



Are You Aware of the CECL Tracker?

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Background

ASU 2016-13, *Financial Instruments—Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments*, was issued in 2016, and replaces the current incurred loss model with a new approach to measure and recognize an allowance for credit losses on financial assets recorded at amortized cost. The new approach is called the current expected credit loss (CECL) method, and requires an allowance to be measured and recognized at the end of each reporting period based on credit losses expected (forecast) to be realized over the entire remaining lives of financial assets recorded at amortized cost. Primarily, financial institutions and other entities that have long-term receivables (e.g., loans) or other financial assets that are recorded at amortized cost (e.g., debt securities classified as held-to-maturity) will be significantly impacted by the new guidance.

Since the issuance of the CECL guidance, several questions have arisen regarding how to interpret certain aspects of that guidance. In order to address those questions, the Depository Institutions Expert Panel (DIEP) of the American Institute of Certified Public Accountants (AICPA) assumed responsibility for gathering, tracking, and facilitating the consideration and resolution of those questions. In executing that responsibility, the DIEP developed a CECL Tracker, which contains an inventory of the questions raised by preparers and auditors of financial statements. The current CECL Tracker can be found on the CECL page of the AICPA website:

<https://www.aicpa.org/interestareas/frc/accountingfinancialreporting/financialinstruments.html>

It lists all of the questions submitted to date and their current state of resolution.

Process

Questions have been submitted to the DIEP primarily by preparers (mostly large banks) and auditors. The FASB staff also has shared technical inquiries it has received. A working group of the DIEP reviews the submitted question, prepares a discussion paper to summarize the issue and relevant existing guidance, and provides alternative views on how the question might be resolved. Then, the discussion paper is shared with the FASB staff to determine whether the issue should be:

1. Discussed by the CECL Transition Resource Group (TRG), which is comprised of a panel of knowledgeable participants appointed by the FASB, because the issue is not clearly addressed under the existing guidance,
2. Presented directly to the FASB for consideration because the answer seems clear but requires an amendment to CECL,
3. Addressed by the FASB staff as technical inquiry because the answer is clear and requires no amendment, or
4. Addressed by the DIEP because the FASB staff believes that the answer cannot be addressed through further clarification of, or amendments to, the guidance (e.g., issues related to application in practice).

¹ For public business entities that are SEC filers, ASU 2016-13 is effective for fiscal years beginning after December 15, 2019. For other public business entities, the ASU is effective for fiscal years beginning after December 15, 2020. For all other entities, the ASU is effective for fiscal years beginning after December 15, 2021.

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For example, one question concerned when it would be appropriate to measure a zero expected credit loss. In that case, because the CECL guidance already indicates that a zero credit loss can be recorded in certain circumstances, the FASB staff allowed the DIEP to address the issue. The DIEP developed a position paper that outlined certain conditions that might lead a preparer to conclude that a zero credit loss measurement was appropriate (e.g., a loan or security that is fully guaranteed by a government agency). The position paper was reviewed by the FASB staff, SEC staff, all of the DIEP members (which include representatives from the Big Four accounting firms and major banks), the chief accountants of the bank regulators (e.g., OCC, FDIC, and the Federal Reserve), and other select stakeholders. The final draft was then reviewed by the Financial Reporting Executive Committee (FinREC) of the AICPA. The approved position paper eventually will be included in a published AICPA Audit and Accounting Guide on CECL.

Other issues were discussed by the TRG. In some cases, a consensus view was reached, while in other cases no consensus view emerged. The FASB staff considers the views expressed and then determines what further action, if any, was necessary. In some cases, the issue was presented to the FASB and resulted in an amendment to CECL. In other cases, no amendment was deemed necessary. If a consensus view was reached by the TRG and required no amendment to the guidance, the consensus was reflected in the TRG minutes, but also will be included in the CECL Audit and Accounting Guide.

