SENATE RULES COMMITTEE AB 1842

Office of Senate Floor Analyses

(916) 651-4171

THIRD READING

Bill No: AB 1842

Author: Harabedian (D), et al.

Amended: 8/13/26 in Senate

Vote: 21

SENATE BANKING & F.I. COMMITTEE: 7-0, 6/17/26

AYES: Grayson, Niello, Cervantes, Hurtado, Reyes, Richardson, Strickland

SENATE JUDICIARY COMMITTEE: 13-0, 6/30/26

AYES: Umberg, Niello, Allen, Ashby, Caballero, Durazo, Laird, Reyes, Stern, Valladares, Wahab, Weber Pierson, Wiener

SENATE APPROPRIATIONS COMMITTEE: 7-0, 8/13/26

AYES: Cervantes, Seyarto, Cabaldon, Dahle, Grayson, Richardson, Wahab

ASSEMBLY FLOOR: 58-14, 5/26/26 - See last page for vote

SUBJECT: California Mortgage Relief Act

SOURCE: Author

DIGEST: This bill establishes a streamlined mortgage forbearance framework intended to help mortgage borrowers affected by a disaster.

ANALYSIS:

Existing law:

1) Prohibits a mortgage servicer from recording a notice of default until at least 30 days after making contact, as specified, with a borrower to discuss options for avoiding foreclosure. (Civil Code Section 2923.5)

2) Requires a mortgage servicer to provide up to 12 months of forbearance to a borrower experiencing financial hardship due to the January 2025 Los Angeles

wildfire disaster. (Title 19.1, commencing with Section 3273.20, of Part 4 of Division 3 of the Civil Code).

This bill:

1) Defines the following terms, among others:

    a) "Disaster" means the conditions described in a declaration of a disaster issued by the federal government.

    b) "Disaster-related forbearance relief" means the relief described in servicing guidelines for federally backed loans.

2) Permits a borrower to request forbearance on a residential mortgage loan secured by residential real property that has become uninhabitable due to a disaster by:

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

    b) Affirming that a residential unit is uninhabitable as a direct result of a disaster.

3) Requires a mortgage servicer, upon a request from a borrower pursuant to #2 above, 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 by the federal government.

4) Requires the mortgage servicer to notify the borrower in writing within ten business days whether the forbearance request is approved and, if approved, information about potential repayment plans that may be used.

5) Provides that a mortgage servicer, if acting under delegated authority to make forbearance determinations on behalf of the investor, shall not be in violation of #3 above if the mortgage servicer denies a forbearance request and provides written notice to the borrower stating the specific reason for denial, as specified.

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

7) Prohibits a mortgage servicer from the following acts:

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

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

c) 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.

8) Requires a mortgage servicer to do the following:

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

b) 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.

c) To the extent consistent with a mortgage servicer's contractual authority, offer the borrower at least one postforbearance home retention option that does not, before satisfaction of the mortgage loan, do either of the following:

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

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

d) Apply any payment received from the borrower after the forbearance period ends in compliance with the terms of the loan and any postforbearance agreement between the borrower and the mortgage servicer.

9) 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.

10) 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.

11) Provides civil enforcement authority to the Attorney General, a district attorney, or a county counsel to enforce the provisions of the act.

12) Requires The Department of Financial Protection and Innovation (DFPI) to post all of the following information 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.

13) Declares the intent of the Legislature that a mortgage servicer offer a borrower forbearance that is consistent with the mortgage servicer's contractual or other authority and that this act does not apply to servicing guidelines that are unrelated to disaster-related forbearance relief. Provides that nothing in this bill requires a mortgage servicer to take any action that would require the mortgage servicer to breach the terms of an existing contract with the investor that owns or insures the residential mortgage loan.

Comments

Background. Last year, in response to the wildfires in Los Angeles, the author of this bill authored AB 238 (Harabedian, Chapter 128, Statutes of 2025) which provided streamlined access for victims of the wildfires to obtain at least 12 months forbearance of their mortgage payments. Recognizing that widespread disasters are happening more frequently, the author introduced this bill to create a statewide forbearance framework that mortgage borrowers can rely on and that mortgage servicers can expect and plan for whenever a state of disaster is declared.

Mortgage borrowers affected by wildfires or other widespread emergencies may face challenges in making their mortgage payments, particularly those borrowers who experience a loss of employment, reduced earnings, or unexpected expenses due to the disaster. As people and communities affected by a disaster have time to recover, many of these borrowers will have the opportunity to find other employment opportunities or stabilize their earnings in a manner that will allow them to afford their monthly expenses. For these mortgage borrowers, a temporary pause in their mortgage payment obligations will afford them the opportunity to get back on their feet and avoid the cascading expenses and challenges that accompany mortgage delinquency and foreclosure.

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."[1] 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.[2] 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.

