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Iowa Supreme Court Decision Impacts Mechanic's Lien Rights

Legal Update

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On February 7, 2020, the Iowa Supreme Court issued a decision in the case of *Standard Water Control Systems, Inc. v. Jones* that significantly impacts a contractor's mechanic's lien rights on residential construction projects. Specifically, the decision affects a contractor's ability to recover attorneys' fees from enforcement of a mechanic's lien.

Under the mechanic's lien statute, Iowa Code Section 572.32(1), a court may award attorneys' fees to a prevailing contractor in addition to the amount due. This invaluable provision makes it feasible for a contractor to pursue even small amounts, because if they prevail, their attorneys' fees will be paid.

However, the Iowa Supreme Court's decision carved out an exception to this statutory provision. The Court decided that a contractor who brings suit to enforce a mechanic's lien on residential property may not be able to recover its attorneys' fees from the sale of that property if the property qualifies as "homestead," or in other words, if the property is a person's primary residence. The decision means that from now on, a contractor's recovery to mechanic's liens on homestead property is limited to only the principal amount due.

The decision made it clear that this is an issue that could be addressed and changed legislatively. But for the time being, contractors who perform residential work should be aware of this new decision because it could make recovery of attorneys' fees and costs much more difficult.

All that being said, there may be certain things contractors can do to protect themselves. For example, contractual remedies may be used as a supplement to mechanic's lien laws. Should you like to discuss how your contracts might be revised to recover attorneys' fees and costs, give us a call.