

## **The Perfect CECL Solution for Community Banks**

Asset Management Group, Inc. (AMG) is a wholly owned subsidiary of Country Club Bank and has been serving community banks since 1995. AMG offers a range of asset/liability management services designed to meet regulatory expectations while also managing risk and improving margins. AMG has a simple and cost effective CECL solution for community banks. This Pro Shop will summarize how this tool works and its key points.

Asset/Liability Management Reporting and Consulting clients of AMG upload their data to AMG's secure web-based portal through our website, [www.bancpath.com](http://www.bancpath.com). The data for CECL is transmitted to AMG in the same way. There are some extra fields that are needed for CECL vs. the standard loan file format but most if not all of the extra fields are generally available on banks' core systems. AMG has file formats that are provided to clients for guidance on file construction and AMG can review data files for completeness prior to client upload. The system is also flexible for data fields that are currently missing.

The AMG CECL calculator is in Excel format. Once the data is uploaded by the client and processed, the calculator is populated with the client's data and is available for download as an Excel file from the AMG website. The client will then go through the calculator and determine the qualitative and economic factors that they believe will best explain and defend the future expected performance of the portfolio. The calculator is loaded with a listing of the nine possible qualitative factors where the costs can be assigned to each factor one by one. There are cells provided next to each factor so that documentation can be added right into the calculator for each factor. The calculator is loaded with national, state and regional (where available) economic statistics so correlations can easily be run between these data sets and the client's loan performance to help determine, justify and document what factors are most affecting performance as required by CECL.

There are six different methods for CECL calculations that are provided in the calculator. The estimated loss for each method is provided for each loan category as well as in total. The different methods are 1) Vintage, 2) Open Pool, 3) WARM, 4) Risk Migration Rating, 5) Risk Migration Roll, and 6) PD\_LGD (Probability of Default\_Loss Given Default). Each loan category is run with all 6 methods. Management can then determine which method is the most accurate and best fit for each category. Having all the methods run for each loan type, even if it is not used for determining the final accounting numbers, is useful documentation that all methods for each loan category were run and considered in the decision making process. Different methods can be used for different loan categories, if desired, to arrive at the final number.

Once the client has determined that they have arrived at the most accurate number, the calculator is saved and there is one tab in the calculator that the client loads back into the AMG website. This records all the changes made to the calculator for that quarter. Loading this tab back into the AMG website ensures that when the next quarter comes along, all the settings for qualitative factors, economic factors, method choices and documentation from the previous quarter are automatically included for the next quarter when the new file is downloaded. This

way all the decisions that were made the prior quarter do not have to be redone and rethought. They just have to be addressed again for accuracy and relevance and only updated if there is a change.

For auditing and control purposes, there is a change log included in the calculator which records every change made within the calculator. There is also a print option built into the calculator where each page can be selected for print to generate reports for loan committee, the board, auditors, examiners, etc.

For further information on our CECL calculator, please feel free to reach out to your Capital Markets Group Investment Sales Representative or contact AMG directly at 800-226-1923 or [AMG@CountryClubBank.com](mailto:AMG@CountryClubBank.com).

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