

Date of Hearing: May 6, 2026

ASSEMBLY COMMITTEE ON APPROPRIATIONS

Buffy Wicks, Chair

AB 1842 (Harabedian) – As Amended April 23, 2026

Policy Committee:	Banking and Finance	Vote:	7 - 0
	Judiciary		9 - 2

Urgency: No State Mandated Local Program: Yes Reimbursable: No

SUMMARY:

This bill provides mortgage forbearance to a borrower whose property has become uninhabitable as a direct result of an emergency, in a manner similar to existing forbearance for certain borrowers impacted by the 2025 Los Angeles-area wildfire disaster.

Specifically, this bill:

- 1) Authorizes a borrower to request forbearance on a mortgage loan secured by residential real property that has become uninhabitable, as affirmed by the borrower, as a direct result of an emergency described in a state of emergency issued by the Governor or federal government
- 2) Requires a mortgage servicer to offer forbearance for an initial period of 180 days, which must be extended at the request of the borrower in 90-day increments, up to a maximum forbearance period of 12 months, during which the servicer must abide by certain requirements regarding late fees, credit reporting, forbearance repayment, and foreclosure.
- 3) Provides that a person is not liable for a violation if forbearance compliance for a federally backed loan conflicts with applicable federal servicing guidelines and requires a mortgage servicer that denies a forbearance request to provide a written notice to the borrower stating the specific reason for the denial, which must include a clear and concise explanation and the text of the specific investor guideline or contractual provision that is the basis for the denial.
- 4) Requires a mortgage servicer to submit a monthly report to the Department of Financial Protection and Innovation (DFPI) with certain data regarding forbearance requests during the state of emergency and 90 days thereafter, which DFPI may publish online in an aggregated form, along with other forbearance resources.
- 5) Authorizes a borrower to bring a civil action against a mortgage servicer for a violation of these provisions.

FISCAL EFFECT:

- 1) DFPI anticipates a material but absorbable impact from this bill related to an increased examination scope for mortgage lenders and servicers, with examinations requiring more examiner training, hours to conduct, and post-corrective action monitoring. However, DFPI notes that while revenue from examinations may help offset ongoing administration and enforcement costs, actual costs will depend on the number of examinations conducted and borrower complaints received. Given the complexity of providing forbearance relief in light

of federal requirements and the importance of relief to borrowers after a disaster, it is reasonable to anticipate a significant volume of examination issues and complaints related to this bill, resulting in costs to DFPI in excess of \$150,000 (Financial Protection Fund).

- 2) Similarly, the Department of Real Estate (DRE), which regulates DRE licensees who service mortgages, anticipates minor and absorbable costs to process, review, investigate, and adjudicate consumer complaints and answer public inquiries, but notes that workload will ultimately depend on the number of disasters annually, the volume of complaints, and the complexity of any subsequent case.
- 3) Ongoing cost pressures of an unknown amount to the courts in additional workload by authorizing a new civil action against a mortgage servicer that violates forbearance provisions (GF or Trial Court Trust Fund (TCTF)). It is unclear how many civil actions may be filed statewide and how much court time may be needed to resolve each case, but it generally costs approximately \$1,000 to operate a courtroom for one hour. Although courts are not funded on the basis of workload, increased pressure on staff and the TCTF may create a demand for increased court funding from the GF. The state budget provides annual GF backfills to the TCTF to offset revenue reductions, totaling approximately \$117.3 million in fiscal year 2025-26.

The Legislative Analyst's Office recently warned of GF structural deficits of around \$35 billion per year in the 2027-28 fiscal year and ongoing.

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.

- 2) **Background. *Mortgage Forbearance.*** Mortgage forbearance provides temporary relief to a borrower when the borrower experiences unexpected financial hardship. Under a forbearance plan, a borrower and lender agree to allow the borrower to pause or reduce mortgage payments during the period of hardship, with the borrower paying that outstanding amount at a later time (usually with interest). Thus, the borrower receives a temporary (albeit potentially costly) reprieve from payments in hopes of regaining financial stability, while the lender avoids a lengthy and expensive foreclosure process.

