

Date of Hearing: April 21, 2026

ASSEMBLY COMMITTEE ON JUDICIARY  
Ash Kalra, Chair  
AB 1847 (Harabedian) – As Introduced February 11, 2026

**SUBJECT:** MORTGAGE FORBEARANCE: STATE OF EMERGENCY: WILDFIRE

**KEY ISSUE:** SHOULD THE EXISTING AUTHORITY TO GRANT MORTGAGE FORBEARANCE TO VICTIMS OF THE 2025 LOS ANGELES COUNTY WILDFIRES BE EXTENDED TO 36 MONTHS?

**SYNOPSIS**

*On January 7, 2025, two massive wind-driven wildland fires became urban conflagrations in the greater Los Angeles Area. By the time the sun rose over Los Angeles on January 8th, more than 11,000 homes were destroyed and the Eaton and Palisades Fires had killed at least 29 Californians. The sudden loss of 11,000 housing units immediately wrought havoc upon Los Angeles County's already precarious housing market. Seeking to help impacted homeowners, last year, the Legislature enacted AB 238 (Harabedian) Chap. 128, Stats. 2025, to provide displaced families one year of mortgage forbearance. However, allegations of industry non-compliance and the on-the-ground realities of the rebuilding process are highlighting that many impacted families may need more time before restarting mortgage payments.*

*This bill would extend the AB 238 forbearance authorization from 12 to 36 months. The bill also clarifies that at the end of the forbearance period a borrower may seek to have the missed payments added to the end of the mortgage repayment period.*

*This bill is supported by a coalition of fire victim advocates, local governments, and labor unions. The proponents highlight the long timelines associated with post-fire rebuilds and the need to provide additional relief to impacted families. This bill is opposed by the financial services industry who contend that the measure may violate federal lending standards and inadvertently saddle borrowers with unexpected lump sum payments. This bill will be heard by the Assembly Committee on Banking and Finance the day before this hearing.*

**SUMMARY:** Extends the permissible mortgage payment forbearance period for persons impacted by the 2025 Los Angeles County Wildfires to 36 months. Specifically, **this bill:**

- 1) Clarifies that a borrower impacted by a specified wildfire disaster may request a forbearance on their residential mortgage before the earlier of either:
  - 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, 2029.
- 2) Authorizes a borrower granted a forbearance following a request pursuant to 1) to obtain a forbearance for up to 36 months.
- 3) Requires, unless it is prohibited by the terms of the applicable investor contract or servicing guidelines, a mortgage servicer to offer the borrower the option to defer repayment of

forborne amounts to the end of the loan term, through a loan deferral or comparable loss mitigation option, consistent with the servicer's contractual authority.

**EXISTING LAW:**

- 1) Authorizes a borrower who is experiencing financial hardship that prevents the borrower from making timely payments on a residential mortgage loan due directly to the wildfire disaster may request forbearance on the residential mortgage loan by doing both of the following:
  - a) Submitting a request to the borrower's mortgage loan servicer before the earlier of either of the following:
    - i. Six months after the date upon which the state of emergency issued by Governor Gavin Newsom on January 7, 2025, is terminated; or
    - ii. January 7, 2027.
  - b) Affirming that the borrower is experiencing a financial hardship due to the wildfire disaster. (Civil Code Section 3273.23 (a).)
- 2) Requires that, upon a request by a borrower for forbearance under 1), a mortgage servicer to offer mortgage payment forbearance for a period of up to an initial 90 days, which must be extended at the request of the borrower in 90-day increments, up to a maximum forbearance period of 12 months. (Civil Code Section 3273.23 (c).)
- 3) Provides that 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 the mortgage servicer is in violation of the law if the mortgage servicer provides written notice to the borrower stating the specific reason for denial as follows:
  - a) A clear and concise explanation of the specific investor provision that is the basis for the denial;
  - b) The text of the specific investor guideline or contractual provision that is the basis for the denial of the borrower's forbearance request. (Civil Code Section 3273.23 (d).)
- 4) Prohibits late fees from being assessed to the borrower's account and the borrower from being charged a default rate of interest during the period of forbearance. (Civil Code Section 3273.23 (g).)
- 5) Requires a mortgage servicer granting a forbearance in accordance with 2) to disclose to a borrower that the forborne mortgage payments are required to be repaid. (Civil Code Section 3273.24 (a).)
- 6) Prohibits the imposition of a lump sum payment upon the conclusion of a forbearance for a borrower who was current on the residential mortgage loan when the borrower entered forbearance. (Civil Code Section 3273.4 (c).)

