



**Federal Deposit Insurance Corporation**  
550 17th Street, NW, Washington, D.C. 20429-9990

**Financial Institution Letter**  
**FIL-59-2019**  
**October 17, 2019**

## Proposed Interagency Policy Statement on Allowances for Credit Losses

**Summary:** The federal financial institution regulatory agencies have issued for public comment the attached proposed *Interagency Policy Statement on Allowances for Credit Losses* in response to changes in the accounting for credit losses under U.S. generally accepted accounting principles (U.S. GAAP), as promulgated by the Financial Accounting Standards Board (FASB). Institutions are encouraged to review the proposed interagency policy statement and submit comments by December 16, 2019.

**Statement of Applicability to Institutions With Total Assets Under \$1 Billion:** This Financial Institution Letter applies to all FDIC-supervised institutions.

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FDIC-Supervised Institutions

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Chief Executive Officer  
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### Related Topics:

[FIL-20-2019, April 3, 2019, New Accounting Standard on Credit Losses: Frequently Asked Questions](#)

[FIL-39-2016, June 17, 2016, Joint Statement on the New Accounting Standard on Financial Instruments – Credit Losses](#)

### Attachment:

[Proposed Interagency Policy Statement on Allowances for Credit Losses](#)

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### Highlights:

- In June 2016, the FASB issued Accounting Standards Update No. 2016-13, which introduces the current expected credit losses (CECL) methodology and replaces the existing incurred loss methodology in U.S. GAAP. The FASB has codified these changes, including subsequent amendments, in *Accounting Standards Codification Topic 326, Financial Instruments – Credit Losses* (FASB ASC Topic 326).
- The proposed interagency policy statement:
  - Describes the CECL methodology for determining allowances for credit losses (ACLs) on financial assets measured at amortized cost (including loans held for investment and held-to-maturity debt securities), net investments in leases, and certain off-balance-sheet credit exposures in accordance with FASB ASC Subtopic 326-20.
  - Describes the estimation of an ACL for an impaired available-for-sale debt security in accordance with FASB ASC Subtopic 326-30.
  - Includes and updates concepts and practices detailed in the existing December 2006 *Interagency Policy Statement on the Allowance for Loan and Lease Losses* (2006 allowance policy statement) and July 2001 *Policy Statement on Allowance for Loan and Lease Losses Methodologies and Documentation for Banks and Savings Institutions* that remain relevant under FASB ASC Topic 326.
- The principles described in the proposed policy statement are consistent with U.S. GAAP, applicable regulatory reporting requirements, safe and sound banking practices, and the agencies' codified guidelines establishing standards for safety and soundness.
- An attachment to the 2006 allowance policy statement on loan review systems is being updated as part of a separate proposal.
- The proposed policy statement would be effective at the time of each institution's adoption of FASB ASC Topic 326.