Think of Construction Job Information Sheets as Credit Applications

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 a par with customers' credit applications in level of importance. 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.

In gathering this crucial information, one of the biggest day-to-day struggles for many companies 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. This is may occur in companies with 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 the company won't be secured in its remuneration, it can also cause ill will with 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," said Chris Ring, of NACM's Secured Transaction Services (STS). 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 obtain this data on 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 says 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," Ring suggested.

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. An important question to ask is, "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 the customer and the other companies involved in the project, assess also the risk of lenders to the project. Smaller banks or other lending institutions can, in some cases, suddenly file for bankruptcy, Ring explained. 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 where the job is located can impact the creditworthiness of customers, according to Ring. 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 to financial difficulties and increased credit risk.