

type of transfer is authorized or approved, reimbursement is allowable for real estate expenses required to be paid by the employee in connection with:

(i) The sale of the residence (or the settlement of an unexpired lease) at the official station from which the employee was transferred when he/she was assigned to a post of duty located in a foreign area; and

(ii) The purchase of a residence at the new official station when the employee is transferred in the interest of the Government from a post of duty located in a foreign area to a nonforeign area official station (other than the official station from which he/she was transferred when assigned to the foreign post of duty).

(4) *Reimbursement limitations.* Reimbursement under this paragraph is prohibited for any sale (or settlement of an unexpired lease) or purchase transaction that occurs prior to the employee's first being officially notified (generally in the form of a change of official station travel authorization) that instead of returning to the former nonforeign area official station, he/she will be reassigned or transferred to a different nonforeign area official station than the one from which he/she was transferred when assigned to the foreign post of duty.

(5) *Service agreement required.* A signed service agreement shall be required as prescribed in § 302-1.5 for any employee who is eligible for reimbursement of residence transaction expenses authorized under this paragraph.

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§ 302-6.2 Reimbursable and non-reimbursable expenses.

(a) *Brokers' fees and real estate commissions.* A broker's fee or real estate commission paid by the employee for services in selling his/her residence is reimbursable but not in excess of rates generally charged for such services by the broker or by brokers in the locality of the old official station. No such fee or

commission is reimbursable in connection with the purchase of a home at the new official station.

(b) *Other advertising, selling, and appraisal expenses.* Costs of newspaper, bulletin board, multiple-listing services, and other advertising for sale of the residence at the old official station are reimbursable if the employee has not paid for such services in the form of a broker's fee or real estate agent's commission. The customary cost of an appraisal also may be reimbursed.

(c) *Legal and related expenses.* To the extent such costs have not been included in brokers' or similar services for which reimbursement is claimed under other categories, the following expenses are reimbursable with respect to the sale and purchase of residences if they are customarily paid by the seller of a residence at the old official station or if customarily paid by the purchaser of a residence at the new official station, to the extent they do not exceed amounts customarily charged in the locality of the residence: costs of (1) searching title, preparing abstract, and legal fees for a title opinion, or (2) where customarily furnished by the seller, the cost of a title insurance policy; costs of preparing conveyances, other instruments, and contracts and related notary fees and recording fees; costs of making surveys, preparing drawings or plats when required for legal or financing purposes; and similar expenses. Costs of litigation are not reimbursable.

(d) *Miscellaneous expenses—(1) Reimbursable items.* The following expenses are reimbursable in connection with the sale and/or purchase of a residence, provided they are customarily paid by the seller of a residence in the locality of the old official station or by the purchaser of a residence at the new official station, to the extent they do not exceed specifically stated limitations, or in the absence thereof, amounts customarily paid in the locality of the residence:

(i) FHA or VA fee for the loan application.

(ii) Loan origination fees and similar charges such as loan assumption fees and loan transfer fees. A loan origination fee is a fee paid by the borrower to

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compensate the lender for administrative type expenses incurred in originating and processing a loan. Reimbursement for a loan assumption fee or a loan transfer fee or a similar charge also may be allowed, if it is assessed in lieu of a loan origination fee and reflects charges for services similar to those covered by a loan origination fee. 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.

(iii) Cost of preparing credit reports.

(iv) Mortgage and transfer taxes.

(v) State revenue stamps.

(vi) Other fees and charges similar in nature to those listed in paragraphs (d)(1)(i) through (v) of this section, unless specifically prohibited in paragraph (d)(2) of this section.

(vii) Charge for prepayment of a mortgage or other security instrument in connection with the sale of a residence at the old official station to the extent the terms in the mortgage or other security instrument provide for this charge. This prepayment penalty is also reimbursable when the mortgage or other security instrument does not specifically provide for prepayment, provided this penalty is customarily charged by the lender, but in that case the reimbursement may not exceed 3 months' interest on the loan balance.

(viii) Mortgage title insurance policy, paid for by the employee, on a residence purchased by the employee for the protection of, and required by, the lender.

(ix) Owner's title insurance policy, provided it is a prerequisite to financing or the transfer of the property; or if the cost of the owner's title insurance policy is inseparable from the cost of other insurance which is a prerequisite to financing or the transfer of the property.

(x) Expenses in connection with construction of a residence, which are comparable to expenses that are reimbursable in connection with the purchase of an existing residence.

