



2021 EXECUTIVE INSIGHTS

HOW SHOULD A CONSTRUCTION FIRM APPROACH BUILDING AND PROTECTING ITS CREDITWORTHINESS?



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A construction firm's ability to build and protect its creditworthiness is paramount and, perhaps, more important in construction than in any other industry due to the scrutiny by third party vendors including sureties, banks, subcontractors and owner pre-qualifications.

These important steps should be taken by contractors to help build and protect the company's creditworthiness:

- Establish and maintain lines of credit with industry-relevant vendors or suppliers. The better your relationship, the better the likelihood of avoiding upfront payments of items or services. A company can establish a positive business credit history by securing a line of credit or payment terms such as net-60 or net-90 with vendors or suppliers that report those payments to business credit reporting agencies.
- Pay on time all the time! This is the number-one rule in any credit situation. Paying your bills on time shows that you are reliable and can effectively manage (and pay off) your debt. A late payment history, especially severely delinquent payments, will bring down your business credit rating and negatively impact your business credit profile.
- Diligently monitor your business credit history. This can help you spot any issues or blemishes that aren't accurate. If you do find an error, be sure to file a dispute with the reporting agency.
- Maintain accurate information and records. Doing so can help you avoid various instances of fraud. In addition, accurate information facilitates communication between a credit firm and a company regarding potential fraudulent activity.

Building and maintaining creditworthiness should be a part of every construction firm's long game. Consistency and accuracy are key factors in ensuring your reputation as a financially sound, reliable, and trustworthy firm.