JEB HENSARLING, TX , CHAIRMAN

United States House of Representatives
Committee on Financial Services
2129 Rayburn House Office Building
Washington, D.C. 20515

MAXINE WATERS, CA, RANKING MEMBER

MEMORANDUM

To: Members of the Committee on Financial Services

From: FSC Majority Staff

Date: December 6, 2018

Re: December 11, 2018, Financial Institutions and Consumer Credit Subcommittee Hearing entitled "Assessing the Impact of FASB's Current Expected Credit Loss (CECL) Accounting Standard on Financial Institutions and the Economy"

The Subcommittee on Financial Institutions and Consumer Credit will hold a hearing entitled "Assessing the Impact of FASB's Current Expected Credit Loss (CECL) Accounting Standard on Financial Institutions and the Economy" on Tuesday, December 11, 2018, at 2:00 p.m. in room 2128 of the Rayburn House Office Building. This will be a one-panel hearing with the following witnesses:

- Mr. Joseph A. Stieven, Chief Executive Officer, Stieven Capital Advisors, LP
- Mr. Bill Nelson, Executive Vice President and Chief Economist, The Bank Policy Institute
- Mr. Scott Blackley, Chief Financial Officer, Capital One Financial Corporation
- Dr. Mark Zandi, Chief Economist, Moody's Analytics

Credit loss reserves are held by financial institutions in the event loans made by the institution default and threaten the stability of the institution. In June 2016, the Financial Accounting Standards Board (FASB), which establishes financial accounting and reporting standards for public and private companies and not-for-profit organizations that follow Generally Accepted Accounting Principles (GAAP), proposed a new credit loss standard – the Current Expected Credit Loss (CECL). Under the CECL standard, institutions will recognize the expected lifetime losses at the time a loan or financial instrument is recorded.

The change to credit loss estimates under CECL, will be required of all financial statements issued by those entities that file with the Securities and Exchange Commission for reporting periods beginning after December 15, 2019. Some consider the CECL standard to be the most significant accounting change in the banking industry over the last 40 years. The hearing will examine the impact this new accounting standard will have on financial institutions and the economy, including the effect on the availability and affordability of credit as well as the potential burden on financial institutions.

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