(xi) Expenses in connection with environmental testing and property inspection fees when required by Federal, State, or local law; or by the lender as a precondition to sale or purchase.

(2) *Nonreimbursable items.* Except as otherwise provided in paragraph (d)(1) of this section, the following items of expense are not reimbursable:

(i) Owner's title insurance policy, "record title" insurance policy, mortgage insurance or insurance against loss or damage of property, and optional insurance paid for by the employee in connection with the purchase of a residence for the protection of the employee;

(ii) Interest on loans, points, and mortgage discounts;

(iii) Property taxes;

(iv) Operating or maintenance costs;

(v) No fee, cost, charge, or expense determined to be part of the finance charge under the Truth in Lending Act, title I, Pub. L. 90-321, as amended, and Regulation Z issued by the Board of Governors of the Federal Reserve System (12 CFR part 226), unless specifically authorized in paragraph (d)(1) of this section; and

(vi) Expenses that result from construction of a residence.

(e) *Losses due to prices or market conditions at the old and new posts of duty.* Losses are not reimbursable when they are incurred by an employee:

(1) Due to failure to sell a residence at the old official station at the price asked, or at its current appraised value, or at its original cost;

(2) Due to failure to buy a dwelling at the new official station at a price comparable to the selling price of the residence at the old official station; or

(3) Any similar losses.

(f) *Other expenses of sale and purchase of residences.* Incidental charges made for required services in selling and purchasing residences may be reimbursable if they are customarily paid by the seller of a residence at the old official station or if customarily paid by the purchaser of a residence at the new official station, to the extent they do

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not exceed amounts customarily charged in the locality of the residence.

(g) *Overall limitations—(1) Sale of the residence at the old official station.* The total amount of expenses that an agency may reimburse in connection with the sale of the residence at the old official station shall not exceed 10 percent of the actual sales price of the residence.

(2) *Purchase of a residence at the new official station.* The total amount of expenses that an agency may reimburse in connection with the purchase of a residence at the new official station shall not exceed 5 percent of the actual purchase price of the residence.

(h) *Settlement of an unexpired lease.* Expenses incurred for settling an unexpired lease (including month-to-month rental) for residence quarters occupied by the employee at the old official station may include broker's fees for obtaining a sublease or charges for advertising an unexpired lease. Such expenses are reimbursable when (1) applicable laws or the terms of the lease provide for payment of settlement expenses, (2) such expenses cannot be avoided by sublease or other arrangement, (3) the employee has not contributed to the expense by failing to give appropriate lease termination notice promptly after he/she has definite knowledge of the transfer, and (4) the broker's fees or advertising charges are not in excess of those customarily charged for comparable services in that locality. Itemization of these expenses is required and the total amount shall be entered on an appropriate travel voucher. This voucher may be submitted separately or with a claim that is to be made for expenses incident to the purchase of a dwelling. Each item must be supported by documentation showing that the expense was in fact incurred and paid by the employee.

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§ 302-6.3 Procedural and control requirements.

(a) *Application for reimbursement and documentation of expenses.* Employees shall be furnished appropriate forms for claiming reimbursement for expenses of real estate transactions. Agencies shall prescribe a claim application form which meets internal administrative requirements. The form should include the most commonly incurred items of expense for which reimbursement may be claimed and any necessary administrative approval blocks. Amounts claimed must be supported by documentation showing that the expense was in fact incurred and paid by the employee. Included in the required supporting documents (as appropriate) are copies of (1) the sales agreement, (2) the purchase agreement, (3) property settlement documents, (4) loan closing statements, and (5) invoices or receipts for other bills paid. An appropriate voucher shall be prepared by the employee and used in transmitting the claim application with supporting attachments. Reimbursement may be in two parts; i.e., a payment for expenses incurred in the sale of the former residence and a payment for expenses incurred in the purchase of a new dwelling.

(b) *Review and administrative approval of sale and purchase expenses.* Applications shall be reviewed by a responsible official of the agency. The application for reimbursement of expenses for the sale of a residence shall be sent to the claimant's old official station for review and approval of the claim unless agency review and approval functions are performed elsewhere. In case of transfer between agencies, review and approval of the application shall be made, if appropriate, at an installation of the hiring agency in the locality of the employee's old official station, but if the hiring agency has no appropriate installation, it shall be sent to the losing agency at the old official station for review and approval. This review and approval are intended to be limited to determining whether the expenses claimed are reasonable in amount and customarily paid by the seller in the locality where the property is located.