SENATE COMMITTEE ON APPROPRIATIONS
Senator Sabrina Cervantes, Chair
2025 - 2026 Regular Session

AB 1842 (Harabedian) - California Disaster-related Mortgage Relief Act

Version: June 22, 2026
Urgency: No
Hearing Date: August 3, 2026

Policy Vote: B. & F.I. 7 - 0, JUD. 13 - 0
Mandate: Yes
Consultant: Janelle Miyashiro

Bill Summary: AB 1842 permits a borrower of a loan secured by residential real property of four or fewer residential units to request and extend mortgage forbearance for up to 12 months of total forbearance, as specified, when the borrower's real property has become uninhabitable as a direct result of a federally-declared disaster, as specified.

Fiscal Impact:

- The Department of Financial Protection and Innovation (DFPI) anticipates costs associated with the bill to be absorbable. However, DFPI notes that actual workload impacts would only materialize following a federally declared major disaster or emergency.

- The Department of Real Estate (DRE) estimates costs of $69,000 in the first year and $67,000 in the second year to promulgate regulations (Real Estate Fund). DRE also anticipates a potentially significant, but unquantifiable, enforcement workload in the event of a future disaster.

- Unknown court cost pressures, ranging from minor to significant (General Fund and special funds), to the extent the Attorney General (AG) brings civil actions to enforce the bill's provisions. Actual costs will depend on the number of actions filed and the specific factors and duration of each case. For context, an eight-hour court day costs approximately $8,000 in staff workload. If court days exceed 10, costs to the trial courts could reach hundreds of thousands of dollars. While the courts are not funded on a workload basis, increased caseloads could delay court services and put pressure on the General Fund to support additional resources and backfill trial court operations.

- The Department of Justice (DOJ) reports that it does not anticipate a significant fiscal impact; this assessment suggests the department may not actively pursue enforcement using the authority prescribed in the bill or may absorb enforcement costs within its existing resources.

Background: Mortgage forbearance refers to a temporary pause in monthly payments, offered to borrowers who face financial challenges. These payments are not forgiven, and the borrower is required to repay the scheduled payments at a later date, often with interest accruing over the time that the payments are deferred. As recognized by the federal Consumer Financial Protection Bureau: "Forbearance is complicated. There isn't a 'one size fits all' answer, because the options depend on many factors." Forbearance is not a giveaway to borrowers; it is a tool that can be used to avoid unnecessary defaults, late fees, and foreclosures caused by temporary disruptions to a borrower's financial situation.

Mortgage servicers typically allow a borrower to receive forbearance when dealing with a financial hardship. Servicers of federally backed mortgages are subject to guidelines that establish expectations, responsibilities, and authorities when servicing mortgages on behalf of the investors who purchase mortgage-backed securities and the government agencies that insure or guarantee certain mortgages. These guidelines authorize, but do not require, servicers to offer forbearance to borrowers facing a financial hardship, whether related to a natural disaster or a more typical hardship, such as the loss of employment. Servicers of fully private mortgages, which do not receive government support, often follow federal guidelines, at least in part, when servicing these loans.

Proposed Law:

- Establishes the California Disaster-related Mortgage Relief Act.

- Establishes definitions for purposes of the Act.

- Specifies that the Act applies to a depository institution chartered under federal or state law, or a person licensed as a finance lender, broker, or program administrator, or a person licensed as a real estate agent, as specified.

- Permits a borrower to request forbearance on a residential mortgage loan secured by residential real property that has become uninhabitable due to an emergency by:

    - Submitting a request to the borrower's mortgage servicer within six months after the date upon which a declaration of a disaster was issued by the federal government.

    - Affirming that a residential unit is uninhabitable as a direct result of an emergency.

- Requires a mortgage servicer, upon a request from a borrower pursuant to offer mortgage payment forbearance for a period of up to an initial 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, which shall include any period of forbearance related to the disaster provided before the date upon which a declaration of a disaster was issued by the federal government.

- Requires the mortgage servicer to notify the borrower within 10 business days whether the forbearance request is approved and, if approved, provide information about all potential repayment plans that may be used.

- Provides that a mortgage servicer, if acting under delegated authority to make forbearance determinations on behalf of the investor, is not in violation of notification requirements if the mortgage servicer denies a forbearance request and provides written notice to the borrower stating the specific reason for denial, as specified.

- Provides a specified process for a borrower to cure a defect in the borrower's forbearance request.

- Prohibits a mortgage servicer from committing the following acts:

  - Assessing any late fees or charging a default rate of interest during the forbearance period.

  - For accounts granted disaster-related mortgage payment relief, furnishing information during the forbearance period indicating that the payments are in forbearance.

  - Initiating any judicial or nonjudicial foreclosure process, moving for a foreclosure judgment or order of sale, or executing a foreclosure-related eviction or foreclosure sale during the time of forbearance, if the borrower is performing pursuant to the terms of the forbearance.

- Requires the mortgage servicer, to the extent consistent with a mortgage servicer's contractual authority, to offer the borrower at the end of the borrower's forbearance period at least one post-forbearance home retention option that does not, prior to satisfaction of the mortgage loan, do either of the following:

  - Require the borrower to repay the arrearages resulting from the forbearance all at once in a lump sum.

  - Increase in any month the borrower's pre-forbearance monthly principal and interest payment other than as a result of an adjustment of the applicable index pursuant to the terms of an adjustable rate mortgage.

- Requires a mortgage servicer to do the following:

  - Disclose to a borrower, only once at the beginning of the forbearance period, that forborne mortgage payments must be repaid.

  - Provide written notice to the borrower, no later than 30 days before the end of an initial forbearance period, disclosing any documentation or forms the mortgage servicer requires the borrower to furnish to be considered for an additional period of forbearance, and a description of the deadlines and timelines associated with considering an additional period of forbearance.

- Provides that failure to comply with the provisions of this bill shall not affect the validity of a trustee's sale or a sale to a bona fide purchaser of value.

- Provides that a person shall not be held liable for a violation of a provision of this bill if compliance with such a provision conflicts with specified servicing guidelines.

- Permits the AG, a district attorney, or a county counsel to bring a civil action to enforce the provisions of the act.

- Requires DFPI to post all of the following information on its website:

   - Links to the provisions of servicing guidelines pertaining to disaster-related forbearance relief for federally backed loans.
   - A summary of Fannie Mae and Freddie Mac guidance to assist borrowers in understanding their forbearance programs.
   - A dedicated telephone number for borrowers seeking assistance.
- States legislative intent.

Related Legislation: AB 1847 (Harabedian, 2026) extends to January 7, 2029, the period by which a homeowner may request forbearance from their mortgage servicer for hardship due to the 2025 Los Angeles wildfires, and increases from 12 to 24 months the maximum allowable forbearance period. AB 1847 is pending in this committee.

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