

## Be Cautious With Small-Business Credit Cards

Lenders are pushing credit cards for small businesses, according to a January 16 article in *The Wall Street Journal*, in part because “small-business credit cards were excluded from the Credit Card Accountability Responsibility and Disclosure Act of 2009 that outlawed random interest-rate hikes and other practices on personal credit cards.” In practice, that means banks have more flexibility to raise interest rates on outstanding balances with small-business cards than with standard consumer cards. And don’t think that because a credit card is in the name of your business that your track record with that card will have no effect

on your personal credit rating. In most cases, the business owner is still personally on the hook for charges made on a business card.

Does that mean you should avoid having a small business card? Not necessarily, according to the article. Small business cards can be a means to obtain unsecured short-term financing that banks might not otherwise offer. In short, you don’t have to put up assets such as your house as collateral for a credit card charge. As long as your business is able to pay off the balance within the stated terms, such cards can help in managing short-term cash flow. — *Andy Engel*

## Southern Pine Design Values Reduced

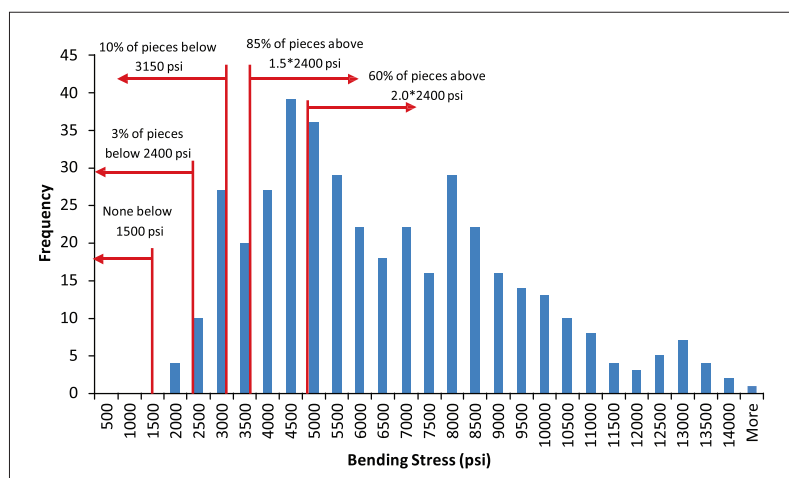
In a move with potential effects on deck builders east of the Rockies, where almost all pressure-treated lumber is southern pine (a generic term used for a variety of species that grow from Virginia to Texas), the Southern Pine Inspection Bureau (SPIB) reduced the design values for those species by approximately 30 percent effective June 30, 2012.

Design values determine the allowable spans for structural lumber. Currently, the reduction applies only to 2x4s, 4x4s, and 2x2s graded #2 and lower, so the immediate effect on deck builders is negligible. However, testing on larger dimensions commonly used for joists is ongoing, and a reduction in the design values for lumber sizes 2x6 and larger is expected

later this year. That will affect the maximum allowable joist spans in decks framed with southern pine.

According to Richard Wallace, vice president of communications for the Southern Forest Products Association (SFPA), the reduction is a result of trends noticed in annual testing done by the SPIB. Wallace said the reduced values reflect “what’s in the forest.”

Elaborating on Wallace’s statement, Cathy Kaake, SFPA senior director, engineered and framing markets, said, “Most southern pine today is plantation grown. These trees grow fast, and the same size tree doesn’t have as much fiber as trees in the past, so the lumber isn’t as strong.”



This graph from the Southern Pine Inspection Bureau shows the results of testing 408 pieces of southern pine lumber. Although the new design value for southern pine 2x4s is lower than the current value of 1,500 psi, it’s obvious that none of the test pieces failed below the current value.

### How Does the Reduction Affect Currently Available Lumber?

Deck builders might wonder why the same piece of lumber used in a deck permitted on June 29 can span a greater distance than if it were used in a project permitted on June 30. It’s the same lumber, so why is it safe one day and not the next? The truth is, it’s safe either day. According to “Findings and Recommendations of the Southern Pine Design Value Forum of November 15-16, 2011 (F&R),” the margins of safety used in grading lumber and wood design are such that even the worst performing board in the #2 grade will probably exceed the current nominal performance requirements.

There are three reasons for this. First, because any published wood design data

reflects a safety factor of about 2.1, lumber used in the field is generally stronger than is actually required to handle its allowable design loads. This safety factor allows for a variety of circumstances that might compromise the strength of a piece of lumber in service.

Second, while any lumber grade includes boards of a range of quality and strength, the published design values are based on the lower-quality boards that meet only the minimum strength requirement. The strength of most lumber within a grade exceeds the minimum design value significantly, sometimes by a factor of two or three (see graph on page 14).

Finally, the F&R states: "Structural components such as floor joists and roof trusses are generally designed as independent elements, but then installed and used in floor and roof assemblies. Gupta et. al. (2004) suggested there can be as much as 40 percent more capacity than single-element design predicts."

While the assembly factor is probably more relevant for houses, whose framing members are tied together with struc-

tural sheathing panels, it's also true that structural elements in decks are nearly always part of an assembly. The F&R goes on to say: "Starting as early as the late 1950s, Wood (1957) and May (1960) stated that lumber used as repetitive elements (such as joists, rafters, and studs) had a performance level such that if a piece failed, it was probable that the failure would go unnoticed throughout the life of the building and that a serious collapse or endangerment of human life was certainly not anticipated."

### Other Species to See Downgrade?

According to the November 11, 2011, issue of *Random Lengths*, the American Lumber Standard Committee (ALSC) at its October 20 meeting "approved a sampling and testing plan for Fir & Larch and Hem-Fir presented by five western agencies." Test results should be presented to the ALSC later this year, and any reduction in design values will be felt by western deck builders who rely on treated western lumber species for their framing. — A.E.

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## Long-Term Interest Rates May Decline in 2012

An *Associated Press* article dated January 24 suggested that the Federal Reserve, whose policies affect mortgage and home-equity interest rates, may be more aggressive this year than it was in 2011 in reducing the cost of borrowing money. According to the article, the normal rotation of members of the Fed's Policy Making Committee will remove three members who dissented with Chairman Ben

Bernanke's wishes to lower interest rates below their current levels, for fear of stimulating inflation, and one other dissenter who believed that Bernanke's desired rate cuts didn't go far enough. Three of the four newcomers to the committee are seen to favor lower interest rates as a means to stimulate the economy, while the fourth is seen as being unlikely to support lower rates. — A.E.

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## You May Not Be as Insured as You Think

In a recent case, the Appellate Division of the Superior Court of New Jersey found that language in a commercial general liability policy absolved the Preferred Mutual Insurance Co. of not only the duty to pay for a failed decking installation, but also of the duty to defend its customer and a general contractor who had been named as an "also insured" on the policy.

The case alleged that improper installation by All-Tech Carpentry, the GC that was the "also insured," and F. Dias Construction Company, the policy holder and a subcontractor to All-Tech, was partially at fault for the premature deterioration of decking supplied by Chicago Flameproof and Wood Specialties Corp. The decking was installed on 167 units in an apartment complex built in 2002.

The court's decision doesn't address the degree of responsi-

bility that the GC, sub, or material supplier might have, but rather focuses on whether the insurance policy covered the failing decking. As quoted in the decision, the section of the policy on which the court based its ruling reads:

*This insurance does not apply to "bodily injury" or "property damage" occurring after:*

- 1) *All work ... to be performed by or on behalf of the additional insured(s) at the site of the covered operations has been completed; or*
- 2) *That portion of [Dias's] work out of which the injury or damage arises has been put to its intended use by any person ... other than a contractor or subcontractor engaged in performing operations ... as a part of the same project.*

The takeaway for deck builders is this: Read your insurance policy carefully. If you don't understand it, ask your agent, or even better, your attorney, to explain it. — A.E. ♦