

Date of Hearing: April 20, 2026

ASSEMBLY COMMITTEE ON BANKING AND FINANCE

Avelino Valencia, Chair

AB 1842 (Harabedian) – As Introduced February 11, 2026

SUBJECT: California Emergency Mortgage Relief Act

SUMMARY: Specifically, **this bill:**

- 1) Defines “borrower” to mean a natural person who is a mortgagor or trustor or a person who holds a power of attorney for a mortgagor or trustor.
 - a) Excludes the following from the definition of “borrower”
 - i) individual who has surrendered the secured property, or
 - ii) An individual who has a recorded notice of default recorded against the real property that is secured by the residential mortgage loan before issuance of a declaration of a state of emergency by the Governor or by the federal government unless the notice of default was rescinded, or
 - iii) An individual who was delinquent in satisfying a credit obligation or account for a period of more than 90 days immediately before a proclamation or declaration of a state of emergency by the Governor or by the federal government, or
 - iv) An individual against whom an unrescinded notice of default was recorded within 90 days of a proclamation or declaration of a state of emergency by the Governor or by the federal government.
- 2) Defines “emergency” as the conditions described in a proclamation or declaration of a state of emergency issued by the Governor or by the federal government.
- 3) Defines “emergency-related forbearance relief” means the relief described in servicing guidelines for federally backed loans.
- 4) Defines “federally backed loan” as a residential mortgage loan that is insured, guaranteed, purchased, or secured by a federal agency or government-sponsored entity.
- 5) Defines “mortgage servicer” as a person or entity who directly services a loan or who is responsible for interacting with the borrower, managing the loan account on a daily basis, including collecting and crediting periodic loan payments, managing any escrow account, or enforcing the note and security instrument, either as the current owner of the promissory note or as the current owner’s authorized agent.
 - a) Clarifies that “mortgage servicer” also means a subservicing agent to a master servicer by contract.
 - b) But does not include a trustee, or a trustee’s authorized agent, acting under a power of sale pursuant to a deed of trust.

- 6) Defines “residential mortgage loan” as a loan that is secured by residential real property improved by 10 or fewer residential units.
- 7) Applies to a depository institution chartered under federal or state law; and a person covered by the licensing requirements of the California Financing Law, the Residential Mortgage Lending Act, or the Real Estate Law.
- 8) Permits a borrower to request forbearance on a residential mortgage loan secured by a residential real property upon which a residential unit that has become uninhabitable as a direct result of an emergency is or was located by doing both of the following:
 - a) Submitting a request to the borrower’s mortgage loan servicer before the conclusion of six months after the date upon which a proclamation or declaration of a state of emergency was issued by the Governor or by the federal government, and
 - b) Affirming that a residential unit is uninhabitable as a direct result of an emergency.
- 9) Requires a mortgage servicer, upon request pursuant to #7, to offer mortgage payment forbearance for an initial period of 180 days, which shall be extended at the request of the borrower in 90-day increments, up to a maximum forbearance period of 12 months.
- 10) Permits denial of a forbearance request on the basis of an investor contract or guideline
- 11) Denial of forbearance requires the mortgage service to provide the borrower both a concise explanation of the specific investor provision and the text of the specific investor guideline or contractual provision that is the basis for the denial of the borrower’s forbearance request.
- 12) Where a forbearance request is denied for curable defects in the request, the mortgage servicer shall identify the defect and give the borrower 21 days from the date of written notice of defect to cure.
- 13) Clarifies that the required forbearance period includes any period of forbearance related to an emergency that a mortgage servicer has provided to a borrower before the effective date of this title.
- 14) Prohibits late fees from being incurred during the forbearance period and prohibits a mortgage servicer from charging the borrower a rate of interest that would apply to loans that are in default.
- 15) Requires a mortgage servicer to notify a borrower of any forms or documents needed to request additional forbearance, and a description of deadlines and timelines to complete the request no less than 30 days before the end of the initial forbearance period.
- 16) Provides requirements for credit reporting of loans in forbearance.
- 17) Prohibits a lump sum payment. Prohibits cascading payments to collect foreborn mortgage payments unless specifically authorized.
- 18) Prohibits foreclosure, order of sale, foreclosure-related eviction during the forbearance period if the borrower is performing pursuant to the terms of the forbearance.

