

# WHAT IS THE FEDERAL BONDING PROGRAM?

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A. The Federal Bonding Program is a unique tool that can be used to help High Risk job seekers (such as at-risk youth) get and keep employment. The program issues Fidelity Bonds, and is sponsored by the U.S. Department of Labor.

## Q. WHAT IS A FIDELITY BOND?

A. A Fidelity Bond is a business insurance policy that protects the employer in case of any loss of money or property due to employee dishonesty. It is a form of "guarantee" to the employer that the person hired will be an honest worker. The Fidelity Bonds issued under the Federal Bonding Program are insurance policies of the Travelers Casualty and Surety Company of America. Union Insurance Group located in Chicago is the agent for Travelers in managing the program nationwide.

## Q. WHAT EXACTLY DOES THE BOND INSURANCE COVER?

A. The bond insures the employer for any type of **theft, forgery, larceny or embezzlement**. It does not cover liability due to poor workmanship, job injuries or work accidents. It is not a bail bond or court bond for the legal system. It is not a contract bond, performance bond or license bond sometimes needed to be self-employed.

## Q. WHAT RESTRICTIONS EXIST IN THE PROGRAM'S BOND COVERAGE?

A. The worker must meet the State's legal age for working (age 14 in Florida). There are no other age limits. Workers must be paid wages with Federal taxes automatically deducted from pay. Self-employed persons cannot be covered under the bond.

## Q. WHO DOES THE PROGRAM HELP?

A. Bond coverage is provided for any person whose background usually leads employers to question their honesty and deny them a job. The program will cover any person who is a "risk" due to them being in one or more of the following groups:

- **Ex-offenders with a record of arrest, conviction or imprisonment**
- **Anyone who has ever been on parole or probation, or has any police record**
- **Anyone lacking work history hailing from low income families**
- **Recovering substance abusers**
- **Anyone being rehabilitated through treatment for alcohol or drug abuse**
- **Anyone with poor credit history or who has declared bankruptcy**

- **Anyone that has been dishonorably discharged from the military**

#### **Q. HOW WILL THE BOND HELP AT-RISK YOUTH GET JOBS?**

**A.** The bond is given to the employer free-of-charge, and serves as an incentive to the company to hire job applicants who have “risk” factors in their personal backgrounds. The bond allows the employer to utilize the youth’s work skills without assuming risk related to them being dishonest on the job. Job placement often occurs as a result of the employer’s fear of hiring a dishonest worker being minimized due to the risk being insured.

#### **Q. CAN OTHER PERSONS BE BONDED?**

**A.** YES. Anyone else who needs the program’s bond in order to get a job.

### **WHY IS IT NEEDED?**

#### **Q. SINCE EMPLOYERS BUY FIDELITY BOND INSURANCE TO PROTECT AGAINST EMPLOYEE DISHONESTY, WHY IS THE PROGRAM’S BOND NEEDED?**

**A.** Fidelity Bonds that employers purchase commercially do not cover anyone who has already committed “a fraudulent or dishonest act.” Ex-offenders and other job applicants with questionable backgrounds are designated by the insurance industry as being **NOT BONDABLE** because they are too risky to insure for job honesty. Only the Federal Bonding Program will issue bonds to employers to cover anyone who is usually **NOT BONDABLE**. As a result, lack of bonding is eliminated as a barrier to employment and the program serves as a unique job placement tool.

#### **Q. IS IT LEGAL FOR EMPLOYERS TO DENY EMPLOYMENT TO APPLICANTS WHO ARE NOT BONDABLE UNDER COMMERCIALY PURCHASED BONDS?**

**A.** Employers fear that applicants who are **NOT BONDABLE** will be untrustworthy employees, and companies can require bonding and deny employment on that basis. The Federal Bonding Program can help overcome that employer fear by making the applicant **BONDABLE**. The program’s bond is like a guarantee of employee job honesty for the hardest-to-place job applicants.

#### **Q. CAN THE PROGRAM’S FIDELITY BOND COVERAGE EXIST FOREVER?**

**A.** The key purpose of the program’s bond is to help high risk job seekers gain employment. The bond insurance is issued free-of-charge to the employer for a period of six months. If the worker demonstrates job honesty during the six months of the Federal Bonding Program coverage, that worker can become **BONDABLE FOR LIFE** under commercial bonding made available to the employer for purchase from the Travelers Casualty and Surety Company of America.

