

## 32.306 Loan guarantees for subcontracts.

If the request for a loan guarantee concerns a subcontractor that is financially weak in comparison with its contractor, the Government's interests *may* be fostered by the contractor making progress payments to the subcontractor. If so, the agency *shall* try to arrange for the contractor to provide the progress payments. As a result, the need for the loan guarantee *may* be reduced or eliminated and the contractor would bear part or all of the risk of loss arising from the selection of the subcontractor.

**Parent topic:** [Subpart 32.3 - Loan Guarantees for Defense Production](#)