Saltmarsh BankTalk Accounting & CECL Workshop

Topics to Cover

- FDICIA / Part 363 thresholds increased
- Community Bank Leverage Ratio reduced
- Current Expected Credit Losses (CECL)
- FIL-15-2026 – Agencies Revise the Interagency Model Risk Management Guidance
- Call Report and Regulatory Reporting
- Open Discussion of items you all are experiencing at your Banks

FDICIA / Part 363 Thresholds Increased

Requirement	**Prior threshold**	**Updated threshold**
General Part 363 applicability	$500 million	$1 billion
Internal control over financial reporting audit and attestation	$1 billion	$5 billion
Audit committee requirements — lower tier	$500 million to less than $1 billion	$1 billion to less than $5 billion
Audit committee requirements — upper tier	$1 billion or more	$5 billion or more
Additional audit committee requirements	$3 billion	$5 billion
Director independence compensation threshold	$100,000	$120,000

saltmarsh

FDICIA / Part 363 Thresholds Increased

What remains important?

- Financial statements and regulatory reports still require accurate GAAP-based accounting.
- Management remains responsible for internal controls.
- The audit committee remains responsible for oversight of financial reporting.
- Regulators and auditors may still expect risk-based controls appropriate for the institution.
- The bank should retain a documented basis for its threshold conclusion.

saltmarsh

Community Bank Leverage Ratio

- Final rule effective July 1, 2026.
- Reduces the Community Bank Leverage Ratio requirement from greater than 9% to greater than 8%. The rule also extended the grace period from two quarters to four quarters, subject to a maximum of eight quarters during the prior 20-quarter.
- This should allow more community banks to opt into the CBLR Framework.
- Opting in allows the Bank to no longer have to calculate the other capital ratios, most importantly the risk based capital ratio.

CECL

- Importance of selecting an appropriate methodology
- Items to consider when selecting methodology for loan evaluated collectively:
  - Portfolio risk characteristics
  - Loan term and repayment structure
  - Type of Collateral
  - Data availability and reliability
  - Portfolio growth and changes in underwriting
  - Materiality and complexity
  - Management’s ability to explain and validate the method
- Common issues we see within CECL Models
  - Lack of support for selection of methodology and assumptions selection
  - Lack of support for qualitative factors
- FASB is currently performing a post-implementation review of the CECL Accounting Standard
- Frequency of Model Validation

CECL

Reserves for unfunded commitments

- Is it required to have a reserve for unfunded commitments?
- Key assumptions in the reserve for unfunded commitments
  - Funding percentages – How are these being calculated?
  - What loss rates are to be used?

Average amount of reserve for unfunded commitments

- Of the 542 community banks in the Southeast (FL, GA, TN, AL, MS, LA) less than $5 billion in total assets, 159 or 29% have no reserve established for unfunded commitments based on the June 30, 2026 call report.
- For the Banks that do have an established reserve on unfunded commitments, the average and median of reserves to level of unfunded commitments is .52% and .38%, respectively.

FIL-15-2026 – Agencies Revise the Interagency Model Risk Management Guidance

- Replaces the prior model-risk framework associated with **SR 11-7** and related guidance.
- Rescinds the FDIC's prior **FIL-22-2017** and **FIL-27-2021** guidance.
- Emphasizes a **risk-based and proportional approach** tailored to an institution's size, complexity, model-risk profile, and actual use of models.
- Addresses model development, implementation, use, validation, monitoring, governance, controls, and third-party/vendor models.
- States that the guidance is **not an enforceable standard** and that noncompliance alone should not result in supervisory criticism.
- Indicates that the guidance is expected to be most relevant to banking organizations with more than $30 billion in assets, although the FIL applies to FDIC-supervised institutions.
- Potential changes to model risk management and frequency of model reviews and validations.
- Finanical reporting related calculations and estimates may not be considered a model but they still do require sufficient controls to ensure reporting accuracy.

Call Report and Regulatory Reporting Controls

- There is a renewed focus by the regulatory agencies on accuracy of information reported in the Call Report.
- Schedule RC-O has begun to be heavily scrutinized given it’s impact on the amount of the quarterly FDIC insurance assessment
- Best practices for call report preparation
  - Review changes in call report instructions each quarter.
  - Reconcile reported balances to the general ledger and source systems.
  - Review all schedules and investigate unusual changes instead of relying solely on edit checks.
  - Use independent review and test submissions before filing.
  - Retain a complete, reproducible submission package.

saltmarsh

Open Discussion

- Recent Deposit Market Trends
- Recent regulatory Exam Experiences

Questions & Contact Info

Josh Strickland, CPA
Partner
Josh.Strickland@Saltmarshadvisors.com

Jay Newsome, CPA
Partner
Jay.Newsome@Saltmarshadvisors.com