

Lenders Increasingly Requiring Surety Bonds to Protect Construction and Infrastructure Projects

Surety Bond News - Developers and Contractors Face Growing Demand for Performance, Subdivision, and Completion Bonds on Private Development Projects. White Lion Bonding & Insurance is a full service performance surety bond broker and underwriter.



Sacramento, California May 11, 2026 (IssueWire.com) - As private development financing becomes more scrutinized amid rising construction costs, project delays, and tighter lending standards, more lenders are requiring developers and contractors to secure development-related surety bonds before funding vertical construction or infrastructure improvements.

According to industry professionals, lenders are increasingly using development bonds—including performance bonds, subdivision bonds, completion bonds, grading bonds, and utility improvement bonds—as a risk management tool to protect project completion, collateral value, and municipal compliance.

“Over the past year, we’ve seen a significant increase in lenders requesting bonded site improvements and private development guarantees before releasing funds,” said Mr. Kelley, founder of White Lion Bonding & Insurance Services. “Lenders want assurance that roads, utilities, grading, drainage, and other required improvements will be completed, even if a project encounters financial challenges or ownership changes.”

Historically, development bonds were primarily associated with municipal requirements tied to subdivision maps and public improvement agreements. However, many private lenders are now independently requiring bonds as part of their loan conditions—particularly on large residential developments, mixed-use projects, industrial parks, and master-planned communities.

Why Lenders Are Requiring Development Bonds

Lenders are increasingly focused on minimizing exposure tied to incomplete infrastructure and delayed projects. Development bonds can provide:

- Financial protection if required improvements are not completed
- Added assurance for infrastructure tied to collateral value

- Reduced exposure to contractor default or project abandonment
- Improved confidence during phased construction funding
- Enhanced transferability if ownership changes during development
- Stronger alignment with city and county improvement obligations

Common lender-required bonds now include:

- Performance Bonds
- Labor & Material Bonds
- Subdivision Bonds
- Grading Bonds
- Utility Improvement Bonds
- Completion Bonds
- Maintenance Bonds
- Sewer and Water Improvement Bonds
- Site Improvement Bonds

Development Bond Demand Growing Nationwide

Surety professionals report increased activity from lenders across California, Texas, Arizona, Nevada, Florida, and other high-growth development markets where infrastructure timelines and entitlement requirements are becoming more complex.

Projects involving public-private partnerships, tract developments, and phased residential communities are especially seeing increased lender scrutiny surrounding bonded improvements and completion obligations.

Developers are also facing tighter underwriting requirements from both lenders and municipalities, making early bond planning increasingly important during pre-development and financing stages.

Early Planning Can Prevent Delays

Industry experts recommend developers engage a surety specialist early in the financing process to avoid funding delays, escrow complications, or last-minute underwriting issues.

“Bonding should be part of the initial capital stack discussion—not an afterthought,” White Lion Bonding & Insurance Services added. “Many developers assume they only need bonds when the city requires them, but lenders are now adding their own requirements that can impact closing timelines.”

Early preparation often includes:

- Reviewing financial statements and work-in-progress schedules
- Confirming ownership structure and indemnity requirements
- Coordinating bond forms with lenders and municipalities
- Evaluating aggregate surety capacity for phased projects
- Structuring programs for future project expansion

About White Lion Bonding & Insurance Services

White Lion Bonding & Insurance Services specializes exclusively in surety solutions for developers, contractors, and construction-related businesses nationwide.

The company provides fast turnaround times, simplified underwriting solutions, and expertise in subdivision bonds, performance bonds, grading bonds, site improvement bonds, and other development-related surety programs.

For more performance surety bond services information, visit <https://WhiteLionIns.com> or call 949-258-9800.

Media Contact

White Lion Bonding & Insurance Services

*****@whitelionins.com

949-258-9800

3419 Via Lido, Ste 424, Newport Beach, CA 92663

<https://WhiteLionIns.com>

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