Top 5 CECL Things to Remember

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As you are putting the finishing touches on your strategic planning, CECL is likely on the top of your mind. There is a lot of information to distill and many questions that arise. To help you check some key questions off your list, you will want to review the Top 5 Things to remember as you look towards the imminent deadline.

1. First of all, CECL is not going away. There are many financial institutions still sitting on the sidelines hoping that it will not happen. There are lots of excuses as some uncertainty still exists. But, let's face it – the chances of CECL going away are close to nil. I don't know many bankers that would place a bet on those odds. So, you won't want to put your bank on a shorter implementation timeline because of those odds. As a reminder, this rule is not just for banks, but for all companies. Just because there are challenges for banks doesn't mean that FASB will rethink CECL.
2. Remember to think of your entire portfolio – including securities – when you are looking for a solution. With a diverse portfolio of products, you could very likely need more than one method. So, how will you know if you choose the right method? You will need to see the reserve results before you make a decision, of course. This means gathering the data and running it through multiple methods to see the best results. One method does not necessarily fit all portfolios. To save you time down the road, make sure you take this time upfront to find the best method(s) by testing a variety of them prior to your selection.
3. If you haven't already, talk to your accountants and regulators about CECL. These experts and others will be able to help keep you on course and could provide you with gap areas still needing attention. Starting the conversation with them early in the process will ensure success down the road.
4. As you review possible CECL vendors, have a robust discussion with them about implementation. What does this mean for each one? Can you compare the different methods before choosing more than one? What resources do they provide? Can they help you with external data, if needed? How will they continue to support you after implementation? These are all important questions as you do your vendor due diligence.
5. Last, but not least, don't forget that you will need to run ALLL and CECL in parallel for a period of time. This is to ensure that you have captured everything needed, and there are no hiccups in the transition. How long should they run in parallel? Since reporting is quarterly, you should run it four times or for one year. So, clearly, you won't want to postpone CECL implementation any longer. UNITY

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