

- a) Assessing any late fees or charging a default rate of interest during the forbearance period. (Civil Code Section 3273.23(g))
 - b) Requiring a lump sum payment for a borrower who was current on the residential mortgage loan when the borrower entered forbearance. (Civil Code Section 3273.24(c))
 - 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. (Civil Code Section 3273.25)
- 8) 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. (Civil Code Section 3273.26)
- 9) 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. (Civil Code Section 3273.27)
- 10) Requires the Department of Financial Protection and Innovation to post 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. (Civil Code Section 3273.28)
- 11) 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. 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 the residential mortgage loan. (Civil Code Section 3273.29)

THIS BILL

- 1) Extends the deadline for a borrower to request wildfire disaster-related forbearance to the earlier of six months after the state of emergency is terminated or January 7, 2029.
- 2) Increases the maximum forbearance period that mortgage servicers are required to offer, at the request of the borrower in 90-day increments, to 36 months.
- 3) Requires a mortgage servicer who, if acting under delegated authority to make forbearance determinations on behalf of the investor, denies a forbearance request within the maximum allowable 36-month period to provide written notice to the borrower stating the specific reason for denial.
- 4) Requires a mortgage service 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 such an offer is prohibited by the terms of the applicable investor contract or servicing guidelines.

COMMENTS

1) *Purpose*

According to the author:

Existing law under AB 238 provided temporary mortgage forbearance relief to homeowners impacted by the Eaton and Palisades wildfires for one year. However, rebuilding has taken significantly longer due to insurance claim delays, permitting delays, construction timelines, labor and material shortages, and the added burden of temporary housing costs. As a result, some homeowners are reaching the end of their original forbearance period with the need for continued financial relief. AB 1847 addresses this gap by extending the existing forbearance protections for an additional two years, ensuring continued stability for families still rebuilding and supporting long-term community recovery. By doing so, the bill will help families who are still rebuilding from renewed mortgage obligations, increases risk of foreclosure and long-term financial instability through no fault of their own.

2) *Background – mortgage forbearance*

Mortgage borrowers affected by wildfires 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 emergency, including being displaced from one's home while waiting to rebuild. As people and communities affected by an emergency have time to recover, many of these borrowers will have the opportunity to find other employment opportunities, stabilize their earnings, and normalize their 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 –

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

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.

3) *Background – mortgage relief for LA wildfire survivors*

Wildfires in Los Angeles in January 2025, including the Palisades Fire and Eaton Fire, destroyed more than 16,000 structures and wreaked economic damage in the affected areas with an estimated output loss of between \$5 billion and \$10 billion through 2029. Labor income losses are estimated at \$2.2 billion to \$4.2 billion, affecting between 28,000 and 55,000 job-years.³

To help survivors manage their financial hardships, 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. Additionally, the state has provided more than \$39 million in mortgage relief to 1,155 households under the CalAssist Mortgage Relief program. This program provides up to \$100,000 in mortgage payments over 12 months to disaster survivors with household incomes below \$281,400.⁴

In addition to government mandates and programs, the mortgage industry has provided relief voluntarily, including Bank of America which offers forbearance of up to three years for clients who plan to rebuild their home.⁵ Other financial institutions have also offered extended forbearance options, though timelines differ based on the type of mortgage and varying decisions made by each institution.⁶

4) *Where do LA wildfire survivors stand today?*

The pace of recovery after the LA wildfires has been slow. As reported by POLITICO on April 13, 2026:

A POLITICO analysis of local permitting data found just 34 homes have been built in Pacific Palisades and Altadena in the 15 months since the blazes, a figure that trails the rate of construction following two recent, similarly destructive fires in Northern California.

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.

³ Economic impact estimates were calculated by the Los Angeles County Department of Economic Opportunity and the Los Angeles County Economic Development Corporation's Institute for Applied Economics.

<https://opportunity.lacounty.gov/economictrendfire/>

⁴ <https://www.gov.ca.gov/2026/05/12/more-than-1000-la-firestorm-survivors-have-accessed-calassist-mortgage-relief/>

⁵ <https://newsroom.bankofamerica.com/content/newsroom/press-releases/2025/11/bofa-to-help-1-a--wildfire-clients-rebuild-with-financing--rate-.html>

⁶ <https://www.epa.gov/newsreleases/epa-highlights-new-mortgage-forbearance-extension-secured-la-wildfire-survivors>

The review also determined that owners of fewer than half of the 9,900 lots on which homes were destroyed have applied for permits for new houses.

