

Statutory Notes and Related Subsidiaries**TERMINATION DATE OF 2009 AMENDMENT**

Pub. L. 111-5, div. A, title V, §508(f), Feb. 17, 2009, 123 Stat. 159, provided that: "The amendments made by this section [amending this section and section 694b of this title] shall remain in effect until September 30, 2010."

TECHNICAL ASSISTANCE IN CONNECTION WITH CONSTRUCTION CONTRACTS; AUTHORIZATION OF APPROPRIATIONS

Section 911(b) of Pub. L. 91-609 authorized the Secretary of Housing and Urban Development to take such steps and carry out such activities as he determined to be necessary or desirable to provide, either directly or by contract or other arrangement, technical assistance to any contractor or subcontractor for whom a bid, payment, or performance bond is guaranteed under part B of title IV of the Small Business Investment Act of 1958 [this part] in connection with any construction contract, in order to assist such contractor or subcontractor in obtaining or carrying out such contract, and authorized to be appropriated for each of the first three fiscal years ending after the date of the enactment of this Act [Dec. 31, 1970] such sums, not to exceed \$1,500,000, as were necessary to enable the Secretary to carry out his functions under paragraph (1).

§ 694b. Surety bond guarantees**(a) Authority of Administration to guarantee surety against loss from principal's breach of bond**

(1)(A) The Administration may, upon such terms and conditions as it may prescribe, guarantee and enter into commitments to guarantee any surety against loss resulting from a breach of the terms of a bid bond, payment bond, performance bond, or bonds ancillary thereto, by a principal on any total work order or contract amount at the time of bond execution that does not exceed \$6,500,000, as adjusted for inflation in accordance with section 1908 of title 41.

(B) The Administrator may guarantee a surety under subparagraph (A) for a total work order or contract amount that does not exceed \$10,000,000, if a contracting officer of a Federal agency certifies that such a guarantee is necessary.

(2) The terms and conditions of said guarantees and commitments may vary from surety to surety on the basis of the Administration's experience with the particular surety.

(3) The Administration may authorize any surety, without further administration approval, to issue, monitor, and service such bonds subject to the Administration's guarantee.

(4) No such guarantee may be issued, unless—

(A) the person who would be principal under the bond is a small business concern;

(B) the bond is required in order for such person to bid on a contract, or to serve as a prime contractor or subcontractor thereon;

(C) such person is not able to obtain such bond on reasonable terms and conditions without a guarantee under this section; and

(D) there is a reasonable expectation that such principal will perform the covenants and conditions of the contract with respect to which such bond is required, and the terms and conditions of such bond are reasonable in the light of the risks involved and the extent of the surety's participation.

(5)(A) The Administration shall promptly act upon an application from a surety to participate

in the Preferred Surety Bond Guarantee Program, authorized by paragraph (3), in accordance with criteria and procedures established in regulations pursuant to subsection (d).

(B) The Administration is authorized to reduce the allotment of bond guarantee authority or terminate the participation of a surety in the Preferred Surety Bond Guarantee Program based on the rate of participation of such surety during the 4 most recent fiscal year quarters compared to the median rate of participation by the other sureties in the program.

(b) Indemnification of surety against loss from avoiding breach

Subject to the provisions of this section, in connection with the issuance by the Administration of a guarantee to a surety as provided by subsection (a), the Administration may agree to indemnify such surety against a loss sustained by such surety in avoiding or attempting to avoid a breach of the terms of a bond guaranteed by the Administration pursuant to subsection (a): *Provided, however—*

(1) prior to making any payment under this subsection, the Administration shall first determine that a breach of the terms of such bond was imminent;

(2) a surety must obtain approval from the Administration prior to making any payments pursuant to this subsection unless the surety is participating under the authority of subsection (a)(3); and

(3) no payment by the Administration pursuant to this subsection shall exceed 10 per centum of the contract price unless the Administrator determines that a greater payment should be made as a result of a finding by the Administrator that the surety's loss sustained in avoiding or attempting to avoid such breach was necessary and reasonable.

