

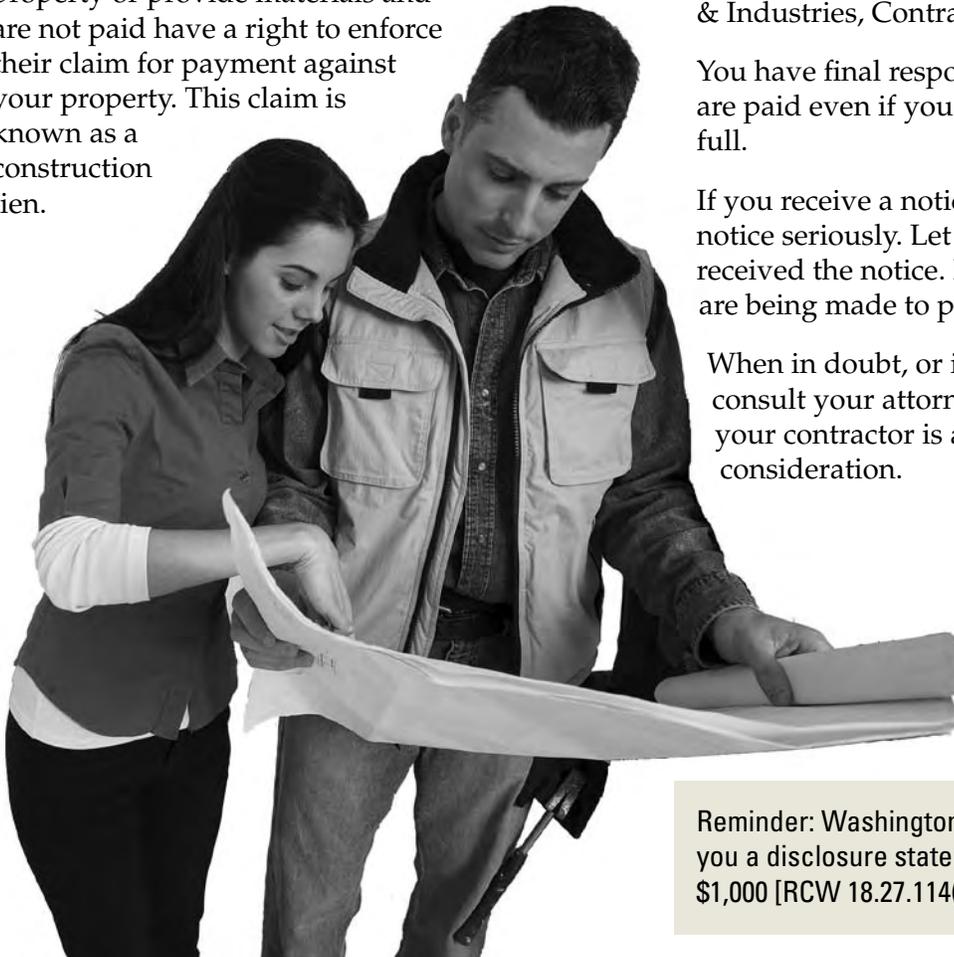
Facts About Construction Liens

What you should know about contracts

If your contractor fails to pay subcontractors, suppliers or laborers or neglects to make other legally required payments, those who are owed money can look to your property for payment, **even if you have paid your contractor in full.** This is true if you have hired a contractor to build a new home or are buying a newly built home.

It is also true when you remodel or improve your property, although the amount of your liability may be limited to the amount you owe the prime contractor at the time a lien is filed.

Under Washington laws, those who work on your property or provide materials and are not paid have a right to enforce their claim for payment against your property. This claim is known as a construction lien.



People who supply materials or labor ordered by your contractor are permitted by law to file a lien only if they do so within 90 days of cessation of performance or delivery of materials. The time frame is spelled out in RCW 60.04.091.

If you enter into a contract to buy a newly built home, you may not receive a notice of a lien based on a claim by a contractor or material handler. Be aware that a lien may be claimed even though you have not received a notice.

Before making final payment on the project, request a completed lien release form from each contractor and material supplier. A sample of this release of lien form is available from the Department of Labor & Industries, Contractor Registration Section.

You have final responsibility for seeing that all bills are paid even if you have paid your contractor in full.

If you receive a notice to enforce a lien, take the notice seriously. Let your contractor know you have received the notice. Find out what arrangements are being made to pay the sender of the notice.

When in doubt, or if you need more details, consult your attorney. When and how to pay your contractor is a decision that requires serious consideration.

Reminder: Washington laws require contractors to give you a disclosure statement if your contract exceeds \$1,000 [RCW 18.27.114(A) or (B)].

How to protect your investment

If you are dealing with a lending institution, ask your loan officer what precautions the lending institution takes to verify that subcontractors and material suppliers are being paid when mortgage money is paid to your contractor.

Request lender supervision when dealing with a lending institution that provides interim or construction financing.

Ask the prime contractor to disclose all potential lien claimants as a condition of payment. A lien claimant must mail (by certified or registered mail or by personal service) a copy of the claim of lien to the owner within 14 days of the time the lien is recorded [RCW 60.04.091(2)]. While an action is ongoing, an owner may withhold from this prime contractor the amount of money for which a claim is recorded by a subcontractor, supplier or laborer [RCW 60.04.151].

It is recommended that your check be made payable jointly, naming the contractor and the subcontractor or supplier as payees.

Upon payment and acceptance of the amount due, the owner has the right to an executed release of all lien rights by lien claimants [RCW 60.04.071].

Consider using an escrow agent to protect your interests. Find out whether your escrow agent will protect you against liens when disbursing payments. If you are interested in this alternative, consult your attorney.

Request that your contractor post a performance bond in the amount of the project cost. That will give you recourse in the event the contractor fails to complete the building agreement.

Please note:

This notice was prepared by the Department of Labor & Industries, Specialty Compliance Services Division, for reproduction by lending institutions and contractors for distribution to their clients. It explains the basics of the construction lien law to help you protect yourself. This information is not a reflection upon the abilities or credit of your contractor.

 **On the Web:** Find more information about hiring a contractor at:

www.Lni.wa.gov/TradesLicensing/Contractors/HireCon

For more information

Contractor Registration Hotline:
1-800-647-0982

You may also call your local L&I office. See listings under "Washington State of" in the government section or the white pages of the telephone book.

Other formats for persons with disabilities are available on request. Call 1-800-647-0982. TDD users, call 360-902-5797. L&I is an equal opportunity employer.