



The Comptroller General  
of the United States

Washington, D.C. 20548

# Decision

**Matter of:** James R. Hladik, Jr. - Relocation Expenses -  
Title Insurance Premium  
**File:** B-223509  
**Date:** January 9, 1987

## DIGEST

A transferred Veterans Administration employee purchased a residence at his new official station. In obtaining the title insurance necessary to secure financing, he received a reduced rate on his purchase of mortgagee's title insurance because it was purchased in conjunction with an owner's title insurance policy. The cost of the title insurance was equally divided between seller and buyer. The employee is entitled to reimbursement of an amount equal to one-half of the charge for the mortgagee's title insurance if purchased separately.

## DECISION

This decision is in response to a request from the Director, Office of Budget and Finance (Controller) of the Veterans Administration (VA). We have been asked how much reimbursement an employee may receive where the cost of the owner's title insurance policy represents almost the entire cost of both the owner's and mortgagee's title insurance policies. For the reasons set out below, we hold that the employee may be reimbursed for an amount equal to what his share of the cost of the mortgagee's title insurance policy would have been had that policy been purchased alone.

## BACKGROUND

Dr. James R. Hladik, Jr., an employee of the VA, was transferred from Omaha, Nebraska, to Wichita, Kansas, and reported for duty in Wichita on August 18, 1985. Incident to the transfer, Dr. Hladik purchased a residence in the Wichita area. As is the customary practice in the Wichita area,

Dr. Hladik evenly split the \$691 total cost of title insurance with the seller of the residence. This \$691 cost included a charge of \$656 for an owner's title insurance policy and \$35 for a mortgagee's (lender's) title insurance policy. Dr. Hladik originally submitted a travel voucher which included his \$345.50 share of the title insurance costs. The VA reimbursed Dr. Hladik for the \$35 cost of the mortgagee's title insurance policy and suspended the remainder of Dr. Hladik's claim on the basis that the purchase of owner's title insurance was not a prerequisite to obtaining financing, and, therefore, was not a reimbursable expense. Dr. Hladik requested that the VA reconsider its decision, and submitted a letter from the Security Abstract and Title Company which had issued these title insurance policies. The letter stated that lenders require a mortgage policy and that, had the mortgagee's insurance policy not been purchased in conjunction with the owner's policy, the cost of the mortgagee's policy alone would have been \$587. The VA again denied Dr. Hladik's claim.

#### ANALYSIS

Section 5724a(a)(4) of title 5, United States Code (Supp. III, 1985) provides for the reimbursement of expenses incurred by a transferred employee in the sale of a residence at the old official station, and the purchase of a home at the new station. The Federal Travel Regulations, FPMR 101-7 (Supp. 4, October 23, 1982) incorp. by ref. 41 C.F.R. § 101-7.003 (1984) (FTR), implement the statute, and FTR para. 2-6.2d(1) provides that:

"(1) Reimbursable items. The expenses listed below are reimbursable in connection with the \* \* \* purchase of a residence, provided they are customarily paid \* \* \* by the purchaser of a residence at the new official station to the extent they do not exceed amounts customarily paid in the locality of the residence.

\* \* \* \* \*

"(h) Mortgage title insurance policy, paid for by the employee on a residence purchased by the employee for the protection of, and required by, the lender;

"(i) Owner's title insurance policy, provided it is a prerequisite to financing or the transfer of property; or the cost of the owner's title insurance policy is inseparable from the cost of other insurance, which is a prerequisite to financing or the transfer of property; \* \* \*."

The costs of "(1) searching title, preparing abstract, and legal fees for a title opinion or (2) where customarily furnished by the seller, the cost of a title insurance policy \* \* \*" are also included as reimbursable expenses. FTR para. 2-6.2c. However, the cost of owner's title insurance purchased by the employee for his own protection is not reimbursable. FTR para. 2-6.2d(2)(a).

In construing these regulations, we have recognized that when the owner's title insurance and mortgagee's title insurance are purchased concurrently, the fee charged for the title search and related expenses is often reflected in the cost of the owner's title insurance policy. Chester R. Lane, B-184720, July 1, 1976. While the cost of the owner's title insurance policy is ordinarily not reimbursable, the cost of the title search and related expenses included in the charge for owner's title insurance has been allowed as a reimbursable expense, provided that a reasonable allocation could be made between the cost of the owner's insurance premium and the cost of the title search. Chester R. Lane, B-184720, supra, at 2. This allocation has been accomplished by subtracting from the cost of the owner's insurance policy the cost of the mortgagee's insurance had it been purchased separately. Accordingly, we have generally held in cases similar to Dr. Hladik's that "the employee is entitled to be reimbursed for the \* \* \* amount allocable to the cost of the mortgagee's title insurance policy if purchased separately, regardless of how the cost of of the policies nominally might be apportioned." Ivan V. Faucon, B-197253, April 25, 1980. See also John G. Evans, B-197098, April 24, 1980; William E. Harris, B-181074, August 27, 1974.

As applied to this case, the record shows that the mortgagee's title insurance policy would have cost \$587 if purchased by itself, rather than the \$35 it cost when purchased in conjunction with the owner's policy. It follows that \$587 of the owner's policy premium may reasonably be considered as allocable to the costs of title search, mortgagee's title insurance, and other costs properly reimbursable in connection with mortgagee's title insurance. See Chester R. Lane, B-184720, July 1, 1976. The remaining \$104 is allocable to the owner's title insurance premium, and is, therefore, not reimbursable. FTR para. 2-6.2d(2)(a).

In conclusion, the \$587 cost allocable to the mortgagee's title insurance policy is a reimbursable expense. This \$587 total cost would have been evenly split between the seller and Dr. Hladik as is the custom in the Wichita area. Dr. Hladik, therefore, would have incurred an expense of \$293.50 allocable to the cost of the mortgagee's title insurance. As Dr. Hladik has already received \$35, he is entitled to additional reimbursement of \$258.50.

Finally, we note that the VA letter suggests that the governing provisions of the FTR be changed to simply allow reimbursement of the cost of owner's title insurance since all attorneys recommend that such coverage be purchased and a few states require by law that full title insurance be issued in all real estate transactions. This suggestion should be addressed to the the General Services Administration as it is charged with the promulgation of the regulations.

*for* *Harry R. Van Cleave*  
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