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2025 AICPA & CIMA Conference on Credit Unions

Takeaways

November 2025

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Contents

Conference overview

The annual American Institute of Certified Public Accountants (AICPA) & Chartered Institute of Management Accountants (CIMA) Conference on Credit Unions was held Sept. 15 through 17, 2025, in National Harbor, Maryland. The event included remarks from representatives of the Financial Accounting Standards Board (FASB), economists, and other industry leaders on key accounting, regulatory, and other topics.

The conference addressed the current economic landscape, trends in consumer debt and real estate, operating in what many view as a continued elevated interest rate environment, and credit union industry and member trends. Generative artificial intelligence (GenAI) and its application in the industry were explored with conference participants. Accounting for current expected credit losses (CECL) continues to be a focal point of the conference, as it has been in recent years, with discussion on best practices.

Mark Koziel used his first keynote at this conference as AICPA CEO to reframe the profession’s narrative from “issues” to “opportunities,” underscoring the role of CPAs as trusted advisers. He focused his remarks on three primary themes – demographics, regulation, and technology – and argued that GenAI is accelerating long-running shifts in technology use by accountants rather than simply replacing CPAs. He said that both accounting firms and corporate finance teams must retrain employees, as much of the entry-level, fundamentals-building work is now automated. Koziel advocated for structured simulation programs to train employees on completing tasks using AI so staff can practice integrating AI into their judgments and documentation before working on audits of companies. He warned against creating a “two-tier audit” that would drive inefficiency by first performing tasks using AI and then reperforming those same tasks using manual techniques. Instead, Koziel urged audit firms as well as accounting and finance teams to deploy AI-assisted processes but redesign organizational controls so that the use of AI is subject to adequate governance. A company’s use of AI beyond current applications might provide for further resource optimization.

With respect to the current state of the economy, Koziel noted CFO optimism has normalized after a late-2024 spike, largely due to the consideration of current tariff policy and the potential impact on the broader economy.

Koziel also addressed evolving changes in accounting firms’ business models. With AI reducing manual hours and tech costs rising, he urged firms to rethink “hours multiplied by rate” and consider subscription-style engagement models and continuous-monitoring concepts that fit within existing professional standards.

Finally, Koziel was optimistic about rising enrollments in college accountancy programs. He also called for better early-career training for graduates in the face of evolving technology and business models as well as further improvements to CPA mobility, allowing practitioners more opportunities to work as CPAs.

America’s Credit Unions Chief Economist Curt Long shared insights on the latest financial, operational, and competitive trends affecting credit unions. Long highlighted that lending is expected to remain subdued amid headwinds such as softer demand, tight liquidity, and rising delinquencies. At the same time, though, earnings are showing signs of improvement and merger activity is beginning to strengthen.

On the second day of the conference, Douglas Duncan, an award-winning economist nationally recognized in economics, financial markets, monetary policies, and real estate, delivered a timely update on the U.S. real estate market. Duncan pointed to steady, if slower, growth and a labor market that is cooling but resilient, noting that he believes recession risks remain contained. Housing dynamics continue to be shaped by the “lock-in effect” from pandemic-era mortgages with lower-than-current market interest rates, labor productivity gains, and price support from a persistent supply-demand imbalance, even as affordability pressures remain elevated.

Lamont Black, Ph.D., associate professor of finance at DePaul University, CEO and founder of Wide Open Ventures, and a research fellow to the Filene Research Institute, outlined an “AI for Financial Institutions” road map that discusses moving from experimentation to targeted deployment of AI. Black highlighted near-term, practical use cases such as knowledge-based assistants, fraud triage, and loan approvals. He also emphasized that boards and executives should treat AI as enterprise change, not just an IT project, with strategy and governance leading the way.

On the third day, executive coach Jamelle Lindo gave a keynote titled “The EQ Leader in the Age of AI,” arguing that emotional quotient (EQ), including self-awareness, empathy, and resilience, will differentiate leaders as automation accelerates. He shared data on stress and burnout seen in the current workforce and offered practical, top-down approaches to gauge organizational climate and build EQ capabilities across teams. Lindo also offered his thoughts on how banks can adopt AI tools while sustaining culture and performance.

Throughout the conference industry leaders explored issues facing credit unions today. Participants received updates on current activities from the FASB, and a panel of credit union CFOs discussed topics such as resource allocation, risk management, adopting technology and artificial intelligence tools to improve efficiency, and maintaining liquidity and capital flexibility in uncertain economic conditions.

Other hot topics included cybersecurity and fraud, as presenters cited an uptick in fraud and the need for institutions to reinforce their cybersecurity and risk assessment procedures.

The 2026 conference will take place Sept. 14 through 16, 2026, online and on-site, at the Marriott Marquis in Washington, D.C.

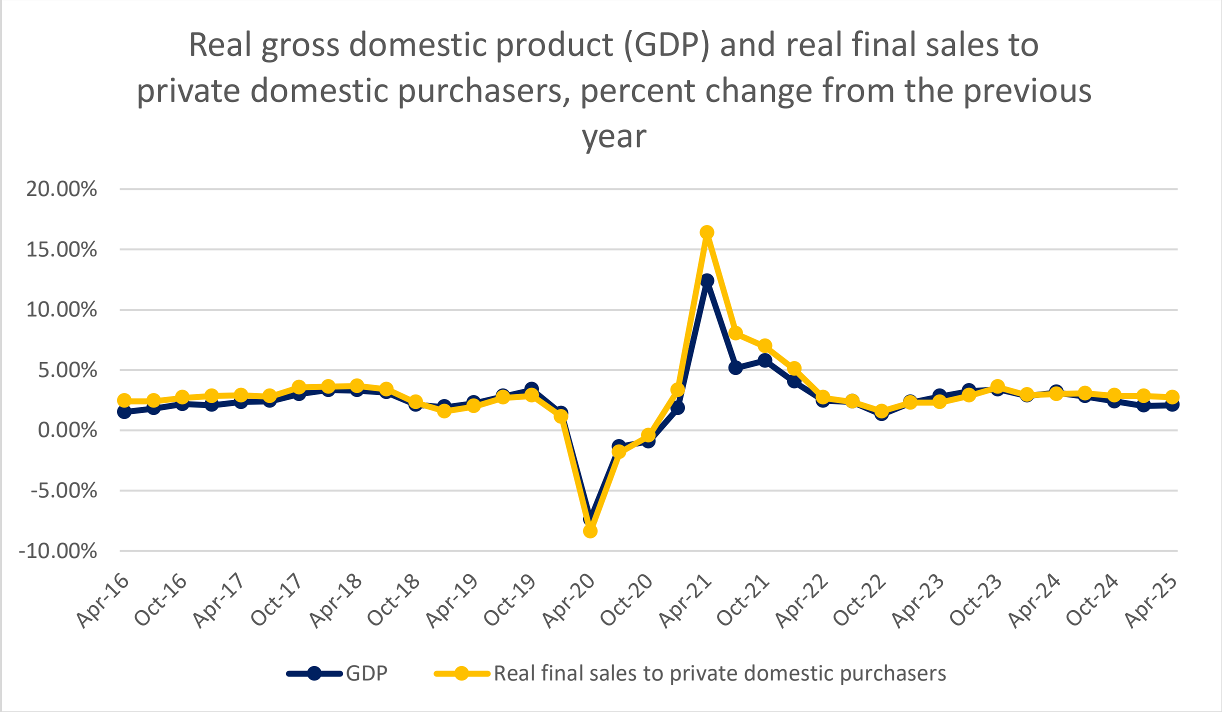
We hope you find this summary useful.

