



The Comptroller General  
of the United States

Washington, D.C. 20548

## Decision

Matter of: Thomas O. Hobbs - Loan Origination Fee  
File: B-221787  
Date: December 17, 1986

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### DIGEST

Transferred employee claimed 3 percent loan origination fee but agency limited reimbursement to 1 percent, based on HUD's advice that a 1 percent loan origination fee was customary in the locality of the employee's new residence at the time of the purchase. The information provided by HUD creates a rebuttable presumption as to the prevailing fee in the area, and the employee has not submitted evidence to rebut this presumption. Accordingly, the employee may not be reimbursed for the additional 2 percent fee.

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### DECISION

Mr. Donald L. Sondag, an authorized certifying officer of the United States Department of Interior (Interior), requests our decision concerning the reclaim of Mr. Thomas O. Hobbs, Superintendent, Isle Royale National Park, Houghton, Michigan, for reimbursement of a loan origination fee. Since the requested reimbursement exceeds the customary rate for the locality of his new residence, as established by the Department of Housing and Urban Development (HUD), we hold that Mr. Hobbs may not be reimbursed for his reclaim, absent evidence that the rate customarily charged for loan origination fees in that locality is higher.

Effective July 23, 1985, Mr. Hobbs was transferred from Yellowstone, Wyoming, to Houghton, Michigan. Interior allowed Mr. Hobbs reimbursement for a 1 percent loan origination fee (\$565) in connection with his purchase of a new residence, and denied the additional 2 percent (\$1,130). Interior's denial of the additional 2 percent was based on information received from HUD that 1 percent is the rate customarily charged for loan origination fees in that locality. HUD also speculated that the remaining 2 percent was probably some form of prepaid interest which is not reimbursable.

Mr. Hobbs has reclaimed the additional 2 percent. He has submitted a letter from Detroit & Northern Savings which

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shows that in his case the entire 3 percent charge (\$1,695) of the mortgage loan amount of \$56,500 was not interest, but an administrative finance charge, i.e., a loan origination fee. As the record in this case is presently constituted, however, the only evidence of the amounts of loan origination fees customarily paid in the locality of the new residence is that presented by Interior, which has relied on the 1 percent figure furnished by HUD.

Under 5 U.S.C. § 5724a(a)(4) (1982), an employee may be reimbursed for the expenses he or she incurs in selling and purchasing a residence pursuant to a permanent change of station. Effective October 1, 1982, the implementing regulations in para. 2-6.2d(1) of the Federal Travel Regulations, FPMR 101-7 (Supp. 4, August 23, 1982) (FTR), incorp. by ref., 41 C.F.R. § 101-7.003 (1983), were amended to permit reimbursement for loan origination fees and similar charges which are not specifically disallowed by FTR para. 2-6.2d(2). See Robert E. Kigerl, 62 Comp. Gen. 534 (1983). The term "loan origination fee," as used in FTR para. 2-6.2d(1) refers to a lender's fee for administrative expenses, including costs of originating the loan, processing documents, and related work. See Veterans Administration, 62 Comp. Gen. 456 (1983). Reimbursement for a loan origination fee is limited to the amount customarily charged in the locality of the employee's new residence. See 5 U.S.C. § 5724a(a)(4) (1982) as implemented by FTR para. 2-6.2d(1). See generally Patricia A. Grablin, B-211310, October 4, 1983.

In Gary A. Clark, B-213740, February 15, 1984, we held that an agency may rely on technical assistance provided by the local office of HUD in determining the customary loan origination fee for a given locality. We stated that the information supplied by HUD creates a rebuttable presumption as to the prevailing loan origination fee charged in the area, and is controlling in the absence of evidence overcoming that presumption. Applying evidentiary standards developed in the context of real estate brokers' commissions, we suggested that an employee may be able to demonstrate through a survey of local lending institutions that the prevailing loan origination fee is higher than that quoted by HUD. However, addressing the facts in Clark, we found that it is not sufficient for an employee to submit the concerned lending institution's statement that its loan origination fee represents the prevailing rate.

In this case, HUD's advice that a 1 percent loan origination fee is customary in the area of Houghton, Michigan, creates a rebuttable presumption as to the prevailing rate in that area. Since there is no other evidence of the amounts customarily charged by lending institutions for loan origination fees in that area at the time of the transfer of Mr. Hobbs in July 1985, we hold that he may not be reimbursed for his reclaim on the present record.

Accordingly, based on the present record, Mr. Hobbs may not be reimbursed for the additional 2 percent of his loan origination fee.

*for Milton J. Fowler*  
Comptroller General  
of the United States