



May 2019

The Question Every Community Banker Is Asking: Are You Ready for CECL?

Ashley Ensley, Partner | DHG Financial Services

Steven Khoury, Manager | DHG Financial Services

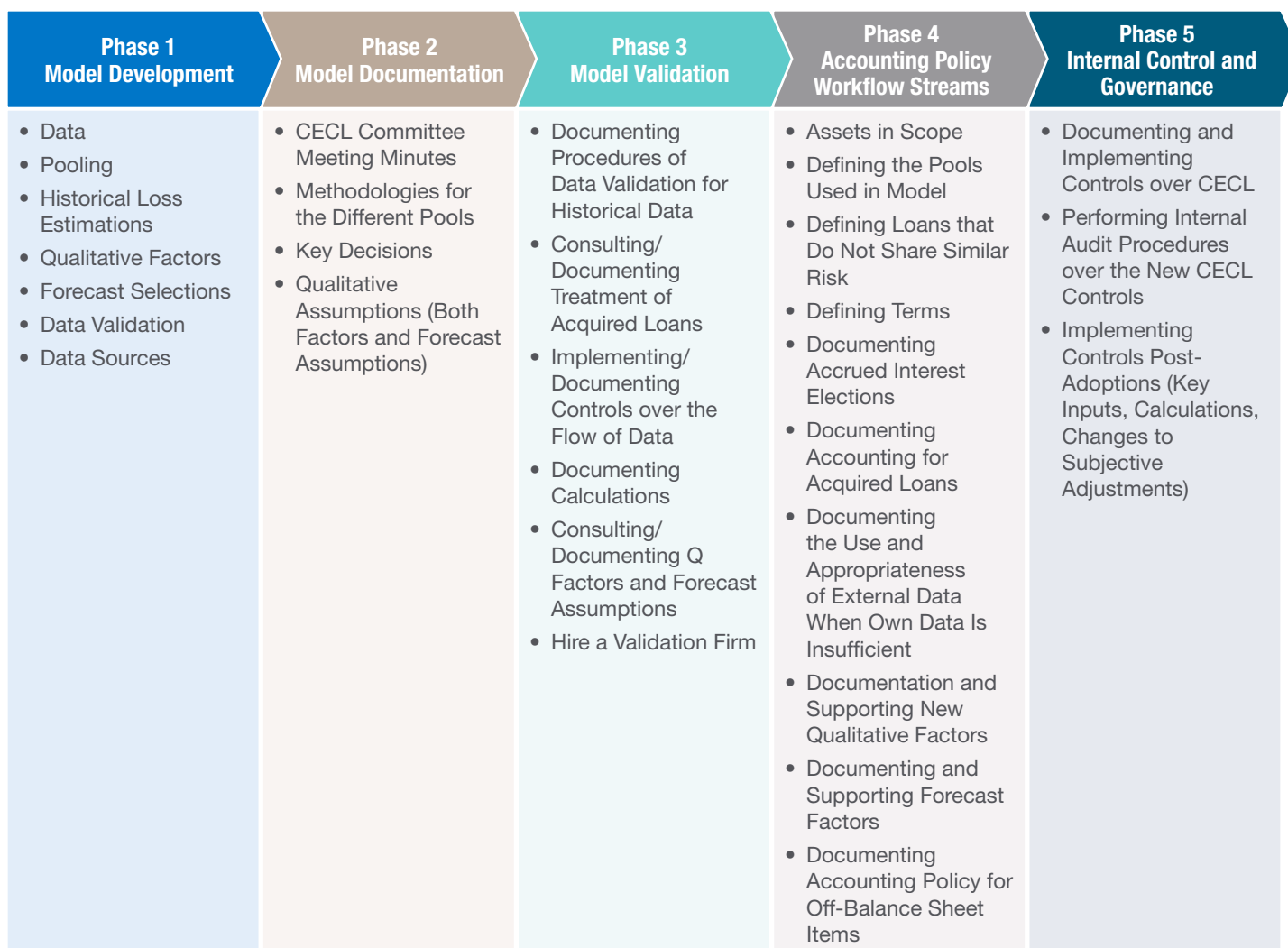
The Financial Accounting Standards Board (FASB) passed the final current expected credit loss (CECL) standard nearly three years ago. The adoption date of one of the most monumental accounting standards to impact the financial services industry is finally here¹.

In recent months, community bank management teams have spent countless hours discussing what they are doing about CECL. Commonly, these conversations relate to data management or vendor/model selection for software that will give the most accurate estimated credit loss. The question to be answered moving forward is no longer, “What are you going to do about CECL,” but “Are you ready for CECL adoption?”

That question can be overwhelming, and many financial institutions still are preparing for adoption of the standard. The documentation requirements are expected to be robust, and there are a number of assumptions to be made and internal controls to be considered. The best way to know if you are on track to meet your implementation date is to have a detailed project plan that contains all the necessary milestones to reach adoption.

As you consider your project plan, it may be helpful to divide the plan into different work streams to delegate tasks appropriately among members of your implementation committee. Some work streams that have been put into practice include model development, model documentation, model validation, accounting policy and internal control and governance.

Where are you in the adoption process, and what else should you be doing about CECL? The following graphic illustrates some common items that may be part of your detailed project plan. While the phases are presented in linear form, it is likely that many of them will run concurrently as you work to meet your implementation date.



Is your financial institution ready for adoption? Are you comfortable with the progress to date? Each institution is unique, and DHG can assist you as you prepare for CECL implementation.

DHG Contact

Ashley Ensley, CPA

Partner, DHG Financial Services

Steven Khoury, CPA

Manager, DHG Financial Services

benchstrength@dhg.com

About DHG Financial Services

DHG Financial Services professionals provide you with in-depth industry knowledge and a wide range of advisory, assurance and tax services to address issues facing your industry in today’s challenging environment. For more information, visit dhg.com/financial-services.

FOOTNOTE

(1) CECL adoption dates:

COMPANY	EFFECTIVE DATE	ADOPTION DATE
SEC Registrants	Years Beginning After Dec. 15, 2019	Jan. 1, 2020
Non-SEC Public Business Entities	Years Beginning After Dec. 15, 2020	Jan. 1, 2021
Private Entities	Years Beginning After Dec. 15, 2021	Jan. 1, 2022