# States Requiring GAAP for Credit Unions Under $10m

<table>
<thead>
<tr>
<th>Yes GAAP</th>
<th>No GAAP</th>
<th>Unclear</th>
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<tbody>
<tr>
<td>13</td>
<td>26</td>
<td>11</td>
</tr>
<tr>
<td>Reg: 7</td>
<td>Stat: 6</td>
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<table>
<thead>
<tr>
<th>Alabama (regulatory)</th>
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<tbody>
<tr>
<td>Allowance for Loan and Lease Losses; methodology; full and fair disclosure</td>
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<tr>
<td>Each credit union must have a written policy for the allowance for loan and leases losses that has been approved by the credit union’s board of directors. For credit unions with assets greater than $10M, the allowance for loan and lease loss methodology must comply with Generally Accepted Accounting Principles (GAAP). For credit unions with assets less than $10M, the credit union’s policy should result in an allowance for loan and lease losses that reserves for expected losses in the loan and lease portfolio. A third-party validation of the allowance for loan and lease loss methodology and calculations is encouraged and may be required by examiners on a case by case basis for any credit union regardless of size.</td>
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<tr>
<th>Alaska (statutory)</th>
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<tr>
<td>§ 06.45.180. Reserves.</td>
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<tr>
<td>(a) At the end of each accounting period the gross income of the credit union shall be determined. From this amount, there shall be set aside as a regular reserve against losses on loans and against other losses specified in regulations adopted by the commissioner under this chapter sums in accordance with the following schedule:</td>
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<tr>
<td>(1) a credit union in operation for more than four years and having assets of $500,000 or more shall set aside</td>
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<tr>
<td>(A) 10 percent of gross income until the regular reserve equals four percent of the total of outstanding loans and risk assets; then</td>
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<tr>
<td>(B) five percent of gross income until the regular reserve equals six percent of the total of outstanding loans and risk assets;</td>
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<td>(2) a credit union in operation less than four years or having assets of less than $500,000 shall set aside</td>
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<tr>
<td>(A) 10 percent of gross income until the regular reserve equals seven and one-half percent of the total of outstanding loans and risk assets; then</td>
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<td>(B) five percent of gross income until the regular reserve equals 10 percent of the total of outstanding loans and risk assets;</td>
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<td>(3) when the regular reserve falls below the stated percent of the total of outstanding loans and risk assets, it shall be replenished by regular contributions in amounts as may be needed to maintain the stated reserve goals.</td>
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<tr>
<td>(b) The commissioner may decrease the reserve requirement in (a) of this section when the decrease is necessary or desirable. The commissioner may also require special reserves to protect the interests of members either by general regulation or for an individual credit union.</td>
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<tr>
<td>3 AAC 03.105. Records and reports.</td>
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</table>
Credit union accounting records must be maintained on an accrual basis when practicable, or otherwise on a modified cash basis, consistent with standard accounting procedures. Credit unions must provide the department with a financial statement including a balance sheet and income and expense statement at the end of each quarter in a format prescribed by the department. These reports must be received by the department not later than 30 days after the end of the quarter. Penalties for failure to provide complete and timely reports are established in AS 06.01.010.

Arizona

Arkansas

No state chartered credit unions

California (regulatory)

California Regs, Title 10, Ch. 1, § 30.600. Standard for Keeping Books and Records

(a) A credit union shall maintain its books and records in accordance with generally accepted accounting principles and good business practice, except as otherwise provided in the California Credit Union Law, in this Subchapter, in any other applicable law, or by order of the Commissioner.

(b) A credit union shall keep its books on an accrual basis of accounting or other basis of accounting as permitted by the Commissioner.