How the disaster forbearance framework is intended to work. The author takes a similar approach to constructing the forbearance framework in this bill as he did with AB 238. While the author and the mortgage servicing industry were not in complete unison on AB 238, they worked collaboratively and diligently to arrive at a set of policies that seeks to balance the interests of borrowers, mortgage servicers, and holders of mortgages and that works within existing legal and contractual requirements already in place. The compromise, however, was reached under the assumption that the bill was intended to address the borrowers affected by the Los Angeles wildfires, not to be a set of provisions that would be available

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[1] **https://www.consumerfinance.gov/ask-cfpb/what-is-mortgage-forbearance-en-289/**

[2] The federal government supports the mortgage financing system through several programs designed to ensure liquidity in mortgage markets, subsidize costs for credit-challenged borrowers, aid first-time homebuyers, and to increase homeownership. Approximately 70% of mortgages nationwide are supported by federal agencies or government-sponsored enterprises, like Fannie Mae and Freddie Mac (see, e.g., **https://www.urban.org/urban-wire/price-tag-keeping-29-million-families-their-homes-162-billion)**. Each federal program maintains maximum loan amounts to qualify. Given the higher prices of California real estate compared to the national average, it is likely that federally back mortgages comprise significantly less than 70% of outstanding mortgages in California, though there is no publicly available data to provide a more precise estimate.

to borrowers of any disaster over the longer-term. The need to move quickly to address survivors in Los Angeles last year may have prevented more deliberate policymaking and careful drafting of legislative text.

Similar to AB 238, two key principles seem to drive the author's approach to this bill. First, refrain from directing a mortgage servicer to act in a manner that conflicts with or violates legal obligations to which the servicer is subject. Second, where a servicer has discretion in how it carries out forbearance, compel the servicer to act in a manner that is favorable to the borrower. Building from these principles, the bill contains the following key terms:

- Borrowers affected by a disaster can receive up to 12 months of forbearance.
- If denied a forbearance request, the mortgage servicer is compelled to provide the specific reason for denial, which, if curable, the borrower can remedy their request.
- For borrowers in forbearance, the bill prohibits negative credit reporting, late fees, the requirement for a lump-sum repayment at the end of the forbearance period, or the initiation of foreclosure proceedings.
- Mortgage servicers are provided a safe harbor from liability for any provisions of this bill that would require a mortgage servicer to breach the terms of an existing contract with the investor who owns the loan or that conflicts with the servicing guidelines applicable to a federally backed loan.

FISCAL EFFECT: Appropriation: No Fiscal Com.: Yes Local: Yes

According to the Senate Appropriations Committee,

- 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.

SUPPORT: (Verified 8/13/26)

American Federation of State, County and Municipal Employees, AFL-CIO
California Charter Schools Association
California Community Foundation
California Low-income Consumer Coalition
California Professional Firefighters
Center for Responsible Lending
CFT – a Union of Educators & Classified Professionals, AFT, AFL-CIO
Consumer Attorneys of California
Consumer Watchdog
East Bay Housing Organizations
Eaton Fire Survivors Network (UNREG)
Habitat for Humanity California
Los Angeles; City of
Office of Los Angeles Mayor Karen Bass
SEIU California
Southern California Rental Housing Association
University of California Student Association
Western Center on Law & Poverty, Inc.

OPPOSITION: (Verified 8/13/26)

None received

ARGUMENTS IN SUPPORT: California Community Foundation writes in support:

> As California faces increasingly frequent and severe natural disasters, homeowners are often left making mortgage payments on homes that are

destroyed or uninhabitable. Recovery can take multiple years due to insurance delays, permitting backlogs, labor shortages, and rising construction costs. Yet there is currently no consistent statewide framework ensuring mortgage relief during declared emergencies.

AB 1842 establishes a clear, uniform statewide forbearance process when the … federal government declares a state of emergency. The bill allows eligible homeowners to temporarily pause mortgage payments without late fees, penalties, foreclosure risk, or credit harm, while prohibiting harmful lump-sum repayment requirements. It also creates transparency and reporting requirements to ensure accountability and consumer protection.

By providing stability during times of crisis, AB 1842 reduces foreclosure risk, supports stronger community recovery, and helps families remain housed.

ASSEMBLY FLOOR: 58-14, 5/26/26
AYES: Addis, Aguiar-Curry, Ahrens, Alvarez, Arambula, Ávila Farías, Bains, Bauer-Kahan, Bennett, Berman, Boerner, Bonta, Bryan, Calderon, Caloza, Carrillo, Connolly, Elhawary, Fong, Gabriel, Garcia, Gipson, Mark González, Haney, Harabedian, Hart, Irwin, Jackson, Kalra, Krell, Lee, Lowenthal, McKinnor, Nguyen, Ortega, Pacheco, Papan, Patel, Pellerin, Petrie-Norris, Quirk-Silva, Ramos, Ransom, Michelle Rodriguez, Rogers, Blanca Rubio, Schiavo, Schultz, Sharp-Collins, Solache, Soria, Stefani, Valencia, Ward, Wicks, Wilson, Zbur, Rivas
NOES: Alanis, Chen, DeMaio, Ellis, Flora, Gallagher, Jeff Gonzalez, Hadwick, Hoover, Johnson, Macedo, Patterson, Sanchez, Tangipa
NO VOTE RECORDED: Castillo, Davies, Dixon, Lackey, Muratsuchi, Celeste Rodriguez, Ta, Wallis

Prepared by: Michael Burdick / B. & F.I. /
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