The data show what residents and policymakers alike have increasingly feared is the case: Los Angeles is falling short of early expectations for rapid rebuilding, as frustrated wildfire survivors continue to confront barriers to returning home.⁷

Survey data gathered by the Department of Angels, a nonprofit founded to help survivors of the fires, tell a more detailed and frightening story of the realities facing so many survivors.⁸ The survey is extensive, and the report published in April 2026 and cited in this paragraph covers issues related to housing stability, financial impacts, health concerns, insurance issues, and views on governmental response, among others. Selected summary statistics related to this bill include:

- Two-thirds of respondents who were living in Altadena or Pacific Palisades remain displaced and living in temporary housing.
- For those relying on insurance to pay for temporary housing, 22% have run out of benefits and another 24% have less than 12 months of coverage. Among households with incomes of less than \$500,000, fewer than one in three believe they could afford housing for more than a year after their displacement coverage ends.
- More than 40% of survivors have taken on debt, and the median amount of new debt taken out by these survivors is just over \$100,000.
- After accounting for insurance proceeds received or expected, homeowners estimate they would need about \$660,000, on average, to rebuild their home.

The POLITICO article closes with the following:

Recovery experts cautioned that it remains premature to assess the ultimate trajectory of Los Angeles' rebuild. But early action matters. **Many survivors will begin to lose insurance coverage for additional living expenses over the next year, meaning that unless they're in a new home, they may have to pay rent for their temporary residence, the mortgage on their destroyed property as well as covering any gaps in rebuilding costs.** The Times found that in the wake of the Tubbs, Camp and other recent California wildfires, **home completions peaked between two and three years afterward** regardless of how many houses were rebuilt.

“We should be learning from every fire and making progress on timelines and getting funds to the people who need it,” said Joy Chen, an Altadena resident and executive director of the nonprofit Every Fire Survivor’s Network. “To the contrary, things are going even more slowly.” [emphasis added]

These sobering data points and analysis of the pace of recovery suggest that the 12-month forbearance offered by AB 238, while certainly helpful to those who received it, remains

⁷ <https://www.politico.com/news/2026/04/13/california-leaders-los-angeles-fire-recovery-delays-00867498>

⁸ The information is based on a survey of 2,158 adults between March 30 – April 10, 2026:

<https://static1.squarespace.com/static/6792c245599ed84703227b1e/t/69fb99d59526446388bdd51b/1778096597336/Department+of+Angels+Community+Voices+LA+Fire+Recovery+Report+ +Q1+April+2026.pdf>

insufficient to adequately bridge the financial gaps faced by many survivors who owned – and then lost – their homes. The author of this bill argues that additional patience by mortgage servicers and holders is critical to these survivors. As outlined in the following comments, the author’s intent to provide three years of mortgage forbearance may be realized by a lucky segment of borrowers, particularly those borrowers where the holder of the mortgage already has aligned incentives to wait for the borrower to rebuild and start paying their mortgage again. But many borrowers will not be as fortunate and will continue to face financial uncertainty and challenges.

5) *How does AB 238 inform policy related to emergency forbearance?*

AB 238 was crafted in the wake of a devastating disaster, informed by the challenges that borrowers were facing in the immediate weeks and months after the wildfires. The provisions of AB 238 went into effect on September 22, 2025, more than eight months after the onset of the disaster. During an oversight hearing held by the Assembly Banking and Finance Committee on March 20, 2026, testimony from the Department of Financial Protection and Innovation (DFPI) indicated that the department had received 233 consumer complaints regarding mortgage forbearance, with many of those complaints coming prior to the enactment of AB 238; however, the department has received complaints after enactment, primarily related to required lump sum payments at the end of a forbearance period.

