

Mechanic Liens & Indemnities for LPOs & Title Officer



Collyer Church
Sr. Underwriter

stewart[®]

Mechanic Liens

- I. Mechanic Liens are creature of Washington statute, Rev Code of WA 60.04
 - a) There a lots of other types of liens, but they are NOT the focus of today
 - b) Result from work done or materials provided for improvement, not paid for
 - c) Statute is technical, requires strict compliance

stewart[®]



Mechanic Liens

II. Why Worry?

a) We insure priority

- i. Extended coverage – unrecorded liens
- ii. Homeowner Policy
- iii. Specific endorsement

b) What is priority? Who gets first dibs on the funds generated by sale – sheriff's sale, foreclosure sale, private sale – all the same

stewart[®]



Mechanic Liens

- III. When do we worry?
- a) Lender policies
 - b) Extended owner policies
 - c) Mechanic lien/ priority endorsements

stewart[®]



Mechanic Liens

IV. How do we know what to worry about?

- a) Statements by parties
 - b) Nature of transaction
 - c) Inspection
- } LPO – communicate with Title Officer

(If we know work has started, no inspection needed)

stewart[®]



Mechanic Liens

V. What is 'start of work' – anything being done on the land

a) Examples

- Survey stakes for foundation location
- Signs – 'Home built by Charlie'
- Foundation work
- Port-a-potty, job shack or trailer

So we have 'work started' – now what???

stewart[®]



Indemnities

VI. Indemnity Agreements

- a) What are they? – Agreements that indemnitors will pay-off, bond or defeat any mechanic lien claiming priority
- b) Must be in favor of (agent or affiliate) and Stewart Title Guaranty Company
- c) Should use Stewart form

Indemnities

ALTA Single Transaction Indemnity Letter (02/03/10)

INDEMNITOR'S NAME

Date:

(Address)

Attn:

Re: Indemnitor:

Indemnitee:

Indemnitor's Policy Number:

Amount of Indemnitor's Policy: [Policy Issuing Agent/Office]:

[Indemnification File Number]:

Indemnitee's Proposed Insured(s):

Indemnitee's Commitment: [Insert Commitment or File Number]

Indemnified Matter:

Dear _____:

Indemnitee has been requested to issue its policy or policies on land described in Indemnitee's Commitment (Indemnitee's Policy).

In consideration of Indemnitee issuing its policy without exception for the Indemnified Matter, Indemnitor agrees to hold harmless and indemnify Indemnitee for policy liability that it may suffer under Indemnitee's Policy for coverage of the Indemnified Matter.

Indemnitor's liability under this indemnity shall not exceed the lesser of the following:

- 1) The Amount of Insurance under Indemnitor's Policy; or
- 2) The Amount of Insurance under Indemnitee's Policy.

This Indemnity extends to the policy liability of the Indemnitee under the Indemnitee's Policy and policies subsequently issued by Indemnitee and under substantially similar indemnities given by Indemnitee to subsequent title insurers for the Indemnified Matter.

In the event Indemnitee is notified of a claim as a result of an Indemnified Matter, Indemnitee shall give Indemnitor prompt and reasonable written notice of that claim. If Indemnitee takes action that is prejudicial to Indemnitor in connection with such claim without prior written approval from Indemnitor, Indemnitor's obligations under this Indemnity shall be reduced to the extent of such prejudice. Notice of a claim under this Indemnity shall be sent by certified mail, return receipt requested at _____ (or to the address at the top of this letter) This letter supersedes any indemnification treaty entered into by Indemnitor and Indemnitee relating to the Indemnified Matter.

This Indemnity shall not extend to liability of Indemnitee for any punitive, exemplary, consequential, tort, or other non-contractual damages.

By: _____

Indemnities

VII. Who can be an Indemnitor

- a) Anyone!
- b) Acceptable for underwriting – ample assets to respond if needed
 - i. Financial Information
 - Balance sheets – assets and liabilities
 - Profit and loss – income, but NOT TAX RETURNS
 - Timely
 - Detailed

Indemnities

VIII. B

a) History & background of indemnitors (all are 'Good Customer')

Indemnities

IX. Approvals & Underwriting

- a) Must submit as early as possible – title or escrow
 - i. Time consuming
 - ii. Other work as well as approvals
- b) Submit whole package at one time if possible
- c) Communicate – LPO or Title Office (or both)
 - i. Phone – use full name, company and location, return phone #
 - ii. Email – don't assume we know which deal is yours (use right email address)
 - iii. Mail – be sure there is all of the above and our address is right

Indemnities

- X. Approval = Success
 - a) Request for Approval, signed (but read for conditions)
 - b) Generally returned by email to source of request
 - c) Retain as part of both escrow and title files



Collyer Church

330 Madison Ave South, #201

Bainbridge Island, WA 98110

cchurch@stewart.com