Is your loan loss methodology looking in the right direction?

The new FASB Accounting Standard Update means financial institutions must start to look forward when estimating losses in loan portfolios. You'll have to replace your incurred loss approach with a Current Expected Credit Loss (CECL) methodology.

For any financial institutions that are governed by the SEC, implementation of the CECL methodology takes effect with fiscal years beginning after December 15, 2019. All others take effect with fiscal years beginning after December 15, 2020. Your new loss model methodology will affect your loan loss reserve calculation, provisioning, and may affect loan terms and capital planning.

Diligent and Ferncliff are here to help.

We've provided estimates of current expected credit loss to our clients since 2009. Our veteran credit advisory specialists have the experience you need in the valuation, risk management, financing, and securitization of mortgage-related assets.

We help re-orient your view of loss by creating defensible CECL modeled output incorporating estimates of Probability of Default and Loss Given Default.

"The new guidance aligns the accounting with the economics of lending by requiring banks and other lending institutions to immediately record the full amount of credit losses that are expected in their loan portfolios ... "

— Russell B. Golden
FASB Chair

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Full-scope credit advisory services for estimates of CECL

We understand loan portfolio and loan level characteristics affecting Probability of Default and Loss Given Default. We can help you prepare for CECL by:

- ☑ **Estimating** CECL today - know your starting point
- ☑ **Identifying** your key drivers of expected loss
- ☑ **Establishing** a plan to bridge potential data gaps
- ☑ **Modeling** - parallel implementation and testing
- ☑ **Providing** descriptive narrative for footnote disclosures

Our CECL estimates provide the insight you need for CECL planning, mergers & acquisitions, ALLL validation, government-related shared loss evaluations, loan portfolio acquisitions, and indemnification asset reviews.

DILIGENT/FERNCLIFF ADVANTAGES

- ☑ Independent — separate from other core credit processes and your credit culture
- ☑ Core expertise in transactional credit-related loan due diligence
- ☑ Credit specialists who have completed 300+ credit evaluations since 2009
- ☑ Robust scoping process supports customized project planning and report deliverables

Ready to face the future?

Your valuation allowance calculations will have to change within the next four years. Make sure you have a plan in place, and the tools necessary to guide your way forward.

For more information on how Diligent and Ferncliff can help make sure your financial institution is ready, contact:

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