

ASSEMBLY BANKING & FINANCE COMMITTEE Outcomes Review Oversight Hearing

Outcomes Review: AB 238 (2025) Mortgage Forbearance; State of Emergency

March 20, 2026; 10:00 AM- 12:30 PM
Pasadena City College, Westerbeck Recital Hall
1570 E Colorado Blvd, Pasadena, CA 91106

Purpose

On November 20, 2025, California Assembly Speaker Rivas announced an initiative to examine the impact of past policy measures and increase legislative accountability.¹ The inaugural class of the outcomes review project features fourteen bills across a wide spread of years of implementation and subject matter. AB 238 (2025), an urgency matter concerning mortgage forbearance for survivors of the Los Angeles wildfires, was submitted for consideration by the author. This bill was selected for examination for the following reasons: 1) comparing the efficacy of urgent implementation versus the standard policy timeline; 2) assessing the feasibility of immediate adherence; and 3) reviewing outreach strategies directed at both those affected and the service providers offering assistance.

Background

California has faced an alarming increase in destructive wildfires. Most of the largest and devastating fires have taken place within the last decade, culminating in a particularly severe outbreak in recent years. This period has witnessed some of the worst wildfires in the state's recorded history. More recently, January 2025 wildfires, often referred to as firestorms due to the intense hurricane-force winds that helped the fires quickly spread, destroyed more than 17,000 structures and has led to widespread hardship for victims and the surrounding communities.

On January 18, 2025, Governor Gavin Newsom announced “commitments from major lenders to provide firestorm survivors with forbearance relief.”² Under these commitments, qualified borrowers could receive 90 days of forbearance with no lump sum payment at the end of the period under a streamlined request process,³ relief from mortgage-related late fees accruing during the forbearance period for 90 days, protection from new foreclosures or evictions for at

¹ <https://speaker.asmdc.org/press-releases/20251120-speaker-rivas-announces-first-its-kind-outcomes-review-legislative>. Last visited 3/15/2026.

² <https://www.gov.ca.gov/2025/01/18/governor-newsom-announces-commitments-from-major-lenders-to-provide-firestorm-survivors-with-mortgage-relief/>. Last visited 3/17/2026.

³ The Governor’s press release referred to a streamlined process as requesting initial relief without submitting forms or documents.

least 60 days, and no reporting of late payments of forborne amounts to credit agencies. Less than a week later on January 23, 2025, the Governor’s office announced that the same commitment was adopted by additional financial institutions, and mortgage servicers.⁴ The commitments were made by 270 state-chartered institutions, with collaboration from the California Bankers Association, the California Credit Union League, and the California Mortgage Bankers Association.

The widely read press releases offered little detail beyond the four commitments detailed above, though a link to an important document detailing the terms of the commitments was included at the bottom.⁵ The copy of the terms includes an essential qualifier for eligibility not explicitly provided in any press release; “Financial institutions will, consistent with applicable guidelines and investor and insurer contractual obligations, offer mortgage payment forbearances of up to 90 days...”⁶ (emphasis added).

Understanding the impact

According to data provided by Intercontinental Exchange, Inc. (ICE) more than 17,000 single family homes and condos were in the direct path of the recent Palisades and Eaton wildfires, with underlying values exceeding \$45 billion.⁷ Roughly one-third of that value is tied to structures which were severely damaged or destroyed by the recent fires. More than 13,000 (>70% of) homes in the path of the recent fires have an active mortgage, with aggregate outstanding debt of roughly \$11 billion. More than 6 in 10 affected mortgages are portfolio-held loans, with Government Sponsored Enterprise (GSE) mortgages (Fannie Mae and Freddie Mac) accounting for another one-third according to ICE mortgage performance data.⁸ 18% of mortgages affected by the Palisades fire are in GSE securities, with a minimal share of FHA or VA mortgages, while roughly half of mortgages in the Eaton area are held in GSE securities.