- 19) Specifies 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.
- 20) Specifies 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.
- 21) Requires periodic reporting regarding the number of applications received, approved and denied to the Department of Financial Protection and Innovation (DFPI) during the state of emergency.

EXISTING LAW:

California: AB 238 (2025), which was drafted in response to the Los Angeles area wildfires of 2025, contains the same terms as the proposed legislation with the following consequential **difference**. Existing law:

- 1) Defines “residential mortgage loan” to mean a loan that is secured by residential real property improved by four or fewer residential units, instead of the proposed ten. California Civil Code (Cal.Civ.Code), section 3273.21(e)
- 2) Contains a definition for “wildfire disaster”, instead of “emergency”, which 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 (DR-4856-CA). Cal.Civ.Code, section 3273.21(f)
- 3) Contains a termination period for forbearance requests determined as the earlier of:
 - a) Six months after the date upon which the state of emergency issued by Governor Gavin Newsom on January 7, 2025, is terminated, or
 - b) January 7, 2027. Cal.Civ.Code, section 3273.23(a)(1).
- 4) Is silent as to cascading repayment of forborn amounts.
- 5) Requires the DFPI to provide information as specified for borrowers to navigate forbearance. Cal.Civ.Code, section 3273.28.
- 6) Is silent to mortgage services’ requirement to report specified information to the DFPI.

Federal: During the COVID- 19 pandemic, Congress passed the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) which encompassed a panoply of issue areas to ensure housing security and economic security. Regarding mortgage forbearance during the state of emergency, the CARES Act:

- 1) Defined the term “covered period” means the period beginning on March 27, 2020, and ending on the sooner of—

- a) the termination date of the national emergency concerning the novel coronavirus disease (COVID-19) outbreak declared by the President on March 13, 2020 under the National Emergencies Act (50 United States Code (U.S. Code) 1601 et seq.); or
 - b) December 31, 2020. 15 U.S. Code § 9057(f)(5).
- 2) During the covered period, a borrower with a Federally backed mortgage loan experiencing a financial hardship due, directly or indirectly, to the COVID-19 emergency could request forbearance on the Federally backed mortgage loan, regardless of delinquency status, by—
 - a) submitting a request to the borrower’s servicer; and
 - b) affirming that the borrower is experiencing a financial hardship during the COVID-19 emergency. 15 U.S. Code § 9056 (b)(1).
 - 3) Upon a request by a borrower for forbearance under paragraph (1), such forbearance was required to be granted for up to 180 days, and required to be extended for an additional period of up to 180 days at the request of the borrower, provided that, at the borrower’s request, either the initial or extended period of forbearance may be shortened. 15 U.S. Code § 9056 (b)(2).
 - 4) During a period of forbearance, no fees, penalties, or interest beyond the amounts scheduled or calculated as if the borrower made all contractual payments on time and in full under the terms of the mortgage contract, could accrue on the borrower’s account. 15 U.S. Code § 9056 (b)(3).
 - 5) Upon receiving a request for forbearance from a borrower, the servicer was required, with no additional documentation required other than the borrower’s attestation to a financial hardship caused by the COVID-19 emergency and with no fees, penalties, or interest charged to the borrower in connection with the forbearance, provide the forbearance for up to 180 days, which could be extended for an additional period of up to 180 days at the request of the borrower if the borrower’s request for an extension was made during the covered period, and, at the borrower’s request, either the initial or extended period of forbearance may be shortened. 15 U.S. Code § 9056(c)(1).
 - 6) During the covered period, a multifamily borrower with a Federally backed multifamily mortgage loan experiencing a financial hardship due, directly or indirectly, to the COVID-19 emergency could request a forbearance. 15 U.S. Code § 9057(a).
 - 7) If a furnisher of credit information provided an accommodation to a consumer affected by the COVID-19 outbreak, and the consumer complies with the terms of the accommodation, the creditor generally had to report the account as current. 15 U.S. Code § 1681s-2 (a)(1)(F).
 - 8) The Federal Housing Administration (FHA) outlined how and when total missed payments will need to be repaid,¹ clarified that borrowers would not be required to pay a “lump-sum” repayment at the end of the forbearance period.²

