



The Comptroller General  
of the United States

Washington, D.C. 20548

## Decision

Matter of: Michael J. Murphy - Loan Origination Fee

File: B-232679

Date: November 14, 1988

---

### DIGEST

A transferred employee who purchased a residence at his new duty station may not be reimbursed for the full amount of a loan origination fee of 2.5 percent. Although he has demonstrated by a Federal Home Loan Bank's survey that a fee of 2.5 percent was customary in the locality for the conventional financing involved, the "fees" reflected in the survey include not only loan origination fees but also discounts and points which are not reimbursable expenses.

---

### DECISION

This decision is in response to a request from John E. Totten, Chief of the National Office of the Financial Branch, Internal Revenue Service (IRS), Department of the Treasury, concerning the claim of Mr. Michael J. Murphy, an employee of the IRS, for reimbursement of a loan origination fee. The fee was incurred when Mr. Murphy transferred from Philadelphia, Pennsylvania, to Washington, D.C., and purchased a residence at his new duty station which he financed by a conventional adjustable rate mortgage. He paid a 2.5 percent loan origination fee in the amount of \$5,000 at closing in January 1988. Although he claimed reimbursement for the full amount of the loan origination fee, the agency reimbursed him only \$2,000, an amount equal to a 1 percent loan origination fee.

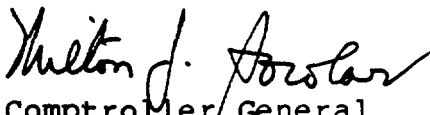
Mr. Murphy relies on our holding in Steven C. Krems, 65 Comp. Gen. 447 (1986), to support his claim for a 2.5 percent loan origination fee. In Krems, supra, we held that an employee was entitled to reimbursement for a 3 percent loan origination fee because he demonstrated by a Federal Home Loan Bank's survey of local lenders that a 3 percent fee was customary in the locality for the particular type of conventional financing involved.

043841/137280

Mr. Murphy presented a Survey of Terms on Conventional Home Mortgages prepared by the Federal Home Loan Bank Board to support his claim for a 2.5 percent loan origination fee. The relevant portion of this survey, focusing on the Washington, D.C. - Maryland - Virginia metropolitan area, showed that for all loans closed in the survey months of February and December 1987, and January and February 1988, average "initial fees and charges" between 2.44 and 2.82 percent were charged. "Fees and charges" are defined in this survey as "includ[ing] all fees, commissions, discounts, and 'points' paid by the borrower, or seller, in order to obtain a loan, including any general charge for making the loan and specific charges made to offset specific lending expenses . . . ."

Our decision in Krems, supra, was overruled in part in Constant B. Chevalier, 66 Comp. Gen. 627 (1987). In Chevalier, supra, we held that "fees" as reflected in a Federal Home Loan Bank survey of "fees" charged for financing in a particular area cannot be relied upon to establish the customary loan origination fee because not only are loan origination fees included in the "fee" but discounts and points, non-reimbursable expenses, are also included. See Federal Travel Regulations, para. 2-6.2d(2) which specifically provides that "[i]nterest on loans, points, and mortgage discounts are not reimbursable."<sup>1/</sup>

Based on Chevalier, supra, we hold that Mr. Murphy is not entitled to a 2.5 percent loan origination fee because the "initial fees and charges" as reflected in the survey he submitted include not only the loan origination fee but also discounts and points which are not reimbursable. Therefore, because Mr. Murphy has not provided evidence to support his claim for reimbursement of any additional amount as a loan origination fee, we conclude that Mr. Murphy may not be reimbursed for his loan origination fee in excess of 1 percent.

*for*   
Comptroller General  
of the United States

---

<sup>1/</sup> Federal Travel Regulations (Supp. 4, Aug. 23, 1982), incorp. by ref., 41 C.F.R. § 101-7.003 (1987).