Colorado (regulatory)

3 CCR 703-3. § 6.2 Establishment and Maintenance of Credit Union Books and Records

(b) Credit unions shall maintain all books, records, accounting systems, and procedures in accordance with generally accepted accounting principles, except as may otherwise be approved in writing by the Commissioner. The board of directors of a credit union may utilize the National Credit Union Administration Accounting Manual For Federal Credit Unions, in effect as of October 31, 2012 as guidance in the maintenance of its accounting records. Incorporation by reference of this federal publication does not include amendments to this federal publication made after October 31, 2012. The title and address of the division employee responsible for providing information regarding how the incorporated material may be obtained or examined is as follows: Commissioner, Division of Financial Services, 1560 Broadway, Suite 950, Denver, Colorado 80202. These materials are available at no cost on the Division of Financial Services website at www.dora.colorado.gov/dfs. This material is also available by contacting the National Credit Union Administration 1775 Duke Street, Alexandria, Virginia, 22314-3428.

Connecticut (statutory)

§ 36a-448a. Governing board powers.

(a) The governing board of a Connecticut credit union shall be charged with and have control over the general management of the operations, funds, committee actions and records of the credit union. Except to the extent the governing board is otherwise authorized to delegate such authority or unless such action would be detrimental to the financial integrity of the Connecticut credit union, the governing board shall:
(2) make adequate provision for an allowance for investment losses account in accordance with generally accepted accounting principles and for an allowance for a loan and lease losses account in accordance with generally accepted accounting principles and section 36a-441a;

**Delaware**

No State Credit Union Act

**Florida** (statutory)

§ 657.043. Reserves.

(1) ALLOWANCE FOR LOAN LOSSES ACCOUNT.—The credit union shall maintain an account for loan and lease losses. The amount in the account should be consistent with applicable United States generally accepted accounting principles and industry guidance provided by regulatory agencies or as required by the office. The account must be provided for before paying a dividend. Reg § 69U-110.043. Reserves.

(1) Allowance for Loan Losses. The board of directors must establish procedures to verify that the allowance for loan losses account methodology is valid and conforms to generally accepted accounting principles and supervisory guidance. At a minimum, the board shall require an annual review through the annual audit or otherwise, by an independent party, as to the validity of, conformance to, and effectiveness of the established methodology and allowances.

(2) All loan and negative balance share or deposit balances charged-off shall be reported to the board of directors in accordance with a policy adopted by the board wherein parameters are set when to report individual amounts or aggregate amounts by classification, or both. The report shall be approved by the board.

**Georgia** (regulatory)

Rule 80-2-1-.01. General Requirements for Accounting Procedures

(1) A credit union is required to maintain its books of account in accordance with Generally Accepted Accounting Principles, including a complete and accurate account of:

(a) All of its assets, whether in its name or in the name of another person;

(b) All of its liabilities, its borrowings, and any security interests in its assets; and

(c) All of its income, expenses, capital gains and losses.

**Hawaii** (statutory)

§ 412:3-108. Generally Accepted Accounting Principles

Every Hawaii financial institution shall follow generally accepted accounting principles, except as otherwise prescribed by the appropriate federal regulatory agency.

**Idaho** (statutory)


The books and records of a credit union shall be kept in accordance with generally accepted accounting principles and by procedures approved by the director....

**Illinois** (regulatory)

Rules and Regs, Title 38, Ch. 1, § 190.70. Loan Loss Accounting Procedures
a) For the purpose of absorbing and reporting loan losses, all credit unions must establish, at a minimum, the following accounts in the general ledger:

1) Allowance for Loan Losses (ALL) – A portion of the statutory Regular Reserve segregated and reported as a direct reduction of loans. The ALL shall fairly present the value of loans and probable losses for all categories of loans. Adjustments to the ALL shall be made prior to the distribution or posting of any dividend to the accounts of members.

2) Provision for Loan Losses (PLL) – An expense account, immediately preceding dividend expense, used to reflect the cost of losses on loans. Replenishment of the allowance for loan losses must be expensed using the PLL account.

b) The ALL shall be established and maintained subject to the following requirements:

1) The ALL shall be established based upon separate loss calculations reflecting loans secured by real estate and loans not secured by real estate. A credit union may further segment its loan portfolio, to recognize loss contingencies, by identifying risk characteristics that are common to groups of loans. Portfolio segmentation and impairment measurement may be based upon many factors, including without limitation major loan types and product line segments with differing risk characteristics.

