



NATIONAL ASSOCIATION OF SURETY BOND PRODUCERS

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Mr. Jerianne Perry
Surety Bond Specialist
U.S. Small Business Administration (SBA)
Office of Surety Guarantees
409 Third Street SW, Suite 8600
Washington, DC 20416

Submitted via Federal eRulemaking Portal: <http://www.regulations.gov>

RE: RIN 3245-AH08, docket NO. [SBA-2019-0001]

Dear Mr. Perry:

I am submitting comments on behalf of the National Association of Surety Bond Producers (NASBP), a national trade organization whose membership includes firms employing licensed surety bond producers placing bid, performance, and payment bonds throughout the United States and its territories. NASBP has a successful long-term working relationship with the SBA Office of Surety Guarantees and thoroughly believes that the SBA Surety Bond Guarantee Program (hereinafter “Program”) provides a valuable service to those emerging contractors who may otherwise fail to qualify for surety credit in the standard market.

NASBP lauds the SBA for continuing to make enhancements to the Program, which in turn has created greater opportunities for small and emerging contractors in obtaining bonding to bid on public construction projects and to grow their respective businesses. These enhancements included increasing the contract size up to \$6.5 million, and up to \$10 million for federal contracts with the contracting officer’s certification, vesting discretion with the SBA Administrator to determine the Program’s liabilities, increasing the guarantee up to 90% for surety companies, and creating a quick/fast bond application for contracts up to \$400,000. Furthermore, the SBA recognized the importance of requiring only 5% working capital, which includes bank lines of credit, to determine a small contractor’s eligibility for obtaining surety credit. All of these enhancements greatly bolstered the Program’s participation among small and emerging contractors, surety bond producers, and surety companies.

In accordance with RIN 3245-AH08, NASBP suggests the following reforms:

- Make permanent the temporary rule, set to expire on September 30, 2020, that reduced the fees charged to sureties and contractors who secure surety bonds through the Program.
- Permanently reducing the fees will likely create greater opportunities for small and emerging contractors in obtaining bonding to bid on public construction projects to grow their businesses.

- Furthermore, it may also stimulate greater corporate surety and surety bond producer participation, providing further access to the corporate surety markets to small businesses that otherwise do not qualify for surety credit in the standard market. Aligning emerging, small businesses with safe, regulated surety markets interested in their long-term growth and success should be a desired and realized outcome of the fees' reduction.
- Adopt electronic signature technology to expedite the application process by eliminating "wet signature" requirements.
 - A majority of federal government agencies no longer require "wet signatures."
- Consider including Concessionaire Bonds for airport contracts within the scope of the Program.
 - Concessionaire bonds can be structured as an annual renewable performance bond. The need for the Program to cover such bonds was raised during a recent bonding awareness education program in Atlanta.
- Consider changing the requirement for CPA-audited financial statements for contracts in excess of \$5 million. This requirement may be cost prohibitive for small and emerging contractors, as these contractors, some of whom may never have applied for and or qualified for surety credit, are unaware of what a CPA audit, review and or compilation is and more importantly what the cost is for these types of CPA financial services.

NASBP believes these proposed reforms, as a whole, offer a continued enhancement to the Program and will create further opportunities for small and emerging businesses. Thank you for your consideration of our comments.

If you have any questions, please feel free to contact me directly at 240-200-1272 or at lleclair@nasbp.org.

Respectfully submitted for your consideration,



Lawrence E. LeClair
Director, Government Relations