Credit Union National Association
CUNA

Jim Nussle
President & CEO

Phone: 202-508-6745
jnussle@cuna.coop

99 M Street SE
Suite 300
Washington, DC 20003-3799

December 11, 2018

The Honorable Blaine Luetkemeyer
Chairman
Subcommittee on Financial Institutions and Consumer Credit
Committee on Financial Services
House of Representatives
Washington, DC 20515

The Honorable William Lacy Clay
Ranking Member
Subcommittee on Financial Institutions and Consumer Credit
Committee on Financial Services
House of Representatives
Washington, DC 20515

Dear Chairman Luetkemeyer and Ranking Member Clay:

On behalf of America's credit unions, I am writing to express our views ahead of the hearing entitled "Assessing the Impact of FASB's Current Expected Credit Loss (CECL) Accounting Standard on Financial Institutions and the Economy." The Credit Union National Association (CUNA) represents America's credit unions and their 110 million members.

CUNA's longstanding position has been and continues to be that application of CECL to credit unions is inappropriate. CECL is intended to address delayed recognition of credit losses resulting in insufficient funding of the allowance accounts of certain covered entities. However, underfunding of allowance accounts has not generally been an issue for credit unions. Further, the typical user of a credit union's financial statements is not a public investor—such as with large, public banks—but instead is the credit union's prudential regulator, the National Credit Union Administration (NCUA).

In addition to the direct effect the upcoming changes will have on credit unions' financial positions, credit unions are very concerned with the compliance burden of the changes, which require extensive resources to analyze the loan portfolio on a granular level to calculate and project life of loan losses. This comes at a time when many credit unions are struggling to comply with a near historic level of new and amended regulations. Even those credit unions able to allocate the resources necessary to comply are encountering major challenges since the level of data analytics required is less common among credit unions, unlike much larger, complex banks.

While CECL has been adopted and is scheduled to take effect over the next few years, we share these ongoing concerns in hope that FASB will take advantage of future opportunities to adjust the standard with an eye toward reducing the compliance burden on credit unions. Though the standard has been finalized, we are encouraged by FASB's apparent willingness to revise the standard as issues present themselves, such as FASB's recent delay of the CECL effective date for credit unions and other non-public business entities. However, we believe more can and should be done to ensure entities are able to comply with the standard. We ask this committee to convey the industry's concerns to FASB in hopes it will review the standard for opportunities to reduce unnecessary compliance challenges as well as develop compliance resources in coordination with prudential banking regulators, including the NCUA.

On behalf of America's credit unions, thank you for the opportunity to share our views.

Sincerely,

Jim Nussle
President & CEO