Economic updates

State of the economy

On the first day of the conference, former White House adviser, economist, and author Todd Buchholz focused on aspects of the domestic and global economies that inform the current presidential administration’s policies. Buchholz’s comments were followed by an address from Doug Duncan, former chief economist at Fannie Mae, who focused on interest rates, unemployment, real estate, the national debt, and an overall outlook.

Both economists described current U.S. performance as moderately strong. Duncan pointed to both gross domestic product (GDP) growth and real final sales to private domestic purchasers, considered a core piece of GDP and measured more frequently (monthly). This measure aims to provide a clearer picture of private sector activity by excluding inventories and government purchases from the economic analysis. The following illustration compares the two metrics.



Source: U.S. Bureau of Economic Analysis, Real Gross Domestic Product [GDPC1], retrieved from FRED, Federal Reserve Bank of St. Louis; https://fred.stlouisfed.org/series/GDPC1, retrieved Oct. 8, 2025. U.S. Bureau of Economic Analysis, Real Final Sales to Private Domestic Purchasers [LB0000031Q020SBEA], retrieved from FRED, Federal Reserve Bank of St. Louis; https://fred.stlouisfed.org/series/LB0000031Q020SBEA, retrieved Oct. 8, 2025.

In his remarks, Buchholz discussed his view of the economy based on real observable metrics rather than political narratives. He offered examples of long-term economic growth and improvement in today's living standards as compared to the past, highlighting longer life expectancies and that fewer work hours are now required than in the past to buy goods such as a refrigerator (80 hours in 1960 versus 20 now).

Regarding future economic performance, Duncan highlighted several phenomena that could indicate recessionary risks, including declining housing permits. He also discussed demographic pressures such as the aging current workforce and slowing immigration, which can increase the burden of funding entitlement programs such as Social Security, Medicare, and Medicaid. If rising entitlement program costs are spread across a smaller workforce, long-term borrowing rates could rise. He characterized an economic slowdown as underway but did not call it a recession. Buchholz also acknowledged an economic slowdown and risks to future economic growth, considering the United States economy's ability to weather these risks depends on consumer resilience. He noted that publicly reported delinquencies by companies do not appear to show any concerning trends, supporting his claim that American consumers seem able to continue handling the challenges that face the current economy. He also emphasized that policy choices such as tariffs can add strain, even if some costs are temporarily absorbed by foreign suppliers and U.S. retailers.

Inflation, interest rates, and tariffs

The Federal Reserve (Fed) cut interest rates on Sept. 17, as expected, with the likelihood of further rate cuts in 2025 being uncertain. Buchholz and Duncan discussed the considerations that the Fed must weigh when approaching interest rates. Buchholz noted that the Fed's ability to change interest rates affects only short-term interest rate decisions, but long-term interest rates are harder to control and difficult to bring down unless inflationary concerns are alleviated. Duncan noted that the Fed's "dual mandate" could cause tension among Fed governors when considering interest rate policy, as rate cuts generally reduce unemployment, while higher interest rates help fight inflation. Duncan suggested the Fed might lean toward fulfilling the full employment mandate, "at least in the near term," but acknowledged that future monetary policy is uncertain.

Both speakers addressed the tariffs announced by the Donald Trump administration earlier this year. Duncan characterized tariffs as a relative price shift rather than ongoing inflation, absent additional money growth. Buchholz highlighted the channels by which tariffs can raise the overall price level: Imported goods become more expensive at the border, and reduced foreign competition can allow domestic producers to raise prices. He also said that, for now, a majority of the tariff burden appears to be being absorbed evenly by foreign suppliers and U.S. retailers, with consumers bearing the remaining 20% to 25% of the impacts, and that the absorption of tariff-related costs by the foreign suppliers reflects their desire to maintain competitive prices to not lose market share.

Labor market trends

On. Sept. 5, the United States Bureau of Labor Statistics (BLS) released its "Employment Situation Summary," which notes that total nonfarm payroll employment increased by 22,000 jobs in August 2025. Economists had previously projected the release to show an increase of 75,000 jobs. Duncan commented that this reflects reduced immigration and private sector executives' caution amid tariff uncertainty, which in his view has led many employers to pause head count additions until the effects of tariffs become clearer.

On Sept. 9, the BLS released its "Current Employment Statistics Preliminary Benchmark (National) Summary," which contains a 911,000 downward revision in jobs from the March 2025 employment national benchmark – an unusually large adjustment. Duncan commented that this was partly attributable to the way that the Labor Department measures employment. The initial measurement includes residents, workers who are legally in the United States, and workers who are not legally in the United States or are undocumented but have their employment reported through an individual tax identification number (ITIN), whereas the rebenchmarking does not include undocumented workers or workers who are not legally in the United States.

