U.S. Small Business Administration

Have you considered using the SBA Surety Bond Guarantee Program?

SBA Surety Bond Guarantee Program

The SBA Surety Bond Guarantee program provides a way for small businesses to get assistance with acquiring surety bonds. The U.S. Small Business Administration (SBA) created the SBA bond guarantee program to help emerging businesses get the surety bonds they need to compete in the marketplace, which in turn can help strengthen the national economy. This program assists small businesses in acquiring surety bonds when they otherwise would not be able to, by proving financial guarantees to surety bond providers.

What is an SBA Surety Bond?

Simply stated: an SBA surety bond guarantee isn't a bond but rather a means to get a surety bond. It's a common misconception that the SBA issues surety bonds themselves. Rather, SBA agrees to back businesses that wouldn't have qualified for a surety bond otherwise, meaning they agree to settle a percentage of any claims filed against the bond-funds which the surety would normally cover on their own. Thanks to the backing of the SBA, the risk to the surety associated with bonding some small businesses is reduced, allowing surety companies to issue more of the surety bonds small businesses need.

How does an SBA Surety Bond work?

The SBA Surety Bond Guarantee program (SBG) covers various types of **contract surety bonds**:

- **bid bonds**
- **performance bonds**
- **payment bonds**

This SBA SBG program has been helping businesses for nearly fifty years.
The SBA has certain criteria that must be met to qualify for the surety bond guarantee program. These requirements include:

- **Small business classification**. Your business must be considered small by the SBA to qualify for assistance. To determine whether you are eligible, you can use the SBA's Size Standards Tool.

- **Limited contract size**. Your contract must be under $6.5 million for non-federal contracts and up to $10 million for federal contracts. The SBA has a QuickApp program with a single bond limit of $400K with NO aggregate limits and no financial requirements.

- **Credit, capacity and character**. The SBA only qualifies businesses who meet their underwriting standards and are determined to be capable of getting the job done right.

Who should get an SBA Surety Bond?

Anyone who needs a contract surety bond but struggles to get approved should take advantage of this program -- provided they meet the requirements outlined above. Specifically, here are some examples of the types of businesses that benefit from this program:

- New businesses and startups that are under three years old
- Businesses with limited work history
- Businesses that lack financial resources
- Businesses suffering through recent losses
- Businesses with poor credit
- Businesses that want to increase their bond limits

Who are the parties involved in an SBA Surety Bond?

- **Bonded Contractor** - The **principal** on the bond, this is the small business seeking the surety bond.
- **Surety backed by the SBA** - This is the company that issues the bond. The surety can qualify applicants, whom otherwise would not qualify, by using the SBA surety bond guarantee.
- **Obligee** - This is the company or government agency that owns the contract and is owed the obligation by the principal, the bond-holder.

How to apply for an SBA Surety Bond?

The first step to **obtaining a surety bond** is to work with a qualified surety bond agency. Your surety expert can guide you through the process of getting SBA bond approval.

Visit the SBA Website to find authorized agents: https://www.sba.gov/funding-programs/surety-bonds