



LEGISLATIVE UPDATE ON BILL REGARDING LIEN PROCESS CHANGE

There is a bill currently pending in the Senate Business and Commerce Committee regarding a change in the lien process in Texas. Senate Bill 1506, sponsored by Senator Juan Hinojosa of District 20, would overhaul the complex system of procedures in place for asserting and perfecting any lien claims by contractors or subcontractors. The bill would also restructure the current system of giving notice about the liens to owners and the public, which is one of the toughest and most complex in the country.

Under the new bill, notices of liens would be sent to a central registry, which would simplify the process by which contractors can be paid. Under the current system, there are a number of trap doors and the ability to perfect a lien is lost. The number of different documents under the notice system is overwhelming: Lien Notices, Preliminary Notices, Pre Lien Notices, Two Month Notices, and Three Month Notices, just to name a few. The timing and number of notices needed creates these trapdoors of requirements and deadlines, creating an impossible situation and a number of dead claims.

The new notice system would require a subcontractor or supplier to file only one document at the beginning of the project, called a Notice of Furnishing, which would preserve a potential claimant's lien rights. This eliminates the web of documents needed under the current system.

This overhaul is desperately necessary. Improved communication could be the key to addressing the payment problem in construction. With all information published at the outset of a project, many procedural missteps would be eliminated. 2017 is the first year the bill was introduced and it is not yet scheduled for public hearing.

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