Residential real estate

Both economists shared information on the residential real estate market, noting that real estate continues to be less affordable for the average American household. They cited several reasons for the housing shortage:

- The federal funds rate, which was lowered in 2020, created a "lock-in" effect for homeowners who purchased and refinanced homes at rates lower than current market rates. Some of these homeowners might retain these houses as investment properties.
- Mortgage rates and median housing prices have come down slightly since their peaks in 2022, but they remain elevated.
- Tariffs have increased the cost of goods used to construct houses, and immigration constraints make it harder to find labor.
- The 2000s and 2010s were marked by low credit cost and income growth, which created demand for larger homes and the ability for purchasers to finance them.
- Houses being built are trending larger than historical averages. Duncan mentioned that historically an entry-level house was 1,400 square feet; however, in 2024, only 7% of all newly constructed houses were 1,400 square feet or smaller. This makes entry point homes for new homeowners less attainable.

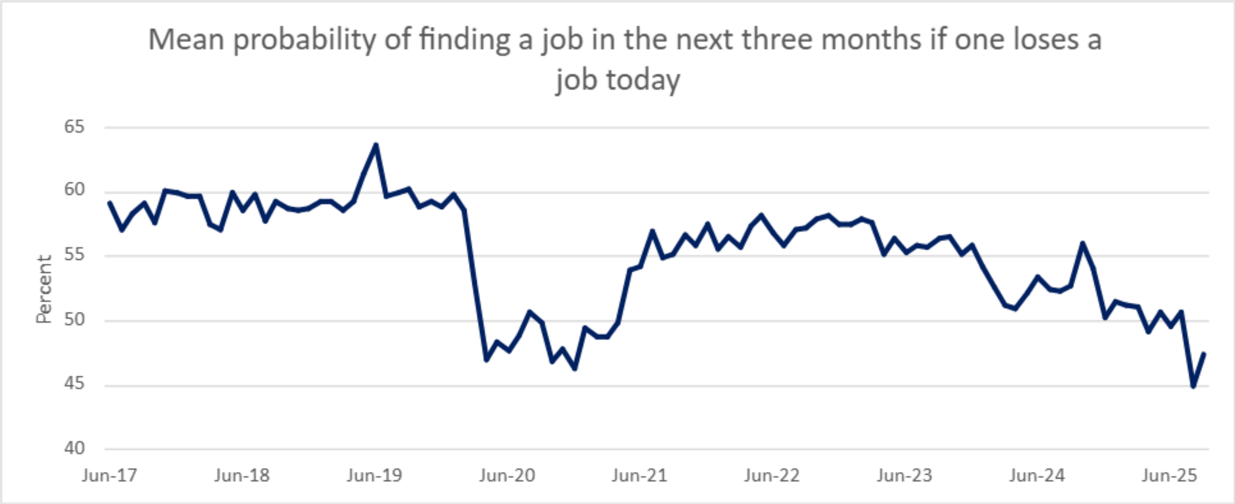
Duncan also referenced historical trends, noting that in the 1980s, when mortgage rates were at their peak, housing sales still occurred, suggesting that there is an adjustment period during which homeowners' ability to buy houses gradually updates to reflect the prices, as salaries and household budgets adjust to the housing prices. He suggested that the adjustment period is being prolonged due to the previously mentioned factors.

Credit union industry

Long discussed financial, operating, and competitive trends affecting the credit union industry. He spoke about the resilience of credit unions amid economic uncertainty, lending trends and the significant impact of auto lending, profitability and earnings outlook, operational shifts within organizations, and reorganization in the industry.

Long noted that credit unions have weathered recent economic volatility with resilience. He said that as of mid-2025, industry data suggests performance is holding steady. Consumer debt service burdens have eased, and household liquidity remains above pre-pandemic levels despite a 2023 runoff in savings, yet households remain hesitant to borrow. Elevated loan rejection rates, weak labor market confidence, and slowing wage growth, particularly for low-wage earners, have tempered borrowing demand despite available capacity.

Long said he believes that anxiety in the labor market plays a major role in consumer sentiment and activity. Workers are not overly concerned about job loss, but hiring rates remain depressed, creating doubts about reemployment prospects. Wage growth has slowed for all income levels, with lower earners the most significantly affected. Policy shifts, including tax changes and tariffs, further exacerbate financial pressure on vulnerable households.

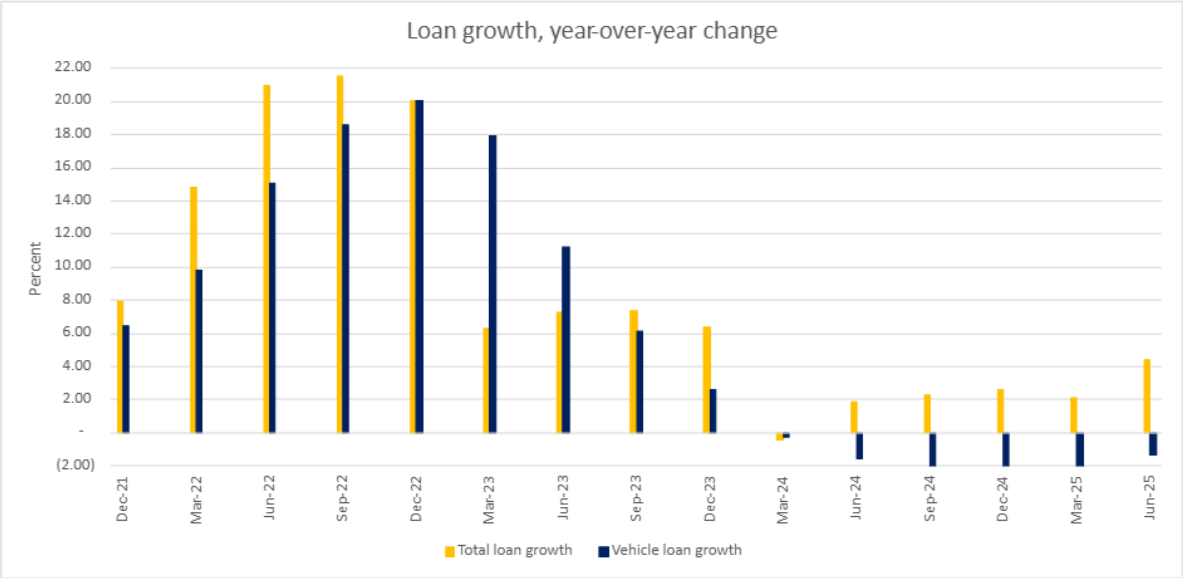


Source: New York Fed Survey of Consumer Expectations, https://www.newyorkfed.org/microeconomics/sce#/jobfind-1, retrieved Oct. 13, 2025.

