DECISION

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

25605

FILE: B-210152 **DATE:** June 28, 1983

MATTER OF: Charles A. Onions

DIGEST:

A transferred employee obtained an assumable variable rate mortgage on his old residence in order to sell that residence so that he could make a downpayment on the purchase of a residence at his new duty station. The transaction, made primarily to obtain funds to make a downpayment, was part of the total financial package for the purchase of the new residence and was essential to the purchase. Hence, those expenses of obtaining the refinancing on his old residence are reimbursable to the extent that such costs are reasonable and customary and are otherwise properly allowable under the Federal Travel Regulations.

This action is in response to a request by the Chief, Branch of Financial Management, Geological Survey, United States Department of the Interior, as to whether he may certify for payment a reclaim voucher in the amount of $854.75. The voucher was submitted by Mr. Charles A. Onions, an employee of the Geological Survey, for costs he incurred in connection with the refinancing of his residence at his old official duty station in order to purchase a residence at his new official duty station.

For the reasons set forth below Mr. Onions may be allowed reimbursement of the reasonable and customary costs incurred in connection with refinancing his residence in the locality of his old duty station to the extent that such reimbursement is properly allowable under the Federal Travel Regulations, FPMR 101-7 (May 1973), in effect at the time of his transfer.

By travel authorization dated June 15, 1981, Mr. Onions was authorized travel and relocation expenses in connection with his transfer as an employee of the Geological Survey

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from Lakewood, Colorado, to Vancouver, Washington. Mr. Onions states that at the time of his transfer homes were not selling in view of the existing high interest rates of about 16 percent on home mortgages. He states that his real estate agent advised that he had a client who would be able to purchase his residence if a lower interest rate were available. Accordingly, on June 11, 1981, he refinanced his home by obtaining an assumable $55,000 mortgage at a variable interest rate of 12 percent. The purchaser of the residence subsequently assumed the variable rate mortgage which Mr. Onions had obtained. Settlement of the sale of Mr. Onions' former residence occurred on July 24, 1981, and settlement of his purchase of a residence at his new duty station in Vancouver, Washington, by means of a "contract for deed" took place on July 28, 1981. In connection with the purchase Mr. Onions tendered a downpayment of $29,500.

It is the costs of the June refinancing of his home in Colorado that is at issue in this case.

We have allowed the expenses incurred by an employee's obtaining a new mortgage or a second mortgage on his new residence where the mortgage transaction on the old residence was part of the "total financial package" essential to the purchase of a new residence. See Matter of Kerns, 60 Comp. Gen. 650 (1981) and Matter of Allerton, B-206618, March 8, 1983. In Kerns 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 by Mr. Kerns 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 the new residence. In Allerton we took a similar view with respect to a new mortgage on the employee's old residence, which he had obtained for a similar purpose as the second mortgage in Kerns. The mortgages in both Kerns and Allerton were secured by the employees' interest in their old residences and were, therefore, considered real estate transaction expenses and not merely interim personal financing.

Mr. Onions' refinancing of his residence at the old duty station by obtaining an assumable mortgage was an integral part of the financing of the residence at his new duty station similar to the financing arrangements considered in the Kerns and Allerton cases. Accordingly, the claimed real estate expenses may be allowed provided that the costs are reasonable and customary for the area.

In connection with the cost of obtaining the mortgage on his old residence Mr. Onions has claimed reimbursement for the following expenses: Title Insurance - $229, Credit Report - $25.75, Transfer Fee - $500, and Appraisal Fee - $100.

The charges for the credit report and the appraisal fee are reimbursable under paragraphs 2-6.2d and 2-6.2b of the Federal Travel Regulations (FTR), to the extent that they do not exceed the customary charges for those services in the area.

Reimbursement for a title insurance policy may be allowed where the title insurance is purchased primarily for the protection of the lender. Matter of King, B-183958, April 14, 1976. As distinguished from a mortgage title policy, the cost of which is reimbursable, the cost of an owner's title policy is generally not reimbursable. See paragraph 2-6.2d of the FTR. However, the cost of an owner's title policy may be reimbursable where the policy was purchased as a prerequisite to the transfer of the property, or the policy was purchased as a prerequisite to obtaining financing incident to such transfer and such cost is customarily paid. See Matter of Ferris, B-172742, November 24, 1980, and decisions cited therein. In Mr. Onions' case the title insurance premium listed on the lending institution's schedule of "estimated initial expense to obtain loan" appears to be for a mortgage title policy or an owner's policy which is a prerequisite to obtaining financing, and thus, is reimbursable.

The loan transfer fee claimed by Mr. Onions is regarded as a finance charge under Regulation Z of the Federal Reserve Board, 12 C.F.R. § 226.4(a) (1981). Under the provisions of FTR, paragraph 2-6.2d applicable at the time of Mr. Onions' transfer, such a charge is not reimbursable. See Matter of Roth, B-194203, May 7, 1979, and Matter of Smith, B-204995, July 20, 1982.

Action on the voucher should be taken in accordance with the above.

for Milton J. Socolar
Comptroller General
of the United States