American Financial Services Association
Protecting Credit Since 1916

June 20, 2019

The Honorable Vicente Gonzalez
U.S. House of Representatives
Washington, DC 20515

The Honorable Ted Budd
U.S. House of Representatives
Washington, DC 20515

The Honorable Brad Sherman
U.S. House of Representatives
Washington, DC 20515

The Honorable Blaine Luetkemeyer
U.S. House of Representatives
Washington, DC 20515

The Honorable David Scott
U.S. House of Representatives
Washington, DC 20515

The Honorable Roger Williams
U.S. House of Representatives
Washington, DC 20515

The Honorable Josh Gottheimer
U.S. House of Representatives
Washington, DC 20515

The Honorable French Hill
U.S. House of Representatives
Washington, DC 20515

The Honorable Henry Cuellar
U.S. House of Representatives
Washington, DC 20515

The Honorable Barry Loudermilk
U.S. House of Representatives
Washington, DC 20515

Dear Representatives Gonzalez, Budd, Sherman, Luetkemeyer, Scott, Williams, Gottheimer, Hill, Cuellar, and Loudermilk:

On behalf of the American Financial Services Association (AFSA)[1], I write to express our strong support of H.R. 3182, which would require the Securities and Exchange Commission and certain federal agencies, in consultation with the Federal Accounting Standards Board (FASB), to conduct a quantitative impact study on the Current Expected Credit Loss (CECL) accounting standard and delay the implementation date to one year from the study's completion.

AFSA's over 400 member companies provide important credit products to millions of American consumers, such as vehicle financing, home mortgages, student loans, and traditional installment loans. The fundamental changes made by FASB's CECL standard to the industry's long-standing accounting practices could have a significant impact on the cost and availability of these products, especially for low and moderate-income consumers. By requiring financial institutions to recognize and reserve for the full estimated credit loss on the loan at origination, CECL injects uncertainty and unpredictability in credit loss decisions and creates pro-cyclical dynamics that could accelerate an economic downturn and impede growth. In an economic downturn, when lending is most needed, financial institutions will need to lend less or will offer products at higher prices because they have to reserve all expected credit losses at origination.

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[1] Founded in 1916, the American Financial Services Association (AFSA) is the primary trade association for the consumer credit industry, protecting access to credit and consumer choice. AFSA members provide consumers with many kinds of credit, including direct and indirect vehicle financing, traditional installment loans, mortgages, payment cards, and retail sales finance. AFSA members do not provide payday or vehicle title loans.

It is essential that the consequences of such fundamental accounting changes on consumers, financial institutions, and the broader U.S. economy are clearly understood before they are implemented. Thank you again for introducing H.R 3182, which provides the important step of delaying CECL implementation until there is a quantitative study of its impact on credit availability, consumers, various sizes of financial institutions, and the economy. We look forward to working with you throughout the advancement on this important legislation.

Please do not hesitate to contact me at acarmichael@afsamail.org or (202) 466-8606 if you have any questions or would like to discuss this issue further.

Sincerely,

Ann Carmichael

Ann Carmichael
Vice President, Congressional Affairs
American Financial Services Association
919 18th Street NW, Suite 300
Washington, DC 20006