

Bond Program Expanded To Aid Contractors

(NAPSA)—There's good news for small construction or supply companies that require a completion bond—also known as a surety bond—to bid on a project.

As part of the American Recovery and Reinvestment Act, the Small Business Administration (SBA) can temporarily guarantee bonds on contracts of up to \$5 million for small businesses that might not otherwise be able to obtain such bonds.

A surety bond guarantees a company will fulfill an obligation to another party—such as work to be done or goods to be delivered under a contract. In the event the company does not fulfill the contract, the bond is supposed to cover the other party's losses.

For more than 30 years, the SBA's Surety Bond Guarantee program has helped small and emerging contractors who have the knowledge and skills necessary for success but lack the combination of experience and financial strength to obtain bonds through regular commercial channels.

The SBA guarantees bid, performance, ancillary and payment bonds issued by surety companies to small and emerging contractors and reimburses the surety a percentage of loss if the contractor defaults.

The agency does not directly bond a contractor. Instead, the contractor chooses a bonding agent, and the SBA reimburses the bond writer between 70 percent and 90 percent of the costs incurred if a contractor defaults.



Surety or completion bonds are necessary if small companies want to bid on larger jobs. As part of the Recovery Act, a program that guarantees such bonds has expanded its coverage.

This government guarantee allows sureties to write bonds for contractors who would not otherwise meet their minimum standards—thus providing small and underserved contractors with contracting opportunities for which they would not otherwise qualify.

In addition to meeting the bonding company's qualifications, a business must qualify as a small business. This means a company must meet the SBA's definition of a small business.

The SBA has also implemented another provision of the Recovery Act that would allow it, in some cases, to guarantee bonds in contracts of up to \$10 million.

For more information, visit <http://www.sba.gov/financialassistance/borrowers/surety/index.htm> or call (800) U-ASK-SBA.

Note to Editors: This is the fifth in a series of 11 articles from the Small Business Administration on Recovery Act initiatives and how small businesses can get the help they need to survive and thrive.