



CONSTRUCTION CONNECTION



## Getting Paid: Should You Really Take that New Client?

[By Marco Terry]

Your phone rings ,and a client (or GC) that you have never worked with before proposes a new construction project. The project has the potential to be very large and very lucrative. It would certainly help your company, especially in these times where big lucrative construction projects are rare. Sure the project will require that you hire a couple of people and perhaps team up with another company, but once everything is said and done, you'll make a lot of money. Should you take it?

Many construction business owners are faced with this dilemma. They have a project that requires a substantial commitment on their part — both in time and resources. Perhaps even an investment. However, at the same time, the potential rewards are big. And surely, jumping into this opportunity could spell disaster if client can't or won't pay at the end. But, what are the chances that the client won't pay? Higher than you think, actually! That is why I am going to share some steps with you that will increase the chances that you'll be paid for your commercial projects.

### Review Payment Terms

You should always check a client's payment terms, which should be spelled clearly out in their contract. And you should be very selective in extending 30-day payment terms, also known as business credit. Always check a client's business credit when extending payment terms.

One thing you should also be in the lookout for are "pay when paid" clauses. Many GC's will insist on paying you only *if and when* they get paid by their customer. You should never accept these terms since there is a chance you won't get paid. The biggest risk with these clauses, although there are

many, is that a GC won't get paid because a subcontractor did not do their job correctly. This means you could end up not getting paid because someone else did a shoddy job.

### Check their Business Credit

Checking your GC's or commercial client's business credit is always a good idea. As opposed to personal credit scores, which require written permission from the person, anyone can look up a business credit score for a company. The business credit report will give you an idea whether the client is a good risk or not. Most will indicate how good a payer they are and how much credit you should give them. Two of the best business credit services are Dun & Bradstreet ([www.dnb.com/us](http://www.dnb.com/us)) and Experian Business Credit ([www.smartbusinessreports.com](http://www.smartbusinessreports.com)). Both services offer a variety of inexpensive reports that will help you determine the financial condition of your client. For larger projects, you should consider buying extensive reports from both services, as they have different sources of information and levels of accuracy.

### Insist on Written Signoffs

Whenever you complete a project segment (in a progress billing situation) or the project

as a whole, always insist on getting a written signoff from your client. The written signoff should state that the client has reviewed the work, accepts, and will pay for it. Having a written signoff is one of the best ways to avoid payment problems in the future. Have an attorney prepare a simple one, and have your contracts require it.

### Conclusion

Although there is no 100% guarantee that you will always get paid, there are many things that you can do proactively to increase your chances of getting paid. Read your contracts thoroughly, and make sure you understand them, check commercial credit where appropriate, use good signoffs, use good advisors, but above all else, use common sense!

### About Commercial Capital LLC

Commercial Capital offers factoring financing to construction subcontractors. For more information go to [www.CCapital.net](http://www.CCapital.net) or call Marco Terry at 786-206-4722.

Note that this article is not intended to replace the advice of qualified attorneys or financial advisors. You should always seek qualified advice.

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