In no event shall the Administration pay a surety pursuant to this subsection an amount exceeding the guaranteed share of the bond available to such surety pursuant to subsection (a).

(c) Limitation of liability

Any guarantee or agreement to indemnify under this section shall obligate the Administration to pay to the surety a sum—

(1) not to exceed 90 per centum of the loss incurred and paid by a surety authorized to issue bonds subject to the Administration's guarantee under subsection (a)(3);

(2) not to exceed 90 per centum of the loss incurred and paid in the case of a surety requiring the Administration's specific approval for the issuance of such bond, but in no event may the Administration make any duplicate payment pursuant to subsection (b) or any other subsection;

(3) equal to 90 per centum of the loss incurred and paid in the case of a surety requiring the administration's¹ specific approval for the issuance of a bond, if—

(A) the total amount of the contract at the time of execution of the bond or bonds is \$100,000 or less, or

(B) the bond was issued to a small business concern owned and controlled by socially

¹ So in original. Probably should be capitalized.

and economically disadvantaged individuals as defined by section 637(d) of this title, or to a qualified HUBZone small business concern (as defined in section 632(p)² of this title); or

(4) determined pursuant to subsection (b), if applicable.

(d) Regulations

The Administration may establish and periodically review regulations for participating sureties which shall require such sureties to meet Administration standards for underwriting, claim practices, and loss ratios.

(e) Reimbursement of surety; conditions

Pursuant to any such guarantee or agreement, the Administration shall reimburse the surety, as provided in subsection (c) of this section, except that the Administration shall be relieved of liability (in whole or in part within the discretion of the Administration) if—

(1) the surety obtained such guarantee or agreement, or applied for such reimbursement, by fraud or material misrepresentation,

(2) the total contract amount at the time of execution of the bond or bonds exceeds \$6,500,000,

(3) the surety has breached a material term or condition of such guarantee agreement, or

(4) the surety has substantially violated the regulations promulgated by the Administration pursuant to subsection (d).

(f) Procedure for reimbursement

The Administration may, upon such terms and conditions as it may prescribe, adopt a procedure for reimbursing a surety for its paid losses billed each month, based upon prior monthly payments to such surety, with subsequent adjustments after such disbursement.

(g) Audit

(1) Each participating surety shall make reports to the Administration at such times and in such form as the Administration may require.

(2) The Administration may at all reasonable times audit, in the offices of a participating surety, all documents, files, books, records, and other material relevant to the Administration's guarantee, commitments to guarantee, or agreements to indemnify any surety pursuant to this section.

(3) Each surety participating under the authority of paragraph (3) of subsection (a) shall be audited at least once every three years by examiners selected and approved by the Administration.

(h) Administrative provisions

The Administration shall administer this part on a prudent and economically justifiable basis and establish such fee or fees for small business concerns and premium or premiums for sureties as it deems reasonable and necessary, to be payable at such time and under such conditions as may be determined by the Administration.

(i) Powers of Administration respecting loans

The provisions of section 693 of this title shall apply in the administration of this section.

(j) Administration not to deny liability based on information provided as part of application

For bonds made or executed with the prior approval of the Administration, the Administration shall not deny liability to a surety based upon material information that was provided as part of the guaranteee application.

(Pub. L. 85-699, title IV, § 411, as added Pub. L. 91-609, title IX, § 911(a)(4), Dec. 31, 1970, 84 Stat. 1813; amended Pub. L. 93-386, §§ 6(a)(3), 11, Aug. 23, 1974, 88 Stat. 747, 749; Pub. L. 95-507, title I, § 111, Oct. 24, 1978, 92 Stat. 1758; Pub. L. 96-302, title I, § 115, July 2, 1980, 94 Stat. 839; Pub. L. 99-272, title XVIII, § 18014, Apr. 7, 1986, 100 Stat. 370; Pub. L. 100-590, title II, §§ 202-204, Nov. 3, 1988, 102 Stat. 3007-3009; Pub. L. 104-208, div. D, title II, § 206(a), Sept. 30, 1996, 110 Stat. 3009-738; Pub. L. 105-135, title VI, § 604(d), Dec. 2, 1997, 111 Stat. 2633; Pub. L. 106-554, § 1(a)(9) [title VIII, § 805(a)], Dec. 21, 2000, 114 Stat. 2763, 2763A-705; Pub. L. 108-447, div. K, title II, § 203(a), (b), Dec. 8, 2004, 118 Stat. 3465, 3466; Pub. L. 111-5, div. A, title V, § 508(a), (b), Feb. 17, 2009, 123 Stat. 158; Pub. L. 112-239, div. A, title XVI, § 1695(a), (b), Jan. 2, 2013, 126 Stat. 2089, 2090; Pub. L. 114-92, div. A, title VIII, § 874(b), Nov. 25, 2015, 129 Stat. 941.)

