

The Risk Illuminator

A Quarterly publication for our clients by **Lender's Quality Assurance**, a *Critical Edge Group* company

VOLUME 1, ISSUE 1

3RD QUARTER 1997



Dear JP:

Q: Why do you use local inspectors

(InspectNET) vs inspectors from your home office? RM, PA

A: LQA developed InspectNET (network of highly qualified, experienced commercial inspectors) because: 1) it allows for more timely responses; 2) it eliminates travel costs passed on to our clients; 3) the quality of reports improves with local knowledge of contractors, building authorities, and local codes & customs; 4) LQA's construction knowledge base is increased exponentially
(continued on page 2)

Spilled Milk: Lapsed contractor license presents risks for ALL

It is important to check with state licensing authorities to determine the status of your contractor's license. Failure to do so could subject all involved parties to unnecessary risks. The contractor's "contractual capacity" may be subject to debate which

"...oops, my project has started & my contractor's license has lapsed..."

could lead to the following "potential" hazards if an accident occurs: **For Lender:** Stoppage of work or significantly delayed;

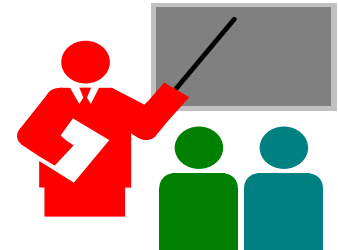
Review of Enviro Reports critical to Construction Project Review

Since inception, LQA has incorporated enviro report reviews into its Pre-Commitment Commitment Analysis (PCA). The lender, borrower, contractor, and architect often dis-

regard seemingly minor issues raised, therein. Such an example occurred prior to construction of an office/warehouse in the Northeast. The subject Phase I

invalidation of bonding or various insurance's; litigation for damages due to "deep pockets" and/or "should have known" theories; loan not being repaid and/or asset downgrade; lien priority jeopardized. **For Contractor:** Felony conviction and/or significant fine, incarceration; revocation of license privilege for specified time-frame; replacement on job; litigation/monetary damages; **For Owner:** Project delayed or stopped, not being completed on time; inability to repay loan; litigation/monetary damages from accident victims and

see page 2 - License



Hardhat

Funding for "Stored Materials"

Definition: Ready to use raw or fabricated construction materials, acquired for a specific contract, generally for use in the near future (ie 45days); materials may be stored "on-site" or "off-site".

The following requisites should be considered when funding for "stored materials"; **On-site-**1) covered by insurance (Cof I); 2) properly secured & protected from elements, theft & vandalism; 3) title vested

see page 2 - Materials

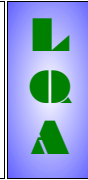
TOPICS IN THIS ISSUE

Hardhat University (Discussions of contemporary construction & environmental risk topics)	1
Dear JP (Responses to our Clients' Questions, Calls & Letters)}	1
Spilled Milk (Anecdotes from our past experiences worthy of sharing with our clients)	1
Other current news, events or topics	1

The Risk Illuminator

Lender's Quality Assurance

3507 N. Central Avenue; Suite 302
Phoenix, AZ 85012
Ph (602)604-8999 Fx (602)604-8555



Mailing
Address
Goes
Here

THE RISK ILLUMINATOR

through its varied and experienced inspectors. The quality of inspections is assured through our rigorous qualifying process, required prior to becoming part of the InspectNET team. Additional benefits include access to local real estate knowledge & greater potential for "incidental project contact" between scheduled inspections.

Call our **LQA**
Construction HOTLINE:
(602) 604-8573
For a free consultation
or to discuss your

Licensing - from page 1

subcontractors; invalidation of bonding or various insurances. Although most contractors would not necessarily allow this to happen intentionally, it happens with much more frequency than any of us would like to believe. That is why LQA reviews and verifies this and other important construction issues and documentation in the performance of its *Pre-Construction Commitment Analysis (PCA)*.

Materials - from page 1

with borrower, upon payment; 4) stored materials affidavit; 5) inventory provided; 6) inspector verifies & provides photo. **Off-site-1** covered by insurance (Cof I); 2) properly secured & protected from elements, theft & vandalism, 3) segregated & ID'd as borrowers; 4) title vested with borrower, upon payment; 5) inventory, Bill of Sale, Whse Recpt (Bonded Whse), Landlord Waiver (if site is not supplier's) provided; 6) stored materials affidavit; 7) inspector verifies & provides photo (if requested); 8) UCC's filed if o/o state (state&county).

Enviro - from page 1

mentioned the site being in a high radon area. LQA flagged the comment & informed the parties that if the state Enviro Agency subsequently mandated corrective measures, a costly retrofit (\$350-450K) (excluding business interruption losses) was likely. LQA recommended preventative below slab venting costing only \$35K. This would accommodate most subsequently required radon remedies and eliminate any need for a costly retrofit.