U.S. Small Business Administration

SBA's Surety Bond Guarantee Program

Your Small Business Resource

www.sba.gov/OSG

List of contacts for additional information on SBA's Surety Bond Guarantee Program:

Active Surety Bond Companies/Brokers

Surety Bond Associates
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Bala Cynwyd, PA 19004
610-617-1052
Ellen M. Neylan

KOG International, Inc.
14 Redwood Drive
Enola , PA 17025
717-732-9066
Kenneth C. Turner
And
KOG International, Inc.
PO Box # 251
Springfield, PA 19064
610-690-0804
Bruce & Greg Allen
And
KOG International, Inc.
West Berlin, NJ
856-753-4477
Diane Ott

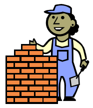
TTS—The Surety Source
232 Strawbridge Drive
Moorestown, NJ 08057
856-761-0152
Terry Haas

SBA Offices Handling Surety Bonds

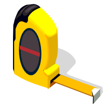
SBA—Area Office
721 19th Street, Suite 426
Denver, CO 80201-0660
303-844-2607, Ext. 261
303-844-6490 (Fax)
Darryl Bellamy

SBA-New Jersey DistrictOffice
Two Gateway Center, 15th Floor
Newark, NJ 07102
973-645-2179
William C. Boone

July 09






The Program

The U.S. Small Business Administration (SBA) can guarantee bonds for contracts up to $5 million, covering bid, performance and payment bonds for small and emerging contractors who cannot obtain surety bonds through regular commercial channels. Under certain circumstances (with certification from a Federal contracting officer), that limit can be raised to $10 million. SBA's guarantee gives sureties an incentive to provide bonding for eligible contractors, and thereby strengthens a contractor's ability to obtain bonding and greater access to contracting opportunities. A surety guarantee, an agreement between a surety and the SBA, provides that SBA will assume a predetermined percentage of loss in the event the contractor should breach the terms of the contract.

The four types of contract bonds that may be covered by an SBA guarantee are:

> **Bid Bond, Payment Bond**, **Performance Bond, and Ancillary Bonds** (which are incidental and essential to the performance of the contract).

The SBA reimburses a participating surety (within specified limits) for the losses incurred as a result of a contractor's default on a guaranteed bid bond, payment bond, performance bond or any bond that is ancillary with such a bond.

Contractors should apply for a specific bond with an agent or surety company of their choice, providing background, credit and financial information required by the surety company and the SBA.

After the contractor completes the forms and furnishes the surety company with sufficient underwriting information, the surety company processes and underwrites the application in the same manner as any other contract bond application.

Eligibility

A contractor applying for an SBA bond guarantee must qualify as a small business, in addition to meeting the surety's bonding qualifications. Businesses in the construction and service industries can meet SBA's size eligibility standards if their average annual receipts, including those of their affiliates, <u>for the last three fiscal years do not exceed $7.0 million</u>.

Duties of the SBA

The SBA determines an applicant's ability to complete the contract based on the information, documentation and underwriting rationale provided by the surety company. If the review establishes performance capacity, and all other aspects of the application are approved, an authorized SBA official signs a guarantee agreement and returns it to the surety company. If the review fails to establish performance capacity, the SBA seeks clarification from the surety underwriter. If performance capacity cannot be reasonably assured, the SBA rejects the application.

Cost of an SBA Guaranteed Bond

The SBA charges fees to both the contractor and the surety company, as described in the most recent edition of 13 CFR 115 :

SBA does not charge contractors an application or bid bond guarantee fee. If SBA guarantees a final bond, the contractor must pay a guarantee fee equal to a certain percentage of the contract amount. The percentage is determined by SBA and is published in notices in the Federal Register from time to time.

When the bond is issued, the small business pays the surety company's bond premium. This charge cannot exceed the level approved by the appropriate state regulatory body.

The surety company pays the SBA a guarantee fee on each guaranteed bond (other than a bid bond) in the ordinary course of business. The fee is a certain percentage of the bond premium, determined by SBA and is published in notices in the Federal Register from time to time.