SENATE COMMITTEE ON
BANKING AND FINANCIAL INSTITUTIONS
Senator Timothy Grayson, Chair
2025 - 2026 Regular

Bill No:	AB 985	**Hearing Date:**	July 16, 2025
Author:	Schiavo		
Version:	June 23, 2025 Amended		
Urgency:	No	**Fiscal:**	Yes
Consultant:	Michael Burdick		

Subject: Chiquita Canyon Landfill: mortgage forbearance: property tax reassessment and penalties

SUMMARY

This bill provides property tax relief and mandates mortgage forbearance for persons affected by an elevated temperature landfill event in Los Angeles County.

EXISTING LAW

1) Prohibits a mortgage servicer from recording a notice of default until at least 30 days after making contact, as specified, with a borrower to discuss options for avoiding foreclosure. (Civil Code Section 2923.5)

2) Authorizes the board of supervisors of a county, by ordinance, to provide that every assessee of any taxable property, or any person liable for the taxes thereon, whose property was damaged or destroyed without their fault, may apply for reassessment of that property, as specified. (Revenue and Taxation Code Section 170)

3) Imposes various penalties, costs, and interest upon taxpayers that pay their property taxes after various delinquency dates. (Revenue and Taxation Code Sections 75.52, 463, 2617, 2618, 2704, 2705, 2922, 4103, and 4837.5)

THIS BILL

1) Defines "landfill event" as the elevated temperature landfill event that occurred beneath the Chiquita Canyon Landfill in the County of Los Angeles.

2) Permits a borrower who is experiencing financial hardship that prevents the borrower from making timely payments on a residential mortgage loan due directly to the landfill event to request forbearance on the residential mortgage loan, as specified.

3) Requires a mortgage servicer, upon a request from a borrower pursuant to #2 above, to offer mortgage payment forbearance for a period of up to an initial 90 days, which shall be extended at the request of the borrower in 90-day increments.

4) Provides that a mortgage servicer, if acting under delegated authority to make forbearance determinations on behalf of the investor, shall not be in violation of #3 above if the mortgage servicer denies a forbearance request and provides written notice to the borrower stating the specific reason for denial, as specified.

5) Provides a specified process for a borrower to cure a defect in the borrower's forbearance request.

6) Prohibits a mortgage servicer from the following acts:

   a) Assessing any late fees or charging a default rate of interest during the forbearance period.

   b) Requiring a lump sum payment for a borrower who was current on the residential mortgage loan when the borrower entered forbearance.

   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.

7) 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.

8) 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.

9) 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.

10) 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.

COMMENTS

1) *Purpose*

   According to the author:

   > Chiquita Canyon Landfill in District 40 has had a smoldering event beneath its waste for over 3 years. Residents of Val Verde and Castaic have been experiencing health complications such as nose bleeds, migraines, respiratory issues and about 100 yards from the landfill a cancer cluster has formed. After a Multi Agency Group was formed and determined there is no resolution in sight, our office has pleaded to the Governor and County Board of Supervisors for a State of Emergency.

> We have been denied multiple times however, the issue still stands and residents are not getting any better. This is why AB 985 was introduced. To allow residents to have the same opportunities they would have, given a State of Emergency.

The author intends to accomplish this goal, in part, by requiring a mortgage servicer to grant forbearance (i.e., a temporary pause on repayment obligations) to a borrower who is experiencing a financial hardship due to the landfill event.

