

## For Agents:

**Have your customers lost profitable jobs because they no longer qualify for construction performance bonds?**

CCP offers a simple and easy way for agents to get their clients bonded and working.

### **Program Details:**

Bond Limits:

\$1.5m Single/\$3.0m

Aggregate

Credit Score:

No minimum score

Net Worth:

No Minimum

Indemnity:

Standard Indemnity

Cash Advances:

Working Capital Advances  
up to 90% of Requisitions.

Agent Commissions:

Extremely Competitive.

100% credit on all follow-up  
bonds and renewals.

States Available:

CA, GA, HI, IL, LA, MD,  
MO, NJ, NY, PA & WA

**Contractor Credit  
Program (CCP):**

## ***Changing the way credit works™***

In today's economic and credit environment, many small to mid-sized contractors do not meet the underwriting requirements of the standard surety markets. Low credit scores, required bond size and less than perfect financials are among the frequent reasons for ineligibility.

**CCP has a better and fairer way of evaluating a contractor.** The approval process is based on the contractor's experience and ability to complete a project. Low credit scores and inadequate financials are NOT a primary reason for ineligibility.

**The underwriting and credit departments are staffed with personnel that came out of the construction industry, not the financial industry.** So when they look at a bond application, they are looking at it from the point of view of a contractor – unlike traditional Sureties. One of the primary requisites for approving a bond is if a contractor has the character and experience to complete the job. They know that a poor credit score or lack of previous bonding experience does not indicate whether a contractor can complete a job.

Also, to help improve contractors' cash flow, **WORKING CAPITAL ADVANCES ARE AVAILABLE FOR CONTRACTORS ENROLLED IN THE PROGRAM.**

The program provides your contractors with the working capital they need to see the job through. They charge a one-time fee for this optional service, so your client knows exactly the cost to him upfront. Your client can elect also, at no additional cost, for their trained staff to help secure early payment discounts from suppliers and vendors – savings that go directly to your client.

## **More Bonds Required, But Fewer Available:**

For many agents, helping their client apply for a contractor surety bond can be a long and involved process with no guarantee of success in the end. Traditional surety carriers approach underwriting in a way similar to how a bank issues a loan or line of credit: a detailed review of the applicant's credit standing and financial wherewithal. Agents often have to assemble detailed financial records from their clients: personal and business tax returns, bank statements and credit reports on top of the project contract, bid details and contractor license and professional qualifications. The time and effort involved can be daunting.

However, since the Great Recession of 2008, the number of contractors on solid financial footing has fallen while the underwriting standards for bond approval have increased. Similar to the banking industry, where, according to the Federal Reserve, 75% of banks have tightened their lending standards to small businesses, the market for surety bonds has experienced a sharp tightening particularly for small and mid-sized contractors. This has resulted in more contractor bond applications being rejected, cutting these contractors off from bonding lines essential to keep them working. Even when contractors are able to secure a bonding line, often they are unable to secure a line of credit from their bank to support the financing of the job until their first payment.

Further exacerbating the problem is the fact that more jobs today require bonding. While many private projects require bonding, under the Miller Act of 1935, all federally funded construction projects greater than \$100,000 in value must be bonded. In addition, all fifty states have enacted "Little Miller Acts" that also require that state and locally funded projects be bonded. As the economy has suffered, public spending, both State and Federal, on construction projects has increased to over \$306bn, and now accounts for 38% of all construction spending in the United States, up from 21% only 5 years ago.

For contractors the problem is obvious: capable experienced people are unable to bid and win jobs that are available due to a lack of bonding and credit. For agents, the lost potential revenue is an opportunity foregone.

## **Contractor Credit Program: Changing the Way Credit Works™**

In response to the market conditions described above, they **developed an innovative, new program designed to get contractors back to work with the financial support to get the job done: The Contractor Credit Program (CCP)**. The program is designed for the contractor who is unbondable in the standard markets and who has little or no access to credit. Also, they have streamlined the application process. To qualify for their program, the contractor simply completes this short form. **The CCP Enrollment Application can be completed in a matter of minutes.**

**This saves agents valuable time and relieves their clients of the burden of assembling detailed, historical financial information.**

### *How They Are Different*

Their approach to underwriting is different from traditional surety carriers. Traditional sureties underwrite with the aim of limiting losses by collecting from their bonded clients through their indemnities any claims paid on their behalf. For this reason, traditional sureties will bond only those contractors with strong balance sheets and substantial net assets to ensure that if the surety must mitigate its losses the contractor has assets to seize. They believe this approach is flawed. Because of this, they have developed a new way of underwriting contractor Payment & Performance bonds.

