# Challenges to CECL Implementation in Times of Crisis: An Application to Consumer Finance.

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Abstract
We discuss challenges faced by banks implementing the novel Current Expected Credit Loss (CECL) allowance methodology during the COVID-19 pandemic. Specifically, the focus is on the challenges of economic forecasting and model misspecification errors and its impacts on model risk and loss projection bias in crisis periods. Drawing on regulatory guidance as well as basic econometrics principles, we highlight some lessons learned and areas of development. We advocate for looking beyond statistical properties and emphasizing resiliency and adaptability of models, and model infrastructures, to new shocks and uncertain economic conditions. An empirical application illustrates how simple strategies can be used to construct a nimble, and flexible, CECL model infrastructure framework. Even in typical consumer portfolios with tens or even hundreds of millions of loans, like auto or credit cards portfolios, it is possible to develop, estimate, and deploy a multiplicity of models quicly and efficiently, and without a forecasting performance penalty.