The March 2026 hearing was framed as an “outcomes review” hearing, but it remains difficult to answer key questions about AB 238 related to its effectiveness, factors that contribute to borrowers’ expectations remaining unmet, or how to improve the policy framework. The hearing, however, was effective in surfacing the perspectives of wildfire survivors. Several themes emerged from the testimonies of survivors:

- Survivors often feel that they have done nothing wrong, that they have paid their mortgages on time, and that they should essentially be held harmless related to any mortgage obligations. Based on these premises, they believe that they should be able to pause their mortgage payments and shift any deferred payments to the end of the mortgage loan.
- Survivors feel strongly about protecting their credit scores. They do not believe that their credit reports should be negatively affected by entering into a forbearance plan. Some survivors are actively shopping for construction loans or other forms of financing to aid in rebuilding, and negative information on their credit report could hinder their recovery.
- The risk or threat of being required to pay a lump sum payment at the end of the forbearance period is a material factor for some borrowers in deciding whether to accept a forbearance offer. Survivors generally yearn for clarity, if not certainty, in how the deferred payments will be treated at the end of the forbearance period.
- Survivors received varying responses from their servicers when the survivor asked about forbearance options, sometimes even hearing conflicting information from the same company depending on which person they speak with on a given day. Some survivors were satisfied with how their servicer handled the forbearance process, though a majority expressed dissatisfaction. Committee staff is unaware of any data to inform whether these survivors’ experiences generally represent the experiences of all survivors who sought forbearance after the LA wildfires.

- A 12-month forbearance period is not well-aligned with the realities of disaster recovery. Rebuilding a house after a total loss event is a process that takes two or more years in many cases. The financial health of survivors is heavily reliant on their insurance coverage, particularly how much of their rebuild costs will be covered by insurance and the extent of their coverage for additional living expenses. Important to the forbearance issue, several survivors discussed the concerning prospect of losing coverage for additional living expenses in the coming months – which will lead to a difficult reality of needing to pay rent at their temporary residence while facing a mortgage payment on a property that is uninhabitable.
- Some national banks have allegedly told survivors that the bank is not bound by the requirements of AB 238. If a national bank held such an opinion, there are several legal arguments upon which a national bank could rely. Irrespective of the arguments or whether a court would agree, the immediate effect is that survivors may believe that AB 238 provides them with legally enforceable rights, but their servicer may perceive the law differently.

These perspectives of survivors may force the Legislature to confront questions of legal authority, enforcement, and trade-offs. One challenging reality is that a “mortgage” is not a uniform product governed by one set of rules or provided by similarly incentivized holders and servicers. While it is understandable to yearn for a one-size-fits-all, simple approach to forbearance, that is not an outcome that the state of California has legal authority to achieve. An attempt to enact policy on this topic must grapple with the fact that the federal government provides backing to many mortgage products – a support that comes with differing requirements, policies, and guidelines that private sector mortgage originators and servicers must follow. Additionally, national banks play prominent roles in mortgage markets, especially in the non-government-backed space, and states are limited in the types of policies that can be enforced against national banks. Furthermore, contract law and attendant constitutional concerns may constrain the Legislature’s ability to enact laws that impair existing contractual obligations. With such a wide array of mortgage-related contracts that are held and/or serviced by a variety of entities, a simple and standardized approach to dealing with emergency-related forbearance is not possible for a state to implement.

For policy goals that are attainable, the Legislature may confront how to allocate the costs imposed by a disaster among stakeholders who had no hand in causing the underlying disaster. Some wildfire survivors argue that they did everything right and are only victims of bad luck, so they should be granted relief on their mortgages. The mortgage servicer and mortgage holder could also argue that they have done nothing wrong and may question whether they should bear the costs of mortgage deferrals. Important to the issue of mortgage forbearance, some proponents seem to believe that deferring mortgage payments and adding those payments to the end of the mortgage term imposes no costs to the mortgage holder, but that argument ignores the time value of money and opportunity costs. Particularly when the rate on an outstanding mortgage affected by an emergency is much lower than the prevailing mortgage rates at the time a borrower enters forbearance, the economic costs to a mortgage servicer or holder can be significant. Unavoidably, large-scale disasters impose significant costs on society, and oftentimes, one or more groups of innocent parties are forced to bear those costs.

