



## FASB Proposed CECL Delay But No Time To Waste

regulatory CECL risk management

**Summary:** As every banker has heard, FASB made a big announcement on CECL last week. We answer an important question many bankers are asking.

Surveys find at least 95% of people procrastinate at least occasionally and 15% or so do it consistently. To procrastinate less, experts say you should exercise, eat right, schedule time in smaller increments and create deadlines, to name a few.

As every banker has heard, FASB made a big announcement on CECL last week, voting for a delay for all but the largest public banks. FASB also added a new definition called Smaller Reporting Companies (SRCs) too, so this basically means nearly all community banks now have a new deadline of January 2023.

This is good news for many community banks struggling with this new loan loss reserve calculation. However, before you start to push out your CECL project timeline, you may want to ask why FASB is delaying the effective date.

The reason for the delay is because it is a challenging rule, so more time to implement is a good thing. FASB Board Member, Gary Buesser, commented, "These are major standards, difficult to implement. I think the extended learning curve will help these companies." FASB also announced other rule delays at the same time, such as hedging and leasing, yet CECL got the biggest delay (3Ys difference between public and private entities vs. 2Ys for all others).

At the same time as its CECL delay announcement, FASB stated that it will be setting up a series of training sessions nationwide to help with issues around CECL. If this rule wasn't complex, they wouldn't need to be facilitating this training and would rely solely on posted documentation and the support of the auditing firms. Further, if FASB was serious about repealing this rule all together (as some are still hoping), these training sessions wouldn't have been put in the works. So, our advice is not to rely on hope, but rather to continue to prepare.

FASB believes that this extra time will provide a full-cycle of learning to leverage from the big public banks. If banks don't use this time to better understand how to successfully implement CECL, based on the challenge nuances provided by their larger peers, there won't be any special consideration coming from the regulators. Be sure to use this time wisely.

Also, there was a [second Q&A that FASB posted](#) the same day as its announcement. This action tells bankers that they will likely need more assistance with certain elements covered in the Q&A, such as the use of historical loss data. You will want to review this Q&A and be sure you are comfortable with all of the topics.

We certainly understand that the reaction to a delay is often to take a pause, but know that there is little time to waste on this issue. FASB has made this clear by telling institutions that it is giving them more time. Data gathering takes lots of time, methods need to be tested, calculations need to be run in parallel, the decision whether to use a vendor or develop in-house must be figured out meticulously, and stakeholders need to be updated.

Since we are implementing CECL too, we are already up to speed on the steps that need to be taken, with full transparency using sustainable and reasonable data. We are happy to help you on your way too. For more information, visit our [CECL Resource Library](#) or contact us today.

## CECL SOLUTION - WITH YOU, EVERY STEP OF THE WAY

CECL is one of the biggest challenges for community bankers these days. CECL FIT gives you a powerful, web-based intuitive solution with experts available as little or as much needed. Learn more about our [CECL Solution](#).

*Copyright 2021 PCBB. Information contained herein is based on sources we believe to be reliable, but its accuracy is not guaranteed. Customers should rely on their own outside counsel or accounting firm to address specific circumstances. This document cannot be reproduced or redistributed outside of your institution without the written consent of PCBB.*