¹ See Mortgagee Letter 2020-06. <https://www.hud.gov/sites/dfiles/OCHCO/documents/20-06hsngml.pdf>

² https://www.rd.usda.gov/sites/default/files/Interagency_COVID19_Housing_Forbearance_FS_Lenders.pdf

- 9) The FHA required mortgage servicers to offer eligible borrowers a “COVID-19 Standalone Partial Claim,” and if a borrower is not eligible for a COVID-19 Standalone Partial Claim, the servicer had to evaluate the borrower for other standard loss-mitigation options.³

Requirements for Federal Declaration of Emergency:

- 1) When an incident occurs or threatens to occur in a State, the Governor (or acting Governor) of a State may request that the President declare an emergency as specified. 44 Code of Federal Regulations (C.F.R.), section 206.35(a).
- 2) The basis for the Governor's request must be the finding that the situation:
 - a) Is of such severity and magnitude that effective response is beyond the capability of the State and the affected local government(s); and
 - b) Requires supplementary Federal emergency assistance to save lives and to protect property, public health and safety, or to lessen or avert the threat of a disaster.
 - c) In addition to the above findings, the complete request shall include:
 - i) Confirmation that the Governor has taken appropriate action under State law and directed the execution of the State emergency plan;
 - ii) Information describing the State and local efforts and resources which have been or will be used to alleviate the emergency;
 - iii) Information describing other Federal agency efforts and resources which have been or will be used in responding to this incident; and
 - iv) Identification of the type and extent of additional Federal aid required. 44 C.F.R. section 206.35(b).
- 3) **Factors considered when evaluating a Governor's request for a major disaster declaration.**
 - a) Public Assistance Program.
 - i) Estimated cost of the assistance.
 - ii) Localized impacts.
 - iii) Insurance coverage in force.
 - iv) Hazard mitigation.
 - v) Recent multiple disasters.
 - vi) Programs of other Federal assistance.
 - b) Factors for the Individual Assistance Program.
 - i) State fiscal capacity and resource availability.
 - ii) Fiscal capacity (principal factor for individuals and households program).
 - (1) Total taxable resources (TTR) of the State.
 - (2) Gross domestic product (GDP) by State.
 - (3) Per capita personal income by local area.
 - (4) Other factors. Other limits on a State's treasury or ability to collect funds may be considered.
 - iii) Resource availability.
 - (1) State, tribal, and local government; non-governmental organizations (NGO); and Private Sector Activity.
 - (2) Cumulative effect of recent disasters.

