




# The Transition to CECL

2017 MOODY'S ANALYTICS SURVEY RESULTS

**MOODY'S**  
ANALYTICS



Here's what peers from institutions across the U.S. have to say about their current efforts and ability to meet the new CECL standard.

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## Executive Overview

In June 2016, the Financial Accounting Standards Board (FASB) issued the Current Expected Credit Loss (CECL) standard – ASU 2016-13. The new accounting standard will have a prevalent impact on firms and applicable assets portfolios, including loans, leases, and deb securities.

### Most firms are not prepared for CECL.

The majority of institutions agree that extensive amounts of historical data will be a critical component to CECL compliance. Many firms are still assessing the appropriate methodology to use, in some cases there is uncertainty on how their current risk management methodology needs to change. The impacts to organizations in the transition to CECL are somewhat unclear, further work and communication across teams are underway.

Engaging in peer discussion and industry expertise represents a significant opportunity for firms preparing for CECL. Access to valuable thought leadership and guidance is imperative on the path to meet the new standard.

# Methodology

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The survey questions within this document were obtained from polling questions presented in the [Moody's Analytics CECL Webinar Series – The Roadmap to Success](#) conducted August 1 to October 5, 2017. The sample set of respondents to each polling question ranges due to the variance in attendance for each webinar. Polling questions also vary among each webinar.

This five-part webinar series provides information on the new CECL standard and addresses the components needed for a successful implementation, including data availability, methodology selection, reasonable and supportable forecasts, and process automation and auditability.



