



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



The Surety & Fidelity
Association of America (SFAA)
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Washington, DC 20036

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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Contact: Hamilton V. Bowser, Sr., P.E.
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FOR IMMEDIATE RELEASE

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NASBP & SFAA SUPPORT H.R. 3534, THE “SECURITY IN BONDING ACT OF 2011” INTRODUCED BY REPRESENTATIVES RICHARD HANNA (R-NY 24th) AND MICK MULVANEY (R-SC 5th)

WASHINGTON—DECEMBER 2, 2011—The National Association of Surety Bond Producers (NASBP), a national trade association of agencies employing surety bond producers, and The Surety & Fidelity Association of America (SFAA), a national trade association of surety and fidelity insurance companies, commend Representatives Richard Hanna (R-NY 24th) and Mick Mulvaney (R-SC 5th) for introducing H.R. 3534, the “Security in Bonding Act of 2011.” Surety bonds are critical guarantees on federal construction projects, which ensure that such projects are completed, preserving precious public funds, and that subcontractors and suppliers, furnishing labor, materials and equipment on such projects, are paid.

H.R. 3534, The “Security in Bonding Act” bolsters the integrity of the federal bonding process by making certain that the assets supporting non-corporate surety bonds are sufficient and in the care of knowledgeable authorities. Parties relying on the protection of surety bonds, such as the many small businesses that perform as subcontractors and suppliers on federal construction projects, will have confidence that their payment protections are real, not illusory.

The “Security in Bonding Act” provides much needed repairs to a procurement system that can permit gamesmanship and the acceptance of surety bonds with deficient assets, often to the detriment of small businesses. NASBP and SFAA strongly support this legislation and extend thanks to Representatives Hanna and Mulvaney for identifying a common-sense solution to this problem. H.R. 3534 also is being supported by the following organizations: the American Insurance Association (AIA), the American Subcontractors Association, Inc. (ASA), the Associated Builders & Contractors, Inc. (ABC), the Associated General Contractors of America (AGC), the Mechanical Contractors Association of America (MCAA), the National Association of Minority Contractors (NAMC), the National Electrical Contractors Association (NECA), the Property Casualty Insurers Association of America (PCI), and the Sheet Metal and Air Conditioning Contractors’ National Association (SMACNA).