Arlington/Roe®

CONSTRUCTION SURETY BONDS

What is a construction bond?

Construction bonds are a type of surety bond that protects against disruptions or financial loss due to a contractor's failure to complete a project or failure to meet contract specifications. These bonds ensure a construction project's bills will get paid.

When is a surety bond needed?

Any federal construction contract valued at $150,000 or more requires a surety bond when bidding or as a condition of contract award. Most state and municipal governments as well as private entities have similar requirements. Many service contracts, and occasionally supply contracts, also require surety bonds.

Types of Construction Bonds

Bid Bonds reassure project developers that contractors submit serious bid proposals and have the financial credentials necessary to accept the job. If a bid is selected and the contractor declines the job or retracts the bid, the project developer can make a claim on the bond to collect the difference of the original bid and the next highest bid.

Performance Bonds guarantee that contractors complete construction projects according to the contractual terms. If a contractor fails to do so, the project developer can make a claim on the bond to access funds that can be used to pay another contractor to finish the job.

Payment Bonds guarantee payment for services in the case lead contractors go bankrupt when working on projects. The bond amount can be used to reimburse those who worked on a project if the lead contractor is unable to pay them for their work.

Maintenance bonds protect against defective materials and workmanship following a project's completion. If the project is found to be defective following completion, the bond amount can be used to pay for repairs that need to be made.

Supply bonds mandate suppliers to provide materials, equipment and supplies as defined in purchase orders. If the supplier fails to provide the supplies as agreed, the bond amount can be used to reimburse the purchaser for the resulting loss.

Count on us as your bond resource!

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