September 16, 2019

Technical Director
Financial Accounting Standards Board
401 Merritt 7
Norwalk, CT 06856

Re: Proposed Accounting Standards Update Effective Dates of Financial Instruments Standards
File Reference No. 2019-750

To Whom It May Concern:

On behalf of Ohio’s 262 credit unions, the Ohio Credit Union League (OCUL) is writing to respond to the Financial Accounting Standards Board (FASB) proposed update to accounting standards (ASU-Credit Losses [Topic 326]), which includes a suggested change to the timeline for the implementation of the current expected credit loss (CECL) model. OCUL fully supports providing any additional time to credit unions and “all other” entities in advance of the effective date.

Ohio credit unions are democratically operated financial cooperatives whose mission is to provide affordable, consumer-friendly products to their members. As such, they serve a wide array of consumers: military service personnel and their families, state employees, religious groups, individuals and families of modest means, and students, among many other groups. The average Ohio credit union is $122 million in assets and retains a staff of 29 employees. While credit union membership is increasing on a national and state level, Ohio credit unions are experiencing market consolidation. Easing the regulatory burden by providing additional time to comply with new regulations will go a long way in helping to ensure the continued success of Ohio credit unions. We hold specific and elevated concern for Ohio’s numerous smaller credit unions, which face unique challenges in administering the new methodology’s requirements.

Historically, financial institutions’ accounting methods recognized losses based on actual defaults or specific events that augured a loss. In a significant shift, in 2016, FASB issued new accounting standards, which included CECL. CECL accounting is premised on both historical and current loss and loss that is expected to occur in the future over the entire lifetime of a loan.

Since FASB issued CECL, stakeholders and interested parties, like OCUL, have submitted feedback to the agency regarding challenges with CECL implementation and compliance. Last year, FASB extended the effective date by one year. Since then, entities have continued to prepare for CECL implementation despite experiencing challenges, such as extracting data from core processors, overhauling accounting methods, determining appropriate analytical models, and adjusting internal controls and reporting systems. For institutions like credit unions, whose business model involves extensive activity with financial assets, CECL implementation presents many unique challenges.

For this reason, it is necessary that FASB afford the maximum amount of time for credit unions to prepare for CECL, which is why OCUL supports delaying the effective date for “all other” entities, including credit unions to January 2023.
Additionally, we request FASB collaborate with the National Credit Union Administration and state credit union supervisors, such as the Ohio Division of Financial Institutions, to assist in the development of compliance resources and provide clarity and transparency in regard to CECL in examination and supervision processes.

Finally, our comment in full support of the delay in no way represents concurrence with the notion that the new CECL standard is necessary and beneficial. Our position has and continues to be that the application of CECL to credit unions is inappropriate and unnecessary. CECL is intended to address delayed recognition of credit losses resulting in insufficient funding of the allowance accounts of certain entities. However, underfunding of allowance accounts has not been a historical issue or pattern for credit unions.

We appreciate the Board’s commitment to engage with interested parties, especially those impacted by the new standard, and we urge the Board to engage with the financial services industry, especially credit unions and other community institutions which face challenges in preparing for CECL implementation. Please reach out to us at (800) 486-5024 if you have comments or questions regarding tension points articulated in this letter.

Sincerely,

Paul L. Mercer
President

Miriah Lee
Regulatory Counsel