

**DECISION**

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

**FILE:** B-219545

**DATE:** January 15, 1986

**MATTER OF:** Mary C. Saucedo - Real Estate Expenses -  
Loan Origination Fee

**DIGEST:**

Transferred employee claimed 3 percent loan origination fee but agency limited reimbursement to 1 percent, based on HUD's advice that a 1 percent loan origination fee was customary in the locality of the employee's new residence at the time of the purchase. The information provided by HUD creates a rebuttable presumption as to the prevailing fee in the area, and the employee has not submitted evidence sufficient to rebut this presumption. Accordingly, the employee may not be reimbursed for the additional 2 percent fee.

Mr. Conrad R. Hoffman, Director of the Office of Budget and Finance (Controller), Veterans Administration (VA), requests our decision concerning Ms. Mary C. Saucedo's claim for the full amount of a 3 percent loan origination fee she incurred when purchasing a residence at her new duty station. For the reasons set forth below, we hold that the VA properly reimbursed Ms. Saucedo for only 1 percent of the 3 percent fee.

FACTS

Effective September 7, 1984, Ms. Saucedo was transferred from Temple, Texas, to Manchester, New Hampshire. She financed the purchase of a new residence in Manchester by obtaining a conventional mortgage, and incurred a 3 percent loan origination fee of \$1,650.

The VA allowed Ms. Saucedo reimbursement for a 1 percent loan origination fee, suspending the additional 2 percent based on advice from the Manchester office of the Department of Housing and Urban Development (HUD) that local lending institutions customarily charge a 1 percent fee. While the Manchester office of HUD acknowledged that several local lenders were charging "loan origination fees" of 2 and 3 percent, it stated that it had contacted these lenders and

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learned that the bulk of the higher fees represented prepaid interest rather than administrative expenses associated with loan origination.

Ms. Saucedo reclaimed reimbursement for the disallowed 2 percent fee, arguing that the 1 percent figure quoted by HUD does not represent the customary loan origination fee in Manchester. In this regard, she has submitted a letter from her lender, the Homeowners Mortgage Company, stating that, at the time it closed her loan, 3 percent was the "reasonable and customary" fee for originating conventional mortgages and that no part of the fee charged Ms. Saucedo represented a mortgage "buydown."

Against this background, the VA questions whether it may allow Ms. Saucedo's claim for an additional 2 percent loan origination fee.

#### DISCUSSION

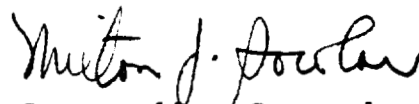
Under 5 U.S.C. § 5724a(a)(4) (1982), an employee may be reimbursed for the expenses he or she incurs in selling and purchasing a residence pursuant to a permanent change of station. Effective October 1, 1982, the implementing regulations in paragraph 2-6.2d(1) of the Federal Travel Regulations, FPMR 101-7 (Supp. 4, August 23, 1982) (FTR), incorp. by ref., 41 C.F.R. § 101-7.003 (1983), were amended to permit reimbursement for loan origination fees and similar charges which are not specifically disallowed by FTR para. 2-6.2d(2). See Robert E. Kigerl, 62 Comp. Gen. 534 (1983). The term "loan origination fee," as used in FTR para. 2-6.2d(1), refers to a lender's fee for administrative expenses, including costs of originating the loan, processing documents, and related work. See Veterans Administration, 62 Comp. Gen. 456 (1983). Reimbursement for a loan origination fee is limited to the amount customarily charged in the locality of the employee's new residence. See 5 U.S.C. § 5724a(a)(4), as implemented by FTR para. 2-6.2d(1). See generally Patricia A. Grablin, B-211310, October 4, 1983.

In Gary A. Clark, B-213740, February 15, 1984, we held that an agency may rely on technical assistance provided by the local office of HUD in determining the customary loan origination fee for a given locality. We stated that the

information supplied by HUD creates a rebuttable presumption as to the prevailing loan origination fee charged in the area, and is controlling in the absence of evidence overcoming that presumption. Applying evidentiary standards developed in the context of real estate brokers' commissions, we suggested that an employee may be able to demonstrate through a survey of local lending institutions that the prevailing loan origination fee is higher than that quoted by HUD. However, addressing the facts in Clark, we found that it is not sufficient for an employee to submit the concerned lending institution's statement that its loan origination fee represents the prevailing rate.

In this case, HUD's advice that a 1 percent loan origination fee is customary in Manchester creates a rebuttable presumption as to the prevailing rate in that area. Although Ms. Saucedo has submitted a letter from the Homeowners Mortgage Company stating that its loan origination fee of 3 percent represented the "reasonable and customary" fee in Manchester, this evidence is not sufficient to demonstrate that lenders in Manchester typically charged a 3 percent fee. See Clark, above, and Richard P. Johnson, B-218754, September 17, 1985. Under these circumstances, Ms. Saucedo has not rebutted the presumption that a 1 percent loan origination fee was customary in the Manchester area, and she may not be reimbursed for a higher amount.

Accordingly, for the reasons stated above, Ms. Saucedo's claim for an additional 2 percent loan origination fee may not be allowed.



Acting Comptroller General  
of the United States