



National Credit Union Administration
Office of the Chairman

April 30, 2020

SENT BY EMAIL

Mr. Russell G. Golden
Chairman
Financial Accounting Standards Board
401 Merritt 7
Norwalk, CT 06856-5116

RE: Impact of CECL on Credit Unions

Dear Chairman Golden:

Credit unions have a long history of helping their members in times of need, and I have no doubt that our nation's credit unions will again rise to meet this challenge during this current pandemic. To support our credit union system as it meets its member's needs, the National Credit Union Administration (NCUA) has been actively providing guidance and regulatory relief. In support of our efforts to ease the regulatory burdens on the credit union system, I am asking the FASB to provide relief by exempting credit unions from complying with Accounting Standards Update 2016-13, current expected credit losses (CECL).

I believe the compliance costs associated with implementing CECL overwhelmingly exceed the benefits. Even before the current pandemic, credit unions had approached the NCUA with concerns about the unintended consequences of requiring credit unions to implement CECL. In our current environment, I am especially concerned that adopting CECL will have a chilling effect on lending, including loans to low-income borrowers.

Additionally, for most credit unions, implementing CECL will have an immediate negative impact on net worth. Although FASB enabled credit unions to delay implementation of CECL until January 1, 2023, the additional time credit unions were afforded to collect data, review data processing systems, and analyze various model(s) is now being used supporting the credit and depository needs of their members. This critical work is being performed under the additional constraints imposed by strict social distancing protocols and stay-at-home orders. Thus, I urge the FASB to provide needed relief to all credit unions by providing, at a minimum, a Private Company Council alternative that retains the framework of the incurred loss methodology.

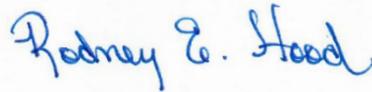
Initial support of CECL focused on providing investors with better financial statements by using 'forward-looking' information related to expected credit losses. While FASB maintains CECL is scalable to institutions of all sizes, the continued challenges of resource constraints and data system challenges seem to outweigh the anticipated benefits of financial statement comparability between credit unions and the rest of the financial sector.

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The NCUA uses the incurred loss model as it supervises and examines the 5,236ⁱ credit unions under our purview for safety and soundness. Of those credit unions, 3,641 (nearly 70 percent) are under \$100 million in total assets. Attempting to recognize all expected credit losses, even using the weighted average remaining maturity method, is fraught with data collection challenges for the smallest of our supervised credit unions. In short, CECL provides insufficient advantages over the incurred loss model to support implementing CECL in the credit union system, especially under the current economic conditions.

I respectfully urge the FASB to consider providing a permanent exemption of CECL implementation for credit unions. If you have any questions, or wish to discuss this issue further, please contact Gisele Roget, Deputy Chief of Staff and Director, Office of External Affairs and Communications, at groget@ncua.gov or 703-518-6330.

Sincerely,

A handwritten signature in blue ink that reads "Rodney E. Hood". The signature is written in a cursive style.

Rodney E. Hood
Chairman

cc: Shayne Kuhaneck, FASB Acting Technical Director

ⁱ Data collected from December 31, 2019 call reports.