

The benefits of surety bonds in construction projects

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Surety bonds can offer valuable legal protection to those planning to build or renovate a building. In construction, a surety bond (also called a “construction bond”) financially backs an individual or company, requiring its workers to fulfill all duties as outlined in the initial contract. When we say “construction bonds” we’re using a term that encompasses all surety bonds utilized throughout the various stages of a contracted construction project—from start to finish. This is why the terms “construction bond” and “contract bond” are often used interchangeably.

Generally construction bonds are issued for large-scale projects with numerous provisional contracts. However, individual contract bonds— including bid bonds, performance bonds, and site improvement bonds, among others—are still sometimes used to smaller-scale projects.

Construction bonding in Washington

Understanding how this type of Washington surety bond (<http://www.suretybonds.com/states/washington.html>) works might seem like a daunting task, but once you learn the basics of the bonding process you'll see how it's an easy yet reliable way to protect the financial investments you make.

Bonding in real estate construction involves three participants:

1. *the obligee* – the customer who seeks the financial protection of a bond to guarantee the quality and completion of work done by their contractor or construction company
2. *the principal* – the contractor or construction company who obtains the bond to ensure that they complete the contracted duties for the obligee's project
3. *the surety* – the company who provides the bond to the principal, thus holding the entity accountable for all business done with the obligee

Financial Reparation

If a bonded individual or business fails to complete duties outlined in the contract, then the obligee has the right to make a claim on the bond up to its full value. If the claim is found to be valid, then the principal would be required to pay the obligee retribution up to the bond's full amount.

If you are preparing for a significantly sized construction project, it may be worth insisting that your contractors are bonded for their work on the project. This will encourage them to make ethical and proper business decisions or else face financial

retribution. Surety bonds are meant to work as preventative measures; however, if a bonded contractor or company does fail to fulfill its duties, make sure you take legal action to get appropriate reparation. Remember: your surety bond is a legally-binding document intended to protect your real estate construction projects.

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