

# What a Government Shutdown Means for REALTORS®

(As of December 21, 2018)

If a Continuing Resolution (CR) to fund the federal government is not passed by Congress and signed by the President by midnight on December 21, 2018, a partial shutdown of some government operations will occur. This partial shutdown would include some federal housing and mortgage programs. The information below is based on NAR staff review of agency contingency plans for the current shutdown and experience with previous shutdowns.

## Flood Insurance

An extension of the National Flood Insurance Program (NFIP) is currently attached to the CR. Without an extension, NFIP cannot sell flood insurance policies after midnight on December 21. Existing policies will not be affected until 30 days after their renewal date. Homebuyers will be able to assume existing policies and claims will continue to be processed and paid as usual. For more information, click [here](#) to read NAR's answers to [frequently asked questions](#) about NFIP.

## Federal Housing Administration

HUD's Contingency Plan states that FHA will endorse new loans in the Single Family Mortgage Loan Program except for HECM loans. It would 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 (click [here](#) for more info).

## Internal Revenue Service

The IRS will close and suspend the processing of all forms, including requests for tax return transcripts (Form 4506T). While FHA and VA do not require these transcripts, they are required by many lenders for many kinds of loans, including FHA and VA, so delays can be expected if the shutdown is protracted. Some loan originators may adopt revised policies during the shutdown, such as allowing for processing and closings with income verification to follow, as long as the borrower has signed a Form 4506T requesting IRS tax transcripts. On loans requiring a Form 4506T Fannie Mae and Freddie Mac may adopt relaxed provisions allowing closings but subject to tax transcript verification before the GSE's purchase the loans.

## Government Sponsored Enterprises

During previous shutdowns, Fannie Mae and Freddie Mac have continued normal operations, similar to their regulator, the Federal Housing Finance Agency, since they are not reliant on appropriated funds. Fannie and Freddie may announce relaxed procedures that would permit closings to go forward without federal verification of Social Security numbers and IRS tax transcripts. However, lenders would still have to obtain federal verification of both before the GSE's will accept loans for purchase. Any relaxed requirements would not apply to loan modification re-financings.

## Veterans Affairs Loan Guaranty Program

The Veterans Affairs (VA) loan guaranty program will be operational. In addition, VA projects that "95.5% of VA employees would either be fully funded or required to perform excepted functions during a shutdown" (click [https://www.va.gov/opa/appropriations\\_lapse\\_plan.asp](https://www.va.gov/opa/appropriations_lapse_plan.asp)).

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## Rural Housing Programs

The U.S. Department of Agriculture would 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.

## Social Security Administration

The Social Security Administration will close, but checks will still be processed and distributed. According to the SSA Contingency Plan, verifying Social Security numbers through the Consent Based SSN Verification Service would be suspended. Fannie Mae and Freddie Mac are expected to adopt policies to allow for closing subject to subsequent verification and before GSE purchase of the loan.