



OFFICE OF THE GOVERNOR

July 14, 2026

Paul Gigliotti
Chief Executive Officer
California Mortgage Bankers Association

Kevin Gould
President and Chief Executive Officer
California Bankers Association

Jeremy Empol
President and Chief Executive Officer
California's Credit Unions

Dear Lending Partners,

The 2025 Palisades and Eaton fires destroyed over 11,000 single-family homes and 13,000 housing units and damaged thousands more. Immediately after the fires, over 420 financial institutions committed to help stabilize families by offering mortgage forbearance to affected homeowners. Last fall, I signed AB 238 (Harabedian) to codify and strengthen those commitments. This past January, hundreds of lending institutions agreed to offer up to 90 additional days of forbearance. And the state has provided continuing support through CalAssist, which offers 12 months of mortgage relief up to \$100,000, so far serving more than 1,000 households.

Support from financial institutions is critical as survivors move from stabilization and planning into rebuilding and recovery. According to recent data from the Department of Angels, more than a quarter of survivors will rebuild only if they can find an affordable pathway. I am grateful for the extensive engagement from your members to help shape the state's \$100 million Disaster Rebuilding Fund and look forward to working together to increase access to the affordable loans survivors need to rebuild.

It is essential that lenders continue to support survivors as they move into the construction phase of recovery. I am concerned that too many financial institutions are not providing fair and fast access to insurance proceeds. When homeowners receive insurance proceeds to rebuild, mortgage lenders and servicers hold those insurance funds in escrow, disbursing proceeds in tranches as homes proceed through

construction. Loan agreements give financial institutions certain rights to withhold proceeds, and this process can provide a safeguard against fraud and abuse. Last year I signed AB 493 to require that financial institutions pay interest on these funds while survivors await full disbursement.

However, too many survivors are reporting that lenders and servicers are adding unnecessary red tape and excessively withholding funds. Survivors report waiting weeks, and in some cases over a month, for funding to be released as they progress through construction. They describe inspectors missing and undercounting completed work and an obstacle course of bureaucracy to appeal, with one survivor escalating all the way to the CEO of their bank. Worse, the state has received dozens of reports of servicers holding funds in excess of the unpaid principal balance in clear violation of federal guidelines. The Department of Financial Protection and Innovation (DFPI) under my Administration is actively working to resolve consumer complaints about lenders holding excess funds, and has the authority to take action against lenders who commit unfair, deceptive or abusive acts or practices under California and federal law.

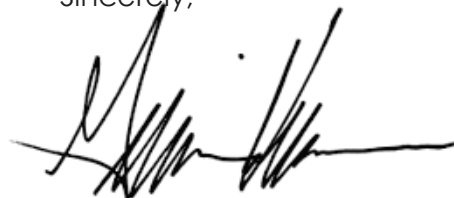
I recognize and appreciate that some of your members have developed systems to mitigate these issues and streamline processes. But every bank, lender and servicer must manage the factors in their control to support survivors. I am therefore directing the Business and Consumer Services Agency and Department of Financial Protection and Innovation to collect data and report to my office on:

- Financial institutions that fail to release insurance proceeds within 10 business days of request when mortgage conditions are met;
- Firms that fail to develop expedited pathways to appeal disbursement determinations; and
- Firms holding escrowed proceeds in excess of unpaid loan balances.

The state will continue to work with recovery groups and encourage survivors to submit complaints regarding release of insurance proceeds. State-licensed institutions face enforcement if they delay or deny release of funds in ways that violate existing law.

I ask that you share this communication with your members and appreciate your continued partnership to support a fast and fair recovery.

Sincerely,

A handwritten signature in black ink, appearing to be 'Gavin Newsom', written over a horizontal line.

Gavin Newsom
Governor of California