The Impact of CECL and Financial Institution Readiness

2017 Fiserv Survey Results

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Here’s what experts from the largest financial consultancies across the U.S. and Canada have to say about their clients’ current efforts and ability to meet the new CECL standard.

Executive Overview

On June 16, 2016, the Financial Accounting Standards Board (FASB) issued the Current Expected Credit Loss (CECL) standard – ASU 2016-13. The new accounting standard will have a pervasive impact on all financial institutions – specifically banks – and applicable asset portfolios, such as loans, leases and debt securities.

Most financial institutions are not prepared for CECL.

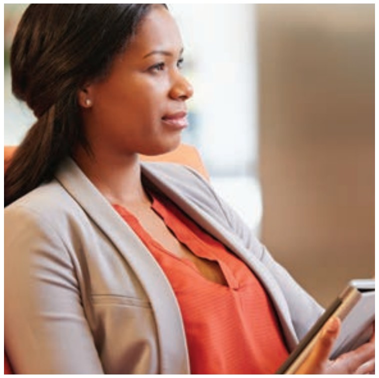
When it comes to CECL compliance, top financial consultants agree that extensive amounts of historical data, including different lengths of portfolio histories, will be needed. In addition, this research reveals that a majority of financial institutions do not understand how their risk management methodology needs to change. Nor do they comprehend the impacts of the changes that will need to be made to calculate Allowance for Loan and Lease Losses (ALLL).

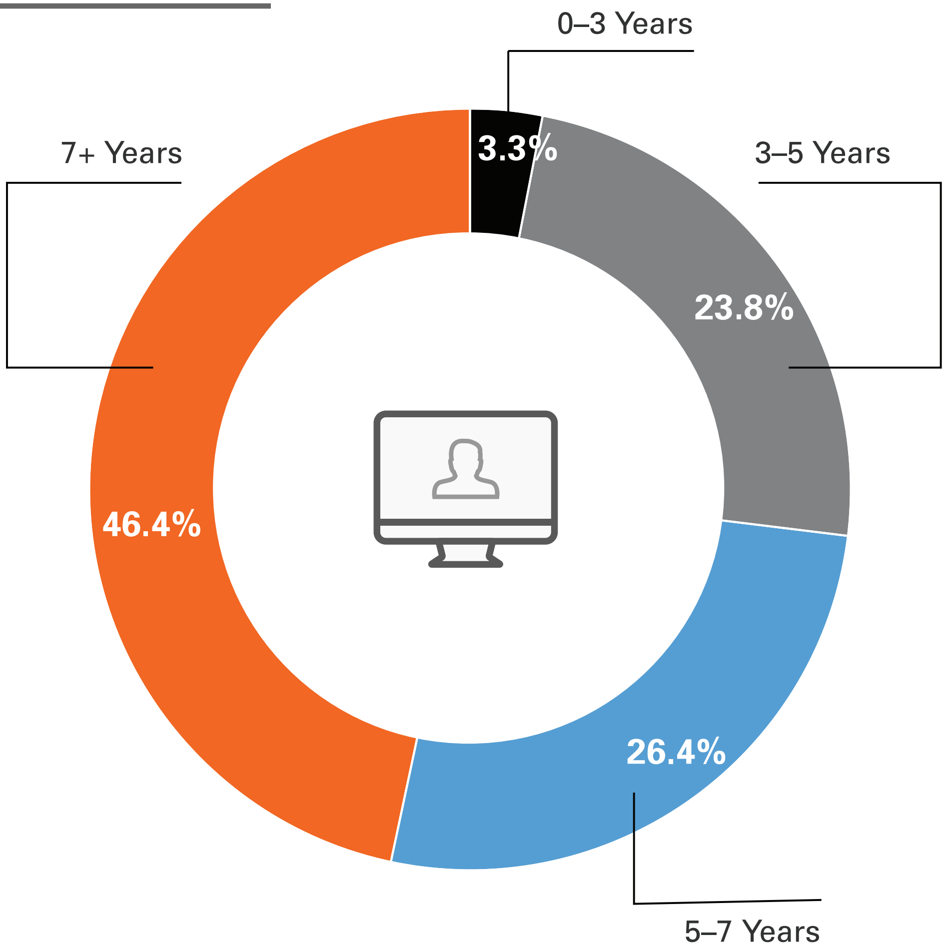
This represents a significant opportunity for top-tier consultancies to provide valuable thought leadership and guidance now, before financial institutions find themselves scrambling to meet the new standard.

Survey Results

Question 1:

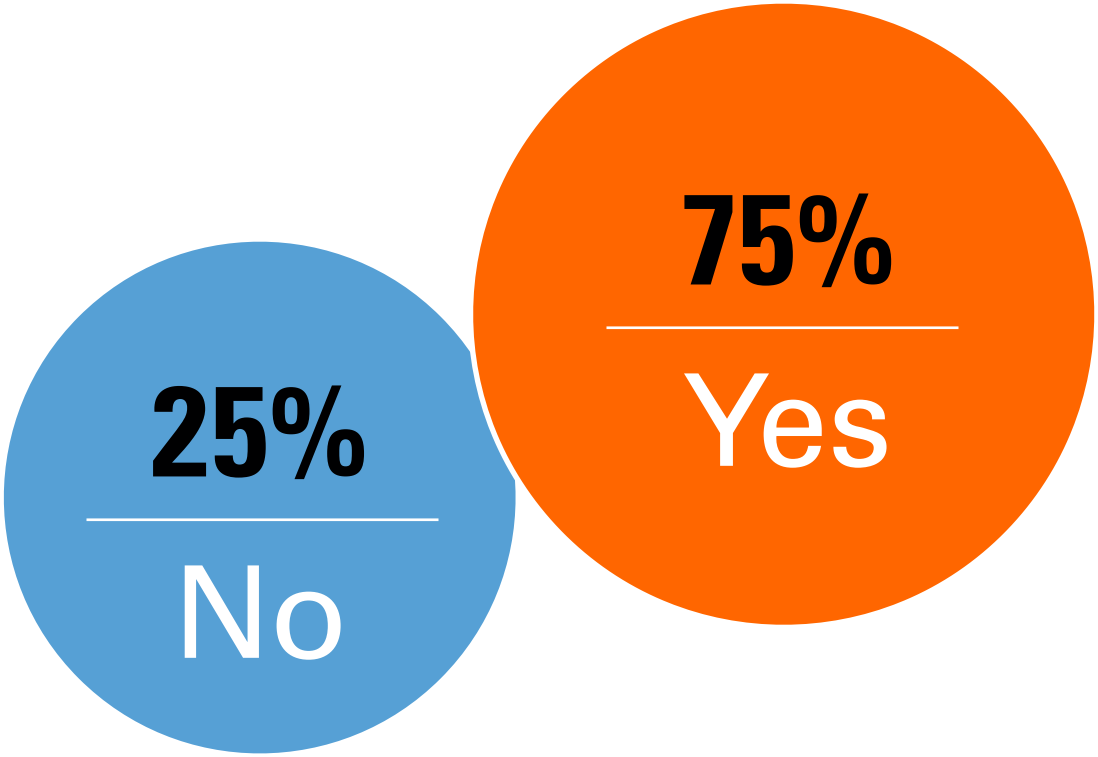
The FASB's CECL announcement changes how institutions evaluate credit risk. Supporting credit risk assumptions requires historical data for your portfolios. How much historical data do you think is necessary to satisfy the FASB ruling?





Question 2:

Do you think different lengths of history are required for different types of portfolios?

