

# Board of Contract Appeals

General Services Administration  
Washington, D.C. 20405

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March 1, 2005

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GSBCA 16516-RELO

In the Matter of SUSAN J. JACKSON

Susan J. Jackson, Metairie, LA, Claimant.

William C. Lewis, Chief, Real Estate Division, New Orleans District, United States Army Corps of Engineers, New Orleans, LA, appearing for Department of the Army.

**HYATT**, Board Judge.

Claimant, Susan J. Jackson, seeks reimbursement for certain real estate expenses she incurred in connection with a permanent change of station (PCS) from the Netherlands to the New Orleans District of the Army Corps of Engineers. Ms. Jackson reported to her new permanent duty station in April 2004. She purchased a new home and submitted a claim for reimbursement of allowable real estate expenses in August 2004. After reviewing her claim, the Corps disallowed some of the expenses claimed. Ms. Jackson is appealing this decision with respect to three items of expense that the Corps declined to reimburse: a fee incurred for a pest inspection, the cost of a home inspection, and the cost of title insurance.

## Pest Inspection

Ms. Jackson states that her real estate agent informed her that a pest inspection report is required at closing under Louisiana state law, and both her mortgage company and title company told her she was required to produce a pest inspection report for closing, as well. When reviewing her claim, the Corps disallowed the \$75 fee for the pest inspection, explaining that this fee is customarily paid by the seller in the locality in which the house was purchased.

Under the Joint Travel Regulations (JTR), paragraph C14002-A.4.a(11), the pest inspection fee would be reimbursable if it is customarily paid by the purchaser, is either required by law or as a precondition to financing, and does not exceed the amount customarily paid in the locality. In response to Ms. Jackson's claim, the Corps has stated that its determination that the pest inspection fee was customarily paid by the seller, and not the buyer, in this locality was based on a survey of local title companies and a query of SunTrust

Mortgage, the mortgage company used by claimant. The Corps has confirmed that there is no Louisiana state law requiring a pest inspection in connection with the sale or purchase of a house. When contacted by the Corps, SunTrust Mortgage also verified that the pest inspection was not required as a condition of financing. In light of this information, we conclude that under the pertinent regulation Ms. Jackson was not entitled to be reimbursed for this item and the Corps properly declined to reimburse this fee. See Albert Van Tuinen, GSBCA 14492-RELO, 98-2 BCA ¶ 30,091.

### Home Inspection

Based on the same provision of the JTR (C14002-A.4.a(11)), the Corps similarly declined to reimburse Ms. Jackson for the \$200 cost of a home inspection, pointing out that it was not required by federal, state, or local law, nor was it a precondition of financing. Ms. Jackson questions this disallowance of the fee, stating that she was under the impression that SunTrust Mortgage required a home inspection because it included a charge for such an inspection on its good faith estimates of closing costs. She points out that obtaining such an inspection is a prudent step for the purchaser to take and has helped her to get back earnest money on other properties she has been interested in.

In response to Ms. Jackson's request for review, the Corps has pointed out that the good faith estimates of closing costs do not suffice to show that this item was a condition of financing, but simply serve to notify the purchaser what costs are likely to be charged at closing. The Corps contacted an employee of SunTrust Mortgage, who verified that the home inspection was not required as a condition of financing.

Again, the Corps has properly applied the relevant regulation to conclude that it is not authorized to reimburse this cost. The Board has recently recognized, in addressing a purchaser's claim for reimbursement of the expenses of home and radon inspections under the parallel Federal Travel Regulation provision which forms the basis for the JTR provision:

Whether paying for these inspections was prudent, as argued by the employee, is irrelevant to the question of whether the fees for those inspections are reimbursable. As the agency recognized, the latter question is answered by the Federal Travel Regulation. That regulation, at 41 CFR 302-11.200(f)(11), provides that "[e]xpenses in connection with environmental testing and property inspection" are reimbursable only when they meet all three of the following tests: the fees must be (a) customarily paid by the purchaser of a residence in the locality in question, (b) in an amount no greater than is customarily paid in that locality, and (c) required by federal, state, or local law, or by the lender as a precondition to the purchase.

Linda Little, GSBCA 16441-RELO, 04-2 BCA ¶ 32,798 (citing Michael Cutaja, GSBCA 16271-RELO, 04-1 BCA ¶ 32,519 (2003); Jack E. Hudson, GSBCA 16053-RELO, 03-2 BCA ¶ 32,351; Verna Pope, GSBCA 15718-RELO, 02-1 BCA ¶ 31,822; David P. Brockelman, GSBCA 14604-RELO, 98-2 BCA ¶ 29,971). Ms. Jackson has not shown that the home inspection was required by federal, state, or local law, or by the lender as a

condition of obtaining financing. Because one of the necessary tests has not been met, reimbursement of this fee is not permissible.

#### Title Insurance

Ms. Jackson also paid a total of \$650.25 for title insurance at closing. The Corps contacted the title company, which stated that of this amount, \$367.75 was the cost of title insurance to cover the lender's interest. The remainder, \$282.50, represented the cost of owner's title insurance, which was disallowed by the Corps. Ms. Jackson questions the agency's decision to disallow the portion of the title insurance cost attributable to owner's title insurance as opposed to lender's title insurance. Again, her reasoning is that this was included as a closing cost, she was not given the option of not purchasing it, and it appears to be a charge that is customarily paid by purchasers.

The Corps disallowed the portion of the title insurance charge pertaining to the owner's coverage based on JTR C14002-A.4.a(9), which permits reimbursement of owner's title insurance only if the cost is inseparable from the cost of other insurance or a prerequisite to financing or transfer of the property. SunTrust Mortgage verified that owner's title insurance was not a condition of financing. Accordingly, the Corps properly found that it could not reimburse this portion of the fee. See, e.g., William P. Long, GSBCA 16450-RELO, 04-2 BCA ¶ 32,765; Jeanette H. Walsh, GSBCA 16394, 04-2 BCA ¶ 32,694.

#### Decision

For the reasons stated, the claim is denied.

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CATHERINE B. HYATT  
Board Judge