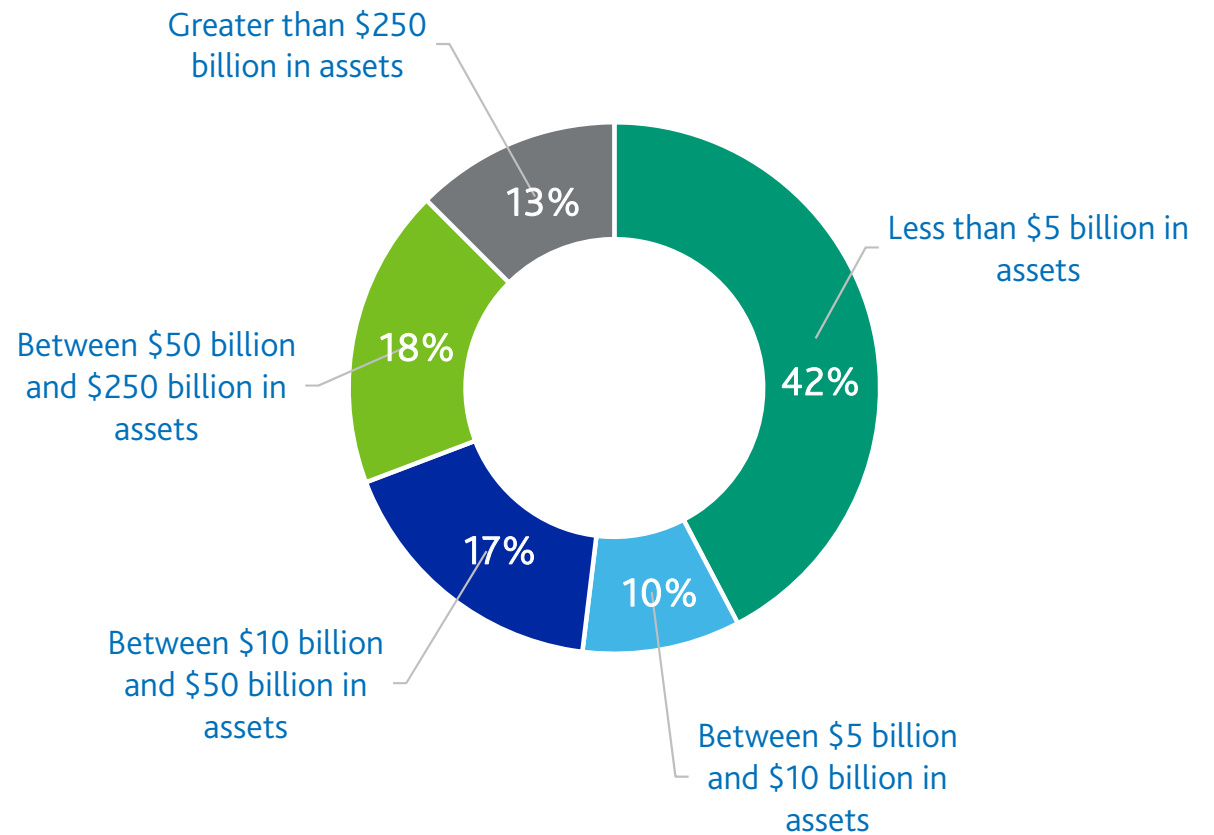
# Survey Results

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Question 1:

## What is the size of your organization?

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N = 104

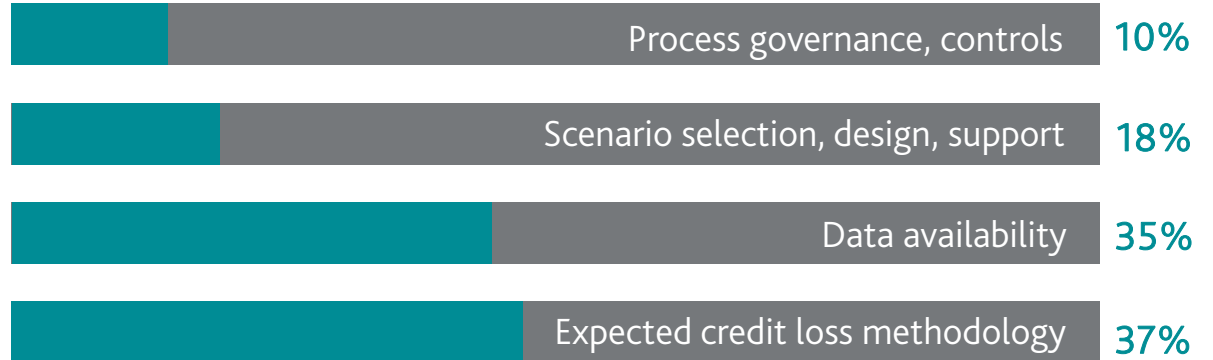




Question 2:

## What is your most significant challenge for CECL implementation?

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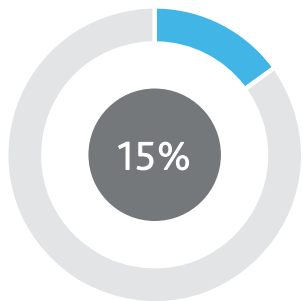


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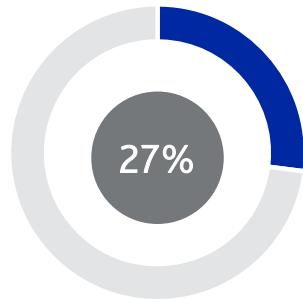
Question 3:

What type of granularity will you need for CECL calculations?

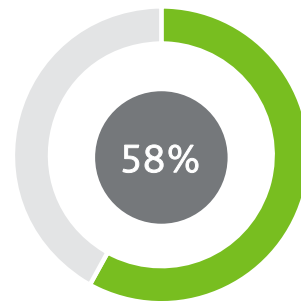
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Cohort-Level



