

Comptroller General
of the United States

Washington, D.C. 20548

Decision

CP

Matter of: William R. Dorr
File: B-249500
Date: December 24, 1992

DIGEST

Claim for loan origination fee in excess of 1 percent of the loan amount is denied because the loan origination fee is not itemized, and because the claimant has not shown by clear and convincing evidence that the amount in excess of 1 percent of the loan amount does not include prepaid interest, points, or a mortgage discount, as required by 41 C.F.R. § 302-6.2(d)(1)(ii) (1991).

DECISION

The Internal Revenue Service, Department of the Treasury (IRS) requests our decision as to whether the reclaim voucher of Mr. William R. Dorr in the amount of \$1,000 for additional reimbursement of a loan origination fee may be paid.¹ For the following reasons, we conclude the reclaim may not be paid.

Mr. Dorr, an IRS employee, was transferred by the IRS from Honolulu, Hawaii, to San Diego, California, on December 2, 1990. He purchased a new residence on December 28, 1990, and paid a loan origination fee of \$2,000, i.e. 2 percent of the loan amount of \$100,000. He claimed \$2,000 for the loan origination fee and was reimbursed \$1,000 by the IRS.

In support of his reclaim voucher for an additional \$1,000 Mr. Dorr has submitted a letter from the Department of Housing and Urban Development showing that a loan origination fee ranging from 1 percent to 2 percent was customary and reasonable in the San Diego area at the time he purchased his new residence. He has also submitted a listing of the mortgage rates in the San Diego Tribune on December 30, 1990, showing that 10 of the 13 financial institutions reporting on their 30-year fixed mortgage rates were charging 2 percent or higher.

¹This request was submitted by Mr. Steve Goldberg, Chief, Office of Travel Management and Relocation, IRS, Washington, DC.

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The IRS notes that the loan origination fee of \$2,000 is not itemized, and that from the "Good Faith Estimate of Closing Costs," it appears that the loan origination fee included some "points" which are not reimbursable under the Federal Travel Regulation (FTR), 41 C.F.R. § 302-6.2(d)(1)(ii)(A) (1991).

The cited FTR provision states that loan origination fees and similar charges for compensating the lender for administrative expenses incurred in originating and processing a loan are reimbursable with the following limitation:

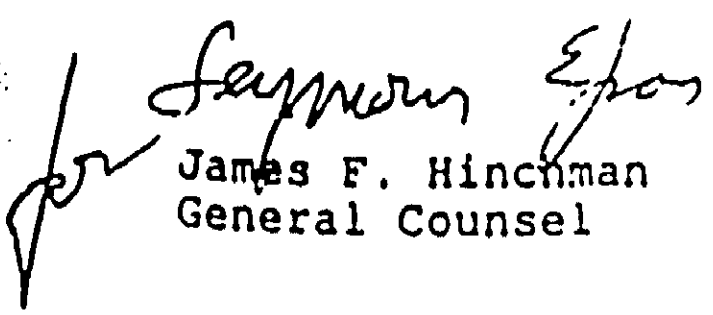
"An employee may be reimbursed for these fees in an amount not in excess of 1 percent of the loan amount without itemization of the lender's administrative charges. Reimbursement may exceed 1 percent only if the employee shows by clear and convincing evidence that:

"(A) The higher rate does not include prepaid interest, points, or a mortgage discount; and

"(B) The higher rate is customarily charged in the locality where the residence is located."

On the record before us, the loan origination fee is stated as \$2,000, and is not itemized to show the lender's administrative charges, as 41 C.F.R. § 302-6.2(d)(1)(ii) (1991) requires. Furthermore, Mr. Dorr has not shown by clear and convincing evidence that the higher rate does not include prepaid interest, points, or a mortgage discount since it appears from the "Good Faith Estimate of Closing Costs" that the loan origination fee included at least some "points" which are not reimbursable under 41 C.F.R. § 302-6.2(d)(1)(ii)(A) (1991). See George C. Souders, B-248457, Sept. 29, 1992, and Sherree W. Anderson, B-246809, Mar. 31, 1992, and cases cited therein.

Accordingly, Mr. Dorr's claim is denied.


James F. Hinchman
General Counsel

CIVILIAN PERSONNEL

Relocation

Residence transaction expenses

Loan origination fees

Reimbursement

Amount determination