

Background

The U.S. federal government operates on a fiscal year that begins on October 1 of every year and ends on September 30 of the following year. Fiscal year 2024 begins on October 1, 2023, at 12:01 a.m. and ends on September 30, 2024, at 11:59 p.m. Since 1976, there have been 22 “funding gaps,” meaning that the Congress and president failed to pass and enact legislation to keep government agencies and programs funded. The last actual shutdown occurred at the end of 2018 and lasted into 2019 for a total of 35 days. Since then, there have been two minor funding gaps that lasted a day or less each and didn’t result in any government shutdowns.

Through the Congressional appropriations process, funding is authorized for non-mandatory “discretionary” spending programs that Congress appropriates on an annual basis. If such legislation is not passed by the end of this month, a federal government shutdown will begin. A funding lapse would not affect funding for “mandatory” programs such as Social Security, Medicare, or Medicaid (or the personnel that administer these programs). Government functions deemed “essential”—like most activities of federal law enforcement, the Transportation Security Administration, the military, and others, will continue to operate, albeit with reduced staffing and workers will not be paid until the shutdown ends. All “non-essential” programs and agencies will close temporarily, and “non-essential” personnel in all agencies (and Congress) will be furloughed until the end of the shutdown. These employees will receive back pay once the shutdown ends.

Regulatory, Legislative, and Operational Implications

- It is possible that credit unions with branches located in federal buildings may experience limited-service interruptions. The [National Credit Union Administration \(NCUA\)](#) works with such credit unions to minimize any such problems.
- The NCUA and other federal banking regulators remain open during a government shutdown, regardless of how long the shutdown persists. The NCUA is funded by member credit unions and is not subject to the Congressional appropriations process.
- In 2017, CUNA won a battle on the floor of the House of Representatives when a CUNA-backed amendment passed, removing a provision from the fiscal year 2018 appropriations legislation that would have placed the NCUA under the appropriations process.
- CUNA strongly supports an independent NCUA. An NCUA subject to appropriations would not only be subject to full or partial government shutdowns, but it would also jeopardize the independence of the federal credit union regulator and unnecessarily commingle credit union resources with taxpayer resources, potentially redirecting credit union resources to pay for other costs of government.

- Maintaining a separate, independent federal credit union regulator and insurer is critically important to the credit union system. The structural and mission-driven differences between credit unions and banks necessitate this type of regulatory configuration. Credit unions' not-for-profit structure and their mission to promote thrift and provide access to credit for provident purposes are fundamentally different than other financial services providers.
- The NCUA-administered [National Credit Union Share Insurance Fund \(NCUSIF\)](#) is independent of the federal appropriations process and insulated from any government shutdown. Credit union share deposits remain insured and secure.
- The [Consumer Financial Protection Bureau \(CFPB\)](#) and the [Federal Reserve](#) will remain open during a government shutdown as they are also not subject to the Congressional appropriations process.
- The [Small Business Administration \(SBA\)](#) and the [Federal Housing Administration \(FHA\)](#) will likely be unable to process loan requests and loan origination applications during the shutdown.
- Credit unions may wish to refer to the [Internal Revenue Service \(IRS\)](#), the [Financial Crimes Enforcement Network \(FinCEN\)](#), and other federal agency websites to receive the latest news on services available.
- With a government shutdown and if there is no separate legislation reauthorizing it, the [National Flood Insurance Program \(NFIP\)](#) will not have the authority to process new flood insurance requests.
- Congress is considered "essential" and all Senators and Members of Congress, as well as "essential staff," will work during a shutdown.

Economic Concerns

A government shutdown brings numerous potentially negative consequences for the U.S. economy.

- Economic activity could falter due to a lack of government funding. For example, if federal workers are furloughed, many may find it difficult to pay rent and other bills. It will delay consumer purchases. During the 16-day 2013 government shutdown, the ratings agency Standard & Poor's estimated the shutdown had "taken \$24 billion out of the economy" and "shaved at least 0.6 percent off annualized fourth-quarter 2013 GDP." The Office of Management and Budget reported that furloughing 850,000 individuals resulted in an estimated \$2 billion in lost productivity. Consumer and business confidence also fell, reducing spending and investments.
- These consequences would be dramatically felt in the Washington D.C. metropolitan area, where a majority of federal workers live and work, and other areas with a significant federal worker presence. Local communities relying heavily on federally funded programs – such as tourism at national parks - will also feel a greater impact from a shutdown. Credit unions serving these members and areas will be hardest hit due to lower demand for loans and other credit union products and services, harming credit union growth and earnings.
- Although shutdowns are problematic and create negative economic consequences in the short run, it is less likely to create a long-term crisis.

Assisting Affected Credit Union Members

As federal government funding negotiations continue, an estimated 800,000 federal employees face the reality that their paychecks may not come on time. That's 800,000 families trying to figure out where to find the money to pay their next mortgage payment and grocery bills. Historically, credit unions that serve areas and members affected by government shutdowns have engaged in a number of important ways to help their members.

- While some of the big banks have stated interest in helping furloughed employees on “[a case-by-case basis](#),” credit unions continue to embody their structure and mission by ensuring that all impacted members have access to low- or no-interest loans with generous repayment terms.
- Credit unions can also help affected federal employees who are not yet members in accessing needed services. Welcoming eligible members and providing them with the individual care they need to get through such trying times is part of the credit union philosophy in action.
- There are approximately 8.6 million active duty and veteran military members of credit unions, as well as 35 million members of credit unions that primarily serve military members, veterans, and their families, who could be directly affected by a decrease or delay in paychecks and funding. In the Washington D.C. area alone, credit unions serve approximately 9.5 million members.
- Credit unions serving federal employees have a long history of assisting their members in previous government shutdowns. Such help includes advances and short-term loans to members who are also federal employees. Many of these members may not receive paychecks until the government shutdown is over. Credit unions often step in to assist their members during such shutdowns so that these members can pay their bills on time.
- It is important to remember that credit unions are made up of “people helping people.” CUNA encourages all credit unions to continue to highlight the credit union difference in their communities, especially during a government shutdown.
- In the 35-day shutdown beginning in 2018, 62 percent of families directly affected by the funding lapse [reported](#) that they depleted most or all their savings. What's more, 63 percent of Americans stated that they [couldn't cover a \\$500 emergency](#).
- Whether it's a natural disaster like a wildfire, flood, or hurricane; a political crisis like a shutdown; or a more common unfortunate turn like a lost job or medical emergency, financial uncertainty is much closer than many American families would care to admit. And that's where credit unions nationwide come in.
- In the 2018/19 government shutdown lasting 35 days, more than 500 credit unions quickly stepped in and offered individualized support programs for those affected. More than 60,000 members turned to their credit union for support. Credit unions provided over \$46 million in low- or no-interest loans. Additionally, more than 11,000 credit union members were afforded loan extensions and other modifications, often with associated fees waived. Also, more than 3,000 eligible people joined a credit union to help them weather the shutdown's financial uncertainty.
- Our nation's credit unions were there during the last shutdown. That is what we mean when we talk about our people helping people philosophy. Our mission and structure

are to serve our members; not investors, not a corporate board, but the people who have committed to joining a movement that will be there when times are good to help build personal wealth, and who will be there when things get rough. We were there for the shutdown. We were there for the wildfires, the floods, and the hurricanes. And we were there for the daily misfortunes. We will continue to be there.

Questions? Reach out to [Abby Gunderson-Schwarz](#) and [John Hildreth](#).