NAR Issue Brief
What a Government Shutdown Means for REALTORS®

Congress has failed to approve a Continuing Resolution (CR) providing funding for most government operations. Therefore, spending authority for most of the government expired at midnight on September 30, 2013. Until legislation providing for funding is signed into law, many offices and programs of the federal government are now shut down. This means many, but not all, government programs, including some that impact federal housing and mortgage programs, have been suspended or slowed due to the lapse in government funding. The Office of Management and Budget (OMB) requires each agency to have contingency plans in place. The information below is based on NAR staff review of agency agency contingency plans for the current shutdown and past experience with previous shutdowns and near-shutdowns.

Federal Housing Administration
HUD's Contingency Plan states that FHA will endorse new loans in the Single Family Mortgage Loan Program, but it will not make new commitments in the Multi-family Program during the shutdown. FHA will maintain operational activities including paying claims and collecting premiums. Management & Marketing (M&M) Contractors managing the REO portfolio can continue to operate. You can expect some delays with FHA processing.

VA Loan Guaranty Program
Lenders will continue to process and guaranty mortgages through the Loan Guaranty program in the event of a government shutdown. Expect some delays during the shutdown.

Flood Insurance
The Federal Emergency Management Agency (FEMA) confirmed that the National Flood Insurance Program (NFIP) will not be impacted by a government shutdown, since NFIP is funded by premiums and not tax dollars. Changes to the flood insurance program scheduled to take effect on October 1 will be implemented as scheduled.

Rural Housing Programs
For the U.S. Department of Agriculture programs, essential personnel working during a shutdown do not include field office staff who typically issue conditional commitments, loan note guarantees, and modification approvals. Thus, lenders will not receive approvals during the shutdown. If the lender has already received a conditional commitment from the Rural Development office, then the lender may proceed to close those loans during the shutdown. A conditional commitment, which is good for 90 days, is given to a lender once a USDA Underwriter approves the loan. If a commitment was already issued, the funds were already set aside and the lender may close the loan at its leisure. If Rural Development has not issued a conditional commitment, the lender must wait until funding legislation is enacted before closing a loan.

It is important to note that the traditional definition of "rural" for qualifying communities for assistance will be continued in effect during the shutdown. We expect that language to continue the current definition will be included in whatever funding measure is eventually enacted.

Government Sponsored Enterprises
Fannie Mae and Freddie Mac will continue operating normally, as will their regulator, the Federal Housing Finance Agency, since they are not reliant on appropriated funds.

Treasury
The Making Home Affordable program, including HAMP and HAFA, will not be affected as the program is funded through the Emergency Economic Stabilization Act which is mandatory spending not discretionary.

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Internal Revenue Service (IRS)
The IRS is closed and has suspended the processing of all forms, including tax return transcripts (Form 4506T). These transcripts are required for many kinds of loans, including FHA and VA, so delays can be expected if the shutdown is protracted.

Social Security Administration (SSA)
The Social Security Administration is closed and has suspended most customer service functions. According to the SSA Contingency Plan, verifying Social Security numbers through the Consent Based SSN Verification Service will also be suspended during the shutdown, a further complication for mortgage processing.