Editorial Notes

REFERENCES IN TEXT

Section 632(p) of this title, referred to in subsec. (c)(3)(B), was redesignated section 657a(b) of this title by Pub. L. 115-91, div. A, title XVII, § 1701(a)(2), Dec. 12, 2017, 131 Stat. 1795.

AMENDMENTS

2015—Subsec. (c)(1). Pub. L. 114-92 substituted “90” for “70”.

2013—Subsec. (a)(1). Pub. L. 112-239, § 1695(a), designated existing provisions as subpar. (A), substituted “does not exceed \$6,500,000, as adjusted for inflation in accordance with section 1908 of title 41.” for “does not exceed \$2,000,000.”, and added subpar. (B).

Subsec. (e). Pub. L. 112-239, § 1695(b)(1), added subsec. (e) and struck out former subsec. (e). Prior to amendment, text read as follows: “Pursuant to any such guarantee or agreement, the Administration shall reimburse the surety, as provided in subsection (c) of this section, except that the Administration shall be relieved of all liability if—

“(1) the surety obtained such guarantee or agreement, or applied for such reimbursement, by fraud or material misrepresentation,

“(2) the total contract amount at the time of execution of the bond or bonds exceeds \$2,000,000,

“(3) the surety has breached a material term or condition of such guarantee agreement, or

“(4) the surety has substantially violated the regulations promulgated by the Administration pursuant to subsection (d) of this section.”

Subsec. (j). Pub. L. 112-239, § 1695(b)(2), added subsec. (j).

2009—Subsec. (a)(1). Pub. L. 111-5, § 508(a), (f), temporarily amended par. (1) by designating existing provisions as subpar. (A), substituting “\$5,000,000” for “\$2,000,000”, and adding subpar. (B) which read as follows: “The Administrator may guarantee a surety under subparagraph (A) for a total work order or contract amount that does not exceed \$10,000,000, if a contracting officer of a Federal agency certifies that such a guarantee is necessary.” See Termination Date of 2009 Amendment note below.

Subsec. (e). Pub. L. 111-5, § 508(b)(1), (f), temporarily added subsec. (e), the text of which read as follows:

²See References in Text note below.

“Pursuant to any such guarantee or agreement, the Administration shall reimburse the surety, as provided in subsection (c) of this section, except that the Administration shall be relieved of liability (in whole or in part within the discretion of the Administration) if—

“(1) the surety obtained such guarantee or agreement, or applied for such reimbursement, by fraud or material misrepresentation,

“(2) the total contract amount at the time of execution of the bond or bonds exceeds \$5,000,000,

“(3) the surety has breached a material term or condition of such guarantee agreement, or

“(4) the surety has substantially violated the regulations promulgated by the Administration pursuant to subsection (d).”

See Termination Date of 2009 Amendment note below.

Subsec. (k). Pub. L. 111-5, §508(b)(2), (f), temporarily added subsec. (k) which read as follows: “For bonds made or executed with the prior approval of the Administration, the Administration shall not deny liability to a surety based upon material information that was provided as part of the guaranty application.” See Termination Date of 2009 Amendment note below.

2004—Subsec. (a)(1). Pub. L. 108-447, §203(a), substituted “total work order or contract amount at the time of bond execution that does not exceed” for “contract up to”.

