



TYPES OF CONSTRUCTION BONDS

INTRODUCTION



Construction bonds are common contract bonds in the construction industry.



Construction bonds guarantee that the obligee (project owner) will be paid for their investment if the principal (contractor) does not fulfill their obligation per terms of the contract.

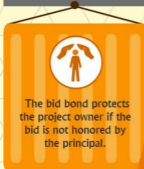


Construction bonds are a type of surety bond.



THREE TYPES OF CONSTRUCTION BONDS

1. Bid Bonds



The bid bond protects the project owner if the bid is not honored by the principal.



If the principal refuses to honor the bid, then they are liable for any additional costs incurred with a replacement contractor.

2. Performance Bonds



A contractor is usually required to obtain a performance bond before they can work on a project.



If the principal defaults, the obligee may file a claim against the bond, to which the surety will reimburse the obligee.

3. Payment Bonds



A payment bond guarantees all payments that are due to subcontractors.



The owner benefits from such a bond because it provides a substitute for non-payment.



Source:

<http://smallbusiness.chron.com/types-construction-bonds-40935.html>

Presented by:

