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SMALL BUSINESS ADMINISTRATION

[Docket No.: SBA-2018-0007]

Surety Bond Guarantee Program Fees

AGENCY: U.S. Small Business Administration.

ACTION: Notification of extension of temporary initiative to test lower fees for an additional year.

SUMMARY: This document announces a one-year extension of the temporary decrease in the guarantee fees that the U.S. Small Business Administration (SBA) charges all Surety companies and Principals on each guaranteed bond (other than a bid bond) issued in SBA's Surety Bond Guarantee (SBG) Program.

DATES: The temporary initiative to test lower fees in the SBG Program, which is currently in effect through September 30, 2019, will be extended for an additional year to apply to all SBA surety bond guarantees approved through September 30, 2020.

FOR FURTHER INFORMATION CONTACT: Jermanne Perry, Management Analyst, Office of Surety Guarantees; (202) 401-8275 or jermanne.perry@sba.gov.

SUPPLEMENTARY INFORMATION: Under its SBG Program, the SBA guarantees a certain percentage of bid, payment, and performance bonds for small and emerging contractors who cannot obtain surety bonds through regular commercial channels. The SBA guarantee incentivizes Sureties to provide bonding for small businesses and thereby assists small businesses in obtaining greater access to contracting opportunities. 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's rules 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. *See* 13 CFR 115.32(b) and (c) and 115.66. On July 30, 2018, SBA published a notification in the Federal Register (83 FR 36658) that announced that, for all guaranteed bonds approved during the one year period beginning October 1, 2018 through September 30, 2019, the Surety fee would decrease from 26% of the bond premium to 20% of the bond premium, and the Principal fee would decrease from $7.29 per thousand dollars of the contract amount to $6 per thousand dollars of the contract amount (the decrease in the Surety and Principal fees referred to, collectively, as "lower fees"). SBA invited comments on this temporary initiative and received a total of eight comments, with six comments from surety companies and agents and two comments from trade associations, all of which expressed support for the lower fees.

SBA has determined that it requires more data to fully evaluate the effect of the lower fees on the SBG Program. Accordingly, to provide more time to gather and evaluate the requisite data, SBA is announcing a one-year extension of the temporary initiative to test the lower fees. The lower fees will now apply to all bond guarantees (other than bid bonds) approved through September 30, 2020. During the additional year that the lower fees are in effect, SBA will evaluate how the lower fees affect the SBG Program, including program utilization by surety companies, surety agents and small businesses; the size and characteristics of the portfolio; and the risk level of the program, including cash flow and defaults. After carefully reviewing program performance with the additional data, SBA will determine whether the guarantee fees should remain at these reduced amounts, if they should revert to the higher amounts, or if they should otherwise be changed.

Authority: 13 CFR 115.32(b) and (c) and 115.66.

William M. Manger,
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