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Mortgage Loan Inspection (MLI) aka Mortgage Inspection Sketch (MIS)

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This inspection of property by a surveyor is most frequently called an MLI (Mortgage Loan Inspection) or MIS (Mortgage Inspection Sketch), because it is sometimes required by a bank to obtain a mortgage loan. However, an MLI (our preferred shorthand) is beneficial in ways beyond qualifying for a mortgage, and we generally recommend buyers of homes or other buildings in Maine seriously consider ordering one when purchasing.

If you are working with a Lender, an MLI may be required by either the Lender or the title attorney. If you are purchasing a property with cash funds, or even receiving a gift or settling a boundary dispute, an MLI can be valuable. If land is being divided or buildings have recently been built or placed on the property, an MLI is mandatory to obtain certain types of Lender's and Owner's Title Insurance.

What It Is:

An inspection by a surveyor based upon the Town tax maps, the current deed to the property, flood maps, subdivision or survey plans (if available), and any other knowledge the surveyor happens to have about the parcel. The surveyor then visits the site and prepares a sketch of the property's boundaries, buildings, and other improvements based upon this limited information. The surveyor checks for compliance with the town's land use ordinances (such as setbacks, road frontage, shoreland zoning) and checks the property's flood zone classification. The surveyor certifies their findings on the sketch or a separate page. This certification is directed to the Lender, Title Insurance Company, or title attorney.

What It Is NOT:

An MLI is NOT a full boundary survey. The surveyor does not inspect the title history to the parcel. The surveyor does not inspect the deeds and title histories of the neighboring parcels of land and adjacent roads and streets. An MLI is not performed on vacant land, since its primary focus is to check locations of buildings and improvements.

What You Get:

The result is a sketch of the property with notes about compliance with setback requirements, subdivision covenants, and flood map zoning. The sketch depicts the physical location of buildings, driveways, utility lines, roads, and any encroachments by fences, walls, and the like.

Here are examples of two MLIs on different properties, one minimal, one very thorough (with identifying data removed):

EXAMPLE 1 – minimal but adequate for title insurance.

EXAMPLE 2 – detailed.

Why It's Important:

An MLI can detect many problems with property that could cause you to reconsider purchasing the property, demand correction, or renegotiate the purchase price. Some examples of problems we've seen revealed by an MLI are:

- 1) Misplaced Manufactured Homes.
- 2) Lack of access to a road.
- 3) Driveway encroaching on neighbor or vice versa.
- 4) Building violates setback requirements or zoning laws.
- 5) Fences or walls crossing over property lines.
- 6) Landscaping suggesting that the Seller or a neighbor has a mistaken belief about the boundary locations.
- 7) The property description is defective.
- 8) The home or barns or sheds are actually on neighbor's land.
- 9) A well or leach field is on the neighbor's land, or vice versa.
- 10) A finding of size or shape different than the parties' expectations.
- 11) Pins, blazings, or other monuments called for (or not called for) in the deed description that are missing, conflict with the description, or suggest a land dispute.
- 12) Presence of discontinued roads, streets, or rangeways affecting title to the property or lack of legal access.
- 13) Driveways and roadways located outside of granted easement areas.
- 14) And many more unpleasant surprises.

It used to be that an MLI was a requirement to obtain an Enhanced Owner's Title Insurance Policy. Enhanced policies insure against many of the defects that can be detected by an MLI, including defects that arise in the future (such as encroachments). But over the past couple of decades, in competition with each other and in response to customer complaint about the added cost, most title insurance companies and lenders have stopped requiring an MLI. Some still require a substitute "Survey Affidavit", in which the sellers are questioned at closing about the title to the property. This may not be as reliable as an MLI, because the sellers are often unaware of the kinds of defects listed above. A survey affidavit costs \$50, which is included in the title insurance fee. Other companies have even eliminated the Survey Affidavit requirement, but still charge a "survey waiver fee" for taking the additional risk and issuing a policy without the precautions formerly required.

What It Costs; How Long It Takes:

Generally, the price range charged by a surveyor is \$300-\$600 depending on the location of the property. Most title companies or lawyers order it from the surveyor and only charge the client what the surveyor charges. This fee is paid as part of the closing costs in sale transactions. You may have to pay it out-of-pocket if the transaction does not close due to the MLI results or other reasons. Surveyors usually return an MLI within 7 days of request.

If you have further questions about MLIs, be sure to speak to your lawyer and/or your realtor about this important issue. If we are working with you, please give us a call at (207) 872-0112.

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