



SBA Procedural Notice

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

CONTROL NO.: 5000-854745

SUBJECT: Contract Limit & SOP 50 45 Financial Statement Quality Adjustments for Inflation in SBA's Surety Bond Guarantee Program

EFFECTIVE: March 25, 2024

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 an inflation adjustment to the contract size limit and financial statement quality requirements in the Prior Approval portion of SBA's Surety Bond Guarantee (SBG) program.

SBA's final rule on Small Business Size Standards: Adjustment of Alternative Size Standard for SBA's 7(a) and CDC/504 Loan Programs for Inflation; and Surety Bond Limits: Adjustments for Inflation ([89 FR 11703, effective March 18, 2024](#)) adjusts the contract size limits in SBA's SBG program. The new rule applies only to contract amounts and changes established after the effective date.

Additionally, SBA has revised its financial statement quality requirements in the Prior Approval program to reflect the inflation adjustment and to better align with surety bond industry practices. Prior Approval financial statement quality adjustments take place on the effective date of this notice. Financial statement quality requirement adjustments only apply to the Prior Approval SBG program. The Preferred Surety Bond (PSB) portion of the SBG program is not subject to program-wide financial statement quality requirements set by SBA at this time.

Information on Inflation Adjustment to Contract Size Limit

[13 CFR § 115.10](#) has been revised, increasing the contract size limit in the SBG program, to: *Applicable Statutory Limit* means the maximum amount, set forth below, of any Contract or Order for which SBA is authorized to guarantee, or commit to guarantee, a Bid Bond, Payment Bond, Performance Bond, or Ancillary Bond:

- (1) **\$9 million** (as adjusted for inflation in accordance with [41 U.S.C. 1908](#));
- (2) **\$14 million** if a contracting officer of a Federal agency certifies, in accordance with section [13 CFR 115.12\(e\)\(3\)](#), that such guarantee is necessary; or
- (3) if SBA is guaranteeing the bond in connection with a procurement related to a major disaster pursuant to section 12079 of Public Law 110-246, see section 115.12(e)(4).

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EXPIRES: 3-1-2025

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

Must be accompanied by SBA Form 58

Change to Maximum Contract Amount in SOP 50 45

SOP 50 45 3, Chapter 2, Section 2.4 (page 12) is deleted in its entirety and replaced with the following:

2.4. Maximum Contract Amount

At the time that the Surety executes the bond, the contract amount or total work order cannot exceed \$9 million (subject to adjustment for inflation in accordance with 41 U.S.C. 1908), or up to \$14 million if a Federal contracting officer certifies that SBA's guarantee is necessary for the small business to obtain bonding. The original contract amount at the time of bond execution must not exceed these limits.

Financial Statement Quality Adjustment: Prior Approval SBG Program

SOP 50 45 3, Chapter 6, Section 6.2(c), paragraph 3(b) (page 37) is deleted in its entirety and replaced with the following:

(b) Contract Size and Type of Financial Statement Depending on the size of the contract, the financial statements must be of the following type:

- (1) **Up to \$2,000,000** – An internally prepared, computer-generated financial statement is required for contracts up to \$2,000,000. This is the lowest quality financial statement accepted by SBA.
- (2) **More than \$2,000,000 to \$3,000,000** – A CPA-compiled or an In-House Plus year-end financial statement is required for contracts more than \$2,000,000 to \$3,000,000. An in-house plus financial statement is defined as a high quality, computer generated financial statement. To qualify as in-house plus quality, a financial statement must include aged schedules of accounts receivable and accounts payable, current portion of long-term debt, and a correctly structured balance sheet with no negative liabilities.
- (3) **More than \$3,000,000 to \$14,000,000** – A CPA-reviewed year-end financial statement is required for contracts more than \$3,000,000 to \$14,000,000.
- (4) **Interim requirement:** The 6-month interim financial statement may be an internally prepared financial statement or higher.
- (5) **Case-based requirements:** SBA may require higher financial statement quality than outlined above due to case-based concerns.

SOP 50 45 3, Chapter 7, Section 7.3(a) (page 54) is deleted in its entirety and replaced with the following:

- a. Contract Size and Type of Financial Statement Depending on the size of the contract, the financial statements must be of the following type:
 - 1) **Up to \$2,000,000** – An internally prepared, computer-generated financial statement is required for contracts up to \$2,000,000. This is the lowest quality financial statement accepted by SBA.
 - 2) **More than \$2,000,000 to \$3,000,000** – A CPA-compiled or an In-House Plus year-end financial statement is required for contracts more than \$2,000,000 to \$3,000,000. An in-house plus financial statement is defined as a high quality,

computer generated financial statement. To qualify as in-house plus quality, a financial statement must include aged schedules of accounts receivable and accounts payable, current portion of long-term debt, and a correctly structured balance sheet with no negative liabilities.

- 3) **More than \$3,000,000 to \$14,000,000** – A CPA-reviewed year-end financial statement is required for contracts more than \$3,000,000 to \$14,000,000.
- 4) **Interim requirement:** The 6-month interim financial statement may be an internally prepared financial statement or higher.
- 5) **Case-based requirements:** SBA may require higher financial statement quality than outlined above due to case-based concerns.

Questions concerning this Notice may be directed to Kevin Valdes at kevin.valdes@sba.gov.

Jermaine Perry
Director
Office of Surety Guarantees.