Further review of monthly reported mortgage data for February 2025 revealed a -4.8% and -4.7% change in mortgage payments in the wildfire zones of Eaton and Palisades respectively compared to -0.6% for California as a whole, and -1.0% for Los Angeles. However, this data reflects mortgage payments collected before the 17th of the month with the fires starting on January 7; it is likely that a portion of payments were not impacted by the fires for this reporting period. Thus the monthly reported data for March 2025 better represents wildfire impact on mortgage payments across all affected survivors as February payments came due approximately

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<https://www.gov.ca.gov/2025/01/23/governor-newsom-announces-commitments-from-state-banks-and-credit-unions-to-provide-mortgage-relief-for-firestorm-survivors/> Last visited 3/17/2026.

⁵ The statement reads “A copy of the commitments can be found here” with the word “here” as a hyperlink to the pdf document referenced in fn.

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⁶ chrome-extension://efaidnbmnnnibpcajpcglclefindmkaj/https://www.gov.ca.gov/wp-content/uploads/2025/01/2025-1-17.Mortgage-relief-commitments.FINAL_.pdf Last visited 3/17/2026.

⁷ Intercontinental Exchange, Inc. Mortgage Monitor Report- February 20225 at page 7.

⁸ *Id.*

three weeks after the outset of the fires. While California as a whole reported a +0.2% change in mortgage payments received by the 14th business day of the month and Los Angeles reported -0.1%, Eaton and Palisade wildfire zones reported -16.7% and -23.9% respectively.⁹

AB 238 The Mortgage Forbearance Act

On January 13, 2025, AB 238 co-authored by Assemblymembers Harabedian and Irwin, was introduced to codify similar terms of the commitment announced by the Governor on January 18, 2025. Given the nature of the subject matter, AB 238 was introduced as an urgency measure to take effect immediately upon enactment, opposed to the standard default effective date of January 1 of the following year for non-urgency bills.

Industry stakeholders engaged in the legislative process with the author to collaborate on a final bill that would be inclusive, immediately actualized, and not impede federal contractual obligations for some lenders. Pertinent terms of the final bill are as follows:

1. “Wildfire disaster” means the conditions described in the proclamation of a state of emergency issued by Governor Gavin Newsom on January 7, 2025, or the federally declared disaster, declared on January 8, 2025, related to the Eaton Wildfire, the Palisades Fire, and the Straight-line Winds.
2. A borrower who is experiencing financial hardship that prevents them from making their mortgage payment as a direct result of the wildfire disaster may request forbearance on their residential mortgage loan by doing both:
 - a. Submitting a request to their servicer before the earlier of i) six months after the date upon which the wildfire disaster declared on January 7, 2025 is terminated, or ii) January 7, 2027; and
 - b. Affirming that the borrower is experiencing a financial hardship due to the wildfire disaster.
3. A mortgage servicer is required to provide a borrower notice of forbearance approval within 10 business days of the request for forbearance.
4. A mortgage servicer is required to offer mortgage payment forbearance for a period of up to an initial 90 days, which shall be extended at the request of the borrower in 90-day increments, up to a maximum forbearance period of 12 months.
5. Specifies that a mortgage servicer acting under delegated authority to make forbearance determinations on behalf of investors are not in violation if it denies a forbearance request

⁹ Intercontinental Exchange, Inc. Mortgage Monitor Report- March 20225 at page 6.

if it provides written notice to the borrower stating the specific reason for denial. The notice must contain the both of the following:

- a. A clear and concise explanation of the specific investor provision that is the basis for the denial.
 - b. The text of the specific investor guideline or contractual provision that is the basis for the denial of the borrower's forbearance request.
6. If the written notice provided in #3 cites any curable defect in the borrower's request, the mortgage servicer must do all of the following:
- a. Specifically identify any curable defect in the written notice.
 - b. Provide 21 calendar days from the mailing date of the written notice for the borrower to cure any identified defect.
 - c. Accept the borrower's revised request for forbearance before the 21-day period described in paragraph (b) lapses.
 - d. Respond to the borrower's revised request within five business days of receipt of the revised request.
7. During the period of forbearance required by this section, no late fees shall be assessed to the borrower's account and the borrower shall not be charged a default rate of interest.
8. No later than 30 calendar days before the end of an initial forbearance period, a mortgage servicer shall provide written notice to the borrower disclosing both of the following:
- a. Any documentation or forms that the mortgage servicer requires the borrower to furnish or complete to be considered for an additional period of forbearance.
 - b. A description of the deadlines and timelines associated with considering the borrower for an additional period of forbearance.
9. For accounts granted disaster-related mortgage payment relief pursuant to this title, a mortgage servicer shall not furnish information during the forbearance period indicating that the payments are in forbearance and shall do either of the following:
- a. Report the credit obligation or account as current.
 - b. If a borrower was delinquent before the disaster-related forbearance plan, the mortgage servicer shall:

- i. Maintain the delinquent status during the period in which the plan is in effect.
 - ii. If the consumer brings the account current during the forbearance period, report the account as current.
10. A lump sum payment shall not be required for a borrower who was current on the residential mortgage loan when the borrower entered forbearance.
11. During the time of forbearance granted pursuant to this title, a mortgage servicer shall not initiate any judicial or nonjudicial foreclosure process, move for a foreclosure judgment or order of sale, or execute a foreclosure-related eviction or foreclosure sale if the borrower is performing pursuant to the terms of the forbearance.
12. With respect to a federally backed loan, a person shall not be held liable for a violation of this title if compliance with this title conflicts with the servicing guidelines applicable to the federally backed loan.
13. With respect to a residential mortgage loan that is not a federally backed loan, a person shall not be held liable for a violation of this title if compliance with this title conflicts with the servicing guidelines issued by Fannie Mae or Freddie Mac.
 - a. For purposes of this section, “conflicts with” means that it is impossible to comply with this title and the person’s obligation under the applicable servicing guidelines.
14. The Department of Financial Protection and Innovation shall post all of the following on its website:
 - a. Links to the provisions of servicing guidelines pertaining to disaster-related forbearance relief for federally backed loans.
 - b. A summary of Fannie Mae and Freddie Mac guidance to assist borrowers in understanding their forbearance programs.
 - c. A dedicated telephone number for borrowers seeking assistance.

On September 22, 2025, AB 238 was approved by the Governor and chaptered by the Secretary of State becoming effective immediately.

Agency Support

The Department of Financial Protection and Innovation’s (DFPI) Consumer Services Office established a dedicated task force to manage complaints and support consumers throughout the dispute resolution process. Since January 2025, DFPI has received 233 consumer complaints regarding mortgage forbearance. 224 of those complaints were resolved, with 9 still in review, and 207, or 92%, were resolved in the consumer’s favor.¹⁰ The DFPI has also provided easily accessible flyers on mortgage relief resources and fraud and scam prevention for consumers on its website.

The DFPI has created a hub dedicated to mortgage relief information for consumers including providing a list of lenders and servicers committed to providing additional relief, information for Fannie Mae and Freddie Mac disaster relief, help with any mortgage issues, renters’ rights, and emergency housing.¹¹

Consumer Usability

In December 2025, the Los Angeles Times reported frustrations from some survivors. “Some homeowners said they were unaware of the fine print in the law, including that it doesn’t guarantee forbearance in all circumstances and could involve a costly repayment plan.”¹² The article describes acknowledgement from housing advocates about complexities of forbearance terms that may not be clearly communicated to borrowers, such as other forms of repayment like loan modifications. Most importantly, servicers don’t have to offer forbearance at all if prohibited by a mortgage contract or guidelines, though they must disclose the exact provision.

Two specific borrower examples that described issues with the process of seeking forbearance in the article highlight failure of the servicer to provide clear provisions that prohibit forbearance and loan modification. In the first example, the borrower reported receiving a response from his mortgage servicer after two emails requesting forbearance. The response was that the servicer no longer offered forbearance. Despite requesting a specific reason for denial, the servicer only responded by stating “the current loan type does not qualify for a short-term forbearance” and that the law “does not require servicers to extend these options when the loan type itself no longer permits them” rather than citing a provision of his loan agreement.