If an amendment to CECL is required to resolve the issue, the FASB staff presents the issue to the FASB with alternative views and a recommendation. The FASB then deliberates and decides whether to issue an Exposure Draft of a proposed amendment for comment. If an Exposure Draft is issued, the FASB evaluates any comments received, and then makes a final decision whether to amend the CECL guidance. An example is the issuance of ASU 2018-19, which excluded operating lease receivables from the scope of CECL (ASC Topic 326).

CECL Tracker

Attached is the CECL Tracker as of the beginning of April 2019. While you should review all of the issues to see which ones are of interest to your company, some of the ones that might be of particular interest are as follows:

- No. 6—Reasonable and Supportable Forecasting
- No. 10—Auditing the New Credit Loss Standard
- No. 13—Consideration of Accrued Interest
- No. 14—Recoveries
- No. 17—Application of Subsequent Events
- No. 24—Refinancing and Prepayments
- No. 32—Partial Discounting

Although the CECL Tracker on the AICPA website only lists 38 issues, the latest tally is 43 issues. Of those issues, 14 have been addressed by the FASB and have been or will be covered by amendments to CECL. Another 12 issues have been resolved by the CECL TRG or the FASB staff. Three issues have been addressed in discussion papers issued by the DIEP and approved by FinREC. The remaining 14 issues are in different stages of resolution.

What Should You Do?

- Periodically review the CECL Tracker and identify issues that have relevance to your adoption or application of CECL.
- For those issues identified, monitor the status to see how the issue is resolved.
- Once the issue resolved, determine what impact, if any, it has on your application of CECL.
- If needed, get assistance from a knowledgeable resource.

AICPA CECL Issues Tracker (May 2019)

Ref.	Description of Implementation Issue	Status
1	<p>Issue #1: Zero Expected Credit Losses - This issue paper focuses on specific examples that might qualify as instruments that may be considered to have zero expected credit losses. These examples are limited to: US Treasury Securities, Ginnie Mae Mortgage-Backed Securities, and Agency Mortgage-Backed Securities.</p>	<p>Comment Period ended October 10, 2018. Final version available on the Online Publication Library.</p>
2	<p>Issue #2: Determining the "Estimated Life" of a Credit Card Receivable. This topic was addressed at the June 12, 2017 FASB TRG Meeting (Memo 5 hyperlinked here). Issues included appropriate application of the CARD act, expected payments to a revolving credit card receivable, and estimation of the amount and timing of payments expected to be collected, to name a few.</p>	<p>Resolved during the FASB October 12, 2017 FASB Board Meeting.</p>
3	<p>Issue #3: Discounting Expected Cash Flows Using an Entity's Effective Interest Rate: This topic was addressed at the June 12, 2017 FASB TRG Meeting (Memo 1 hyperlinked here). Issues included consideration of prepayments when discounting expected cash flows, appropriate use of EIR, and appropriate use of an adjusted EIR, to name a few.</p>	<p>Resolved during FASB December 13, 2017 meeting.</p>
4	<p>Issue #4: Transfer of Loans from Held for Sale to Loans Held for Investment and Transfer of Credit Impaired Debt Securities from Available-for-Sale (AFS) to Held-to-Maturity (HTM). This topic was addressed at the June 11, 2018 FASB TRG Meeting (Memo 10 hyperlinked here). Issues included transferring debt securities with recorded credit losses from AFS to HTM, transferring an HFS loan to an HFI loan, and presentation and disclosures of transfers between categories, to name a few.</p>	<p>Resolved during the FASB August 29, 2018 FASB Board Meeting. Codification changes being made by FASB.</p>

AICPA CECL Issues Tracker (May 2019)