Subsec. (g)(3). Pub. L. 108-447, §203(b), substituted “every three years” for “each year”.

2000—Subsecs. (a)(1), (e)(2). Pub. L. 106-554 substituted “\$2,000,000” for “\$1,250,000”.

1997—Subsec. (c)(3)(B). Pub. L. 105-135 inserted “, or to a qualified HUBZone small business concern (as defined in section 632(p) of this title)” before semicolon.

1996—Subsec. (a)(5). Pub. L. 104-208 added par. (5).

1988—Subsec. (a). Pub. L. 100-590, §202, amended subsec. (a) generally, substituting pars. (1) to (4) for former pars. (1) to (6).

Subsec. (b). Pub. L. 100-590, §203(c), added par. (2), redesignated former par. (2) as (3), struck out former par. (3) which prohibited the making subsequent to two years after Oct. 24, 1978, of new agreements to indemnify, and inserted concluding provision: “In no event shall the Administration pay a surety pursuant to this subsection an amount exceeding the guaranteed share of the bond available to such surety pursuant to subsection (a).”

Subsec. (c). Pub. L. 100-590, §203(b), amended subsec. (c) generally. Prior to amendment, subsec. (c) read as follows: “Any guarantee or agreement to indemnify under this section shall obligate the Administration to pay to the surety a sum not to exceed (1) in the case of a breach of contract, 90 percent of the loss incurred and paid by the surety as the result of the breach; or (2) in a case in which subsection (b) of this section applies, the amount determined under subsection (b) of this section.”

Subsec. (e)(3), (4). Pub. L. 100-590, §203(c), added pars. (3) and (4).

Subsec. (g). Pub. L. 100-590, §204, amended subsec. (g) generally. Prior to amendment, subsec. (g) read as follows: “The Administration may at all reasonable times audit in the offices of a participating surety all documents, files, books, records, and other material relevant to the Administration’s guarantee, commitments to guarantee, or agreements to indemnify any surety pursuant to this section.”

1986—Subsecs. (a), (e)(2). Pub. L. 99-272 substituted “\$1,250,000” for “\$1,000,000”.

1980—Subsec. (c). Pub. L. 96-302 struck out “to or on behalf of the obligee, or to labor and materialmen, in fulfilling the terms of the contract” after “paid by the surety” in cl. (1).

1978—Subsec. (a). Pub. L. 95-507 amended subsec. (a) generally, striking out requirement that the Administration consult with the Secretary of Housing and Urban Development, and inserting authority to vary the terms and conditions of guarantees on the basis of experience with a particular surety and authority to guarantee bonds ancillary and conterminous with the other named bonds.

Subsec. (b). Pub. L. 95-507 substituted provisions relating to indemnification of a surety against loss sustained in attempting to avoid or avoiding breach for provisions relating to the extent of liability of the Administration for loss incurred by a surety.

Subsec. (c). Pub. L. 95-507 substituted provisions relating to the limitation of the Administration’s guarantee liability for provisions relating to the administration of the program and a study and report to Congress regarding the economic soundness of the program.

Subsec. (d). Pub. L. 95-507 substituted provisions relating to regulations for participating sureties for provisions relating to the application of section 693 of this title in the administration of this section.

Subsecs. (e) to (i). Pub. L. 95-507 added subsecs. (e) to (i).

1974—Subsec. (a). Pub. L. 93-386, §6(a)(3), substituted “\$1,000,000” for “\$500,000”.

Subsec. (c). Pub. L. 93-386, §11, inserted provisions relating to the administration of the program on a prudent and economically justifiable basis and provisions requiring the Administration to publish the cost of the program to the Administration, to conduct a study of the program in order to determine what must be done to make the program economically sound, and to transmit a report to Congress of the findings, conclusions, and recommendations of the study.

Statutory Notes and Related Subsidiaries

EFFECTIVE DATE OF 2015 AMENDMENT

Pub. L. 114-92, div. A, title VIII, §874(c), Nov. 25, 2015, 129 Stat. 941, provided that: “The amendments made by this section [enacting section 9310 of Title 31, Money and Finance, and amending this section] shall take effect 1 year after the date of the enactment of this Act [Nov. 25, 2015].”

