

In 2016, the Financial Accounting Standards Board (FASB) issued a new [accounting standard](#) that introduced the CECL methodology for estimating credit loss allowances in response to the criticism that the incurred loss methodology delays the recognition of credit losses. Under CECL, the allowance for credit losses is an estimate of the lifetime expected credit losses on financial assets measured at amortized cost. The effective dates of the new standard vary according to an institution's characteristics, ranging from 2020–2022.

**Reminder: CECL is scalable.**

CECL permits the use of various methods to estimate expected credit losses, including a loss rate method. We believe that CECL is scalable to an institution's size and complexity and that community banks can implement CECL without the use of costly and/or complex modeling techniques.

We acknowledge that the implementation of CECL continues to be an area of concern for community banks. We plan to provide additional guidance to institutions and continue our outreach efforts to the industry and other stakeholders to understand potential implementation issues and communicate supervisory views. This document provides a list of available resources to assist you in the implementation of CECL.

**CECL Resources**

**Interagency Guidance**

The Joint Statement and Frequently Asked Questions (FAQs) provide a summary of the key elements of CECL, initial supervisory views, and answers to FAQs pertaining to the implementation of CECL. Proposed reporting changes to various Federal Financial Institutions Examination Council (FFIEC) report forms, including the Call Report are available at [www.ffiec.gov](http://www.ffiec.gov). The federal banking agencies issued a final rule that provides an option for a three-year phase-in of CECL's day-one impact on regulatory capital, effective as of April 1, 2019.

- SR Letter 16-12, "Interagency Guidance on the New Accounting Standard on Financial Instruments – Credit Losses"
- SR Letter 19-8, "Frequently Asked Questions on the Current Expected Credit Losses Methodology (CECL)"
- Redlined FFIEC report forms, including the Call Report
- Regulatory Capital Rule: Implementation and Transition of the Current Expected Credit Losses Methodology for Allowances and Related Adjustments to the Regulatory Capital Rule and Conforming Amendments to Other Regulations

**CECL Webinars**

Webinars include a discussion on loss rate methods that community banks can use to implement CECL and a Q&A focused on community banker questions. Recordings of past CECL webinars are available at [askthefed.org](http://askthefed.org) (registration is free!); once registered, search using the keyword *CECL*.

- Ask the Regulators: CECL Weighted Average Remaining Maturity (WARM) Method – April 11, 2019
- Ask the Regulators: CECL Questions and Answers for Community Institutions – July 30, 2018
- Ask the Regulators: Practical Examples of How Smaller, Less Complex Community Banks Can Implement CECL – February 27, 2018
- Ask the Fed: CECL Update: Frequently Asked Questions – October 3, 2017
- Ask the Fed: CECL Update: Current Supervisory Views – October 5, 2016

**FASB Resources**

The FASB has formed a [Transition Resource Group \(TRG\)](#) on credit losses. The TRG periodically meets to discuss potential issues arising from CECL implementation. The issues, which may be submitted by any stakeholder, are technical in nature. The FASB staff released two sets of Q&A documents related to [the use of the weighted average remaining maturity \(WARM\) method](#) to estimate the allowance for credit losses, and [the reasonable and supportable forecast](#). These Q&A documents, as well as information on the TRG, may be found at [fasb.org](http://fasb.org).

**American Institute of Certified Public Accountants (AICPA) Resources**

Information on CECL and the [CECL Issues Tracker](#) for CECL implementation issues identified by the AICPA Depository Institutions and Insurance Expert Panel may be found at [aicpa.org](http://aicpa.org).

**Conference of State Bank Supervisors (CSBS) CECL Readiness Tool**

A framework that a community bank could use to plan for the implementation of CECL may be found at [csbs.org](http://csbs.org).

**What should I do to start preparing for CECL implementation?**

- ✓ Become familiar with the new accounting standard and determine the applicable effective date.
- ✓ Determine an implementation plan and timeline.
- ✓ Discuss accounting changes with board of directors, industry peers, regulators, and external auditors.
- ✓ Review current allowance and credit risk management practices to identify existing processes that can be leveraged when applying CECL.
- ✓ Identify data requirements and system changes needed to implement CECL.
- ✓ Retain existing data used in the current allowance process and consider whether additional data needs to be captured.