Ref.	Description of Implementation Issue	Status
5	Issue #5: Scope of Purchased Financial Assets with Credit Deterioration Guidance for Beneficial Interests within Subtopic 325-40. This topic was addressed at the June 12, 2017 FASB TRG Meeting (Memo 2 hyperlinked here). Issues included scoping and determination of contractual cash flows when assessing beneficial interests.	Resolved during the June 12, 2017 FASB TRG Meeting.
6	Issue #6: Reasonable & Supportable Forecasting. This topic includes the appropriate considerations when developing a reasonable and supportable forecast period, use of historical loss information within the reasonable and supportable forecast period, and transition from reasonable and supportable forecast period to reversion, to name a few.	Comment Period ended December 31, 2018. Final version available on the Online Publication Library in February 2019.
7	Issue #7: Accounting for Troubled Debt Restructurings. This topic was addressed at the June 12, 2017 FASB TRG Meeting (Memo 4 hyperlinked here). This topic includes consideration of information that is relevant to assessing the troubled debt restructuring including reasonably expected TDRs.	Resolved during the September 2017 FASB Meeting Minutes.
8	Issue #8: Transition Guidance for Pools of Financial Assets Accounted for under Subtopic 310-30. This topic was addressed at the June 12, 2017 FASB TRG Meeting (Memo 3 hyperlinked here). This topic includes the appropriate application of maintaining pools accounted for under Subtopic 310-30 at adoption as well as ongoing basis.	Resolved during the June 12, 2017 FASB TRG Meeting. Minute Minutes hyperlinked here.
9	Issue #9: Auditing Accounting Estimates, including Fair Value Accounting Estimates and Related Disclosures. This was an IAASB document developed in consideration of auditing IFRS 9. The Credit Losses Task Force has utilized this document in discussions and considerations when it discusses auditing the new Credit Losses Standard.	Credit Losses Task Force Discussion Only. Responses will be considered through our forthcoming Practice Aid and Accounting and Auditing Guide available in the future.

AICPA CECL Issues Tracker (May 2019)

Ref.	Description of Implementation Issue	Status
10	Issue #10: Auditing the new Credit Loss Standard. This topic includes auditing considerations when auditing the new standard. Issue papers have been previously developed by the Credit Loss Task Force level only. These papers have been compiled and a forthcoming Practice Aid will be made available in a draft format.	Credit Losses Task Force Discussion Only. Responses will be considered through our forthcoming Practice Aid and Accounting and Auditing Guide available in the future.
11	Issue #11: Simplifying Assumptions from Preparers. This was a paper provided by the American Bankers Association that considered multiple simplifying assumptions for preparers when implementing the new standard. The Task Force discussed this topic internally only. No final consensus was determined on this topic at this time.	Credit Losses Task Force Discussion Only. Responses will be considered through our forthcoming Practice Aid and Accounting and Auditing Guide available in the future.
12	Issue #12: Collateral Maintenance Provisions. This is an issue paper developed by the Task Force. The paper includes issues over the appropriate application of a practical expedient such as considerations regarding replenishment of collateral, scoping of agreements including securitized borrowings, and consideration of fair value of the collateral.	Issue Paper has been developed and is being internally reviewed. This paper will be available to the public in the future during the comment period process.
13	Issue #13: Consideration of Accrued Interest. This topic was addressed at the June 11, 2018 FASB TRG Meeting (Memo 9 hyperlinked here). Issues included the inclusion of accrued interest in the definition of amortized cost basis and reversal of accrued interest on nonaccrual loans, to name a few.	Resolved during the FASB August 29, 2018 FASB Board Meeting. Codification changes being made by FASB.
14	Issue #14: Recoveries. This topic was addressed at the June 11, 2018 FASB TRG Meeting (Memo 11 hyperlinked here). Issues included the consideration of expected recoveries in both individual and pooled assets, the application of expected recoveries within either the calculation or directly at the asset level, and appropriateness of recoveries that may exceed the amortized cost basis, to name a few.	Resolved during the FASB November 7, 2018 FASB Board Meeting. Codification changes being made by FASB.

