

**DATE:** August 8, 2022  
**BULLETIN:** 2022-KDCU-CUB-15  
**TO:** Kansas Chartered Credit Unions  
**SUBJECT:** Current Expected Credit Loss (CECL)

### **CURRENT EXPECTED CREDIT LOSS (CECL)**

In June 2016, the Financial Accounting Standards Board (FASB) issued [Update No. 2016-13](#) leading to the change to Current Expected Credit Loss (CECL) from Allowance for Loan and Lease Loss (ALLL) methodology.

On July 20, 2022, the National Credit Union Administration's (NCUA) Office of Examination and Insurance issued an Accounting Alert with regard to upcoming CECL implementation date. This alert supersedes the Accounting Alert dated March 9, 2022.

While the NCUA Alert does not change the due date for CECL implementation, it clarifies credit unions may choose to continue their current ALLL accounting until the end of their audited financial reporting year. In this instance, you would be required to implement CECL on the first calendar day after your audit. With no additional delay, CECL becomes effective for credit unions for fiscal years beginning after December 15, 2022.

However, your credit union should also have new policies, methodology and worksheets for credit union and examiner use as of January 1, 2023. This information is critical to credit union management in the process of budgeting and reviewing financial condition as it may have a substantial impact on your bottom line for the year. Examiners will be asking for this information during the credit union's examination.

You may, of course, choose to implement the new CECL standards as of January 1, 2023, regardless of your audit cycle.

In June 2021, the NCUA issued a [final rule](#), Transition to the Current Expected Credit Loss Methodology (12 CFR Part 702), and in that rule determined that federally insured credit unions (FICU's) with less than \$10 million in assets will not be required to determine their loan losses in accordance with generally accepted accounting principles (GAAP). Therefore, those credit unions will not need to implement CECL. They will, however, still be required to utilize reasonable reserve methodology that adequately covers known probable losses.

For information and resources, visit the NCUA's [CECL Resource Page](#). In addition, you may [reach out to KDCU](#) with questions specific to your credit union.