September 16, 2019

Technical Director
FASB
401 Merritt 7
PO Box 5116
Norwalk, CT 06856-5116

Submitted via electronically
director@fasb.org

RE: File Reference No. 2019-750

To Whom It May Concern:

The Credit Union Association of the Dakotas (CUAD), which represents state and federally chartered credit unions in the states of North Dakota and South Dakota, appreciates the opportunity to provide comment to the Financial Accounting Standards Board (Board) regarding its exposure draft regarding the effective dates of several different standards as they apply to each type of reporting entity.

CUAD represents credit unions that range in size from just over $3.8 million in assets to over $1 billion in assets. Of the 71 credit unions in North and South Dakota, 43 have ten or fewer full-time employees, with three credit unions not having any full-time employees at all. In June 2016, the Financial Accounting Standards Board (FASB) issued the new accounting standard introducing the current expected credit losses (CECL) methodology for estimating allowances for credit losses. As not-for-profit financial institutions, the cost of implementing new accounting standards, or any new compliance requirement at a credit union, is borne by the member owners. The implementation of CECL has created challenges for small credit unions as they attempt to work with third parties to extract data from core processors, overhauling accounting methods, determining appropriate models and adjusting reporting systems.

CUAD supports the Board’s proposed delay of the effective dates for CECL until January 2023 for credit unions. The Board must allow credit unions ample time to efficiently and effectively implement CECL. As the CECL requirements continue to evolve and be more thoroughly understood, it is important to allow credit unions time to adjust and test their processes in response to these updates. Furthermore, because CECL isn't a one-size-fits-all standard, credit unions will need to select different methodologies to assess risk for different loan classifications and apply
different loss methodologies to their loan pools. With limited staff and resources, this process will take time to do it correctly.

As the Board notes in its exposure draft, “The objective of financial reporting is to provide information that is useful to present and potential investors, creditors, donors, and other capital market participants in making rational investment, credit, and similar resource allocation decisions.” File Reference No. 2019-750, BC6. Ultimately, as credit unions are, as stated above, not-for-profit member owned financial cooperatives, it is CUAD’s position that credit unions should be excluded from CECL requirements. However, as that is beyond the scope of this exposure draft, we reiterate our support for the delay of the effective date to provide sufficient time for implementation of this new standard.

CUAD appreciates the Board’s continued outreach and implementation activities and hopes that this dialogue will continue, especially with credit unions and small community financial institutions which are greatly impacted by this new standard. Thank you for this opportunity to share our comments and concerns.

Respectfully,

Jeffrey Olson
CEO/President

Amy Kleinschmit
Chief Compliance Officer