

ASSEMBLY THIRD READING

AB 1842 (Harabedian)

As Amended May 18, 2026

Majority vote

SUMMARY

- 1) This bill would require a mortgage servicer to offer mortgage payment forbearance of a period of up to an initial 180 days, to be extended at the request of the borrower in 90-day increments, up to a maximum forbearance period of 12 months during a state or federally declared emergency.
- 2) This bill would authorize a borrower to request forbearance on a residential mortgage loan secured by a residential real property that has become uninhabitable as a direct result of an emergency by affirming that as a direct result of an emergency, a residential unit is uninhabitable.
- 3) The bill would also prohibit a mortgage servicer from assessing any late fees to the borrower's account or charging a default rate of interest during the forbearance period.

Major Provisions

Please see the Banking and Finance Committee analysis for a detailed list of major provisions.

Specifically, this bill:

- 1) 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 making an attestation for need and requesting forbearance.
- 2) Requires a mortgage servicer, upon request pursuant to #2, 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.
- 3) Permits denial of a forbearance request on the basis of an investor contract or guideline.
- 4) 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.
- 5) 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.
- 6) Committee amendments based on outcomes review hearing are still fluid to meet stakeholder's operational needs. Generally 1) provide borrowers with all potential repayment possibilities and information to a repayment calculator at the outset of offering forbearance, and 2) provide all disclosures for sale, transfer or assignment to borrower with information about borrower's right to request information at any time prominently displayed.

7) Enforcement through the Attorney General, a district attorney, or county counsel.

COMMENTS

1) *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.¹ 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.

Most recently, in January 2025, lives for families in Los Angeles County changed overnight in the costliest fire in the world.² 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.

2) *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.³ 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.⁴ 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

¹ Cunningham, C. et al. (2025) Climate-linked escalation of societally disastrous wildfires. *Science*, 390 (6768): 53-58. DOI: 10.1126/science.adr5127

² <https://www.sfchronicle.com/california-wildfires/article/los-angeles-palisades-eaton-insurance-20775841.php>

³ Intercontinental Exchange, Inc. Mortgage Monitor Report- February 2025 at page 7.

⁴ *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.⁵

3) *AB 238(Harabedian) Chapter 128, Statutes of 2025 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.

4) *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."⁶ 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."⁷

5) *One year After the Firestorms—and Outcome Reviews Learning*

⁵ Intercontinental Exchange, Inc. Mortgage Monitor Report- March 20225 at page 6

⁶ "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.

⁷ *Id.*

On March 20, 2026, this committee held an Outcomes Review Hearing⁸ at Pasadena City College to hear directly from survivors and community supporters who provide aid to impacted families, as well as representatives from the Department of Financial Protection and Innovation (DFPI), the California Bankers Association, and the California Residential Mortgage Lenders. Survivors shared several different aspects of navigating existing state emergency mortgage forbearance relief.

6) *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 this bill 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 language that would permit the mortgage servicer to comply with its guidelines if it could produce the specific contract clause.

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 to 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 this bill, as there is currently with AB 238.

7) *Unpermitted Credit Reporting and Repayment Terms and Process Unclear*

This bill, 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 this bill are copies, in pertinent part, from the language of the previous federal CARES Act.⁹

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.

⁸ 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.

⁹ 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)).

As to the lump sum repayments, nearly all borrowers 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.

8) *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.¹⁰ 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 catastrophic events.¹¹ 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.

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

¹⁰ <https://www.theguardian.com/us-news/2026/jan/07/los-angeles-ca-wildfires-prevention>.

¹¹ 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*.

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."

Arguments 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*

Arguments 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*

FISCAL COMMENTS

The following comments are from the analysis of the Assembly Appropriations Committee.

- 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.

VOTES

ASM BANKING AND FINANCE: 7-0-2

YES: Valencia, Fong, Krell, Michelle Rodriguez, Blanca Rubio, Schiavo, Soria

ABS, ABST OR NV: Chen, Dixon

ASM JUDICIARY: 9-2-1

YES: Kalra, Bauer-Kahan, Bryan, Connolly, Harabedian, Pacheco, Papan, Stefani, Zbur

NO: Macedo, Sanchez

ABS, ABST OR NV: Dixon

ASM APPROPRIATIONS: 11-2-2

YES: Wicks, Aguiar-Curry, Calderon, Caloza, Fong, Mark González, Krell, Pacheco, Pellerin, Sharp-Collins, Solache

NO: Hoover, Tangipa

ABS, ABST OR NV: Dixon, Ta

UPDATED

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