

Background

Originally, the BEAD NOFO mandated that subgrantees provide a letter of credit (LOC) equivalent to 25% of the subaward amount meeting eligibility requirements consistent with those set forth in the NOFO to ensure project completion and safeguard federal investments.

However, since then, the [BEAD Letter of Credit Waiver](#) has been released and is intended to reduce unnecessary financial barriers to participation while preserving adequate protections for federal funds and maintaining successful project completion.

Letter of Credit and Performance Bond Requirements

Below outlines the two routes that subgrantees can use to meet the BEAD program bonding obligations:

Letter of Credit	Performance Bond
Subgrantees provide a LOC equivalent to 10% of the subaward amount	Performance bonds equal to 10% of the subaward may be used in lieu of the LOC
<ul style="list-style-type: none"> Any United States Credit Union (as opposed to solely U.S. banks) may issue the LOC so long that the Credit Union is insured by the National Credit Union Administration; Any well capitalized bank, as defined by federal bank regulations promulgated by the Federal Deposit Insurance Corporation, The Federal Reserve, and the Office of the Comptroller of the Currency. Banks rated BBB- or higher by a Nationally Recognized Statistical Rating Organizations (NRSROs), as recognized by the Securities and Exchange Commission (SEC) BEAD Letter of Credit Waiver Update, July 2025 	<ul style="list-style-type: none"> Within 60 days of grant agreement execution, the subgrantee must obtain a performance bond that meets the approval of the Eligible Entity and is valued at 10% of the subaward amount. If a subgrantee opts for a performance bond, they do not need to provide a legal opinion stating that a LOC wouldn't be considered part of their assets in bankruptcy.

Subgrantee Option for Alternative Initial LOC or Performance Bond Percentage

Based on updated NTIA guidance, an initial 10% LOC/PB option is permissible, as the following criteria are met:

- a. The Eligible Entity issues funding on a reimbursable basis consistent with Section IV.C.1.b of the NOFO
 - a. DOM will provide the opportunity for subgrantees to submit claims on a reimbursement basis consistent with IV.C.1.b of the NOFO through Iowa Grants
- b. Reimbursement is for periods of no more than six months
 - a. Subgrantees may submit claims in Iowa Grants on a semiannual basis (every six months)
 - b. If no eligible costs have been incurred during a given period, a claim is not required for that interval
- c. The subgrantee commits to maintain a letter of credit or performance bond in the amount of 10% of the subaward until it has demonstrated to satisfaction of the Eligible Entity that it has completed the buildout of 100% of locations to be served by the project or until the period of performance of the subaward has ended, whichever occurs first
 - a. Subgrantees must maintain a Letter of Credit or Performance Bond equal to 10% of the award amount until the final award determination letter is issued, notifying subgrantees of DOM's approval and acceptance of project documentation demonstrating 100% buildout completion, or until the period of performance for the subaward has ended

Additional Considerations for Low Earth Orbit Capacity Subgrants

The [BEAD Restructuring Policy Notice](#) was released on June 6, 2025. The Policy Notice modifies and replaces certain requirements outlined in the BEAD NOFO. Specifically, the Policy Notice sought to incentivize LEO providers to reach out to potential subscribers to encourage adoption.

DOM has determined that an LEO subgrantee may reduce the value of the LOC or performance bond in accordance with the following limitations:

1. Upon demonstrating to the satisfaction of the Eligible Entity that it has **received certification that service is available to each location in the project area and provides a narrative explaining their outreach strategy to potential subscribers to encourage adoption**, an LEO subgrantee may obtain a new letter of credit, renew its existing letter of credit, or reduce the performance bond amount so that it is valued at **no less than 50% of the award amount**.
2. Upon demonstrating to the satisfaction of the Eligible Entity that the **subscription rate reaches at least 25% of all locations in the project area**, an LEO subgrantee may obtain a new letter of credit, renew its existing letter of credit, or reduce the performance bond amount so that it is valued at **no less than 25% of the award amount**.
3. **Upon the subscription rate reaching at least 50% of all locations in the project area**, the letter of credit and performance bond requirements will be released.

Regardless of the subscription rate, the LOC may be terminated four years after the LEO Capacity Subgrantee certifies that it can initiate broadband service within 10 business days of a request to any covered BSL in the project area.