VICENTE GONZALEZ
15TH DISTRICT, TEXAS

COMMITTEE ON FINANCIAL SERVICES
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Congress of the United States
House of Representatives
Washington, DC 20515–4315

WASHINGTON OFFICE
113 CANNON HOUSE OFFICE BUILDING
WASHINGTON, D.C. 20515
(202) 225–2531

MCALLEN OFFICE
1305 W. HACKBERRY AVENUE
MCALLEN, TX 78501
(956) 682–5545

gonzalez.house.gov

October 15, 2019

Mr. Russell G. Golden
Chairman
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

Dear Chairman Golden:

We are writing you today regarding our ongoing concern surrounding the Financial Accounting Standards Board's (FASB) Current Expected Credit Loss (CECL) accounting standard that is scheduled to become effective on January 1, 2020. During their upcoming October 16th meeting, FASB members are scheduled to discuss feedback related to its proposal that could delay the effective date for the smaller companies related to three recent accounting standard updates, including the CECL accounting standard. [1]

For more than two years, financial institutions of all sizes and charters have raised serious concerns about CECL's potential to depress lending and borrowing artificially, particularly in an economic downturn. At scale, this type of procyclical impact will certainly deepen and lengthen the economic hardship Americans face in times of stress. Study after study – conducted by the private sector because FASB has not done its own in-depth analysis – have borne out these effects. That is why earlier this year, we introduced HR 3182, *the CECL Consumer Impact and Study Bill of 2019*, to delay CECL's implementation and require a full quantitative impact study.

This past Friday, the Center for Responsible Lending, a nationally recognized consumer advocate, confirmed what the financial institutions and investors have been saying: that CECL will have real-world impact and may adversely affect lending to less-than-prime consumer and commercial borrowers, as well as those borrowers requiring longer payment terms.

> *"As proposed, CECL creates a significant disincentive for lenders to originate loans to low- and moderate-income families and communities of color, since the up-front charge will be relatively larger than for 'prime' loans, even when the lender charges an interest rate that will fully cover the expected risk of loss. This problem is particularly acute for long-term assets like mortgages."*

[1] Exposure Draft *Proposed Accounting Standards Update—Financial Instruments—Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842): Effective Dates.*

At this point, every segment of the market – lending institutions, bank investors and consumer advocates – sees the danger ahead and the need to slow down. We urge you to consider extending the delay of the effective date of CECL to all companies and to immediately start the process to perform a quantitative impact study.

Sincerely,

Vicente Gonzalez
Member of Congress

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Member of Congress