

For Immediate Release

The Building Blocks of Success With NACM, A Credit Manager Can Alleviate The Risks Of Doing Business With Subcontractors

April 25, 2005: Columbia, Maryland—The construction industry is an important source of business for a credit manager, especially when low interest rates create a real estate boom. As real estate sales increase, the need for construction increases, which means the amount of subcontractors in need of a credit line increases.

“The construction market is very important to the credit industry because the industry operates almost solely on the extension of credit, and because the length of time from providing the labor and materials to receiving payment is considerably more lengthy in the construction industry, particularly where governmental entities and governmental purchasing is involved,” said Deborah Lawson, a Tampa-based lobbyist who represents NACM, the American Subcontractors of Florida, and the Florida Roof and Deck Association.

Doing Business With Subcontractors Can Sometimes Be Risky

“Subcontractors are the highest risk accounts that we sell. They typically have to rely on payment from the general contractor or property owner before they can pay their suppliers,” noted NACM member Heidi Lindgren-Boyce, CCE. “This puts them completely at the mercy of the general contractor or the property owner, and can cause a lot of financial hardship if the general contractor or property owner withholds funds, whether they’re legally entitled to or not. Most subcontractors don’t possess enough funds to hire an attorney, much less have the resources to become educated in the fields of finance and collection.”

A Paperless Trail Of Creditworthiness

Lindgren-Boyce, of Star Rentals Inc., said that part of the challenge a credit manager faces when extending credit to subcontractors begins with trying to determine the creditworthiness of a potential client. Because the construction industry does not utilize financial statements—in fact, some subcontractors don’t even know what financial statements are—credit managers must create ingenious ways to determine a potential customer’s credit history.

Since there is no real paper trail of a potential customer’s history, a credit manager has to rely on a word-of-mouth history, which can be easily obtained through NACM construction industry credit groups. As Lindgren-Boyce pointed out, one small tidbit of information imparted in her credit group can be a priceless asset for her company.

“Without these trade groups I would not know in a timely fashion such things as NSF checks, job defaults, or alternative legal means of investigating the accounts we are trying to contact,” Lindgren-Boyce said. “I’ve even learned of bankruptcies prior to receiving my own official notice. So the information obtained is usually more current than credit reports. And I know I’ve reduced my company’s bad debt losses by thousands of dollars per year based on the information I obtain in my trade groups.”

A Matter of Law

In addition to finding out a potential customer’s credit history, NACM has been instrumental in helping credit managers keep abreast of the new laws that affect the construction industry. For Debbie deBoer, CBA, Corporate Credit Manager at Miles Sand & Gravel/Concrete Nor’West, the challenge of extending credit to subcontractors has been in part alleviated through her participation in NACM’s Legislative Task Force—an NACM group that has also given her the opportunity to take an active role in the lawmaking process.

"I have had the opportunity to work with the NACM lobbyist and to attend hearings at our state capitol to express the views of our members and to take those views and work with Senate staff attorneys to compose a bill that is beneficial to both the consumer and the credit manager," said deBoer, who is approaching the sixth term of her tenure as an NACM Board of Director.

Lending Support

Credit managers feel a sense of community when they participate in NACM. Members know that when problems arise, there is someone there who can lend a helping hand. Some credit managers have benefited from their NACM membership on both professional and personal levels.

"NACM has been fundamental in my growth as a credit professional, encouraging me every step of the way in my goal to achieve CCE designation," said Ruthanne Shay, CCE, Credit Manager at Plywood Supply Inc. "Friendships are formed through mentoring, reminding us to pass on to others the encouragement, knowledge, and commitment to our profession for which we are privileged to be part."

When Heidi Lindgren-Boyce summed up her experiences as an NACM member, she said, "I am the person I am today because of NACM, both personally and professionally."

NACM is more than just a resource of information; it's a community builder.

###

The National Association of Credit Management (NACM), headquartered in Columbia, Maryland, supports more than 25,000 business credit and financial professionals worldwide with premier industry services, tools and information. NACM and its network of Affiliated Associations are the leading resource for credit and financial management information and education, delivering products and services which improve the management of business credit and accounts receivable. NACM's collective voice has influenced legislative results concerning commercial business and trade credit to our nation's policy makers for more than 100 years, and continues to play an active part in legislative issues pertaining to business credit and corporate bankruptcy.

Media Contact: Norma Heim
Phone: 410-740-5560
E-mail: normah@nacm.org
www.nacm.org