March 23, 2020

Mr. Russell G. Golden
Chairman, Financial Accounting Standards Board (FASB)
401 Merritt 7
Norwalk, CT 06856-5116

Dear Chairman Golden:

We write to ask that you suspend and further delay implementation of the Financial Accounting Standards Board's (FASB) proposed switch from the Allowance for Loan and Lease Losses (ALLL) to the Current Expected Credit Losses (CECL) standard in light of the ongoing coronavirus pandemic.

Switching from the ALLL standard to the proposed CECL method will have significant real-world impacts on community banks, minority banks, credit unions, and other providers of credit and banking services. Many small financial institutions have struggled since the financial crisis and CECL could be an additional blow to the dwindling number of community banks and minority depository institutions.

Crucially, a negative impact on small and midsize financial institutions will also reverberate to lower income and middle-class Americans. If these financial institutions curb lending and restrict credit, lower income individuals could see their costs of borrowing rise or lose access to credit altogether. Moreover, if CECL causes further small lenders to close their doors, the problem of banking deserts and unbanked individuals will only grow.

The devastating coronavirus pandemic is an unparalleled public health crisis in the modern era. Closures of cities across the country are wrecking havoc on small businesses around the country and deepening the need for credit across numerous sectors of the economy. Congress has already expressed a number of serious concerns with the CECL standard, and these fears are only heightened by the coronavirus crisis now engulfing the country. Among these concerns are:

1. CECL implementation will impose significant costs and strain limited resources, especially for smaller community banks and minority banks that serve predominantly underbanked, lower income communities which could be hit particularly hard by the current recession.
2. It is unclear how lenders are expected to model the expected future credit losses from a pandemic which remains poorly understood by scientists, and the economic impact of which is highly uncertain and dependent on a host of variables outside of the lenders' control, including government policies, virus transmission rates, etc.
3. The Dodd-Frank Act imposed significant capital requirements for banks, and created a comprehensive, robust regulatory regime to monitor and mitigate future systemic risks. CECL implementation is expected to impose additional capital retention requirements on banks which are already well capitalized, comply with heightened prudential regulation, and are subject to stress tests.

4. CECL implementation is likely to prove pro-cyclical, deepening the curtailment of credit in an economic slowdown or contraction, including in particular for borrowers with marginal credits and under-banked communities.

We understand that FDIC Chairman McWilliams wrote FASB to similarly ask for a delay in CECL implementation. We strongly urge FASB to heed these requests, and take this opportunity to reconsider the broader economic impacts of this new accounting standard, and to work with the bank regulators to study closely the expected impact on small business loans, consumer credit, mortgage lending, and pay particular attention to minority and lower-income communities. Importantly, we must confirm whether CECL implementation would prove procyclical.

There is simply too much uncertainty at this time to implement a foundational change to our financial accounting system. As our country once again faces a potentially deep economic crisis, we call on FASB to suspend CECL implementation, and allow for further study on the economic implications of this new accounting standard.

Sincerely,

Gregory W. Meeks
Member of Congress

Blaine Luetkemeyer
Member of Congress