

Revised



**The Comptroller General
of the United States**

Washington, D.C. 20548

Decision

Matter of: Rosemary Pappas and Richard L. Grubaugh -
Real Estate Expenses - Mortgage Insurance
File: B-226010
Date: November 30, 1987

DIGEST

Two transferred employees claim reimbursement for mortgage insurance they were required to pay at settlement to protect against default on FHA-insured loans. Reimbursement of this type of charge is specifically precluded by Federal Travel Regulations (FTR) para. 2-6.2d(2)(a). In addition, mortgage insurance, to the extent it is deemed a financing charge incident to the securing of a mortgage loan, may not be reimbursed under FTR para. 2-6.2d(2)(e).

DECISION

This decision is in response to a request from an Authorized Certifying Officer, Central Region of the Internal Revenue Service (IRS), Department of the Treasury. It involves the entitlement of two employees to be reimbursed mortgage insurance expenses incident to permanent changes of station. We hold that they may not be reimbursed for the following reasons.

BACKGROUND

The first employee, Ms. Rosemary Pappas, was transferred from New York, New York, to Covington, Kentucky, effective December 12, 1985. The second employee, Mr. Richard L. Grubaugh, was transferred from Grand Junction, Colorado, also to Covington, Kentucky, effective November 12, 1985.

Incident to those transfers, Ms. Pappas purchased a residence in Lakeside Park, Kentucky, and Mr. Grubaugh purchased a residence in Cincinnati, Ohio. Both secured Federal Housing Administration (FHA) financing, and in connection with that financing, they were required to purchase FHA mortgage insurance to protect the lender in case of default. The cost of mortgage insurance, \$2,084.30 for Ms. Pappas, and \$2,774.30 for Mr. Grubaugh, was disallowed by the agency. On reclaim, the employees

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contend that the expenses in question should be allowed because the insurance was required in order to obtain the loan.

The IRS cites to our decision in Daniel T. Mates, B-217822, June 20, 1985, as controlling, and notes that under paragraph 2-6.2d(2)(a) and (e) of the Federal Travel Regulations, payment of this type of charge is precluded since it is specifically listed as nonreimbursable or is to be considered a finance charge.

RULING

We agree with the agency position. Paragraph 2-6.2d(2) of the Federal Travel Regulations (FTR), incorp. by ref., 41 C.F.R. § 101-7.003 (1983), as amended by General Services Administration (GSA) Bulletin FPMR A-40, Supp. 4 (effective October 1982), precludes reimbursement of certain miscellaneous expenses in connection with an employee's sale of a residence at his old station or purchase of a residence at his new duty station. Paragraph 2-5.2d(2)(a) of the FTR provides that "mortgage insurance" may not be paid, and, to the extent that an expense may be deemed a finance charge, FTR paragraph 2-6.2d(2)(e) precludes payment as well.

In our decision Daniel T. Mates, cited above, in which we cited to earlier decisions of this Office, we analyzed "mortgage insurance" and said:

"Mortgage insurance, as distinguished from mortgage title insurance, insures the lender against possible default on the mortgage by the purchaser. Mortgage insurance is not reimbursable under the Federal Travel Regulations or Comptroller General decisions. Reimbursement of its cost is specially precluded by FTR para. 2-6.2d(2)(a). Moreover, its reimbursement is prohibited by FTR para. 2-6.2d(2)(e) since it is a finance charge. Regulation Z lists as an example of a finance charge 'premiums or other charges for any guarantee or insurance protecting the creditor against the consumer's default or other credit loss.' 12 C.F.R. § 226.4(b)(5)."

See also Michael S. Kochmanski, B-227503, Aug. 20, 1987.

It is our view that the decisions in Mates and Kochmanski are controlling here. Accordingly, we sustain the agency's disallowance and hold that the vouchers may not be paid.

Milton J. Fowler

Acting Comptroller General
of the United States