American Bankers Association

Managing Finances Amid a Government Shutdown

Helpful Guidance from the ABA Foundation

Why do government shutdowns occur?

Government shutdowns occur when Congress does not pass appropriations bills that fund government agencies before current appropriations expire. Once the current funding lapses, federal agencies must shut down all non-essential operations until Congress acts.

How long will the shutdown last?

It's impossible to say. The shortest shutdown lasted just a single day, while the longest one lasted more than a month.

Who will be affected?

Federal employees are directly affected and could lose pay. Furloughed workers, typically non-essential federal employees, are temporarily placed on non-duty status and receive no compensation.

Federal offices may shut down entirely or experience reduced business hours during this time. Federal employees should expect to receive backpay after a shutdown ends, but federal contractors often do not receive retroactive pay and may experience disruptions to services.

Those who benefit from federal services may also be affected. For example:

- Families could lose access to childcare services. The Head Start program may reduce hours or close during a federal shutdown.
- The Special Supplemental Nutrition Program for Women, Infants and Children (WIC), which feeds more than 6.5 million people, could potentially run out of funding in a few days.
- Air travel could experience delays if air traffic controllers and TSA officers must work without pay. Some passport offices could close, which would slow processing times.

What stays open during a shutdown?

Medicare, Medicaid, Social Security and the U.S. Postal Service, all of which are not subject to the appropriations process, will continue to operate. The IRS will remain open, and the government will typically continue to provide veterans affairs benefits.

How can I prepare financially for a shutdown?

Here are six tips to help you navigate financial uncertainty:

1. **Review your monthly expenses** to determine how you can reduce costs to find ways to make your cash last. Take an inventory of your household bills and determine where you can cut costs. Also, check your financial emergency fund to see how long your savings can cover a prolonged shutdown. For assistance creating a budget, check out the ABA Foundation's **Manage Your Money** webpage.

   Ways you can cut expenses:

   - Reduce how much you dine out or get takeout.
   - Pause or unsubscribe from streaming services and publications.
   - Use coupons when shopping.
   - Reduce your **energy costs**.
   - Shop around for insurance quotes to lower your monthly premiums for your vehicles and homes.
   - Put off large non-essential purchases.

2. **Talk to your bank.** Banks are in the business of serving their customers, especially when unexpected hardship strikes, but the bank can only help if it knows your financial challenge. Depending on your individual circumstances, banks can offer a range of customer assistance options, including fee waivers, loan modifications, payment deadline extensions, payroll advances, low-rate and zero-rate loans as well as other accommodations.
3. **Contact your lenders.** If you are a homeowner, reach out to your mortgage lender to see what options are available during the shutdown to help with your mortgage payments. You may also want to consider renting a room in your house to bring in additional income during this time.

   If you have trouble paying your mortgage:

   - Reach out to the **U.S. Department of Housing and Urban Development** to learn about support from certified housing counselors.
   - Visit **Homeowner-Help.org**, a free online tool that connects homeowners with resources and assistance when facing financial hardships.

   If you are a renter, think about finding a roommate to share expenses, or consider moving in with family members or friends until you can get back on your feet. For help with rent, contact your landlord or leasing office and visit the **HUD rental assistance page** to access support options.
4. **Call your utility companies.** Explain your situation and see what assistance they can offer during the shutdown.
5. **Look to others for help.** Local food banks, soup kitchens and the like exist to help people during challenging times. Check out **FeedingAmerica.org** or **211.org** to identify and connect with local support.
6. **Contact a credit counselor.** These are trained professionals, prepared to help you assess your situation and evaluate the best financial options to consider for support. For assistance, contact:

   - **American Consumer Credit Counseling**
   - **Association for Financial Counseling and Planning Education**
   - **National Foundation for Credit Counseling**

For more financial tips, visit ABA Foundation's **Manage Your Money** webpage.

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