

# HANDLING A MECHANIC'S LIEN ON YOUR TITLE COMMITMENT



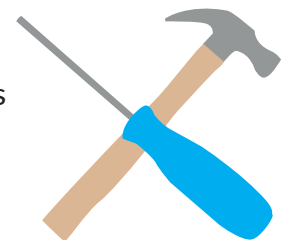
There are certain title issues that arise which need to be dealt with immediately. As a general rule, when you receive the Title Commitment for your transaction, the first thing you should do is flip to Schedule B-I, also called the Requirements Page. The Requirements Page will disclose whether there is an item on title that will delay closing. One such item is a mechanic's lien. If you see a requirement detailing a mechanic's lien and calling for its release, consider this a problem that you will need to work to remedy on behalf of your client. Mechanic's liens can and often do delay closing.

A title company will require the release of a mechanic's lien that appears on title. Such a release may be accomplished by either:

1. Paying the mechanic's lien claimant its lien amount, or
2. Entering an appearance in court to substitute a bond for the mechanic's lien and obtaining a court order release.

There are several reasons the amount and/or validity of a mechanic's lien is disputed. A dispute can arise out of change orders that increase the cost of the contract, or quality of workmanship, or incomplete work, or a general contractor failing to pay their subcontractors. Every circumstance surrounding a mechanic's lien is unique. If you are the listing broker, seeking independent legal counsel for the Seller is always encourage.

If you see a mechanic's lien on your Title Commitment's Requirements Page, regardless of whether you are a listing or selling broker, immediately contact your title company and ask what the options are for dealing with that mechanic's lien and what the title company will accept to remove the requirement.



For listing brokers, immediately discuss with your Seller the options, as detailed by your title company and any independent legal counsel, for removing the mechanic's lien from title. Then, determine with the Seller the path forward to clear the mechanic's lien.

For selling brokers, let your client know that there is a title issue and what the title company needs to remove the requirement. Keep communication lines open with the listing broker so that you can regularly update the Buyer as to how the Seller intends to remedy the issue.

## QUESTIONS?

Contact your Account Manager!