TERMINATION DATE OF 2009 AMENDMENT

Amendment by Pub. L. 111-5 to remain in effect until Sept. 30, 2010, see section 508(f) of Pub. L. 111-5, set out as a note under section 694a of this title.

EFFECTIVE DATE OF 1997 AMENDMENT

Amendment by Pub. L. 105-135 effective Oct. 1, 1997, see section 3 of Pub. L. 105-135, set out as a note under section 631 of this title.

EFFECTIVE DATE OF 1996 AMENDMENT

Pub. L. 104-208, div. D, title II, §206(b), Sept. 30, 1996, 110 Stat. 3009-739, provided that: “The amendments made by subsection (a) [amending this section] shall apply with respect to applications received (or pending substantive evaluation) on or after October 1, 1995.”

EFFECTIVE AND TERMINATION DATES OF 1988 AMENDMENT

Pub. L. 100-590, title II, §207, Nov. 3, 1988, 102 Stat. 3009, as amended by Pub. L. 101-574, title II, §216(a), Nov. 15, 1990, 104 Stat. 2822; Pub. L. 103-403, title III, §302, Oct. 22, 1994, 108 Stat. 4188; Pub. L. 104-36, §7, Oct. 12, 1995, 109 Stat. 297; Pub. L. 105-135, title V, §503, Dec. 2, 1997, 111 Stat. 2624; Pub. L. 106-554, §1(a)(9) [title VIII, §805(b)], Dec. 21, 2000, 114 Stat. 2763, 2763A-706, which provided that the provisions contained in section 694b(a)(3) of this title would cease to be effective after Sept. 30, 2003, was repealed by Pub. L. 108-447, div. K, title II, §203(c), Dec. 8, 2004, 118 Stat. 3466.

Pub. L. 100-590, title II, §209, Nov. 3, 1988, 102 Stat. 3010, provided that: “Except as otherwise provided in this title, the provisions of this title [amending this section and section 694c of this title and enacting provisions set out as notes under this section], shall become effective upon expiration of one hundred and eighty days after the date of its enactment [Nov. 3, 1988].”

EFFECTIVE DATE OF 1980 AMENDMENT

Amendment by Pub. L. 96-302 effective Oct. 1, 1980, see section 507 of Pub. L. 96-302, set out as a note under section 631 of this title.

REGULATIONS

Pub. L. 100-590, title II, §205, Nov. 3, 1988, 102 Stat. 3009, provided that: "The Administration shall promulgate final regulations to implement the amendments made by this title [amending this section and section 694c of this title] not later than one hundred and eighty days after the date of the enactment of this Act [Nov. 3, 1988]."

SMALL BUSINESS ACCESS TO SURETY BONDING SURVEY

Pub. L. 102-366, title III, subtitle A, Sept. 4, 1992, 106 Stat. 1002-1005, known as the Small Business Access to Surety Bonding Survey Act of 1992, directed Comptroller General to conduct a comprehensive survey of business firms, from a statistically valid sample of construction firms maintained by Dun and Bradstreet Company and using a questionnaire with specifically designated questions, to obtain data on the experiences of such firms, and especially the experiences of small business concerns, in obtaining surety bonds from corporate surety firms and to submit a report to Congress, not later than 18 months after Sept. 4, 1992, which report was to contain a summary of responses of business firms to the survey and a description of any trends found by Comptroller General in such responses, which specific information on responses and trends of small business concerns, small business concerns owned and controlled by women, and small business concerns owned and controlled by socially and economically disadvantaged individuals.

EVALUATION OF PREFERRED SURETY BOND GUARANTEE PROGRAM; REPORT

Pub. L. 100-590, title II, §206, Nov. 3, 1988, 102 Stat. 3009, as amended by Pub. L. 101-574, title II, §216(b), Nov. 15, 1990, 104 Stat. 2823, directed Comptroller General, not later than 3 years after Nov. 3, 1988, to transmit a report to Congress evaluating the preferred surety bond guarantee program, with such report to be transmitted not later than Mar. 1, 1994, and cover the period Oct. 1, 1990, through Sept. 30, 1993.

