

# CECL is Coming: What you need to know

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Create Opportunities

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# Learning Objective

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

- Identify what you need to be doing in 2021 and how to prepare yourself for implementation at your institution

# CECL is Coming: What you need to know

- Timing
  - Where should you be?
- Early Adopters – What have we learned?
- What should you be doing to prepare for implementation?





# Polling Question #1

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# Timing

Where should you be today?

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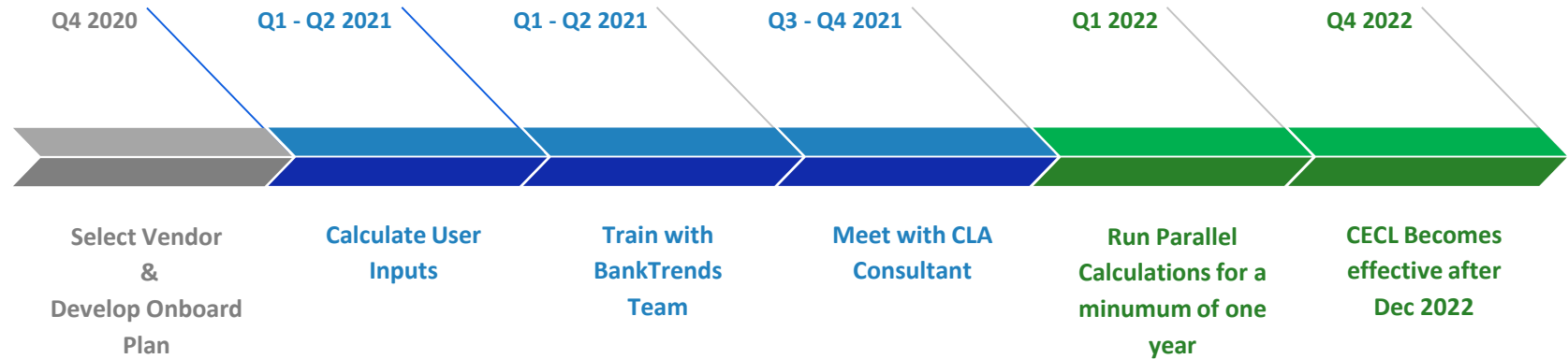
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# Implementation Dates

- **Large accelerated and accelerated filers** — Annual reporting periods beginning after December 15, 2019, including interim periods within those fiscal years.
  - **CARES Act** – Ability to defer implementation was granted to 12/31/20
- **All other entities** — Annual reporting periods beginning after December 15, 2022, including interim periods within those fiscal years.
- *Note: Early adoption is permitted for fiscal years beginning after December 15, 2018.*



# CECL Implementation Timeline







## Polling Question #2

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# Early Adopters

What have we learned?

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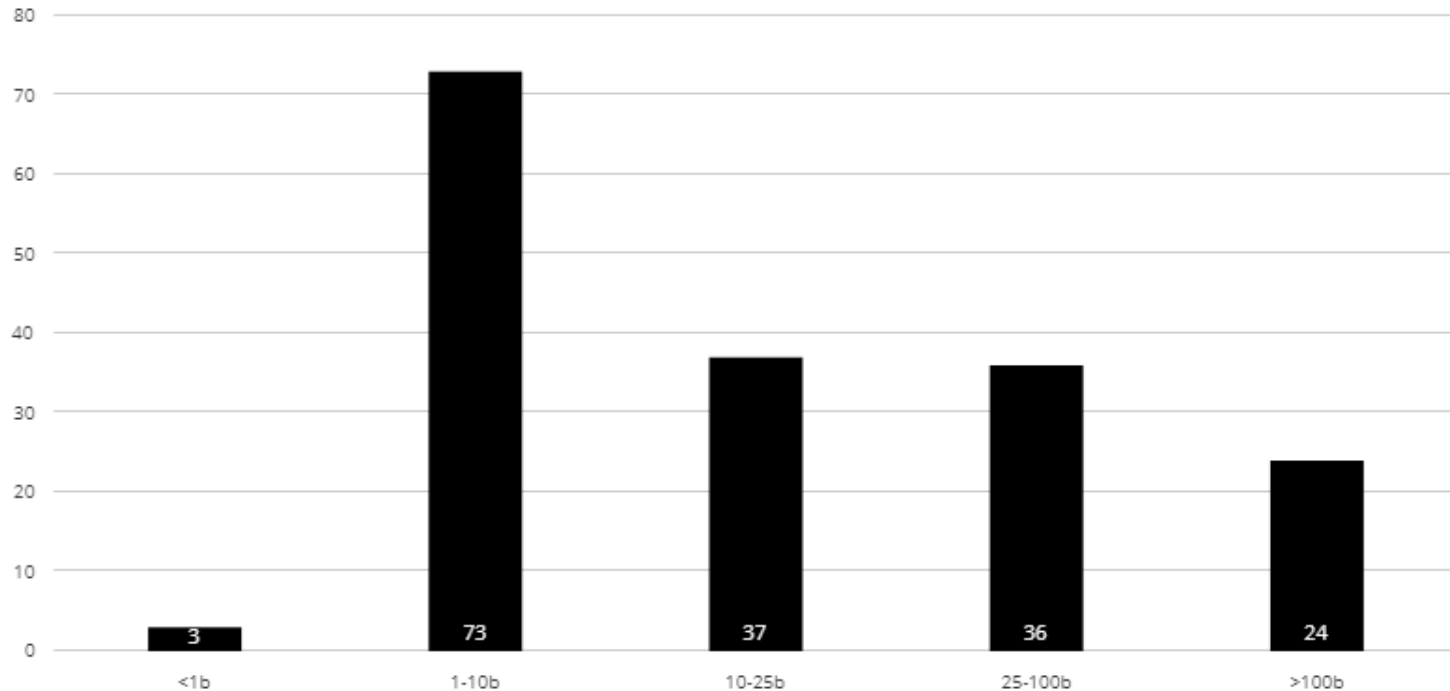
# Early Adopter Banks

