

DOCUMENT RESUME

08005 - [C3288388]

[Reimbursement of Employee for Certain Relocation Expenses].
B-191402. November 22, 1978. 2 pp.

Decision re: James K. Lee; by Robert F. Keller, Deputy
Comptroller General.

Contact: Office of the General Counsel: Personnel Law Matters J.
Organization Concerned: Social Security Administration.
Authority: Truth in Lending Act, title I (P.L. 90-321). =12
C.F.R. 226. F.T.R. (FPMR 101-7).

An employee appealed denial of his request for reimbursement of certain expenses incurred in the sale of his home incident to a transfer. He may not be reimbursed for a loan origination fee to finance the sale because such a fee is considered a finance charge. The employee may, however, be reimbursed for closing costs incurred in the sale of his old residence. (RBS)

DECISION

Hickstead
**THE COMPTROLLER GENERAL
OF THE UNITED STATES**
WASHINGTON, D. C. 20548

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FILE: B-191402

DATE:

MATTER OF: James K. Lee - Relocation Expenses

NOV 22 1978

DIGEST: Employee may be reimbursed for closing costs incurred in connection with the sale of his residence at his old duty station. Department of Housing and Urban Development area office has advised that closing expenses are customarily incurred by seller incident to VA loan transactions. He may not be reimbursed for mortgage loan origination fee.

This action responds to a request for reconsideration of our Claims Division settlement dated December 1, 1977, which denied reimbursement to James K. Lee for certain items of expense he incurred in the sale of his residence in the vicinity of Columbia, South Carolina, incident to his transfer from there to Baltimore, Maryland, as an employee of the Social Security Administration. Of those expenses initially disallowed by the Social Security Administration in the amount of \$1,095.85, our Claims Division reimbursed Mr. Lee \$208.75 (before Federal tax withholding) for photographs, survey, and title insurance. Consequently, Mr. Lee is reclaiming the \$887.10 disallowed.

The first item in question is a mortgage loan origination fee or service charge in the amount of \$445 expended by Mr. Lee to process a loan obtained by the purchaser to finance the sale. Reimbursement for a loan origination fee may not be allowed. The governing regulation is paragraph 2-6.2d of the Federal Travel Regulations (FTR) (FPMR 101-7, May 1973), which specifically prohibits reimbursement of any expense determined to be a finance charge under the Truth in Lending Act, Title I, Public Law 90-321 and Regulation Z issued by the Board of Governors of the Federal Reserve System. Regulation Z, 12 C.F.R. 226.4, specifically provides that regardless of who incurs the expense, a service charge or loan fee imposed directly or indirectly by the creditor is a finance charge. Therefore, the disallowance of Mr. Lee's expenses for this item is sustained.

As to the remainder of the expenses, the issue is whether they are customarily paid by the seller or the purchaser in the vicinity of Columbia. Paragraph 2-6.2 of the FTR requires that the expenses for which reimbursement is claimed are reimbursable if they are customarily paid by the seller of a residence at the old official

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station or customarily paid by the purchaser of a residence at the new official station.

Since the sale of Mr. Lee's residence was financed by a Veterans Administration (VA) loan, we contacted, among other parties, the local office of the Department of Housing and Urban Development (HUD) office and the VA office in Columbia, South Carolina, as well as the Columbia Board of Realtors. The HUD area office by letter of October 2, 1978, advises us that the Columbia VA office states that, if property is financed by a VA loan, it is customary for the seller to pay the closing costs.

We conclude that the local custom for VA loan financing at the time of the sale was that the seller pay closing costs. Consequently, the disputed items disallowed by the Claims Division may be paid as follows:

1. Attorney's fee (Settlement fee)	\$307.00
2. Recording fees for deed, mortgage, and plot	\$ 10.00
3. Documentary stamps on amount borrowed (city/county/tax/stamps)	\$ 17.80
4. Appraisal fee	\$ 55.00
5. Credit report	<u>\$ 52.30</u>
Total	\$442.10

Thus, the claimant is entitled to be paid closing costs of \$442.10 (before Federal withholding tax) in addition to the \$208.75 previously allowed by the Claims Division. A settlement will be issued shortly for the additional amount due.

R.F.KELLER

Deputy Comptroller General
of the United States