

July 1, 2020

Mr. Richard R. Jones  
Chairman  
Financial Accounting Standards Board  
401 Merritt 7  
Norwalk, CT 06856

Re: New Position at the Financial Accounting Standards Board

Dear Chairman Jones:

On behalf of America's credit unions, I am writing to congratulate you on your new position as chair of the Financial Accounting Standards Board (FASB). Your many years of experience as an accounting practitioner will suit you well for your new role leading the accounting standard setter. The Credit Union National Association (CUNA) represents America's credit unions and their 115 million members.

As member-owned, not-for-profit financial cooperatives, credit unions are unique financial institutions. Credit unions operate for the purpose of promoting thrift, providing credit at competitive rates, and providing other financial services to their member-owners. While unique in structure and small compared to most banks—the median credit union is well under \$50 million in assets—the vast majority of credit unions must comply with the same accounting requirements under U.S. generally accepted accounting principles as do the largest publicly traded banks.

One such standard is the current expected credit losses (CECL) standard. While we appreciate the FASB's recognition that there is flexibility in how the standard is applied depending on the size and complexity of the reporting entity, we have steadfastly maintained that CECL is inappropriate for credit unions. We have raised this issue with the FASB on numerous occasions, including most recently in a March 18 letter to former Chairman Golden.

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 impact 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 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.

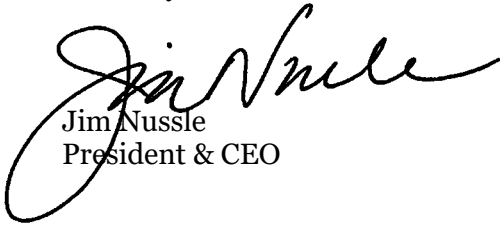
Further, we maintain that CECL will hinder lenders' (including credit unions) ability to uplift low- and moderate-income borrowers in their goal of achieving financial independence and the American dream. A completely unintended, though real, consequence of CECL is that it will force lenders to be much more discerning of potential borrowers with less than perfect credit.

We echo the concerns raised in an April 30, letter from NCUA Chairman Rodney Hood to former Chairman Golden, which explained how the compliance costs associated with implementing CECL overwhelmingly exceed the benefits. Thus, CUNA agrees with the NCUA's call for the FASB to exempt credit unions from complying with CECL. At this time, it is critical that credit unions be able to focus on serving their members, who are facing mounting financial pressures due to COVID-19.

CUNA works with numerous accounting professionals through our vast membership base. We have had the pleasure on many occasions of working directly with the FASB staff and Board members on various topics, including an in-person meeting with former Chairman Golden at our office in Washington, DC. We offer our collective experience and expertise for future efforts of the FASB.

On behalf of America's credit unions and their 115 million members, congratulations on your new position. We look forward to working with you and the FASB on issues important to credit unions. Please do not hesitate to contact me.

Sincerely,

A handwritten signature in black ink, appearing to read "Jim Nussle". The signature is fluid and cursive, with a large loop at the end of the last name.

Jim Nussle  
President & CEO