



End to Government Shutdown Avoids Risk of Home Sale Delays

A deal to reopen federal agencies means residential lending and flood insurance policies should move ahead as usual.

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By Lidia Dinkova



Mark Meland of Meland Russin & Budwick in Miami.

U.S. Senate progress Monday to end the federal government shutdown was good news for federal employees facing furloughs as well as home buyers facing dragged-out deals.

More than a brief shutdown would prolong buying a single-family home or condominium unit. Several forms of federal home loans and new federal flood

insurance policies faced slowdowns if the shutdown stretched more than a few hours into the workweek.

The U.S. Senate on a bipartisan vote Monday approved funding government agencies through Feb. 8. Democrats agreed to vote for the bill, and at the same time Senate Majority Leader Mitch McConnell agreed to begin debating an immigration bill by the same day.

Negotiations bogged down Friday on a spending bill, essentially setting the stage for the weekend shutdown.

As of Monday afternoon, the House still needed to vote on the bill to fund the government for little more than two weeks. After that, the bill needs to be signed by President Donald Trump.

If the Senate standoff continued, the effects of a shutdown would have kicked in after Monday, said George Jalil, chairman of the board of directors of the Miami Association of Realtors.

It would have delayed closings through the U.S. Housing and Urban Development and Federal Housing Administration because the two agencies scale back operations during a shutdown, said Jalil, a broker with Real Living-First Service Realty.

“They have less folks working in their offices, so the title company takes longer for them to process, and then it takes longer for the seller to get their money and the buyer to get their key,” he said.

Also, deals for homes requiring flood insurance through the National Flood Insurance Program could have been delayed, Jalil added. The Federal Emergency Management Agency, which manages the program, works with fewer staff members during a shutdown.

Lenders can close Veterans Administration loans, but they can't close U.S. Department of Agriculture loans issued for housing in rural areas because the USDA has to approve these loans, according to Craig Garcia, president of Capital Partners Mortgage LLC in Coral Springs.

IRS income verification was a factor that created a backlog in transactions during the previous shutdown in 2013, which lasted from Oct. 1-17. But

Garcia said changes in procedures and technology have all but eliminated a federal role.

The process to verify a buyer's income has been streamlined and can be done without turning to the IRS for records, Garcia said.

"As time went on, we did come up with ways to work around that," he said. "I think we have more ways to work around the issue than we did back then. Back then, that was stopping the train on the tracks for a lot of people."

Meland Russin & Budwick partner Mark Meland, who works on residential deals, said the federal government isn't involved on the income side of transactions any more.

"Typically what happens is that (income) is actually verified with the employer. For instance, in my law firm, if a paralegal was going for a loan, typically the lender would call our office and asks for income verification. They are not really dealing with any government agency. They are dealing with borrowers' employers," the Miami attorney said.

Technology also has speeded up the income verification step for home loans, Garcia said. Companies such as The Work Number specialize in providing employment, income and other verification about a borrower to lenders.

"This technology is actually helping customers more easily get a mortgage today in spite of the shutdown. Customers now can apply for the mortgage, we can — if their employer is reporting their income to one of these companies ... we can sometimes pull the customers' income information directly from The Work Number, basically feed it into Fannie Mae, it will read it and say, 'We see the information in The Work Number, and we have accepted the income for the customer.' We now don't even need to get pay stubs, W-2s and tax returns. It's actually helping us deliver a better, smoother service to the customer."

The Work Number is provided by Equifax Inc., a credit reporting agency that made headlines last fall with a massive cybersecurity breach that affected millions of consumers.