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November 20, 2019

Mr. Barry F. Mardock  
Deputy Director  
Office of Regulatory Policy  
Farm Credit Administration  
1501 Farm Credit Drive  
McLean, VA 22102-5090

RE: Proposed Rule – Implementation of the Current Expected Credit Losses Methodology for Allowances, Related Adjustments to the Tier1/Tier 2 Capital Rule, and Conforming Amendments – RIN 3052-AD36/ Federal Register 84, No. 184 (September 23, 2019)

Dear Mr. Mardock:

We appreciate the opportunity to comment on the Farm Credit Administration's (FCA) Proposed Rulemaking published in the September 23, 2019 Federal Register (Proposed Rule) addressing the implementation of the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No 2016-13, Topic 326, Financial Instruments-Credit Losses (hereinafter referred to as CECL) which revises the accounting for credit losses pursuant to accounting principles generally accepted in the United States (GAAP).

CoBank fully supports the positions taken in the comment letter submitted by the Farm Credit System's (System) Accounting Standards Workgroup and CECL Workgroup. We support the proposed changes which parallel the regulatory changes made by the other financial banking regulators by introducing "Adjusted Allowances for Credit Losses" as a newly defined term and modifying the definition of "carrying value." We also support the FCA's view that the existing limit on the inclusion of the allowance in Tier 2 capital of 1.25 percent of risk-weighted assets remains appropriate.

We believe the FCA should adopt an optional transition or "phase-in" period for the day-one impact CECL may have on institutions' regulatory capital. That approach would align the proposed regulation with the approach taken by the other federal banking regulators. We do not believe that most entities, including CoBank, are far enough along in their implementation efforts to conclude that a phase-in is not necessary. Further, economic and other conditions between now and the implementation date could change, resulting in either lower capital levels or greater impacts from the adoption of CECL. This is especially true in light of the FASB's recent change to the effective date of CECL, which effectively delayed the required implementation for non-public entities to January 1, 2023.

The Proposed Rule goes further than the requirements in the ASU by requiring disclosure of the allowance for credit losses by vintage year. To ensure consistency with GAAP and any potential

future changes to GAAP, we recommend that the Proposed Rule simply require System institutions to follow GAAP and not introduce specific disclosure requirements.

We also request that FCA exclude any day-one impact from the year-over-year change in CET1 (Common Equity Tier 1) capital referred to in 628.20(f)(5)(ii). We believe this is appropriate so as not to impact an entity's ability to make capital distributions, including the payment of patronage, and it would allow for the pre-approval process under the safe harbor provisions to continue uninterrupted.

Lastly, as referenced above, the FASB recently changed the effective date of CECL for certain entities, which, by definition, include System entities. We recommend that a specific effective date be removed from the Proposed Rule and be replaced with a more generic reference to the effective date required by GAAP.

We appreciate the opportunity to provide comments on the Proposed Rule and for considering our additional concerns.

Sincerely,



David P. Burlage  
Chief Financial Officer