

Date of Hearing: May 6, 2026

ASSEMBLY COMMITTEE ON APPROPRIATIONS
Buffy Wicks, Chair
AB 1847 (Harabedian) – As Introduced February 11, 2026

Policy Committee:	Banking and Finance	Vote:	5 - 2
	Judiciary		8 - 3

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

SUMMARY:

This bill extends the mortgage forbearance period, from 12 months to 36 months, for borrowers experiencing financial hardship due to the 2025 Los Angeles-area wildfire disaster.

This bill also requires 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, unless prohibited by the terms of the applicable investor contract or servicing guidelines.

FISCAL EFFECT:

- 1) The Department of Financial Protection and Innovation (DFPI) anticipates a material but absorbable impact from this bill related to continued complaints and increased call volume associated with wildfire-related mortgage forbearance, updating examination procedures and increasing examinations as a result of increased complaint volume, and post-examination 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 borrower complaints received and examinations conducted. 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 complaints and examination issues 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 volume of complaints and complexity of any subsequent cases.

COMMENTS:

- 1) **Purpose.** According to the author:

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.

- 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 an initial 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 extends the maximum forbearance period to three years 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 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 AB 1847'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 provides that a person is not liable for a violation if compliance conflicts with servicing guidelines applicable to the federally backed loan and, as continued by this bill, requires a mortgage servicer that denies a forbearance request, such as a request in violation of GSE guidelines, 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 of 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, consumer groups, and local community groups, with the Eaton Fire Survivors Network arguing, “In many cases, mortgage payments are now resuming even though homes remain inhabitable” and “This extension reflects the real timeline of disaster recovery and protects homeowners who are struggling through circumstances entirely beyond their control.”

This bill is opposed by a coalition of financial services and business groups, led by the California Bankers Association, which argues, “While offering up to three years of forbearance may appear beneficial, it presents serious unintended consequences that could ultimately harm borrowers” and “extended forbearance outside of existing federal and private mortgage servicing standards introduces significant legal, operational, and financial challenges.”

- 4) **Related Legislation.** AB 1842 (Harabedian) extends AB 238 forbearance relief to a borrower whose property is uninhabitable due to a state of emergency. AB 1842 is pending hearing in this committee.

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