

(Without Reference to File)

CONCURRENCE IN SENATE AMENDMENTS

CSA1 Bill Id:AB 238 Author:(Harabedian and Irwin)

As Amended Ver:July 10, 2025

2/3 vote. Urgency

SUMMARY

This bill requires a mortgage servicer to provide up to 12 months of forbearance to a borrower experiencing financial hardship due to the January 2025 Los Angeles wildfire disaster.

Senate Amendments

- 1) Increase time for notification by mortgage services duties to borrower regarding approval of forbearance request from five to ten business days. (Section 3273.23 (c).)
- 2) Provide a timeframe for safe harbor for a mortgage servicer to deny forbearance when a mortgage service provider is acting under the delegated authority to make forbearance determinations on behalf of an investor—within the maximum allowable forbearance period of 12 months from no timeframe. (Section 3273.23 (d).)
- 3) Update safe harbor prerequisite specifying:
 - a) That the notice for denial contains a clear and concise explanation of the specific investor provision *that is the basis for* (not that *requires*) the denial. (Section 3273.23 (d)(1).) and
 - b) The text of the *specific investor guideline or contractual provision that is the basis for the denial of the borrower's forbearance request* instead of the servicing guidelines that describe the disaster related forbearance relief. (Section 3273.23 (d)(2).)
- 4) Specifies requirements for reporting credit obligations of borrower's under a disaster-related forbearance plan. Specifically, for accounts granted disaster-related mortgage payment relief, a mortgage service provider shall not furnish information during the forbearance period indicating that the payments are in forbearance and shall either:
 - a) Report the obligation as current,
 - b) If a borrower was delinquent before the disaster-related forbearance plan, maintain the delinquent status during the period in which the plan is in effect, but, if the consumer brings the account current during the forbearance period, report the account as current. (Section 3273.23 (i).)
- 5) Clarifies specific intent language by 1) adding "or insures" when describing the existing contractual relationship with an investor and mortgage servicer, and 2) adding specific intent language to show that the terms of this bill does not apply to servicing guidelines that are unrelated to disaster-relief forbearance relief. (Section 3273.29.)

COMMENTS

Mortgage Forbearance. Mortgage forbearance provides borrowers temporary relief when they experience an unexpected hardship or income shock. Under a forbearance plan, a borrower can enter into an agreement with the lender that allows the borrower to pause or reduce mortgage payments during the period of hardship. The borrower will still owe the full amount and repay the missed payments later (typically with interest). Forbearance helps both the borrower and the lender by avoiding foreclosure. The borrower can overcome the initial hardship and get back on track, and the lender does not need to start the lengthy and expensive foreclosure process.

Existing Relief. On January 23, 2025, Governor Newsom announced a commitment from 270 (a number that has since grown 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.

Government Sponsored Enterprises (GSEs) Guidance. GSEs include Fannie Mae, Freddie Mac, the Federal Housing Administration (FHA), the Department of Veterans Affairs (VA), and the United States Department of Agriculture (USDA) Rural Housing Service. These entities offer disaster-related loss mitigation programs.

Although Fannie Mae and Freddie Mac have issued forbearance guidelines for borrowers affected by a natural disaster, such as permitting a mortgage servicer to offer up to one year of forbearance with certain limitations and requirements, there is no specific federal law requiring streamlined and automatic forbearance for Los Angeles-area fire victims similar to the special rules applicable during the COVID-19 pandemic.

According to the Author

The Mortgage Deferment Act provides essential relief to homeowners facing financial hardship due to the Los Angeles wildfires. By mandating up to 12 months of mortgage forbearance with no added fees, penalties, or interest, this legislation ensures that families have the time and flexibility to recover without the immediate threat of foreclosure.

Given the long-term nature of wildfire recovery, short-term assistance is insufficient. This act establishes clear, accessible relief, preventing financial ruin and stabilizing communities. Long term, uniform action is necessary to protect homeowners and mitigate the economic fallout of this disaster.

Arguments in Support

On January 7, 2025, the Los Angeles region experienced unprecedented wildfire and windstorm events, including the Palisades, Eaton, Hurst, and Hughes Fires, burning over 50,000 acres throughout the county. Many residents have since faced significant financial hardships that have jeopardized their housing stability.

AB 238 ensures critical support for affected homeowners by authorizing borrowers experiencing financial hardship due to the wildfire disaster to request forbearance from their mortgage servicers. The bill mandates an initial 90 days of forbearance, extendable in 90-day increments

up to a maximum of 12 months, without fees, penalties, or additional interest. Crucially, it prohibits foreclosure-related actions during the forbearance period and ensures clear communication regarding repayment options.

Arguments in Opposition

Concern was incorrectly recorded as opposition in Senate Judiciary Committee, but has since been addressed and removed.

FISCAL COMMENTS

- 1) 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).
- 2) 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).

VOTES:

ASM BANKING AND FINANCE: 6-0-3

YES: Valencia, Fong, Krell, Michelle Rodriguez, Blanca Rubio, Soria

ABS, ABST OR NV: Chen, Dixon, Schiavo

ASM JUDICIARY: 11-0-1

YES: Kalra, Bauer-Kahan, Bryan, Connolly, Essayli, Harabedian, Pacheco, Papan, Sanchez, Stefani, Zbur

ABS, ABST OR NV: Chen

ASM APPROPRIATIONS: 13-0-2

YES: Wicks, Sanchez, Arambula, Calderon, Caloza, Elhawary, Fong, Mark González, Hart, Pacheco, Pellerin, Solache, Ta

ABS, ABST OR NV: Dixon, Hadwick

ASSEMBLY FLOOR: 70-0-9

YES: Addis, Aguiar-Curry, Ahrens, Alanis, Alvarez, Arambula, Ávila Farías, Bains, Bennett, Berman, Boerner, Bonta, Bryan, Calderon, Caloza, Carrillo, Chen, Connolly, Davies, DeMaio, Dixon, Elhawary, Ellis, Flora, Fong, Gabriel, Garcia, Gipson, Mark González, Haney, Harabedian, Hart, Hoover, Irwin, Jackson, Kalra, Krell, Lackey, Lowenthal, Macedo, McKinnor, Muratsuchi, Nguyen, Ortega, Pacheco, Papan, Patel, Patterson, Pellerin, Petrie-Norris, Quirk-Silva, Ramos, Ransom, Celeste Rodriguez, Michelle Rodriguez, Rogers, Blanca Rubio, Schiavo, Schultz, Sharp-Collins, Solache, Soria, Stefani, Tangipa, Valencia, Ward, Wicks, Wilson, Zbur, Rivas

ABS, ABST OR NV: Bauer-Kahan, Castillo, Gallagher, Jeff Gonzalez, Hadwick, Lee, Sanchez, Ta, Wallis

SENATE FLOOR: 40-0-0

YES: Allen, Alvarado-Gil, Archuleta, Arreguín, Ashby, Becker, Blakespear, Cabaldon, Caballero, Cervantes, Choi, Cortese, Dahle, Durazo, Gonzalez, Grayson, Grove, Hurtado, Jones, Laird, Limón, McGuire, McNerney, Menjivar, Niello, Ochoa Bogh, Padilla, Pérez, Reyes,

Richardson, Rubio, Seyarto, Smallwood-Cuevas, Stern, Strickland, Umberg, Valladares, Wahab,
Weber Pierson, Wiener

UPDATED

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