

32.103 Progress payments under construction contracts.

When satisfactory progress has not been achieved by a contractor during any period for which a progress payment is to be made, a percentage of the progress payment *may* be retained. Retainage *should* not be used as a substitute for good contract management, and the *contracting officer should* not withhold funds without cause. Determinations to retain and the specific amount to be withheld *shall* be made by the *contracting officers* on a case-by-case basis. Such decisions will be based on the *contracting officer's* assessment of *past performance* and the likelihood that such performance will continue. The amount of retainage withheld *shall* not exceed 10 percent of the approved estimated amount in accordance with the terms of the contract and *may* be adjusted as the contract approaches completion to recognize better than expected performance, the ability to rely on alternative safeguards, and other factors. Upon completion of all contract requirements, retained amounts *shall* be paid promptly.

Parent topic: [Subpart 32.1 - Financing for Other Than a Commercial Purchase](#)