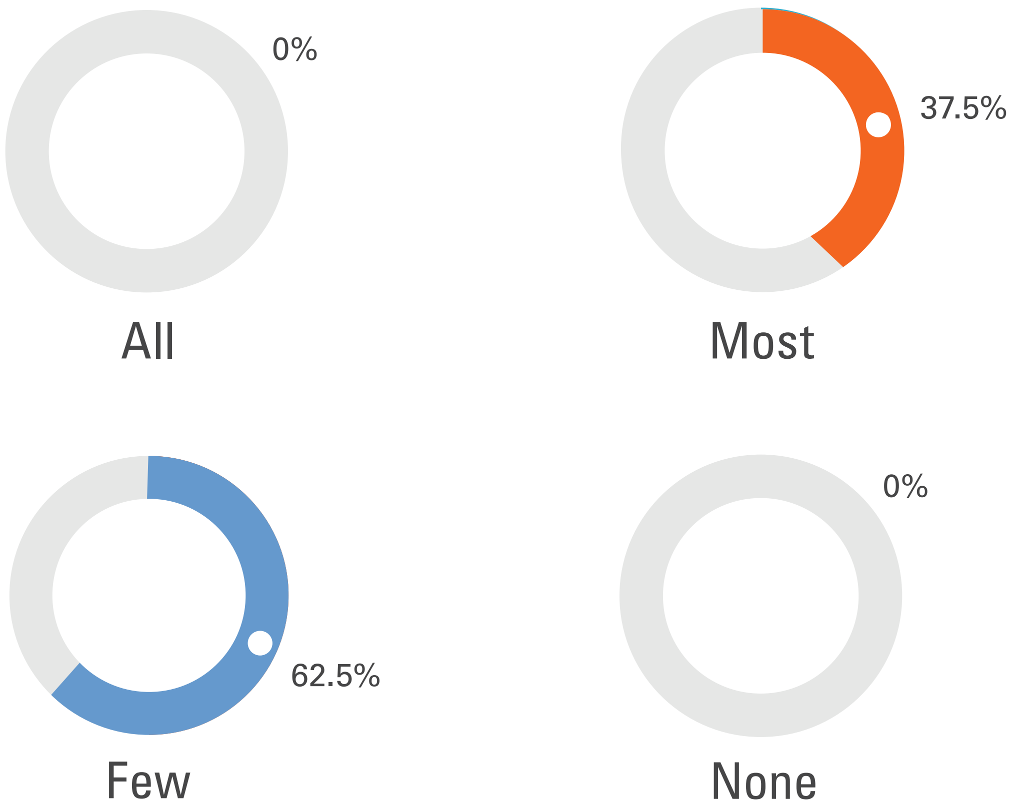


Question 3:

What is the most common loan-loss methodology your clients use?

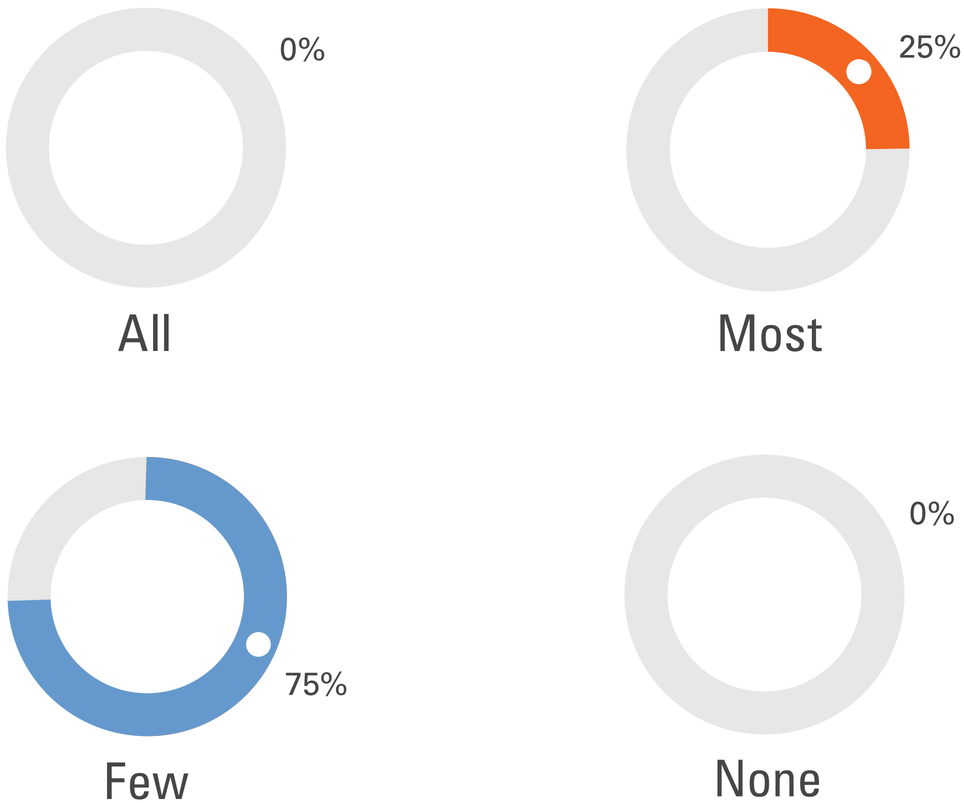
Question 4:

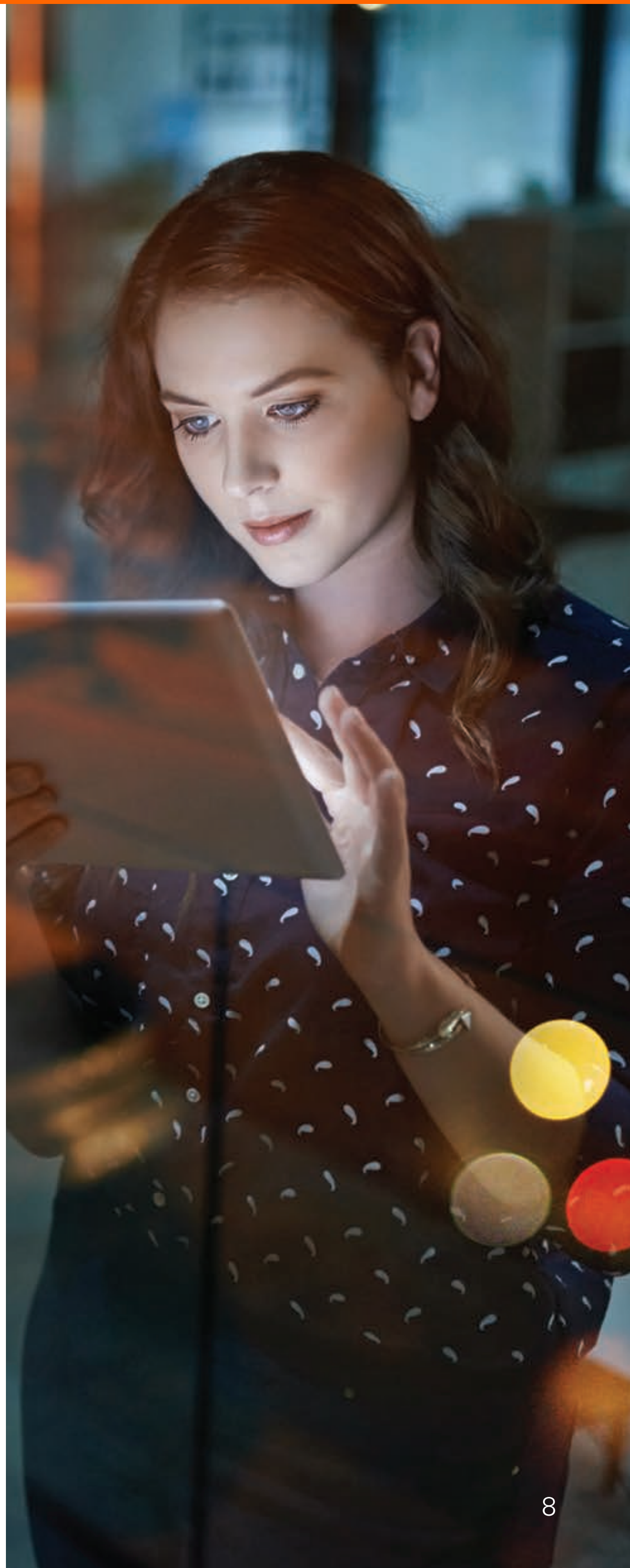
What portion of your clients understands how their risk management methodology might change with the implementation of CECL?



