

**Payment Bond**  
Section 242

**U.S. Department of Housing  
and Urban Development**  
Office of Hospital Facilities

OMB Approval No. 2502-0602  
(Exp. 08/31/2019)

**Public reporting** burden for this collection of information is estimated to average 1.5 hours. This includes the time for collecting, reviewing, and reporting the data. The information is being collected to obtain the supportive documentation which must be submitted to HUD for approval, and is necessary to ensure that viable projects are developed and maintained. The Department will use this information to determine if properties meet HUD requirements with respect to development, operation and/or asset management, as well as ensuring the continued marketability of the properties. This agency may not collect this information, and you are not required to complete this form, unless it displays a currently valid OMB control number.

**Warning:** Federal law provides that anyone who knowingly or willfully submits (or causes to submit) a document containing any false, fictitious, misleading, or fraudulent statement/certification or entry may be criminally prosecuted and may incur civil administrative liability. Penalties upon conviction can include a fine and imprisonment, as provided pursuant to applicable law, which includes, but is not limited to, 18 U.S.C. 1001, 1010, 1012; 13 U.S.C. 3729, 3802, 24 C.F.R. Parts 25, 28 and 30, and 2 C.F.R. Parts 180 and 2424.

CONTRACTOR/PRINCIPAL (Name and Address):

LENDER (Name and Address):

OWNER (Name and Address):

SURETY (Name and Principal Place of Business):

PROJECT (Name, FHA Project Number and Location):

CONSTRUCTION CONTRACT:

Date:

Amount:

BOND:

Date:

Amount:

RIDERS TO THIS BOND:    \_\_\_ Yes                    \_\_\_ No

This Payment Bond is issued simultaneously with a Performance Bond-Dual Obligee (**Performance Bond**) issued in connection with the Project. As used herein, “**Obligees**” shall mean Owner, Lender, Secretary of Housing and Urban Development (“**HUD**”) and the additional obligee(s), if any, identified in a Rider to this Bond and “**Obligee**” shall mean any of the Obligees.

1. Contractor has entered into a Construction Contract with Owner for the construction of the Project (“**Contract**”), which as the same may now or hereafter be amended by change order or otherwise, is made a part hereof by reference.

2. Contractor and Surety, jointly and severally (“**Obligors**”), bind themselves, their heirs, executors, administrators, successors and assigns, to Obligees, for the use and benefit of Claimants as hereinafter defined in paragraph 3, in the sum of \_\_\_\_\_ Dollars (\$ \_\_\_\_\_), to pay for labor, materials and equipment furnished for use in the performance of the Contract. Any approved increase in the total Contract price shall increase the monetary obligation of Obligors accordingly.
3. A Claimant (“**Claimant**”) is defined as one having a direct contract with Contractor or with a subcontractor of Contractor for labor, materials or equipment used in the performance of the Contract, including without limitation in the terms “labor, materials or equipment” that part of water, gas, power, light, heat, oil, gasoline, telephone service or rental of equipment directly applicable to the Contract, architectural and engineering services required for performance of the work of Contractor and Contractor’s subcontractors, and all other items for which a mechanic’s lien may be asserted in the jurisdiction where the labor, materials or equipment was furnished.
4. This obligation shall be null and void if Contractor promptly makes payment to all Claimants for all labor, material, or equipment used in the performance of the Contract.
5. Contractor and Surety hereby jointly and severally agree with Obligees that every Claimant, who has not been paid in full before the expiration of a period of ninety (90) days after having last performed labor or last furnished materials or equipment, may sue on this Payment Bond for the use of such Claimant, prosecute the suit to final judgment for such sum or sums as may be justly due Claimant, and have execution thereon. No Obligees shall be liable for the payment of any costs or expenses of any such suit.
6. Surety shall have no obligation to Claimants under this Payment Bond unless:
  - a. Claimants, who do not have a direct contract with Contractor, have given notice to any two (2) of the above-named parties, those being Contractor, Owner or Surety, within ninety (90) days after having last performed labor or last furnished materials or equipment included in the claim, stating that a claim is being made under this Payment Bond and, with substantial accuracy, the amount claimed and the name of the party to whom the materials or equipment were furnished, or for whom the work or labor was done or performed.
  - b. Any suit, action or proceeding brought by Claimants under this Payment Bond shall be instituted within one (1) year from the later of the date on which (i) Claimants gave the notice required by paragraph 6a, or (ii) the later of the date that Claimants either perform the last labor and/or service or furnish the last materials or equipment under the Contract. If this limitation is deemed to be in contravention of any controlling law, this provision of the Payment Bond is deemed amended so as to substitute the minimum period of limitation permitted by such controlling law for the above limitation.

