

Proposal: 1679 - Interagency Guidance on Credit Risk Review Systems

Description:

Comment ID: 135172

From: Profile Bank, Kevin D. Miller

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Subject: OP-1679; Interagency Guidance on Credit Risk Review Systems

Comments:

NONCONFIDENTIAL // EXTERNAL

Good afternoon,

Thank you for this opportunity to comment on the Proposed Policy Statement on Allowances for Credit Losses and Proposed Guidance on Credit Risk Review System.

As a CPA and community banker of more than 28 years' experience, I wanted to write and share my thoughts especially regarding the CECL methodology.

Recently, the CEO of the American Banker's Association stated that, "FASB is likely to push forward regardless of regulator and industry concerns, and that perhaps the "stop and study" may even fail". My question to Mr. Nichols was simply: "Do Banks have a Plan B"? It may be that the only body that wants CECL is FASB and it's seven (7) members - to satisfy their long-time zeal for fair value accounting.

As we know, the ALLL to CECL change is re a "change in accounting estimate". ALLL/CECL numbers are very likely to be financially insignificant relative to respective financials (industry average for ALLL is approx. 1% of total assets, and any increase to CECL would likely be a fraction of ALLL). Thus, if a Bank chose to continue with their ALLL approach, it may result in a "qualified opinion" re a departure from GAAP...but that ALLL to CECL financial difference would be almost certain to be insignificant financially. To be blunt, would anyone but FASB care if Bank's chose to stay with ALLL and its historical loss approach - which has sufficed for many years?

For example, Profile Bank is a 113 year-old community Bank - we have never written off more than \$200,000 in any year of the Bank's existence. Our ALLL methodology can thus only be based on industry-standard loss rates. Thus, for us to undertake great time, effort, and costs to compile details to support a CECL model would truly be a waste of our time and resources, taking away from our ability to continue our lending to families and local businesses.

Again, to be frank, CECL seems to be trying to make science out of an accounting estimate - ie., "a solution in search of a problem". We are a small community Bank whose many competitors include several credit unions ranging in size from \$200million to more than \$3billion. Given the credit union industry's recent opinion that the CECL methodology shouldn't apply to them - this would give further advantage to our Credit Union neighbors: <https://www.nafcu.org/newsroom/cecl-clarification-appreciated-says-nafcu-cus-should-be-exempt>.

Regards,
Kevin D. Miller, CPA
COO and CFO
Profile Bank
45 Wakefield Street
Rochester, NH 03867
603-330-8424