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National Association of Federally-Insured Credit Unions

July 11, 2019

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: NAFCU Support for H.R. 3182, the *CECL Consumer Impact and Study Bill of 2019*

Dear Chairwoman Waters and Ranking Member McHenry:

I write today on behalf of the National Association of Federally-Insured Credit Unions (NAFCU) in support of H.R. 3182, the *CECL Consumer Impact and Study Bill of 2019*. NAFCU advocates for all federally-insured not-for-profit credit unions that, in turn, serve over 117 million consumers with personal and small business financial service products. We hope that the Committee will soon act on this legislation.

NAFCU believes that there is an inherent misalignment between the Financial Accounting Standards Board's (FASB) objectives in developing the current expected credit loss (CECL) standard and the credit union industry. In the first place, a primary goal for CECL was to provide more reliable information on credit loss exposure to outside investors. Since outside capital is not even available to most credit unions, the standard is addressing a problem that simply does not exist within the credit union industry. Secondly, credit unions did not engage in the types of lending practices that precipitated the financial crisis and ultimately led to the dramatic credit losses experienced during the crisis. Although credit unions were subject to the general decline in economic conditions during the Great Recession, their loans still performed far better than bank loans. From the outset, NAFCU has stressed these points to FASB. However, FASB historically has been reluctant to create exemptions from its accounting standards.

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. For the reasons noted above, NAFCU maintains that credit unions should never have been included within the scope of the CECL standard. Furthermore, credit unions' unique capital framework limits the NCUA's ability to mitigate CECL's effect on institutions' net worth without action from FASB.

For these reasons, we support the efforts in H.R. 3182 to halt regulators from enforcing CECL on financial institutions, including credit unions, until a comprehensive study can be done on its impact. 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 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,

A handwritten signature in cursive script that reads "Brad Thaler".

Brad Thaler
Vice President of Legislative Affairs

cc: Members of the House Financial Services Committee