

Capitalize on Subdivision Bonds

Scheer's Subdivision Bonds Keep A Builder's Bank Line of Credit Open

Very few builders relish the idea of tying up precious money to guaranty to local municipalities that they will install all required improvements called for in the subdivision plat.

While most municipalities, at least in theory, will accept either a bank letter of credit or a corporate surety bond written by an insurance bond, the fact is that most insurance companies have balked at issuing such bonds. The result, of course, is that precious money which could be used in the development and building of subdivisions, is tied up for an extended period.

In the past, only the very largest builders could convince their insurers that subdivision bonds represented a sound investment. Now, virtually any responsible builder/developer can purchase bonds from companies like Scheer's, Inc., La Grange, IL.

"The subdivision bond provides everybody with a win situation," avers James Scheer, president of Scheer's, Inc. "Builders like them, municipalities like them, and even bankers like them."

Scheer spells out the advantages to the builder. First of all, the bond doesn't use up any available banking credit. Most builders find it necessary to push their credit limits, because they must not only borrow enough for buying the land and making improvements, but also to cover the issuing of the letter of credit to guaranty that improvements are installed.

"There's also a simplicity to it," Scheer says. "Once the builder is approved by a bonding company, a single phone call results in getting the bond guaranty written in one day. When the improvements are completed, the bond then converts into the maintenance guaranty often required by municipalities."

Scheer also says that bonds cost less than letters of credit. Also, when disputes arise between builder and municipality, the bonding company acts as a referee.

The municipality likes the bond process as well. When letters of credit expire, they're dead and gone, no longer protecting the village. Bonds, technically, do not expire. When a village cashes in a letter of credit, it is incumbent upon that government to make absolutely certain that funds are spent prudently. With bonds, this responsibility falls instead to the bonding company. Bonds are also less difficult for a municipality to administer.

Bankers like them as well. Scheer says. "What banks do best is lend money. They are uncomfortable when they issue a letter of credit because a third party comes into play. Letters of credit also use up their business line of credit. Banks make more money lending on improvements."

As the Scheer's, Inc. brochure points out, with subdivision bonds, everybody's a winner.

Further information on subdivision bonds can be obtained by contacting:

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