MORTGAGE BANKERS ASSOCIATION

March 27, 2020

Honorable Russell Golden
Chairman
Financial Accounting Standards Board
401 Merritt 7
Norwalk CT 06856

Dear Chairman Golden:

The Mortgage Bankers Association (MBA) is writing this letter to request that the Financial Accounting Standards Board (FASB) immediately allow *all* current implementers (including both depository as well as non-depository institutions such as life insurance companies and the government sponsored enterprises (GSEs)) the option to freeze Current Expected Credit Loss (CECL) implementation, and also put a moratorium on the timing of CECL implementation for future implementers.

COVID-19 is creating an unprecedented health and financial crisis, which in turn calls for an unprecedented response from both the industry and policymakers. As an association that represents the entire mortgage financing industry, we have been working with a broad range of members including depository institutions, life insurance companies, mortgage brokers and/or bankers, the GSEs, and various regulatory agencies on efforts geared at supporting efforts to help businesses and households during these unprecedented times. As you are aware, this pandemic is significantly impacting all businesses, especially regarding the financing and servicing of mortgage loans.

To address this crisis, it is imperative that policymakers enable our members to focus on mitigating consumer and business-related challenges arising in mortgage lending and servicing. Given the current landscape, financial institutions should not be dealing with the impacts of CECL, but rather be encouraged to prioritize getting a handle on the uncertainty and volatility facing the market—and how their overall operations can help the economy recover from the current meltdown.

Congress recognized the need for financial institutions to have flexibility around CECL implementation in section 4014 of the CARES Act, which was passed in the Senate on March 26, the House on March 27 and is expected to become law.[1] That section provides that "[n]o insured depository institution, bank holding company or affiliate thereof shall be required to comply with the Financial Accounting Standards Board Accounting Standards Update No. 2016-13," for a period ending on the earlier of the termination of the COVID-19 national emergency or December 31, 2020.

We appreciate the flexibility provided by the CARES Act. However, that flexibility applies only to depository institutions, bank holding companies or affiliates. We see no accounting reason to treat depository institutions differently for these purposes from non-depository institutions (e.g., life insurance companies, the GSEs, and other non-depository financial institutions). Therefore, to

[1] CARES Act, S. 3548 and H.R. 748 (2019 – 2020).

provide equitable treatments across *all* financial institutions, MBA urges FASB to apply the CECL flexibility in the Cares Act to *all* institutions currently subject to the CECL standard, and to immediately issue guidance accordingly as the first quarter is about to end.

We also urge FASB to invoke a moratorium on CECL implementation for institutions set to implement in January of 2023, to allow them to focus on the crisis at hand—particularly as it relates to the servicing and financing of commercial and residential mortgages.[2] As you are aware, many of these institutions are smaller and less equipped to implement the CECL standard, and this would allow those institutions to dedicate their efforts towards mitigating the effects of the COVID-19 pandemic for the betterment of our entire economy. MBA recommends that a moratorium be provided for the effective date past January of 2023, equal to the time that passes until the COVID-19 national emergency is terminated. We note that this request is in alignment with the recent letter the Federal Deposit Insurance Corporation (FDIC) sent to FASB.

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MBA believes that, with these changes, our members will be better equipped to work proactively with affected borrowers to mitigate the impacts of COVID-19 on homeowners and renters of commercial and multifamily property to every extent possible. To adequately mitigate those impacts, and to reduce the impact on the larger economy, we respectfully request that FASB take these steps that are critical to helping individuals and businesses alike survive this crisis.

We appreciate that FASB recognizes that today's unprecedented circumstances require unprecedented and immediate actions. We hope that you take these recommendations seriously as you determine the actions policymakers must take to encourage and support institutions in their efforts to provide relief and help boost the economy.

Sincerely,

Mike Flood
Senior Vice President | Commercial & Multifamily

Pete Mills
Senior Vice President, Residential Policy & Member Engagement

[2] FDIC letter to FASB (March, 22 2020); available at: https://www.fdic.gov/news/news/press/2020/pr20036a.pdf?source=govdelivery&utm_medium=email&utm_source=govdelivery