September 16, 2019

Technical Director
Financial Accounting Standards Board
401 Merritt 7
PO Box 5116
Norwalk, CT 06856-5116

SUBMITTED VIA EMAIL: director@fasb.org

RE: Proposed ASU to Delay Effective Date of CECL – File Ref. No. 2019-750

Dear Sir or Madam,

On behalf of Minnesota credit unions, please accept this correspondence in response to the Financial Accounting Standards Board’s (FASB) proposed account standards update (ASU), which proposes to delay the effective dates for several financial instrument standards. The Minnesota Credit Union Network (MnCUN) represents the interests of Minnesota’s 102 credit unions and their more than 1.8 million members. MnCUN thanks you for the opportunity to provide a response on the ASU.

Delayed Effective Date for Credit Losses and Leases

We support FASB’s proposal to delay the effective dates for the current expected loss (CECL) and Lease standards as they apply to private entities. Delaying the effective dates will give credit unions more time to make changes, software updates and conduct training to account for these new standards. Although we support the delay, we encourage FASB to reconsider CECL’s application to credit unions.

FASB Should Re-evaluate CECL’s Application to Credit Unions

FASB should use this delay as an opportunity to re-evaluate CECL’s application to credit unions. For the following reasons, CECL should not be applied to credit unions.

First, since credit unions are private entities, owned and controlled by their members, there is typically not a need for them to provide financial information to public investors. The parties most concerned about a credit union’s financial statements are their members and their primary regulators, the National Credit Union Administration or applicable state regulator. The additional information gathered from credit unions via CECL is of very little, if any, value to the general public or FASB.

Second, the additional regulatory burdens and increased reserve requirements will hinder the mission of credit unions. Credit unions serve a broad range of members with diverse financial capabilities and backgrounds. Many credit unions serve in low to moderate income communities,
including rural communities. Increased regulatory burdens mean increased costs to credit unions. The increased reserve requirements will mean less capital to lend. This combination of these will result in higher costs for members and hinderances to lending. This negatively affects credit unions in their ability to help lower income members. Furthermore, the financial information provided via CECL will be of little benefit to credit unions.

Finally, the issue CECL is meant to address is not one for credit unions. The goal of CECL is to address the issue of insufficient funding of allowance accounts. Historically, underfunding of allowance accounts has not been an issue for credit unions. Therefore, the application of CECL to credit unions seems like a solution looking for a problem.

We are hopeful that one of the reasons FASB has continued to delay the effective date of CECL for private entities is the realization that, for at least some private entities (e.g., credit unions), the application of CECL does not make sense.

Thank you for the opportunity to comment. MnCUN supports proposed delay the effective dates for CECL and the standards for lease. We encourage FASB to reconsider CECL’s application to credit unions. If you have any questions about our comments, please do not hesitate to contact me at (651) 288-5517.

Sincerely,

Tim Tacheny
General Counsel