- 7) Defines “wildfire disaster” to mean 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). (Civil Code Section 3273.21 (f).)
- 8) Requires, pursuant to the Homeowner Bill of Rights, that a lender who foreclosed on 175 or more homes in the last year to undertake a series of steps to explore loan modification and loss mitigation with a residential owner-occupant borrower who is delinquent on their home loan, prior to foreclosing on the home. (Civil Code Sections 2923.6, 2923.7, 2923.55, 2924.9, 2924.10, 2924.11, and 2924.17.)

**FISCAL EFFECT:** As currently in print this bill is keyed fiscal.

**COMMENTS:** On January 7, 2025, the Palisades Fire in Pacific Palisades and the Eaton Fire in Altadena and Pasadena destroyed more than 11,000 homes in a matter of hours. While many displaced families will be able to rebuild their homes, rebuilding after a wildfire takes time, as demonstrated by the lived experience of those in Santa Rosa and Paradise. Absent legislation enacted last year, AB 238 (Harabedian) Chap. 128, Stats. 2025, displaced families would have been required to continue paying their mortgage while rebuilding. That measure provided fire victim’s up to 12 months of mortgage forbearance. This bill would extend the forbearance period to up to 36 months. In support of the bill, the author states:

The Eaton and Palisades wildfires displaced nearly 192,000 people and forced many into prolonged recovery with insurance delays, rebuilding challenges, and financial strain. AB 1847 extends the Mortgage Forbearance Act for an additional two years to ensure these homeowners can delay mortgage payments without penalties or foreclosure risk. This bill provides critical stability and supports equitable recovery for disaster impacted families still working to rebuild their homes and lives. By preventing unnecessary foreclosures, it also protects long term community stability and helps preserve neighborhoods affected by these devastating fires.

***Post-wildfire recovery is a multi-year process.*** Unfortunately, the Palisades Fire and the Eaton Fire were not California’s first experience with massive urban configurations. Since 2015, California has seen some of the most destructive wildfires in the nation’s history. A prime example guiding how rebuilding in Los Angeles County is likely to unfold can be found in Santa Rosa. In 2017, the Tubbs Fire destroyed more than 3,000 homes and large portions of several neighborhoods in the Sonoma County city. Although rebuilding took several years, the overwhelming majority of the properties lost in the Tubbs Fire have been rebuilt; city infrastructure has been restored; and the parks and schools damaged by the flames have been restored. (Paulina Pineda, *Santa Rosa wrote the playbook for the long road to recovery after 2017 Tubbs Fire. These lessons could aid Los Angeles*, The Santa Rosa Press Democrat (Feb. 2, 2025) available at: <https://www.pressdemocrat.com/article/news/santa-rosa-fire-lessons-los-angeles/#:~:text=More%20than%20seven%20years%20since,risen%20in%20the%20burn%20ar> ea.)

In fact, a large scale study of post-fire rebuilding efforts notes that nearly 60 percent of properties destroyed in wildfires were rebuilt within six years of the fire and that virtually all properties were restored within 20 years. (Kramer et al, *Post-wildfire rebuilding and new development in California indicates minimal adaptation to fire risk* (2021) 107 Land Use Policy 105502, available at:

<https://www.sciencedirect.com/science/article/abs/pii/S0264837721002258#:~:text=Rebuilding%20was%20common%3A%2058%25%20of,course%20of%2013%E2%80%9325%20yr.>)

Unfortunately, life's financial obligations are one of the few things left unscathed in a wildfire. These financial obligations include mortgages and other loans related to properties destroyed in the conflagration. The original mortgage must be paid on top of the rent and other expenses fire victims must pay in order to obtain alternate shelter while their original property is rebuilt.

