

What a Government Shutdown Means for REALTORS®

As of December 21, 2024

If Congress is unable to agree on the provisions of Continuing Resolutions (CRs) to fund the federal government by March 14, 2025, the result will be a partial shutdown of some government operations. This partial shutdown will include some federal housing, mortgage, and other programs of interest to the real estate industry. Essential services, such as the post office, will continue to run. A summary of the impact on selected agencies is provided below.

While this is a very politically dynamic event, NAR staff will continue to monitor federal agencies and work with Congress, the Administration, and other groups to assess ongoing impacts to NAR members and their businesses.

Environmental Protection Agency

Under EPA's [shutdown plan](#), most employees will be furloughed. This will affect various regulatory programs and compliance activities, such as wetlands determinations under the 404 program and enforcement of the lead-based paint disclosure and renovation, repair, and painting programs.

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Federal Housing Administration

HUD's Contingency Plan states that FHA will endorse new loans in the Single Family Mortgage Loan Program except for HECM and Title 1 loans. 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. FHA Contractors managing the REO/HUD Homes portfolio can continue to operate. Some delays with FHA processing may occur due to short staffing. FHA updated policies to allow borrowers to obtain private flood insurance. Should the NFIP lapse, FHA borrowers can obtain flood insurance from the private market. [Read more about these delays](#).

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Government Sponsored Enterprises

During previous shutdowns, Fannie Mae and Freddie Mac have continued normal operations since they are not reliant on appropriated funds. There are four key areas of consideration:

- **Verification of Employment:** For homebuyers employed by the federal government, both Fannie Mae and Freddie Mac allow for verification of employment to occur after closing but prior to delivery of the loan.
- **Tax Transcripts:** Freddie Mac requires all borrowers to sign a 4506T (Request for Transcript of Tax Return) request form prior to close, but the request does not have to be processed prior to close. Fannie Mae requires the same unless the borrower's income can be verified through Fannie Mae's proprietary Desktop Underwriter verification system, in which case no 4506T is required. During past government shutdowns, the IRS suspended the issuance of tax return transcripts.



- Verification of Social Security Number: Sometimes, social security numbers are disputed and must be verified. Fannie Mae allowed lenders to verify the numbers prior to delivery in the 2018 shutdown as a precaution but did not allow delivery if the number was not confirmed. Freddie Mac does not require verification of social security number.
- Proof of flood insurance coverage application: Both Freddie Mac and Fannie Mae requires a completed application for flood insurance and a copy of a check for the first premium, or the settlement statement reflecting payment of the initial premium, or the assignment of an existing policy from the old owner.

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Internal Revenue Service

While the IRS has not yet released its shutdown contingency plan, in past government shutdowns the agency has consistently held that its employees can remain on the job during shutdowns only if their duties protect the government. For example, during the 2018 closure, the roughly 12 percent of employees who were required to report to work could open mail only in search of checks payable to the government and were not allowed to answer taxpayer phone calls, issue tax refunds, release liens and levies or perform most other taxpayer services.

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National Flood Insurance Program (NFIP)

During a lapse of authority, the NFIP may not sell new or renewal flood insurance policies. Existing NFIP policies will remain in effect until their expiration date, and claims will continue to be paid until funds run out. NFIP policies may be assigned from seller to buyer during a lapse, and most lending regulators have issued guidance providing flexibility. Private market flood insurance is also an option. For more information, please see [NAR's Frequently Asked Questions \(FAQs\) document on NFIP authorizations](#).

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Rural Housing Programs

The U.S. Department of Agriculture will not issue new rural housing Direct Loans or Guaranteed Loans. Scheduled closings of Direct Loans will not occur. Scheduled closings of Guaranteed Loans without the guarantee previously issued would be closed at the lender's own risk.

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Veterans Affairs

The U.S. Department of Veterans Affairs Loan Guarantee Service will remain operational but with a limited



staff. It is possible to expect similar delays as the Federal Housing Administration.

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Small Business Administration

During the shutdown, the SBA will not process new loans or approve routine small-business loans, including the CDC 504 Loan Program and the 7(a) Loan Program; however, the agency will continue to close previously approved CDC 504 Loans and carry out limited loan servicing and liquidation activities. The Office of Advocacy will also cease operations. The SBA will continue to issue Disaster Loans should the need arise.

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Visa Programs – EB-5 and H-2B

Although the EB-5 Immigrant Investor Regional Center Program receives government funding, its current operations are funded and authorized through September 30, 2027. Due to its reliance on some independent funding sources, the EB-5 Immigrant Investor Regional Center Program will continue to operate during this most recent shutdown. However, application times may be delayed because other agencies, such as the State Department, will shutdown and result in staffing shortages and additional delays. Investors may continue to file I-526 petitions and timely responses to USCIS Requests for Evidence (RFE) and Notices of Intent to Deny (NOID). In addition, investors may continue to prepare and file I-829 petitions.

The processing of labor condition applications for various work visas, including the H-2B visa, will be shut down. Similarly, the processing of prevailing wage, labor certification, and other DOL Office of Foreign Labor Certification (OFLC) operations will cease. DOL/OFLC personnel will not be available to respond to inquiries, and web-based systems for filing, status checks, and uploading documents, among other features, will be offline. Deadlines related to DOL applications and procedures are typically modified.

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Delays in Agency Regulations

As a result of the government running only essential services, other agency actions, such as publishing proposed and final rules, are expected to be delayed. For example, the Financial Crimes Enforcement Network (FinCEN) is expected to release a notice of proposed rulemaking on anti-money laundering regulations for the real estate sector, which could potentially include new disclosure rules for real estate professionals to file in certain all cash transactions. For the latest on NAR's engagement on and tracking of rulemaking activities, check out the [Washington Report](#).



Federal Government Shutdown Survey

In a previous NAR survey of members on the impact of government shutdowns on their business, 75 percent had no impact on their contract signings or closings. However, 11 percent did report an impact on current clients and 11 percent on potential clients.

If respondents reported an impact on current or potential clients, they were asked for further details. Respondents were allowed to pick multiple responses, as they were working with more than one client. The most common impact, at 25 percent, was the buyer decided not to buy due to general economic uncertainty, though they were not a federal government employee. Among those impacted by the shutdown, 1 percent had a closing delay because of a USDA loan.