Question 5:

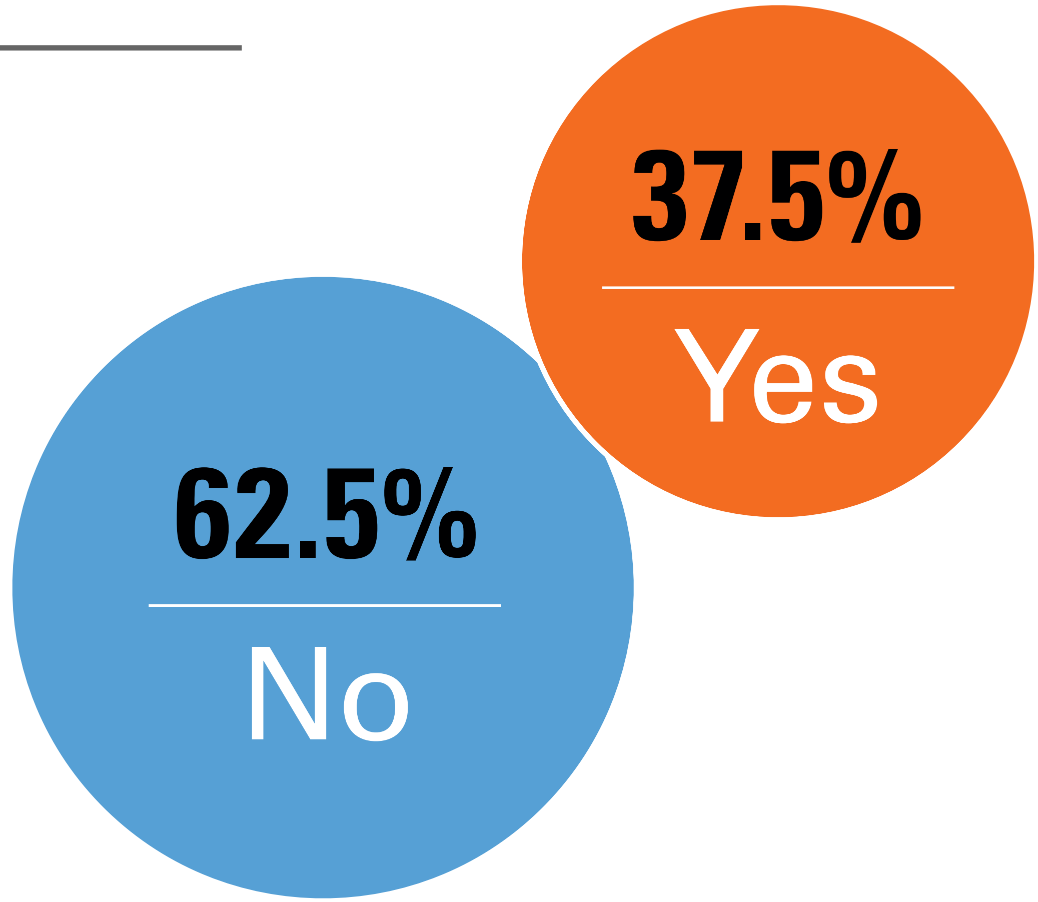
How many of your clients understand the impacts of the accounting changes CECL imparts; for example, accounting for unused lines of credit?





Question 6:

Are your clients comfortable making qualitative adjustments to their loss ratios based on forecasted economic metrics?

