
SENATE COMMITTEE ON APPROPRIATIONS

Senator Anna Caballero, Chair
2025 - 2026 Regular Session

AB 238 (Harabedian) - Mortgage forbearance: state of emergency: wildfire

Version: July 10, 2025

Urgency: Yes

Hearing Date: July 14, 2025

Policy Vote: B. & F.I. 7 - 0, JUD. 12 - 0

Mandate: Yes

Consultant: Janelle Miyashiro

Bill Summary: AB 238 requires a mortgage servicer to offer mortgage payment forbearance to borrowers experiencing financial hardship due directly to the January 2025 Los Angeles-area wildfire disaster (wildfire disaster). AB 238 specifies that mortgage forbearance be granted to a qualified borrower for a period of up to an initial 90 days, which would then be required to be extended at the request of the borrower in 90-day increments up to a maximum forbearance period of 12 months.

Fiscal Impact:

- The Department of Financial Protection and Innovation (DFPI) anticipates an increase in complaint volume related to wildfire disaster mortgage forbearance relief, but estimates associated workload to be absorbable (Financial Protection Fund).
- Unknown total fiscal impact to the Department of Real Estate (DRE), potentially ranging up to \$150,000, to process, review, and investigate consumer complaints (Real Estate Fund). Enforcement costs to DRE will depend on, among other things, the volume of complaints received specific to wildfire disaster-related mortgage forbearance relief and the complexity of any subsequent investigations.

Background: 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.

Proposed Law:

- Authorizes a borrower who is experiencing financial hardship preventing them from making timely payments on a residential mortgage loan due directly to the wildfire disaster to request forbearance on the residential mortgage loan by doing both of the following:
 - Submitting a request to the borrower's mortgage loan servicer, as specified.
 - Affirming that the borrower is experiencing a financial hardship due to the wildfire disaster.
- Upon borrower request, requires a mortgage servicer to offer mortgage payment forbearance for a period of up to an initial 90 days, which shall be extended in 90-

day increments at the borrower's request up to a maximum forbearance period of 12 months.

- Establishes specified mortgage servicer notification and disclosure requirements.
- During the granted forbearance period, prohibits a mortgage servicer from initiating any judicial or nonjudicial foreclosure process, move for a foreclosure judgment or order of sale, or execute a foreclosure-related eviction or foreclosure sale if the borrower is performing pursuant to the terms of the forbearance.
- Requires DFPI to post the following information on its website:
 - Links to the provisions of servicing guidelines pertaining to disaster-related forbearance relief for federally backed loans.
 - A summary of Fannie Mae and Freddie Mac guidance to assist borrowers in understanding their forbearance programs.
 - A dedicated telephone number for borrowers seeking assistance.
- Establishes definitions.
- 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 or insures the residential mortgage loan.
- Further declares legislative intent that this bill does not apply to servicing guidelines that are unrelated to disaster-related forbearance relief.
- States the measure is an urgency statute necessary to avert economic and social harm by providing a structure for temporary relief to financially distressed borrowers during conditions of extreme peril to the safety of persons and property that exist due to impacts of the Eaton Fire, the Palisades Fire, and the windstorm.

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