

# SERVICE OFFERING

# ACL Validation



Enlighten Financial provides a **brighter approach** to financial analysis, risk management, and loan review.

## Our Process

- *Validating alignment of your ACL policy, procedures, reporting, and corporate governance practices with the Policy Statement\**
- *Reconciling and re-computing your ACL and review of related transactions*
- *Validating alignment of your methodology for estimating expected credit losses using the Collective (Pool) basis with ASC 326-20 and the Policy Statement\**
- *Validating alignment of your methodology for estimating expected credit losses using the Individual basis with ASC 326-20 and the Policy Statement\**
- *Determining accuracy and reasonableness of ACL output and directional consistency with other credit risk indicators*

\* 2020 Interagency Policy Statement on Allowances for Credit Losses

## Benefits

- *Meets regulatory expectations*
- *High value proposition*
- *Avoids errors in the process*
- *Experienced professionals*



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## ACL Validation

Our validation process helps to ensure institutions maintain alignment with the Allowance for Credit Losses (ACL) 2020 Interagency Policy Statement and relevant Financial Accounting Standards Board guidance, including Accounting Standards Codification (ASC).

We take a comprehensive approach to review the ACL methodology with focus on inputs, processes, and outputs. We review your methodology for estimating expected credit losses on loans using loss history, quantitative and qualitative factors, and reasonable and supportable forecasts using the Collective (Pool) basis. Additionally, we review your methodology for loans analyzed for expected credit loss using the Individual basis. Our procedures incorporate everything from the risk rating process through the effectiveness of internal controls to the reporting to the board of directors. Our review validates alignment of your ACL methodology with regulatory guidelines and ASC 326-20, *Financial Instruments-Credit Losses-Measured at Amortized Cost*. We determine reasonableness of ACL output given current credit risk indicators. Ultimately, based on the nature and content of the loan portfolio, the work performed will lead to a determination regarding the soundness of the ACL methodology employed.

## strength of the team

Enlighten's credit and risk management professionals each bring more than 20 years of commercial banking, credit and credit administration experience to your institution.