

# What a Government Shutdown Means for REALTORS®

(As of January 10, 2019)

As of midnight on December 21, 2018, the President and Congress were unable to agree on the provisions of a Continuing Resolution (CR) to fund the federal government. As a result, a partial shutdown of some government operations has occurred. This partial shutdown includes some federal housing, mortgage and other programs of interest to the real estate industry. A summary of the impact on selected agencies is provided below.

While this is a very politically dynamic event, NAR staff 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 are now 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 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. [Read more about these delays.](#)

On Jan. 9, the FHA sent a [letter](#) urging seller/servicers to offer "special forbearance" to furloughed federal workers and contractors suffering a loss of income due to the government shutdown. In a [letter](#) to lenders, FHA Commissioner Brian Montgomery said servicers are reminded "of their ongoing obligation" to offer forbearance, citing the agency's handbook.

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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. On December 26<sup>th</sup> both GSEs updated or clarified their loan purchase requirements in case of a shutdown. 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

The IRS will resume 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

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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)

After NFIP operations were initially suspended over questions raised by government attorneys, NAR worked with the White House and Congress to clarify that the government shutdown does **not** affect the sale or renewal of flood insurance policies or the payment of claims on existing policies. Disaster relief, airport screenings and other essential homeland security functions are unaffected. [View the FEMA release](#) resuming the full and normal operations of the NFIP.

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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 will be closed at the lender's own risk.

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## Visa Programs - EB-5 and H-2B

Until the shutdown ends and the Regional Center EB-5 program extension is signed into law, the EB-5 Immigrant Investor Regional Center Program is suspended and no new I-526 petitions can be filed. Investors must continue to file 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.

While the Department of Labor was funded for 2019, the Department of Homeland Security was not. Therefore, while the H-2B Temporary Worker Visa program is still operational for workers currently in the U.S., the DHS is unable to approve any new or returning workers under an H-2B visa.

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## Federal Government Shutdown Survey

An [NAR survey](#) of 2,211 members found 75 percent had no impact to 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 further details. Respondents were allowed to pick more than one response, as they may be 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, 17 percent had a closing delay because of a USDA loan.