Assembly Bill No. 1842

CHAPTER 241

An act to add Title 19.2 (commencing with Section 3273.31) to Part 4 of Division 3 of the Civil Code, relating to emergency relief.

[Approved by Governor September 15, 2026. Filed with Secretary of State September 15, 2026.]

LEGISLATIVE COUNSEL'S DIGEST

AB 1842, Harabedian. California Mortgage Relief Act.

Existing law authorizes a borrower who is experiencing financial hardship that prevents the borrower from making timely payments on a specified residential mortgage loan due directly to a specified state of emergency proclaimed by the Governor, or a specified federally declared disaster, to request forbearance on their residential mortgage loan, as prescribed. Existing law requires a mortgage servicer, except as specified, to offer mortgage payment forbearance for an initial 90-day period that may be extended up to a maximum forbearance period of 12 months and prohibits a mortgage servicer from assessing any late fees to the borrower's account or charging a default rate of interest during the forbearance period.

This bill would, among other things, similarly authorize a borrower to request forbearance on a residential mortgage loan, as defined, secured by residential real property that has become uninhabitable as a direct result of a disaster, which the bill would define to mean the conditions described in a declaration of a disaster issued by the federal government. The bill would require the borrower to affirm that as a direct result of a disaster, a residential unit is uninhabitable. Because the bill would expand the crime of perjury, the bill would impose a state-mandated local program.

This bill would, except as specified, require a mortgage servicer to offer mortgage payment forbearance of a period of up to an initial 180 days, to be extended at the request of the borrower in 90-day increments, up to a maximum forbearance period of 12 months. The bill would provide that the forbearance period includes any period of forbearance related to the disaster that a mortgage servicer has provided to a borrower before the date upon which a declaration of a disaster was issued. The bill would also prohibit a mortgage servicer from assessing any late fees to the borrower's account or charging a default rate of interest during the forbearance period.

This bill would require a mortgage servicer to report the credit obligations of borrowers under a disaster-related forbearance plan in compliance with the federal Fair Credit Reporting Act. For an account granted disaster-related mortgage payment relief, the bill would prohibit a mortgage servicer from furnishing information during the forbearance period indicating that the payments are in forbearance and would require the mortgage servicer to report the credit obligation or account as current.

This bill would authorize a civil action to enforce these provisions to be brought by the Attorney General, a district attorney, or a county counsel.

The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that no reimbursement is required by this act for a specified reason.

The people of the State of California do enact as follows:

SECTION 1. Title 19.2 (commencing with Section 3273.31) is added to Part 4 of Division 3 of the Civil Code, to read:

TITLE 19.2. CALIFORNIA MORTGAGE RELIEF ACT

3273.31. This title shall be known as the "California Mortgage Relief Act."

3273.32. For purposes of this title:

(a) (1) "Borrower" means a natural person who is a mortgagor or trustor or a person who holds a power of attorney for a mortgagor or trustor.

(2) "Borrower" does not include any of the following:

(A) An individual who has surrendered the secured property as evidenced by either a letter confirming the surrender or delivery of the keys to the property to the mortgagee, trustee, beneficiary, or authorized agent.

(B) An individual who has a recorded notice of default recorded against the real property that is secured by the residential mortgage loan before issuance of a declaration of a disaster unless the notice of default was rescinded.

(C) An individual who was delinquent in satisfying a residential mortgage loan credit obligation or account for a period of more than 90 days immediately before a declaration of a disaster.

(b) "Disaster" means the conditions described in a declaration of a disaster issued by the federal government.

(c) "Disaster-related forbearance relief" means the relief described in servicing guidelines for federally backed loans.

(d) "Federally backed loan" means a residential mortgage loan that is insured, guaranteed, purchased, or secured by a federal agency or government-sponsored entity.

(e) (1) "Mortgage servicer" means a person or entity who directly services a loan or who is responsible for interacting with the borrower, managing the loan account on a daily basis, including collecting and crediting periodic loan payments, managing any escrow account, or enforcing the note and security instrument, either as the current owner of the promissory note or as the current owner's authorized agent.