2) The ALL shall be maintained at a level equivalent to an amount computed using an historical loan loss experience ratio and an individual classification of probable losses for all consumer and real estate loans. In determining the appropriate balance in the ALL, a credit union may determine its historical loss rate using a defined period of time of less than 5 years, provided that:

A) The credit union employs a certified public accountant to perform its annual external independent audit;

B) The methodology developed by the credit union to determine the defined period of time is formally documented in the credit union’s policies and procedures or management memoranda, and is appropriate to the credit union’s size, business strategy and loan portfolio characteristics, and the economic environment of the areas and employers served by the credit union;

C) Supporting documentation is maintained by the credit union for a period of no less than three audit cycles for the technique used to develop the credit union loss rates, including the period of time used to accumulate historical loss data and the factors considered in establishing the time frames; and

D) The external auditor conducting the credit union's financial statement audit has analyzed the methodology employed by the credit union and concludes that the financial statements, including the allowance for loan losses, are fairly stated in all material respects in accordance with U.S. Generally Accepted Accounting Principles, as promulgated by the Financial Accounting Standards Board. [205 ILCS 305/34(4)]

3) To the extent consistent with GAAP, the design and implementation of ALL methodologies and supporting documentation practices shall be in accordance with the National Credit Union Administration's Interpretive Ruling and Policy Statement (IRPS) 02-3 (NCUA, 1775 Duke Street, Alexandria VA 22314-3428, Allowance for Loan and Lease Losses Methodologies and Documentation for Federally-Insured Credit Unions, 67 Fed. Reg. 37445).

Indiana (statutory) § 533.303. Reserves

2. A legal reserve against losses on loans and against such other losses as may be specified by rule shall be set aside from the gross income in accordance with the following schedule:
a. A state credit union in operation for more than four years and having assets of five hundred thousand dollars or more shall set aside the following amounts in the following order:
(1) Ten percent of the gross income until the legal reserve equals four percent of the total outstanding loans and risk assets.
(2) Five percent of the gross income until the legal reserve equals six percent of the total outstanding loans and risk assets.

b. A state credit union in operation for less than four years or having assets of less than five hundred thousand dollars shall set aside the following amounts in the order set forth:
(1) Ten percent of the gross income until the legal reserve equals seven and one-half percent of the total outstanding loans and risk assets.
(2) Five percent of the gross income until the legal reserve equals ten percent of the total outstanding loans and risk assets.

5. A state credit union shall maintain an adequate allowance for loan and lease losses account and such other valuation allowance accounts as may be necessary to provide for the full and fair disclosure, in the state credit union’s financial statements, of the assets, liabilities, and equity of the state credit union.

**IAC 189-19.4 (533) Allowance for loan and lease losses**
18.4(1) The amount carried in this account shall represent an amount at least equal to reasonably foreseeable loan and lease losses. Each credit union is required to establish and maintain a methodology to determine the amount needed in the allowance for loan and lease losses account in accordance with generally accepted accounting principles (GAAP).

**Kansas**

**Kentucky**

**Louisiana**

**Maine**

**Maryland** (statutory)
GFI § 6-704.
(a) A credit union shall maintain an allowance for loan and lease loss account in accordance with generally accepted accounting principles.
(b) The balance of the allowance for loan and lease loss account shall include coverage for:
(1) Individually classified loans; and
(2) The historical reserve needs of the credit union.

**Massachusetts** (statutory)
Ch. 171, § 27. Balance Sheets.
Each such corporation shall prepare a balance sheet, in accordance with generally accepted accounting principles, which presents fairly its condition as of the last business day of its fiscal year. A copy of said balance sheet shall be made available to a depositor upon request.

**Michigan (statutory)**

§ 490.386. Establishment and Maintenance of Reserves.

(2) A domestic credit union shall establish allowances for loan and lease losses account based on its reasonably foreseeable loan and lease losses and shall maintain the account in accordance with generally accepted accounting principles. A domestic credit union shall charge a loan or lease or any portion of a loan or lease to the allowance for loan and lease losses account if any of the following occur:

(a) The credit union board considers the loan or lease or any portion of a loan or lease uncollectible.
(b) The loan or lease is 12 or more contractual payments delinquent, the borrower has not made a contractual payment in the past 90 days, and the domestic credit union has not instituted judicial proceedings to collect the loan or lease.
(c) The commissioner orders the domestic credit union to charge the loan or lease or any portion of a loan or lease to the allowance for loan and lease losses account.

