

**189—18.4(533) Allowance for loan and lease losses.**

**18.4(1)** The amount carried in this account shall represent an amount at least equal to reasonably foreseeable loan and lease losses. Each credit union is required to establish and maintain a methodology to determine the amount needed in the allowance for loan and lease losses account. Credit unions with \$10 million or greater in assets must determine allowance for loan and lease losses account in accordance with generally accepted accounting principles (GAAP).

**18.4(2)** The credit union's board of directors must adopt a policy ensuring that loans are charged off in a timely manner.

**18.4(3)** At a minimum, the account shall be adjusted at least quarterly or prior to the end of each dividend period, or more often as required. The amount of the periodic adjustments shall be determined by the credit union after all charge-offs and recoveries applicable to the period have been recorded. Periodic adjustments to the allowance for loan and lease losses account will be charged to the provision for loan and lease losses.

**18.4(4)** The credit union shall maintain full and complete documentation of the determination of the balance in the allowance for loan and lease losses account.

**18.4(5)** The maintenance of an allowance for loan and lease losses account shall not eliminate the requirement for transferring the percentage of gross income before the payment of a dividend to the credit union's regular reserves as required by Iowa Code chapter 533.

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