For a surety carrier, Payment & Performance bonds have two primary risks: that the contractor will not “perform” the job as required in his contract and that the contractor will not make “payment” to his suppliers, sub-contractors and other vendors as agreed.

Unlike other surety programs, CPP’s risk management focuses on ensuring that the contractor is able to “perform” and, through our mandatory funds control process, which all “payments” are made and lien waivers received. Therefore, they have staffed the underwriting team with experienced contractors who are able to assess the applicant’s ability to perform the job, looking carefully at the applicant’s experience and capacity related to the work being bonded. They also look at how the contractor has performed on previous jobs. They do not believe a contractor’s credit score reflects on whether the contractor is experienced and capable of completing a job.

### *How it Works: Three Easy Steps*

1. CCP Enrollment Application:
  - This short application can be completed in a matter of minutes. After a brief phone interview with their underwriters, the contractor will be informed whether they have been accepted into the Contractor Credit Program giving them access to Bid, Payment & Performance bonds, working capital advances and many other services.
2. Bid or Final Bond Submission:
  - Requests for Bid bonds or Final bonds are made on a project by project basis and submitted for review by their credit department.
  - Bid bonds are issued for a flat service fee, a portion of which will be credited towards fund administration fees applied to final bonds.
  - Final bonds are issued combined with mandatory funds control service. Funds are usually disbursed within 24-48 hours of our receiving the funds from the project owner.
3. Use Any or None of the Other Optional Services:
  - Contractors in the program may choose from any number of optional services including:
    - i. Working Capital Advances: Made for a one-time, not monthly, fee;
    - ii. Supplier and Vendor Discount Negotiation;
    - iii. Bookkeeping Services.

### *Example of a Working Capital Advance:*

Below is an actual example of our working capital advance program. Having submitted and had accepted a requisition for payment, the contractor requested a working capital advance from CPP to make payroll and pay other suppliers. The contractor is required to submit only a one-page working capital advance request; there are no loan forms to complete. They will advance up to 90% of an approved requisition to any contractor bonded in the Contractor Credit Program. This process is quick and easy with the funds being made available usually within 72 hours. The contractor is charged a one-time fee for the cash advance. There are NO monthly interest payments.

In addition, the contractor requested the help of the supplier and vendor negotiation services. They successfully negotiated early payment discounts of 10%, or \$872. After accounting for the one-time fee for the working capital advance, the contractor has a NET SAVINGS of \$579, which amounted to 3% of the total requisition. That is right, the contractor made money by using the working capital advance program.

### **Example of Actual Working Capital Advance:**

Contractor's draw request to project owner	\$21,814
Cash advance provided by CCP Program to contractor	\$19,500 (90% of draw)
Negotiated discounts from suppliers	\$872 (10% discount)
Fee charged to contractor for cash advance	\$292
Net savings to contractor	\$579 or 3% of draw request

## Testimonials:

“The advance pay option has truly helped us with our cash flow on these projects. Additionally, the quick pay has enabled us to negotiate considerable discounts with our subs, suppliers and vendors... Thanks for being innovative and flexible.”

Dennis Roberts, President  
Rocon Contracting, Inc.

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“The additional services now being offered are presented with the clear intention of helping the “small business” compete and succeed in a very difficult economy.”

Kim Paulicelli, President  
Premier Mechanical Services, Inc.

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[CCP] was an invaluable resource to me from start to completion of the bonding process... When the time came for funds to be disbursed, it was done in an immediate manner with reliable communication and record keeping.”

John Burgen, Owner  
Pioneer Masonry

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“I only knew of the traditional bonding system but my agent assured me of how solid their company is... You cannot ask for a better work ethic from [your employees]. I am proud to be a client of your company.”

Nikolaos Psareas, President  
Triad Painting Co., Inc.

## Conclusion:

The need for surety bonds and credit has never been greater, but the availability of these products has never been more scarce. The opportunities are real. For contractors, being able to acquire Bid, Payment and Performance bonds and cash advances for working capital means being able to get back on the job and begin to build back your finances so you and your family are secure. Just fill out our short CCP Enrollment Application, and become part of the program today!

For agents, CCP has streamlined the process for applying to the program so you don't have to waste time and valuable resources. Once your client is enrolled in the program, you receive commission credit for every bond they issue to your client going forward. You can create a steady stream of commission revenues to support and grow your business. So contact us today, and let us help your client get the bond and credit they need.

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