MORTGAGE BANKERS ASSOCIATION

Government Shutdown Implications for the Mortgage Industry

As Congress continues to negotiate appropriations bills and/or a continuing resolution to fund the United States government for FY 2024, Federal agencies are preparing for the possibility of a government shutdown when the current appropriations expire in just two weeks on Saturday, September 30. While we are hopeful that Congress and the President will come to an agreement that keeps the government operating, there is a strong possibility that a lapse in funding will occur.

A shutdown would necessitate a furlough of certain federal employees and significant curtailment of agency operations. Employees exempted from a furlough include those performing emergency services protecting human life and property, individuals executing minimal activities to suspend agency operations, and other work deemed "excepted" by the Office of Management and Budget (OMB) and agency heads. Agencies and employees are "exempt" from furloughs if they are not affected by a lapse in appropriations. To prepare for the possibility of a shutdown, the OMB requires federal agencies to develop contingency plans detailing the respective agency operations that will continue or cease throughout a shutdown. See below for a summary of potential mortgage-related impacts stemming from a shutdown.

I. Department of Housing and Urban Development (including FHA and Ginnie Mae)

As with previous shutdowns, operations of the Department of Housing and Urban Development (HUD), including the Federal Housing Administration (FHA) and Ginnie Mae, would be reduced considerably, which may impede the processing and closing of mortgage loans. The FHA Office of Single-Family Housing will continue to endorse new loans, with the exception of Home Equity Conversion Mortgages (HECM), Title I loans, and loan endorsements that require assessment by an FHA underwriter (i.e., non-direct endorsements). The Office of Multifamily housing will conduct closings and endorsements for projects with Firm Commitments/Firm Approval Letters issued prior to the shutdown. Other requests will only be handled on an emergency basis, or the imminent threat to the safety of the residents, or to the protection of property in HUD-insured or assisted multifamily projects.

Lenders will continue to have access to HUD systems, such as FHA Connection, as it will remain operational. However, actions that require HUD personnel to respond will be delayed or suspended. The same applies to lender inquiries submitted to FHA Resource Centers, which will remain open to answer general questions, but responses requiring escalation will be delayed. FHA will continue to pay partial claims in the event of a shutdown.

Ginnie Mae will be largely unimpacted by a shutdown, as it has a two-year MBS guarantee commitment authority that a lapse in appropriations will trigger with the approval of OMB.

II. Department of Veterans Affairs

The Department of Veterans Affairs (VA) has yet to release an updated contingency plan for 2023. In its absence, MBA will refer to its prior plan released in 2021. If VA adopted a similar plan, it would allow its loan guaranty programs to operate at a reduced capacity in the event of a government shutdown for a limited period of time.

III. US Department of Agriculture Rural Development

The US Department of Agriculture (USDA) has yet to release an updated contingency plan for 2023. MBA will refer to its prior plan released in 2021. If USDA adopts a similar plan, in the absence of appropriations USDA Rural Development will cease operations – including most mortgage operations within the Single Family Housing Guaranteed Loan Program (SFHGLP), with the exception of functions approved by the Deputy Under Secretary for Rural Development to facilitate activities already in progress, such as (but not limited to) construction draws; review and processing of guaranteed loss claims; and actions necessary to support foreclosure sales.

IV. Fannie Mae, Freddie Mac and the FHLBanks

Fannie Mae and Freddie Mac would not be directly affected except to the extent that they rely on functions of other affected agencies. The Federal Home Loan Banks (FHLBanks) would not be directly affected.

V. National Flood Insurance Program

The National Flood Insurance Program (NFIP) expires on September 30 at 11:59 PM. As a result, existing NFIP policies will remain in effect until their expiration, but new policies (including renewals) cannot be issued until the program is reauthorized.

VI. IRS

In recent years, and as a direct result of MBA advocacy, the IRS's Income Verification Express Service (IVES) and Revenue & Income Verification Service (RAIVS) have been classified as exempt activities from the Anti-Deficiency Act. These services were therefore authorized to continue despite a lapse in appropriation. The IRS has yet to release an updated contingency plan for Fiscal Year 2024. MBA is prepared to advocate for these exemptions again should the need arise.

VII. Social Security Administration

The Social Security Administration's contingency plan fails to explicitly mention social security number verification or the electronic Consent Based Social Security Number

> Verification (eCBSV) service. The contingency plan broadly lists “benefit verifications” and “requests from third parties for queries” as a discontinued activity during a funding lapse. It is MBA’s understanding that in the past the SSA has not processed requests for verification of social security numbers during a government shutdown. Automation provided by eCBSV may improve outcomes.

Although it is difficult to quantify or predict all of the impacts of a government shutdown, lenders processing government-insured loans should expect significant delays should a shutdown occur. A shutdown lasting a few days would slightly inconvenience lenders in processing loans; however, a longer delay would have more severe impacts. MBA will keep its members notified of any and all relevant developments.