

[Date]

[Recipient Name]

[Title]

[Organization Name]

[Address Line 1]

[Address Line 2]

## **RE: Advisory Services Regarding Current Expected Credit Loss (CECL) Methodology**

Dear [Recipient Name],

The purpose of this letter is to provide formal advisory guidance regarding the implementation and refinement of the Current Expected Credit Loss (CECL) methodology for [Organization Name].

### **1. Scope of Review**

Our advisory review focuses on the alignment of your Allowance for Credit Losses (ACL) processes with FASB ASC Topic 326. This includes an evaluation of data integrity, segmentation strategies, and the selection of modeling techniques appropriate for your portfolio complexity.

### **2. Methodological Observations**

Based on our initial assessment, we recommend focusing on the following key areas:

- **Historical Loss Data:** Ensuring the look-back period is representative of current economic cycles.
- **Reasonable and Supportable Forecasts:** Validating the quantitative framework used to incorporate macroeconomic variables (e.g., unemployment rates, GDP growth).
- **Reversion Periods:** Formalizing the process for reverting to historical averages beyond the forecastable period.

### **3. Internal Control Framework**

It is advised that the organization strengthens the documentation surrounding qualitative adjustments (Q-factors). Every adjustment to the quantitative model output must be supported by a clear narrative and objective evidence to satisfy audit and regulatory scrutiny.

### **4. Next Steps**

We suggest a follow-up meeting on [Date/Time] to discuss the calibration of your model and the potential impact on capital reserves. We will also review the disclosures required for your upcoming financial statements.

Please contact us if you require further clarification on these advisory points.

Sincerely,

[Your Name]

[Your Title]

[Consulting Firm/Department Name]