards Board (FASB) is implementing a new Current Expected Credit Loss (CECL) methodology for estimating allowances for credit losses on financial institutions. This standard requires lenders to expense the lifetime expected losses of a loan at origination. Capital held by lenders covers unexpected losses in a stress scenario.

As proposed, CECL creates a significant disincentive for lenders to originate loans to low- and moderate-income families and communities of color, since the up-front charge will be relatively larger than for ???prime??? loans, even when the lender charges an interest rate that will fully cover the expected risk of loss. This problem is particularly acute for long-term assets like mortgages.

Given the importance of homeownership for American families to accumulate wealth, FASB should delay implementation of CECL for all market participants in order to study its likely impact, particularly for low-wealth borrowers. FASB should further study alternative measures to provide for loss reserves without unnecessarily harming borrowers.

Yours sincerely,
Robert E. Rutkowski

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