Portfolio-Level



Loan-Level

N = 67

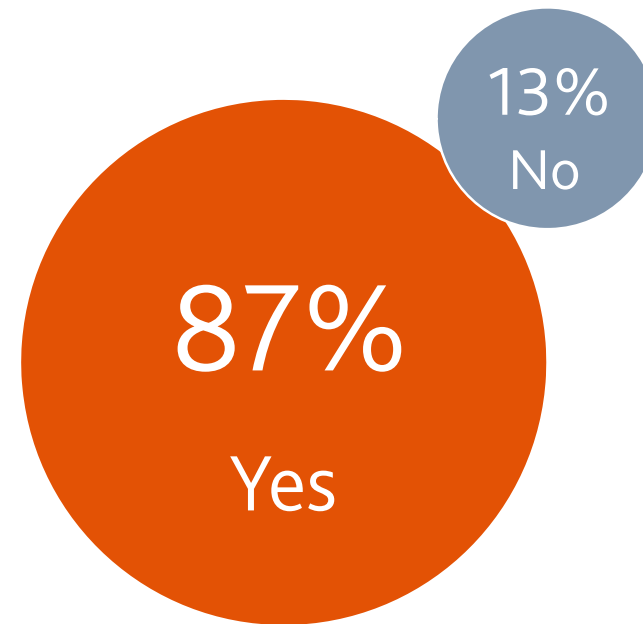




Question 4:

Are you considering leveraging existing risk measurement or stress testing tools for CECL?

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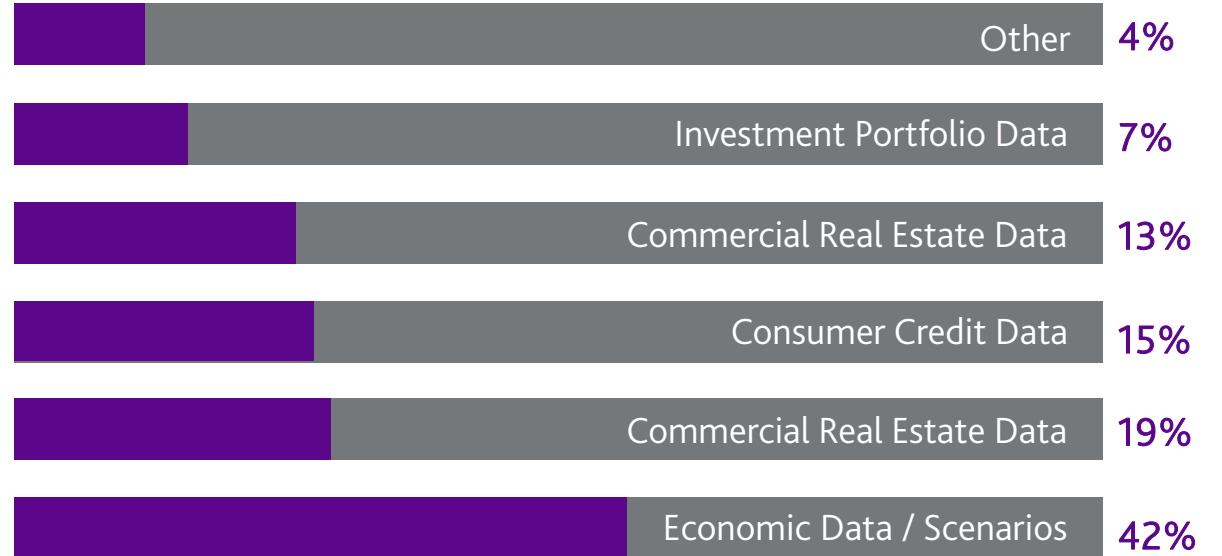
N = 100



Question 5:

Where do you see the most need for industry data?

