

The Basics of Bonding

Presented by:
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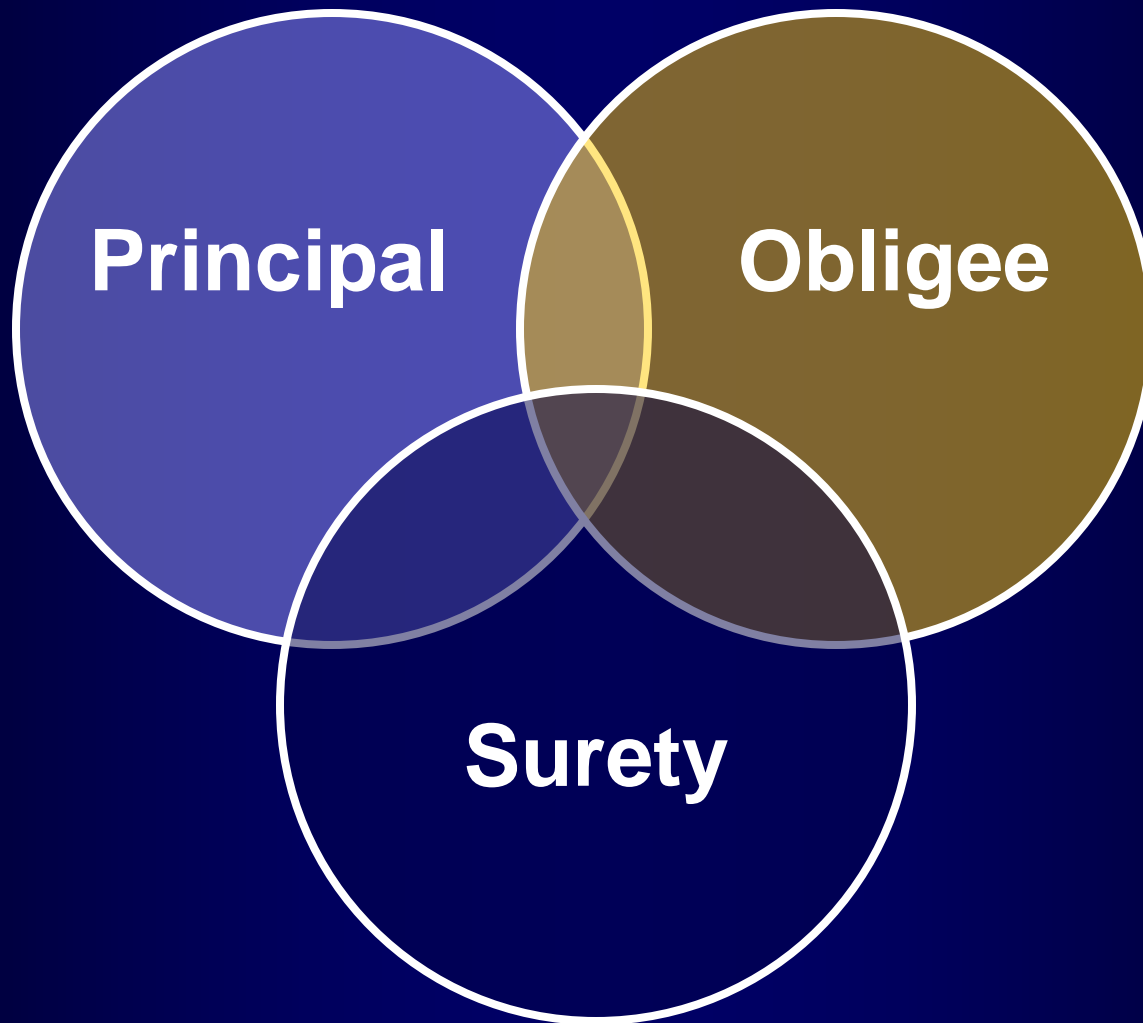
CSBA

COMMERCIAL SURETY BOND AGENCY

www.commercialsurety.com


Phone: (951) 340-2804

What is Surety Bonding?



