

QUARTERLY NEWSLETTER

VOLUME 4, ISSUE 2

APRIL 2007

DOWN PAYMENTS AND DEPOSITS

NEW ADDRESS!

**230 8th Avenue
North, Suite 104
Seattle, WA
98109**

All other contact
information will stay
the same.

In the construction industry there are two ways of paying for work, down payment (or deposit) and progress payment. At GMC-CMI we provide our clients with detailed observations about work that has been completed in order to advise lenders on progress payments which are payments on work found to be complete. Down payments, unfortunately, are not as easy to quantify and make a recommendation on because the material or evidence of work is not physically at the site when the inspection is made. There are several elements of a construction project that typically require a

down payment of some sort. These payments can be necessary on anything from an elevator to kitchen cabinets. GMC-CMI has been made aware of an increasing number of down payments needed for a typical construction project and because of this we want to address what, in our opinion, is the best way to handle a down payment request.

GMC-CMI advises our lenders to always obtain a copy of the invoice related to a specific down payment. This invoice should clearly state the name and address of a project, what materials are being paid for,

and the date of delivery. Once the lender has gathered all down payment invoices related to a draw request, they can submit these along with the draw request to GMC-CMI for review. In addition, we recommend they fill out a "Draw Inspection Cover Sheet" form which has an area to specify various down payments included in the draw request. A copy of the "Inspection Request Cover Sheet" can be obtained by emailing inspections@gmc-cmi.com. Including this cover sheet with a faxed or emailed draw will give GMC-CMI advanced warning of a down payment

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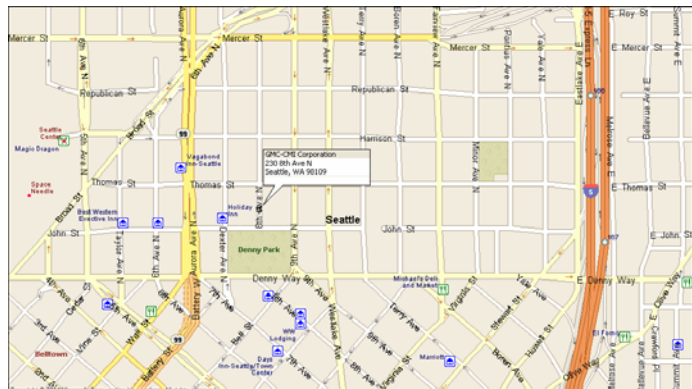
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**Examples of
Down Payments**

- Appliances
- Cabinets
- Custom Iron
- Pool/Spa
- Mirrors/Shower Doors
- Elevator
- Other custom or special materials

WE'VE MOVED!

GMC-CMI Corporation has officially moved offices to our new location near Denny Park in Seattle, Washington. If you haven't done so already, please change your records to reflect our new mailing address of:

**230 8th Avenue North
Suite 104
Seattle, WA 98109**



For directions to our new location,
go to www.gmc-cmi.com.

FINANCIAL RISK MANAGEMENT

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GMC-CMI Corporation provides Lenders and Insurers throughout the Pacific Northwest with a range of due diligence products and construction draw inspection services. We strive to provide our clients with timely and accurate information.



WE'RE ON THE WEB AT WWW.GMC-CMI.COM

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and the appropriate information to provide a more accurate and comprehensive inspection report. GMC-CMI will then make a recommendation back to the lender regarding the normality of the specific down payment requests. For example, a down payment request for cabinets is typical of the industry, whereas, a down payment request for labor is not.

The lender may also find that there are different requirements for down pay-

ments depending on whom the contractor/borrower is and who the sub-contractors are. Typically in "Owner-Builder" situations, more down payments are required by the sub-contractors. Contractors typically have fewer down payments required as relationships have already been established with the sub-contractors. Small sub-contractors also may require more down payments than large sub-contractors due to their cash-flow.

We hope by providing these recommendations, GMC-CMI is giving our

clients an even more essential piece of documentation for the purposes of monitoring the disbursement of a construction loan.

For more detailed information regarding down payments or questions on specific projects, please call the office at (206) 325-0880 and one of our staff would be happy to assist you.