Recognizing the strain that post-fire rebuilds can place on families, last year, the Legislature enacted AB 238 to permit borrowers to seek up to 12 months of mortgage forbearance while they worked to find alternative shelter and begin rebuilding their lives. The proponents note that, based on the on-the-ground conditions in Pacific Palisades, Pasadena, and Altadena, the existing 12 months of mortgage relief is insufficient.

*This bill* aims to extend the mortgage forbearance relief originally enacted in AB 238. The bill would extend the forbearance period from 12 to 36 months. The bill also recognizes that some families may only now begin to need the relief, as insurance payments and other financial assistance dries up, and provides borrowers the ability to seek forbearance through January 2029, unless the Governor ends the state of emergency earlier. Seeking to prevent borrowers from having to tender balloon payments at the end of the mortgage forbearance period, the bill permits a borrower to tack the deferred cost onto the end of the original loan, unless such an action is prohibited by the terms of the applicable investor contract or servicing guidelines.

*Despite opposition concerns, the existing law enacted by AB 238 appears to provide mortgage servicers the flexibility needed to adhere to contractual obligations.* Unsurprisingly, this bill is opposed by the banking industry. Several of these concerns surround the means by which relief is being granted to borrowers in this bill. The opposition notes that industry practice in disasters usually involve loan modifications and not forbearances. However, the bill appears to permit just that by explicitly authorizing a forbearance payment to be added to the end of the loan, unless otherwise prohibited by contract. Furthermore, the author and proponents of this bill note that the existing law is not being properly followed by some mortgage servicers, thus undercutting the hope the industry would voluntarily work with borrowers. Indeed, the background document procedure for the Assembly Banking and Finance Committee's Outcome Review and Oversight hearing on AB 238 noted that of the hundreds of complaints received by the Department of Finance Protection and Innovation about non-compliance with the existing law's mortgage forbearance requirements, 92 percent were resolved in the borrower's favor. (<https://dfpi.ca.gov/lafires/response/>.)

The opposition also notes that the lengthy forbearance permitted by this bill would violate federal lending standards. Although not modified by this measure, the existing law appears to address this concern. As enacted in AB 238, the existing law already permits a lender to deny forbearance if it would violate a "specific investor guideline or contractual provision." While it is understandable that the industry would prefer not to deny the request of a fire victim, the law appears to permit them to do just that in order to comply with federal guidelines. *Nonetheless, the author and stakeholders are encouraged to continue discussions to place fire victims and their needs at the front of policy considerations.* The author has pledged to this Committee as well as the Committee on Banking and Finance to do just that.

***ARGUMENTS IN SUPPORT:*** This measure is supported by a coalition of fire victim advocates, local governments, and labor groups. In support of the bill, the Eaton Fire Survivors Network states:

The Eaton Fire Survivors Network (EFSN) is the nation's largest survivor recovery hub, bringing together more than 10,000 wildfire survivors and allies. Our members include families across Los Angeles who remain displaced due to destroyed homes, severe smoke contamination, and prolonged insurance delays that continue to stall recovery.

While AB 238 provided critical initial relief, recovery from these fires has taken far longer than anticipated. Many families remain displaced because of insurance delays, permitting backlogs, labor shortages, and sharply rising rebuilding costs. In many cases, mortgage payments are now resuming even though homes remain uninhabitable.

AB 1847 provides essential stability by extending existing forbearance protections so that families are not forced into foreclosure or financial hardship while they work to rebuild. This extension reflects the real timeline of disaster recovery and protects homeowners who are struggling through circumstances entirely beyond their control.

Without this extension, many fire survivors could face the devastating prospect of losing their homes before they even have a chance to rebuild them.

The County of Los Angeles also states:

AB 1847 builds on that framework by expanding forbearance protections to 36 months and extending the deadline for a homeowner to request forbearance to January 2029, giving survivors the time and stability they need to make sound financial decisions.

