

Regulatory views

“...CECL poses a significant challenge for the banking industry. The life of loan loss concept presents complexities that can decrease capital, and add both volatility to allowance for loan and lease losses (ALLL) estimates, and additional costs. Further, it has the potential to change how banks do business.”

- **American Bankers Association (ABA)**

http://www.aba.com/Issues/Index/Pages/Issues_LoanLoss.aspx

“...The US banking agencies have strongly supported CECL since it was proposed in 2012, and have expressed the view that CECL is scalable to banks of all sizes. Prior to CECL’s issuance, FASB members, as well as staff from the SEC, PCAOB, auditing firms, and banking agency accounting divisions all agreed that the complexity and sophistication of the CECL analysis should be consistent with those of the bank itself. That said, they all acknowledged that different and additional data would need to be maintained, and additional analysis required, to account for CECL-based forecasts.”

- **ABA**

<http://www.aba.com/Issues/Index/Documents/CECL-backgroundunder.pdf>

“... The CECL standard will benefit both investors and bankers by providing more flexibility, accounting for purchased loans, other than temporary impairment on debt securities, renewable loans, and unconditionally cancellable open lines of credit.”

- **ABA**

<http://www.aba.com/Issues/Index/Documents/CECL-backgroundunder.pdf>

“...The new standard addresses concerns from a wide range of stakeholders - including financial statement preparers and users - that the existing incurred loss approach provides insufficient information about an organization’s expected credit losses. The new guidance aligns the accounting with the economics of lending by requiring banks and other lending institutions to immediately record the full amount of credit losses that are expected in their loan portfolios, providing investors with better information about those losses on a more timely basis.”

- **Financial Accounting Standards Board (FASB) Chair**

http://www.fasb.org/cs/ContentServer?c=FASBContent_C&pagename=FASB%2FFASBContent_C%2FNewsPage&cid=1176168232900

“...Banks and credit unions should start preparing for CECL by getting familiar with it - determining effective date of application, steps, and time required for implementation, identifying the functional areas to be involved, looking for advise and leverage, determining methodology, deciding on data, identifying system changes, and evaluating and planning for the impact on regulatory capital.”

- **The Federal Reserve, The Federal Deposit Insurance Corp. (FDIC), The National Credit Union Administration and The Office of the Comptroller of the Currency**

“This is not a tweak for anybody or any bank, you are not already doing it. Your allowance is not already sufficient to qualify under CECL. This is going to take a ton of work.”

- Steven Merriett, chief accountant at the Federal Reserve System

<https://www.aba.com/Tools/Offers/Documents/CECLreadyset-final5.pdf>

“...CECL allows institutions to apply judgment in developing estimation methods that are appropriate and practical for their circumstances. The agencies expect supervised institutions to make good faith efforts to implement the new accounting standard in a sound and reasonable manner.”

- Banking regulators

https://www.complianceweek.com/blogs/accounting-auditing-update/bank-regulators-back-scaling-of-cecl-model-for-smaller-banks#.WXH3_ISGM2x

“...Impact of CECL will depend on allowance level and current and future expected economic condition upon implementation. Agencies will not establish benchmark targets or ranges for the change in institutions allowance levels upon adoption of CECL or for allowance levels going forward.”

- FDIC

https://www.fdic.gov/news/conferences/other_events/2017-06-22-atlanta.pdf

“It’s sort of like entering the lottery, you buy your ticket, but you don’t quit your job. You have to assume that CECL’s going to take effect.”

- Donna Fisher, ABA’s Senior Vice President (tax, accounting, and financial management)

<http://www.bankingexchange.com/news-feed/item/6072-fasb-s-controversial-cecl>

“...CECL’s impact on community banks will be minimal as the successful transition to the new standard is not an issue at this point because they can use existing processes. If they are using narratives or existing spreadsheets, they can continue doing that.”

- James Kendrick, First Vice President (accounting and capital policy) at the Independent Community Bankers Association (ICBA)

<http://m.bankingexchange.com/news-feed/item/6644-cecl-s-on-its-way>

“...Ideally, ALLL isn’t just about keeping auditors, regulators, and investors happy, but about running the bank well.”

“...Most community banks are in the early planning stages, right now, we’re trying to get them to focus on what kind of data they need to start collecting.”

“...The banks won’t know if their transitions to CECL are successful by the implementation date, this is about how banks will manage capital and view credit risk. Success will be demonstrated when a bank can back up why its allowance should be 50 or 100 basis points higher.”

- Mike Gullette, ABA Vice President (accounting and financial management)

<http://m.bankingexchange.com/news-feed/item/6644-cecl-s-on-its-way>

Banks

“...We began preparing for CECL before the standard was finalized in June. It began to question RMA, ABA, and its CPA firm about how best to prepare. The bank also made CECL a discussion item with its outside vendor in August during its core software IT transfer to a service bureau.”

- Leton Harding, CEO, Powell Valley Bankshares Inc., Jonesville, Va.

<http://m.bankingexchange.com/news-feed/item/6644-cecl-s-on-its-way>

“...We have been capturing data points needed for CECL in a model created six or seven years ago. Because the bank has a high concentration in CRE loans, it needs a more sophisticated model than what a bank its size would typically employ.”

- Trey Maust, Co-president and CEO, Lewis & Clark Bank, Portland, Ore.

<http://m.bankingexchange.com/news-feed/item/6644-cecl-s-on-its-way>

“...As a small community bank, I was relieved that the document specifically says the complexity of the calculation needs to reflect the complexity of the bank. Community banks don’t have the same risk profile as larger banks, the loans we make are not as complicated.”

- Jane Haskin, President and CEO, First Bethany Bank & Trust, Oklahoma

<http://m.bankingexchange.com/news-feed/item/6644-cecl-s-on-its-way>

“...We expected to be CECL compliant by end 2016, thanks to our engagement with a third-party vendor to perform ALLL, stress testing, and portfolio and concentration management. We believe CECL accounting will provide more useful information than accounting for expected loss.”

- Brian Jones, CEO, The First National Bank of Elmer, New Jersey

<http://m.bankingexchange.com/news-feed/item/6644-cecl-s-on-its-way>

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