§ 694c. Revolving fund for surety bond guarantees

(a) There is created within the Treasury a separable fund for guarantees which shall be available to the Administrator without fiscal year limitation as a revolving fund for the purposes of this part. All amounts received by the Administrator, including any moneys, property, or assets derived by him from his operations in connection with this part, shall be deposited in the fund. All expenses and payments, excluding administrative expenses, pursuant to operations of the Administrator under this part shall be paid from the fund.

(b) Such sums as may be appropriated to the Fund to carry out the programs authorized by this part shall be without fiscal year limitation.

(Pub. L. 85-699, title IV, §412, as added Pub. L. 93-386, §6(a)(4), Aug. 23, 1974, 88 Stat. 747; amended Pub. L. 94-305, title I, §113, June 4, 1976, 90 Stat. 667; Pub. L. 95-14, §4, Mar. 24, 1977, 91 Stat. 25; Pub. L. 95-89, title I, §105, Aug. 4, 1977, 91 Stat. 556; Pub. L. 96-302, title I, §111, July 2, 1980, 94 Stat. 837; Pub. L. 100-590, title II, §208, Nov. 3, 1988, 102 Stat. 3009.)

Editorial Notes

AMENDMENTS

1988—Pub. L. 100-590 designated existing provisions as subsec. (a) and added subsec. (b).

1980—Pub. L. 96-302 repealed investment of idle funds provision, which is covered in section 694-2 of this title.

1977—Pub. L. 95-89 prohibited payment of administrative expenses from the fund and deleted provisions which authorized: a \$110,000,000 appropriation of capital for the fund; and payment during the fiscal year into the Treasury as miscellaneous receipts, from the fund, of interest on the cumulative amount of appropriations available as capital to the fund less the average undisbursed cash balance in the fund during the year.

Pub. L. 95-14 substituted "\$110,000,000" for "\$56,500,000".

1976—Pub. L. 94-305 substituted "\$56,500,000" for "\$35,000,000".

Statutory Notes and Related Subsidiaries

EFFECTIVE DATE OF 1988 AMENDMENT

Amendment by Pub. L. 100-590 effective on expiration of 180 days after Nov. 3, 1988, see section 209 of Pub. L. 100-590, set out as an Effective and Termination Dates of 1988 Amendment note under section 694b of this title.

EFFECTIVE DATE OF 1980 AMENDMENT

Amendment by Pub. L. 96-302 effective Oct. 1, 1980, see section 507 of Pub. L. 96-302, set out as a note under section 631 of this title.

EFFECTIVE DATE OF 1977 AMENDMENT

Amendment by Pub. L. 95-89 effective Oct. 1, 1977, see section 106 of Pub. L. 95-89, set out as a note under section 633 of this title.

SUBCHAPTER V—LOANS TO STATE AND LOCAL DEVELOPMENT COMPANIES**§ 695. State development companies****(a) Congressional finding and declaration of purpose**

The Congress hereby finds and declares that the purpose of this subchapter is to foster economic development and to create or preserve job opportunities in both urban and rural areas by providing long-term financing for small business concerns through the development company program authorized by this subchapter.

(b) Loans; obligations of development companies

The Administration is authorized to make loans to State development companies to assist in carrying out the purposes of this chapter. Any funds advanced under this subsection shall be in exchange for obligations of the development company which bear interest at such rate, and contain such other terms, as the Administration may fix, and funds may be so advanced without regard to the use and investment by the development company of funds secured by it from other sources.

(c) Maximum loans to development companies

The total amount of obligations purchased and outstanding at any one time by the Administration under this section from any one State development company shall not exceed the total amount borrowed by it from all other sources. Funds advanced to a State development company under this section shall be treated on an equal basis with those funds borrowed by such company after August 21, 1958, regardless of source, which have the highest priority, except when this requirement is waived by the Administrator.

(d) Eligibility for assistance

In order to qualify for assistance under this subchapter, the development company must