



# News Release

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**Release Date:** March 27, 2009

**Release Number:** 09-19

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## ***Recovery Act More Than Doubles Surety Bond Guarantee Ceiling for Small Businesses***

### **Move Could Help Spur Much Needed Construction Growth**

**WASHINGTON** – Effective today, small businesses that need surety bonds to compete for construction and service contracts can qualify for U.S. Small Business Administration-backed surety bonds of up to \$5 million. The higher amount, a result of the Recovery Act, is more than double the previous \$2 million maximum surety bond guaranteed by SBA.

Through SBA's Surety Bond Guarantee program, SBA guarantees bid, payment and performance bonds. Surety bonds protect the project owner against financial loss if contractors default or fail to perform.

SBA partners with the surety industry to help small businesses that would otherwise be unable to obtain bonding in the traditional commercial marketplace. Under the partnership, SBA provides a guarantee to a participating surety company of between 70 and 90 percent of the bond amount.

“During these difficult economic times,” said Acting SBA Administrator Darryl K. Hairston, “these changes are particularly helpful to small and emerging contractors who need access to surety bonds so they can bid on public construction and service projects. These changes will support small and emerging businesses nationwide, particularly construction contractors who have seen their markets hurt by a poor economy and lagging construction environment.”

Additional program enhancements contained in the stimulus bill will be announced soon in the *Federal Register*. Among these changes is a provision that will allow SBA to guarantee a bond on a federal contract up to \$10 million following certification by the contracting officer that the bond guarantee is required.

In recent years SBA has taken a number of steps to reinvigorate its Surety Bond Guarantee Program and make it easier for small businesses to obtain bonds. In 2007, SBA established a more flexible pricing structure, allowing Preferred Surety Bond Sureties to charge current state rates rather than being locked into rates that were established several years ago.

Industry associations have commended SBA for these new changes and SBA continues to encourage surety bond providers and agents to actively participate in the program.

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In the past year, SBA also implemented a new electronic bond application process. Small businesses and surety companies participating in the SBA prior approval program are able to transmit application forms electronically to help expedite review and approval processes. The SBA also re-engineered the claims reimbursement process to shorten the cycle time between submission of a claim for reimbursement by a surety company and payment by the government.

SBA assistance in locating a participating surety company or agent and completing application forms is available online. For more information on SBA's Surety Bond Guarantee Program, go online to <http://www.sba.gov/osg/> or call 1-800-U ASK SBA.

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