7. The amount of this Payment Bond shall be reduced by any payment(s) made in good faith hereunder, inclusive of the payment by Surety of mechanics' liens that may be filed of record against Project, whether or not the claim for the amount of such lien is presented under and against this Payment Bond. Notwithstanding the foregoing, no amounts paid without the written consent of Lender shall reduce the liability of Surety to Lender under this Payment Bond.
8. Surety hereby waives notice of any change, including changes of time, to the Contract or to related subcontracts, purchase orders and other obligations.
9. Notice to Surety, Owner, or Contractor shall be served by mailing the same by registered mail or certified mail, postage prepaid, to the address shown on this Payment Bond or to such other address as may have been previously specified by the recipient in a notice given in accordance herewith.

Each signatory below hereby certifies such signatory's statements and representations contained in this Payment Bond and all supporting documentation provided by such signatory are true, accurate, and complete. This Payment Bond has been made, presented, and delivered for the purpose of influencing an official action of HUD in insuring the Loan, and may be relied upon by HUD as a true statement of the facts contained therein.

SIGNED and SEALED this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_.

Witness as to Contractor:

\_\_\_\_\_

CONTRACTOR:

\_\_\_\_\_

By: \_\_\_\_\_

\_\_\_\_\_  
Name and Title (Printed)

SURETY:

\_\_\_\_\_

By: \_\_\_\_\_

\_\_\_\_\_  
Name and Title (Printed)

Project Name: \_\_\_\_\_  
FHA Project No.: \_\_\_\_\_

ADDITIONAL OBLIGEE RIDER

(Additional obligee only allowed with prior HUD approval.)

1. This Additional Obligee Rider is attached to and made a part of that certain Payment Bond, dated \_\_\_\_\_, 20\_\_ executed and delivered by \_\_\_\_\_, as Contractor, and \_\_\_\_\_, as Surety, in favor of Obligees, in the sum of \_\_\_\_\_ (\$ \_\_\_\_\_) with respect to the Project referenced above.
2. All of the terms, conditions and provisions of the Payment Bond are hereby incorporated herein by this reference as if fully set forth herein.
3. All defined terms as set forth in the Payment Bond shall have the same meaning herein.
4. \_\_\_\_\_ is hereby added to the Payment Bond as an additional named Obligee.
5. Nothing herein shall alter or affect any of the terms, conditions and other provisions of the Payment Bond, including especially but without limitation, the aggregate liability of Surety as described in paragraph 2 of the Payment Bond.

SIGNED and SEALED this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_.

Witness as to Contractor: \_\_\_\_\_ CONTRACTOR: \_\_\_\_\_

\_\_\_\_\_ By: \_\_\_\_\_

\_\_\_\_\_  
Name and Title (Printed)

SURETY: \_\_\_\_\_

By: \_\_\_\_\_

\_\_\_\_\_  
Name and Title (Printed)

Project Name: \_\_\_\_\_  
FHA Project Number: \_\_\_\_\_

ADDITIONAL SURETY RIDER

(Additional surety only allowed with prior HUD approval.)

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1. This Additional Surety Rider is attached to and made a part of that certain Payment Bond, dated \_\_\_\_\_, 20\_\_ executed and delivered by \_\_\_\_\_, as Contractor, and \_\_\_\_\_, as Surety, in favor of Obligees, in the sum of \_\_\_\_\_ (\$ \_\_\_\_\_) with respect to the Project referenced above.
2. All of the terms, conditions and provisions of the Payment Bond are hereby incorporated herein by this reference as if fully set forth herein.
3. All defined terms as set forth in the Payment Bond shall have the same meaning herein.
4. \_\_\_\_\_ (“**Additional Surety**”) is hereby added to the Payment Bond as an additional named Surety, and all references in the Payment Bond to “Surety” shall include the Additional Surety.
5. Each Surety and Additional Surety (collectively, “**Surety**”) is held and firmly bound, jointly and severally, onto Obligees. Further, each undersigned Surety binds itself in the aforesaid full sum jointly and severally, as well as severally, for the purpose of allowing joint action or singular action against any or all of them in the full amount of this Payment Bond and for all other purposes each Surety binds itself, jointly and severally with Contractor, for the payment of the full sums above stated.
6. Nothing herein shall alter or affect any of the terms, conditions and other provisions of the Payment Bond, including especially but without limitation, the aggregate liability of Surety as described in paragraph 2 of the Payment Bond.

SIGNED AND SEALED this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_.

Witness as to Contractor:

\_\_\_\_\_

CONTRACTOR:

\_\_\_\_\_

By: \_\_\_\_\_

\_\_\_\_\_

Name and Title (Printed)

SURETY

\_\_\_\_\_

By: \_\_\_\_\_

\_\_\_\_\_

Names and Title (Printed)

ADDITIONAL SURETY:

\_\_\_\_\_

By: \_\_\_\_\_

\_\_\_\_\_

Name and Title (Printed)