



The New Mechanics Lien Law Top 10 Questions

Are you and your company ready for the biggest changes in 40 years to occur to California's Mechanics' Lien procedures? If the answer is NO you need to get ready or risk not getting paid!

Here are the top 10 questions and answers every contractor should know about the new Mechanics Lien law.

1. **When does the new Mechanics' Lien law take effect?**

July 1, 2012. There is no grace period.

2. **Do I have to use the new Mechanics Lien, Preliminary Notice, release forms, etc after July 1, 2012?**

The date you file the form dictates which form you use. If you file a form on June 30, 2012, you must use the old form. If you file a form on July 1, 2012, you must use the new form.

3. **What happens if I do not use the new forms after July 1, 2012?**

The forms will be deemed invalid and you will lose your secured rights to collect money! There is no cure for using an improper form.

4. **What do I do if I am in the middle of a project on July 1, 2012?**

The controlling issue is the date you are filing the form. If you file on or before June 30, 2012, use the old form. If you file on or after July 1, 2012, use the new form.

It will not be uncommon for you to have forms on a project that are both pre and post July 1, 2012. These forms will be fully enforceable as long as the right form was used at the time of filing.

5. **What happens if I forget and use the old form after July 1, 2012?**

You will lose your secured rights to collect money. But you will still have your legal right to collect under a breach of contract.

6. **What are the changes?**

The entire Mechanics Lien law has changed. The most significant changes include:

- **New requirements for the Preliminary Notice**
 - New mandatory terminology as well as other required language.
 - Construction lenders must now be served with the Preliminary Notice.
- **Changes to the Design Professional Lien**
 - Landscape architects will now be able to file a Design Professional Lien.
 - Design Professional Liens can be converted into a Mechanics' Lien.
- **Construction Lenders**
 - Construction contracts must have a space for the owner to identify the lender.
 - Owners have a duty to provide the contractor with identity of any lender who issues a post-commencement construction loan on the project.
- **Deadline to record Notices of Completion will be extended from 10 to 15 days from completion.**
- **Separate Notices of Completion will be permitted on private works.**
- **The term “Completion” is redefined for private works only. This is critical as your time for filing a Mechanics Lien is dependent on when “completion” occurred.**
- **New terminology**
 - The term “stop notice” is changed to “stop payment notice”
 - The term “20-day preliminary notice” is changed to “preliminary notice”
 - The term “original contractor” is changed to “direct contractor”
 - The term “materialman” is changed to “material supplier”

7. **What happens if I mistakenly put an incorrect amount owed on my Mechanics Lien?**

- The lien will be valid unless the contractor knowingly puts an amount that was incorrect. (This law is carried over from the new law.)

- The lien is invalid when a contractor files a lien after a bona fide purchaser has already purchased the property.

8. **Do these changes protect the contractor or the property owner?**

The goal of these changes is to continue to insure that contractors can get paid for their work.

9. **Why are there such extensive changes to the Mechanics Lien law?**

The last change to the Mechanics Lien was over 40 years ago in the 1960s.

The legislature and construction community decided it was now time to bring this antiquated law into the 21st century by reorganizing and consolidating the laws, creating clear definitions and updating outdated procedures.

10. **How do I get more information on these changes?**

For additional information you can contact our office at 562-594-3911