



July 29, 2020

The Honorable Mitch McConnell
Senate Majority Leader
United States Senate
S-230, US Capitol
Washington, DC 20510

The Honorable Nancy Pelosi
Speaker of the House
United States House of Representatives
H-222, US Capitol
Washington, DC 20515

The Honorable Charles Schumer
Minority Leader
United States Senate
S-221, The Capitol
Washington, D.C. 20510

The Honorable Kevin McCarthy
Minority Leader
United States House of Representatives
H-204, The Capitol
Washington, DC 20515

We, the undersigned associations representing providers of consumers and corporate credit, insurance companies and their representatives, structured finance market participants, and others, are writing to urge you to (1) extend the “covered period” under the Troubled Debt Restructurings (TDR) relief under section 4013 of the CARES and clarify that the “financial institutions” covered by that provision covers both depository and non-depository institutions; and (2) extend to non-depository institutions the option to delay implementation of the current expected credit loss (CECL) accounting standard that has been granted only to depositories under section 4014 of the CARES Act. Making these changes recognizes that during these difficult times, all financial institutions are able to make important loan modifications and accommodations to help their customers maintain their businesses, homes, vehicles and other critical assets, while complying with all consumer protection and fair lending laws.

Extend Covered Period for Section 4013 TDR Relief for Financial Institutions

As you work on this next COVID-19 response legislation, we urge you to extend the “covered period” for the section 4013 TDR relief that applies to financial institutions under the current version of the CARES Act. Currently, Section 4013 relief applies until the earlier of 60 days after the national declaration of emergency is terminated (a date not yet known), or December 31, 2020.

It is challenging for financial institutions to apply a permissible accounting treatment to loan modifications when the time during which that treatment is permissible is unclear. In effect, the application of this provision could expire with only 60 days’ notice, or at the end of 2020, regardless of

whether the circumstances Section 4013 intended to address have yet ended. Therefore, we request that you provide extend and specify a definite time frame (“covered period”) for application of the relief provided under Section 4013, taking into consideration the situation or circumstance for which the relief is provided.

We also urge you to clarify that the “financial institutions” covered by this provision include all financial institutions, including insurers and other non-depository institutions. While the ordinary meaning of “financial institution” covers both depository and non-depository institutions, we believe this provision could benefit from clarification in this regard.

Extend of Section 4014 CECL Relief to Non-depository Institutions

While we applaud the intention of a CECL delay in Section 4014 of the CARES Act, we respectfully urge the Committee to use this next bill to ensure that the CECL final implementation date is applied uniformly across all financial institutions. In the CARES Act, Congress reacted to market uncertainty by giving insured depository institutions the option to defer CECL reporting until after the national emergency has ended, and the Federal Reserve subsequently lengthened that time frame.

Extending this option to all financial institutions would create parity in reporting obligations for similarly situated financial companies and would allow them to devote their full attention to meeting consumer and business needs during this unprecedented economic period. This is particularly appropriate given the Federal Reserve’s delay of the regulatory capital impact of CECL for depositories during this COVID-19 time of uncertainty. Non-depository financial companies were left out of this relief in March and we respectfully urge you to correct this oversight and apply a CECL delay uniformly to all financial institutions at this time.

Thank you for your attention to, and consideration of, these important issues.

Sincerely,

American Council of Life Insurers (ACLI)

American Financial Services Association (AFSA)

Equipment Leasing and Finance Association (ELFA)

Marketplace Lending Association (MLA)

Mortgage Bankers Association (MBA)

National Association of Insurance and Financial Advisors (NAIFA)

Structured Finance Association (SFA)

Cc: Chairman Mike Crapo
Ranking Member Sherrod Brown
Chairwoman Maxine Waters
Ranking Member Patrick McHenry