

RESCINDED

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Replaced - See OCC 2026-33

Allowances for Credit Losses: New Comptroller's Handbook Booklet

Summary

The Office of the Comptroller of the Currency (OCC) today issued the new "Allowances for Credit Losses" booklet of the *Comptroller's Handbook*, which is prepared for use by OCC examiners in connection with the examination and supervision of national banks, federal savings associations, and federal branches and agencies of foreign banking organizations (collectively, banks). The booklet provides examiners with information and examination procedures regarding allowances for credit losses (ACL). This booklet applies to the OCC's supervision of banks that have adopted the current expected credit losses (CECL) methodology under Accounting Standards Codification (ASC) Topic 326.¹ The "Allowance for Loan and Lease Losses" booklet of the *Comptroller's Handbook* continues to apply to the OCC's supervision of banks that have not adopted CECL.

To

Chief Executive Officers of All National Banks, Federal Savings Associations, and Federal Branches and Agencies; Department and Division Heads; All Examining Personnel; and Other Interested Parties

Note for Community Banks

The "Allowances for Credit Losses" booklet applies to the OCC's supervision of community banks that have adopted the CECL methodology under ASC Topic 326. Most community banks will not adopt the CECL methodology until 2023. There is no expectation for a small, noncomplex bank to use a sophisticated measurement model to satisfy the requirements of ASC Topic 326.

Highlights

The booklet

- describes the CECL methodology's scope, risks associated with ACLs, and seven primary components used to estimate ACLs.
- discusses documentation and considerations for
 - expected credit losses.
 - estimation processes, including validation of and internal controls over these processes.
 - the maintenance of appropriate ACLs.
 - the responsibilities of boards of directors and management.
 - examiner reviews of ACLs
- provides procedures to aid examiners when assessing appropriateness of a bank's ACL methodologies and balances.
- is consistent with the "Interagency Policy Statement on Allowances for Credit Losses" conveyed by OCC Bulletin 2020-49 and the "Frequently Asked Questions on the New

Background

For banks that have adopted the CECL methodology, an ACL for loans replaces the former allowance for loan and lease losses. Both methodologies provide for an estimate of uncollectible amounts maintained through a valuation account adjusted through charges to a bank’s operating income. The measurement framework and conceptual basis supporting an ACL differ, however, from those of the allowance for loan and lease losses.

After the Great Recession of 2008, banks and financial statement users expressed concern that U.S. generally accepted accounting principles restricted the ability to record credit losses that were expected but did not yet meet the probable threshold. This incurred notion delayed the recognition of credit losses and resulted in allowances that were too little, too late. Consequently, the Financial Accounting Standards Board worked to enhance standards on loan-loss provisioning to incorporate more forward-looking information.

A new accounting standard was released on June 16, 2016, and introduced the CECL methodology. Under CECL, ACLs are estimates of the expected credit losses on financial assets measured at amortized cost, which is measured using relevant information about past events, including historical credit loss experience on financial assets with similar risk characteristics, current conditions, and reasonable and supportable forecasts that affect the collectibility of the remaining cash flows over the contractual term of the financial assets.

Further Information

Please contact Amanda Freedle, Deputy Chief Accountant, or Christine Salvato, Senior Accounting Policy Advisor, both with the Office of the Chief Accountant, at (202) 649-6280.

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Related Link

- [Allowances for Credit Losses](#)

¹ The effective date for ASC Topic 326 is based on a bank’s characteristics, including a bank’s U.S. Securities and Exchange Commission filing status, as described in ASC 326-10-65-1, with early adoption permitted only at the beginning of a bank’s fiscal year.

Topic(s): ■ [ACCOUNTING](#) ■ [ALLOWANCE FOR LOAN & LEASE LOSSES \(ALL\) ACCOUNTING](#)
■ [ALLOWANCES FOR CREDIT LOSSES](#) ■ [CREDIT ADMINISTRATION](#)
■ [CURRENT EXPECTED CREDIT LOSSES \(CECL\) METHODOLOGY](#)