

**Helping Small Business  
Start, Grow, and Succeed**

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February 9, 2012

## SBA – What it is

- **Federal Agency**
- **Created in 1953**
- **Purpose – To help potential and current small business owners start, grow and succeed.**

## SBA – What it does

- **Counseling & Training**
- **Assistance with Government Contracting**
- **Advocacy**
- **Financing**
- **Surety Bonding**

## A Nationwide Network

The SBA and its partners provide business counseling and training at locations across the country.

- SCORE
- Small Business Development Centers
- Women's Business Centers
- SBA District Offices

# Business Development

## Reaching the Underserved

SBA strives to reach those underserved by our programs including:

- Women
- Veterans
- Native Americans
- Young entrepreneurs
- HUBZone
- Small Disadvantage Business



# SBA Certification Programs

SBA programs assist specific groups in securing federal contracts:

- Historically Underutilized Business Zone Program (HUBZone)
- 8(a) Business Development Program

# SBA Self Certification Programs

**These certifications provide eligibility to receive special procurement opportunities:**

- Women-owned Small Business
- Service-Disabled Veteran-owned Small Business
- Veteran-owned Small Business (for Veteran's Administration procurements and subcontracts)
- Small Disadvantaged Business Certification

# Financing Your Business

## SBA's financial assistance programs can help you:

- Start your business
- Grow your business
- Export your goods & services
- Recover from a disaster