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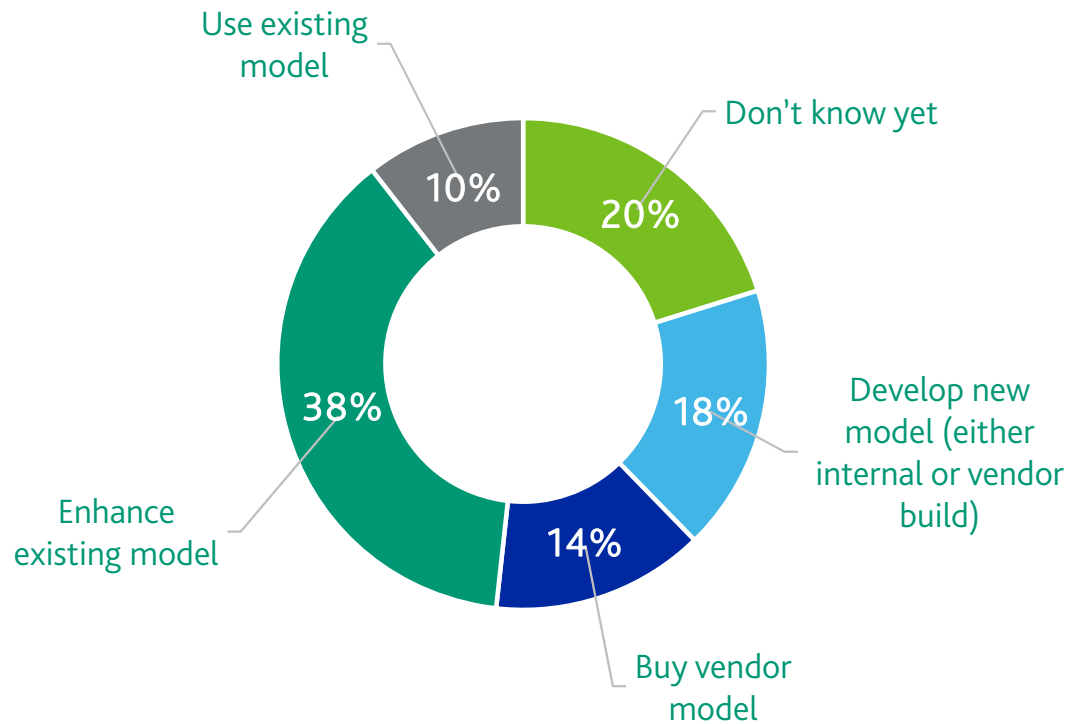


N=69

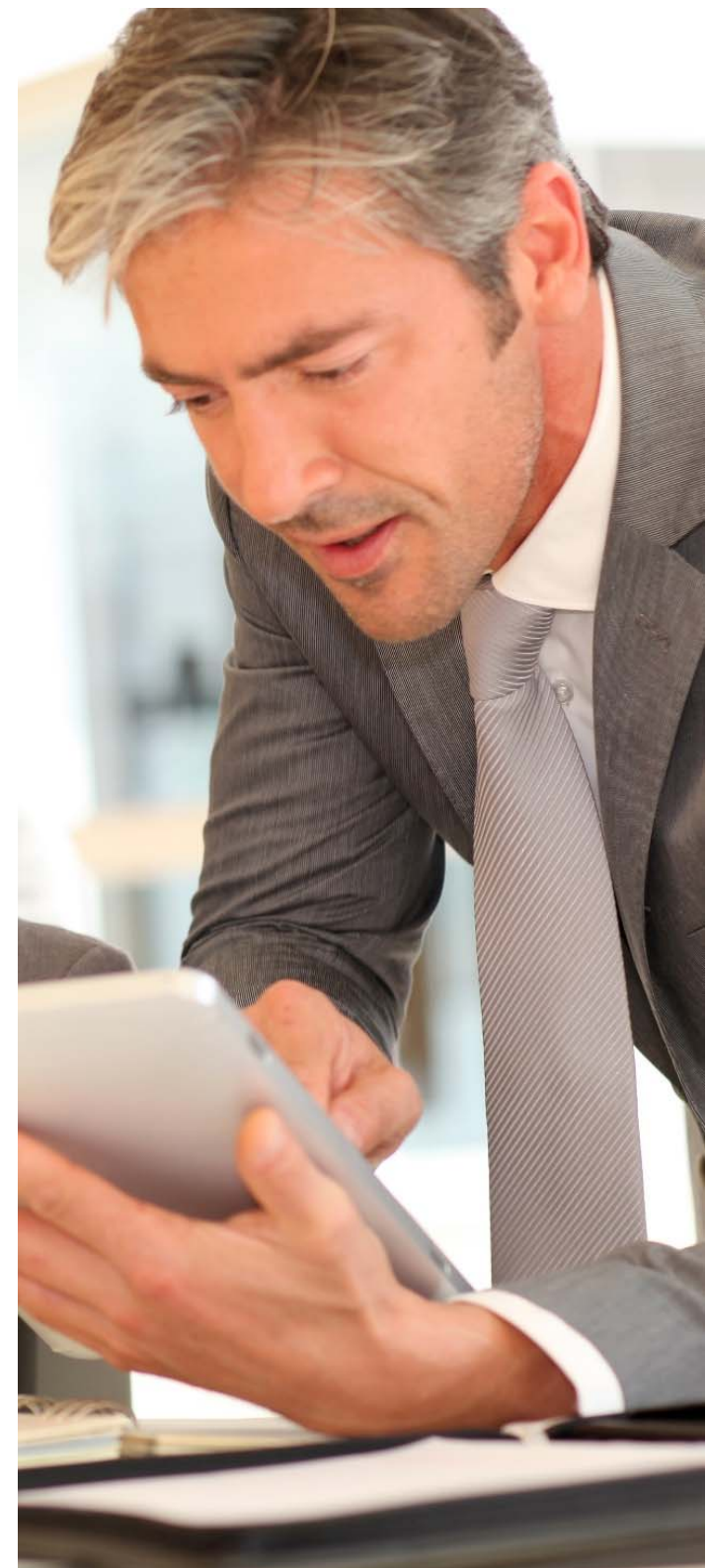
Question 6:

## How are you planning to use models for CECL?

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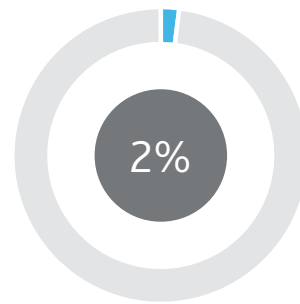
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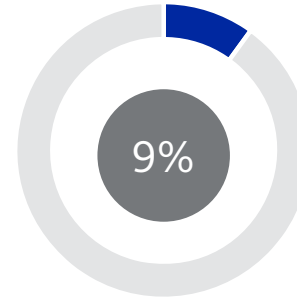
Question 7:

Which type of model(s) are you considering for CECL?

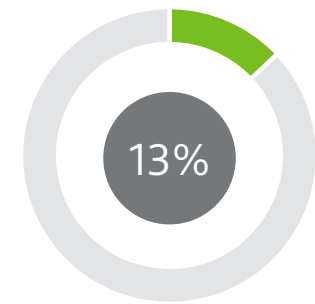
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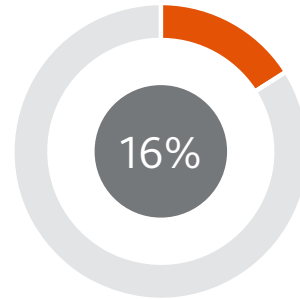
Other



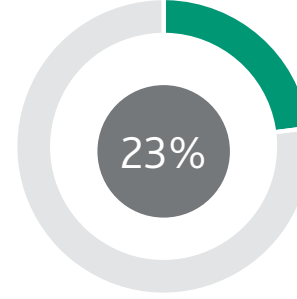
Discounted Cash Flow



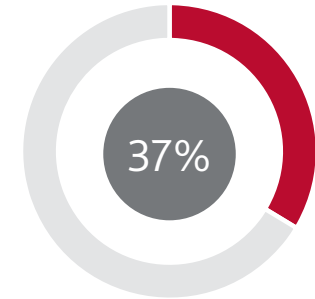
Transition / Roll Rate



Amending a Loss / Historic Rate



Dual Risk Rating (PD / LGD)



