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SMALL BUSINESS ADMINISTRATION

Surety Bond Guarantee Program Fees

AGENCY: U.S. Small Business Administration.

ACTION: Notification of Prior Approval Surety Bond Guarantee Program Fee Changes.

SUMMARY: This document announces a change in the guarantee fees that the U.S. Small Business Administration (SBA) charges all Prior Approval (Plan A) Surety companies and Principals on each guaranteed bond (other than a bid bond) issued in SBA's Surety Bond Guarantee (SBG) Program; with the exception of projects under NAICS Code 31, 32, 33: Manufacturing.

DATES: *Applicability Date*: The fee change described in this document will apply to all SBA surety bond guarantees approved on or after **[INSERT 30 DAYS AFTER DATE OF PUBLICATION IN THE FEDERAL REGISTER]**.

FOR FURTHER INFORMATION CONTACT: Jermaine Perry, Director, Office of Surety Guarantees, (202) 401-8275; jermaine.perry@sba.gov.

SUPPLEMENTARY INFORMATION: Under its SBG Program, the SBA guarantees bid, payment and performance bonds for small and emerging contractors who cannot obtain surety bonds through regular commercial channels. SBA's guarantee gives participating Sureties an incentive to provide bonding for small businesses and, thereby, assist small businesses in obtaining greater access to contracting opportunities. SBA's guarantee is an agreement between a Surety and SBA that SBA will assume a certain percentage of the Surety's loss should a contractor default on the underlying contract. Pursuant to its statutory authority "to establish such fee or fees for small business concerns and premium or premiums for sureties as it deems reasonable and necessary," and to administer the SBG Program "on a prudent and economically justifiable basis," 15 U.S.C. 694b(h), SBA assesses a guarantee fee against both the small business concern

(the Principal) and the Surety and deposits these fees into a revolving fund to cover the program's liabilities and certain program expenses.

SBA last changed the fees October 1, 2018, when the fee charged to the Sureties was decreased from 26 percent to 20 percent of the bond premium and the fee charged to Principals decreased from $7.29 per thousand dollars of the contract amount to $6.00 per thousand dollars of the contract amount. At that time, SBA determined the program's revolving fund was sufficient to cover projected, unfunded liabilities. See 83 FR 36658 (July 30, 2018) and 85 FR 62362 (October 2, 2020). SBA decreased the guarantee fees temporarily to evaluate the effects of a fee reduction and the implications for participating Sureties and SBA. Since implementation, the Prior Approval program has operated at a funding deficit while the Preferred Surety Bond program has operated at a marginal funding surplus.

SBA's regulations 13 CFR 115.32(b) and (c), and 13 CFR 115.66 provide that the amount of the fees to be paid by the Surety and the Principal "will be determined by SBA and published in Notices in the Federal Register from time to time." SBA is announcing the SBA fees required for an SBA surety bond guarantee will be the following:

1. **Prior Approval Program**

Under 13 CFR 115.32, SBA's Surety fee on guarantees will increase from 20 percent of the bond premium to 26 percent of the bond premium and the Contractor fee on guarantees will increase from $6.00 per thousand dollars of the contract amount to $7.29 per thousand dollars of the contract amount. Except for bond guarantees on projects under NAICS Code 31, 32, 33 "Manufacturing" which will receive the following rates: SBA's Surety fee on guarantees will remain 20 percent of the bond premium and the Principal fee on guarantees will remain $6.00 per thousand dollars of the contract amount.

2. **Preferred Surety Bond Program**

Under 13 CFR 115.66, SBA's Surety fee on guarantees will remain 20 percent of the bond premium and the Principal fee on guarantees will remain $6.00 per thousand dollars of the contract amount.

Authority: 15 U.S.C. 694b(h), 13 CFR 115.32(b) and (c), and 115.66.

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