

CONCURRENCE IN SENATE AMENDMENTS

AB 493 (Harabedian)

As Amended June 26, 2025

2/3 vote. Urgency

SUMMARY

This bill requires mortgage lenders that make loans secured by property containing one- to four-family residences pay two percent interest on any insurance proceeds following property damage or loss that is held by the mortgage lender.

Senate Amendments

- 1) Applies all funds held in a loss draft account, pre- and post- Jan 1, 2026. Interest shall begin to accrue on the effective date of Civil Code Section 2954.85 (f).
- 2) Distinguish tax and insurance proceeds which are deposited into a non-interest bearing escrow account from hazard insurance proceeds that will be deposited into an interest bearing loss draft account.

COMMENTS

- 1) Financial institutions that make mortgage loans are required to pay at least 2% interest on amounts received in advance of repair or rebuilding for payment of hazard insurance proceeds -following property damage or loss, or other purposes related to the property.
- 2) A financial institution shall not impose and fees or charges in connection with the maintenance or disbursement of hazard insurance proceeds held in a loss draft account pursuant to this section.
- 3) Specifies that this section does not apply to hazard insurance proceeds held in a loss draft account required by state or federal authority to be placed in a financial institution other than a non-interest bearing demand trust fund account of a bank.
- 4) States this change shall not be construed to unreasonably impair the terms of those loans, and its provisions are intended solely to ensure equitable treatment of borrowers whose escrowed funds are held for property-related expenses.
- 5) Includes findings and declarations that the change is deemed necessary due to the urgent need to protect wildfire-impacted borrowers in Los Angeles and Ventura Counties and that this bill aims to guarantee that escrowed insurance payouts earn the same interest as funds held for taxes or other property-related expenses.
- 6) Adds an urgency clause.

According to the Author

Currently, lenders hold post-loss insurance payouts in escrow accounts instead of disbursing them directly to homeowners. These funds are intended to support repairs and rebuilding efforts, but lenders often retain the interest earned while the money sits idle- sometimes for years.

This isn't just a matter of fairness- it's a matter of recovery. These funds rightfully belong to homeowners and should be fully available to help them rebuild their homes and communities.

AB 493 corrects this by requiring lenders to pass through at least 2% of the insurance proceeds—including any interest earned—to homeowners. This change ensures fairness, strengthens post-disaster recovery, and helps homeowners access every dollar they are owed.

Arguments in Support

In the wake of devastating wildfires that have destroyed over 18,000 structures and resulted in billions of dollars in insured property losses across Los Angeles, many homeowners are left navigating the lengthy and costly process of rebuilding. While insurance payouts are often placed in escrow until repairs are completed, current law allows mortgage lenders to retain the interest that accrues on these significant funds, leaving homeowners with fewer resources during a time of dire need.

AB 493 closes this loophole by amending Civil Code Section 2954.8 to ensure that interest earned on post-loss insurance funds goes to the homeowner. It also prevents lenders from imposing fees that would reduce interest rates below 2% per year. These changes uphold fairness, bring disaster-related insurance escrow funds in line with existing consumer protections, and help ensure that rebuilding families are not shortchanged during recovery.

This bill is a vital step in supporting Californians affected by natural disasters and reinforcing the state's commitment to equitable financial treatment for homeowners. We urge the Legislature to pass AB 493 and deliver long-overdue justice to disaster victims across California. AB 493 will provide much-needed financial support to disaster victims and ensure that the money benefits fire victims. Thank you for your continued leadership on this issue.

Arguments in Opposition

None received.

FISCAL COMMENTS

This bill passed Senate Appropriations under Rule 28.8 (no hearing in appropriations needed if a) any additional state costs are not significant and do not and will not require the appropriation of additional state funds, and b) the bill will cause no significant reduction in revenues.)

VOTES:

ASM BANKING AND FINANCE: 8-0-1

YES: Valencia, Chen, Dixon, Fong, Krell, Michelle Rodriguez, Blanca Rubio, Schiavo
ABS, ABST OR NV: Soria

ASM APPROPRIATIONS: 15-0-0

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

ASSEMBLY FLOOR: 77-0-3

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

ABS, ABST OR NV: Alvarez, Davies, Wicks

UPDATED

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