2) *Background*

Chiquita Canyon Landfill, located in the northern section of Los Angeles County, is figuratively (and almost literally) a dumpster fire. Based on an assessment from the California Environmental Protection Agency, Bloomberg reports the following:

> In early 2022 a closed section in the landfill's northwest corner began overheating, eventually reaching temperatures above 200F (93C). That's nearly 40% hotter than the federal EPA's standard for landfill operations. As the waste slowly cooked, it belched out toxic gases, elevating nearby levels of hydrogen sulfide, carbon monoxide and benzene, which can damage DNA and cause leukemia after enough exposure. Large amounts of leachate (basically, trash juice) built up and bubbled, boiled and even shot into the air like geysers.
>
> One such geyser appeared to gush from a landfill gas well that exceeded the legal limit for benzene, as did several other samples of leachate, according to CalEPA. Other officials cited Waste Connections for allowing the leachate to seep into waterways, an allegation the operator has disputed. Cracks and fissures have worn away at the landfill's surface, state regulators say, threatening to rupture storage tanks of toxic leachate, which the company also denies. Health officials are investigating a possible cancer cluster because of the number of residents who've fallen ill. Pets have inexplicably dropped dead. Val Verde resident Erin Wakefield says she's arrived home more than once to whole swarms of insect carcasses strewn around her property. "This is so much bigger than a trash fire," she said at a press conference in April. "This is a state of emergency."[1]

The "landfill event" has negatively affected hundreds of households in the surrounding area. As of June 25, 2025, the South Coast Air Quality Management District had received more than 29,500 odor complaints from residents near the landfill since January 2023.[2] The operator of the landfill, Waste Connections, established the Chiquita Canyon Landfill Community Relief Program in March 2024 to assist with offsetting costs associated with odor mitigation for those living in communities surrounding the landfill. As explained by Waste Connections,

> The Community Relief Program is meant to compensate community members for claimed damages or injury suffered from any odors or fumes emanating from the Chiquita Landfill, including but not limited to adverse health effects (past, current, or future), impact(s) on use, enjoyment, and/or value of property, impact(s) on daily activities, and/or any other personal injuries or property damage community members may claim to have suffered. However, submission of the application form and receipt of

---

[1] https://www.bloomberg.com/graphics/2025-america-hot-garbage-problem-toxic-landfills/

[2] https://www.aqmd.gov/docs/default-source/news-archive/2025/chiquita-canyon-landfill-ordered-to-take-stronger-actions-to-reduce-odors---june-25-2025.pdf?sfvrsn=97719c61_3

> compensation does not constitute a release of any legal claims the applicant may have against Chiquita Canyon, LLC or any related entities and does not constitute a waiver of any additional damages to which the applicant may be entitled.[3]

Waste Connections decided to end the program in February 2025, having paid out $25 million to at least 1,829 households.[4] The company claims that the decision to end the program is based on "on-site surface emissions data show[ing] that the potential for any off-site air emissions from the Landfill has steadily decreased over the past year. Off-site air quality data also shows improvement in air quality and potential odor impacts."

The landfill event and its associated consequences are subjects of ongoing litigation. Private residents and Los Angeles County have filed separate suits against the operator of the landfill, alleging various legal violations that have resulted in negative health effects for residents of the surrounding communities and financial harms associated with exposure to noxious fumes and unpleasant odors.[5] Los Angeles County recently moved to seek a preliminary injunction that, among other things, seeks relocation assistance and home hardening for affected residents.[6]

Despite continued efforts by residents and some of their elected representatives, no local, state, or federal government has declared a state of emergency due to the landfill event. The broader implications of such a declaration (or the lack thereof) are beyond the scope of the Committee's jurisdiction and this analysis. But within the context of mortgage forbearance, the lack of an emergency declaration, particularly a federal declaration, may affect the availability and terms of mortgage relief that a mortgage servicer is authorized to offer.

This bill proposes relief for homeowners affected by the landfill event in two primary categories: property tax relief and mortgage forbearance. The former category is outside of the jurisdiction of this Committee and was analyzed and considered by the Committee on Revenue and Taxation, whose analysis is incorporated herein by reference. The jurisdiction of this Committee includes the proposed mortgage forbearance provisions, which is the focus of the remainder of this analysis.