Source: New York Fed Survey of Consumer Expectations, https://www.newyorkfed.org/microeconomics/sce#/jobsep-1, retrieved Oct. 13, 2025.

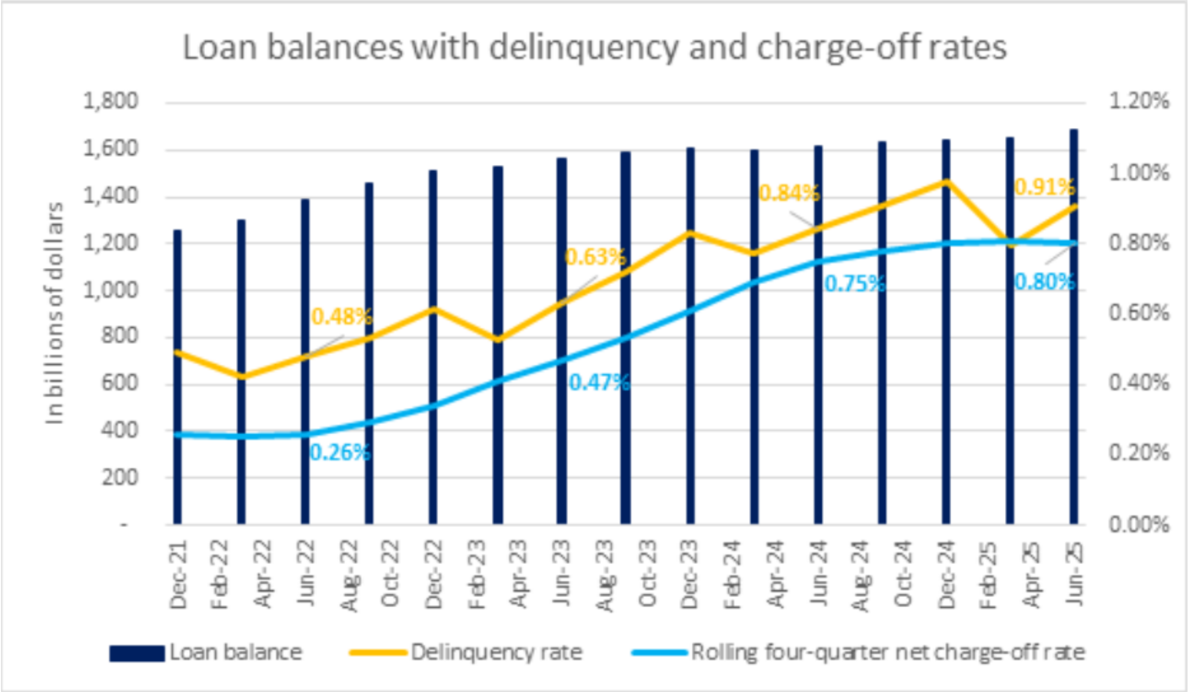
Lending trends

Long said he expects that lending growth for credit unions will remain modest in the near term, with headwinds showing for auto loans, a cornerstone of credit union lending portfolios. Car-buying sentiment, already low since the 2021 supply crunch, remains subdued due to high interest rates and limited inventories. Loan originations increasingly skew toward super-prime borrowers, although credit unions retain a competitive advantage in serving subprime members with more favorable rates.



Source: NCUA Financial Performance Report, https://fpr.ncua.gov/, retrieved Sept. 23, 2025.

Long also discussed the trend of delinquencies becoming a focal point.



Source: NCUA, “Financial Trends in Federally Insured Credit Unions,” retrieved Oct. 9, 2025, https://ncua.gov/analysis/credit-union-corporate-call-report-data/financial-trends-federally-insured-credit-unions

According to Long, the atypical patterns noted during 2022–2023, when stimulus-era liquidity distorted borrower risk profiles, are still unwinding. These “odd vintage” loans show elevated delinquency rates despite stable unemployment. Encouragingly, newer cohorts are performing better, suggesting gradual normalization.

Profitability and earnings outlook

Long indicated that credit union earnings have held up, buoyed by strong net interest margins. June 2025 data showed the highest NIM levels since 2016, a major driver of second-quarter return on average assets of 76 basis points (bps).[1] Provision expenses have remained stable since Q4 of 2023, ranging from 52 to 63 bps,[2] offering further room for earnings resilience if loan performance improves.

He noted that liquidity and capital remain constrained, and loan-to-share ratios still limit loan growth capacity. Net worth ratios are recovering but remain below pre-pandemic levels,[3] awaiting relief from lower interest rates. Regulatory shifts could prove pivotal: As community banks push for reduced leverage ratio thresholds, America's Credit Union is preparing to advocate for parity.

Operational shifts: Staffing, branching, and technology

Long said that structural shifts are reshaping credit union operations; employment growth has slowed, though credit unions remain more labor-intensive than peer banks. The rise of artificial intelligence poses both challenges and opportunities; early evidence suggests those adopting AI might be scaling back junior hiring, raising questions about future workforce models in financial services.

He also noted that branch networks remain steady, contrasting with large banks' aggressive reductions. This stability underscores credit unions' community role, particularly in mitigating "banking deserts." Regulators are taking note, with studies showing credit unions disproportionately open branches in underserved areas.[4] Meanwhile, digital banking adoption continues across all age cohorts, though branches remain valued for in-person services during complex transactions.

Competition and consolidation

Long commented that competitive dynamics with banks are intensifying. Credit unions consistently operate with lower margins than banks, a gap widened by the 2017 *Tax Cuts and Jobs Act*. Banks' stronger liquidity positions, aided by favorable tax and regulatory reforms, might further sharpen competition for shares and loans.

In addition, merger activity illustrates divergence. Credit union consolidation has remained steady, while bank mergers – previously depressed by regulatory scrutiny – are rebounding in 2025. Long noted that the median bank size remains significantly larger than the median credit union size and accelerating bank mergers and acquisitions could further widen this gap.

Outlook: Modest growth, strategic adaptation

From Long's viewpoint, credit union lending is likely to grow modestly, constrained by weak demand, tighter liquidity, and lingering delinquency issues. Earnings should remain broadly stable, supported by strong margins and the gradual runoff of pandemic-era loan vintages. However, the interplay of macroeconomic risks, regulatory changes, and banking sector competition will shape outcomes.