**Bulletin 2014-14-CU**

Clarification of statute.

**Minnesota**

**Mississippi (statutory)**

§ 81-13-73. Record Keeping.

Each credit union shall keep sufficient books and accounts in such form as shall be approved by the Commissioner of Banking and Consumer Finance in accordance with the NCUA guidelines.

**Missouri (regulatory)**

20 CSR 1100-2.011. Accounting Manual and Procedures

(1) Accounting and recordkeeping shall conform to generally accepted accounting procedures on an accrual basis as may be necessary for full material disclosure and be acceptable to the director of credit unions.

20 CSR 1100-2.055 Allowance for Loan Loss

(1) All credit unions shall maintain an allowance for loan loss account. Credit unions that have not in the past considered inherent losses in establishing the balance in this account may transfer the initial amount applicable to inherent losses from the regular reserve or undivided earnings.

(2) The allowance for loan loss account shall represent an estimate of loan losses in the entire loan portfolio, including estimated inherent losses, in conformity with generally accepted accounting principles and meet regulatory requirements for full and fair disclosure. The allowance account will be adjusted at least quarterly or more often as required. All adjustments to increase or decrease the
allowance account will be made to the provision for loan loss expense. All charged off loans and recoveries will be to the allowance account.

Montana

Nebraska (statutory)
§ 21-1737. Records.
(1) A credit union shall maintain all books, records, accounting systems, and procedures in accordance with the rules and regulations as the director from time to time may prescribe.

Nevada (regulatory)
NAC 678.120. Accounting Manual for Federal Credit Unions.
The Accounting Manual for Federal Credit Unions must be used as the standard for accounting practices for state chartered credit unions.

New Hampshire

New Jersey

New Mexico (regulatory)
B. "Record maintenance and accounting systems and procedures" means the use of an accounting method provided for in the accounting manual for federal credit unions, which shall be either the modified cash basis or the accrual basis of accounting and the use of appropriate financial statements described in the accounting manual referenced above.

New York (statutory)
BNK, § 459. Allowance for loan loss.
The calculation of this account shall be in accordance with the rules established by the National Credit Union Administration.

North Carolina (regulatory)
04 NCAC 06C.0301. General Provisions
(b) Credit unions with ten million dollars ($10,000,000) or more in assets shall follow generally accepted accounting principles (GAAP) for financial statement and report preparation. Credit unions with less than ten million dollars ($10,000,000) in assets may follow GAAP or use the procedures in the “Accounting Manual for Federal Credit Unions,” including any subsequent amendments that are
incorporated by reference, and may be found at no cost on the National Credit Union Administration website (www.ncua.gov).

**North Dakota** (regulatory)

**ND Admin Code § 13-03-06-02. Maintaining an allowance for loan and lease loss account.**
All credit unions operating under a charter issued by the state of North Dakota shall be required to maintain an allowance for loan and lease loss account in accordance with generally accepted accounting principles and rules of the national credit union administration.

**Ohio** (regulatory)

**OH Admin Code § 1301:9-2-04. Charge-off of uncollectible loans and other losses and reserves**
(C) Loans should be charged-off when they are deemed uncollectible. That practice should be applied consistently in all interim financial reporting periods in accordance with GAAP. A credit union's loan policy shall address when a loan is deemed uncollectible.

**Oklahoma** (statutory)

**Title 6, Ch. 2, § 2019.1. Record Maintenance.**
(A) A credit union shall maintain all books, records, accounting systems, and procedures in accordance with such regulations as the State Credit Union Board from time to time prescribes. In prescribing such regulations, the State Credit Union Board shall consider the relative size of a credit union and its reasonable capability of compliance.

**Oregon** (regulatory)

**Reg § 41-710-0530. Accrual Accounts, When required.**
Each credit union with assets in excess of $5 million shall use accrual accounting.

