

MARYLAND DEPARTMENT OF NATURAL RESOURCES
LICENSING AND REGISTRATION SERVICE
INSTRUCTIONS – MECHANICS LIEN PROCESS – VESSELS

Under Maryland Code Annotated, Commercial Law Article (“CL”), Section §16-201 et seq.), a vessel lien is created when (a) the lienor (with the consent of the owner) has provided services or materials for that vessel, (b) the charges are due and unpaid for 30 days, and (c) lienor has possession of the vessel.

Services and materials are defined as wet or dry wharfage, repair, rebuilding, maintenance, storage, parts or accessories.

If vessel owner disputes any part of the charge for which the lien is claimed, appropriate judicial proceedings may be instituted. This stays execution under the lien until a final judicial determination. Provisions to reclaim vessel pending judicial resolution are detailed in CL§16-206(b).

A vessel that is currently United States Coast Guard (USCG) Documented with an unsatisfied lien, must follow USCG process to claim ownership. Ownership transfer and release of a mortgage must be authorized by USCG before Maryland title can be issued.

Samples of the following are attached:

- Newspaper ad
- Notice of Sale

REQUIRED DOCUMENTATION

1. Vessel identification

- Vessel ownership
 - Unregistered – include detailed explanation of research efforts
 - Registered -- vessel ownership record from state of current registration
 - Documented – abstract of title
- Photograph or pencil rubbing of hull identification number
- Photograph of vessel, showing current vessel registration # and any other identifying markings

2. Certificate of Publication

- Attach copy of ad with vessel circled or underlined
- Published once a week for the 2 weeks immediately preceding sale
- Newspaper of general circulation in the county where sale is held
- 14 days must elapse between 1st published notice and sale date
- Ad must state time, date, place and terms of sale (lien amount must be included if there is a minimum bid or reserve)
- Minimum bid or reserve cannot exceed total charges
- Sale must be held at a public location between 10:00 a.m. and 6:00 p.m.
- Ad must include at least the state registration # or USCG documentation # and year, make and length

3. Notifications

- Notice should restate information in the published ad (date, place, time, terms)
- Notice must be mailed to all owners – separate mailing to husband and to wife
- Auction date must be consistent in all notices and the published ad
- Charges creating the lien should be listed separate from the costs of sale
- Invoices submitted as proof of indebtedness must equal charges creating the lien

At least 10 days before sale, mail notice (registered or certified, return receipt requested and by regular mail) to:

- Owner at address of record and any other address in your files
If the address of both the owner and the person who incurred the charges is unknown and cannot be reasonably ascertained, the notice is to be sent to “General Delivery” at the post office of the city where the business of the lienor is located.
- Customer (when different from owner)
- Lienholder at address of record (when record indicates an outstanding lien)

If lienholder mailing is returned undeliverable, and lienholder is a financial institution, search the FDIC “Bank Find” website to find the successor bank, and resend the notice. http://www4.fdic.gov/IDASP/main_bankfind.asp This second lienholder mailing will not invalidate any timelines in the original notices; but the Department will not process the mechanics lien application until 30 days after second lienholder notice has been mailed.

Successful delivery -- submit the signed USPS Form 3811 (green card) or mailing receipt. Confirmation of delivery from the USPS website tracking system is acceptable.

If returned undelivered -- submit the unopened returned envelope.

If returned by the U.S. Postal Service marked “deceased”, additional notifications may be required.

4. Proof of indebtedness

Invoice Affidavit must be completed in full and signed by Lienor.

- Charges must be due and unpaid for at least 30 days
- Charges cannot include services provided after date of notice
- Must reflect charges shown in Notice of Sale

Finance charges and/or interest can be included in total amount, but must be listed separately.

5. Evidence of Sale

Certified Bill of Sale must include amount, date, seller and purchaser.

When “no bidders”, include auctioneer’s certification under penalty of perjury.

6. DNR Form B-240

Date of sale = “Date of Purchase”

Enter current vessel registration number in “USED VESSELS Current Registration #”

Purchaser must sign and date (include Power of Attorney when signing on their behalf).

7. Payment -- payable to “MD DNR”

5% vessel excise tax on sale amount (or total charges when no bidders)

Licensed MD boat dealers are exempt from vessel excise tax when lienor.

Vessel must be titled in the name of the dealer as shown in Department records.

Enter “Dlr # 123” on Form B-240 (Section 5 and the vessel excise tax box in Section 4) and on the Mechanic’s Lien Checklist.

\$20 title fee

\$70 biennial registration (optional)

8. Mechanic’s Lien Checklist – top portion completed by lienor

9. Power of Attorney (when applicable)

DISTRIBUTION OF SALE PROCEEDS

When lienholder was notified within 45 days of the creation of the lien:

- 1st -- Expenses of giving notice and holding the sale
- 2nd -- Storage fees of the third party holder
- 3rd -- Amount of the lien claimed exclusive of any storage fees
- 4th -- Purchase money security interest
- 5th -- Any remaining secured parties of record
- 6th -- Any remaining balance to the owner of the property

CL§16-203(b) ... within 45 days after the creation of the lien... lienor shall send notice of the lien by registered or certified mail to all holders of perfected security interests in the property who are known to the lienor or can be identified through a search of the public records where filings are made to perfect security interests in the property...

CL§16-202(b)(2) ...a lien is created under this subsection when any charges giving rise to the lien are incurred

When lienholder was NOT notified pursuant to CL§16-203(b):

- 1st -- Purchase money security interest
- 2nd -- All additional holders of perfected security interest in the property
- 3rd -- Expenses of giving notice and holding the sale
- 4th -- Storage fees of the third party holder
- 5th -- Amount of the lien claimed exclusive of any storage fees
- 6th -- Any remaining secured parties of record
- 7th -- Any remaining balance to the owner of the property

SAMPLE NEWSPAPER AD

YOUR NAME will sell at public auction on DATE at TIME at LOCATION the following vessel in satisfaction of a mechanics lien for charges that have remained unpaid for more than 30 days. Terms: cash or certified funds. Lienor reserves the right to bid.

State registration # or USCG documentation #, Year, make, length

Sample NOTICE OF MECHANICS LIEN SALE

OWNER

Name

Address

City/State Zip

CUSTOMER

Name

Address

City/State/Zip

LIENHOLDER

Name

Address

City/State/Zip

LIENOR

Name

Address

City/State/Zip

Telephone

Charges for services or materials provided \$ _____

Costs of sale + \$ _____

Total charges = \$ _____

YOUR NAME will sell at public auction on DATE at TIME at LOCATION the following vessel in satisfaction of a mechanics lien for charges that have remained unpaid for more than 30 days. Terms: cash or certified funds. Lienor reserves the right to bid.

State registration # or USCG documentation #, Year, make, length

You have the right to satisfy the mechanics lien debt in full by the auction date by contacting YOUR NAME.

If you dispute the charges, you may initiate judicial proceedings pursuant to CL§16-206 the Annotated Code of Maryland, Commercial Law Article, which will stay execution of the mechanics lien.

Date

Lienor's Signature

Name of Signature (printed)