How the Government Shutdown Puts Working Families at Risk

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Washington, D.C. – As the longest federal government shutdown in our nation's history drags on, attorneys at the National Consumer Law Center (NCLC) raised concern as to how working families could potentially be harmed long after the government reopens its doors.

Potential Foreclosures Loom for Vulnerable Homeowners
Advocates at 15 national and state housing organizations sent a letter to U.S. Department of Agriculture Secretary Perdue requesting the USDA issue a stay of all judicial and non-judicial foreclosure activity on direct and guaranteed single family home loans during the government shutdown. This stay should include postponing timelines for borrowers to obtain the loss mitigation options available under these programs. Many homeowners with direct and guaranteed loans are unable to obtain hardship assistance while the agency is closed because the Department plays a critical role in approving alternatives to foreclosure in both programs.

Additionally, the shutdown interferes with foreclosure prevention assistance from the U.S. Department of Housing and Urban Development (HUD) affecting both traditional and reverse mortgages, as detailed in a letter sent to HUD by 37 national and state housing, civil legal aid, and consumer groups. Recently widowed spouses of older homeowners, as well as other reverse mortgage borrowers seeking relief, are facing foreclosure and eviction from their homes because they are unable to obtain approval from HUD to remain in their homes. In addition, FHA home loan borrowers who are having problems obtaining assistance from their mortgage company are unable to seek assistance from HUD's National Servicing Center. Housing advocates at NCLC said HUD should issue a stay of all judicial and non-judicial foreclosure activity on forward and reverse FHA mortgages during the shutdown.

"The shutdown is pushing vulnerable homeowners into foreclosure because they cannot get hardship assistance approved by the government," **said Alys Cohen, staff attorney at the National Consumer Law Center**. "If the IRS can restart procedures to help with new mortgage loans, the U.S. Department of Agriculture and HUD should ensure that existing homeowners are not unnecessarily pushed out."

Delay of Tax Refunds Could Harm Working Poor
With tax season scheduled to begin January 28, it's unclear whether there will be delays in issuing refunds due to IRS staffing shortages. The IRS may not be able to process refunds as quickly with only 50% of its workforce recently recalled and backups from before the recall. Furthermore, the IRS has historically hired and fully trained more than 10,000 seasonal employees by this time each year to assist with the filing season. "It's hard to imagine the IRS would be able to issue timely refunds under these circumstances," **said National Consumer Law Center Of Counsel Mandi Matlock.**

Low-income taxpayers will likely receive their refunds even later this year, on top of existing delays because refunds cannot be issued before February 15 if they include the Earned Income Tax Credit (EITC) or Additional Child Tax Credit (ACT). The ETIC and ACT credits supplement modest wages and help raise children and families out of poverty. These EITC and ACT returns are complex and many taxpayers will have questions in the preparation process that might not be answered because there are fewer workers staffing the phones at the IRS.

"We are also worried that tax preparers who offer refund anticipation loans and related financial products may be using the government shutdown as a marketing opportunity for these potentially risky loans," **noted Matlock.** "It seems very likely we will see a large spike in taxpayers accessing these products."

Impact of Late Payments on Credit Reports
Many federal workers are unable to make payments on their mortgages, student loans, car loans, credit cards, and other credit obligations. Late payments can harm a person's credit report and score. "Creditors should automatically grant a forbearance if they have information in the loan file that the borrower is a federal employee or upon the employee's request, and should refrain from sending negative information about missed payments by federal employees to credit bureaus during the shutdown," **said Chi Chi Wu, a staff attorney at the National Consumer Law Center. Wu also urged** "credit bureaus to proactively remove any information about late payments or other negative events that occurred during the shutdown period from a credit report if the credit report indicates that the consumer's employer is a federal agency affected by the shutdown."

For families struggling to pay their bills, National Consumer's Law Center's *Surviving Debt*'s first chapter (free for all to read) includes information on prioritizing which debts to pay.