

AB 238 and the SoCal Wildfires



Michelle A. Mierzwa, Esq.
Wright, Finlay & Zak, LLP

T. Robert Finlay, Esq.
Wright, Finlay & Zak, LLP



Many CMA members have asked what to expect as far as regulatory and legislative action regarding the recent wildfire disaster and FEMA Declaration in the Los Angeles and Ventura County areas. We now have information on Assembly Bill 238 introduced by the California legislature January 23, 2025 as urgency legislation. A copy of the Bill can be found here: [Bill Text - AB-238 Mortgage forbearance: state of emergency: wildfire.](#)

The proposed legislation currently seeks to authorize a borrower who is experiencing financial hardship due, **directly or indirectly**, to the wildfire disaster described in the proclamation of a state of emergency issued by Governor Gavin Newsom on January 7, 2025, to request forbearance on his or her mortgage loan. The text of the proclamation can be found here: [SOE Palisades-Fire 1-7-25 Formatted.pdf](#). **Upon receiving a request for forbearance from a borrower pursuant to Section 3273.22, a mortgage servicer shall**, with no additional documentation required other than the borrower's attestation to a financial hardship caused by the wildfire disaster and with no fees, penalties, or interest ... charged to the borrower in connection with the forbearance, **grant 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.** The proposed legislation also currently provides that 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.

While well-intentioned, the legislation as proposed lacks reasonable limitations regarding the method and format of the forbearance request, the nature of the financial impact or hardship, and the unbridled restriction against any part of the foreclosure process for loans that are already in substantial default or have no real direct fire impact. Our firm is working with industry organizations and their Sacramento representatives to reach out to the sponsors of the legislation to implement reasonable limitations and clarifying language, to the extent possible. Please note that as urgency legislation, this Bill would still need to be passed by both houses of the California Legislature by a two-thirds majority and be signed by the Governor before it would become effective. Until such time, servicers should observe any HUD, VA, Fannie Mae, Freddie Mac, or other investor guidelines regarding treatment of real property security for loans located in disaster areas. Servicers are also encouraged to obtain confirmation of the condition of potentially impacted property in Los Angeles and Ventura counties prior to moving forward with an opening bid at a foreclosure sale.

Also last week, California's Governor issued a press release confirming commitments from major lenders to provide wildfire mortgage relief. A copy of the release can be found here: [Governor Newsom announces commitments from major lenders to provide firestorm survivors with mortgage relief | Governor of California](#). Unlike AB 238, these relief provisions appear to be much more narrowly tailored to cover persons truly and directly impacted by the wildfire disaster. Bank of

America, Citi, JPMorgan Chase, U.S. Bank, and Wells Fargo will offer their **qualified borrowers** economically impacted by LA fires the following (consistent with applicable guidelines and investor and insurer contractual obligations):

- 90-day mortgage payment forbearance periods, streamlined processes for requesting initial relief without submitting forms or documents, payment options that do not require immediate repayment of unpaid amounts (i.e., no balloon payments) at the end of the forbearance period, and the opportunity for additional relief.
- Relief from mortgage-related late fees accruing during the forbearance period for 90 days.
- Protection from **new** foreclosures or evictions for at least 60 days.
- Institutions will not report late payments of forborne amounts to credit agencies.
- The relief is available to **qualified residents who are customers of these institutions in Los Angeles County in the following ZIP codes: 90019, 90041, 90049, 90066, 90265, 90272, 90290, 90402, 91001, 91104, 91106, 91107, or 93536.** 🌐

Michelle Mierzwa, Esq. is a partner at Wright, Finlay & Zak, LLP. She can be reached at mmierzwa@wrightlegal.net.

Robert Finlay, Esq. is CMA's General Counsel. He is also a partner at Wright, Finlay & Zak, LLP and can be reached at rfinlay@wrightlegal.net.