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Blockchain and Smart Contracts Could Solve Unsolvable Construction Problem

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Every construction project, from contract negotiation through the payment of the final pay application, suffers from the same conundrum born out of every parties' desire for certainty and finality. That problem is the issue of the exchange of lien waivers for payment. The issue is those parties lower in the construction chain are asked to provide unconditional lien waivers (swearing that they have already been paid) as part of their request to be paid. This happens all the way up the chain until you reach the top. It is borne out of the project financier's desire to make sure that when they issue a progress or final draw on funding that they are achieving finality on costs of construction for everything that transpired prior to that draw. This, of course, helps insure that their investment in the project is not attacked by mechanics and materialmen's liens filed by unpaid subcontractors and suppliers down the chain. (While the financiers typically have a superior priority in the property, the financiers would rather that the borrower occupy the property and pay them back in accordance with the repayment schedule, than to foreclose, fight over priority, and suffer loss from an insufficient recovery on foreclosure or to have to hold the property for some extended period of time.)

Related People



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