

# 17 Common Words in Mechanic's Liens and Construction Credit



Every business has its own keywords, phrases, and acronyms. Here are some of the most common ones you may hear in mechanic's liens & construction credit.



If you are a subcontractor or material supplier, **completion** is likely not the date you finished furnishing to a project.

Think of **completion** as the entire project being complete, not just your part.

**NOTICE OF COMMENCEMENT**: a notice typically recorded by the owner of a construction project, in the county where the project is located, prior to materials or services being provided to the project

The information provided in the notice of commencement assists in the preparation and service of the preliminary notice.



## PRELIMINARY NOTICE

a notice frequently served when you begin furnishing to a construction project & is usually provided to the owner and/or GC as a precondition to filing a mechanic's lien or serving a bond claim



A preliminary notice may also be known as Prelien Notice, Notice of Furnishing, Notice to Contractor, Notice to Owner.

## MECHANIC'S LIEN

a lien against real property, filed by a party that provides materials or services to a construction project, when that party hasn't been paid

## FULL VS. UNPAID BALANCE LIEN

a full balance lien is enforceable for the full amount owed, regardless of payments made by the owner

an unpaid balance lien is limited to the unpaid portion of the contract



Filing in an **unpaid balance** lien state? Even if your lien is filed timely, it may be unenforceable if the property owner paid the GC in full prior to the lien recording, so **we recommend filing your lien ASAP**.



issued as assurance of payment to certain parties, should the principal of the bond breach their construction contract

## PAYMENT BOND

Typically, on public and federal construction projects, the project owner will require the GC obtain a payment bond.

Then, if the GC fails to pay its subcontractors and suppliers, those parties would pursue a claim against the bond to recover payment.

a written notice that a claimant (e.g., subcontractor, supplier, or distributor) looks to the recipient for payment

## BOND CLAIM

Bond claims are frequently served on the surety (insurance company that issued the bond) and the principal (often the GC).



alerts the party paying for work of improvement of money due, which can obligate that party to withhold sufficient funds to cover noticed amounts

## STOP NOTICE

a lien against the money owed by the project owner under contract with the general contractor

## LIEN ON FUNDS

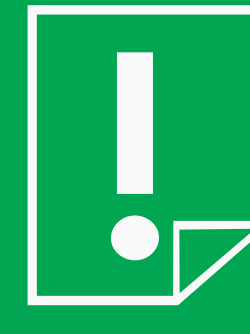
## RELEASE OF LIEN

a document recorded upon the satisfaction of a claim of lien

A release of lien and lien waiver are not the same thing. A lien waiver acknowledges receipt of payment whereas a release of lien releases a previously recorded document.

## DEMAND LETTER

a demand served upon a debtor, advising legal action may be taken if payment is not received within a specified time



## SUIT TO ENFORCE CLAIM

an action in a court of law to enforce a claim



Suit may lead to foreclosure, which enforces a lien against real property with the purpose of having the property sold to satisfy the lien.

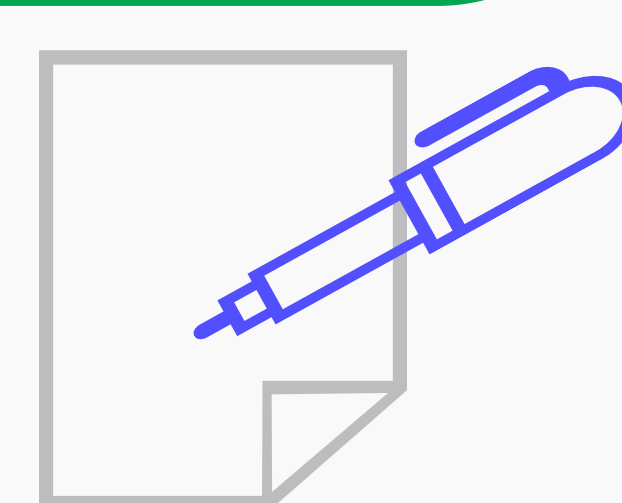
It has been our experience that suit does not usually result in foreclosure/sale of the property; more often, during the suit phase, settlement agreements are reached without the need for sale of the property.

## RETAINAGE / HOLDBACK

an agreed amount of a contract price retained (or withheld) from a contractor as assurance that subcontractors will be paid, and the job will be completed

## JOINT CHECK AGREEMENT

an agreement between two parties, allowing one to make payment through a joint check issued to two or more payees



A **lien waiver** is a signed document in which the would-be lien claimant **agrees to waive rights to its claim based on receipt of payment**.

## PARTIAL CONDITIONAL

waives rights to a claim for a dollar amount or through a specified date, **conditioned** upon receipt and clearance of the partial payment

## PARTIAL UNCONDITIONAL

waives rights to a claim for a dollar amount or through a specified date and is **not conditioned** upon clearance of a payment

## FINAL CONDITIONAL

waives rights to a claim, **conditioned** upon receipt and clearance of a **final payment**

## FINAL UNCONDITIONAL

waives all rights to a claim and is **not conditioned** upon clearance of a payment



**Unconditional waivers** are not conditioned upon clearance of payment.

This means, **your rights will be waived whether payment is received or cleared**. Please waive carefully!

Questions? Contact NCS Credit!



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