During the COVID-19 pandemic, federal law provided mortgage payment forbearance for borrowers who, directly or indirectly, suffered a financial hardship due to the COVID-19 national emergency. As part of that unprecedented intervention, no documentation was

required to prove hardship beyond an attestation that the borrower was suffering, and a borrower was eligible for up to 180 days of relief, which could be extended another 180 days.

2025 Los Angeles-area Wildfire Disaster. On January 23, 2025, Governor Newsom announced a commitment from 270 (a number that quickly grew to over 420) state-chartered banks, credit unions, lenders, and servicers to provide 90 days of mortgage forbearance for property owners in certain zip codes following the Los Angeles-area wildfire disaster. The commitment also included: (a) streamlined processes for requesting initial relief, opportunities for additional relief, and payment options that do not require immediate repayment of unpaid amounts; (b) relief from late fees accruing during the 90-day forbearance period; (c) foreclosure and eviction protection for at least 60 days; and (d) no reporting of late payments to credit agencies by financial institutions.

AB 238 (Harabedian), Chapter 128, Statutes of 2025, required a mortgage servicer to offer forbearance to a borrower experiencing financial hardship due directly to the 2025 Los Angeles-area wildfire disaster for a period of 90 days, which must be extended at the request of the borrower in 90-day increments for a total maximum forbearance period of one year. This bill generally models AB 238 provisions and expands mortgage forbearance to a borrower whose property has become uninhabitable as a direct result of an emergency. This bill's key differences from AB 238 include requiring forbearance for a state-declared emergency that may not receive a corresponding federal declaration, a longer 180-day initial forbearance period, and the private right of action. As noted in the Assembly Judiciary Committee's analysis of this bill, this bill's private right of action "is somewhat vague and does not delineate clear penalties" and, "at least at the start of the new statewide program, *the author may wish to consider limiting the cause of action to the Attorney General and local public prosecutors* to ensure that the industry can assist disaster victims without facing excessive litigation."

AB 238 Outcomes Review. As noted in the Assembly Banking and Finance Committee's analysis of this bill:

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 the 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.

It is unclear how significant or common these conflicts will be, and after seven months of implementation as of the date of this writing, this information is still unknown."

AB 238, which this bill generally models, does not prohibit a mortgage servicer from denying a forbearance request that violates GSE guidelines, but requires a mortgage servicer that denies a forbearance request to provide a written notice to the borrower stating the specific reason for the denial. The notice must include a clear and concise explanation and the text of the specific investor guideline or contractual provision that is the basis for the denial. During the Assembly Banking and Finance Committee's March 20, 2026, Outcomes

Review Hearing on AB 238, ten testimonial witnesses “shared their experience navigating a twisting and confusing process to request forbearance...Of the many that were denied, none received documentation that meets the requirements in the above provision.” A borrower may also experience confusion to the extent this bill prescribes a forbearance process out of sync with GSE guidelines, while allowing denial of a forbearance request that violates GSE guidelines.

- 3) **Support and Opposition.** This bill is supported by labor organizations, local community groups, and consumer groups, with Consumer Watchdog arguing that families displaced after a disaster “often face prolonged recovery timelines due to insurance delays, permitting backlogs, labor shortages, and the high cost of rebuilding” but “are still required to make mortgage payments on homes they cannot live in. Without a consistent, statewide framework for relief, these families face an unacceptable risk of foreclosure, financial instability, and permanent displacement.”

This bill is opposed by a coalition of financial services and business groups, led by the California Bankers Association, which argues, “California lenders have consistently worked with borrowers during wildfires, floods, and other disasters to provide meaningful and timely relief” but “this proposal raises significant legal, operational, and safety-and-soundness concerns that could unintentionally disrupt mortgage markets and reduce access to credit.”

- 4) **Related Legislation.** AB 1847 (Harabedian) extends the AB 238 forbearance period from 12 months to 36 months and requires a mortgage servicer to offer the borrower the option to defer forbearance repayment to the end of the loan term, unless the servicer is prohibited from doing so by the terms of the applicable investor contract or servicing guidelines. AB 1847 is pending hearing in this committee.

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