MORTGAGE BANKERS ASSOCIATION

December 16, 2019

Office of the Comptroller of the Currency
400 7th Street SW
Washington, DC 20219

Federal Deposit Insurance Corporation
550 17th Street NW
Washington, DC 20429

Board of Governors of the Federal Reserve System
20th Street and Constitution Ave NW
Washington, DC 20551

National Credit Union Administration
1775 Duke Street
Alexandria, VA 22314

Re: Proposed Interagency Policy Statement on Allowances for Credit Losses

Dear Ladies and Gentlemen:

The Mortgage Bankers Association (MBA) respectfully submits this letter in response to the proposed "Interagency Policy Statement on Allowances for Credit Losses" released by the Office of the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, and the National Credit Union Administration (collectively, the agencies).[1]

MBA appreciates the agencies issuing this proposed statement on allowances for credit losses (ACLs) in response to changes in the accounting for credit losses arising from of the new Current Expected Credit Losses (CECL) accounting standard, as well as the efforts the agencies have made in previous guidance to ensure smooth transition for banks with respect to the impact of CECL implementation on capital.

As many institutions are implementing CECL for the first time, we want to recommend that the agencies leverage the unique role they could play during this phase of CECL transition. Specifically, in their supervisory capacities, the agencies will have real-time visibility into a significant number of institutions that will be in the first wave of CECL implementation. From this perspective, the agencies will have the capability to observe unexpected operational challenges across multiple institutions, or widespread unintended impacts, that might otherwise go undetected until much further down the road. Therefore, as CECL implementation progresses, MBA urges the agencies to leverage that capability by monitoring for patterns of unexpected challenges and unintended adverse impacts that may be systemic—and by communicating these observations with the Financial Accounting Standards Board (FASB) and others as appropriate.

[1] 84 Fed. Reg. 55510 (Oct. 17, 2019); available at: https://www.govinfo.gov/content/pkg/FR-2019-10-17/pdf/2019-22655.pdf

As an association that represents the entire mortgage financing industry, we recognize that the CECL treatment of real estate debt will have a substantial *individual and cumulative* impact across many of our members including depository institutions, life insurance companies, mortgage brokers and/or bankers, and government sponsored enterprises (GSEs). While the agencies' observations will be limited to the institutions they supervise, the importance of those observations as an early warning may be broader as they may also indicate challenges and impacts affecting other institutions as well.

MBA supports the agencies' commitment to provide guidance on an ongoing basis as CECL implementation moves forward, and we appreciate the opportunity to participate in that process. We look forward to continuing this dialogue as implementation progresses.

Sincerely,

[redacted]

Robert D. Broeksmit, CMB
President and Chief Executive Officer
Mortgage Bankers Association