³ *Id.*

- iv) Uninsured home and personal property losses (principal factor for individuals and households program). The State may provide the following preliminary damage assessment data:
 - (1) The cause of damage.
 - (2) The jurisdictions impacted and concentration of damage.
 - (3) The number of homes impacted and degree of damage.
 - (4) The estimated cost of assistance.
 - (5) The homeownership rate of impacted homes.
 - (6) The percentage of affected households with sufficient insurance coverage appropriate to the peril, and
 - (7) Other relevant preliminary damage assessment data.
- v) Disaster impacted population profile. FEMA will consider demographics of the impacted communities for the following data points as reported by the U.S. Census Bureau or other Federal agencies:
 - (1) The percentage of the population for whom poverty status is determined.
 - (2) The percentage of the population already receiving government assistance such as Supplemental Security Income and Supplemental Nutrition Assistance Program benefits.
 - (3) The pre-disaster unemployment rate.
 - (4) The percentage of the population that is 65 years old and older.
 - (5) The percentage of the population 18 years old and younger.
 - (6) The percentage of the population with a disability.
 - (7) The percentage of the population who speak a language other than English and speak English less than “very well.”
 - (8) Any unique considerations regarding American Indian and Alaskan Native Tribal populations raised in the State's request for a major disaster declaration that may not be reflected in the data points referenced in paragraphs (b)(3)(i) through (vii) of this section.
- vi) Impact to community infrastructure.
 - (1) Life saving and life sustaining services.
 - (2) Essential community services.
 - (3) Transportation infrastructure and utilities.
 - (4) Casualties.
 - (5) Disaster related unemployment. 44 C.F.R. section 206.48 et seq.

FISCAL EFFECT: This bill is keyed Fiscal by Legislative Counsel.

COMMENTS:

1) Purpose

According to the Author

“After the Eaton Fire, we saw firsthand how families who had just lost their homes were still expected to make mortgage payments, and we had to fight to secure relief through AB 238. No homeowner recovering from a disaster should have to navigate uncertainty or negotiate lender by lender for basic forbearance protections. AB 1842 ensures that when disaster strikes, mortgage relief is automatic, consistent, and available immediately—not months later after legislative

action. As natural disasters become more frequent and severe, we must provide homeowners with stability and certainty so they can focus on rebuilding their lives, not fighting foreclosure. The California Emergency Mortgage Relief Act establishes a critical statewide safety net, ensuring families facing their darkest hours have stability, protection, and the time they need to rebuild.”

Argument in Support

“This legislation will ensure families are not further burdened by mortgage payments on destroyed or uninhabitable homes while they rebuild their lives. This bill has been referred to the Assembly Banking and Finance Committee for consideration, and we respectfully request your “AYE” vote on this measure when it comes before you.

Specifically, this measure expands the protections established by AB 238 (Harabedian, 2025) to all homeowners by allowing borrowers to request mortgage payment deferment for an initial 180 day period with extensions of 90 days for a period of up to 12 months. During this period, no late fees, penalties, or additional interest will be assessed, and foreclosure proceedings will be prohibited. These provisions will give displaced homeowners the financial breathing room needed to secure temporary housing, file insurance claims, and plan for reconstruction.

The impacts [of] wildfires across California in the last decade have been catastrophic. From the Camp Fire to the wildfires in Los Angeles, firefighters have been on the front lines protecting life and property, some of them while their own homes burned during the fires. The devastation seen by our members is difficult to recount but we are heartened by the resilience of the communities impacted by the fires.

As communities affected by wildfire work to rebuild and recover, it is critical that we provide protections to residents who have had their entire life upended by disaster.” –California Professional Firefighters

Argument in Opposition

“The bill establishes detailed timelines, notice requirements, cure periods, credit reporting standards, and monthly reporting obligations to the Department of Financial Protection and Innovation (DFPI). While transparency is important, layering new state-specific procedural requirements onto existing federal disaster frameworks creates duplicative compliance obligations.

Servicers already operate under strict federal timelines for borrower communication and loss mitigation. Adding additional California-specific mandates increases complexity, raises compliance costs, and heightens the risk of technical violations even where a borrower is receiving relief...

Section 3273.34(i) requires servicers to report loans in forbearance as current and restricts reporting that payments are in forbearance. Although the provision references the federal Fair Credit Reporting Act (FCRA), it may create tension with federal credit reporting standards and investor reporting obligations.

Credit reporting is governed primarily by federal law. State-level deviations, even if well-intentioned, can create inconsistencies in national reporting systems and increase litigation exposure...