AICPA CECL Issues Tracker (May 2019)

Ref.	Description of Implementation Issue	Status
15	Issue #15: Discount Rates for Variable Rate Loans. Issues included appropriate projections of changes in the independent factor or factors that determine the contractual interest rate on a variable rate financial asset for the purposes of determining the EIR and estimating expected future cash flows.	Resolved during FASB December 13, 2017 meeting. Codification changes being made by FASB.
16	Issue #16: Accounting for Recoveries on Credit Insurance Contracts. Issues included the appropriate recognition threshold and measurement model that should be used for a freestanding credit insurance contracts (not accounted for as a derivative under Topic 815).	Issue Paper has been developed and is being internally reviewed. This paper will be available to the public in the future during the comment period process.
17	Issue #17: Application of Subsequent Events. Issues included when and how subsequent events should be reflected when applying FASB ASC 326. See SEC staff speech from the AICPA Banking Conference for further details.	FASB and SEC Staff addressed this issue as a Technical Inquiry. Issue Paper has been developed and is being internally reviewed. This paper will be available to the public in the future during the comment period process.
18	Issue #18: Review of ABA Discussion Paper "Analyzing Current Loan Performance Under CECL".	Credit Losses Task Force Discussion Only. Responses will be considered through our forthcoming Practice Aid and Accounting and Auditing Guide available in the future.
19	Issue #19: Review of ABA Discussion Paper "CECL Effective Date for Private Banks".	Credit Losses Task Force Discussion Only. Responses will be considered through our forthcoming Practice Aid and Accounting and Auditing Guide available in the future.
20	Issue #20: Contractual Term: Extensions - Considering the Life. Issues included questions of whether entity may consider certain extension options when determining the contractual term of a financial asset in the scope of Subtopic 326-20. See memo 15 hyperlinked here for further details.	Resolved during FASB November 7, 2018 board meeting. Codification changes being made by FASB.

AICPA CECL Issues Tracker (May 2019)

Ref.	Description of Implementation Issue	Status
21	Issue #21: Inclusion of Future Advances of Taxes and Insurance Payments in Estimates. Issues included if a lenders' expectations of future losses on payments of tax, insurance premiums, and other "costs" (i.e., payments made by lenders that may not be recovered from borrowers) should be included in the estimate of expected lifetime credit losses prior to the lender advancing the funds or incurring the costs.	Issue Paper has been developed and is being internally reviewed. This paper will be available to the public in the future during the comment period process.
22	Issue #22: Reversion Method: Estimation vs Accounting Policy. Issues included when determining whether a reversion technique used, if any, in estimating expected credit losses is an accounting estimation technique or accounting policy election.	Comment Period ended October 10, 2018. Final version available on the Online Publication Library.
23	Issue #23: Zero Expected Credit Loss Factors for Secured Financial Assets Secured by Collateral. Issues included what circumstances and factors where it would be appropriate to have no allowance for credit losses on secured financial assets.	Issue Paper has been developed and is being internally reviewed. This paper will be available to the public in the future during the comment period process.
24	Issue #24: Refinancing and Prepayments. Issues included whether entities are required to use the loan refinancing or restructuring guidance in paragraphs 310-20-35-9 through 35-12 to determine what constitutes a prepayment for the purposes of the expected credit losses measurement. Memo #12 covers the discussion hyperlinked here.	Resolved during the FASB August 29, 2018 FASB Board Meeting.
25	Issue #25: Implementation Dates for Non-PBEs. Questions have arisen regarding the implementation date timing for non-public business entities.	Resolved during the FASB July 25, 2018 FASB Board Meeting.
26	Issue #26: Capitalized Interest. Issues included considerations over capitalized interest when estimating the expected credit loss using a method other than a discounted cash flow method. Memo 8 covers the discussion hyperlinked here.	Resolved during the FASB August 29, 2018 FASB Board Meeting.