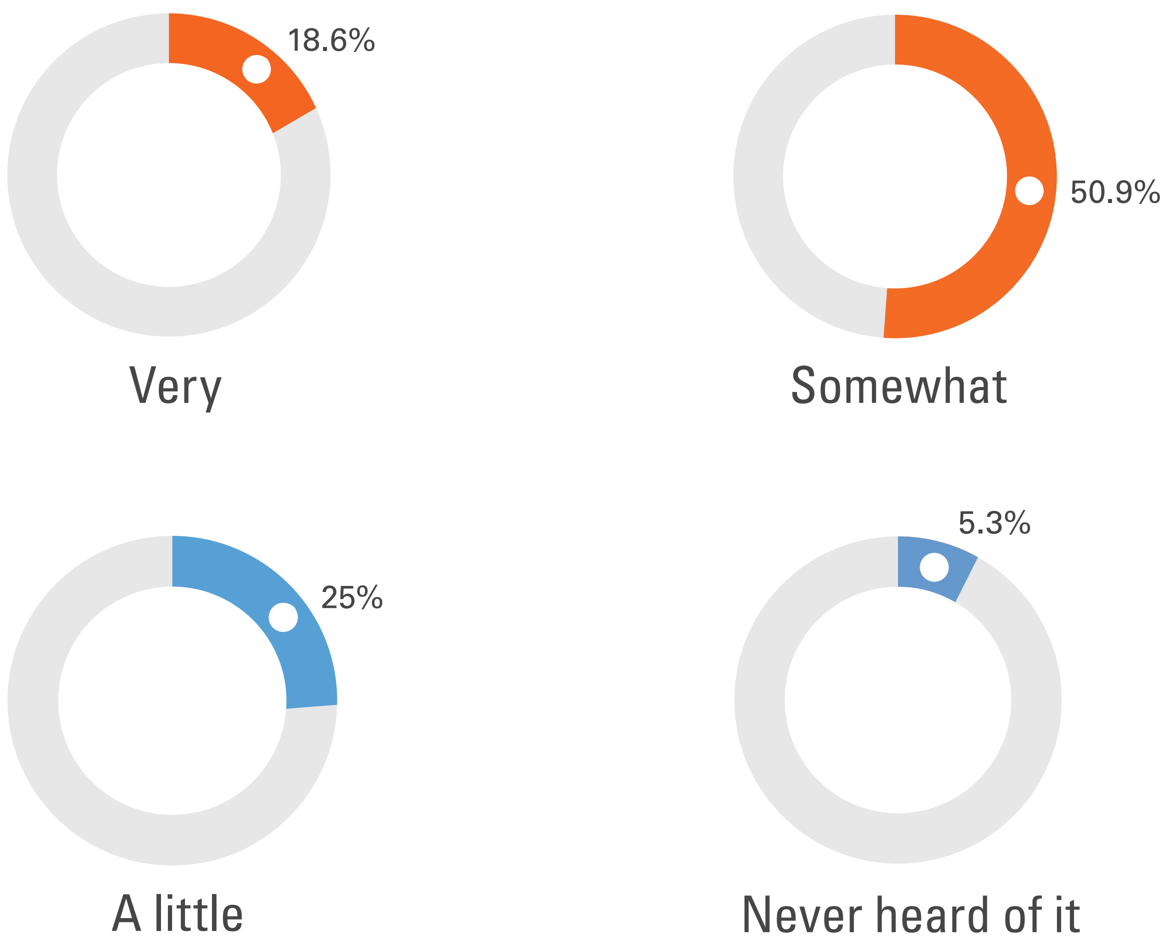


Question 7:

Which area(s) do you feel will be the greatest source of difficulty for your clients?

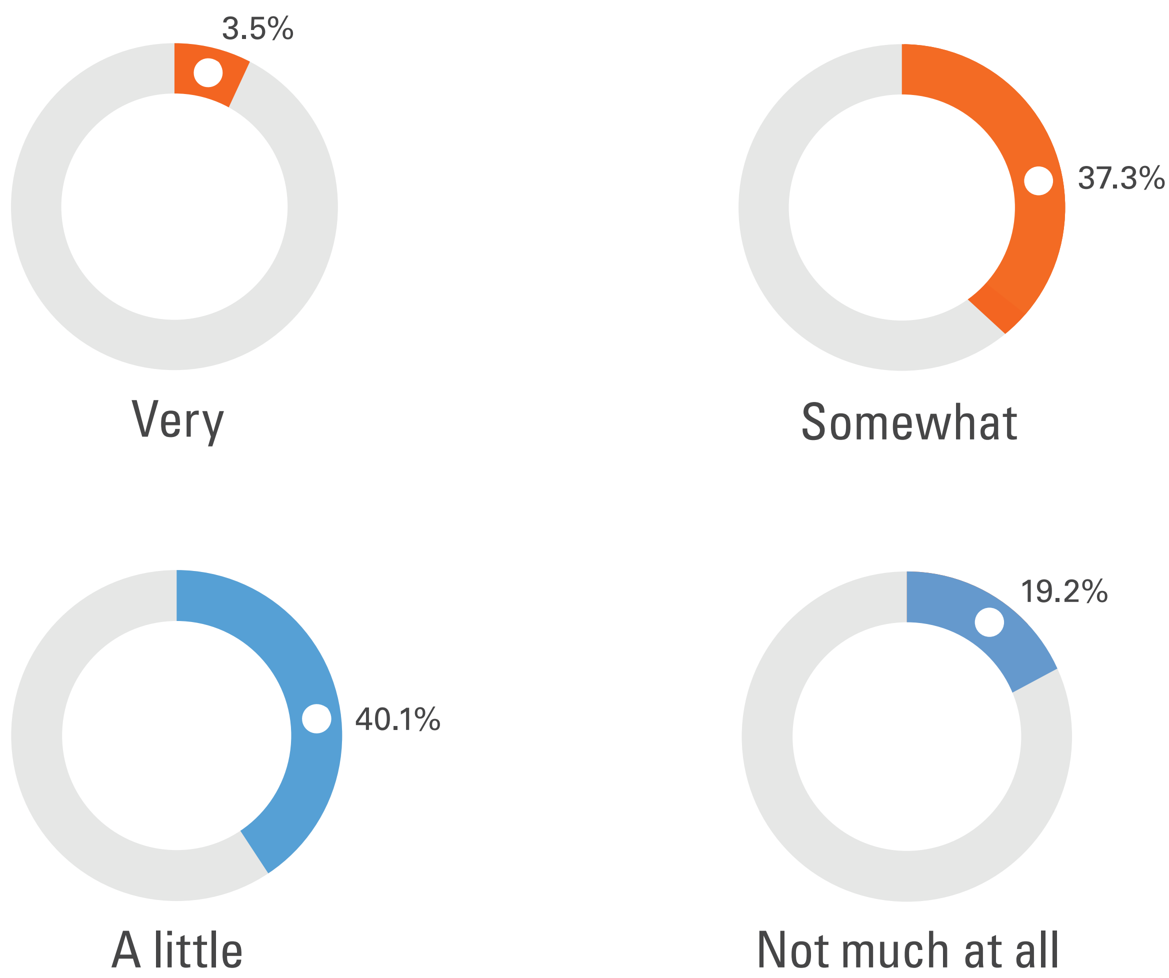
Question 8:

How familiar are you with CECL?



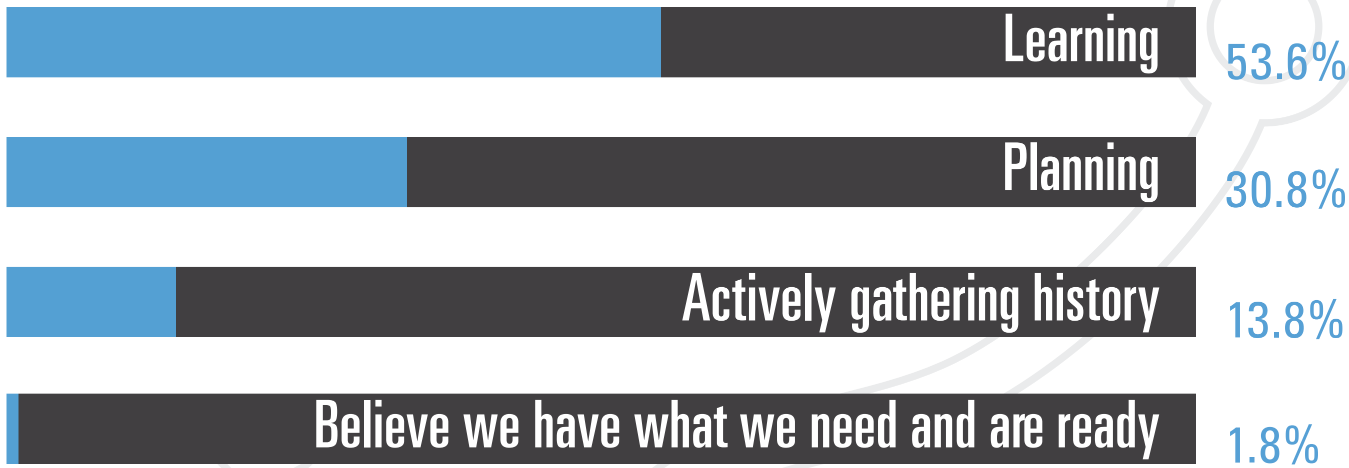
Question 9:

How prepared are you for CECL?



