# NASBP BLOG

## Why Is a Performance Bond a Project Owner's Best Friend?

Performance bonds help guarantee that a project owner has financial peace of mind, a successful project, and an enhanced reputation. These are outcomes that any project owner would be proud of. All an owner has to do to have such a "best friend" is to specify bonds in the bid documents.

Construction is a risky business with a high rate of default on project completion. Before issuing bonds, surety companies vet construction contractors through a rigorous prequalification process so that only those with the right experience, equipment, and know-how can furnish bonds to owners. As part of the process, the surety does an in-depth financial review of the contractor's financial capability. The surety issuing the bonds is confident to stand behind that bonded contractor should any problems arise.

The performance bond gives an owner a guarantee that, if the contractor fails to fulfill its contract obligations, the surety company can be called on to complete the contract or cause the contract to be completed. If a contractor is unable to complete a project, the surety protects the project owner (and taxpayers on public projects) with strategies including re-bidding the project, obtaining a replacement contractor, providing technical and/or financial support to the struggling contractor, and paying off the bond.

With their "best friend" in place, project owners know they are dealing with quality firms and have third-party performance guarantees.
#surety #BeGuaranteedToSucceed

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