(2) "Mortgage servicer" also means a subservicing agent to a master servicer by contract.

(3) "Mortgage servicer" does not include a trustee, or a trustee's authorized agent, acting under a power of sale pursuant to a deed of trust.

(f) "Residential mortgage loan" means any loan that is secured by residential real property improved by four or fewer residential units.

(g) "Uninhabitable" means a condition in which a residential real property is inaccessible or unsuitable for living. For multiunit properties secured by a residential mortgage loan, if any unit is uninhabitable, the entire property is uninhabitable for the purposes of this section. Uninhabitability may be established by affirmation of the borrower.

3273.33. This title applies to a depository institution chartered under federal or state law, a person covered by the licensing requirements of Division 9 (commencing with Section 22000) or Division 20 (commencing with Section 50000) of the Financial Code, or a person licensed pursuant to Part 1 (commencing with Section 10000) of Division 4 of the Business and Professions Code.

3273.34. (a) A borrower may request forbearance on a residential mortgage loan secured by residential real property upon which at least one residential unit has become uninhabitable as a direct result of a disaster is or was located by doing both of the following:

(1) For initial forbearance requests, submitting a request to the borrower's mortgage loan servicer before the conclusion of six months after the date upon which a declaration of a disaster was issued. For requests for a forbearance extension, submitting a request to the mortgage loan servicer before the conclusion of the initial forbearance, pursuant to paragraph (2) of subdivision (h).

(2) Submitting a verbal or written request affirming that a residential unit is uninhabitable as a direct result of a disaster. Requests for a forbearance extension require a new affirmation that a residential unit remains uninhabitable as a direct result of an emergency. No other documentation shall be required to substantiate that a residential unit is or remains uninhabitable as a direct result of an emergency.

(b) Upon a request by an eligible borrower for forbearance under subdivision (a), a mortgage servicer shall offer mortgage payment forbearance for an initial period of 180 days, which shall be extended at the request of the borrower in 90-day increments, up to a maximum forbearance period of 12 months.

(c) The mortgage servicer shall notify the borrower in writing within 10 business days following receipt of the borrower's request whether the borrower's request for forbearance has been approved, denied pursuant to subdivision (d), or is deficient. With any notice of approval, the mortgage servicer shall provide to the borrower information about potential repayment plans that may be used pursuant to subdivision (c) of Section 3273.35.

(d) If the mortgage servicer, acting under delegated authority to make forbearance determinations on behalf of the investor, denies a forbearance request within the maximum allowable forbearance period of 12 months pursuant to subdivision (b) because compliance with subdivision (b) would conflict with Section 3273.38, the mortgage servicer shall not be in violation of this section if the mortgage servicer includes in the written notice in subdivision (c) the following:

(1) A clear and concise explanation of the specific investor provision of an existing contract that is the basis for the denial.

(2) The text of the specific existing investor guideline or contractual provision that is the basis for the denial of the borrower's forbearance request.

(e) If the written notice in subdivision (c) does not approve the borrower's request for forbearance due to any defect in the borrower's request, including an incomplete application, missing information, a failure to timely request, or due to a disqualified borrower, emergency, mortgage servicer, or residential mortgage loan, the mortgage servicer shall do all of the following:

(1) Specifically identify any defect in the written notice.

(2) Provide 21 calendar days from the electronic or postal mailing date of the written notice for the borrower to cure any identified defect.

(3) Accept the borrower's revised request for forbearance received before the 21-day period described in paragraph (2) lapses.

(4) Respond to the borrower's revised request within five business days of receipt of the revised request with notification of whether the revised request has been approved or remains deficient.

(f) The forbearance period required by subdivision (b) shall include any period of forbearance related to the disaster that a mortgage servicer has provided to a borrower before the date upon which a declaration of a disaster was issued.

(g) During the period of forbearance required by this section, a late fee shall not be assessed to the borrower's account, and the borrower shall not be charged a default rate of interest.

