

Date of Hearing: May 6, 2026

ASSEMBLY COMMITTEE ON APPROPRIATIONS

Buffy Wicks, Chair

AB 1957 (Pacheco) – As Amended March 27, 2026

Policy Committee: Judiciary

Vote: 12 - 0

Urgency: No

State Mandated Local Program: No

Reimbursable: No

SUMMARY:

This bill reforms California’s post-foreclosure property acquisition process established by SB 1079 (Skinner), Chapter 202, Statutes of 2020.

Specifically, this bill:

- 1) Narrows the definition of “eligible property” to exclude uninhabitable, high-value, and junior lien properties.
- 2) Eliminates prospective owner-occupants and nonprofit corporations from the list of eligible post-sale bidders.
- 3) Imposes enhanced documentation requirements on tenant buyers, including a recorded one-year occupancy covenant.
- 4) Requires successful post-sale bidders to pay a 1.2 percent time-value reimbursement to the original auction winner.
- 5) Codifies trustee liability protections and post-sale fund distribution timelines.

FISCAL EFFECT:

No known state costs

COMMENTS:

- 1) **Purpose.** According to the author, SB 1079’s post-foreclosure acquisition process has been manipulated by bad actors who exploit loose eligibility requirements to bypass public auctions and acquire properties for as little as 1 cent more than the winning bid. This suppresses competitive bidding and deprives foreclosed homeowners of equity they are legally entitled to recover from surplus sale proceeds. This bill narrows the process to address fraud while preserving pathways for legitimate tenant buyers, community land trusts, and public entities.
- 2) **Background.** SB 1079 (Skinner), Chapter 202, Statutes of 2020, established a process allowing eligible bidders — including tenants, prospective owner-occupants, nonprofits, and public entities — a 45-day window to purchase foreclosed residential properties of one to four units by matching or exceeding the highest bid at the foreclosure auction. The law was

intended to prevent displacement and reduce corporate consolidation of California's housing stock. The Legislature has amended the process twice since enactment — through AB 1837 (Bonta), Chapter 642, Statutes of 2022, and AB 295 (Lowenthal), Chapter 142, Statutes of 2024 — to address emerging problems with fraud and abuse. Despite these reforms, the bill's sponsor reports that the prospective owner-occupant and nonprofit bidder categories remain the most frequently exploited provisions, with investors using straw buyers and shell nonprofits to circumvent the competitive auction process.

- 3) **Support and Opposition.** The United Trustees Association, whose members administer the post-foreclosure bidding process established by SB 1079, is the bill's sponsor. The California Association of Realtors opposes unless amended to restore the prospective owner-occupant as an eligible bidder. A coalition of affordable housing advocates, including the National Housing Law Project, Public Counsel, and several community land trusts, opposes unless amended, arguing the bill is overly broad and does not target the most important forms of fraud.
- 4) **Prior Legislation.** AB 1158 (Chen, 2025) was substantially similar to this bill, except that it included a private right of action allowing foreclosure sale bidders to challenge the validity of post-sale bids. That bill was held on this committee's suspense file.

AB 295 (Lowenthal), Chapter 142, Statutes of 2024, made additional changes to the SB 1079 process to prevent fraud.

AB 1837 (Bonta), Chapter 642, Statutes of 2022, revised the SB 1079 process to address fraud and extended the sunset date to January 1, 2031.

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