



## Government Shutdown Continues. What Does it Mean for Multifamily?

As the 116<sup>th</sup> Congress is sworn in, the partial government shutdown continues, stretching almost into its third week with a legislative solution palatable to both parties still unclear. So, what does the shutdown mean for the multifamily industry?

It is important to note that the current shutdown is a partial one. Roughly one-quarter of the government is without funding, meaning that a majority of agencies, programs and federal employees are unaffected. However, the shutdown has unfortunately affected agencies important to the multifamily industry). Depending on the length of the shutdown, additional programs may be at risk.

Below is a list of government programs and agencies impacted by the shutdown and the potential impact on the multifamily industry.

### Department of Housing and Urban Development (HUD)

The shutdown severely affects HUD and as a result, all nonessential staff (about 95 percent or 7,109 employees) are not reporting to work. Affected HUD programs include:

- *Tenant-Based Rental Assistance.* Housing assistance payments (HAP) will be disbursed. Obligated HAP funds are available for draw. HUD will not process requests for tenant protection vouchers for public housing or multifamily actions during the shutdown. Public Housing Authorities (PHAs) are not required to cease issuing vouchers as they are not federal programs. However, many PHAs receive significant federal funding, which may lead to budgetary and operational impacts.
- *Project-Based Rental Assistance.* HUD plans to draw on advanced appropriations to continue housing payments for project-based contracts. HUD will make payments under Section 8 contracts, rent supplement, Section 236 and project rental assistance contracts on an as-needed basis to ensure ongoing viability of assets and preservation of affordable housing.
- *HOME Investment Partnerships Program and CDBG.* HUD will continue to disburse CDBG, HOME and other block grant funds where prior year funds have been obligated. CDBG-DR will continue to be funded through multi-year appropriations.

Notably, HUD will also continue to close multifamily loans but only on projects with firm commitments that have a scheduled closing date or projects with critical external deadlines during the shutdown. Lenders may still assign a loan. However, the processing of the claim will be delayed, according to HUD's contingency plan.

More information on HUD's contingency plan can be found [here](#), while a FAQ document is available [here](#).

### National Flood Insurance Program (NFIP)

- The NFIP was extended ahead of the government shutdown through May 31, 2019. There was a delay when Federal Emergency Management Agency (FEMA) notified insurers and insurance agents on Dec. 26 that it cannot sell or renew flood insurance policies backed by the program because of a lack of government funding. However, FEMA rectified that decision on Dec. 28

when it stated insurers “may resume the sale, renewal, and monetary endorsements for flood insurance policies.”

### **Federal Housing Authority (FHA)**

- FHA operations, including loan processing, may slow due to reduced staff caused by furloughs of nonessential staff. Per a communication on January 4 most FHA Multifamily activities will cease for the duration of the shutdown. During the first 30 business days of the shutdown the following will apply:
  - Closings will be conducted for FHA Multifamily Initial Endorsements on projects with Firm Commitments issued on or prior to December 21, 2018, that have a scheduled closing during the shutdown period, and closings on Final Endorsements that have critical external deadlines. Questions should be directed to the Regional Production Division Director by e-mail to confirm scheduled closing dates.
  - MAP Lenders servicing construction loans and administering non-critical repair escrows may, at their and Owners’ and General Contractors’ risk, process interim construction draws. Contract construction inspections which have been funded will be conducted. HUD will perform or review construction inspections on a post-review basis at such time the government re-opens.
  - No change orders will be processed or approved.
  - No applications for Multifamily FHA mortgage insurance will be accepted or processed.

### **Fannie Mae and Freddie Mac**

- Fannie Mae and Freddie Mac, which are not funded by the government, will remain open during the shutdown.

### **Internal Revenue Services (IRS)**

- Non-essential IRS employees have been furloughed, potentially leading to delays on any transactions that need taxpayer information.

### **Environmental Protection Agency (EPA)**

- While the EPA did have contingency funds in case of a government shutdown, those funds have largely been exhausted. Accordingly, more than 13,000 employees will be furloughed. This could result in permit review delays, slowed time frames for pending rules and delays in legal settlements.

### **Department of Homeland Security (DHS)**

- The E-Verify system is not functioning due to the shutdown. Employers will not be penalized for any delays in creating E-Verify cases. However, DHS reminds employers that they must continue to complete I-9s in compliance with the law, and, when E-Verify becomes available again, create cases in the E-Verify system.

As the shutdown continues, NMHC will provide relevant updates. Please contact Cindy Chetti ([cchetti@nmhc.org](mailto:cchetti@nmhc.org)) or Colin Dunn ([cpdunn@nmhc.org](mailto:cpdunn@nmhc.org)) with any questions.