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27	Issue #27: Fair Value Option. Questions surrounding the one-time election to apply the FVO upon adoption of the standard. This discussion was considered within the scope of Memo 17 regarding recoveries hyperlinked here.	Resolved during FASB November 7, 2018 board meeting. Forthcoming codification changes will be made in the future. Codification changes being made by FASB.
28	Issue #28: Scope Exception for Loans and Receivables between Entities under Common Control. Issues included if the scope exception for loans and receivables between entities under common control applies to US GAAP reporting at the subsidiary standalone level. See memo 7 hyperlinked here for further details.	FASB Staff addressed this issue as a Technical Inquiry. Issue Paper has been developed and is being internally reviewed. This paper will be available to the public in the future during the comment period process.
29	Issue #29: Gains and Losses on Subsequent Disposition of Leased Assets. Issues included a technical inquiry question over how expected gains and losses on the subsequent disposition of leased assets should be treated when measuring expected losses. See memo 7 hyperlinked here for further details.	FASB Staff addressed this issue as a Technical Inquiry. An issue Paper has been developed and is being internally reviewed. This paper will be available to the public in the future during the comment period process.
30	Issue #30: Billed Operating Lease Receivables. Issues included a question regarding the application of billed operating lease receivables within FASB ASC 326. See memo 7 hyperlinked here for further details.	FASB Staff addressed this issue as a Technical Inquiry. An issue Paper has been developed and is being internally reviewed. This paper will be available to the public in the future during the comment period process.
31	Issue #31: Shorter Term Loans: Developing a Model for a 1-year loan that has a 3-Year Project Term. Issues included whether an entity is precluded from considering future economic and other conditions beyond the contractual term of a financial asset. See memo 15 hyperlinked here for further details.	Resolved during FASB November 7, 2018 board meeting. Forthcoming codification changes will be made in the future. Codification changes being made by FASB.
32	Issue #32: Partial Discounting. Issues included whether discounting certain inputs when using a method other than a DCF method in determining expected credit losses is acceptable. Overall November 2018 agenda discusses this issue hyperlinked here.	FASB Staff addressed this issue as a Technical Inquiry. An issue Paper has been developed and is being internally reviewed. This paper will be available to the public in the future during the comment period process.

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Ref.	Description of Implementation Issue	Status
33	Issue #33: Accounting for Changes in FX Within Available for Sale Securities. Issue included: accounting for unrealized losses resulting from changes in foreign exchange rates for foreign-currency-denominated AFS debt securities. Overall November 2018 agenda discusses this issue hyperlinked here.	FASB Staff addressed this issue as a Technical Inquiry. An issue paper has been developed and is being internally reviewed. This paper will be available to the public in the future during the comment period process.
34	Issue #34: Zero Expected Credit Losses for Unsecuritized assets (including reinsurance receivables). This issue paper focuses on a limited set of products and examples and their potential indicators for zero loss surrounding unsecuritized assets.	Issue Paper is being developed. This paper will be available to the public in the future during the comment period process.
35	Issue #35: Application of 325-40 for Trading Securities. Should an entity maintain an allowance for credit losses for a beneficial interest within the scope of Subtopic 325-40 that is classified as trading? Overall November 2018 agenda discusses this issue hyperlinked here.	FASB Staff addressed this issue as a Technical Inquiry. An issue paper has been developed and is being internally reviewed. This paper will be available to the public in the future during the comment period process.
36	Issue #36: Vintage Disclosures: Issues include whether entities should be required to make disclosures with respect to the presentation of revolving loans that have converted to term (and other potential required disclosures). Memo #16 linked here discusses this issue further.	Resolved during FASB November 7, 2018 board meeting. Forthcoming codification changes will be made in the future.
37	Issue #37: Subsequent Events Factors: Issues include: A discussion regarding factors that might signify subsequent and how to appropriately apply them under FASB ASC 326.	Issue Paper is being developed. This paper will be available to the public in the future during the comment period process.
38	Issue #38: Recognition of Subsequent Increases in Fair Value of Collateral for Collateral Dependent Loans. Issues include: an entity's recognition of subsequent increases in fair value for a collateral dependent loan prior to the sale or final disposition of the collateral. This was discussed in Memo 17 hyperlinked here.	Resolved during FASB November 7, 2018 board meeting. Forthcoming codification changes will be made in the future.



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