

# ABERDEEN PROVING GROUND, MARYLAND REAL ESTATE REIMBURSEMENT CLAIM GUIDE

(To be used for Department of the Army Civilian Employees Assigned to US Army Communications Electronics Command and US Army Research and Development Command assigned to Aberdeen Proving Ground, Maryland)

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*What is a real estate reimbursement claim?*

These are claims for some types of expenses associated with the sale or purchase of a home pursuant to an authorized permanent change of station move for civilian employees. Authority for payment of these claims is contained in 41CFR Part 302.

*Where do I file my real estate reimbursement claim?*

Where you file your claim depends on your organization and where the real estate transaction took place:

**IN MARYLAND**

US Army Communications Electronics Command and US Army Research and Development Command employees assigned to Aberdeen Proving Ground, Maryland with a real estate **PURCHASE or SALE in MARYLAND** will **hand deliver** (claims submitted my mail, fax, or email without prior coordination will be returned to the claimant unprocessed) their claim to: Office of the Staff Judge Advocate, Client Services Division (CSD), building 4305 Susquehanna Ave., 3<sup>rd</sup> Floor, Room 346, Aberdeen Proving Ground, Maryland 21005. The CSD staff can be contacted by calling (410) 278-1583/DSN 298-1583.

Properly submitted claims will be reviewed and approved pursuant to the Joint Travel Regulation (JTR) for authorized reimbursable expenses which are customarily paid by the purchaser or seller in the Aberdeen Proving Ground area. Claims will then be returned to the claimant with instructions regarding further processing with the Defense Finance and Accounting Service (DFAS).

**IN NEW JERSEY**

US Army Communications Electronics Command and US Army Research and Development Command employees with a real estate **SALE in the Fort MONMOUTH, NEW JERSEY area**, will submit their claim to: Mr. Steven J. Fromm, Chief, Legal Services, Building 1105 Semaphore Ave., Fort Monmouth, NJ 07703, (732) 532-4760; Fax: (732) 532-6057. The claim will be reviewed pursuant to the JTR for authorized reimbursable expenses which are customarily paid by the Seller in the Fort Monmouth area. Contact the Fort Monmouth Legal Services staff for more information regarding the required claims documents and for more details about the office's claims processing procedures.

*What do I do if I am not a member of US Army Communications Electronics Command or US Army Research and Development Command or I have a purchase or sale outside the state of Maryland or the Fort Monmouth, New Jersey Area?*

Contact the staff of the CSD at the Office of the Staff Judge Advocate, building 4305 Susquehanna Ave., 3<sup>rd</sup> Floor, Room 346, Aberdeen Proving Ground, Maryland 21005. The CSD staff can be contacted by calling (410) 278-1583/DSN 298-1583.

*What documents do I need to file a real estate reimbursement claim?*

You will need at a minimum the following documents to file a reimbursement claim:

- (1) **DD Form 1351-2**, Travel Voucher or Sub-Voucher, dated March 2008 (*new form*)

In block 18 of the form, use your closing date, specify that this is a "Sale or Purchase Real Estate Claim," and the amount claimed. The document must be signed and dated by claimant in block 20 a. and b. and signed by the supervisor in block 20 c.-f and approving official in block 21 a.-d.

(2) **DD Form 1614**, Request/Authorization for DOD Civilian Permanent Duty or Temporary Change of Station (TCS) Travel.

(3) **DD Form 1705**, Reimbursement for Real Estate Sale and/or Purchase Closing Cost Expenses. More information will be provided later on how to fill out this form but at a minimum any amounts claimed in block 24 or 26 of the form must be accompanied by an itemized list (see Appendix D). Separate DD Form 1705s must be submitted for individual purchases and sales of real estate.

(4) **Purchase Agreement** (Contract of Sale) - Must have the signatures of both the buyer and the seller.

(5) **Deed** showing the claimant's interest in the property purchased or sold.

(6) **Loan Closing Statement** (Deed of Trust or Mortgage Document).

(7) **Disclosure Statement on Finance Charges** (Truth-in-Lending Act Statement).

(8) **Property Settlement Document** (HUD-1 Settlement Statement) - Must have the signatures of both the buyer and the seller.

(9) **Paid Invoices/Receipts for Bills At Closing and Outside of Closing** – A check used as a receipt must have deposit/clearing information annotated on the back.

*How do I compile my claims packet?*

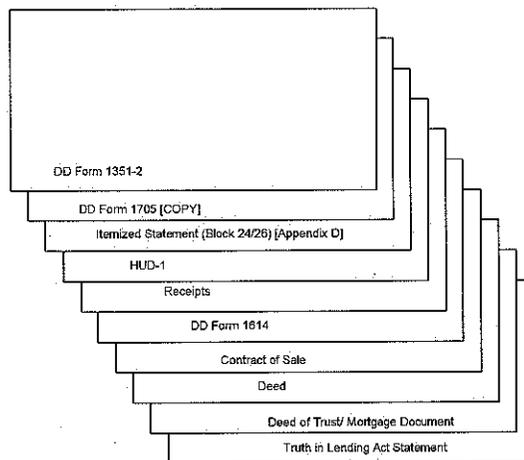
Claims packets **must** include all documents contained above and be placed into two individual packets prior to submission (see below). Any **legal sized paper must be reduced to legible 8.5 by 11 paper**.

