



Contractor's Guide to Faster Payment

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Particularly in this economy and construction market, contractors want to get paid for their work as quickly as possible. Delayed payments can have devastating effects. They can result in work stoppage, subcontractor disputes, and even business closures. Though not a guarantee, here are a few tips that may help contractors to get paid more quickly:

- 1. Sign on the Dotted Line.** Far too often, contractors enter into handshake deals with owners. This regularly results in miscommunications, misunderstandings and disputes. Contractors should always have a written contract for their work. At the very least, the contract should lay out: **(a)** what work the contractor is to do; **(b)** the timeframe in which the work must be done; **(c)** how much the contractor is to be paid for the work; and **(d)** the process for dispute resolution.
- 2. Payment Bonds.** Though payment bonds are more common for larger projects, they can provide excellent protection for contractors even on smaller projects. Obviously, there is a point where obtaining a bond for a small project becomes too costly. However, if the contractor's business could not survive nonpayment for a particular job, then a payment bond should be seriously considered.
- 3. Mechanic's Liens.** These can prove to be a contractor's most valuable tool in getting paid. However, timelines are critical to ensure a contractor preserves its lien rights. State laws vary greatly, so it is important to be timely. Far too often, owners continue to promise contractors payment, and, based on these promises, contractors wait to take action until it is too late.