How a government shutdown will impact real estate and housing

Homebuyers and sellers could be in store for headaches–but not any long-term setbacks–if congressional budget talks fail to avert a government shutdown, housing experts said Friday.

As of the time of this article's publication, a dispute in the Senate over the immigration program DACA still had not been resolved, and the U.S. federal government was set to shut down as of 12:01 a.m. ET on Saturday, January 20. If that happens, the Internal Revenue Service (IRS), Social Security Administration and the Department of Housing and Urban Development (HUD) are all set to furlough large swaths of workers, significantly delaying mortgage approval until work resumes.

Banks and private lenders will operate as usual, experts told Inman News. But the mortgage applications they approve or deny include tax records and financials requiring certification. Fannie Mae and Freddy Mac, despite being government-sponsored enterprises, are not government agencies–and therefore would not be affected.

At the HUD, which oversees the Fair Housing Act, nearly all of the agency's approximately 8,500 employees expect to be furloughed, a decision that would put a halt to all "meetings, visits and appearances" by HUD employees. Borrowers who apply for loans through the Federal Housing Administration (part of HUD) or the Department of Veterans Affairs will face delays.

National Association of Realtors President Elizabeth Mendenhall emphasized that a long-term shutdown could pose larger problems for the housing market and called on senators to vote in favor of a budget extension Friday.

On Thursday, House Republicans voted to extend a budget deadline past Friday, but oddsmakers predicted that without concessions on immigration, including permanent protection for so-called Dreamers in the federal DACA program, Democrats would largely vote against the measure, triggering the shutdown.

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“The government shutdown will have an impact on real estate transactions should it continue for an extended period of time,” said Mendenhall in a prepared statement. “The National Association urges Congress to come together and reach an agreement to keep the government open and avoid any negative effects on our military, federal employees, housing markets and the economy.”

The overall impact of a shutdown on the economy or housing market, however, would likely be negligible, since mortgage approval would resume eventually, said economists at Redfin and the National Association of Realtors. In October 2013, during which the government shut down for two weeks, sales volume declined modestly nationwide and in Washington D.C. but rebounded soon after government employees returned to work, according to Redfin data. Total sales volume declined 16.9 percent, month over month, but rebounded over several months.

“At the time it was a big deal for the government to shut down for a couple of weeks and there was a lot of concern, but what that ended up being was just a blip on the radar screen for both housing and the economy,” Redfin Chief Economist Nela Richardson told Inman. “It didn’t really amount to a hill of beans. So maybe there’s a false comfort that we can easily shut down the government without economic impact. That could be proven wrong, but what we have to go by is what

happened the last time around, and it just didn't make that much of a difference."

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