



NATIONAL ASSOCIATION OF SURETY BOND PRODUCERS

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NASBP-SUPPORTED FEDERAL LAW CURBS INDIVIDUAL SURETY ABUSES AND BOLSTERS SBA BONDING ASSISTANCE TO SMALL BUSINESSES

WASHINGTON, DC—On November 25, President Obama signed the 2016 FY National Defense Authorization Act (NDAA), which authorizes the U.S. Congress to appropriate military funding for the Department of Defense. Of particular importance to the small construction business and surety communities are two provisions that appear in Section 874 of the Act, which tighten controls over assets backing individual surety bonds on federal construction projects and increase the guarantee provided to surety companies that participate in the Small Business Administration's (SBA) Surety Bond Guarantee Preferred Program.

NASBP's top priorities have been to pursue the enactment of legislation (1) to foreclose abuses allowed under existing federal regulations by unscrupulous persons who place worthless surety bonds on federal construction contracts and have cost taxpayers and businesses millions of dollars over the last three decades, and (2) to make the US Small Business Administration Surety Bond Guarantee Program more accessible to emerging and disadvantaged small businesses by incentivizing greater surety company participation.

NASBP worked with U.S. Representative Richard Hanna (R-NY-22nd), a former construction contractor, to sponsor and champion bi-partisan legislation, introduced in successive Congresses, requiring unregulated, non-corporate sureties to pledge specific and secure assets and place them in the care and custody of the federal government and increasing the guarantee offered to surety companies participating in the SBA Surety Bond Guarantee Preferred Program. A concerted advocacy effort by NASBP, in partnership with other surety and trade organizations, secured the support of the legislation in the 114th Congress. The legislation ultimately was included in the House of Representatives' version of the NDAA for Fiscal Year 2016. U.S. Senators Rob Portman (R-OH) and Mazie Hirono (D-HI) exercised tremendous leadership to introduce similar legislation in the Senate. The final NDAA for Fiscal Year 2016, overwhelmingly approved in both the House and the Senate, contained both components of the surety legislation.

"This is an outstanding victory for small construction businesses," said Mark McCallum, NASBP's Chief Executive Officer. "Many small businesses performing on federal projects have been victimized by worthless payment bonds issued by individual sureties, but the new law, once implemented, will make sure that those subcontractors and suppliers working on future federal projects will have real, not illusory, payment remedies in place," McCallum added. Susan Hecker, President of NASBP and Executive Vice President and Director of National Contract Surety for Arthur J. Gallagher & Company in San Francisco, also noted, "The increase in the guarantee given under the SBA Program will make sure that more emerging and disadvantaged small construction businesses can work with reputable, regulated surety markets vested in their sustained growth and success."

For more information, contact NASBP Government Relations at info@nasbp.org or 202.636.3700.

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.