

What lenders need to look for when evaluating a contractor's financial, client, and trade references

# FINANCIAL



What to look for when checking a contractor's financial history

### CREDIT HISTORY



Strong credit and long history with suppliers and banks



Short credit history with financial institution

### PAYMENT HISTORY



A history of on-time and complete payments

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Habitually late payments or incomplete payments

### CREDIT CONSISTENCY



Credit histories from financial institutions and project timelines

### **BUSINESS CREDIT**



Strong credit under any known names or business names

match one another



Credit history, including amounts and timelines that do not match up

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Weak or low credit under any known names or businesses

#### TIP:

Be extremely thorough while collecting financial references as some results may indicate poor resource management skills, an unproven credit history, or incomplete information all pointing to potential financial risk.

# CLIENT

What to look for when checking a contractor's project track record



### RECENT PROJECTS



Project completed in the last 12 months



1+ years since their last completed project

### **PROJECT BUDGETS**



Ability to stay within a reasonable budget



Projects well over budget

### PROJECT SCALE



Scale of proposed project is in line with the contractor's project history



Proposed projects that are beyond the scope of previously completed projects

#### **CLIENT FEEDBACK**



Consistent, positive client feedback



References that don't call back, don't know the contractor, or only have negative things to say

#### TIP:

If the contractor doesn't have a recent project completion, it's important to determine the possible cause for the gap in their project history. Maybe they had a leave of absence or worked for a different company. If projects went over budget ascertain the reason, and if that is a consistent factor in all the contractor's builds.

# TRADE

Make sure contractor's references match their given information



### **SUBCONTRACTORS**

- Positive reviews that indicate they would work with the contractor again
  - Non-responsive, negative reviews, or will not work with the contractor again

### LIQUIDITY

- Contractor is able to pay subcontractors and suppliers on time, in full
- - Confusing P&L statements and lack of liquidity on balance sheets

### SUPPLIERS

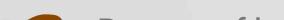


Positive reviews from suppliers and willingness to work with the contractor again

### PROJECT SCALE



Consistent project scale and successful completion







Reports of late payments, non-payment, or delayed pick up



Project scales and completion rates vary

### TIP:

Any negative reviews from subcontractors or suppliers could show problems across the entire project, as it may indicate liquidity problems or poor project management. Additionally, make sure all submissions from the contractor match the financial references given previously.

# SUMMARY

Every contractor reference presents an opportunity to learn about the contractor and if they are a safe and reliable option for a construction loan. If you believe an answer from a reference or the contractor themselves is suspicious, it may be worth your while to take a second look and discover the full story. While good judgment and solid processes should always win the day, vetting and double checking anomalies may save you from potential disaster.

To learn more about contractor acceptance, watch this on-demand webinar:

#### The Fundamentals of Contractor Acceptance

Land Gorilla is the #1 financial technology provider of construction loan management software creating a fast, safe, and efficient loan process. Trusted by top lenders, Land Gorilla's Construction Loan Manager™ streamlines every aspect from pre-closing due diligence to post-closing draw administration, providing scalability, minimized risk, cost savings, and a best-in-class experience to project stakeholders.

