



## ***DCU BULLETIN***

*Division of Credit Unions*

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### **New Focus on Allowance for Loan & Lease Loss**

In May 2002 the NCUA Board approved Interpretive Ruling and Policy Statement (IRPS) # 02-3, Allowance for Loan and Lease Losses Methodologies and Documentation for Federally-Insured Credit Unions. It is important that all credit unions become aware of the contents of this IRPS. NCUA has provided the new IRPS in Letter to Credit Unions 02-CU-09.

In broad terms, the IRPS states that the board of directors of a federally-insured credit union is responsible for ensuring that the credit union has policies and controls in place to consistently determine its Allowance for Loan and Lease Losses (ALLL) in accordance with generally accepted accounting principles (GAAP) and ALLL supervisory guidance. The IRPS discusses the documentation standards expected for determining the appropriate level of ALLL as well as the application of GAAP. The full text of the IRPS is available at <http://www.ncua.gov/ref/IRPS/IRPS.html>

It appears this IRPS will have a significant impact on how some credit unions handle their ALLL. The Division of Credit Unions anticipates beginning to review credit unions against this new standard in October 2002.

We believe that it would be beneficial to discuss issues relating to the treatment of ALLL with credit union leaders prior to our implementation of the new IRPS standards. Therefore, the Division has arranged with the Washington Credit Union League for the use of the McGinty room at the Credit Union Center in Federal Way from 1:00 to 4:00 on the afternoon of August 5 to meet with interested credit unions. If your credit union is interested in having someone attend please e-mail us an RSVP at [dcu@dfi.wa.gov](mailto:dcu@dfi.wa.gov). If you have specific issues

relating to the ALLL you wish to address, please summarize those issues in your e-mail as well. Seating capacity is limited to 45 so please let us know as soon as possible. At this point, we anticipate issuing another bulletin in early October with additional information about DCU's approach to examinations using the new ALLL standards.

If you have any questions about the contents of this bulletin please contact Mike Delimont at 360 902-8790.