

**189—18.5(533) Allowance for loan and lease losses computation.**

**18.5(1)** Credit unions are responsible for determining an adequate allowance for loan and lease losses account and adopting a reasonable methodology for doing so. Credit unions with assets \$10 million or greater shall follow generally accepted accounting principles (GAAP). In determining the appropriate allowance, each credit union with less than \$10 million in assets shall:

- a.* Separate the loan portfolio into homogenous loan pools based on common risk factors;
- b.* Calculate the net loss percentage of each pool, using the historical loss or adjusted loss method which includes consideration of: loan delinquency status; collection experience of the credit union; economic conditions that may affect collectibility; availability of pledged shares; collateral, security, or endorsers; insured or guaranteed status; and the general credit reputation of the borrowers;
- c.* Individually classify loans with unique characteristics;
- d.* Add the resulting amounts to determine the amount needed in the allowance for loan and lease losses account.

**18.5(2)** If a credit union fails to determine an adequate and reasonable allowance for loan and lease losses which will result in the fair presentation of its financial statement, the superintendent may require additional amounts to be set aside as provided by Iowa Code chapter 533.

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