Defining a “residential mortgage loan” as property with up to 10 units is overly broad and extends beyond traditional consumer mortgage protections, which typically apply to 1–4 unit properties. Including 5–10 unit properties would capture many commercial or business-purpose loans that are underwritten and serviced differently than owner-occupied mortgages and are often subject to distinct investor requirements.

Expanding the definition may create conflicts with federal disaster forbearance frameworks, increase lending risk, and reduce credit availability for small multifamily housing providers. We recommend narrowing the definition to 1–4 unit, owner-occupied consumer loans to better target relief while preserving market stability.”-- California Bankers Association

2) Background

An increase in frequency and severity of natural disasters

Worldwide, a study published in the journal *Science* reveals that 43% of catastrophic wildfire disasters struck in the past 10 years.⁴ Researchers analyzing 44 years of disaster data found that economic disasters increased more than four times and fatal disasters causing 10 or more deaths tripled since 1980, with particularly sharp increases in recent years. Between 2017 and 2020 in California, prolonged wildfire seasons claimed 200 lives and destroyed 45,000 structures. In 2020 alone, the total economic losses from wildfires exceeded \$19 billion and claimed 33 lives.⁵ And the January 2025 wildfires spread across the Los Angeles region resulted in damages estimated from \$65 billion⁶ to as much as \$250 billion⁷ and 31 lives lost.⁸

According to the National Centers for Environmental Information (NCEI)⁹, from 1980-2024, there were 46 confirmed weather/climate disaster events with losses exceeding \$1 billion each to affect California. These events included 14 drought events, 6 flooding events, 3 freeze events, 4

⁴ Cunningham, C. et al. (2025) Climate-linked escalation of societally disastrous wildfires. *Science*, 390 (6768): 53-58. DOI: 10.1126/science.adr5127

⁵ H.D. Safford, A.K. Paulson, Z.L. Steel, D.J.N. Young, R.B. Wayman, The 2020 California fire season: a year like no other, a return to the past or a harbinger of the future? *Global Ecol. Biogeogr.* 31 (10) (2022) 2005–2025, <https://doi.org/10.1111/geb.13498>.

⁶ <https://www.sfchronicle.com/california-wildfires/article/los-angeles-palisades-eaton-insurance-20775841.php>

⁷ S. Greene, S. Kambhampati, C. Shalby, N. Haggerty, Mapping the damage from the Eaton and Palisades fires: Map of damaged buildings in Altadena, Los Angeles Times. <https://www.latimes.com/california/story/2025-01-16/mapping-los-angeles-damage-from-the-eaton-and-palisades-fires-altadena-pasadena>. (Accessed 11 April 2026)

⁸ Cho, R. (2026, January 12) It's Been One Year Since Wildfires Devastated Los Angeles. What Have We Learned? *State of the Planet, Columbia Climate School*. <https://news.climate.columbia.edu/2026/01/12/its-been-one-year-since-wildfires-devastated-los-angeles-what-have-we-learned/> Last visited April 11, 2026.

⁹ National Oceanic and Atmospheric Administration (NOAA) division responsible for hosting, archiving, and providing access to one of the world's largest environmental data collections, spanning from the sun to the ocean floor. It serves as a trusted authority on climate, weather, and geophysical data for scientists, businesses, and the public

severe storm events, and 19 wildfire events. The 1980–2024 annual average is 1.0 event, while the annual average for the most recent 5 years (2020–2024) is 1.6 events.¹⁰

NCEI states “*the number and cost of disasters are increasing over time due to a combination of increased exposure (i.e., values at risk of possible loss), vulnerability (i.e., where we build; how we build) changes in the frequency of some types of extremes that lead to billion-dollar disasters. More specifically, these trends are further complicated by the fact that much of the growth has taken place in vulnerable areas like coasts and river floodplains. Vulnerability is especially high where building codes are insufficient for reducing damage from extreme events. Climate variability can alter frequency of some types of extreme weather that lead to billion-dollar disasters - most notably the rise in vulnerability to drought, lengthening wildfire seasons in the Western states, and the potential for extremely heavy rainfall becoming more common in the eastern states.*”¹¹

3) Recent wildfire response

Most recently, in January 2025, lives for families in Los Angeles County changed overnight in the costliest fire in the world.¹² These 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.” 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, relief from mortgage-related late fees accruing during the forbearance period for 90 days, protection from new foreclosures or evictions for at 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. 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.¹³ 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...”¹⁴ (emphasis added).

¹⁰ NOAA National Centers for Environmental Information (NCEI) U.S. Billion-Dollar Weather and Climate Disasters (2025). <https://www.ncei.noaa.gov/access/billions/>, DOI: 10.25921/stkw-7w73. The averages are CPI (consumer price index) adjusted.

¹¹ <https://www.ncei.noaa.gov/access/billions/faq>. “Are U.S. billion-dollar disasters increasing in cost and frequency?” Last visited April 11, 2026.

¹² <https://www.sfchronicle.com/california-wildfires/article/los-angeles-palisades-eaton-insurance-20775841.php>

¹³ 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.7.

¹⁴ https://www.gov.ca.gov/wp-content/uploads/2025/01/2025-1-17.Mortgage-relief-commitments.FINAL_.pdf Last visited 3/17/2026.

4) 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.¹⁵ 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.¹⁶ 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 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.¹⁷

5) 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 existing law are outlined above in the so titled section.

6) 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.¹⁸ The DFPI has also provided easily

¹⁵ Intercontinental Exchange, Inc. Mortgage Monitor Report- February 20225 at page 7.

¹⁶ *Id.*

¹⁷ Intercontinental Exchange, Inc. Mortgage Monitor Report- March 20225 at page 6

¹⁸ <https://dfpi.ca.gov/lafires/response/> Last visited 3/17/2026.

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.¹⁹

7) 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."²⁰ 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."

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.²¹

¹⁹ dfpi.ca.gov/LAFires. Last visited 3/18/2026.

²⁰ "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.

²¹ *Id.*

8) One year After the Firestorms—and Outcome Reviews Learning

On March 20, 2026, this committee held an Outcomes Review Hearing²² at Pasadena City College to hear directly from survivors and community supporters who provide aid to impacted families, as well as representatives from the DFPI, the California Bankers Association, and the California Residential Mortgage Lenders. Survivors shared several different aspects of navigating existing state emergency mortgage forbearance relief.

a. Confusion Around Qualifying Mortgages and a Trouble Navigating the Process

Unlike the COVID-19 era forbearance, there is not a federal law requiring streamlined and automatic forbearance for fire victims. And, most servicers are subject to GSE (government-sponsored enterprise) guidelines that were agreed to when a GSE backed a loan, and these guidelines outline how a servicer may offer forbearance during a natural disaster. The potential differences between the GSE guidelines and bulk of AB 1842's requirements mean that in some situations, servicers could be forced to choose between complying with state law or with guidelines that were agreed to as part of the GSE backing process. In consideration of this challenge, the author and stakeholders previously agreed to the following language for in AB 238, which is also in this bill:

“(d) If the mortgage servicer, acting under delegated authority to make forbearance determinations on behalf of the investor, denies a forbearance request within the maximum allowable forbearance period of 12 months pursuant to subdivision (b), the mortgage servicer shall not be in violation of this section if the mortgage servicer provides written notice to the borrower stating the specific reason for denial. The notice shall include both of the following:

(1) A clear and concise explanation of the specific investor provision that is the basis for the denial.

(2) The text of the specific investor guideline or contractual provision that is the basis for the denial of the borrower's forbearance request.”

