
THE FEDERAL BONDING PROGRAM

is a unique tool to help a job applicant get and keep a job. The program issues Fidelity Bonds, and is sponsored by the U.S. Department of Labor.

What is a Fidelity Bond?

It is a business insurance policy that protects the employer in case of any loss of money or property due to employee dishonesty. It is like a “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. The McLaughlin Company in Washington, DC, is the agent for Travelers in managing the program nationwide.

How does the employer learn that bonding is available?

Staff from State Job Service offices or One-Stop Career Centers usually inform employers about the availability of bonding services. Job applicants should also inform employers about bonding in their job search interviews.

How much bond insurance coverage will be issued?

A total of \$5,000 bond coverage is usually issued, with no deductible amount of liability for the employer. Larger bond amounts can possibly be issued if the certified agency issuing the bonds (in North Dakota, this is Job Service North Dakota) has acquired a special bond package and has determined that larger bond amounts are appropriate.

How does the bond help someone get a job?

The bond is given to the employer free of charge and serves as an incentive to the company to hire a job applicant who is an ex-offender or has some other “risk” factor in their personal background. The employer is then able to get the worker’s skills without taking any risk of worker dishonesty on the job. In turn, this program benefits job applicants as there is a

greater variety of jobs that can be obtained by applicants and more higher-wage jobs can be obtained.

What exactly does the bond insurance cover?

It insures the employer for any type of stealing by 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.

What restrictions exist in the program’s bond coverage?

The worker must meet the State’s legal age for working; there are no age limits. Workers must be paid wages with Federal taxes automatically deducted from pay; self-employed persons cannot be covered.

Who does the program help?

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 their being in one or more of the following groups:

- ex-offender with a record of arrest, conviction, or imprisonment; anyone who has ever been on parole or probation or has any police record;
- recovering substance abusers; persons rehabilitated through treatment for alcohol or drug abuse;
- poor credit record or have declared bankruptcy;
- dishonorably discharged from the military;
- persons lacking a work history who are from families with low income.

Can other persons be bonded?

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

Since employers can buy Fidelity Bond Insurance to protect against employee dishonesty, why is the program’s bond needed?

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, bonding is eliminated as a barrier to employment, and the program serves as a unique job placement tool.

Is it legal for employers to deny employment to applicants who are not bondable under commercially purchased bonds?

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.

Can the program’s Fidelity Bond coverage exist forever?

The key purpose of the program’s bond is to help an at-risk applicant get a job. 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 Federal Bonding Program coverage, that worker can become BONDABLE FOR LIFE under commercial bonding made available to the employer for purchase from the Travelers Property Casualty Insurance Company.

How does someone know if they qualify for obtaining bonding services?

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.

At what age can someone obtain bonding from the program?

A person must meet the legal minimum working age set by the State in which the job exists. The program has no maximum age limit.

What if someone has already been told by a company that they are “not bondable”?

The main reason that the Federal Bonding Program exists is to help get a job for any person who experiences bonding as a barrier to getting a job. The program will bond anyone who has a risk factor in their personal background.

Can the program bond persons who are self-employed?

No. The program’s Fidelity Bond is issued to an employer to cover only a worker who earns wages with Federal taxes automatically withheld from the worker’s paycheck.

Can bonding be issued for a worker placed on a part-time job or a temporary job?

Yes. However, the agency issuing the bond can make an exception to this rule if they determine it is needed.

Can bonding be issued to cover an already-employed worker?

The main purpose of the Federal Bonding Program is to help secure employment for applicants 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 who needs the program’s bonding in order to secure a promotion to a new job requiring bonding or to prevent being laid off.

Is a person on welfare automatically eligible for bonding?

Most welfare recipients will be eligible due to the fact that have a poor credit history or have declared bankruptcy. Also, some of these individuals will be eligible due to being ex-offenders or recovering substance abusers or lacking a work history.

What actions must either the employer or job applicant take to get a bond?

For a bond to be issued: The applicant must receive a job offer and the employer must schedule a date to start work. The job start date will be the effective date of the bond insurance which 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.

To get bonding services: **Either the employer or the job applicant should contact the local agency certified by the Federal Bonding Program (in North Dakota, this is Job Service North Dakota — phone number is listed on brochure cover).** It is necessary for the applicant to first visit and register with either the State Job Service office or the One-Stop Career Center (these are sometimes called a Workforce Office).

Completion of paperwork: Once the date is set for the applicant to start work, the bond can be requested. The paperwork will be completed by the local agency. *(NOTE: In North Dakota, Job Service North Dakota will complete all necessary paperwork.)* There are no papers to be completed by the job applicant or the employer in order for the bond to be issued to the employer to cover the job honesty of the worker. The employer keeps no special records since the bond is self-terminating. The McLaughlin Company in Washington, DC, will issue to the employer a Fidelity Bond insurance policy covering the worker. This policy is underwritten through the Travelers Insurance Company.



The Federal Bonding Program

A UNIQUE JOB PLACEMENT TOOL FOR THE AT-RISK JOB SEEKER

For information on the Federal Bonding Program, contact the North Dakota Bonding Services Coordinator at Job Service North Dakota:
**PO Box 5507
Bismarck, ND 58506-5507
(701) 328-2997**

This information is extracted from the U. S. Department of Labor, Training and Employment Information Notice No. 5-98, August 3, 1998. For additional information on the Federal Bonding Program, visit www.bonds4jobs.com