CECL
The Good, the Bad and the Ugly

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About CliftonLarsonAllen LLP

- Top 10 accounting firm
- Serve over 1,100 financial institutions in the country
- 200 professionals, including 25 partners, who focus exclusively on financial institutions
- We concentrate on community banks, thrifts and credit unions

Today's presenters

Emily Scheevel

- Emily is a manager with over 10 years of experience providing assurance and consulting services to financial institutions.

Todd Sprang

- Todd has 20 years auditing and consulting experience the financial institutions industry. He serves as a member of the AICPA Depository Institutions Expert Panel.

Objectives:

At the end of this session, you will be able to:

Have a clearer understanding of the positive and negative aspects of the proposed rule and how it may impact you.

The Good

1. One impairment model instead of multiple credit impairment models utilized in the past

2. The March 28, 2013 FASB FAQ was helpful in clarifying some initial questions

The Good (continued)

3. The impact on Purchased Credit-Impaired (PCI) doesn’t appear to be unfavorable

4. Incorporating common definitions into the accounting literature helps level the playing field without significant changes in current practice

The Bad

1. The CECL will not fully address the issue of delayed recognition of credit losses under incurred loss model

2. Lack of available data for community banks will make initial calculations difficult to compile and difficult to audit

The Bad (Continued)

3. It will take a long time to implement the new model and get comfortable with the results

4. Judgments required to estimate expected losses will be susceptible to interpretation and influence

The Bad (continued)

5. More discussion of the impact on investments is required

6. Guidance is required for new loan products or existing products with modified terms

The Ugly

1. Interaction with the proposed Recognition and Measurement standard

2. Interaction with proposed Basel III requirements

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