



National Association of Surety Bond Producers

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NASBP EXECUTIVE CALLS FOR ENHANCEMENTS TO SMALL BUSINESS ADMINISTRATION SURETY BOND GUARANTEE PROGRAM AND PASSAGE OF THE SECURITY IN BONDING ACT OF 2011

WASHINGTON— FEBRUARY 10, 2012—In testimony before the Subcommittee on Contracting and Workforce of the US House of Representatives' Committee on Small Business, Mark H. McCallum, CEO of the National Association of Surety Bond Producers (NASBP), called for Congress to make statutory enhancements to the Surety Bond Guarantee Program of the U.S. Small Business Administration, citing that the Program has helped thousands of small construction businesses, but could be helping even more. McCallum related that enhancements, such as reducing the fees charged businesses and sureties to access the Program, increasing the contract maximum from \$2 million to \$5 million, and increasing the guarantee percentage given to participating sureties to a uniform 95%, will increase the Program's effectiveness, directly benefiting small businesses seeking access to the public construction market. After the hearing, McCallum related that small construction businesses have been particularly hard hit in this economy and making the SBA Bond Guarantee Program more attractive will help these businesses to weather the difficult times and to mature as businesses.

McCallum also called on the Congressional Subcommittee to protect small businesses by supporting the Security in Bonding Act of 2011. Introduced by U.S. Representative Richard Hanna (NY-24th District) and co-sponsored by U.S. Representative Mick Mulvaney (SC-5th District), HR 3534 is a critical and common-sense measure to protect small businesses and to assure the integrity of surety bonds on federal construction contracts when issued by individuals using a pledge of assets. HR 3534 requires individual sureties to pledge solely those assets defined as "eligible obligations" by the Secretary of the Treasury and to provide those assets to the federal contracting authority, which will deposit them in a federal depository, ensuring that pledged assets are sufficient, readily convertible to cash, and in the physical custody and control of the federal government. "This is nothing more than what now is statutorily required of construction firms that wish to pledge assets as security on a federal contract in lieu of a surety bond," McCallum stated in his testimony.

"Small businesses performing as subcontractors and suppliers on federal construction projects rely on the integrity of the payment bond to ensure that they have a means of recovering monies when they go unpaid. HR 3534 requires that the assets of individuals acting as sureties on those projects will be real, reliable, and in the control of a knowledgeable federal official to pay valid payment claims," added NASBP Government Relations Committee Chair Susan

Hecker after the hearing. “Those small construction businesses providing the public with their valuable labor and materials should expect nothing less than sound payment protection.”

In written testimony, NASBP also called for federal contracting authorities to partner with the surety community on increasing bonding awareness and education and in curbing improper contract bundling of small construction contracts into larger contracts, placing such procurements out of the reach of small businesses.

McCallum participated in a panel with representatives of private industry organizations, including the Women Construction Owners and Executives, USA, the Associated General Contractors of America, and the Inner City Advisors of California. The Committee invited the witnesses to provide testimony on the barriers to small business participation in construction contracting.

*Founded in 1942, the **National Association of Surety Bond Producers (NASBP)** is the association of and resource for surety bond producers and allied professionals. NASBP members specialize in providing surety bonds for construction contracts and other purposes to companies and individuals needing the assurance offered by surety bonds. NASBP members engage in contract and commercial surety production throughout the United States, Puerto Rico, Guam, and a number of countries. They have broad knowledge of the surety marketplace and the business strategies and underwriting differences among surety companies. As trusted advisors, professional surety bond producers act in many key roles to position their clients to meet the underwriting requirements for surety credit.*

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