COLORADO
Department of Regulatory Agencies
Division of Financial Services

To: Colorado State Chartered Credit Unions

From: Mark Valente, Commissioner

Date: December 28, 2021

Subject: Guidance – Transition to the Current Expected Credit Losses (CECL) Methodology for FISCU's Under $10M in Assets

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The National Credit Union Administration (NCUA) Board approved a final rule that would transition all federally insured credit unions, including federally insured state-chartered credit unions, to the Current Expected Credit Losses (CECL) accounting methodology required under Generally Accepted Accounting Principles (GAAP).

The final rule provides that, for purposes of determining the credit union's net worth classification under the prompt corrective action (PCA) regulations, the NCUA Board will phase-in the day-one adverse effects on regulatory capital that may result from the adoption of CECL over a three year period. Consistent with regulation issued by the other federal banking agencies, the final rule will temporarily mitigate the adverse PCA consequences of the day-one capital adjustments, while requiring that credit unions account for CECL for other purposes, such as Call Reports.

The final rule also provides credit unions with less than $10 million in assets are no longer required to determine their charges for loan losses in accordance with GAAP. These credit unions may instead use any reasonable reserve methodology (incurred loss), provided that it adequately covers known and probable loan losses.

Reference

Final Rule: National Credit Union Administration §12 CFR Part 702

The Division of Financial Services, part of the Department of Regulatory Agencies (DORA), works to protect public interest and preserve public trust by regulating the business of state-chartered credit unions, savings and loan associations and the financial activities of life care institutions under its supervision.