Re: Proposed Accounting Standard Update – Financial Instruments – Credit Losses (Topic 326)

To Whom It May Concern:

We at Community Financial Credit Union (CFCU) appreciate the opportunity to comment on the Financial Accounting Standards Board’s (FASB) proposed implementation delay on the current expected credit loss (CECL) standard. CFCU serves approximately 75,000 members in the state of Michigan with $995 million in assets.

CFCU supports the proposed delay of the CECL effective date to January 2023. Our hope is that the additional time is spent studying the impact on credit unions and other small financial institutions with the final outcome being the elimination of the CECL standard.

We believe that CECL does not accurately reflect the risk in the balance sheet and is flawed to the point that it should not be enacted in its current form. Furthermore, if CECL is to proceed as is, we would like FASB to consider the following;

1. Expensing the lifetime expected losses at time of origination for a higher risk loan should be netted against the additional lifetime income from the premium rate charged on those loans. Risked based pricing adjusts the yields on higher risk loans to compensate for the potential of additional losses. We recognize that additional yield over the life of the loan yet CECL requires recognition of the expected loss when the loan is booked.

2. Recognition of expected credit losses when the loan is booked seems inconsistent with the concept of FAS 91. This standard requires deferral of origination expense/income over the expected life of the loan. It seems as though standards such as these would have similar methods regarding the timing of the expense or revenue recognition.

CFCU also supports FASB’s new effective date philosophy for major standard updates so long as early adoption is allowed if an institution chooses. Having larger public companies implement changes earlier provides time to analyze the impact and make suggestions, possibly changes, to any areas of concern.

Community Financial Credit Union greatly appreciates the opportunity to share our concerns with the Board and the Board’s willingness to hear them. Thank you for the opportunity to respond to these proposed changes.

Respectfully,

Meg Pankow

Meg Pankow, CFO
CFO, Community Financial Credit Union