Long noted that the sector's resilience remains evident: Credit unions continue to expand access in underserved communities, invest in digital services, and pursue efficiencies in operations. As competitive and regulatory landscapes evolve, credit unions' ability to balance tradition with innovation will determine how well they navigate the next cycle.

FASB updates

FASB Deputy Technical Director Rosemarie Sangiuolo, along with board member Fred Cannon and Supervising Project Manager Erin Cahill, provided an update on the FASB's current standard-setting agenda,[5] focusing on information that might be of more interest to credit unions.

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[1] NCUA, "Financial Trends in Federally Insured Credit Unions," retrieved Oct. 9, 2025, https://ncua.gov/analysis/credit-union-corporate-call-report-data/financial-trends-federally-insured-credit-unions
[2] Ibid.
[3] Ibid.
[4] https://www.americascreditunions.org/news-media/news/credit-unions-better-serve-consumers-living-paycheck-paycheck-combat-financial
[5] https://www.fasb.org/projects/current-projects

Technical agenda update

The FASB's technical agenda is being informed by the results of the 2021 agenda consultation. The FASB anticipates issuing nine final Accounting Standards Updates (ASUs) and one exposure draft before year-end.

Final ASUs issued or expected to be issued in 2025 that could be impactful to credit unions:

- "Financial Instruments – Credit Losses (Topic 326) – Purchased Financial Assets"
- ASU 2025-06, "Intangibles – Goodwill and Other – Internal-Use Software (Subtopic 350-40): Targeted Improvements to the Accounting for Internal-Use Software" (issued Sept. 18)
- ASU 2025-07, "Derivatives and Hedging (Topic 815) and Revenues From Contracts With Customers (Topic 606): Derivatives Scope Refinements and Scope Clarification for Share-Based Noncash Consideration From a Customer in a Revenue Contract" (issued Sept. 29)
- "Derivatives and Hedging (Topic 815): Hedge Accounting Improvements"
- "Government Grants (Topic 832): Accounting for Government Grants by Business Entities"

Other relevant items on the technical agenda currently being deliberated include targeted cash flow statement improvements.

CECL PIR: Purchased financial assets (PFAs)
Status: ASU expected to be issued Q4 2025

The proposed ASU on PFAs was issued in 2023, a result of the FASB's CECL post-implementation review (PIR). The board completed redeliberations on the PFA project at its April 30, 2025, meeting, with a final ASU coming in Q4 2025. As feedback indicated that investors and preparers didn't have a pervasive issue with the treatment of loans that were already accounted for under the current purchased credit-deteriorated (PCD) guidance, the FASB pivoted from proposing a singular model for all PFAs to proposing narrow amendments to revise the accounting for only seasoned non-PCD loans.

The board decided the following:

- Revise the project objective, so the current PCD accounting will be retained.
- Affirm the seasoning criteria initially proposed to determine which non-PCD loans would be subject to the gross-up approach.
- Require entities to measure seasoned non-PCD loans under the gross-up.
- Exclude credit cards and held-to-maturity debt securities from the scope of PFA.

Crowe observation: For credit unions engaged in mergers, whole-loan purchases, or participations, this change should make post-acquisition reporting more straightforward. It reduces the perceived "double-count" effect and better aligns accounting outcomes with the underlying economics of a loan acquisition.

Transition is applied prospectively for annual reporting periods beginning after Dec. 15, 2026, and interim reporting periods within those annual reporting periods. Early adoption is permitted for any reporting period for which the credit union's financial statements have not yet been issued. As credit unions are not required to have interim reporting, the amendments would be as of the beginning of the annual reporting period.

CECL PIR: Loan modification disclosures

Another key change came out of the same CECL PIR review – the now-implemented ASU 2022-02, which eliminated the troubled debt restructuring (TDR) model. In its place, the FASB introduced a "modified loans" disclosure framework designed to be simpler, more decision-useful, and better aligned with CECL's lifetime loss perspective.

The change removes the need for complex TDR recognition and measurement analyses, such as determining concessions or borrower financial difficulty. Instead, institutions must disclose data about specific modification types: principal forgiveness, interest rate reductions, more-than-insignificant payment delays, and term extensions.

While these requirements are less burdensome conceptually, they demand high-quality data capture and judgment in classification. For example, determining whether a payment deferral constitutes a term extension or an insignificant delay depends on facts and circumstances.

Accounting for and disclosure of software costs
Status: ASU 2025-06 issued Sept. 18, 2025

This standard, issued the day after the conference wrapped, overhauls the internal-use software cost capitalization model by eliminating the legacy "project stage" framework and replacing it with a principles-based framework more aligned with modern software development practices.

When the original internal-use software guidance was written, technology projects typically followed a clear linear sequence: planning → design → development → implementation → post-launch maintenance. However, today's software projects are far less linear. Agile development, with its emphasis on incremental builds, continuous testing, and user feedback, often involves overlapping workstreams and recurring iterations. The rule better aligns the treatment of modern system implementations such as cloud core conversions, digital lending platforms, or online banking enhancements with their economic substance. As FASB staff explained during the presentation, the update focuses on management intent and project readiness.

Under the new model, entities will begin capitalizing costs when two conditions are met:

1. Management has authorized and committed to fund the project.
2. It is probable the project will be completed and used as intended.

The guidance adds a new concept of "significant development uncertainty," directing entities to expense costs when a project's features are novel, untested, or still subject to major revisions.

Disclosure requirements will mirror those for property, plant, and equipment, improving visibility into software investments without necessarily changing capitalization levels. The standard becomes effective for annual periods beginning after Dec. 15, 2027, with early adoption permitted. The ASU allows for prospective, modified retrospective, or full retrospective adoption.

To read more, see the Crowe article "FASB Revises Internal-Use Software Cost Guidance."

Derivative scope refinements
Status: ASU 2025-07 issued Sept. 29, 2025

Cahill commented on the now final ASU 2025-07, "Derivatives and Hedging (Topic 815) and Revenue From Contracts With Customers (Topic 606): Derivatives Scope Refinements and Scope Clarification for Share-Based Noncash Consideration From a Customer in a Revenue Contract," mentioning that the feedback initially received was that the current definition of a derivative was too broad, and that investors at times found the derivative accounting conclusion to be unintuitive. In response to the feedback, the board added a scope exception to the derivative guidance: Non-exchange-traded contracts where the underlying is based on the operations or activities of one of the parties to the contract will qualify for a derivative scope exception. Cahill referenced ESG loans and bonds with interest rates tied to a company's ESG metrics as examples of instruments that have an embedded feature that would qualify for the scope exception.

