The Financial Accounting Standards Board (FASB) staff has issued two question–and–answer documents that address frequently asked questions related to Accounting Standards Update number 2016–13 (Financial Instruments – Credit Losses, Topic 326); measurement of credit losses on financial institutions.

The Q&A documents, which are available on the FASB website, cover areas that include:

- Whether the Weighted–Average remaining maturity method is an acceptable method to estimate expected credit losses;
- Use of historical loss information;
- Making reasonable and supportable forecasts; and
- The reversion to historical loss information.

Issued in 2016, the Current Expected Credit Losses standard (CECL) requires organizations to measure all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. Its objective is to provide financial statement users with an estimate of the net amount the organization expects to collect on those assets. The standard does not require a specific credit loss method; rather, it allows organizations to use judgment to determine the relevant information and estimation methods appropriate for their circumstances.

The Q&A documents can be found by going to www.fasb.org and searching for “Topic 326, No 1” and “Topic 326, No 2” or at the following links:

https://www.fasb.org/cs/ContentServer?c=FASBContent_C&cid=1176171932723&d=&pagename=FASB%2FFASBContent_C%2FGeneralContentDisplay

https://www.fasb.org/cs/ContentServer?c=FASBContent_C&cid=1176172971977&d=&pagename=FASB%2FFASBContent_C%2FGeneralContentDisplay

The foregoing Compliance Update is for informational purposes only and does not constitute legal advice. As a reminder, the NBA general counsel is the attorney for the Nebraska Bankers Association, not its member banks. The general counsel is available to assist members with finding resources to help answer their questions. However, for specific legal advice about specific situations, members must consult and retain their own attorney.