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DECISION



**THE COMPTROLLER GENERAL
OF THE UNITED STATES
WASHINGTON, D. C. 20540**

FILE: B-191035

DATE: September 12, 1976

MATTER OF: David L. Kohlhepp - State VA Loan Fee

DIGEST: Fee charged by the Department of Veterans' Affairs of the State of Oregon to cover costs of preparing closing documents, appraisal costs, credit checks, and similar services, is not a finance charge within the meaning of Regulation Z. Accordingly, it is reimbursable.
B-174106, October 21, 1971.

This action is in response to a request dated December 8, 1977, from H. Larry Jordan, authorized certifying officer, U.S. Department of Agriculture, for an advance decision concerning a voucher submitted by David L. Kohlhepp for reimbursement of expenses incurred in connection with the purchase of a residence at his new official station.

The record shows that Mr. Kohlhepp, an employee of the Forest Service of the Department of Agriculture, was transferred from John Day, Oregon, to Portland, Oregon. On January 27, 1976, he submitted a voucher claiming reimbursement for \$157 in connection with the purchase of a residence at his new official station. The \$157 is listed as a Loan Fee on the Settlement Statement, and as a Service Fee on the Truth in Lending Statement. The Department of Veterans' Affairs of the State of Oregon, which financed Mr. Kohlhepp's loan, in a letter dated November 9, 1976, provided the following explanation of the \$157 fee: \$10 for credit checks, \$55 for appraisal fees, and \$92 for other closing costs. The certifying officer questions whether the \$92 attributable to closing costs is a finance charge under the Truth in Lending Act and, therefore, not reimbursable.

As noted, Mr. Kohlhepp financed the purchase of his new residence through the Department of Veterans' Affairs of the State of Oregon, which operates a Veterans Home Loan program similar in certain respects to the program for direct loans to veterans operated by the Federal Government. See generally, chapter 407 of title 33 of the Oregon Revised Statutes and 38 U.S.C. 1811. Pursuant to Oregon Revised Statutes 407.020, the Director of Veterans' Affairs for the State of Oregon has issued regulations requiring loan applicants pay a fee, based generally upon a percentage of the amount of the loan, to cover the costs of preparing closing documents, appraisal costs, credit

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checks, and similar services. This fee is comparable to the fee charged on direct loans to veterans by the Veterans Administration of the United States pursuant to 38 C.F.R. 36.4504 (1977). Compare 38 C.F.R. 36.4312, relating to guaranteed loans.

The closing costs described above are reimbursable unless they constitute a finance charge under the Truth in Lending Act and Regulation Z (12 C.F.R. 226.4 (1977), issued pursuant thereto. Federal Travel Regulations FPMR 101-7, para. 2-6.2d (May 1973). Regulation Z provides in pertinent part as follows:

"(e) Excludable charges, real property transactions. The following charges in connection with any real property transaction, provided they are bona fide, reasonable in amount, and not for the purpose of circumvention or evasion of this part, shall not be included in the finance charge with respect to that transaction:

"(1) Fees or premiums for title examination, abstract of title, title insurance, or similar purposes and for required related property surveys.

"(2) Fees for preparation of deeds, settlement statements, or other documents.

"(3) Amounts required to be placed or paid into an escrow or trustee account for future payments of taxes, insurance, and water, sewer, and land rents.

"(4) Fees for notarizing deeds and other documents.

"(5) Appraisal fees.

"(6) Credit reports. * * *"

In B-174106, October 21, 1971, we held that the fee charged by the Veterans Administration of the United States

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pursuant to 38 C.F.R. 36.4504 is reimbursable since it covers items which are not included as a finance charge under Regulation Z. The fee charged pursuant to the statutory authority of the Director of Veterans' Affairs of the State of Oregon also covers items which are not included as a finance charge under Regulation Z and, therefore, the fee paid by Mr. Kohlhepp is analogous and reimbursable.

Accordingly, the voucher is returned herewith and may be certified for payment if otherwise proper.

Milton J. Azcola

Acting Comptroller General
of the United States