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National Association of Federally-Insured Credit Unions

August 12, 2020

The Honorable Maxine Waters
Chairwoman
Committee on Financial Services
United States House of Representatives
Washington, DC 20515

The Honorable Patrick McHenry
Ranking Member
Committee on Financial Services
United States House of Representatives
Washington, DC 20515

RE: H.R. 7914, the “Eliminating CECL Accounting Standard Act”

Dear Chairwoman Waters and Ranking Member McHenry:

On behalf of the National Association of Federally-Insured Credit Unions (NAFCU), I write today regarding H.R. 7914, the “Eliminating CECL Accounting Standard Act,” introduced by Representative Blaine Luetkemeyer. As you are aware, NAFCU advocates for all federally-insured not-for-profit credit unions that, in turn, serve over 120 million consumers with personal and small business financial service products. NAFCU appreciates your interest in issues of importance to our nation’s credit unions.

Since the Financial Accounting Standards Board (FASB) finalized the Current Expected Credit Loss (CECL) standard in 2016, credit unions have wrestled with its potential impact on data warehousing processes and loan loss reserves. Although the majority of credit unions remain well-capitalized, NAFCU continues to hear from credit unions about the significant investments that are necessary to implement CECL and the serious impact to operations that could soon take place.

Even though FASB has delayed its new CECL standard for credit unions until the first quarter of 2023, credit unions will have to start bringing their portfolios in line in 2021 and 2022. Accordingly, NAFCU maintains that credit unions should never have been included within the scope of the CECL standard because they were not a part of the poor lending practices that precipitated the financial crisis. Furthermore, credit unions’ unique capital framework limits the National Credit Union Administration’s (NCUA) ability to mitigate CECL’s effect on institutions’ net worth without action from FASB.

It is with these reasons in mind that we support H.R. 7914 and would urge the Committee to convene a hearing on this important topic. The CECL standard is an unnecessarily complex accounting method for credit unions and only adds to mounting regulatory stress. In such a climate, we urge continued attention to the detrimental costs that will likely result from implementation of the standard, particularly for small credit unions. We thank you for your attention to this important issue. If you have any questions or concerns, please do not hesitate to contact me or Janelle Relfe, NAFCU’s Associate Director of Legislative Affairs at (703) 842-2836.

Sincerely,

Brad Thaler
Vice President of Legislative Affairs

cc: Members of the U.S. House Committee on Financial Services