



# News Release

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## **New SBA Rules Effective Today Will Increase Access to Bonds for Small and Emerging Businesses**

### **Industry Applauds Changes in SBA's Surety Bond Guarantee Program**

**WASHINGTON** – The U.S. Small Business Administration has taken a number of steps to reinvigorate its Surety Bond Guarantee Program and make it easier for small businesses to obtain bonds.

The new rules published in the Federal Register establish a more flexible pricing structure, allowing Preferred Surety Bond Sureties to charge current state rates rather than being locked into rates that, set under and required by the former regulations, had become outdated and unwieldy over time.

“The big winners,” said Steve Preston, Administrator, U.S. Small Business Administration (SBA), “are the small and emerging contractors who need access to surety bonds so they can bid on public construction projects. These changes will support small and emerging businesses nationwide, particularly construction contractors in the devastated Gulf Coast region and other disaster stricken areas around the U.S.”

Corporate surety bonds protect the project owner against financial loss, and in the case of public construction projects, protect taxpayer dollars should the contractor default.

The new rules, published September 26, 2006 in the Federal Register, were designed to improve operation of the agency's surety bond guarantee program and make it easier for sureties and small business concerns to participate. The new rules reduce the frequency of audits previously required of Preferred Surety Bond (PSB) Sureties; obligate SBA to guarantee 90 percent of the loss incurred by a prior approval surety on bonds issued on behalf of small businesses owned and controlled by veterans, and Service-disabled veterans; impose a 60-day deadline for the submission of surety fees to SBA; allow PSB sureties to charge premiums in accordance with applicable state ceilings; delete an existing reference to the expiration of the PSB Program; and allow affiliates of a PSB Surety to participate in the prior approval program.

This rule takes effect July 25, 2007.

Industry associations have commended SBA for promulgating the rule and SBA looks forward to encouraging sureties and agents to actively participate in the program.

(More)

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Through the Surety Bond Guarantee Program, SBA guarantees bid, payment and performance bonds on contracts up to \$2 million in value.

SBA also announced it is nearing completion of a new electronic bond application process. Small businesses and surety companies participating in the SBA prior approval program will be able to transmit application forms electronically to help expedite review and approval processes. In the past year SBA 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/> for a list of area office contacts and SBA offices near your business or call 1-800-U ASK SBA.

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Editor please note:

The complete Final Rule for changes to the SBA Surety Bond Guarantee Program can be found in the Federal Register at <http://frwebgate6.access.gpo.gov/cgi-bin/waisgate.cgi?WAISdocID=376514250839+0+0+0&WAISaction=retrieve> .