

Assembly Bill 238 – Mortgage Deferment Act

Assemblymember John Harabedian

BILL SUMMARY

The Mortgage Deferment Act, allows borrowers to request an initial pause of their monthly mortgage payments for up to 360 days to provide financial relief to those who have lost their homes or livelihood to wildfire.

BACKGROUND

As the scale of the Los Angeles Fires' devastation unfolds, families and businesses face an uncertain future. Immediate financial relief is essential to bridge the gap until insurance claims are processed and rebuilding efforts can begin.

A potential solution lies in a model inspired by the CARES Act, which provided mortgage payment forbearance to those experiencing financial hardship during the COVID-19 national emergency. Mortgage forbearance refers to a temporary agreement between the borrower and lender to pause or reduce mortgage payments for a set period due to financial hardship, with the understanding that the borrower will resume full payments later. Adopting a similar approach for wildfire victims could offer critical relief, allowing families and small business owners to focus on rebuilding their lives while awaiting insurance payouts and housing reconstruction.

This support could provide much-needed stability in the face of overwhelming loss, helping the community recover and rebuild.

PROBLEM

Wildfires have caused devastating damage in Los Angeles County, resulting in at least 24 deaths and the destruction of over 12,000 homes and structures. Officials have stated that the full extent of the damage will not be clear until it is safe for investigators to access affected areas. Over 150,000 residents are currently under evacuation orders issued by the sheriff's department, with tens of thousands more under evacuation warnings.

Angelinos are struggling with this traumatic disaster and will endure dual payments for their relocation rent and existing mortgage payments on their destroyed home. Their insurance claims and rebuilding may take months to complete.

SOLUTION

The Mortgage Deferment Act provides financial relief for homeowners in wildfire-affected areas by allowing borrowers to request mortgage payment forbearance for up to 360 days, in two increments of 180 days each. During this period, no late fees, penalties, or additional interest will be assessed, and foreclosure proceedings are prohibited, giving homeowners time to recover from financial hardships caused by the wildfires. Provisions of bill include:

- Borrowers with mortgages located in Los Angeles County would be eligible for forbearance if they are experiencing financial hardship due to the effects of the wildfire (loss of home, income disruption).
- Borrowers can request this deferment for up to 360 days in total (initial delay of up to 180 days and then up to another 180 days, if requested)
- Servicers must approve the forbearance for the amount and time that the borrower requests.
- Servicers should ensure that borrowers understand that the missed payments must be repaid, although it may be paid back over time.
- During the forbearance period, mortgage servicers would be prohibited from initiating or continuing foreclosure proceedings for homeowners in wildfire disaster zones.

This Act will provide essential relief for wildfire victims as they rebuild their lives and communities.

FOR MORE INFORMATION

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