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June 3, 2019

The Honorable Thom R. Tillis
United States Senate
Washington, D.C. 20510

Dear Senator Tillis:

On behalf of community banks across the country, with more than 52,000 locations, I write to express our support for S. 1564, which would require the Securities and Exchange Commission and the federal financial regulatory agencies, in consultation with the Financial Accounting Standards Board (FASB), to conduct a comprehensive, quantitative study of the impact of the current expected credit loss (CECL) standard and delay its effective date for one year following completion of the study. CECL is currently scheduled to become effective in 2020 for publicly held banks.

Existing accounting standards for loan-loss reserving served community banks well in the last financial crisis and in its wake. Community banks continued to support the credit needs of individuals, families, small businesses, and communities. For community banks, these tested methodologies are effective today and, with modest, targeted reforms, will ensure strong capital and continued lending in any future economic downturn.

FASB's CECL standard, which would require lenders to calculate expected losses and reserve for such losses at the time that a loan is booked, has been a source of great concern for community banks since it was first proposed. ICBA has been meeting with FASB officials on CECL since 2011 and has offered our own alternative impairment model that would rely on historical loss experience. ICBA delivered a petition with nearly 5,000 signatures urging FASB to withdraw its CECL plan, followed by a letter-writing campaign and roundtable discussion at FASB headquarters in Connecticut. As a result of this sustained engagement, FASB worked with ICBA to develop a more workable solution. As a result, several substantive improvements to CECL were made to simplify it and make it more flexible and scalable for community banks.

Despite these achievements, we have yet to see a thorough, quantitative study of the anticipated impact of CECL. There is too much at stake for our local economies to proceed with implementation without a proper understanding of the impact of CECL, in particular its impact on the forthcoming capital framework, created by last Congress's S. 2155, that we believe many

The Nation's Voice for Community Banks.®

WASHINGTON, DC
1615 L Street NW
Suite 900
Washington, DC 20036

SAUK CENTRE, MN
518 Lincoln Road
PO Box 267
Sauk Centre, MN 56378

866-843-4222
www.icba.org

community banks will adopt to avoid risk-based capital standards. S. 1564 would provide for such a study, which would assess the impact of CECL on consumer and small business credit availability, smaller institutions, regulatory capital during an economic recession, and systemic risk, among other parameters. The report would also include recommendations for changes to CECL to eliminate or mitigate any negative effects identified in the report.

Thank you for introducing S. 1564. We look forward to the advancement of this important legislation.

Sincerely,

/s/

Rebeca Romero Rainey
President & CEO

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