FAQs

TransUnion CECL Credit Loss Calculator

As you prepare for the upcoming Current Expected Credit Loss accounting standards change, TransUnion is committed to helping you understand the rule and how our CECL Credit Loss Calculator[SM] with EXL can help.

CECL Overview

The Financial Accounting Standards Board (FASB) introduced CECL to avoid delayed recognition of credit losses which could result in the overstatement of assets. This change is intended to provide financial statement users with more accurate information for decision-making.

The new rule is applicable to all financial institutions that follow U.S. generally accepted accounting principles (GAAP). It goes into effect in 2020 for SEC-filing public entities and 2021 for all other entities.

Which asset classes or loan types does the CECL Credit Loss Calculator support?

The CECL Credit Loss Calculator supports all common asset classes:

- Mortgages
- Credit cards
- Auto loans
- Unsecured installment loans
- HELOCs
- Commercial loans

Depending on the makeup of your portfolio, you may need to adopt multiple modeling approaches to account for the different asset types. The CECL Credit Loss Calculator has the flexibility to adapt to any type of portfolio.

What modeling approaches are available in the solution?

While critical to achieving accurate loss estimation, choosing the right modeling approach can be difficult. The right approach will vary depending on your portfolio size, data availability, loss rates and stability of portfolio performance trends. The CECL Credit Loss Calculator provides you with multiple, best-in-class approaches, including:

- → Historical loss rate
- → Vintage analysis
- → Survival analysis
- → Age-period-cohort
- → State-transition matrix

We also understand there might be portfolio-specific idiosyncrasies that are difficult to incorporate in any modeling framework. That's why we let you customize and test, based on the set of assumptions right for you. For example, users can change the recovery (LGD) assumptions in the loss calculations, upload their own macroeconomic scenarios to see the impact on losses, adjust assumptions on debt sale, and more. The CECL Credit Loss Calculator has the ability to account for qualitative factors (Q-factors) to allow for business overlays specific to your institution.

Do I need to provide my own data?

You have the option to provide current information about your loans, such as balance, delinquency status, loan type, open date, etc., and upload your data in Excel format. Or, you can report data to TransUnion and the CECL Credit Loss Calculator can automatically pull your depersonalized portfolio details from your data.

What is the level of detail of the model output?

Depending on the use case, the level of detail required by each financial institution can vary. That's why we built the CECL Credit Loss Calculator with the flexibility to generate outputs in the form of summary reports for management use, and detailed reports for auditor and regulator review. Users can also download the loan-level loss forecasts for downstream processes as required.

Do I need my core platform vendor to support this solution?

No, the CECL Credit Loss Calculator is a standalone, web-based solution with a user ID and password that provides use for unlimited access to the solution. The loss estimates from the CECL Credit Loss Calculator can be extracted through an Excel file download and manually incorporated into your institution's financial statements, as well as used in available management and auditor reports.

LEARN MORE

For more information, contact your TransUnion representative, call **844-245-4071** or visit **transunion.com/CECL**.

TransUnion