The second example describes a borrower who successfully obtained forbearance before AB 238 passed, but received a delinquency notice. This borrower “was told he could either pay back what he owed in a lump sum, or have his loan modified. The loan modification would carry the same 2.875% interest rate and would lower his payments — but extend his loan by 15 years.”

¹⁰ <https://dfpi.ca.gov/lafires/response/> Last visited 3/17/2026.

¹¹ dfpi.ca.gov/LAFires. Last visited 3/18/2026.

¹² “*They lost their homes in the L.A. wildfires. Now they can’t get the mortgage relief the state promised*” Los Angeles Times, Laurence Darmiento, December 15, 2025.

Lisa Sitkin, an expert advocate who worked with consumers through the 2008 housing crisis stated “many borrowers assume the missed payments will be tacked on to the end of the mortgage interest-free and extend the term for an equivalent period. But... that is unusual because many mortgages are securitized, meaning they are sold to investors in a package that generate[s] an expected rate of return and are governed by specific rules.

More common... are loan modifications that extend the loan but charge interest on the missed payments, though that still offers borrowers flexibility, because the loan can be paid off early.” She noted that modifications with higher interest rates are not barred by the bill, because it prohibits penalty rates only during the forbearance period.¹³

What now?

According to the most recently available data from the Department of Insurance, a total of 42,121 insurance claims have been filed in relation to these fires. 39,677 insurance claims have been partial paid, with \$22.4 billion claims paid as of November 2025.¹⁴ However, in January 2026, CalMatters reported that victims are facing more downstream issues such as delayed or denied insurance claims and rise in insurance premiums. Seven in ten survivors have yet to return home a year after the firestorms.¹⁵

Assemblymember Harabedian has introduced two additional bills immediately following in the footsteps of AB 238. The first, AB 1874, in pertinent part, would permit a qualified borrower to extend the period of mortgage forbearance to 36 months and extend the latest possible deadline for a borrower’s request for forbearance to January 7, 2029. The second, AB 1842, would establish the California Emergency Mortgage Relief Act modeled in large part after AB 238. Constructive testimony from all participants of this hearing will help inform the terms of any new legislation related to this issue, and foreseeable future survivors across the state.

Suggested Questions for the Committee to Consider:

For Survivors:

1. What additional costs of living have you incurred because due to displacement from the firestorms?
2. If you are no longer displaced, how much damage did your home suffer, and how long were you displaced?
3. What type of financial relief or assistance have you received? Eg: forbearance, insurance benefits, or local agency assistance.

¹³ *Id.*

¹⁴ <https://www.insurance.ca.gov/01-consumers/180-climate-change/Wildfire-Claims-Tracker.cfm> Last visited 3/18/2026.

¹⁵ “Many L.A. fire survivors face insurance delays and can’t return home a year later” Sumagaysay, Levi, CalMatters, January 7, 2026

4. How do you prefer to receive information about updates to the law in an emergency?
5. How many people clicked the link to see the terms of the commitment from the financial institutions?
6. For survivors who did not qualify for forbearance under AB 238, did you know that you did not qualify without contacting your servicer? If not, did your servicer provide you with the text of the contract to show you the basis of the denial?
7. If you requested forbearance, how long did it take to receive a response to your first outreach?
8. For survivors who were granted forbearance, are you confident that you understand the terms of the forbearance? Does anyone have a loan modification?

For Mortgage Servicers and Lenders:

1. How many requests for residential mortgage forbearance related to the 2025 LA firestorms have been received?
2. How many of these have been denied?
3. How many of these have been granted?
4. Generally speaking, are the terms that would be the basis for denial of forbearance be a standard term found in all the contracts pertaining to a lender? Said another way, is the term that would be the basis for denial of forbearance a newly drafted term in each contract for any given lender?