



National Association of
Surety Bond Producers (NASBP)
1140 19th Street, NW, Suite 800
Washington, DC 20036



The Surety & Fidelity
Association of America (SFAA)
1101 Connecticut Ave. NW, Suite 800
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H.R. 3534, the “Security in Bonding Act of 2011”

Dear Congressmen Hanna and Mulvaney:

On behalf of the national trade associations listed below, representing contractor and specialty contractor firms, bonding agencies, and surety and property/casualty insurers, operating throughout the United States, we support legislation to protect small businesses and taxpayer funds with the introduction of H.R. 3534, the “Security in Bonding Act of 2011.”

Surety bonds on federal construction projects ensure that such projects will be completed, preserving public funds, and that subcontractors and suppliers, many of which are small businesses, will be paid.

At present, construction firms may furnish security on a federal construction project:

1. By securing a bond written by a corporate surety, that must be vetted and approved by the U.S. Department of Treasury;
2. By posting an “eligible obligation,” i.e. a U.S.-backed security, in lieu of a surety bond. The security is pledged directly and deposited with the federal government until the contract is complete; or
3. By securing a bond from an unlicensed individual, if the bond is secured by an “acceptable asset,” which includes stocks, bonds, and real property owned in fee simple.

Individual sureties, allowed in item 3 above, neither are subject to the same vetting and scrutiny as corporate sureties, nor are they required to relinquish the custody and control of the assets that they pledge to secure their bonds. This lack of meaningful oversight has resulted in documented cases where assets pledged by individual sureties have proven to be illusory or insufficient, causing substantial financial harm to the federal government, to taxpayers, and to subcontractors and suppliers.

H.R. 3534, the “Security in Bonding Act of 2011,” will remedy this significant problem by requiring individual sureties to pledge solely those assets described as “eligible obligations” and to deposit them in the custody and control of the federal government. By doing so, H.R. 3534, eliminates future instances where individual surety bonds are pledged with insufficient or illusory assets. Thus, if an individual surety bond is furnished in the future, the small businesses which provide goods and services on those federal construction contracts will not need to worry about the integrity of their payment bond remedy.

Thank you again for your leadership on this critical issue. We strongly support your legislation.

Yours sincerely,

National Association of Surety Bond Producers

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