**§ 723.116. Records; rules.**
A credit union shall maintain all books, records, accounting systems and procedures in accordance with such rules as the Director of the Department of Consumer and Business Services from time to time prescribes. In prescribing such rules, the director shall consider the relative size of a credit union and its reasonable capability of compliance.

**Pennsylvania** (statutory)

**Title 17, § 513. Reserves.**
(b) Computation of reserve and net worth requirements.—For the purpose of establishing the reserves required by this section and for the provision and maintenance of adequate equity or net worth, a credit union shall compute its reserve and net worth requirements consistent with section 216 of the Federal Credit Union Act (48 Stat. 1216, 12 U.S.C. § 1790d) and the National Credit Union Administration rules and regulations set forth in 12 CFR Pt. 702 (relating to prompt corrective action).

(c) Allowance for loan loss.—Each credit union, in addition to maintaining a regular reserve, shall establish an allowance for loan loss. The allowance for loan loss reserve shall be funded in the manner and used for the purposes as designated from time to time by the department. The board of directors
shall decide the loans which are to be charged off against the allowance for loan loss, except that the
department may, at the time of examination of a credit union, recommend for charge-off such loans
which in its opinion are unsound, which loans shall be charged against the allowance for loan loss
account within 60 days of the receipt of such recommendation from the department. Any amount
received from the repayment of a loan after it has been charged off against the allowance for loan loss
account shall be credited back to the account.

Rhode Island

South Carolina (statutory)
§ 34-26-250. Duty of credit union to maintain books, records, accounting systems, and procedures.

(1) A credit union shall maintain all books, records, accounting systems, and procedures in accordance
with such regulations as the board from time to time prescribes.

South Dakota
No State Credit Union Act

Tennessee

Texas (statutory)
FIN CODE § 122.102. Financial Reporting; Audits.

(a) A credit union shall use the financial reporting forms and observe the accounting principles
prescribed by the commission.

Utah (regulatory)
Rule R337-5. Allowance for Loan and Lease Losses—Credit Unions.

(1) Each credit union is required to establish and maintain a methodology to determine the amount
needed in an allowance account for loan and lease losses in accordance with GAAP. The account should
be shown on the books as a contra-asset account, not an equity account....

Vermont (statutory)
8 VSA § 31503. Allowance for loan and lease loss.

(a) An allowance for loan and lease loss account shall be established and maintained in an amount that
represents the current estimated loss on loans and leases. The allowance for loan and lease loss account
requirement shall be computed and adjusted through the provision for loan and lease loss expense
account prior to the payment of dividends. This account shall be calculated in accordance with standards
established by the Commissioner, as the same may be amended from time to time.

8 VSA § 31507. Standards.

For purposes of this subchapter, in the absence of standards otherwise prescribed by the Commissioner,
a credit union shall follow the standards established by the National Credit Union Administration
(NCUA). In the event standards promulgated by the NCUA require the credit union to accumulate or maintain accounts in an amount in excess of the standard established by the Commissioner, the credit union shall accumulate and maintain such accounts in a manner sufficient to satisfy the requirements of the NCUA.

**Virginia (statutory)**
§ 6.2-1377. Maintenance of regular reserves; special reserves.

A. A credit union shall establish and maintain a regular reserve account in accordance with the applicable provisions of Part 702 of the National Credit Union Administration Rules and Regulations, 12 C.F.R. §§ 702.1 through 702.403.

**Washington (statutory)**

Credit unions will comply with the provisions of United States generally accepted accounting principles as required by federal law or rule of the director. In adopting rules to implement this section, the director shall consider, among other relevant factors, whether to transition small credit unions to generally accepted accounting principles over a period of time.

**West Virginia (statutory)**
§ 31C-1-6. Records.

(a) A credit union shall maintain all books, records, accounting systems and procedures in accordance with such rules as the commissioner from time to time prescribes. In prescribing such rules, the commissioner shall consider the relative size of a credit union and its reasonable capability of compliance. Unless otherwise required or permitted by a specific rule, credit unions shall follow the record retention requirements set forth in section thirty-five, article four, chapter thirty-one-a of this code.

**Wisconsin**

**Wyoming**

No State Credit Union Act