

REPORT OF THE CHIEF LEGISLATIVE ANALYST

DATE: April 9, 2025

TO: Honorable Members of the Rules, Elections, and Intergovernmental Relations Committee

FROM: Sharon M. Tso 
Chief Legislative Analyst

Council File No.: 25-0002-S21
Assignment No.: 25-04-0283

SUBJECT: AB 238 (Harabedian et al.)

CLA RECOMMENDATION: Adopt Resolution (Park-Lee) to include in the City's 2025-2026 State Legislative Program SUPPORT for AB 238 (Harabedian et al.), the "Mortgage Forbearance Act," which would provide mortgage relief to victims of the January 2025 wildfires.

SUMMARY

On March 28, 2025, a Resolution (Park-Lee) was introduced in support of AB 238. The bill 1) authorized borrowers experiencing financial hardship due to the wildfire disaster to request forbearance on their mortgage loans; 2) required mortgage servicers to provide the forbearance for up to 180 days, with the possibility of extension for an additional period of up to 180 days at the request of the borrower, with no fees, penalties, or interest; 3) did not require documentation from the borrower other than attestation to financial hardship caused by the wildfire disaster; 4) prohibited mortgage servicers from initiating any foreclosure process, moving for a foreclosure judgment or order of sale, or executing a foreclosure-related eviction or sale; and 5) would take effect immediately as an urgency statute.

The Resolution notes that the wildfire and windstorm event that began January 7, 2025, was "unprecedented" in the scope and breadth of destruction throughout the City of Los Angeles. The Resolution goes on to cite the precedent set by federal mortgage forbearance legislation enacted in response to the COVID-19 pandemic (under the CARES Act). The Resolution therefore seeks an official position of the City of Los Angeles in support of AB 238.

BACKGROUND

Since the January wildfires, some efforts have been made to provide mortgage relief to affected borrowers. Specifically, many lenders committed to offering 90 days of mortgage forbearance to impacted borrowers. Loans sponsored by the federal government (Fannie Mae, Freddie Mac, etc.) have pre-existing natural disaster forbearance policies that allow for forbearance periods of up to one year.

AB 238 expands on these programs by making the forbearance mandatory for all mortgage servicers, by providing for the possibility of extending the required period of mortgage forbearance to a maximum of 12 months, and by limiting the required submittal evidence from borrowers to an affirmation of financial hardship for the first 90 day forbearance period.

Since the Park-Lee Resolution was introduced, and as the bill has gone through committee, the language has been amended in Assembly (on April 2, 2025) to 1) exempt servicers of federally backed loans from any provisions that conflict with the federal loan servicing guidelines; 2) exempt all servicers from any requirements that conflict with the guidelines issued by Fannie Mae or Freddie Mac; and 3) specify that “Nothing in this title 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.”

The Department of Financial Protection and Innovation is tasked with posting relevant information on its existing website, which currently includes links to information about forbearance provisions for federal-backed loans and for Fannie Mae and Freddie Mac loans, and to establish a dedicated telephone number for borrowers seeking assistance.

The bill was passed by the Assembly (with the urgency clause adopted) and sent to the Senate on April 7, 2025.

BILL STATUS

01/13/2025	Introduced
02/18/2025	Referred to Coms. on B.&F. and JUD.
02/20/2025	Re-referred to Coms. on JUD. and B.&F. pursuant to Assembly Rule 96.
02/24/2025	Re-referred to Coms. on B.&F. and JUD. pursuant to Assembly Rule 96.
02/24/2025	Assembly Rule 56 suspended. (Page 440.)
02/24/2025	(Pending re-refer to Com. on JUD.)
02/26/2025	Coauthors revised.
03/03/2025	From committee: Do pass and re-refer to Com. on JUD. (Ayes 6. Noes 0.) (March 3). Re-referred to Com. on JUD.
03/04/2025	From committee: Do pass and re-refer to Com. on APPR. (Ayes 11. Noes 0.) (March 4). Re-referred to Com. on APPR.
03/14/2025	From committee chair, with author's amendments: Amend, and re-refer to Com. on APPR. Read second time and amended.
03/17/2025	Re-referred to Com. on APPR.
03/19/2025	In committee: Set, first hearing. Referred to APPR. suspense file.
03/19/2025	From committee: Do pass. (Ayes 13. Noes 0.) (March 19).
03/20/2025	Read second time. Ordered to third reading.
04/02/2025	Read third time and amended. Ordered to third reading.
04/07/2025	Read third time. Urgency clause adopted. Passed. Ordered to the Senate. (Ayes 70. Noes 0.).
04/07/2025	In Senate. Read first time. To Com. on RLS. for assignment.



Louisa Lund
Analyst

Attachments: 1. Resolution

RESOLUTION

WHEREAS, any official position of the City of Los Angeles with respect to legislation, rules, regulations, or policies proposed to or pending before a local, state, or federal governmental body or agency must first have been adopted in the form of a Resolution by the City Council; and

WHEREAS, on January 7, 2025, a wildfire and windstorm event unprecedented in scope wreaked destruction across Los Angeles, with the Pacific Palisades, Eaton Canyon, Hurst, and the Hughes Fires burning over 50,000 acres combined throughout the County of Los Angeles; and

WHEREAS, in response to the COVID-19 pandemic, the federal government enacted legislation to allow mortgage borrowers to enter into forbearance; and

WHEREAS, Assembly Bill 238 (Harabedian), introduced on January 13, 2025, provides mortgage relief to victims of the wildfires; and

WHEREAS, this bill would authorize a borrower who is experiencing financial hardship due to the wildfire disaster to request forbearance on their mortgage loan; and

WHEREAS, this bill would require a mortgage servicer to provide the forbearance for up to 180 days, which may be extended for an additional period of up to 180 days at the request of the borrower, with no fees, penalties, or interest, and would not require documentation from the borrower other than attestation to financial hardship caused by the wildfire disaster; and

WHEREAS, this bill would also prohibit a mortgage servicer from initiating any foreclosure process, moving for a foreclosure judgment or order of sale, or executing a foreclosure-related eviction or sale; and

WHEREAS, this bill would declare that it is to take effect immediately as an urgency statute.

NOW, THEREFORE, BE IT RESOLVED, that by the adoption of this Resolution, the City of Los Angeles hereby includes in its 2025-2026 State Legislative Program SUPPORT for AB 238 (Harabedian) which would provide mortgage forbearance to victims of Southern California's recent wildfires that experienced affirmed financial hardship due to those fires.

PRESENTED BY:



TRACI PARK
Councilmember, 11th District

SECONDED BY:

