

The Comptroller General
of the United States

Washington, D.C. 20548

Decision

CP

Requester of: George C. Souders ✓ - Transfer - Real Estate Expenses

File: B-233361

Date: April 7, 1989

QUEST

1. A transferred employee claims reimbursement for shipping charges incurred by him to speed delivery of his loan documents to the lender incident to the purchase of a residence. The claim is denied. Such shipping charges are not specifically listed as items to be reimbursed under FTR, para. 2-6.2d(1)(a-e) (Supp. 4, Oct. 1, 1982). Nor are shipping (delivery) charges "similar in nature" to the specifically listed reimbursable items as authorized in FTR, para. 2-6.2d(1)(f). None of the listed authorized expenses relates to shipping or delivery fees; therefore, the shipping charges may not be allowed under any of those clauses, nor under FTR, para. 2-6.2f which authorizes reimbursement for incidental charges since the expense was not for a "required service."

2. A transferred employee claims reimbursement for a fee paid to the lender reflecting an appraiser's charge for inspecting the employee's newly constructed residence prior to the closing date. Pursuant to FTR, para. 2-6.2d(1)(j), only those construction expenses which are comparable to allowable expenses associated with the purchase of an existing residence may be reimbursed. The customary cost of an appraisal is such an expense and is, therefore, reimbursable as provided by FTR, para. 2-6.2b.

3. A transferred employee claims reimbursement for two title insurance policy endorsements. FTR, para. 2-6.2d(1)(h) specifically authorizes reimbursement of mortgage title insurance premiums paid for by employees and required by lenders. The endorsements are reimbursable.

PUBLISHED DECISION

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DECISION

This decision is in response to a request from an Authorized Certifying Officer^{1/} concerning the entitlement of Mr. George C. Souders to be reimbursed certain real estate expenses incident to a permanent change of station in June 1987. We hold that the shipping charges incurred transmitting the loan package may not be reimbursed as a residence transaction expense; however, the lender's inspection fee and the two title insurance policy endorsement fees are reimbursable.

BACKGROUND

Mr. George C. Souders, an employee of the Internal Revenue Service (IRS), purchased a partially constructed residence in connection with his transfer from Cedar Rapids, Iowa, to Cincinnati, Ohio. By travel voucher, dated September 16, 1987, he submitted a real estate expense claim incident to purchase, construction, and permanent financing of the residence, totaling \$4,350. Of that amount, the following items, totaling \$254, were disallowed by the IRS on the basis that the items represented nonreimbursable finance charges under Regulation 2.2/^{2/}

(1) Shipping Charges-- Loan Package	\$ 69.00
(2) Lender's Inspection Fee	35.00
(3) Title Insurance Endorsement Fee-- Variable Interest Rates	75.00
(4) Title Insurance Endorsement Fee--EPA Lien Protection	75.00
	<u>\$254.00</u>

^{1/} Georgia Fannin, Internal Revenue Service, Cincinnati, Ohio.

^{2/} Service charges imposed in connection with the extension of credit are specifically listed as finance charges under the Truth in Lending Act, Title I, Pub. L. 90-321, May 29, 1968, 82 Stat. 146, as amended, 15 U.S.C. §§ 1601-1667, and the implementing provisions of Regulation 2, 12 C.F.R. § 226.4 (1985).

Mr. Souders resubmitted his travel voucher to claim the previously disallowed items, along with a letter from the attorney representing the lender which explains what the charges represent. Mr. Souders contends that it is apparent that the items are not "finance charges" and are therefore reimbursable.

OPINION

The provisions governing reimbursement for real estate expenses incident to a transfer of duty station are contained in 5 U.S.C. § 5724(a)(1982) and regulations issued pursuant thereto. Those regulations are contained in part 6 of chapter 2, Federal Travel Regulations (Supp. 1, Sept. 28, 1981), incorp. by ref., 41 C.F.R. § 101-7.003(1987) (PTR), as amended by Supp. 4, Aug. 23, 1982.

Shipping Charges

Shipping charges imposed for the delivery of a loan package are not specifically listed as items to be reimbursed, nor are they "similar in nature" to those items in FTR, para. 2-6.2d(1)(a-e)^{3/}. In our decision in Mark B. Gregory, B-229230, Mar. 14, 1988, we disallowed Federal Express charges incurred by an employee to speed delivery of his mortgage loan application based on the above analysis. Accordingly, we conclude that Mr. Souders may not be reimbursed the \$69 expense for the shipping charges as a residence transaction expense.^{4/}

Lender's Inspection Fee

This fee for which Mr. Souders claims reimbursement reflects the cost of an inspection "by the appraiser representing the lender to insure completion of the house by the time of closing." The basic issue to be resolved in residence construction cases is whether the particular expense claimed is one which is comparable to a reimbursable expense incurred as a result of the purchase of an existing residence.^{5/} We have held that only those expenses resulting from construction which are comparable to expenses allowable

^{3/} See specifically, FTR, para. 2-6.2d(1)(f)^X

^{4/} We note, however, that the charges incurred to transmit the loan documents were covered under the \$700 miscellaneous moving expense allowance which the employee was paid.

^{5/} See FTR, para. 2-6.2d(1)(j)^X

in connection with the purchase of an existing residence may be reimbursed.^{6/}

Customarily, a lending institution requires an appraisal for residence purchase purposes so that it can determine whether it will provide permanent mortgage financing and, if so, the amount to be loaned.^{7/} Pursuant to PTR, para. 2-6.2b, the customary cost of an appraisal may be reimbursed. In the instant case, the fee paid to the lender's appraiser for inspecting the house was incident to the completion of construction and was required by the lender prior to the closing. Therefore, the lender's appraisal fee of \$35 is reimbursable.

Title Insurance Policy Endorsements

Mr. Souders further claims reimbursement for two title insurance policy endorsements. PTR, para. 2-6.2d(1)(h) specifically provides for reimbursement of mortgage title insurance policy charges, paid for by the employee for the protection of, and required by, the lender. This type of insurance protects the lender against possible defects in the purchaser's title to the property. Daniel T. Mates, B-217822, June 20, 1985; see also Michael S. Kochmanski, B-227503, Aug. 20, 1987. In the instant case, the lender has required Mr. Souders to pay the two title insurance endorsement charges. One is required for all variable interest rate loans sold in the secondary mortgage market. The other, an Environmental Protection Agency (EPA) lien endorsement, protects the lender against any liens that may have been filed by the EPA involving toxic waste cleanup. This endorsement is required for any loan sold in the secondary mortgage market after September 1, 1987. Since both these charges were required by the lender, Mr. Souders is entitled to reimbursement for them.

CONCLUSION

Accordingly, we sustain the agency's disallowance of the shipping charges. However, Mr. Souders may be reimbursed

6/ Barry L. Nadler, B-231537, Nov. 14, 1988; Ray F. Hunt, B-226271, Nov. 5, 1987.

7/ See J. Dain Maddox, B-214164, July 9, 1984.

for the lender's inspection fee, and the two title endorsement fees, for a total of \$185.

Milton J. Fowler

for Comptroller General
of the United States