



FEDERAL DEPOSIT INSURANCE CORPORATION

JELENA McWILLIAMS
CHAIRMAN

March 19, 2020

Shayne Kuhaneck
Acting Technical Director
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, Connecticut 06856-5116

Subject: Request for Delay in Transitions to and Exclusions from Certain Accounting Rules

Dear Mr. Kuhaneck:

The Federal Deposit Insurance Corporation (FDIC) mission is to promote public confidence and stability in the U.S. financial system, and today we are confronting new and uncertain challenges in view of the worldwide pandemic. The nation's banking industry is responding to rapidly evolving business conditions that are unprecedented in our history. To support the industry's efforts to focus on their employees and customers, I encourage FASB to take these much needed actions to allow banks to help their communities at this time of need.

First, in light of the current COVID-19 issues, I urge you to exclude COVID-19-related modifications from being considered a concession when determining a troubled debt restructuring (TDR) classification. We have encouraged the industry to work with borrowers who may be impacted by the COVID-19 virus, including by offering loan modifications and payment extensions.¹ Institutions want to assist their customers, but are worried about a modification being classified as a TDR. I believe a public statement by the FASB will help encourage banks to work with their customers through this period.

Second, in view of the unprecedented challenges, the FDIC is concerned that the scheduled introduction of recently enacted accounting standards may strain the ability of financial institutions to serve their depositors and prudently meet the credit needs of their communities. Institutions will face unique difficulties over the coming weeks and months to adequately staff customer-facing functions; ensure that deposit, loan, and IT systems operate normally; help borrowers that are experiencing unanticipated cash flow difficulties; and address the earnings and capital implications of near zero percent interest rates and a potential surge in borrowers who are unable to meet contractual payment terms.

¹ See "FDIC Statement on Financial Institutions Working with Customers Affected by the Coronavirus and Regulatory and Supervisory Assistance" (March 13, 2020), available at <https://www.fdic.gov/news/news/financial/2020/fil20017a.pdf>.

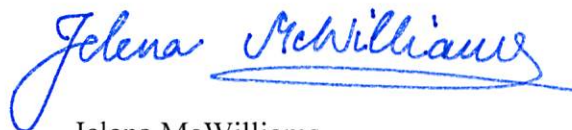
Accounting Standards Update (ASU) 2016-13, “Measurement of Credit Losses on Financial Instruments,” introduced the current expected credit losses (CECL) methodology in 2016. On November 15, 2019, ASU 2016-13 was updated by the FASB to provide a delay in the effective date of CECL for nonpublic business entities and smaller reporting companies until January 2023. Public business entities that are U.S. Securities and Exchange Commission registrants are subject to this standard in this current quarter and have invested considerable effort in this transition process.

In view of the sudden and significant changes in the economy over just the past several days and the uncertainty of the future economic forecast, banks may face higher-than-anticipated increases in credit loss allowances. Further, the growing economic uncertainties stemming from the pandemic and rapidly evolving measures to confront these risks make certain allowance assessment factors potentially more speculative and less reliable at this time. As a result, I urge you to allow banks that are currently subject to CECL to have the option to postpone implementation of CECL. This will allow these institutions to better focus on supporting lending to creditworthy households and businesses, which will support the return of our economy to health.

Finally, in regards to many of the community banks in our nation, I urge you to impose a moratorium on the effective date for those institutions that are not currently required to implement CECL to allow these financial institutions to focus on immediate business challenges relating to the impacts of the current pandemic and its effect on the financial system. Transitioning to CECL for smaller institutions is a significant effort in both financial and staffing commitment. Institutions under current conditions need to apply their full efforts, focus, and resources toward working to ensure the safety of their staff, customers, and local communities.

If you have additional questions, please do not hesitate to contact me at (202) 898-6868 or M. Andy Jiminez, Director, Office of Legislative Affairs, at (202) 898-6761.

Sincerely,



Jelena McWilliams