

PLM-11

11,142

DECISION



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

FILE: B-194298

DATE: August 10, 1979

MATTER OF: David J. Connolly - *Claim for* Relocation expenses, *Involving a* mortgage prepayment penalty

DIGEST: Employee incident to transfer of station sold a residence at old official station and incurred expense for prepaying mortgage. Prepayment expense is reimbursable to the extent provided in the mortgage. A copy of the original mortgage, a receipt to the employee's selling agent showing payment of the prepayment penalty, and a copy of the settlement sheet showing the charge to the employee are sufficient evidence to document the payment. Interest on the mortgage, however, is a part of the charge by the mortgage company for carrying the loan on the residence and is not a reimbursable relocation expense.

The issue in this case is whether an employee on a permanent change of station is entitled to reimbursement for a mortgage prepayment penalty and interest on the mortgage in connection with the sale of his residence at the old duty station in the circumstances described. The answer concerning the mortgage prepayment penalty is yes. The answer on the interest is no.

Mr. David J. Connolly, an employee of the Drug Enforcement Administration (DEA), Department of Justice, was transferred from Miami to St. Petersburg, Florida. Upon processing of his claim for relocation allowances concerning the sale of his residence in Miami, Florida, the mortgage prepayment penalty on the unpaid balance of \$33,249.09 in the amount of \$1,053.90 and an interest charge of \$105.15 were disallowed by the DEA. The disallowance was based upon the failure of the employee to supply the original loan papers to substantiate the charges and the failure to supply a proper receipt of payment or cancelled check to validate the claim. Subsequent to the disallowance Mr. Connolly submitted a copy of the original recorded deed which reflects the prepayment obligation. Also submitted was a copy of a receipt showing payment of \$1,053.90 as a prepayment penalty by the settlement agent of Mr. Connolly to the holder of the mortgage on Mr. Connolly's residence in Miami. That receipt also reflects a charge of \$52.57 for interest on the balance of the mortgage and \$52.57

AGC 10

~~006165~~

B-194298

as an average in the escrow account which apparently accounts for the \$105.14 claimed as interest.

Regarding the interest, this sum appears to be the normal fee paid as interest charged by the mortgage company for carrying the loan and, as such, is not a reimbursable relocation expense.

Allowances for expenses incurred in connection with residence transactions incident to a permanent change of station are authorized by 5 U.S.C. 5724a (1976) and by the Federal Travel Regulations (FPMR 101-7) (FTR). Para. 2-6.2d of the regulations sets out the miscellaneous expenses which are reimbursable on such real estate transactions. Among other expenses, para. 2-6.2d provides for the reimbursement of mortgage prepayment penalty to the extent that the terms in the mortgage provide for such cost or provided such penalty, if not stated in the mortgage, is customarily charged by the lender. See also B-183251, May 29, 1975, and B-175424, June 8, 1972.

The evidence supplied by Mr. Connolly in the form of a copy of the original mortgage, a copy of the receipt for the prepayment penalty to his settlement agent, and a copy of the settlement sheet are sufficient to establish that a mortgage prepayment penalty was paid by him and is therefore a reimbursable item for the relocation of his residence in connection with his permanent change of station.

Accordingly, the voucher may be paid if otherwise correct in the amount of \$1,053.90 for the mortgage prepayment. The claim of \$105.15 for interest payment is disallowed.


Acting Comptroller General
of the United States