Quarter Adopted	# Banks	Aggregate Assets (\$000s)	Avg Assets (\$000s)	Median Increase	Avg Increase
Q1 2020	166	14,836,445,922	13,131,454	72%	89%
Q2 & Q3 2020	7	40,251,286	5,750,184	69%	59%
	173	14,876,697,208			
All banks	5,025	21,217,252,239			

Source: FDIC, BankTrends

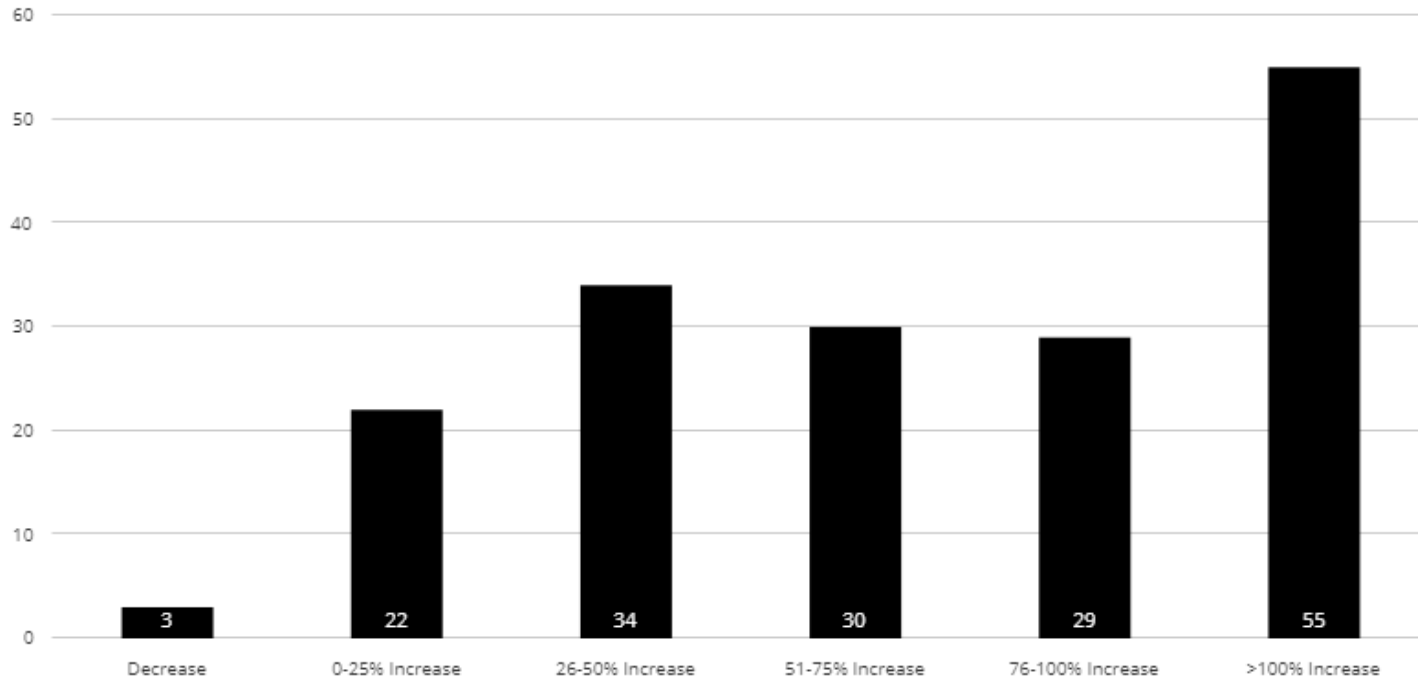
# Early Adopter Banks

## Asset Size At Adoption



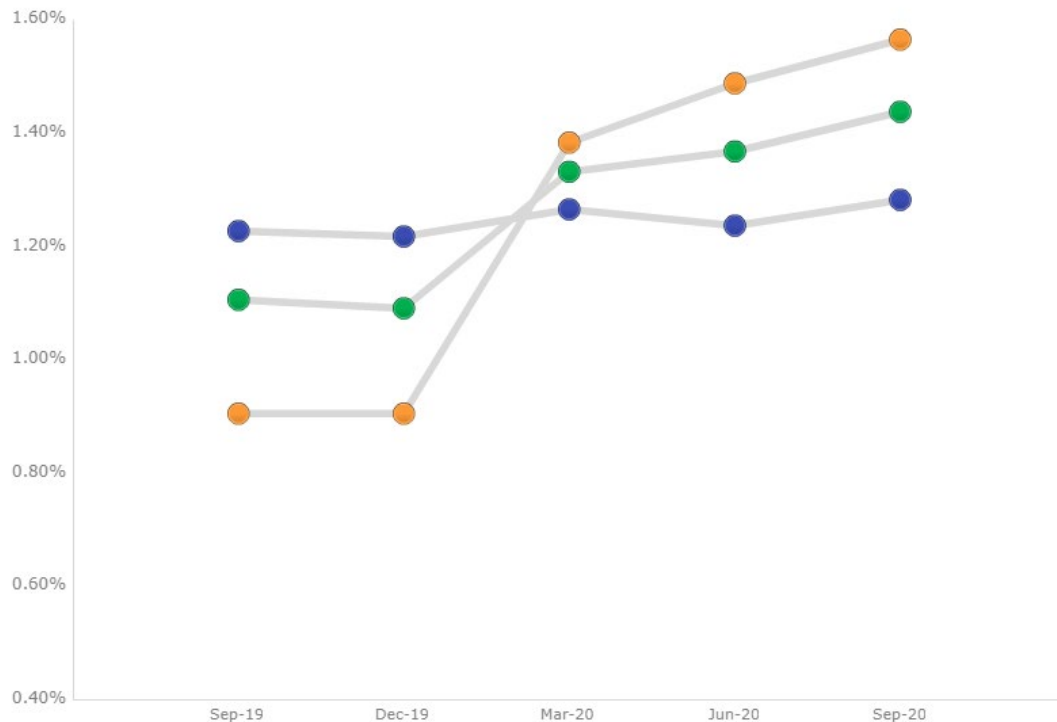
# Early Adopter Banks

## Count Of % Increase At Adoption



# For CECL, Asset Size Matters

ALLL to Loans



	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20
<2B	1.23%	1.22%	1.27%	1.24%	1.28%
2-10B	1.11%	1.09%	1.33%	1.37%	1.44%
10B - 25B	0.90%	0.90%	1.38%	1.49%	1.57%



## Polling Question #3

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# What should you be doing to prepare for implementation?

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## What should you be doing to prepare for implementation?

- Start planning early
- Monitor early adopters
- Identify qualitative factors
  - Utilize industry data
  - Develop in-depth analysis to support qualitative factors



# Qualitative Factors

- Changes in lending policies and procedures, including changes in underwriting standards and collection, charge-off, and recovery practices not considered elsewhere in estimating credit losses. *(Institution Specific)*
- Changes in international, national, regional, and local economic and business conditions and developments that affect the collectability of the portfolio, including the condition of various market segments. *(i.e. unemployment vs. past dues)*
- Changes in the nature and volume of the portfolio and in the terms of loans. *(Institution Specific – Comparison of anticipated loan segments/concentrations)*
- Changes in the experience, ability, and depth of lending management and other relevant staff - *(Institution Specific)*



## Qualitative Factors (Cont.)

- Changes in the volume and severity of past due loans, the volume of non-accrual loans, and the volume and severity of adversely classified or graded loans.
- Changes in the quality of the institution's loan review system. *(Institution Specific)*
- Changes in the value of underlying collateral for collateral-dependent loans.  
*(Utilize industry data - FRED)*
- The existence and effect of any concentrations of credit, and changes in the level of such concentrations. *(Institution Specific – investigate various concentrations)*
- The effect of other external factors such as competition and legal and regulatory requirements on the level of estimated credit losses in the institution's existing portfolio. *(Institution Specific)*



# How do we address these under CECL?





# Screen Share

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## Polling Question #4

Where should you be today?

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# Model Validations

Why are these important?

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# Question & Answer Session

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