

**DOCUMENT RESUME**

08013 - [C3388455]

[Request for Reimbursement of Loan Origination Fee]. B-191038.  
November 28, 1978. 2 pp.

Decision re: Kenneth DeFazio; by Robert F. Keller, Deputy  
Comptroller General.

Contact: Office of the General Counsel: Personnel Law Matters  
II.

Organization Concerned: Department of the Army: Rock Island  
Arsenal, IL.

Authority: P.L. 90-321, title I, §12 C.F.R. 226. F.I.R. (YPMR  
101-7). B-189639 (1978).

An advance decision was requested concerning reimbursement of a loan origination fee paid by a transferred employee in connection with purchase of a home at his new duty station. Reimbursement was not persitted in spite of the bank's characterization of the fee as a service charge since there was no itemization of costs, and such fees are generally finance charges which are not reimbursable. (HTW)

*W. J. Sullivan, 1/1/78*

**DECISION**



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

*2455*

**FILE:** B-191038

**DATE:** November 28, 1978

**MATTER OF:** Kenneth DeFazio - Loan Origination Fee

**DIGEST:** A transferred employee paid a lump-sum loan origination fee that was described by the bank as a service charge covering internal and administrative costs, not a finance charge, with no further itemization. Government is not bound by bank's characterization of the charge, but must examine the charge against Regulation Z. Since there is no itemization of the costs included in the loan origination fee, and such a fee is generally a finance charge under Regulation Z, no reimbursement is permitted here.

This action is in response to a request for an advance decision submitted by the Finance and Accounting Officer, Rock Island Arsenal, Rock Island, Illinois, concerning reimbursement of certain charges paid by Mr. Kenneth DeFazio incident to the purchase of a home at his new duty station. The request was forwarded to this Office through the Per Diem, Travel and Transportation Allowance Committee, and was assigned PDTATAC Control No. 77-39.

Mr. DeFazio was transferred from Picatinny Arsenal, Dover, New Jersey, to Rock Island Arsenal, reporting there on June 27, 1977. When he settled on the purchase of a residence at his new duty station, he paid a loan origination fee of \$425. In support of his claim for reimbursement of the loan origination fee, he attached a copy of a letter dated August 5, 1977, from Paul Blumenstein, President of the State Savings and Loan Association of Geneseo. That letter stated:

"The loan origination fee in connection with Mr. Kenneth J. DeFazio's mortgage \* \* \* is a service charge to cover various internal and administrative costs incurred in processing the mortgage's application and is not a finance charge under the truth and lending act, reference Title 1, P.L. 90-321 Regulation Z."

B-191038

It appears to be Mr. DeFazio's position that, since the bank states that the charge is not a finance charge, the Government is required to accept that interpretation.

Reimbursement of relocation expenses is governed by the Federal Travel Regulations, FPMR 101-7 (May 1973) (FTR). Paragraph 2-6.2d of those regulations prohibits reimbursement of any item which is found to be a finance charge under Regulation Z. In determining whether or not a particular payment is a finance charge, the statement of the lending institution cannot simply be accepted. The reviewing officials must examine the item in light of Regulation Z, 12 C.F.R. § 226.4 (1978), and our decisions. The items comprising a finance charge are listed in subsection 226.4(a) and the items that may be excluded from finance charges in real estate transactions are listed in subsection 226.4(e).

We have held that there may be no reimbursement of a lump-sum loan origination fee. However, if the lump-sum fee includes specific charges which would otherwise be for allowance there must be a specific list of the services or charges that comprise the lump-sum amount, and only those items that are specifically excluded from the definition of a finance charge by 12 C.F.R. § 226.4(e) (1978), may be reimbursed. Matter of Anthony J. Vrana, B-189639, March 24, 1978. Clearly, a lump-sum loan origination fee is a finance charge under the meaning of Regulation Z. Although the bank states that the charge is to cover various "internal and administrative costs," those costs are not listed and it cannot be determined whether or not they are excluded from the definition of a finance charge. In that connection it is noted that most of the items listed in subsection 226.4(e), as not comprising finance charges, were paid by Mr. DeFazio in addition to the loan origination fee and where appropriate have been reimbursed to him.

Accordingly, since there is no itemization of the charges included in the loan origination fee paid by Mr. DeFazio, and since it appears that such fee did not include items which are not considered finance charges, he may not be reimbursed for any part of that fee.

*R. F. K. 114*  
Deputy Comptroller General  
of the United States