

SECURING PAYMENT & PERFORMANCE SURETY BONDS

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The University of
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SECURING PAYMENT & PERFORMANCE SURETY BONDS

Agenda

- Speaker Bio
- Surety Bond Basics
- Applying For A Bond
- Bonding Tips
- Subcontractor Tips
- Bonding Resources

STEPS TO SECURE SURETY BONDS

Hopeton Hay Bio

- Served as HUB Coordinator on UT System managed major capital projects at various times at UT Austin, UT San Antonio, UT Health San Antonio, UT Health Houston, UT Medical Branch Galveston 2002 - 2012
- Worked in UT System Bonding & Technical Assistance 2001 – 2012
 - Assisted HUBs with obtaining surety bond lines of credit and working capital loans
 - Implemented Surety & Fidelity Association of American Model Contractor Development Program in 2008 for educating contractors on bonding and construction management
- Developed the UT System Construction Subcontractor Training Classes from the Model Contractor Development Program



STEPS TO SECURE SURETY BONDS

SURETY BOND BASICS

- Bid Bond
 - The bid bond assures that the bid is submitted in good faith and that the contractor will enter into the contract at the price bid and provide the required performance and payment bonds



STEPS TO SECURE SURETY BONDS

SURETY BOND BASICS

- Performance Bond
 - The performance bond assures the owner that, in the surety's opinion, the contractor is capable and qualified to perform the contract and protects the owner from financial loss should the contractor fail to meet the terms and conditions of the contract.

STEPS TO SECURE SURETY BONDS

SURETY BOND BASICS

- Payment Bond
 - The payment bond assures that the contractor will pay specified subcontractors, laborers, and materials suppliers associated with the project.



STEPS TO SECURE SURETY BONDS

APPLYING FOR A BOND

- Find a good surety agent
 - Extensive experience working with small contractors
 - Understands the construction industry
 - Works with several surety companies
 - Can recommend CPAs to do your financial statements
- Relationship, not transaction driven -provides feedback and advice on your application

STEPS TO SECURE SURETY BONDS

APPLYING FOR A BOND

- Credit based application
 - Credit score and experience drive the decision process
- Full application
 - Financial statements
 - Tax returns – personal and business
 - Company history
 - Status of Contracts



STEPS TO SECURE SURETY BONDS

APPLYING FOR A BOND

1. Has your firm or any of its principals ever petitioned for bankruptcy, failed in business or defaulted so as to cause a loss to a Surety? If yes, please explain:
2. Is your firm or any of its owners or officers currently involved in any litigation? What is the largest job you expect to do during the next year?
3. What trades do you normally undertake with your own forces?
4. Name of your CPA: Contact Person:
5. On what basis are taxes paid? Cash, Completed Job, Accrual or Percentage of Completion
6. On what basis are financial statements prepared? Cash Completed Job, Accrual Percentage of Completion
7. On what level of assurance are financial statements prepared? CPA Audit, Review, Compilation
8. How often are financial statements prepared? Annually, Semi-annually, Quarterly, Monthly
9. Do you have full time accountant on staff? Yrs. Experience
10. Are job cost records kept?
11. How often reviewed? How often updated?



STEPS TO SECURE SURETY BONDS

APPLYING FOR A BOND

- Surety bond credit enhancement tools
 - SBA Surety Bond Program -There are 103 surety agents licensed in Texas that offer SBA guaranteed bonds. Scan QR Code for list



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STEPS TO SECURE SURETY BONDS

APPLYING FOR A BOND

- Surety bond credit enhancement tools
 - Collateral
 - Funds control



BONDING AND SUBCONTRACTOR TIPS

- Apply for a surety bond line of credit before you need it
- Prepare your financial statements on an annual basis as soon as you close your books for the year, preferably by a CPA on a compiled basis
- Keep up to date information on job costs for each of your projects
- Monitor your personal and business credit – obtain copy of credit reports before you apply – myfico.com and Dunn & Bradstreet

BONDING AND SUBCONTRACTOR TIPS

- Due your due diligence by reaching out to other subcontractors you know when considering working for a new GC for the first time.
- Involve your surety agent early in the process of considering a bonded job
- Consider your bonding needs when making decisions about your company balance sheet (distributions, debt, etc). Ask your agent if the decision will have an effect on your bonding.
- Not all CPA's are the same – most are good at income tax prep. Make sure you engage a construction oriented CPA that can produce a financial product on your behalf that is suitable for bonding purposes.

STEPS TO SECURE SURETY BONDS

BONDING RESOURCES

- [Texas Department of Insurance](#)
- [Surety Information Office](#)
- [Surety & Fidelity Association of America Contractor Bonding Education and Mentoring Program](#)
- [SBA Bond Guarantee Program](#)

