



2012 New Year's Resolution: Protect Your Lien Rights and Stop Losing Money

Every company has receivable problems. It doesn't matter if you're a tradesman, a material supplier, a design professional or equipment lessor, every now and again you provide your services and go unpaid.

You may or may not have debt collection procedures in place. Perhaps you have an in-house staff member hound debtors with phone calls and certified letters. Perhaps you have a debt threshold, when the problem is passed onto a collections agency, or a law firm. Whatever your procedures may be, these two facts are undoubtedly true: (1) Collecting this money in or out of house costs you additional money; and (2) At the end of the year these unpaid bills add up and can be a substantial amount of bad debt.

I've talked about bad debt in the past here on the Construction Lien Blog. In "[Use Zlien and The Lien Laws to Reduce Your Bad Debt in 2012](#)," there is an entire section of that post dedicated to the "high costs of bad debt." Here is a quote:

Unpaid receivables even in small amounts can have a very significant impact on your company's profitability. Let's say you have just \$5,000 of unpaid receivables, and you have a net profit margin of 5%. Your company will need to make \$100,000 in revenue to compensate for the lost \$5,000. That's a significant amount of money to offset the loss of such a small debt. Now, think about \$20,000 of unpaid receivables, \$100,000, or more. The impact to a company's bottom line can be staggering.

The construction industry has access to mechanic lien or bond claim laws on *nearly every project*. These lien laws are super powerful, as they turn the project job site itself into collateral. Just like a bank doesn't loan money without getting collateral, if you pay attention to and preserve your lien rights, you too can have collateral every time you send out materials or perform other services on a construction project.

So, if lien protection is so great, why doesn't every company do it on every project?

The answer, unfortunately, is because lien laws are extraordinarily complex and burdensome.

Laws are different state-to-state, and even within the same state your requirements will differ depending on the type of work you do, the character of the project, your tier on the project, the project's value, and more. For companies who work on multiple projects each year, and especially those who work in multiple states,

managing these requirements is impossible. Further, once the requirements are known, sending, filing and tracking all of the required notices and lien documents is a paperwork nightmare.

In consulting with companies across the country on lien compliance issues, I've learned that as a consequence of all these complexities, most simply disregard their lien rights. They usually take this "it's more trouble than its worth" attitude after assigning the task of complying with the lien laws to a staff member, secretary, assistant, or even in-house legal counsel.

[pullquote style="right" quote="dark"]One cannot understate, however, just how complex the mechanic lien landscape is nationwide. It's virtually impossible to comply, or train someone in-house to lead compliance.[/pullquote]

One cannot understate, however, just how complex the mechanic lien landscape is nationwide. With or without lien and notice writing software, it's virtually impossible to comply, or train someone in-house to lead compliance. I've talked about this very phenomenon before in the post: [4 Reasons Why It's Smart To Outsource Your Preliminary Notice Work](#).

While everyone has receivable problems, and lien laws are the best protection money can buy, because compliance with these laws is so complex companies typically forfeit their lien and bond claim rights. At the end of each year, these companies find themselves with a pile of bad debt and a history of collection costs and attorney fees, wondering if there is a better way.

You Need A Turnkey Mechanics Lien Solution

The answer to your bad debt headaches is to protect your mechanics lien and bond claim rights (see our posts about [Why It's Important To Lien](#) and [How A Mechanic Lien Gets You Paid](#)). Since lien compliance is so complex, however, you need a turnkey mechanics lien solution. Something that can completely take the lien process out of your company's hands, and do everything: Monitor what must be filed and when, file and deliver required documents, track all filings, make collection efforts, and file lien enforcement actions.

In fact, you should make it a new year's resolution to find such a turnkey service, because if you spend the entire year sending all required notices and protecting your mechanic lien rights, you'll close out the 2012 calendar year with substantially less bad debt than 2011 and previous years.

And not to brag, but [Zlien](#) is the only company out there that offers such a complete turnkey solution to folks in the construction industry. And we're the only ones who can handle your mechanics lien compliance from soup to nuts - at an affordable rate - because we use proprietary front end and back end software to manage all of the lien law's complexities.

If you're ready to protect your lien rights on every project and stop losing money, [contact us](#) to learn how you can *Lien Smart*.

Read this post on the Construction Lien Blog at:
<http://constructionlienblog.com/?p=3163>

[Zlien](#) is a national mechanic's lien and preliminary notice filing service. Zlien also provides the LienPilot, a web based lien compliance manager and deadline calculator, and publishes mechanic's lien resources.