Think of Your Construction Job Information Sheet as a Credit Application

Obtaining the necessary job information for any construction project means much more to a supplier or subcontractor than simply checking boxes and scribbling a word or two into yet another form that needs filling out.

Construction credit managers should view their job information sheets on par with a customer's credit application in its level of significance, says Chris Ring, of NACM's Secured Transaction Services (STS). That's because without sufficient and accurate job information, the company's ability to secure payment through a mechanic's lien or bond for their projects may be in jeopardy.

One of the biggest day-to-day struggles many companies have, however, with getting this crucial information is not having enough boots on the ground—either a credit professional accompanying sales representatives on customer calls or sales reps relaying the information to the credit team, Ring says. This is particularly in companies that have highly automated systems that lack the ability to double-check the information when, say, a corporate address of a general contractor (GC) is included instead of a specific job site address. Sending a lien notice to the wrong person on a job can not only mean your company won't be secured in its remuneration, it can also cause ill will with your customers who may assume these types of mistakes point to a larger inability to handle the work.

"When the human element breaks down it's hard to verify if you have the correct information," he said. For example, the credit department should gather a business telephone number, a cell phone number, an email address and a jobsite address, among other details.

Ring also advises credit professionals to not just collect this data for the direct client, but for all parties to the job, including the subcontractor, the GC, the owner and the lender for the project. This will ultimately aid them in their collections due diligence efforts as well. If a subcontractor tells you it can't pay because it hasn't been paid yet, the credit manager can verify the accuracy of such a statement by contacting the GC and the owner.

"Having information about these parties is also a great way to negotiate payment," he said.

Information in hand, the credit team should then take their information collection efforts one step further and assess the risk of nonpayment from the various parties to a construction job. Ask yourself, 'How am I going to get paid for this job?' This type of risk assessment can involve many different factors. Aside from looking into the finances of your customers and the other companies involved in the project, you should assess the risk of lenders to the project. Smaller banks or other lending institutions can, in some cases, suddenly file for bankruptcy, Ring said. The same goes for bonding or surety companies.

Even a body as seemingly abstract and removed from the specific details of a job as the state legislature for the jurisdiction you're working in can impact the credit worthiness of customers, he says. Take for instance initiatives across the country to raise the minimum wage for workers to $15 per hour. Sudden and dramatic increases to a customer's labor costs can turn into a huge problem that can lead into financial difficulties and increased credit risk. Changes to federal immigrations laws could have a similar deleterious impact on a customer. “If the law changes, it can lead to payment problems,” Ring said.