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Allowance for Loan and Lease Losses (ALLL)

Federal Reserve System: Board of Governors

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Supervisory Policy and Guidance Topics

Allowance for Loan and Lease Losses (ALLL)

The purpose of the ALLL is to reflect estimated credit losses within a bank's portfolio of loans and leases. Estimated credit losses are estimates of the current amount of loans that are probable that the bank will be unable to collect given the facts and circumstances since the evaluation date (generally the balance sheet date). That is, estimated credit losses represent net charge-offs that are likely to be realized for a loan or group of loans as of the evaluation date. The ALLL is presented on the balance sheet as a contra-asset account that reduces the amount of the loan portfolio reported on the balance sheet.

Policy Letters

Allowance for Loan and Lease Losses (ALLL)

SR 19-8	Frequently Asked Questions on the Current Expected Credit Losses Methodology (CECL)
SR 14-5 / CA 14-4	Interagency Guidance on Home Equity Lines of Credit Nearing Their End-of-Draw Periods
SR 13-18	Uniform Agreement on the Classification and Appraisal of Securities Held by Depository Institutions
SR 13-17	Interagency Supervisory Guidance Addressing Certain Issues Related to Troubled Debt Restructurings
SR 12-3	Interagency Guidance on Allowance Estimation Practices for Junior Lien Loans and Lines of Credit
SR 07-1	Interagency Guidance on Concentrations in Commercial Real Estate
SR 06-17	Interagency Policy Statement on the Allowance for Loan and Lease Losses (ALLL)
SR 06-15	Interagency Guidance on Nontraditional Mortgage Product Risks
SR 05-11	Interagency Credit Risk Management Guidance for Home Equity Lending
SR 03-1	Account Management and Loss Allowance Methodology for Credit Card Lending
SR 01-17 (SUP)	Final Interagency Policy Statement on Allowance for Loan and Lease Losses (ALLL) Methodologies and Documentation for Banks and Savings Institutions
SR 01-4 (GEN)	Guidance on Supervision of Subprime Lending
SR 95-42 (SUP.IB)	Allowance for Loan and Lease Losses for U.S. Branches and Agencies of Foreign Banking Organizations
SR 95-38 (SUP)	Supervisory Guidance Related to FASB Statement No. 114
SR 95-4 (SUP.IB)	Allowance for Loan and Lease Losses for U.S. Branches and Agencies of Foreign Banking Organizations
SR 92-39	Notification to State Member Banks on Federal Reserve Confirmations of Charge-offs Declared for Tax Purposes

Current Expected Credit Losses (CECL) Methodology

SR 20-12	Interagency Policy Statement on Allowances for Credit Losses
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SR 20-9	Joint Statement on Interaction of the Regulatory Capital Rule: Revised Transition of the CECL Methodology for Allowances with Section 4014 of the Coronavirus Aid, Relief, and Economic Security Act
SR 19-8	Frequently Asked Questions on the Current Expected Credit Losses Methodology (CECL)
SR 16-12	Interagency Guidance on the New Accounting Standard on Financial Instruments – Credit Losses

Additional Resources

- [Frequently Asked Questions on the New Accounting Standard on Financial Instruments--Credit Losses](#)
- [Call Report Instructions](#)

Manual References

- [Bank Holding Company Supervision Manual](#)
 - Section 2065.2, "Determining an Adequate Level for the Allowance for Loan and Lease Losses (Accounting, Reporting, and Disclosure Issues)"
 - Section 2065.3, "Maintenance of an Appropriate Allowance for Loan and Lease Losses (Accounting, Reporting, and Disclosure Issues)"
 - Section 2065.4, "ALLL Methodologies and Documentation (Accounting, Reporting, and Disclosure Issues)"
- [Commercial Bank Examination Manual](#)
 - Section 2070.1, "Allowance for Loan and Lease Losses"
 - Section 2072.1, "ALLL Methodologies and Documentation"
 - Section 2073.1, "ALLL Estimation Practices for Loans Secured by Junior Liens"

Related Topics

[Asset Quality](#)

[Credit Risk Management](#)

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