All ten testimonial witnesses and additional public commenters at the Outcomes Review Hearing shared their experience navigating a twisting and confusing process to request forbearance. Many shared frustrations over receiving contradictory information from their financial institutions, at times, in contradiction of itself. Of the many that were denied, none received documentation that meets the requirements in the above provision. Additional comments from community members bore a common thread of frustration over being rerouted over multiple calls and letters. A representative of the DFPI posited that early confusion likely stemmed from executive level management committing publicly to forbearance before internal practices could be adopted and implemented. Industry stakeholders echo the same sentiments as borrowers; there are concerns of public confusion over which mortgages will qualify under AB 1842, as there is currently with AB 238.

²² On November 20, 2025, California Assembly Speaker Rivas announced an initiative to examine the impact of past policy measures and increase legislative accountability. <https://speaker.asmdc.org/press-releases/20251120-speaker-rivas-announces-first-its-kind-outcomes-review-legislative>. Last visited 3/15/2026.

b. Unpermitted Credit Reporting and Repayment Terms and Process Unclear

AB 1842, like AB 238 and the previous federal CARES Act, prohibits reporting the mortgage as in forbearance on a credit report for borrowers in an emergency-related mortgage forbearance. Opposition argues that the requirement to report mortgage accounts in emergency forbearance as current would conflict with the Fair Credit Reporting Act (FCRA). However, the terms in AB 1842 are copies, in pertinent part, from the previous federal CARES Act:

“If a furnisher of credit information provided an accommodation to a consumer affected by the COVID-19 outbreak, and the consumer complies with the terms of the accommodation, the creditor generally had to report the account as current.”¹⁵ U.S. Code § 1681s-2 (a)(1)(F) (The term “accommodation” includes an agreement to forbear and delinquent amount, among other options” 15 U.S. Code § 1681s-2(a)(F)(ii). Additionally, legal challenges require an injured party in order to have standing. Because the credit reports of consumers affect the specific consumer, preventing negative credit reporting during an emergency forbearance, modeled after federal precedent is highly unlikely.

In the previous AB 238, repayment terms were largely silent with the exception of a COVID-19 era prohibition on the requirement of a lump sum reinstatement. Still, several testimony witnesses and public commenters reported significant drops in credit scores and bills for lump sum repayment.

As to the lump sum repayments, nearly all were able to go back to their servicer to obtain a loan modification, but one public commenter was not successful in altering the course of a looming balloon payment at the end of her forbearance period. This commenter was not able to access insurance funds which were in CDs. This commenter was only able to make the balloon payment because she became the recipient of a grant to assist survivors.

Another common thread among witnesses was uncertainty and fears over uncertainty about what their repayment terms will look like. (See “Consumer Usability” section) However, one seemingly unanticipated problem is the paperchase some borrowers are facing as their mortgages are sold and resold without notice during their displacement. While the practice is common, this adds another layer of confusion and contradiction, which can increase the potential for unintentional delinquency for borrowers.

c. Pace of Recovery and Enforcement

Rebuilding is chronically slow. Relative to reconstruction efforts within the Eaton Canyon wildfire zone, which significantly impacted Altadena, current data indicates 511 homes are in the rebuilding process, with an additional 370 in the Palisades.²³ A substantial portion of survivors find themselves financially unable to initiate reconstruction, often a result of being uninsured, underinsured, or receiving settlements that proved insufficient to meet actual costs. Consequently, many are attempting to mitigate their losses by divesting properties to institutional or corporate investors; however, the resulting surplus of available lots has triggered a decline in localized market values. Analysts have identified an aggregate loss of \$8.3 billion in residential property value across the Altadena and Palisades regions as a direct consequence of these

²³ <https://www.theguardian.com/us-news/2026/jan/07/los-angeles-ca-wildfires-prevention>.

catastrophic events.²⁴ Few witnesses spoke about rebuilding, likely because of the scope of the hearing, but one witness' account of the process describes a specific sequence of requirements like domino pieces that must be in place before insurance can be accessed. This witness

