

Here's How a Government Shutdown Affects Small Businesses, From Loans to Foot Traffic

The federal government shut down on Wednesday.

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Key Takeaways

- The federal government shut down at midnight Oct. 1.
- A government shutdown can affect small businesses in unexpected ways.
- The U.S. Chamber of Commerce estimates small businesses could lose \$100 million in loan financing per day.

At midnight on October 1, the U.S. federal government shut down while elected politicians continued to debate the provisions in a funding bill. It's the 15th time the government has shut down since 1981.

The White House has a detailed list posted on its website of the agencies urging politicians to stop the shutdown, including the U.S. Chamber of Commerce. The organization's Executive Vice President and Chief Policy Officer, Neil L. Bradley, wrote to the U.S. Senate urging them to come to a resolution.

"History warns us that even a partial government shutdown has ripple effects on the U.S. economy," Bradley wrote. "Shutdowns are harmful to the economy, the American people, and our national security."

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Bradley noted in the letter that, when the U.S. government partially shut down from December 2018 to January 2019, analysts estimated the U.S. economy lost \$3 billion that was never regained. He also pointed out that economic output was reduced by \$11 billion during the two quarters following the shutdown.

The U.S. Capitol Visitors Center is closed to visitors during the federal government shutdown on October 01, 2025, in Washington, DC. (Photo by Kevin Dietsch/Getty Images)

Here are four ways a government shutdown affects small businesses:

No New Small Business Administration (SBA) Loans

The SBA's website currently reads: "As a result of the shutdown, we wanted to notify you that many of our services supporting small businesses are currently unavailable."

During a shutdown, new SBA 7(a) or 504 loans are not processed, which could affect other areas, impacting new purchases, upgrades, and investments. According to the U.S. Chamber, small businesses could lose \$100 million in loan financing per day.

The shutdown could also impact some areas of home lending.

"Borrowers who are taking FHA or VA loans or need flood insurance can expect delays in closing," Melissa Cohn, a regional vice president of William Raveis Mortgage, told *Entrepreneur* in an email.

Joe Raedle/Getty Images)

Passport delays

If you are planning to travel for business and need to update your passport, you may be out of luck. In past shutdowns, an estimated 200,000 applications were delayed or went unprocessed. The Department of Homeland Security also suspends Global Entry applications during the shutdown.

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Loss of foot traffic

The U.S. Chamber warns that businesses located near government agencies or national parks are likely to experience a decline in traffic and, consequently, revenue.

Loss of government contracts and permits

Small businesses that rely on government contracts will likely experience delayed payments or could even see contracts fully canceled.

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