



U.S. Department of Housing and Urban Development
New York State Office
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<http://www.hud.gov/local/nyn/>

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MEMORANDUM FROM: Paul James, RA
New York Office

SUBJECT: Reduction of Retainage

1. Retainage will be held at 10% of total construction cost based upon the requisition.
2. At 90% completion, retainage may be reduced from 10% to 5%. However, the following is required:
 - a. Construction must be on schedule.
 - b. Approval letter from the bonding company.
 - c. Approval letter from the owner.
 - d. Clearance from HUD's Wage Branch.
 - e. All potential change orders to have been declared and discussed.
3. At 100% completion, and after HUD's final inspection has been completed and a certificate of occupancy or acceptable equivalent has been obtained, retainage may be reduced to from 5% to $2\frac{1}{2}\%$.

In addition to the requirements for the 10% to 5% reduction, the contractor's cost certification, if required, must be submitted with the owner's cost certification

4. Reduction from $2\frac{1}{2}\%$ to 0% is not done until final endorsement. However to give relief to contractors who have satisfactorily completed their contract, retainage may be further reduced to the maximum extent of funding. However, the following is required:
 - a. All the requirements for the 5% to $2\frac{1}{2}\%$ reduction have been provided.
 - b. All items of delayed completion and punch list items have been completed.
 - c. All defects revealed by the 12 month guarantee inspection have been corrected.
 - d. Final endorsement has not being delayed by the contractor.
 - e. The permanent certificate of occupancy has been obtained.