Transition is prospective with the option to apply on a modified retrospective basis, and entities adopting on a modified retrospective basis may reevaluate any fair value option elections made in the past. ASU

2025-07 is effective for annual periods beginning after Dec. 15, 2026, and interim periods within those annual periods. Early adoption is permitted, and entities that adopt in an interim period will be required to apply the standard as of the beginning of the annual period that includes that interim period.

Read more in the recent Crowe article "FASB Issues Derivatives Scope Refinements."

Hedge accounting improvements
Status: ASU expected to be issued Q4 2025

The panelists discussed the forthcoming ASU on derivatives and hedging (Topic 815): hedge accounting improvements, which addresses a series of issues identified from past feedback, including London Interbank Offered Rate (LIBOR) cessation issues. The project responds to stakeholder feedback following the issuance of ASU 2017-12 and subsequent agenda consultations, with the stated objective of allowing financial statements to more faithfully portray common, highly effective hedging strategies.

A principal area of focus is hedging a group of forecasted transactions in a cash flow hedge. Under the current guidance, individual forecasted transactions in a group designated under a cash flow hedge are required to have a "shared risk," which many institutions interpreted to mean "same index." This threshold has become impractical as lending has migrated to multiple Secured Overnight Financing Rate (SOFR) tenors. The forthcoming ASU will replace "shared risk exposure" with a "similar risk exposure" criterion and clarify that a pool of financial instruments continues to qualify for hedge accounting as long as the designated derivative is highly effective against each risk in the group. Whether a pool of financial instruments share similar risk characteristics must be assessed both at inception and on an ongoing basis. In the conference session, FASB staff emphasized that if a risk within a designated pool ceases to be similar subsequent to inception, the entire hedge would need to be redesignated.

The board also addressed the net written-option test. Post-LIBOR mechanics have caused otherwise sound "swap-plus-floor" structures to fail the test solely because the loan and swap reference different derivations of SOFR or reset on slightly different dates. Rather than eliminate the test, the proposal would allow simplifying assumptions, limited to cash flow hedges of interest-rate risk in which the hedging instrument is a combination of a written option and a nonoption derivative (for example, a swap). Entities could assume the loan and swap have matching interest rates if their rates are a derivation of the same index (for example, daily SOFR and term SOFR). In addition, entities could assume that the timing of the cash flows match if they are within the same 31-day period or fiscal month. The relief does not extend to combinations of options or to foreign currency hedges.

Transition will be prospective with early adoption permitted. Importantly, the forthcoming ASU will allow one-time operational relief so that entities may, without de-designation of the hedge, add risks to an existing portfolio, migrate forecasted transactions among pools, and reassign hedging instruments, enabling the designated pools to be realigned under a live hedge or hedging relationship. In the session, panelists indicated an expected effective date for fiscal years beginning after Dec. 15, 2026, for public business entities (PBEs) and one year later for others, with early adoption allowed.

Accounting for government grants
Status: ASU expected to be issued Q4 2025

The FASB panelists discussed the forthcoming ASU on government grants, where no current accounting guidance exists. The board proposed to leverage the accounting framework within International Accounting Standards (IAS) 20, "Accounting for Government Grants and Disclosure of Government Assistance," for government grants and to include targeted improvements to the international guidance. IAS 20 was used as the basis for the proposed ASU as many business entities currently analogize to either this standard or the current U.S. GAAP guidance on government grants for not-for-profit entities.

The board decided that government grants should be defined as transfers of monetary and tangible nonmonetary assets, which would include forgivable loans. Items that are out of scope would include income taxes, any transactions accounted for under Topic 740, below-market loans, and government guarantees.

The forthcoming ASU is expected to provide accommodations for grants that are received in the form of assets, which can be accounted for using the cost accumulation approach or the deferred income approach, or grants that are received in the form of income, which can be accounted for using the deferred income approach.

- **Asset grants, cost accumulation approach.** The amount of the grant is recorded as an adjustment to the asset on the balance sheet, and the grant gets recognized in the income statement in the form of reduced depreciation over the life of the asset. In this method the benefit of the grant lowers expenses over time, although there is no explicit income statement line item disclosed related to the grant.
- **Asset grants, deferred income approach.** The amount of the grant is recorded as deferred income, separate from the asset, which is amortized separately from depreciation on the income statement over the life of the asset. This method creates a clear link between the government support and financial results.
- **Income grants, deferred income approach.** The amounts are initially recorded as deferred income on the balance sheet and are recognized as the related expenses are incurred. This method matches the grant income with the expenses being subsidized.

For credit unions, implementation is effective for annual periods beginning after Dec. 15, 2029. Early adoption is permitted.

Statement of cash flows – Targeted improvements
Status: Board deliberations ongoing

Cannon commented on the statement of cash flows project. He noted that for credit unions, the cash flow statement has long provided limited decision-useful information and that the line between operating and financing cash flows can blur when a credit union’s core business is lending and funding.

The project seeks to explore whether a more meaningful presentation could be developed or whether disclosures might substitute for a traditional format. Options could include more granular reporting of cash interest received and paid or new formats emphasizing liquidity and sustainability of earnings rather than traditional activity classifications. For now, the project remains in deliberation, and no exposure draft has been issued.

2025 agenda consultation

The FASB decided to undertake an agenda consultation currently, given that the board has made significant progress on the top agenda priorities that came out of the 2021 agenda consultation. Sangiuolo noted the FASB also has received feedback from stakeholders on its 2025 agenda consultation, and that feedback will inform the board on what projects it will take on next. As part of the agenda consultation process, the FASB received 129 responses from stakeholders including investors, preparers, practitioners, trade groups, and others. The stakeholders also represented a variety of industries.

Cannon noted that the responses come from a variety of industries but that relative to credit unions, time should be spent on more effective disclosures versus enhanced disclosures on less relevant areas. As an example, he referenced hedging disclosures that might not be helpful to users because they lack context on the credit union’s overall hedging strategies, and he said improvements could be provided for enhanced, rather than more voluminous, disclosure.

The next steps in the agenda consultation process are for the board to begin to analyze the provided feedback and make changes and additions to its technical and research agendas, driven by the board’s agenda criteria. In 2026, the FASB staff will issue an agenda consultation report that summarizes the stakeholder feedback received from the agenda consultation and how that feedback has influenced the board’s research and technical agendas.

