

VIA E-MAIL: chairmanoffice@sec.gov

The Honorable Jay Clayton
Chairman
Securities and Exchange Commission
100 F Street NE
Washington, DC 20002

cc: Allison Herren Lee at CommissionerLee@sec.gov
Hester M. Peirce at CommissionerPeirce@sec.gov
Elad L. Roisman at CommissionerRoisman@sec.gov

RE: Uniform CECL Implementation

Dear Mr. Chairman:

We, the undersigned associations representing providers of consumer and corporate credit, insurance companies, structured finance market participants, and others, are writing to urge you to set and enforce equal implementation time frames on accounting standards and capital treatment across all financial institutions and their parent companies. The exemption created by Congress in Section 4014 of the CARES Act will create particular challenges because only insured depository institutions will have the option to delay using the current expected credit loss (CECL) accounting standard until the end of the national emergency. While we applaud the intention of CECL, we respectfully urge you to apply a CECL final implementation date uniformly across all financial institutions in order to create parity in reporting obligations for similarly situated financial companies and to allow them to devote their full attention to meeting consumer and business needs during this unprecedented economic period. This is particularly critical given the Federal Reserve's delay of CECL for depositories during this time of uncertainty with COVID-19.

The exemption created by Congress in Section 4014 of the CARES Act and lengthened by the Fed will create particular challenges for investors in financial services securities, as not only will banks and bank holding companies have the option to delay CECL reporting until the end of the national emergency, many non-bank affiliates of banks will also have that option; however, non-bank financial companies who are not affiliated with a bank or bank holding company do not have the option to delay reporting. We believe that this will create investor confusion, as investors will face a scenario with multiple comparable companies using very different loan loss reserve methodologies.

This comparability challenge is exacerbated by implementation during an unprecedented economic situation. Incoming data, like record weekly jobless claims of 3.3 million – nearly 5x the prior record – emphasize the period of unique economic conditions on a global scale. Investors and financial institutions are simultaneously digesting the developments of a rapidly spreading pandemic and harsh but necessary measures that effectively shut down a significant portion of our nation's economy, while preparing for the first financial statements based on CECL to be released in April and May. While the pandemic and its effects were unforeseeable when CECL implementation timelines were set, the confusion and challenges for investors and the markets in analyzing and understanding CECL-based financial statements at this unique time are foreseeable

and will cause significant disruption. In the CARES Act, Congress reacted to this market risk by giving insured depository institutions the option to defer CECL reporting until after the national emergency has ended, and the Fed then lengthened the time frame. We urge the SEC and FASB to extend the same delay to non-banks and their parent companies in light of the current state of the ongoing pandemic crisis.

During this time, CECL will also create pro-cyclical dynamics that could accelerate the economic downturn by limiting lending by non-banks, which are particularly focused on the needs of small business and low- to moderate- income individuals. Similar to depositories, non-banks serve a wide range of borrowing needs including small business, consumer and personal loans and credit cards, auto finance, residential and commercial mortgage lending, and many others. Particularly now, when the country is facing a pandemic and a likely economic recession, access to lines of credit and liquidity are most needed. Without uniformly extending the same option to defer implementation of CECL, non-banks will need to lend less or will offer products at higher prices because they have to reserve all expected credit losses at origination. Constraints in the abilities of lenders to provide loan products could also significantly impact manufacturers including auto and motorcycle dealerships across the country, many of which are small to mid-sized businesses that rely on lender engagement across the credit spectrum. Parity is needed among all financial institutions so that they can address consumer needs at this critical time in our nation.

In light of the concerns regarding the CECL standard's potential negative effects, we respectfully urge you to go beyond the CARES Act and the Fed to apply a CECL delay uniformly to all financial institutions, both depository and non-depository, and their parent companies. Delaying this final implementation date across the financial services industry is paramount to enable investors to appropriately assess the performance and prospects of financial institutions, and will permit all financial institutions to 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,

American Council of Life Insurers
American Financial Services Association
Marketplace Lenders Association
Mortgage Bankers Association
Structured Finance Association