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TO: Members of the Senate Labor and Industry Committee

SUBJECT: Position Paper – Senate Bill 145, P.N. 99 (Sen. Ward) and House Bill 982

DATE: February 12, 2013 (Revised October 2, 2013)

PBA SUPPORTS SENATE BILL 145 and HOUSE BILL 982

Bill Summary

Senate Bill 145 amends the Mechanics' Lien Law of 1963 to define instances that prohibit the filing of a lien on residential property. The bill also addresses the priority of a Mechanic's Lien with respect to additional liens on a residential property.

As of 10/2/13, amendments have been made to HB 982, making it identical to SB 145, except regarding residential property. This bill would only apply to owner-occupied single-family homes. The amendment was unanimously adopted.

PBA Position

PBA supports Senate Bill 145 and House Bill 982 for the reasons listed below. We ask that you vote in support of the legislation.

- **Encourages lenders to continue open-end mortgages for home builders.** Open-end mortgages, which essentially serve as a line of credit for home builders during the construction process, are becoming less prevalent due to the threat of a mechanics' lien. SB 145 would give open-end mortgages priority, decreasing risk for lenders and providing more security for project financing.
 - **Allows for continued project financing to encourage new growth.** With the recent economic downturn, lenders are increasingly wary of previous, conventional funding streams such as bridge loans and lines of credit. Open-end mortgages often offer the last resort for project financing for residential construction. SB 145 would support the continuation of such financing and ensure regrowth in the housing market.
 - **Proportionally reduces the lien amount in the event of a claim.** Senate Bill 145 would specify that, in the event of a claim, the amount of a mechanics' lien would be equal to the unpaid amount due the lien-holder, rather than the amount of the full contract price.
- If you have any questions, please contact me at 717-386-9941 or bsailhamer@pabuilders.org.