Types of Surety Bonds

THE ASSOCIATED GENERAL CONTRACTORS OF AMERICA




AGC DOCUMENT NO. 262
BID BOND

Contractor, _____, has submitted a Bid to the Owner, _____, for _____, in accordance with the Bidding Documents, including _____ Architect/Engineer _____ Principal and _____

PERFORMANCE BOND
(See instructions on reverse)

LABOR AND MATERIAL PAYMENT BOND

THE AMERICAN INSTITUTE OF ARCHITECTS



AIA Document A311

Labor and Material Payment Bond

THIS BOND IS ISSUED SIMULTANEOUSLY WITH PERFORMANCE BOND IN FAVOR OF THE OWNER CONDITIONED ON THE FULL AND FAITHFUL PERFORMANCE OF THE CONTRACT

KNOW ALL MEN BY THESE PRESENTS: that _____ here insert full name and address or legal title of Contractor

_____ here insert full name and address or legal title of Architect/Engineer

_____ here insert full name and address or legal title of Principal


_____ here insert full name and address or legal title of Surety

as Principal, hereinafter called Principal, and _____ as Surety, hereinafter called Surety, are held and firmly bound unto _____ Dollars (\$ _____) for the use and benefit of claimants as hereinbelow defined

- Bid Bond
- Performance Bond
- Payment Bond

Types of Surety Bonds

THE ASSOCIATED GENERAL CONTRACTORS OF AMERICA



AGC DOCUMENT NO. 262
BID BOND

Contractor, _____, has submitted a Bid to the Owner, _____, for _____
(Name) (Name)

in accordance with the Bidding Documents, including _____
Architect/Engineer _____
(Name)

Principal and _____
(Name)

PERFORMANCE BOND
(See instructions on reverse)

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THIS BOND IS ISSUED SIMULTANEOUSLY WITH PERFORMANCE BOND IN FAVOR OF THE OWNER CONDITIONED ON THE FULL AND FAITHFUL PERFORMANCE OF THE CONTRACT

KNOW ALL MEN BY THESE PRESENTS: that _____
(here insert full name and address or legal title of Contractor)

as Principal, hereinafter called Principal, and _____
(here insert full name and address or legal title of Architect/Engineer)


as Surety, hereinafter called Surety, are held and firmly bound unto _____
(here insert full name and address or legal title of Surety)

Owner, for the use and benefit of claimants as hereinbelow defined _____ Dollars (\$ _____)

- Bid Bond
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_____ here insert full name and address or legal title of Surety

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Prequalification

Capacity

**Financial
Strength**

**Company
History**

Organization

**Continuation
Plans**

References

**Work
In progress**

Surety Company Checklist



- ✓ Good character
- ✓ Experience matching contract requirements
- ✓ Financial strength
- ✓ Excellent credit history
- ✓ Banking relationship
- ✓ Line of credit
- ✓ Necessary equipment

Benefits of Bonds



**Construction
Assurance**

**Financial
Security**



Functions of Bonds

Surety Bonds



- No liens
- Smooth transition from construction to permanent financing
- Provide support to contractor
- Project completion

What Do I Need to Apply?



Business Financial Statements

- Last three fiscal year-ends
- 6 month interim



Personal Financial Statements

- Principals and spouses



Bank Reference Letter

- Bank line of credit
- Authorized banks & credit unions



SBA Form 912 - Statement of Personal History

- Misdemeanors and minor criminal offenses older than 10 years typically not a barrier



SBA Form 994 - Application for Surety Bond Guarantee Assistance

- Required for each bond guarantee request



Additional information may be required based on individual circumstances.

Working Capital = Bonding Capacity

Measures your business's ability to meet its current and future financial obligations.

Working capital is calculated from your balance sheet:

Cash + A/R

- Current Liabilities

Available Working Capital

Available working capital X 10 = estimated capacity through traditional surety (non-SBA)

SBA counts the available balance on bank lines of credit as additional working capital for your firm. This SBA advantage increases your bonding capacity!

Available working capital + available BLOC X 20 = estimated capacity with SBA bond guarantees

Counting the Cost

Bid Bonds

No Fee

Performance & Payment Bonds

SBA Bond Guarantee Fee

.729% of the contract amount paid directly to SBA via www.pay.gov

Surety's Bond Premium

1.5% - 3% of the contract amount paid directly to your agent

- Ask your agent for your exact rate in each state

Typically included in bid estimates and initial pay requests to Obligees.

Contact Information

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CSBA

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