- 6) *Extending streamlined forbearance for LA wildfire survivors further strains questions of legal authority, enforcement, and trade-offs*

The challenges laid out in the preceding comment would only deepen with the proposed extension of streamlined forbearance from 12 months to 36 months. Many mortgage servicers could comply with the intent of AB 238 as federal entities backing the mortgage markets generally allowed providing 12 months of forbearance under existing guidelines. Likewise, privately-backed mortgages are often serviced in manners that generally conform to guidelines promulgated by federal entities, such as Fannie Mae. Undoubtedly, AB 238 caused some confusion for servicers where the law differed from their standard practices, but the gaps between the law and practice would be far wider if this bill is enacted. Importantly, servicers often have the ability to extend forbearance beyond 12 months in some cases, but rarely, if ever, do existing servicing guidelines and industry standard practices allow for going beyond 12 months solely on a self-affirmation from the borrower that they have a financial hardship.

Additionally, the requirement in this bill that a servicer offer the borrower the option to defer repayment of forbore amounts to the end of the loan term may not comport with servicing guidelines and standard industry practices. In this case, the bill offers a clear exception for cases where a servicer is prohibited from offering such an option by the terms of the applicable investor contract or servicing guidelines. But the inclusion of this provision in the bill raises the material risk that borrowers will believe they are entitled to a favorable repayment option, only later to discover that such an option is not available to them.

A bank or other holder of a mortgage that services a mortgage it holds in its own portfolio will not face the particular challenge of servicers that act as an agent for an investor and are stuck between following the provisions of this bill and adhering to what the servicer believes are its contractual duties. In the cases of these portfolio loans, however, this bill still presents a risk that the portfolio lender will not follow the law, viewing this bill as an unconstitutional impairment of its contractual rights. While the merits of such constitutional arguments are better left to the Committee on Judiciary, it seems that the further this bill pushes mortgage holders to bear more costs of the wildfire disaster, the higher likelihood that mortgage holders seek to protect their contractual rights, irrespective of the letter of the law.

7) *Arguments in Support*

Eaton Fire Survivors Network writes in support:

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.

8) *Arguments in Opposition*

A coalition of mortgage industry participants writes in opposition:

While we support efforts to assist homeowners experiencing financial hardship and share goals of protecting vulnerable borrowers. We have significant concerns about the proposal to extend mortgage forbearance by an additional two years.

This bill creates unrealistic borrower expectations and imposes requirements that conflict with existing federal mortgage servicing and investor standards. While temporary forbearance can be an important disaster-relief tool, the bill's broad mandates are unworkable in practice and risk creating confusion for borrowers and servicers alike.

The letter goes on to identify key concerns, including that federal programs already provide flexibility, a 36-month mandate is far beyond what servicers are permitted to offer under federal and investor guidelines, and that the bill creates misleading expectations for borrowers that will not be realized.

9) *Amendments*

Committee staff offers the following amendments intended to alleviate, in part, some of the concerns expressed by the mortgage industry.

- a) Reduce the maximum forbearance period from 36 months to 24 months.

To be clear, any statutorily required forbearance that exceeds 12 months raises concerns from the mortgage servicing industry, especially related to conflicts between servicing guidelines related to federally-backed mortgages. For privately-backed mortgages, the reduction to 24 months may attenuate some concerns about the length that a borrower would be in forbearance.

Amendment: strike "36" and replace with "24" in subdivisions (a) and (b) of Section 3273.23.

- b) Add a condition that a property must be uninhabitable for the borrower to qualify for forbearance under the bill

Most borrowers who seek disaster-related forbearance under this bill will likely be in challenging financial situations that support their request. In the outside chance that a borrower could try to game the system and seek extended forbearance under this bill, the following amendment would prevent a borrower who is (or could be) living in the property or renting it out from qualifying for extended forbearance.

Amendment: add the following paragraph to subdivision (a) of Section 3273.23:

(3) Attesting under penalty of perjury that the property securing the residential mortgage loan remains uninhabitable due to the wildfire disaster.

10) *Double Referral*

This bill is double referred to the Committee on Judiciary.

LIST OF REGISTERED SUPPORT/OPPOSITION

Support

American Federation of State, County and Municipal Employees, AFL-CIO
California Charter Schools Association
California Community Foundation
California Professional Firefighters
Consumer Attorneys of California
Consumer Watchdog
Eaton Fire Survivors Network
Habitat for Humanity California
Insurance Commissioner Ricardo Lara / California Department of Insurance
Los Angeles County
Office of Los Angeles Mayor Karen Bass
Pacific Palisades Community Council
SEIU California

Opposition

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

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