"Movie-ing" To CECL - Top 5 Things To Remember

regulatory CECL risk management

Summary: There is a lot of information out there on CECL. We provide you with the Top 5 Things to Remember as you get ready for implementation.

If you were wondering which movies got top ranking on Rotten Tomatoes last year, they rank in the following order: Paddington 2, Leave no Trace, Summer 1993, Minding the Gap, and Pick of the Litter. We are not saying these are our favorites for the year. But, if you have a slow weekend, you might want to check them out as the new movies roll out this year.

As you think about 2019, we thought it would be a good time to highlight some things about the current expected credit loss (CECL) standard for estimating allowances for credit losses. There is a lot of information to absorb, so we provide you with our Top 5 Things to Remember as you look towards the imminent deadline.

First of all, **CECL is not going away**. There are many financial institutions still sitting on the sidelines, hoping that it will not happen. Trust us when we say that while some uncertainty still exists, the chances of CECL going away are close to zero. Bankers cannot afford to end up with a shorter implementation timeline by waiting, so keep moving. Remember, this rule is not just for banks, but for all companies, so special carve outs with a potential recession down the road are unlikely.

Remember to **think of your entire portfolio**, including securities, because they also fall under CECL. Banks have a diverse portfolio of credit-related products, so you will very likely need to use more than one method (there are 7 total) and do so for both loans and securities. To know if you chose the right one, you need to see the reserve results before you make a decision, of course. This means gathering some data (we can help if you want) and running it through multiple methods to see which ones produce the best results (and why). One method does not fit all portfolios, so take time upfront to find the best method(s) by testing a variety of them prior to your selection.

If you haven't done so already, **talk to your accountants and regulators** about CECL. These experts and others will be able to help keep you on course with what is going on out there. They can also help provide you with gap areas that still need attention. Starting the conversation early in the process will ensure success down the road.

As you **review possible CECL vendors**, have a robust discussion with each about what methods they do not support, how long it takes to implement and whether you can compare the different methods before choosing (our system does all of that). Find out what resources the vendor provides, how they can help you with external data, if needed, and how they will support you after implementation (we also do all of these). These are all important questions as you do vendor due diligence.

Last, but not least, don't forget that **you will need to run your current ALLL and CECL in parallel** for a period time. This will ensure that you have captured everything needed and there are no hiccups in the transition. To get the best results, you might want to consider running in parallel for 1Y, since reporting is quarterly (we also do this for banks).

Clearly, time is of the essence. So community banks should not postpone CECL implementation too much longer to ensure best results are achieved.

CECL SOLUTION - WITH YOU, EVERY STEP OF THE WAY

CECL is one of the biggest challenges for community bankers these days. Our experts are ready to guide you every step of the way through this integration with no software to maintain. Learn more about our CECL Solution.