

What a Government Shutdown Could Mean for REALTORS®

As of December 1, 2021

By midnight on December 3, 2021, the President and Congress must agree on a Continuing Resolution (CR) to fund the federal government or we could have a partial shutdown of some government operations. This partial shutdown includes some federal housing, mortgage, and other programs of interest to the real estate industry. Review below the impact a federal government shutdown could have on selected agencies.

Environmental Protection Agency

Under EPA's plan, most employees would be furloughed. This would impact various 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. This could cause delays and increase costs for housing development and transactions.

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Federal Data Collection and Release

The federal government collects and releases substantial economic data and reports that are used by the real estate sector. A shutdown could result in some of this data not being collected and released. This lack of data may make investors and consumers nervous. During a shutdown, the Bureau of Economic Analysis, Department of Agriculture, the Department of Commerce, the Commodity Futures Trading Commission and the Census Bureau would not have the funds to operate. This means that these agencies cannot collect and release data in many economic sectors, such as international trade, public pensions, housing, durable goods, agricultural prices and production, GDP, commodity markets and personal income.

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Federal Housing Administration

During the last shutdown, HUD's Contingency Plan stated that FHA would 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 maintained operational activities including paying claims and collecting premiums. FHA Contractors managing the REO/HUD Homes portfolio continued to operate. Some delays with FHA processing might occur due to short staffing. [Read more about these delays.](#)

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Government Sponsored Enterprises (GSEs)

During previous shutdowns, Fannie Mae and Freddie Mac have continued normal operations since they are not reliant on appropriated funds. In previous shutdowns there has been confusion about whether the GSEs require tax transcripts for closing. Freddie Mac requires all borrowers to sign a 4506T 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.

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Internal Revenue Service

In the event of a shutdown, 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. Delays can be expected if the shutdown continues. 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, see the GSE section above for additional details.

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National Flood Insurance Program (NFIP)

The NFIP's authority to issue flood insurance policies is currently set to expire on September 30 unless Congress acts. In the past, NAR and others have successfully attached an NFIP extension to the Continuing Resolution which would keep the government operating. Since there is a chance that NFIP could expire if the government shuts down, there are a number of steps your clients can take today to ensure flood insurance is available at closing over the next few weeks. Read NAR's FAQ outlining the flood insurance options during an NFIP lapse. <https://www.nar.realtor/national-flood-insurance-program/faq-national-flood-insurance-program-expires-september-30-2021>

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Rural Housing Programs

The current U.S. Department of Agriculture protocol for a government shutdown provides that USDA State Directors and their respective staff will be expected to service existing Direct and Guaranteed Rural Housing Loans.

There is no provision for the issuance of new Rural Housing Direct Loans or Guaranteed Loans.

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Visa Programs – EB-5 and H-2B

U.S. Citizenship and Immigration Services (USCIS) would continue operations during a shutdown due to the fact that its revenue is derived from filing fees paid by immigrant investor applicants. This means that USCIS would continue to receive and process Form I-485, the Application to Register Permanent Residence or Adjust status. This would allow foreign investors to continue to participate in the U.S. economy and fulfill the jobs and hiring requirements under the EB-5 program and continue the H-2B temporary jobs program.

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