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**DECISION**



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

**FILE:** B-217189

**DATE:** May 6, 1985

**MATTER OF:** Leslie E. Russell, Jr.

**DIGEST:**

An employee who purchased a residence incident to transfer may not be reimbursed for a commitment fee, as such payment is a finance charge under Regulation Z and is not reimbursable under Federal Travel Regulations, para. 2-6.2d (September 1981).

A Federal employee claims reimbursement for a loan commitment fee representing a previously disallowed amount of the real estate expenses in connection with the purchase of a residence upon transfer of station.<sup>1/</sup> We conclude that the commitment fee is paid to set aside the funds for the employee's loan at the agreed interest rate and is considered a finance charge not reimbursable.

Mr. Leslie E. Russell, Jr., an employee of the United States Department of Agriculture, Forest Service, was transferred from Sitka, Alaska, to Ketchikan, Alaska. As an incident to his transfer, he was authorized certain expenses in connection with the purchase of a residence at the new official station. In August 1983, Mr. Russell submitted a travel voucher in which he claimed a loan origination fee of \$1,188 paid to the lender bank and a commitment fee of \$594 paid to the Alaska Housing Finance Corporation. The agency reimbursed the loan origination fee, but disallowed the commitment fee as being a finance charge and not specifically authorized by the Federal Travel Regulations.

The submission cites as the basis of their disallowance our decision Richard W. Jones, B-191040, November 29, 1978, and George J. Wehrstedt, B-192851, May 11, 1979, in which we held that the commitment fee is a charge incident to the extension of credit considered a part of the finance charge and not reimbursable. Mr. Russell reclaimed the payment of the commitment fee to the Alaska Housing Finance Corporation

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<sup>1/</sup> C. E. Tipton, Certifying Officer, Forest Service, United States Department of Agriculture, submitted this request for a decision.

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contending that this payment was an administrative cost of the lending institution providing the funds and should qualify as an additional loan origination fee reimbursable under current regulations.

Reimbursement of relocation expenses is governed by the Federal Travel Regulations, FPMR 101-7 (September 1981) (FTR), as amended by GSA Bulletin FPMR A-40, General, Supplement 4, October 1, 1982. Paragraph 2-6.2d(2)(e) of those regulations prohibits reimbursement of any item which is found to be a finance charge under Regulation Z issued by the Board of Governors of the Federal Reserve System in implementation of the Truth in Lending Act unless specifically authorized in paragraph 2-6.2d(1). In determining whether or not an item is part of a finance charge, the reviewing officials must examine it in light of Regulation Z (12 C.F.R. § 226.4 (1984)), and our decisions.

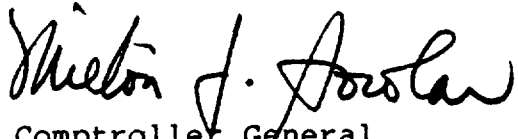
The Federal Travel Regulations were revised effective October 1, 1982, to permit reimbursement for loan origination fees. FTR para. 2-2d(1)(b). In commentary accompanying the amended provisions of FTR 2-6.2d, the General Services Administration explained the term "loan origination fee" refers to a lender's administrative expenses in processing a loan. 47 Fed. Reg. 44,566 (1982).

We have consistently held that a commitment fee is a charge that is incident to setting aside the funds for a loan at the agreed interest rate and as a charge incident to the extension of credit it must be considered part of the finance charge not reimbursable. Richard W. Jones, B-191040, November 29, 1978; George J. Wehrstedt, B-192851, May 11, 1979. See also, James W. Pierce, B-202103, July 16, 1982.

The Department of Housing and Urban Development advises that a 1/2 percent commitment fee is charged by the Alaska Housing Finance Corporation to hold the money for the applicant 120 days after approval of the loan. Since no evidence has been provided to indicate that this charge was other than a commitment fee to hold the loan commitment at the agreed interest rate it is not allowable as a loan origination fee payable to cover the administrative expenses of the lender. In the circumstances it appears that the commitment fee was a charge incident to the extension of credit and a finance charge which is not reimbursable.

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Accordingly, Mr. Russell may not be reimbursed for the \$594 loan commitment fee.

*for*   
Comptroller General  
of the United States