3) *The purpose of mortgage forbearance*

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, sometimes 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."[7] 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 up to 12 months of mortgage forbearance when dealing with a financial hardship. Servicers of federally backed mortgages

---

[3] https://www.chiquitalandfillcommunityrelief.com/
[4] https://calmatters.org/politics/2025/03/chiquita-canyon-landfill-california/
[5] https://abc7.com/post/la-county-sues-chiquita-canyon-landfill-claiming-castaic-residents-have-been-sickened-noxious-fumes-odors/15672684/
[6] https://scvnews.com/county-files-preliminary-injunction-motion-in-chiquita-canyon-landfill-lawsuit/
[7] https://www.consumerfinance.gov/ask-cfpb/what-is-mortgage-forbearance-en-289/

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 certain mortgages.[8] These guidelines authorize – but do not require – 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.

The author intends the mortgage forbearance provisions of this bill to provide people affected by the landfill event "an opportunity to relocate." By pausing a homeowner's mortgage repayment obligations, the author argues that the homeowner would have financial means to move to another property outside of the affected area, whether through renting or purchasing another home. This bill gives borrowers forbearance in 90-day increments that can be renewed at the request of the borrower, provided that such action is not in conflict with existing legal obligations or federal guidelines that apply to the borrower's mortgage servicer.[9]

The intent of the author is at odds with the purpose of mortgage forbearance, as permitted by investors, guarantors, or insurers of federally backed mortgages. Forbearance is intended to provide flexibility to a borrower experiencing a short-term financial hardship, such as unemployment or a reduction in income. For both the borrower and the mortgage holder, the ideal outcome upon entering forbearance is that the borrower's financial situation stabilizes in a manner that allows the borrower to afford their monthly mortgage payment once the forbearance period is over. In some cases, a borrower may need and a mortgage servicer may grant a loan modification that reduces the monthly payment and stretches out the term of the loan, without materially harming the interests of the mortgage holder.

Mortgage forbearance is not intended as a way for a borrower to structurally increase their household's monthly expenses. If a borrower obligates themselves to additional housing expenses on top of their existing mortgage, it is difficult to see how the borrower will be able to afford two housing payments once the forbearance period ends. Important for the context of the Chiquita Canyon landfill event, there is no assurance – not even a likely probability – that the underlying problem will be remedied within a 12-month forbearance period, meaning the borrower is almost certainly going to face the same challenges with odors, noxious fumes, and related health effects once their forbearance period is over.

---

[8] 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 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.

[9] Most federally backed loans fall under servicing guidelines that allow mortgage servicers to provide up to 12 months of forbearance for a broad range of financial hardships, without receiving express written approval from the investor, guarantor, or insurer. While this bill does not provide a cap on how many times the 90-day forbearance period is requested to be renewed by the borrower, many mortgage servicers will be effectively capped at allowing four 90-day periods due to federal guidelines or contractual obligations.

4) *Downside risk*

This bill introduces material risks to borrowers, mortgage servicers and mortgage holders, which may have broader implications for the mortgage finance market in California. Enacting a law that compels a mortgage servicer to provide forbearance in the particular case of the Chiquita Canyon landfill event may send confusing signals to the market, potentially resulting in unintended negative consequences.

Enacting this bill could suggest an endorsement by the state for a borrower to enter into mortgage forbearance for the purpose of freeing up monthly cash flow that can be used to pay for alternative housing. As discussed in the preceding comment, mortgage forbearance is not a tool designed to induce higher consumption, especially if such consumption is related to a new, ongoing monthly obligation, such as rental payments under a lease or mortgage payments for a second home. A borrower who is desperate to leave the contaminated area may perceive mortgage forbearance as an immediate way out of their problem, but forbearance may ultimately complicate their financial situation and harm their longer-term well-being. In some situations, the borrower will be better off selling their property, rather than entering forbearance and dealing with the financial consequences later.