Last year's Eaton and Palisades fires inflicted incomprehensible damage on our county community, destroying over 18,000 homes and structures, claiming 29 lives, and displacing hundreds of thousands of residents. While many families have begun the difficult work of rebuilding, the sheer scale of the devastation continues to cast a long shadow over their financial futures

Fire survivors need continuous support and stability as they navigate difficult financial decisions, insurance payouts, and the rebuilding process. This legislation will provide them with much-needed relief and hope as they begin returning to their community.

***ARGUMENTS IN OPPOSITION:*** As noted this bill is opposed by the financial services industry. A coalition in opposition to the measure states:

While offering up to three years of forbearance may appear beneficial, it presents serious unintended consequences that could ultimately harm borrowers. At the conclusion of an extended forbearance period, homeowners generally face three options: (1) a loan modification, (2) deferral of all missed principal, interest, taxes, and insurance to the end of the loan term, or (3) a lump-sum repayment, which is rarely feasible.

In practice, most borrowers receive either a modification or deferral. A modification capitalizes missed payments into the remaining balance, often increasing the monthly payment, potentially beyond what a financially distressed borrower can afford. A deferral,

while avoiding an immediate payment increase, creates a sizable balloon balance at maturity and may significantly reduce equity, particularly for borrowers with low down payments, potentially placing them underwater.

These scenarios are likely to create borrower confusion, financial stress, and long-term instability. Additionally, overlapping or conflicting forbearance programs may inadvertently expose borrowers to predatory practices or scams, as bad actors exploit confusion in the marketplace. Extended forbearance could also impact borrowers' credit profiles, potentially making it more difficult for them to access future credit or refinance their loans.

Beyond these borrower-level impacts, implementing extended forbearance outside of existing federal and private mortgage servicing standards introduces significant legal, operational, and financial challenges. Mortgage servicers must comply with federal regulations, investor requirements, and contractual obligations. Requiring servicers to advance monthly payments, taxes, and insurance to investors during prolonged forbearance periods could also place smaller and local banks at significant risk of insolvency, potentially resulting in bankruptcy, receivership, or even liquidation. Mandates that conflict with these obligations risk creating investor disputes, raising constitutional contract issues, and generating additional unintended harm to consumers. It is important to note that federal law preempts local mandates under the Supremacy Clause of the U.S. Constitution. Any attempt to impose requirements that conflict with federal servicing guidelines or investor agreements could be rendered unenforceable.

Federal programs administered by Fannie Mae, Freddie Mac, FHA, VA, and USDA already provide proven and flexible forbearance frameworks designed to meet individual borrower needs. Aligning any state or local policy with these well-established federal structures ensures sustainable, consistent relief and helps prevent borrowers from accumulating unmanageable debt or facing foreclosure once forbearance ends.

Mortgage servicers are legally required to follow the servicing handbooks and contractual requirements of the GSEs, federal insurers, and private investors. Loans backed by Fannie Mae, Freddie Mac, FHA, VA, or USDA cannot be placed into extended forbearance or modified beyond what their servicing guides allow. Private investors also maintain their own specific standards governing forbearance and loss mitigation. Servicers must adhere to strict monthly reporting requirements, escrow standards, and operational timelines. A local mandate that extends forbearance beyond federal authority would disrupt these processes, trigger investor disputes, create uncertainty in mortgage-backed securities pools, and could impair asset-quality metrics used in safety-and-soundness examinations, ultimately affecting liquidity and credit availability statewide. Reduced credit availability and uncertainty in the mortgage market can have broader economic consequences, including downward pressure on home values, decreased property tax revenues for local governments, and increased instability in affected neighborhoods.

## **REGISTERED SUPPORT / OPPOSITION:**

### **Support**

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  
CFT – a Union of Educators & Classified Professionals, Aft, AFL-CIO  
City of Los Angeles  
Consumer Attorneys of California  
Consumer Watchdog  
Eaton Fire Survivors Network  
Los Angeles County  
Rise Economy  
University of California Student Association

**Opposition**

Cal Chamber  
California Association of Realtors  
California Bankers Association  
California Business Roundtable  
California Community Banking Network  
California Mortgage Association  
California Mortgage Bankers Association  
California's Credit Unions

**Analysis Prepared by:** Nicholas Liedtke / JUD. / (916) 319-2334