## **WHO IS ELIGIBLE?**

### **Q. HOW CAN YOU KNOW IF YOU QUALIFY FOR OBTAINING BONDING SERVICES?**

A. Anyone who cannot get a job without bonding is eligible for help by the Federal Bonding Program. All individuals who have, in the past, committed a fraudulent or dishonest act, are eligible for bonding services. These persons include ex-offenders and recovering substance abusers, as well as people who have poor personal credit, poor persons who lack a work history, and individuals who were dishonorably discharged from the military.

### **Q. CAN BONDING BE ISSUED FOR A WORKER PLACED ON A PART-TIME JOB OR A TEMPORARY JOB?**

A. YES.

### **Q. IF AN APPLICANT IS TO BE PLACED ON A JOB WHERE BONDING WAS NOT PREVIOUSLY REQUIRED, CAN A BOND BE ISSUED?**

A. YES. Bonding can be provided for any job if issuance of the bond is the difference between getting the job and not getting it.

### **Q. CAN BONDING BE ISSUED TO COVER AN ALREADY EMPLOYED WORKER?**

A. The main purpose of the Federal Bonding Program is to help secure employment for jobseekers who are having a hard time getting a job due their questionable backgrounds. However, a bond can be issued to cover a current employee who is NOT BONDABLE under the employer's insurance, and needs the program's bonding in order to secure a promotion to a new job requiring bonding or to prevent being laid off.

### **Q. IS A PERSON ON WELFARE AUTOMATICALLY ELIGIBLE FOR BONDING?**

A. Welfare recipients may be eligible due to having either a poor credit history, having declared bankruptcy, being an ex-offender or recovering substance abusers, or lacking a work history.

## **HAS THE PROGRAM HAD SUCCESS?**

### **Q. HOW MANY PEOPLE HAVE BEEN HELPED BY THE PROGRAM?**

A. Since its inception about 40,000 applicants nationally have obtained jobs due to being bonded, and 99% have proven to be honest employees.

### **Q. WHAT PROOF IS THERE THAT BONDING IS NEEDED AND USEFUL?**

A.

- New York State found that having a job helps prevent a parolee from returning to prison. The fact is that 89% of persons who violated parole were unemployed at the time.

- Texas found that Project RIO bonding and other services for releasees from its State prisons saved the State \$10 million annually, and made tax payers out of tax users.
- A study of the U.S. Department of Justice found that released felony offenders with histories of alcohol and drug offenses were able to be helped to secure steady employment by offering employers bonding as a job-hire incentive.
- The Pittsburgh City Paper brought attention to the fact that “a criminal past may prevent the transition from welfare to work,” and called for expanded use of the Federal Bonding Program to deal with this job placement problem.

#### **Q. HOW DOES THE EMPLOYER LEARN THAT BONDING IS AVAILABLE?**

A. Traditionally, career center business services staff have informed employers about the availability of workforce employer incentive programs such as the Federal Bonding Program and the Work Opportunity Tax Credit-WOTC Program, but anyone knowledgeable about the program can educate employers. This includes workforce partners and jobseekers. A notable best practice is for job seekers to include information about the federal bonding program on their applications and to also discuss the program during job interviews.

## **HOW IS A BOND ISSUED?**

#### **Q. WHAT IS THE BONDING PROCESS?**

A. For the bond to be issued, the hiring employer must make the job seeker a job offer first and set a date for the individual to begin work. After the individual obtains the job offer, the bonding process is as follows:

1. **Individual will provide the job offer letter to a Bonding Specialist at any local career center**
2. **Bonding Specialist will register individual in the workforce management information system and complete the bonding forms**
3. **Bonding Form A will be mailed to the State Bonding Coordinator at DEO. Bonding Form B, which confirms that the bond is being processed will be mailed to the hiring employer.**
4. **State Bonding Coordinator will process the Bonding Form A and mail it to Union Insurance Group which serves as the national agent for Travelers Casualty and Surety Company of America.**
5. **Union Insurance Group will then issue to the hiring employer, a Fidelity Bond insurance policy covering the worker. The policy is underwritten through the Travelers Casualty and Surety Company of America.**

#### **Q. WHAT SHOULD BE IN THE JOB OFFER LETTER?**

A. The job offer letter should list the name and address of employer, the individual's official start date, and the rate of pay. The start date will be the effective date of the bond insurance and the policy will terminate six months later. After the six months, continued coverage will be made available for purchase if the worker has exhibited job honesty under the program's bond.

**Q. HOW MUCH BOND INSURANCE COVERAGE WILL BE ISSUED?**

**A.** A total of \$5,000 worth of bond coverage is usually issued, with NO DEDUCTIBLE. Larger bond amounts can possibly be issued if the certified agency issuing the bonds (Florida Department of Economic Opportunity) has acquired a special bond package and has determined that the larger bond amounts are appropriate.

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Bonding