

Board of Contract Appeals
General Services Administration
Washington, D.C. 20405

October 24, 2000

GSBCA 15397-RELO

In the Matter of LaDONNA S. BOOKER

LaDonna S. Booker, Clinton, MD, Claimant.

Genila Queen, PCS Claims Officer, Real Estate Division, Baltimore District, United States Army Corps of Engineers, Baltimore, MD, appearing for Department of the Army.

HYATT, Board Judge.

In July 2000, claimant, LaDonna S. Booker, purchased a house in Clinton, Maryland incident to a permanent change of station (PCS) authorized in April 2000. Ms. Booker challenges the decision of the United States Army Corps of Engineers (Army) to disallow a portion of the real estate transaction expenses claimed. In particular, the Army determined that her claim for an "up-front mortgage insurance premium" was unallowable under applicable regulations.

After closing on the new house, Ms. Booker filed a DD Form 1705, "Application for Reimbursement of Expenses Incurred by DoD Civilian Employee Upon Sale or Purchase (or both) of Residence Upon a Change of Duty Station." Among other expenses, she claimed the amount of \$3225.38, which was reflected as a "mortgage title policy." The PCS claims office denied this portion of the claim on August 23, 2000.

In preparing her claim for submission to the Board, Ms. Booker clarified her application for reimbursement to show the amount of \$3225.38 as an "up-front mortgage insurance premium," rather than as a mortgage title policy. She has also submitted a letter from U.S. Home Mortgage Corporation explaining this term:

The definition of Up Front Mortgage Insurance Premium is the premium paid to FHA to insure the loan. This premium is to defer the cost if the loan should go into foreclosure. The borrower may finance 100% of the premium or pay it in cash, but may not finance a portion thereof. It is in no fashion hazard insurance or property loss coverage.

Discussion

In response to Ms. Booker's claim, the Army points out that the amount claimed is not reimbursable under the Federal Travel Regulation (FTR). Specifically, section 302-6.2(d)(2)(i) of the FTR provides that the following items of expenses are not reimbursable: "[o]wner'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." 42 CFR 302-6.2(d)(2)(i) (1999). The pertinent Joint Travel Regulations (JTR) provision states the same rule. JTR C14002-A.4.b(1).

We have previously addressed this issue in denying the claim of Rebecca Manning, GSBCA 14586-RELO, 98-2 BCA ¶ 29,981, where we pointed out that the FTR explicitly states that mortgage insurance is a non-reimbursable item of expense. We further noted in Manning that the General Accounting Office (GAO), which previously decided these claims, also consistently held that mortgage insurance is not a reimbursable real estate expense. Based on the most recent information provided by claimant, this expense clearly appears to constitute mortgage insurance -- i.e., a payment made for the protection of the lender in the event of a default by the buyer over the lifetime of the loan.¹ See Steven B. Love, B-257892 (Jan. 25, 1995); Bruce R. Wheeler, B-249621 (Jan. 19, 1993). As such, the Army properly disallowed this expense.

CATHERINE B. HYATT
Board Judge

¹We note that initially this expense was identified as mortgage title insurance. Mortgage title insurance, if purchased for the protection of the lender in the event of a defect in the title, may be reimbursable under some circumstances. Manning. Mortgage title insurance which benefits the owner is not reimbursable unless required by the lender as a condition of financing. The record before us, however, does not support a finding that the expense claimed was to provide title insurance for the lender or was owner's title insurance required by the lender as a condition of obtaining financing. James A. Fairley, B-258932 (Sept. 19, 1995).