DECISION

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

FILE: B-219260 **DATE:** December 26, 1985

MATTER OF: Kenneth C. Barnum - Real Estate Expenses - Assignment of Second Mortgage

DIGEST:

Transferred employee sold residence at old duty station, received $5,000 cash, and accepted a second mortgage from the purchaser. In order to obtain sufficient funds to purchase a residence at his new official station, employee later assigned his interest in and to 120 monthly installments under the second mortgage and received the sum of $12,000. The transaction entered into by the employee was an "interim personal financing loan." It was not a loan secured by the employee's interest in his old residence, and thus was not a part of the total financial package in the purchase of a residence at his new duty station. Hence, the costs incurred in securing assignment of the second mortgage are not reimbursable.

This decision is in response to a request by Mr. F.P. Cantrell, Manager, Accounting Division, Federal Aviation Administration (FAA), United States Department of Transportation, as to whether he may certify for payment a reclaim travel voucher in the amount of $1,764.15. The reclaim was submitted by Mr. Kenneth C. Barnum, an employee of the agency, for reimbursement of costs incurred in the assignment of 120 monthly installments due him under a second mortgage on his residence at his old duty station in order to purchase a residence at his new official station. For the reasons stated later, the costs in the reclaim travel voucher may not be certified for payment.

By travel order dated March 12, 1984, Mr. Barnum was authorized a permanent change of station from Thatcher, Arizona, to Chandler, Arizona. He sold his residence in Thatcher on July 10, 1984. As part of the settlement, Mr. Barnum (and his wife) accepted a second mortgage from the purchaser. He received approximately $5,000 in cash.

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In October 1984, Mr. Barnum assigned his interest in and to 120 monthly installments payable under the second mortgage to a lending institution. He received a net sum of $12,000.

In his reclaim voucher of February 4, 1985, Mr. Barnum submitted a claim for reimbursement of the sum of $1,764.15 incurred when he assigned one-half of his interest in his second mortgage. The costs involved in the sale of the second mortgage were for a sales commission charged by an investment company for selling one-half of the second mortgage, an escrow fee, an owner's policy, and recording fees.

Mr. Barnum was reimbursed the sum of $4,450.50 by FAA for real estate expenses in connection with the sale of his residence at his old duty station. Of this amount $3,980 was for a real estate sales commission. He was also reimbursed the amount of $1,286.92 for real estate expenses incident to the purchase of a residence at his new duty station.

The statutory and regulatory authority for reimbursement of real estate expenses incurred by a federal civilian employee upon transfer of official station is contained in 5 U.S.C. § 5724a(a)(4) (1982) and Chapter 2, Part 6, of the Federal Travel Regulations, incorp. by ref., 5 C.F.R. § 101-7.003 (1984). Under these authorities, we have allowed reimbursement of the expenses incurred by an employee in obtaining a new mortgage, or a second mortgage on his residence at his former duty station, where the mortgage transaction on that residence was part of the "total financial package" essential to the purchase of a residence at the new duty station. Arthur J. Kerns, Jr., 60 Comp Gen. 650 (1981); Charles A. Onions, B-210152, June 28, 1983; James R. Allerton, B-206618, March 8, 1983. See also, Marshall L. Dantzler, B-217462, June 3, 1985, 64 Comp. Gen. _____.

In Kerns, 60 Comp. Gen. 650, the second mortgage obtained by the employee was not on the residence which he was purchasing but on his old residence which he had been unable to sell. The purpose of the second mortgage transaction was to obtain funds to make the downpayment on the residence which he was purchasing at his new duty station. We viewed the second mortgage transaction as being a part of the total financial package essential to the purchase of his new residence, and granted reimbursement. In Onions,

B-210152, we permitted an employee to be reimbursed for the cost of refinancing his old residence in order to obtain an assumable mortgage for the new purchaser and the downpayment on a residence at his new duty station. In Allerton, B-206618, the employee refinanced his residence at his old duty station in order to facilitate its sale and in order to obtain a downpayment for the purchase of a residence at his new duty station. The costs of refinancing the mortgage on the old residence were allowed. The mortgages in Kerns, Onions, and Allerton were all secured by the employees' interests in their old residences. Therefore, the mortgage loans obtained by the employees were not deemed to be "interim personal financing loans," but loans made to the employees, secured by their interests in their old residences, to enable them to make the downpayments on the purchases of the residences at their new official stations.

The common thread present in these decisions is that the financial transactions involved, a second mortgage, a refinanced mortgage, and a new mortgage, were secured by the employees' interests in their residences at their old duty stations. In this case, Mr. Barnum sold his residence at his old duty station and title passed to the purchaser. Therefore, he no longer had an ownership interest in his former residence. Consequently, the assignment of his interest in 120 monthly installments of the sales price of the property was more in the nature of an "interim personal financing loan," which occurred subsequent to and was disassociated from the sale of the employee's residence at his old official station. This Office has denied reimbursement of expenses incurred by an employee in obtaining an "interim personal financing loan." See 55 Comp. Gen. 679 (1976), wherein we held that since a personal loan was not secured by the property being purchased, by means of either a mortgage or deed of trust, the expenses incurred in obtaining the short-term loan were not reimbursable.

Accordingly, the reclaim travel voucher submitted by Mr. Barnum may not be certified for payment.

for Milton J. Socolar
Comptroller General
of the United States