Several witnesses asked for accountability to ensure that the terms of the law are followed. While it is unclear if requests for enforcement are in response to denial for forbearance, which could be inline with the safe harbor provision for GSE-backed loans, there is clear evidence of non-compliance with other provisions such as credit reporting, lump sum repayment, and interest accrual. Borrowers seek an accountability component of the law as means of ensuring compliance and certainty during a chaotic time, however, the high number of mortgages that fall outside the purview of state jurisdiction would make an enforcement mechanism applicable to a minority of borrowers. Arguably, considering that more than 6 in 10 affected mortgages were GSE-backed, emergency-mortgage forbearance participation has been largely voluntary.

9) Additional Policy Considerations

State and/or Federal Declaration of Emergency

Opponents of the bill raise the issue of compliance under only a state-declared emergency. As is the case with AB 238, for GSE loans, during an emergency-related forbearance stemming from a federally declared emergency, mortgage servicers are generally required to advance payments to investors for a limited period—often up to four months—even if they do not receive them from borrowers in forbearance. However, no such limitation exists for servicers of GSE loans who provide state-declared emergency forbearance for its borrowers. As a result, the servicer continues to make payments to the investors on behalf of the borrower during the forbearance period when the emergency is not a federally-declared emergency. An extension of forbearance is financially strenuous, especially on smaller servicers who operate in California where underlying mortgages are already high.

Conversely, reliance on a federal declaration of emergency is not prudent as the factors required to qualify for a federal emergency are very high and can be political.²⁵ California tends to rank 20-25% higher²⁶ in comparison to the national average in terms of median household income and rates of poverty (broad generalizations of the factors considered for a federal declaration of emergency), which makes California appear to be less in need of federal services. But wildfires, and other natural disasters indiscriminately affect people and neighborhoods of all demographics.

COMMITTEE AMENDMENTS

The following amendments are recommended by the committee:

1. To address the issue of concern over unknown repayment plans, amend Section 3273.34:

²⁴ Cho, R. (2026, January 12) It's Been One Year Since Wildfires Devastated Los Angeles. What Have We Learned? *State of the Planet, Columbia Climate School*.

²⁵ <https://oag.ca.gov/news/press-releases/attorney-general-bonta-challenges-withholding-disaster-relief-transportation>. Last visited 4/14/26

²⁶ <https://fred.stlouisfed.org/release/tables?eid=259515&rid=249> Last visited 4/14/26

(c) The borrower shall be notified within 10 business days by the mortgage servicer whether the borrower's request for forbearance has been approved. With any notice of approval, the mortgage servicer shall provide to the borrower information about all potential repayment plans that may be used.

2. To address the issue of mortgage information and communication getting lost due to multiple sales or transfers, add to Section 3273.34:

(j) A residential mortgage loan shall not be sold, assigned, or otherwise transferred to another owner or managed by another mortgage servicer without written consent from the borrower.

3. To address the concern that the term "residential mortgage loan" as property with up to 10 units is overly broad and extends beyond traditional consumer mortgage protections, change 10 units to four units, amend Section 3273.32:

(f) "Residential mortgage loan" means a loan that is secured by residential real property improved by 10 four or fewer residential units.

REGISTERED SUPPORT / OPPOSITION:

Support

Last Verified 4/15/2026

American Federation of State, County and Municipal Employees, Afl-cio
 California Charter Schools Association
 California Community Foundation
 California Professional Firefighters
 California State Council of Service Employees International Union (seiu California)
 Cft – a Union of Educators & Classified Professionals, Aft, Afl-cio
 Consumer Attorneys of California
 Consumer Watchdog
 Eaton Fire Survivors Network (UNREG)
 Los Angeles; City of
 Rise Economy
 University of California Student Association

Opposition

Last Verified 4/15/2026

None received.

Analysis Prepared by: Desiree NguyenOrth / B. & F. / (916) 319-3081