



National Surety Services, Inc.

SBA Surety Bond Guarantee Program

This program is for small to medium size businesses who are not financially strong enough to stand on their own in the eyes of a surety company. With the SBA's help, surety companies have the financial backing of the Small Business Administration which allows the surety to actually issue bonds to a business that would not normally be able to acquire bonding.

The U.S. Small Business Administration (SBA) can guarantee bonds for contracts up to \$2 million, covering bid, performance and payments bonds for small and medium size contractors. 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.

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 services industries can meet SBA's size eligibility standards if their average annual receipts, including those of their affiliates, for the last three years do not exceed \$6 million.

The 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 of .6 of 1 percent of the contract amount.