March 24, 2020

The Honorable Nancy Pelosi
Speaker
U.S. House of Representatives
Washington, DC 20515

The Honorable Mitch McConnell
Majority Leader
United States Senate
Washington, DC 20510

The Honorable Kevin McCarthy
Minority Leader
U.S. House of Representatives
Washington, DC 20515

The Honorable Charles Schumer
Minority Leader
United States Senate
Washington, DC 20510

Dear Speaker Pelosi, Leader McCarthy, Leader McConnell, and Leader Schumer:

At this time of increasing uncertainty in the American economy, the American Financial Services Association (AFSA) is writing to let you know that its member companies, both depositories and non-depositories, are ready to support their customers, small businesses, and their communities. To best address the challenges we all face in the wake of COVID-19, all financial institutions must devote their full attention to their core business functions and have the ability to lend and meet customer and community needs. We respectfully ask that any relief package contain a delay of the current expected credit loss (CECL) accounting standard for both depository and non-depository financial institutions.

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.

Particularly now, when the country is facing a pandemic and a likely economic recession, 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. CECL runs counter to regulators' goals of promoting stability in the financial sector and ensuring credit availability during times of stress. CECL also creates pro-cyclical dynamics that could accelerate an economic downturn and impede growth at a time when the country can ill afford it. These effects are likely to be exacerbated for low- and moderate-income consumers because these loans may be viewed as higher risk due to higher debt-to-income ratios, fewer financial assets, or lower credit scores. Many of these consumers often use credit cards and traditional installment loans to safely and conveniently manage their household finances, such as purchasing groceries, or for unexpected expenses, such as a hot water heater. Yet, initial assessments indicate that CECL will have the most profound effect on these loans.

Otherwise, we open the possibility that the problem could be solved by simply stripping out Section 4014. Delaying this implementation across the financial services industry is paramount so that institutions can continue to focus on serving their customers and communities, particularly during this time of significant market stress. Thank you for your attention to this matter.

Sincerely,

Bill Himpler
President & CEO
American Financial Services Association