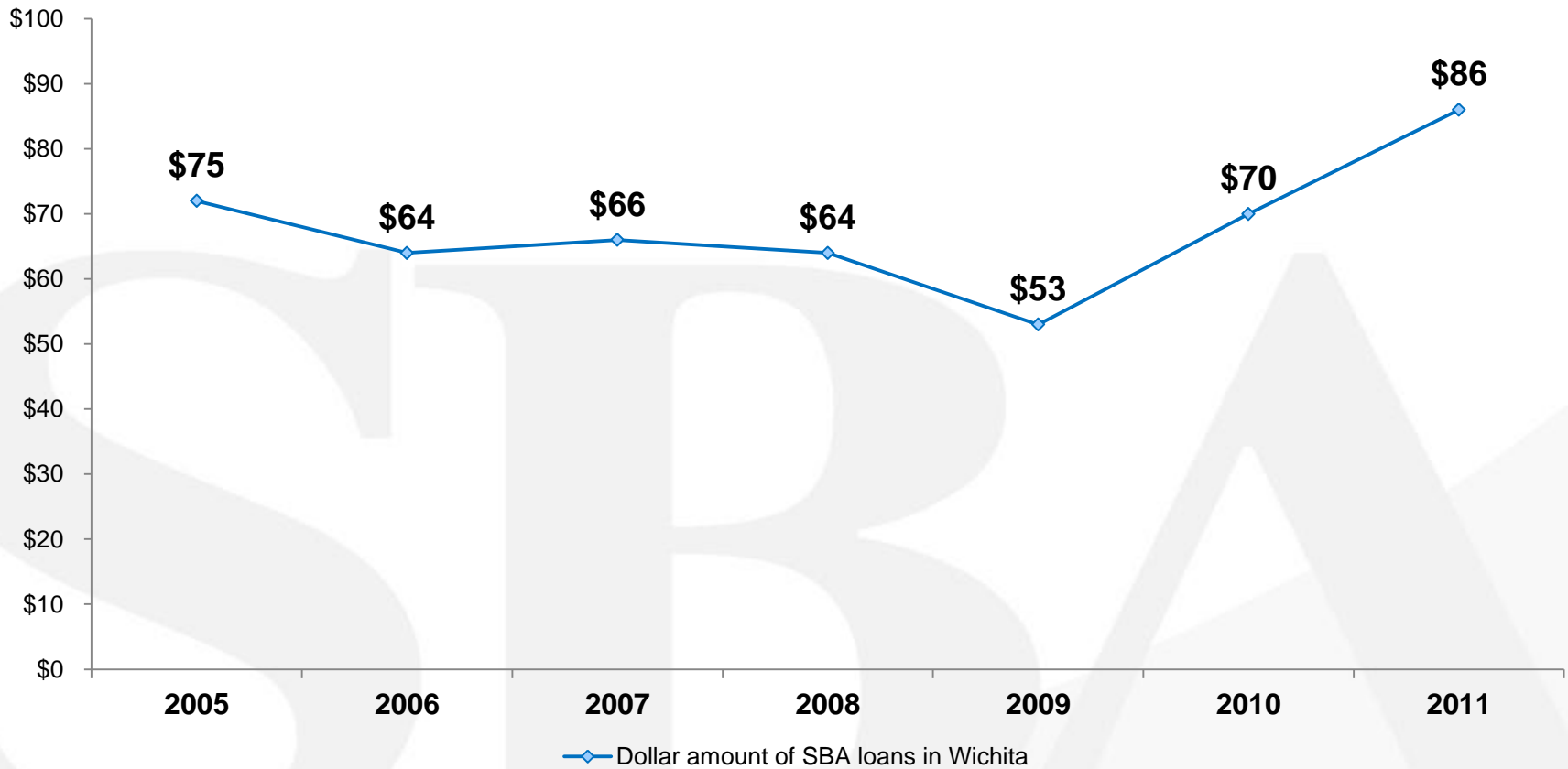


# Financing Your Business

Key source of financing for small businesses that **may not qualify** for loans from traditional sources.

- **7(a) Program**
- **Microloan Program**
- **504 Program**
- **Export Working Capital**

## Dollar amount of SBA loans in Wichita District



# Wichita District Office

In Fiscal Year 2011, through the implementation of  
the Jobs Act

we helped our entrepreneurs to:

**\$86 million with 239 SBA loan approvals;**

**Win more than \$3 million in government contracts  
for 8(a) firms;**

**Create over 1,000 new jobs and retain 2,500 jobs**

U.S. Small Business Administration



Your Small Business Resource

Wichita District Office



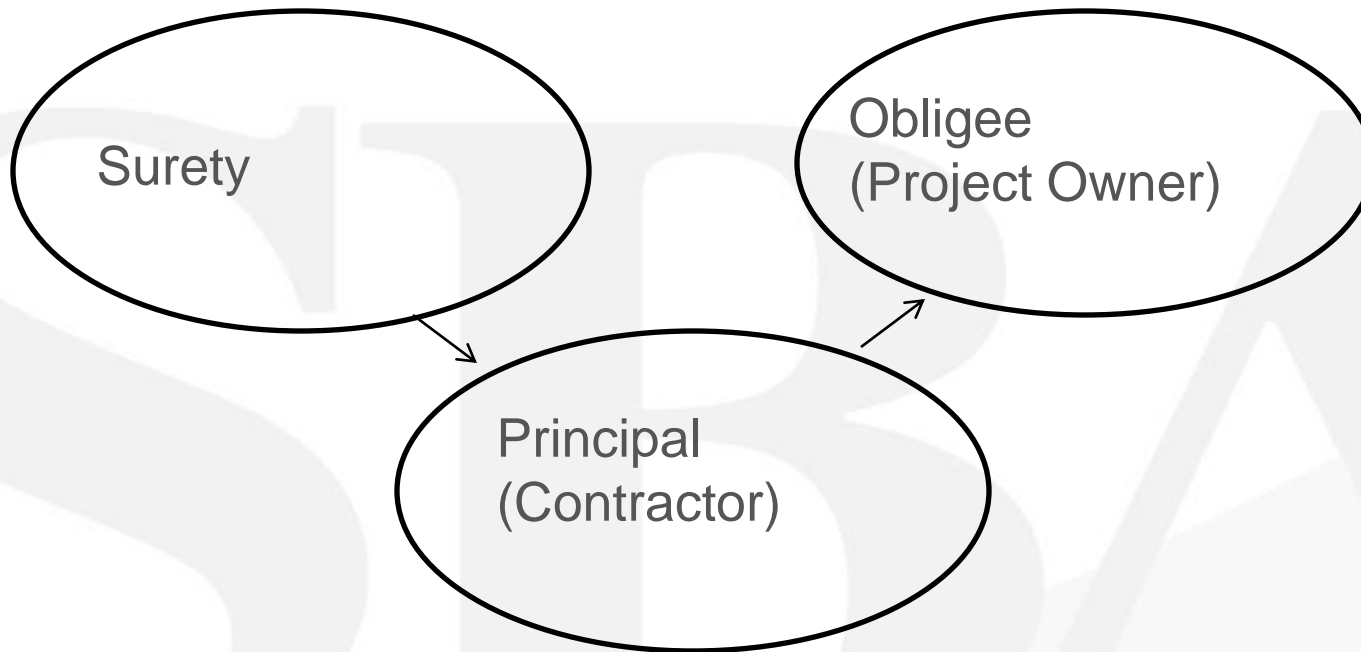
# Surety Bond Guarantee Program



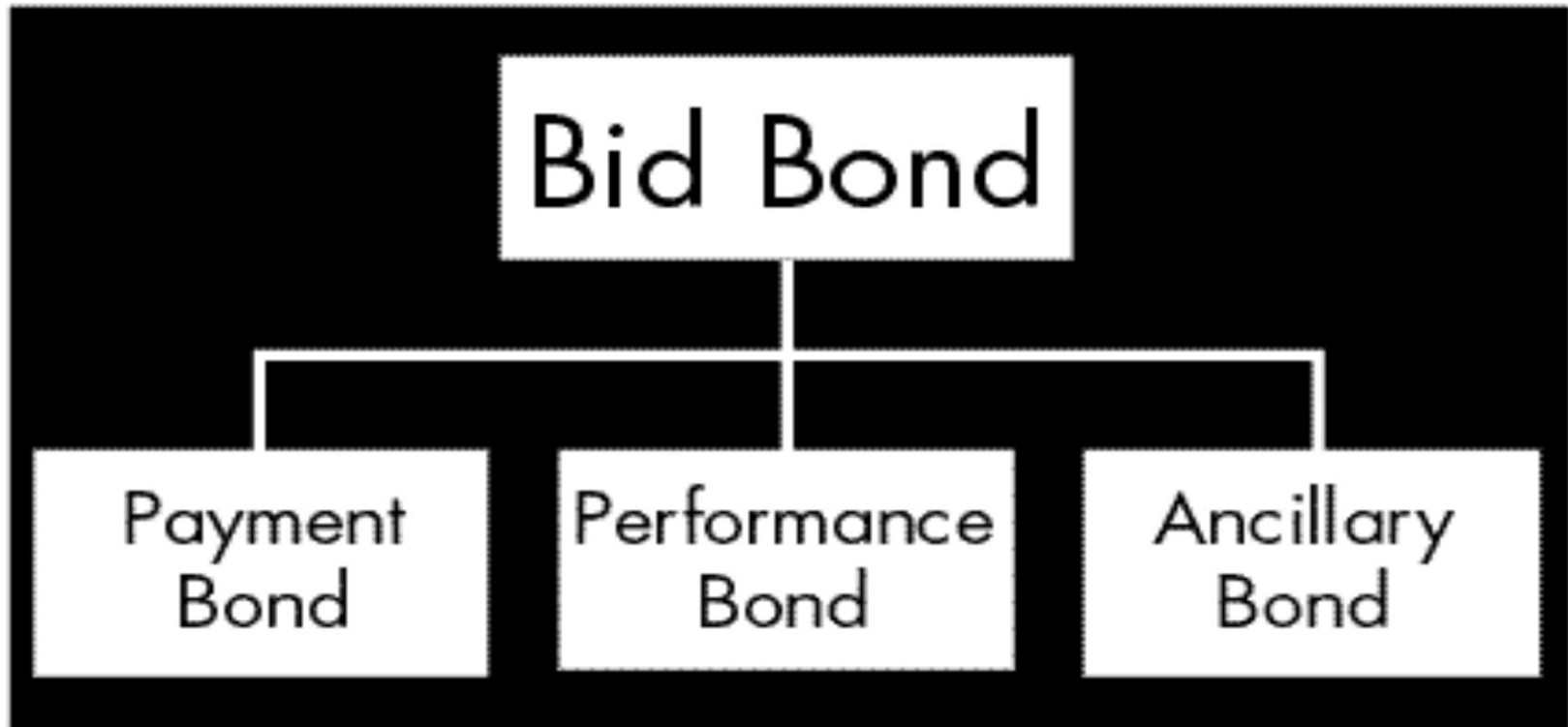
“Opening the Door to Bonding”

# What Is a Surety Bond?

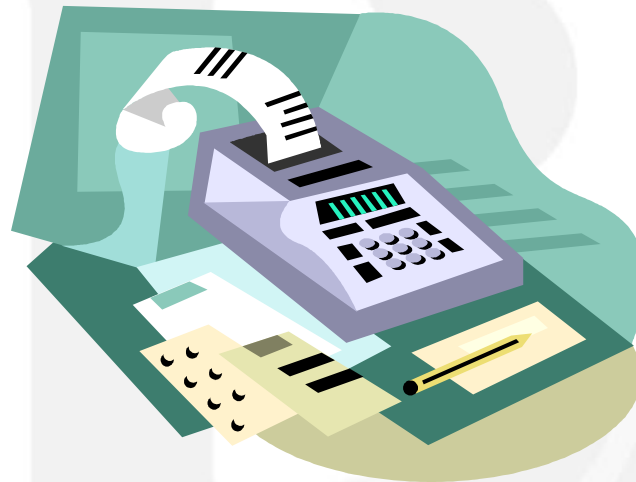
A three party written agreement between the surety, the contractor and the project owner.



# Typical Contract Surety Bonds



Guarantees to the obligee that the bidder will enter into the contract and furnish the required performance and payment bonds on a project



# Performance Bond

Guarantees to the obligee that the contractor will perform the contract according to its specifications, terms and conditions

# Payment Bond

Guarantees to the obligee that the contractor will pay all subcontractors and suppliers furnishing labor and/or material on the project



# Maintenance Bond

Guarantees to the obligee that the contractor will remedy any defects in workmanship or materials for a specified term



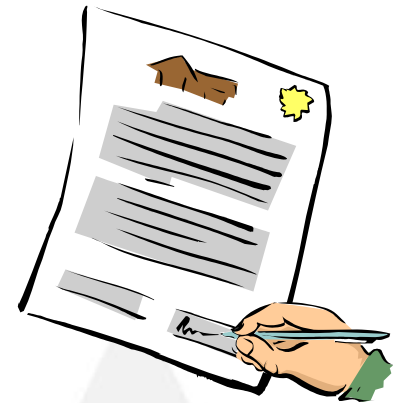
# Who Needs Bonds?

## Contractors, subcontractors and suppliers

- Most sizeable public construction projects and some service contracts require bonds
- The Miller Act requires prime contractors on Federal projects valued at \$100,000 or more to post bonds
- Many states, counties and municipalities have established “Little Miller Acts”
- Many private sector projects and subcontracts also require bonds

# What Happens if a Contractor Defaults?

Surety requires execution of a General Indemnity Agreement securing reimbursement from the contractor and its owners and spouses for any claims paid



- Bid Bond - If the contractor fails to enter into the contract or provide required bonds, the surety is liable to the obligee for the difference between the contractor's bid and the bid of the next lowest bidder

# What Happens if a Contractor Defaults?

- Performance Bond - If the contractor fails to properly perform the contract, the surety is required to remedy the default
- Payment Bond - If the contractor fails to make payments to subcontractors, laborers and/or material suppliers, the surety pays valid claims
- Maintenance Bond - If the contractor fails to cure any defects found during the period of coverage under the bond, the surety will remedy the default

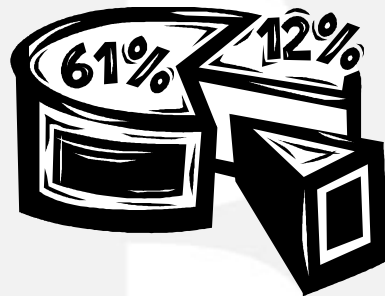
# OSG History & Purpose

In 1971 SBA launched the Surety Bond Guarantee Program to assist small, emerging and disadvantaged contractors obtain greater access to contract opportunities through bonded projects via an SBA guarantee



# What Is an SBA Surety Bond Guarantee?

- An agreement between a surety and SBA where SBA agrees to assume a percentage of loss in the event a contractor breaches the terms of their contract



- SBA's guarantee strengthens a small contractor's ability to compete and secure bonded work

# How Can SBA Help Small Contractors Obtain Bonding?

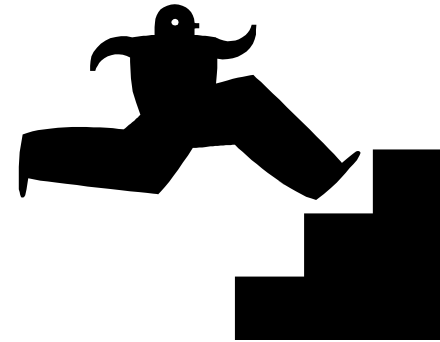
- SBA guarantees bonds written by any surety approved to participate in the program and listed in U.S. Treasury Circular 570
- SBA provides a 70%, 80% or 90% guarantee through two separate programs

The Prior Approval Program, administered by two Area Offices, provides either an 80% or 90% guarantee based on the contractor's demographic information. The Preferred Surety Bond Program, administered by SBA HQ in Washington, DC, provides a 70% guarantee.

# What are the Eligibility Requirements?

- The applicant must be a small business
  - Average annual revenues for the past 3 years (or number of employees for manufacturing firms) cannot exceed the small business size standard established for their primary NAICS code as outlined in 13 CFR 121.201
- The contract must require bonds
- The contract cannot exceed \$2 million in size

# Steps to Obtaining SBA Bonding



- Contact an Agent

An agent is a person who has power-of-attorney to write bonds on behalf of a surety company

- Provide the agent with evidence of credit, capacity, character and SBA required forms

# What Information Will the Agent Request?

- Contractor Questionnaire
- Current Business Financial Statement
- Business Financial Statements for the Last Three Fiscal Years
- Personal Financial Statements
- Previous Contract Performance History
- Work in Process
- Bank Reference Information



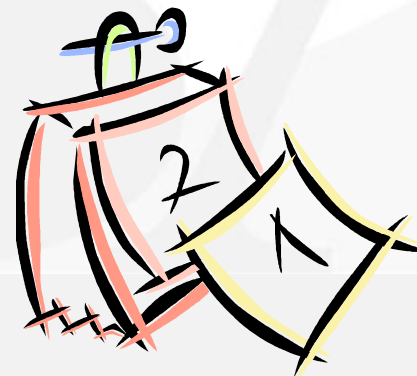
# How Are Applications Processed?



- The agent reviews the contractor's application package and recommends it to a surety for approval
- The agent forwards an electronic application and complete application package to an OSG Area Office if the surety agrees to bond the project with SBA's guarantee
- SBA issues a guarantee to the surety when an application is determined to be qualified
- The agent executes the bond

# How Long Does the SBA Bond Process Take?

- Agent and Surety require time to evaluate the contractor's information prior to submission to SBA
- SBA Office of Surety Guarantees has established a goal for processing applications within an average of four (4) Federal working days



# What Costs Are Involved?



## Surety Charges

- The surety charges the contractor a premium for performance, payment and ancillary bonds based on the rates approved in the state where the job is located, usually between 1.5% and 3% of the contract amount

## SBA Charges

- Contractor's fee of .729% of the contract amount for each final bond guarantee
- SBA does not charge a fee for a bid bond guarantee

# FY2010 Results/Pending Legislation

➤ FY2011 Guarantees	8,636	\$3.682 Billion
FY2010 Guarantees	8,348	\$4 Billion

 3.4%

- Legislation Pending to Increase Contract Limitation from \$2 million to \$5 million

# How Can A Contractor Find an Agent?

- SBA provides a list of agents appointed through the program at [www.sba.gov](http://www.sba.gov)>  
Loans & Grants>Bonds>Surety Bonds
- Contractors may also contact one of the following OSG offices for a referral:

# SBA Surety Bond Guarantee Area Offices

Denver Area Office

(303) 844-2607

For Contractors Located  
Generally in the  
Northeast, Midwest and



Seattle Area Office

(206) 553-0961

For Contractors Located  
Generally in the South,  
Southeast and West



# Small Business Administration Wichita District Office

## SMALL BUSINESS PLANNER



## SERVICES



## TOOLS



## LOCAL RESOURCES



**SBA.GOV**

**ONLINE  
BUSINESS  
CHAT**

**SBA  
NEWS**

**VOICE  
OF  
BUSINESS**

**SPOTLIGHT**



**Delivering  
SUCCESS**