Research agenda
Other relevant projects on the board's research agenda include a research project on digital assets that was added in response to the feedback received on the board's agenda consultation. The research project would explore targeted improvements to the accounting for and disclosure of certain digital assets and related transactions, including whether certain payment digital assets are cash equivalents and the accounting for certain digital asset transfers such as crypto lending.

Artificial intelligence (AI)

Black provided a keynote address on the use of AI in financial institutions. Black's presentation was aimed at helping financial institutions reframe AI as a strategic, organizationwide opportunity rather than just a futuristic concept. Black emphasized that for boards, executive teams, and staff, the challenge is no longer *if* AI will affect banking, but *how* institutions will respond.

A new chapter in the history of technology

Black framed AI as the beginning of a new technological era – comparable to past breakthroughs such as the engine during the industrial revolution or the computer in the information age. The rise of large language models and GenAI since 2022 has fundamentally changed expectations for customers, management teams, and boards. Where early use cases focused on tasks such as writing recipes and generating stories, today's conversation centers on enterprise adoption of AI.

Black offered a practical framework for understanding the three dimensions of AI:

- **Machine learning (ML):** ML is a dynamic algorithm that learns and improves over time and is used to process data and make predictions. ML is the primary AI tool currently used in financial institutions, enhancing human capabilities in areas like consumer lending and fraud detection.
- **GenAI:** GenAI augments human work by creating text, images, or analyses – acting as a productivity tool across departments. Instead of only making predictions, generative AI can produce content.
- **Agentic AI:** Humans use agentic AI by assigning tasks to the model, which independently acts as the operator. Agentic AI is not limited to completing assigned tasks; it can make decisions and act on those decisions, raising both efficiency opportunities and governance questions.

Use cases for financial institutions

AI adoption is no longer theoretical. Institutions already are piloting and scaling use cases across internal operations and customer-facing channels. Black offered these examples:

- **Operations:** Automated credit decision-making, fraud detection through pattern recognition, and knowledge-based assistants make internal and external expertise more accessible.
- **Customer experience:** Self-service chatbots, real-time fraud prevention, personalized product recommendations, and digital personalization make interactions feel more human in an increasingly digital environment. For community banks, personalization powered by AI is positioned as essential to maintaining a human connection with customers in a digital-first world, a key differentiator among competitors.

Managing risk and change

Black acknowledged the dual reality of excitement and fear by adopters of AI. He said concerns center around data integrity, bias, hallucinations, and regulatory uncertainty. However, Black cautioned institutions not to let fear stall progress. Instead, AI should be approached as a risk to manage: identifying, governing, and mitigating issues while advancing adoption. Importantly, AI is not just an IT initiative. Successful adoption requires organizational change management, leadership alignment, and integration into the institution's overall strategic plan.

Strategic imperative: An AI road map

The clear message from this year's conference: Every financial institution should have an AI road map. Rather than wait and see, banks and credit unions should proactively define where AI can deliver the greatest value, whether through efficiency, risk management, or enhanced member experience. Strategy must drive tactics, ensuring that AI initiatives support broader institutional goals.

Crowe takeaway: AI is here to stay. Institutions that embrace it thoughtfully – balancing innovation with governance – will be best positioned to remain relevant, resilient, and competitive in the future.

Digital assets and stablecoins

Stablecoins, which are digital tokens designed to maintain a stable value and generally pegged to the U.S. dollar or another underlying asset, were another headline topic at this year's conference. With federal legislation permitting and encouraging the use of stablecoins and financial institutions beginning pilots, the conversation has shifted from "what are stablecoins?" to "how will stablecoins affect banking?"

Unlike other cryptocurrencies, stablecoins are not intended to change in value. Instead, they serve as a digital representation of fiat currency and are custodied on blockchain networks. Potential benefits of stablecoins include near-instant settlement, low transfer costs, and the ability to streamline workflows such as collateral calls or cross-border transactions. Today, the global market capitalization for stablecoins is approximately $250 billion, with rising activity in financial institutions and growing interest from nonfinancial corporations.

Legislative clarity: The GENIUS Act

A key turning point in 2025 was the signing of the *Guiding and Establishing National Innovation for U.S. Stablecoins Act* (GENIUS Act) into law. The GENIUS Act is one of the first pieces of federal legislation focused specifically on payment stablecoins. The act prohibits issuers from marketing stablecoins as insured deposits or legal tender, and it bars issuers from paying interest on these assets unless the stablecoins are registered as securities. It also requires monthly disclosures of reserve assets, adherence to anti-money laundering and know-your-customer (KYC) rules, and restrictions on transfers to noncompliant addresses or digital wallets that have not gone through the stablecoin issuer's KYC process. These provisions, combined with frameworks from regulatory agencies and the AICPA, are setting a foundation of trust and transparency that financial institutions have been waiting for.

Use cases and business impact

The strongest near-term use cases highlighted at the conference were business-to-business (B2B) payments and cross-border transactions, where stablecoins can reduce cost and settlement time compared to traditional methods. For consumers, adoption remains limited – retail payments with stablecoins lack rewards programs and acceptance infrastructure. However, in countries with high inflation of local currency or limited access to U.S. dollars, stablecoins already provide a valuable tool for preserving value.

From a banking perspective, stablecoins are unlikely to replace traditional banking deposits but might reshape the flow of liquidity and certain payment models. Credit card issuers, for example, see minimal immediate disruption to consumer payments, but they are investing in stablecoin-enabled B2B solutions.

Accounting considerations

Accounting for stablecoins requires careful analysis of the facts and circumstances to arrive at appropriate accounting conclusions. For coin issuers, stablecoins are typically recorded as noninterest-bearing demand deposit liabilities, with income derived from reserve asset investments. Holders may, in some circumstances, classify stablecoins as cash or cash equivalents, but this depends on redemption rights and contractual terms. The AICPA, standard-setters, and regulatory agencies are converging on reporting standards, such as disclosing outstanding token obligations, smart contract addresses, and reserve asset details, to provide transparency.

Strategic outlook

Speakers emphasized that stablecoins are likely to be concentrated in a handful of large coin issuers. While the U.S. leads in stablecoin-specific regulation, other countries are further ahead on broader digital asset frameworks, creating a competitive global environment. For U.S. financial institutions, the opportunity lies not in building their own stablecoins but in partnering through consortiums, leveraging vendors, and exploring use cases aligned with payments, Treasury, and liquidity management.