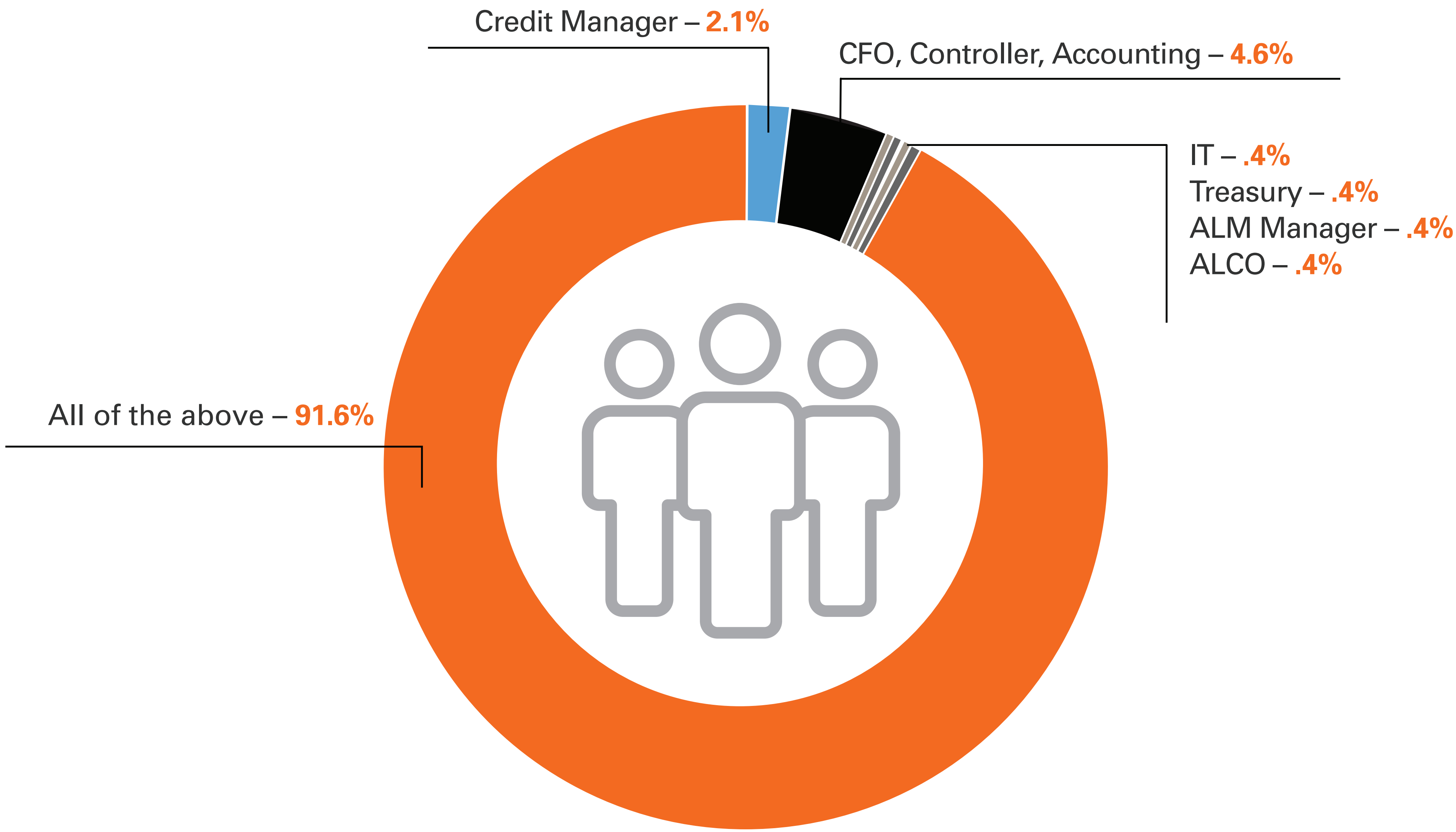
Question 10:

Where are you in the planning process for CECL?



Question 11:

Who should be involved in planning for CECL?



Learn How You Can Help Your Clients Meet CECL With Confidence

The most significant, and hardest, part of meeting the new CECL standard will be preparation. Fiserv can help you understand what it will take to help your clients identify, gather and evaluate the necessary data needed to remain compliant.

Our teams can also provide insight into the most appropriate methods for helping your clients analyze and forecast risk data in order to accurately calculate ALLL.

Learn more at fiserv.com/CECL

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