

ADVANCED · LESSON 2 · 7 MIN READ

# Priority Issues

*When multiple lienholders compete, priority decides who gets paid in full — and who gets paid nothing.*

## OVERVIEW

Priority rules vary by lien type. Mechanic's liens often relate back to the start of work. UCC-1s follow first-to-file-or-perfect. Judgment liens follow recording date.

Equity in the asset determines how far down the stack any creditor will reach.

## KEY CONCEPTS

- Relation-back doctrine
- First-to-file vs. first-to-perfect
- Subordination agreements
- Effect of bankruptcy on priority

## COMMON MISTAKES

- Assuming a later mechanic's lien is junior to an earlier mortgage — it may not be.
- Signing a subordination agreement without modeling worst-case recovery.

## PRACTICAL EXAMPLES

### RELATION-BACK SURPRISE

A mortgage records mid-project. A subcontractor's lien filed after the mortgage still primes the lender because the lien relates back to the project's first day of work.