(h) No later than 30 calendar days before the end of an initial or extension forbearance period, a mortgage servicer shall provide written notice to the borrower disclosing both of the following:

(1) Any documentation or forms that the mortgage servicer requires the borrower to furnish or complete to be considered for an additional period of forbearance.

(2) Action required to request an additional period of forbearance.

(i) A mortgage servicer shall report the credit obligations of a borrower under a disaster-related forbearance plan in compliance with the federal Fair Credit Reporting Act (15 U.S.C. Sec. 1681 et seq.). For an account granted disaster-related mortgage payment relief pursuant to this title, a mortgage servicer shall not furnish information during the forbearance period indicating that the payments are in forbearance and shall report the credit obligation or account as current.

3273.35. (a) A mortgage servicer shall disclose to a borrower to whom a forbearance has been granted pursuant to Section 3273.34 that the forborne mortgage payments are required to be repaid.

(b) The disclosure required by subdivision (a) is required to be furnished to the borrower only once at the beginning of the forbearance period.

(c) To the extent consistent with a mortgage servicer's contractual authority, at the end of a borrower's forbearance period, the mortgage servicer shall offer the borrower at least one postforbearance home retention option that does not, before satisfaction of the mortgage loan, do either of the following:

(1) Require the borrower to repay the arrearages resulting from the forbearance all at once in a lump sum.

(2) Increase in any month the borrower's preforbearance monthly principal and interest payment other than as the result of an adjustment of the applicable index pursuant to the terms of an adjustable rate mortgage.

(d) A mortgage servicer shall apply any payment received from the borrower after the forbearance period ends in compliance with the terms of the loan and any postforbearance agreement between the borrower and the mortgage servicer.

3273.36. During the time of forbearance granted pursuant to this title, a mortgage servicer shall not initiate 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.

3273.37. Failure to comply with this title shall not affect the validity of a trustee's sale or a sale to a bona fide purchaser for value.

3273.38. (a) (1) With respect to a federally backed loan, a person shall not be held liable for a violation of this title if compliance with this title conflicts with the servicing guidelines applicable to the federally backed loan.

(2) Servicing guidelines applicable to a federally backed loan includes servicing guidelines like those issued by the Federal National Mortgage Association (Fannie Mae) and the Federal Home Loan Mortgage Corporation (Freddie Mac), the Single Family Housing Policy Handbook issued by the Federal Housing Administration of the United States Department of Housing and Urban Development, the VA Servicer Handbook issued by the United States Department of Veterans Affairs, or a servicing handbook issued by the Rural Development division of the United States Department of Agriculture, as those guidelines existed on the date that the declaration of a disaster was issued that is the basis of the borrower's eligibility pursuant to this title.

(b) With respect to a residential mortgage loan that is not a federally backed loan, a person shall not be held liable for a violation of this title if compliance with this title conflicts with the servicing guidelines issued by Fannie Mae or Freddie Mac.

(c) For purposes of this section, "conflicts with" means that it is impossible to comply with this title and the person's obligation under the applicable servicing guidelines.

3273.40. A civil action for a violation of this title may be brought by the Attorney General, a district attorney, or a county counsel.

3273.41. The Department of Financial Protection and Innovation shall post all of the following on its internet 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.

3273.42. (a) It is 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.

(b) It is the intent of the Legislature that this title not apply to servicing guidelines that are unrelated to disaster-related forbearance relief.

(c) This title does not require 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.

3273.43. The provisions of this title are severable. If any provision of this title or its application is held invalid, that invalidity shall not affect other provisions or applications that can be given effect without the invalid provision or application.

SEC. 2. No reimbursement is required by this act pursuant to Section 6 of Article XIII B of the California Constitution because the only costs that may be incurred by a local agency or school district will be incurred because this act creates a new crime or infraction, eliminates a crime or infraction, or changes the penalty for a crime or infraction, within the meaning of Section 17556 of the Government Code, or changes the definition of a crime within the meaning of Section 6 of Article XIII B of the California Constitution.

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