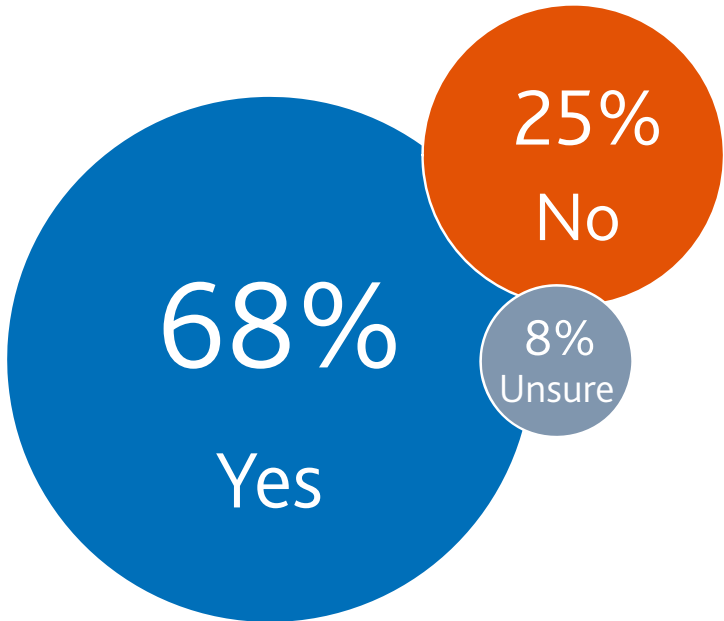
Don't Know Yet



Question 8:

Do you use economic scenarios for business purposes today?

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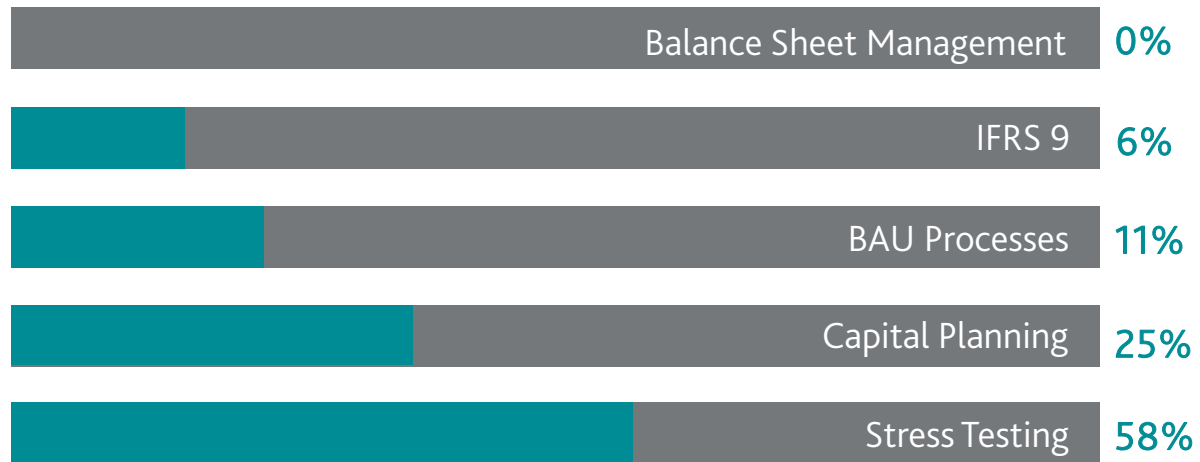
N = 65



Question 9:

## How do you use economic scenarios for business purposes today?

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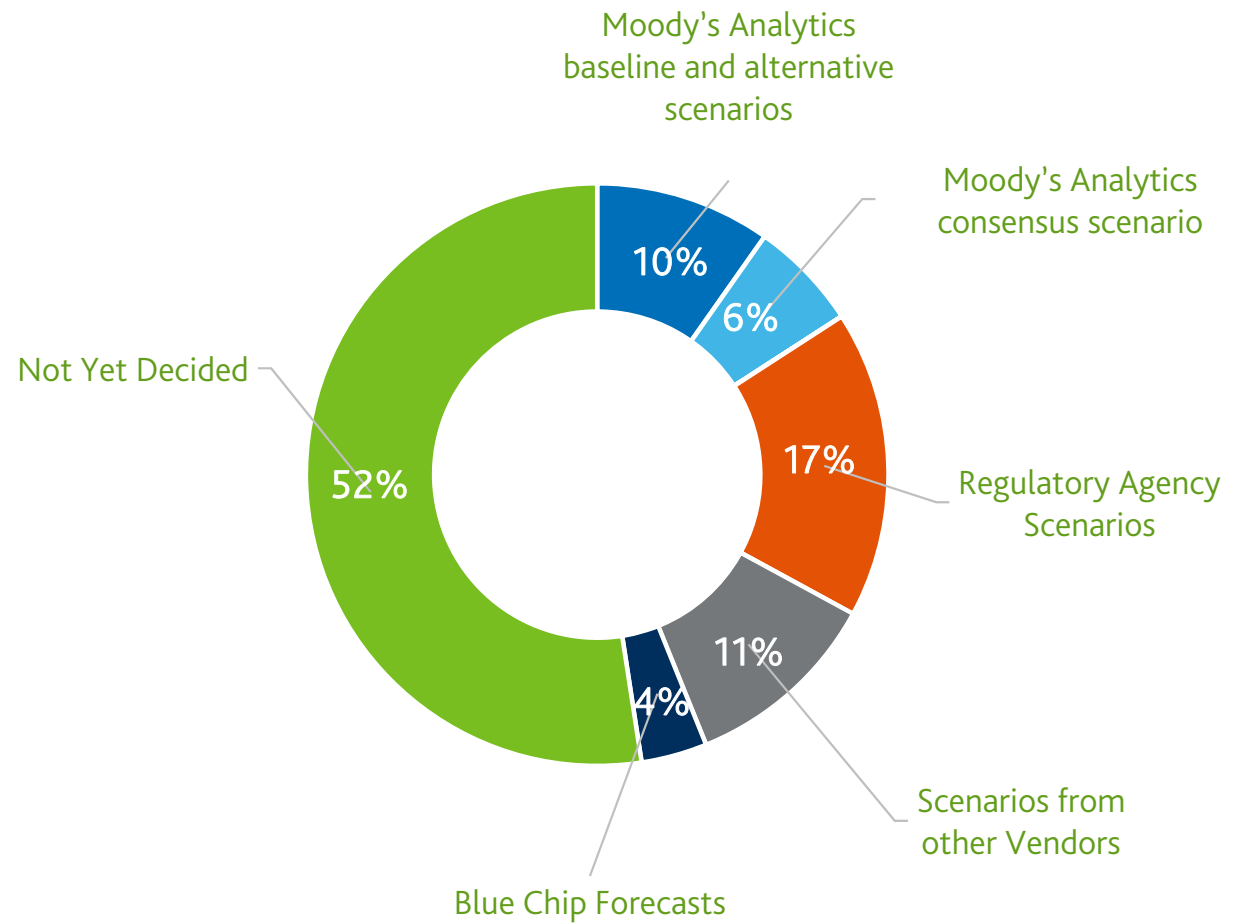
N=36



Question 10:

## What economic scenarios do you plan to use for CECL?

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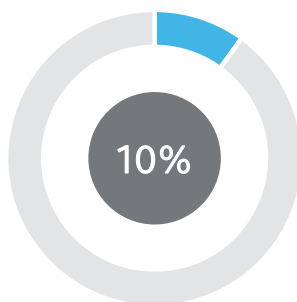




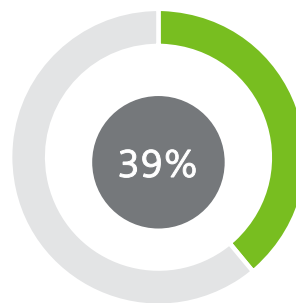
Question 11:

How much experience do you have incorporating economic forecasts into business planning?

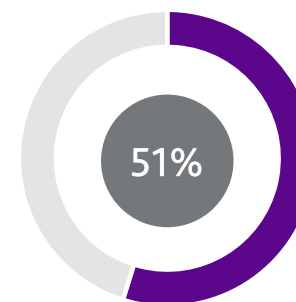
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No  
Experience



Limited  
Experience



Extensive  
Experience

N = 61

# Learn How You Can Transition to CECL with Confidence.

The most significant part of meeting the CECL standard will be preparedness. Moody's Analytics can help you along your path to determine the necessary steps to take to remain compliant.

Our team of credit risk and accounting professionals can help you address the many complexities for accurately calculating expected credit loss, including conducting gap analysis, determining the necessary data, selecting the most appropriate methodology and reasonable and supportable forecasts, and adopting a workflow process that is suitable to your company and auditors.

[Learn more at www.moodyanalytics.com/CECL](http://www.moodyanalytics.com/CECL)



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