



SBA Procedural Notice

TO: All SBA Employees and Sureties participating in SBA's Surety Bond Guarantee Program

CONTROL NO.: 5000-854704

EFFECTIVE: April 12, 2024

SUBJECT: Oversight and accountability updates to SOP 50 45 3 and SOP 50 49 0

The purpose of this Notice is to inform SBA employees, Surety Companies, their Agents, and any other program users (collectively referred to as "Surety") of a change in the procedure for program user oversight and accountability. SBA is updating its policies surrounding Surety oversight and accountability. These changes update SOP 50 45 3 and SOP 50 49 to reflect clearer language and new reporting measures used by SBA.

The procedure set forth in this Notice applies to all Sureties as defined by [13 CFR § 115.10](#) and will control over any conflicting provisions in Standard Operating Procedure (SOP) 50 45 3 or SOP 50 49 0. Oversight and accountability procedures practiced by SBA on and after the effective date of this Notice will follow the procedure set forth below. SBA will continue to review this process over the coming months and will incorporate the revised procedure in the next SOP 50 45 and SOP 50 49 updates after determining whether additional changes are needed.

Prior Approval Surety Bond Guarantee Program

SOP 50 45 3, Chapter 3, Section 6 (beginning on page 22 and ending on page 24) is deleted in its entirety and replaced with the following:

3.6. Surety Oversight and Accountability

SBA performs ongoing monitoring of Surety Bond Guarantee (SBG) program performance for all participating Sureties to identify unacceptable risk profiles and, if appropriate, enforce SBG program requirements through corrective actions (this is separate from SBA's audit procedures). SBA is responsible for ensuring that program utilization aligns with its mission. As outlined in [13 CFR § 115.21](#) and SOP 50 45, SBA reviews the adequacy and sufficiency of SBA-guaranteed surety bonds supported by participating Sureties. The program shares this information with Surety participants to increase transparency and to facilitate discussion and remediation of identified concerns.

1. Monitoring and Reporting Measurements

SBA continually monitors Sureties' respective performance with a look-back period of up to five (5) fiscal years (dependent on length of participation). In general, SBA will provide Sureties a copy of SBA's findings at intervals and thresholds determined by SBA.

SBA considers several factors when evaluating participating Surety risk profiles. These include (but are not limited to):

- Portfolio performance relative to the overall program
- Regulatory compliance
- Standard operating procedure compliance
- Form submission compliance
- Risk and claims management
- Other qualitative factors as deemed necessary

2. Possible SBA Actions

When a Surety's risk profile is determined to be unacceptable, as outlined in [13 CFR § 115.18](#) and SOP 50 45, SBA may require corrective actions to address identified concerns. SBA may take other actions including, but not limited to or in any particular order, the following:

- Require a Surety-submitted corrective actions plan;
- Require additional supporting documentation for application submission, user-specific or program-wide;
- Further investigation, up to completion of an audit;
- Reduce access to program guarantees;
- Renegotiate SBA's guarantee percentage;
- Renegotiate SBA's charge to the Surety for bonds executed thereafter; and/or
- Suspend or terminate Surety's program participation.

3. SBA Process to Require Corrective Action

The decision to require corrective actions be taken by a Surety is made by the Director, Office of Surety Guarantees (D/OSG). While a corrective action is pending, SBA may suspend program participation until the Surety satisfactorily meets all conditions set by SBA for resumption of support.

If notified of a required corrective action by SBA, a Surety must respond in writing according to the response timeframe indicated by SBA. The response must include acknowledgement of the required corrective action and a statement of intent to comply.

If prompted for a corrective action plan by SBA, a Surety must respond in writing within 45 business days of email receipt of such notice unless SBA notifies the Surety of a different timeframe. The response must include a corrective action plan with details on actions the

Surety will take to address each finding and corrective action required.

A Surety must implement all corrective actions within 90 calendar days of the date of email receipt of the notice unless SBA provides written notice of another timeframe. After receiving Participant's response, SBA generally will assess the plan and notify the Surety of whether its plan/actions are satisfactory, not satisfactory, or SBA requires additional information.

SBA may conduct a targeted review to confirm the Surety has implemented its corrective action(s). The corrective action process is a key tool for bringing Sureties into compliance and limiting agency and Surety risk.

Preferred Surety Bond (PSB) Program

SOP 50 49, Chapter 6 (pages 24-27) is revised as follows:

The chapter numbering is changed to the following:

Chapter 6, Section A. Audit Process

SOP 50 49, Chapter 6 is revised by adding to the end the following:

Chapter 6, Section B. General Oversight and Accountability

SBA performs ongoing monitoring of Surety Bond Guarantee (SBG) program performance for all participating Sureties to identify unacceptable risk profiles and, if appropriate, enforce SBG program requirements through corrective actions. SBA is responsible for ensuring that program utilization aligns with its mission. As outlined in [13 CFR § 115.21](#) and SOP 50 49, SBA reviews adequacy and sufficiency of SBA-guaranteed surety bond support by participating Sureties. The program shares this information with Surety participants to increase transparency and to facilitate discussion and remediation of identified concerns.

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SBA continually monitors Sureties' respective performance with a look-back period of up to five (5) fiscal years (dependent on length of participation). In general, SBA will provide Sureties a copy of SBA's findings at intervals and thresholds determined by SBA.

SBA considers several factors when evaluating participating Surety risk profiles. These include (but are not limited to):

- Portfolio performance relative to the overall program.
- Regulatory compliance
- Standard operating procedure compliance
- Form compliance
- Risk and claims management

- Other qualitative factors deemed necessary.

2. Possible SBA Actions

When a Surety's risk profile is determined to be unacceptable, as outlined in [13 CFR § 115.18](#) and SOP 50 49, SBA may require corrective actions to address identified concerns. SBA may take other actions including, but are not limited to or in any particular order, the following:

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- Require additional supporting documentation for application submission, user-specific or program-wide;
- Further investigation, up to completion of an audit;
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Questions concerning this Notice may be directed to Kevin Valdes, Management Analyst, at Kevin.Valdes@sba.gov.

Jermaine Perry
Director, Office of Surety Guarantees.

PAGE 2 of 5

EXPIRES: 4/1/25

SBA Form 1353.3 (4-93) MS Word Edition; previous editions obsolete

Must be accompanied by SBA Form 58