There is also risk that this bill does not deliver the intended results to borrowers. Servicing guidelines that apply to federally backed mortgages do not authorize a mortgage servicer to provide forbearance for the purpose of helping a borrower afford to relocate. Unlike the Los Angeles wildfires which were part of a federally declared disaster area, borrowers affected by the Chiquita Canyon landfill event are not covered by any federal, state, or local emergency or disaster declaration. Mortgage servicers may be confused about their obligations pursuant to servicing agreements and whether those obligations conflict with any provision of this bill. If mortgage servicers perceive conflicts, they may not offer forbearance in line with a borrower's expectations based on the borrower's understanding of this bill. Such confusion may lead to a lack of trust in government and the mortgage industry and may result in some borrowers feeling that they were offered false hope when facing a stressful situation.

This bill may impair the financial interests of mortgage servicers, including banks and independent mortgage companies. Servicers of federally backed loans are often required to make payments to mortgage holders or other parties, even when the borrower does not pay the servicer. This means that while a borrower is in a forbearance period, the mortgage servicer uses their own funds to make principal interest payments to investors, property tax payments to local governments, and premium payments to insurance companies. In some cases, a mortgage servicer may not recover these payment advances for a significant period of time or even not at all.

This bill may impair the financial interests of mortgage holders, which includes banks, as well as pension funds, insurance companies, and mutual funds. If a mortgage servicer grants forbearance to a borrower who subsequently increases their monthly obligations, the borrower is less likely to be able to afford their mortgage payment when the forbearance period ends. If this policy leads to higher levels of mortgage defaults and foreclosures in the longer-term, holders of mortgages may be harmed.

The proposed extension of mandatory forbearance by state government in this context – where the underlying problem is expected to persist for a decade or more, where a private party (i.e., the landfill operator) may be liable for tort damages, where the nexus between the problem and related financial hardship is not clear, and where a state of emergency has not been declared – raises an important question about where the Committee will establish limiting principles related to mandatory forbearance. It is unfortunately easy to imagine a variety of industrial failures that could lead to similar outcomes in other areas of the state, whether those failures emanate from chemical processing, metal recycling, the fossil fuel supply chain, goods manufacturing, agricultural activities, etc. The perception that the state is seeking to add to on an ever-growing list of situations that should compel mortgage forbearance could send a chilling effect on mortgage market activity in the state. If forbearance were an unambiguous solution for families affected by this landfill event, the decision on whether to extend forbearance in this particular case would be more difficult. But when homeowners will not clearly benefit from this bill, is this proposed extension worth the risk?

5) *Arguments in Opposition*

A coalition of mortgage industry trade associations writes in opposition:

> The bill…imposes significant new legal liability and compliance-related impediments. Without clearly defined criteria for establishing borrower eligibility or demonstrating hardship, lenders may face inconsistent application standards, legal exposure, and the potential for non-compliance with existing loan servicing obligations. This not only increases the cost and complexity of servicing loans but also places servicers in the untenable position of having to reconcile state directives with contractual obligations and federal servicing guidelines.
>
> Moreover, many mortgage loans in California are backed by government-sponsored enterprises such as Fannie Mae and Freddie Mac, or insured by governmental agencies, like the FHA, USDA, and VA. These loans are governed by uniform federal servicing frameworks, including strict eligibility rules for forbearance. State-level mandates that conflict with these federal standards are not only infeasible to implement, but also risk creating legal and compliance challenges for servicers and confusion for borrowers, particularly in cases where federal guidelines preclude relief absent a disaster declaration.

6) *Double Referral*

This bill was first referred to the Committee on Revenue and Taxation which passed the bill on July 9, 2025, on a 3-0 vote with 2 Senators not voting (those two being the Chair of the Revenue and Taxation Committee and the Chair of this Committee who also sits on Revenue and Taxation).

7) *Prior and Related Legislation*

AB 238 (Harabedian) of this legislative session would provide mortgage forbearance to borrowers facing financial hardship due to the Los Angeles wildfires of January 2025.

<u>LIST OF REGISTERED SUPPORT/OPPOSITION</u>

<u>Support</u>

None received

<u>Opposition</u>

California Bankers Association
California Community Banking Network
California Credit Union League
California Mortgage Association
California Mortgage Bankers Association
United Trustees Association

-- END --