

McGuire's legislation to stop mortgage companies from hoodwinking wildfire survivors

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Tens of thousands of Californians have lost their homes and businesses to wildfires in the last eight years. After facing the traumatic and life-changing experience of losing their home, survivors have to begin the challenging task of rebuilding their homes and lives.

Senate Majority Leader Mike McGuire's common-sense piece of legislation, SB 455, would protect wildfire and other disaster survivors by keeping their home rebuilds on track. The bill would mandate that mortgage companies honor existing rebuild contracts even when mortgages are transferred or sold to another mortgage vendor, a common practice in the banking industry.

Leading up to this legislation, hundreds of families had started to rebuild their homes only to have the terms of their rebuild changed when their mortgage was sold and the new mortgage company didn't honor the previously agreed upon rebuild contract.

"Ensuring existing rebuild agreements are honored when mortgages are sold is just common sense. Disaster survivors already face tremendous challenges to recover and rebuild after a wildfire or earthquake, and SB 455 will give homeowners certainty and peace of mind when they rebuild their home and lives," said Senator McGuire. "Our legislation would make it illegal for this kind of hoodwink to ever take place again in California."

In typical cases, survivors work closely with their mortgage company to negotiate the terms of their home rebuild and enter into a contract with a contractor to begin the rebuilding process.

It is a straightforward and seamless process for most.

But not for all:

- Some new mortgage companies have added additional terms to existing rebuild agreements such as requiring more inspections, significantly delaying the rebuild for months, even when the previous company had agreed to terms.
- An underinsured homeowner and their original mortgage company signed off on the rebuild of a smaller house, but the new mortgage company wouldn't honor the agreement. The new company refused to release all of the remaining funds because the rebuild was different than the lost home.
- Other survivors have been forced to liquidate pensions and use hard-earned savings to finish rebuilding their home when their insurance funds are withheld by the mortgage company.

SB 455 will make sure that any agreements made between homeowners and their mortgage company on the rebuilding of their home after a disaster are disclosed and honored by any new mortgage company.

SB 455 has now passed the Senate Banking & Financial Institutions and Judiciary Committees with bipartisan support.