or of a contract bonded by another Surety, as required by a bonding line commitment under §115.33.

(3) Need for bond. It must certify that a bond is expressly required by the bid solicitation or the original Contract in order to bid on the Contract or to serve as a prime contractor or subcontractor.

(4) Availability of bond. It must certify that a bond is not obtainable on reasonable terms and conditions without SBA’s guarantee.

(5) Partial subcontract. It must certify the percentage of work under the Contract to be subcontracted. SBA will not guarantee bonds for Principals who are primarily brokers or who have effectively transferred control over the project to one or more subcontractors.

(6) Debarment. It must certify that the Principal is not presently debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded from transactions with any Federal department or agency, under government wide debarment and suspension rules.

(b) Conflict of interest. A Principal is not eligible for an SBA-guaranteed bond issued by a particular Surety if that Surety, or an Affiliate of that Surety, or a close relative or member of the household of that Surety or Affiliate owns, directly or indirectly, 10% or more of the Principal. This prohibition also applies to ownership interests in any of the Principal’s Affiliates.

§115.14 Loss of Principal’s eligibility for future assistance.

(a) Ineligibility. A Principal and its Affiliates lose eligibility for further SBA bond guarantees if any of the following occurs under an SBA-guaranteed bond issued on behalf of the Principal:

(1) Legal action under the guaranteed bond has been initiated.

(2) The Obligee has declared the Principal to be in default under the Contract.

(3) The Surety has established a claim reserve for the bond of at least $1000.

(4) The Surety has requested reimbursement for Losses incurred under the bond.

(5) The guarantee fee has not been paid by the Principal.

(6) The Principal committed fraud or material misrepresentation in obtaining the guaranteed bond.

(b) Reinstatement of Principal’s eligibility. Prior Approval Sureties should refer to §115.36(b) for provisions on reinstatement of the Principal’s eligibility. A PSB Surety may reinstate a Principal’s eligibility upon the Surety’s determination that reinstatement is appropriate.

§115.15 Underwriting and servicing standards.

(a) Underwriting. (1) Sureties must evaluate the credit, capacity, and character of a Principal using standards generally accepted by the surety industry and in accordance with SBA’s Standard Operating Procedures on underwriting and the Surety’s principles and practices on unguaranteed bonds. The Principal must satisfy the eligibility requirements set forth in §115.13. The Surety must reasonably expect that the Principal will successfully perform the Contract to be bonded.

(2) The terms and conditions of the bond and the Contract must be reasonable in light of the risks involved and the extent of the Surety’s participation. The bond must satisfy the eligibility requirements set forth in §115.12(b). The Surety must be satisfied as to the reasonableness of cost and the feasibility of successful completion of the Contract.

(b) Servicing. The Surety must ensure that the Principal remains viable and eligible for SBA’s Surety Bond Guarantee Program, must monitor the Principal’s progress on bonded Contracts guaranteed by SBA, and must request job status reports from Obligees of Final Bonds guaranteed by SBA. Documentation of the job status requests must be maintained by the Surety.

§115.16 Determination of Surety’s Loss.

Loss is determined as follows:

(a) Loss under a Bid Bond is the lesser of the penal sum or the amount which is the difference between the bonded bid and the next higher responsive bid. In either case, the Loss is reduced by any amounts the Surety recovers by reason of the Principal’s defenses.