

HOW NOTICE OF COMPLETIONS AFFECT CLOSING

Why Should You Care About a Notice of Completion?

It is important to understand why Title Insurer's require a Notice of Completion to be recorded when recent work is done upon the property. Whether the property was demolished and rebuilt or some simple renovations were made, there are laborers or materialmen that need to be paid for their work.

Any of these people or entities can record a Mechanic's Lien upon the property. A Mechanic's Lien is the claimant's fundamental document to record to put on record that they have not been paid and the claim of lien is the claimant's security for obtaining that payment. As defined under the California Civil Code, any person who furnishes material, supplies or equipment, or have performed labor, skills or services, in the improvement of real property belonging to another can record a Mechanic's Lien. With that said, a "Notice of Completion" is the instrument that can minimize the time frame for a claimant to file a Mechanic's Lien.

A properly recorded Notice of Completion under California Civil Code 8182 is recorded within 15 days of the completion of the work on the property. When the notice of completion is recorded, the claimant has up to 90 days to record a Mechanic's Lien from the date of recording. If there is no Notice of Completion recorded, then the title insurer is faced with relying on other documentation to prove when the work was completed. Many times the title insurer will require an indemnity, which can be a lengthy process, to be provided by the owner of the property because the completion of work was not properly established in the public records; and the possibility of a claimant arguing the completion date is increased. The seller, by providing the indemnity is responsible for payment of future Mechanic's Liens that would have not been necessary had they recorded the Notice of Completion. This could delay the closing of a transaction.

With this in mind, you can see why it is important and why the title insurer requires a Notice of Completion to be recorded after recent work was completed on a property.

If you have a transaction where recent work was completed or is in the process of being completed, please contact your sales representative so they can help you find a solution to minimize the issues caused by Mechanic's Liens that could delay or stop your closing.

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