Crowe takeaway: Stablecoins are moving into regulated financial infrastructure. Institutions should begin exploring how stablecoins could fit into payment strategies, cross-border operations, and client services – while monitoring evolving accounting, audit, and regulatory requirements.

CECL

A panel of credit union and accounting professionals reflected on their experiences with CECL. Several years from the initial adoption phase, their collective message was that CECL has matured from a compliance exercise into a strategic tool – but only when governance, validation, and data discipline are applied consistently.

Model performance

Panelists noted that many models underperformed during backtesting in 2023 and 2024, which underscores the importance of continuous validation. Credit unions are encouraged to do the following:

- Evaluate model results over multiple time horizons, not just one period.
- Document every backtesting exercise, including methodology and results.
- Diagnose deviations by identifying whether they stem from data limitations, model logic, or changing portfolio behaviors.

Use of third-party models

While the panelists generally voiced no significant concerns about the mechanics of most third-party CECL models, they agreed that the biggest challenge is in the quality of inputs, assumptions, and documentation supporting the results. Models are only as reliable as the data feeding them. Poorly aligned inputs, unverified assumptions, and incomplete rationale can render otherwise sound models misleading. Panelists encouraged credit unions to do the following:

- Conduct backtests on vendor outputs to assess predictive accuracy.
- Perform sensitivity and stress testing on key assumptions (prepayments, recoveries, economic scenarios, and so on).
- Compare modeled losses to portfolio-level metrics such as portfolio life, charge-off patterns, and delinquency and problem loan trends before accepting results from a vendor model.

Qualitative factors

Qualitative factors, or overlays, continue to play a role in addressing known model limitations. Panelists cautioned, however, that qualitative factors should be specific and evidence-based, with an emphasis on those that provide meaningful considerations. An example of a qualitative factor discussed related to CECL models not being trained to predict post-pandemic lending behavior, including student loan repayment restarts, COVID-era forbearances, and changing loan lives as interest rates fluctuated. Panelists advised credit unions to keep qualitative factors specific and evidence-based, using qualitative factors that address material, verifiable gaps and typically not general uncertainties.

Negative qualitative factors can be appropriate if clear evidence and rationale exist. However, arbitrary downward adjustments should be avoided.

Refreshing model assumptions

Another theme was the growing recognition that CECL model assumptions need periodic recalibrations. Examples include updating data windows to include additional recent years to capture evolving credit behavior, evaluating life-of-loan and recovery assumptions, and updating loss given default metrics where backtesting has revealed consistent variances from actual performance.

CECL as a strategic tool

The theme of a shift in mindset closed out the CECL discussion. CECL is no longer viewed as a regulatory burden; it's becoming a strategic data asset that can inform pricing, underwriting, and capital planning for key decision-makers. Panelists encouraged credit unions to treat CECL outputs as forward-looking insights to support strategic decision-making. The panel agreed that the goal of a CECL outcome is to produce the most supportable and least biased estimate possible. Strong model governance, transparent qualitative factors, and consistent documentation form the foundation of that goal.

Other items of relevance for credit unions

Derivatives

Ryan Henley, CFA, of Stifel, provided a comprehensive overview of how credit unions can use derivatives and structured hedging to manage interest rate risk, protect margins, and improve balance sheet resilience. He emphasized that tools like interest rate swaps, caps, and floors have become mainstream risk management instruments, allowing credit unions to potentially exchange fixed and floating exposures, insure against extreme rate movements, and improve balance sheet stability without changing the underlying asset mix.

Beyond derivatives themselves, Henley discussed how credit unions are increasingly using forward-starting swaps to lock in future funding costs. These instruments allow management teams to hedge upcoming repricing events. He also touched on the emerging use of portfolio layer hedging for mortgage and investment portfolios, which allows credit unions to apply multiple "stacked" swap layers to closed pools of assets.

Henley's overarching message was that derivatives should now be viewed as strategic balance sheet tools, not exotic instruments. When paired with robust governance and data-driven modeling, swaps, caps, and collars can be used to help credit unions navigate an environment where balance sheet agility is necessary.

Growth strategies and operating in uncertainty

Members of the CFO panel discussed growth strategies through both organic and inorganic paths. Building organic growth through deposit relationships, branch expansion into banking deserts, and deepening member relationships remains a primary focus, with other diversified revenue streams through fintech partnerships and mergers remaining highly relevant and strategic.

The panel addressed talent pipelines and retention. Leaders are formalizing intern-to-hire programs with nearby universities, pairing entry roles with structured rotations, and creating deliberate internal mobility so high performers see visible pathways to occupational growth without leaving the credit union. For specialized roles (asset and liability management, model risk, cybersecurity), credit unions are blending hiring with upskilling, acknowledging that institutional knowledge plus targeted training can lead to a more sustainable workforce than competing in thin external markets.

The panel emphasized the importance of continuous, multiscenario planning to navigate uncertainty. CFOs described running rolling "what-if" analyses related to interest rates, liquidity, tax and policy changes, fraud and cyber events, and leadership transitions to stay ahead. Several noted that the last rate cycle reinforced a fundamental lesson: Prepared liquidity and pre-positioned tools enable proactive management rather than reactive decision-making.

The panelists also discussed how their institutions are incorporating AI into their credit unions. One use case highlighted that employees can use AI to handle routine human resources questions, significantly reducing call volumes and freeing up staff for higher-value work. Another panelist described using AI to generate reports – though noted challenges tied to data structure. AI tools are also increasingly used for meeting minutes, delivering concise summaries and saving teams time taking notes.

Finally, panelists tied these themes to scale economics and member value. As institutions approach regulatory thresholds, project governance and second-line oversight must mature without eroding front-line agility. The north star remains clear: Invest where growth improves member outcomes, diversify revenues to stabilize earnings through cycles, and keep the balance sheet nimble enough to act when conditions – and member needs – change.

Other topics

Other conference sessions included these topics:

- Auditing standards updates
- Accounting and auditing issues
- Balance sheet management
- Capital planning and asset and liability management
- Call report
- Cybersecurity
- Mergers and acquisitions
- Regulatory compliance
- Risk management
- System implementations and core conversions

Learn more

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