

1. What is the Federal Bonding Program?

- It is a unique tool to help a qualified job applicant remove a barrier to employment. The program issues fidelity bonds and is sponsored by the U.S. Department of Labor.
- Job applicants with questionable backgrounds that are designated by private commercial insurance agencies as being NOT BONDABLE because they are too risky to insure for job honesty can be bonded through Federal Bonding.
- Only the Federal Bonding Program will issue bonds to cover anyone who is usually NOT BONDABLE. As a result, bonding is eliminated as a barrier to employment.
- The purpose is to cover individuals that are not covered by the employer's private insurance due to being at risk. The goal is to allow the individual to be employed via the Federal Bonding, then after a positive period of employment, when the Federal Bond expires, they could be eligible for the private insurance coverage.

2. What is Fidelity Bonding?

- It is a business insurance policy that protects the employer against financial loss due to theft, forgery, larceny, or embezzlement caused by employee dishonesty. (It does NOT cover motor vehicles.)
- It also does NOT cover liability due to poor workmanship, job injuries, or work accidents/intentional damages.
- It is NOT a bail bond or court bond for the legal system.
- It is NOT a contract bond or license bond sometimes needed to be self-employed.

3. How does the bond help someone get a job?

- The bond is given to the employer at no cost and serves as an incentive to the company to hire someone who is an ex-offender OR has some other "risk" factor in their personal background such as recovering substance abuser (drugs or alcohol), welfare recipient, poor credit history or have declared bankruptcy, dishonorably discharged from the military, or persons (including disadvantaged youth) who are from families with low income.
- Anyone who cannot get a job without bonding is also eligible for assistance by the Federal Bonding Company.
- Bonds may also be issued to cover already employed workers who need bonding to (a) prevent being laid off, or (b) secure a transfer or promotion to a new job at the company.

4. What restrictions exist in the program's bond coverage?

- The worker must meet the State's legal age for working.
- Workers must be paid wages with Federal taxes automatically deducted from pay; self-employed persons cannot be covered.
- The new hire worker cannot be a previous employee, or currently employed by the company requesting the bond UNLESS the current employee is being offered a promotion to a position that normally requires fidelity bonding.

5. 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, thereby removing that barrier to employment.

6. Can the Federal Bonding program's fidelity bond coverage exist forever?

- The key purpose of the Federal Bonding Program is to remove a barrier and enable an applicant to get a job. The bond is issued at no cost to the employer for six months. This gives the employee six months to demonstrate job honesty and build a relationship with the employer. At the end of the six months, the employer may allow the bond to expire naturally, or they may choose to continue the bond by contacting the bonding agency to purchase a commercial bond, making the employee BONDABLE for LIFE.

7. Do we need a letter from the employer stating that the customer is hired (with a specific start date) and cannot be bonded by the employer's insurance company before we complete the Bonding paperwork?

- No. The Employer will complete a bonding request form online on or after the start date at https://stateoftennessee.formstack.com/forms/federal_bonding.
- The bond will have an issue date of the day the request was received
- Once issued, the bonding company will send the actual bond certificate to the employer along with additional instructions regarding claims procedure and how to extend the coverage should the employer wish to continue the bond beyond the initial 6 months.
- For any additional questions, the employer may contact:
Tennessee's Federal Bonding State Coordinator
Melanie 'Dawn' Tawater
Tennessee Department of Labor and Workforce Development (TDLWD)
Federal Bonding State Coordinator
Melanie.Tawater@tn.gov

8. If the customer changes jobs, does the fidelity bond carry over to another employer or does the customer need to request another bond?

- The fidelity bond is attached to a specific employee, job and employer. Therefore, if the client changes jobs, the bond WILL NOT automatically transfer over to the new job. The new employer would have to apply for a new bond.
- If the employee works for a staffing agency, the agency should list itself as the employer, and then the bond will follow the covered employee to any positions working as their employee for six months. If they find employment through temporary agencies, the bond expires at the six months expiration date of bond, or when their temporary employment ends.

9. What benefit is it to the client?

- It helps remove a barrier to employment.
- A greater variety of jobs can be obtained by applicants, including higher wage jobs.
- Federal Bonding helps prevent ex-offenders from re-offending because they cannot find work to support themselves or their families.

10. What is the time frame for ex-felons from the time they are released to the time the paperwork is completed? Is there a time limit?

- Since the bond is attached to a specific job offer, there is no timeframe based on release from prison.

11. Is there any felony that is a disqualifying factor?

- No

12. Is there a limit of how many times an employer can use it? If the employer has 10 employees that qualify, can they use it 10 times?

- There is no limit as to how many qualifying applicants may be bonded with a particular employer. Each employee may be bonded at no cost for the six-month period.

13. When would you bond a person?

- An employer would submit the bonding application online at https://stateofennessee.formstack.com/forms/federal_bonding on or after the employee's start date. The State Coordinator will either approve or email if there is a question regarding the application. If approved, the bond is effective, retroactive to the date of the application for the bond, which is called the effective date, and is good for six months. The employer will receive information within two weeks on the bond and how to use it if necessary.

14. What is the value of the bond? Can it be for different amounts?

- One bond unit provides \$5,000 of coverage for six months. This amount is sufficient to facilitate most job placements. However, coverage amounts for individual employees can be \$5,000, \$10,000, \$15,000, \$20,000, or \$25,000, depending on the level of risk at a job.
- Issuance of larger amounts, up to \$25,000 should be limited only to workers who can readily steal, at one time, more than \$5,000 in money or property. (A more detailed justification statement must be sent prior to requesting higher risk coverage. Potential loss including cost of equipment, or property reflecting the higher bond amount will be required on these requests.)

15. Can a customer who is participating in an On-the-Job Training (OJT) qualify for a bond?

- Yes, as long as all of the other qualifying factors are met.

16. Where can additional information regarding Federal Bonding be found?

- <https://bonds4jobs.com/>
- <https://www.tn.gov/workforce/employers/staffing-redirect/search-for-employees/federal-bonding-program.html>

17. If I have questions regarding the Federal Bonding program, who should I contact?

- Melanie 'Dawn' Tawater
Federal Bonding State Coordinator
Tennessee Department of Labor and Workforce Development
Melanie.Tawater@tn.gov
(615) 253-6576