[claims without proper documentation and not submitted in the format listed on the next page will be rejected]

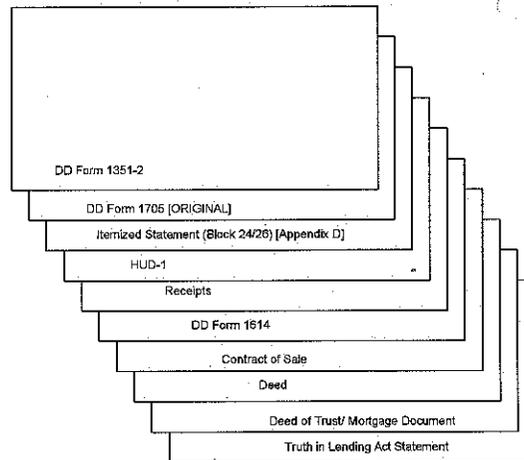
Packet 1: The original DD Form 1705 and a copy of all other supporting documentation.

Packet 2: A copy of packet 1.

### Packet 2 (copy of packet 1)



### Packet 1 with original DD Form 1705



### *How do I complete the DD Form 1705?*

(1) First, become familiar with your HUD-1 Settlement Statement, which you should have received at closing. This document itemizes the expenses of the real estate transaction for which you are now claiming reimbursement. In a sense, it is your “receipt” for your house and will support the majority of your claim. See Appendix B for a line by line explanation of the HUD-1.

(2) Completion of the DD Form 1705 is an exercise in matching the reimbursable expenses listed on your HUD-1 into the proper categories appearing in the blocks on the reverse side of the DD Form 1705. Pay careful attention to whether the expenses were paid by the BORROWER or by the SELLER. Often you can claim reimbursement for expenses that were charged to your side of the transaction. You may not request reimbursement for any expense you did not incur such as one paid by the seller.

(3) After you complete Parts I, II, III, and V of DD Form 1705, be sure to sign your claim in block 16 or 17, as appropriate. Remember you must fill out different DD Form 1705s for each purchase and sale. Your

signature indicates that the information contained is both true and accurate. Submission of a false or fraudulent claim is a crime punishable under applicable federal laws and may form the basis of administrative disciplinary action up to and including removal from federal Service.

(4) See the APPENDIX A for additional information on completing the DD Form 1705. An additional resource is the *Pamphlet for Civilian Permanent Duty Travel (PDT)* DFAS-CO 1404.1-PH (January 2006 ed.) published by DFAS which discusses Real Estate and Unexpired Lease Allowances, including preparation of the DD Form 1705.

*What happens to my claim after I submit my claim to the Client Services Division?*

Your claim will be reviewed to ensure it is in the proper format and all supporting documentation required for review is attached. Claims submitted in an improper format or without proper documentation will be returned without action. Properly submitted claims will undergo a review as required by Joint Travel Regulation, Volume II, Chapter 5, Part P. The review process includes ensuring that the expenses are in fact reimbursable in accordance with applicable law and that they are reasonable in amount and customarily paid by the seller or buyer in the locality where the property is located. During this process, a memorandum to DFAS will be generated and blocks 18 or 19 and 20 of the DD Form 1705 will be completed. Claims will then be returned to the claimant. For claims authorized reimbursement, claimants will be instructed to forward their claims to DFAS at the following address or fax number. DFAS recommends that claims be faxed: (In the near future the CSD will forward these claims for the claimant.)

Defense Finance and Accounting Service Columbus Center  
ATTN: DFAS-PTBFB/CO  
PO Box 369015 Columbus, OH 43236-9015

Information Phone No.: 1-800-756-4571 (Option 4) (DSN: 869-8507)  
Facsimile Phone No.: 216-367-3422 -or- 216-367-3423 -or- 216-367-3424  
E-mail for Scanned Claim: [cco-216-367-3422@dfas.mil](mailto:cco-216-367-3422@dfas.mil)

*What standard is used to conduct the review?*

Not all expenses are eligible for reimbursement. The review will be conducted in accordance with the guidelines set forth in 41 CFR part 302; JTR, Volume II, Chapter 5, Part P; and the interpretations of these provisions as provided by the Civilian Board of Contract Appeals, the General Services Administration Board of Contract Appeals, and by Comptroller General Decisions.

*What do I do if I do not agree with the review conducted by the Client Services Division?*

RECONSIDERATION

If you disagree with the decision contained in the memorandum to DFAS, you may request that it be reconsidered. A request for reconsideration must be submitted to the CSD in writing within 15 days of your receipt of your completed packet from the CSD. Requests must specify the basis for the adjustment, be accompanied by the appropriate documentation, and cite the supporting regulatory/legal authority.

## APPEAL

If you disagree with the decision contained in the memorandum to DFAS and choose not to request reconsideration, you may file an appeal directly with the Civilian Board of Contract Appeals (CBCA). Any appeal must be in writing and signed. Appeals should be directed to the Clerk of the Board, Civilian board of Contract Appeals, 1800 F. Street, N. W., Washington, D.C. 20405. No particular form is required. The request should describe the basis for the claim and state the amount sought. For more information on the content of the appeal and the appeal process see <http://www.cbca.gsa.gov>.

### *What is RITA?*

Reimbursement amounts received on settlement claims are reported as income to the Internal Revenue Service (IRS) and may be taxed. A PCS W-2, reflecting entitlement (income) and taxes withheld, will be issued to employees receiving reimbursement. To offset this burden, the traveler should apply for a RIT allowance. The RIT allowance is designed to reimburse the traveler for the substantial additional federal, state, and local income taxes paid because of the PCS move. For more information see the Appendix C.

### *What do I do if I took advantage of the Defense National Relocation Program?*

If you were authorized to use the Defense National Relocation Program and chose to do so for the sale of your home, you may not file a real estate claim for any costs associated with the sale of your home. However, you may still be able to file a claim for the purchase of a home in the location of your new duty station.

### *How do I suggest changes to this guide?*

Please address any comments concerning this guide to the Client Services Division, Office of the Staff Judge Advocate, Bldg 4305 Susquehanna Ave., 3<sup>rd</sup> Floor, Room 346, US Army Garrison Aberdeen, Aberdeen Proving Ground, Maryland 21005, Phone number 410-278-1583.

## APPENDIX A

### (1) Completing DD Form 1705 for the Sale of a Former Residence

**(Note: DD Form 1705: Any block which contains the sum of two or more expenses which have been added together must reference a separate sheet itemizing each expense that has been added together. This is particularly important for block 24 and 26 of the form. This sheet can be found in this APPENDIX at item D. IF YOU FAIL TO SHOW YOUR WORK YOUR CLAIM WILL BE REJECTED.)**

Block 21, Sales/Brokers Commission Fees. Using your HUD-1, lines 700-704, enter the amount paid to a broker or real estate agent for selling the former residence.

Block 22, Advertising Fees. These expenses are normally incurred when a broker is not used (“For Sale by Owner”) and will not appear on your HUD-1. If you are claiming these expenses, you must attach receipts or other evidence of payment.

Block 23. Appraisal Fee. Enter the amount appearing on line 803 of your HUD-1. “POC” indicates a partial cash payment was made, be sure to attach your receipt.

Block 24. Legal and Related Fees. Total the amounts appearing in lines 1102-1107 of your HUD-1 which were paid by the SELLER. Also include amounts from lines 1201 and 1301. Do not include title insurance (lines 1108-1110) as legal fees. The amount paid for title insurance is entered in block 25f below.

Block 25a. Prepayment Charge. If your mortgagor requires such a payment, you must attach documentation of the amount paid and basis of the requirement (e.g. security instrument).

Block 25b. Lender’s Appraisal Fee. Seller’s appraisal fees are entered in Block 23.

Block 25c. FHA or VA Application Fee. When paid, this amount will be specifically itemized on your HUD-1, usually in one the additional lines in the 800 block. Include only FHA or VA application fees, do not list other application fees associated with obtaining credit, such as commitment fees, underwriting fees, or real estate fees.

Block 25d. Certification Fee. Total of the amounts you paid as itemized on line 805 and the 1300 block of your HUD-1. Includes inspections required to obtain credit, such as pest, radon, paint and flood certificates. Reimbursement will only be made for those items required by lender or local law not for discretionary inspections.

Block 25e. Credit Report Fee. Enter the amount from line 804 of your HUD-1.

Block 25f. Mortgage Title Policy Fee. Enter the amount from line 1108-1110 of your HUD-1, which records the title insurance cost. Do not claim any life insurance or the other party’s title insurance costs. Only include the amount paid by the seller for title insurance and not the amount paid by the buyer if separated on the HUD-1.

Block 25g. Escrow Agent’s Fee. Enter the amount from line 1101 of your HUD-1

Block 25h. City/County/State Tax Stamps. Total the amounts you paid from lines 1202 and 1203 of your HUD-1.

Block 25i. Sales or Transfer Taxes; Mortgage Tax. Where applicable, these taxes will be itemized in line 1204-1207 of the HUD-1 or other appropriate documentation.

Block 26. Other Incidental Expenses. Incidental expenses must be itemized and explained on a separate sheet attached (see APPENDIX D) to the DD Form 1705.

Signature: Sign block 16a and date block 16b. LEAVE PART IV BLANK. Part IV will be completed by the Client Services Division Staff.

## **(2) Completing DD Form 1705 for the Purchase of a New Residence**

**(Note: DD Form 1705: Any Block which contains the sum of two or more expenses which have been added together must reference a separate sheet itemizing each expense that has been added together. This is particularly important for block 24 and 26 of the form. This sheet can be found in this APENDIX at item. IF YOU FAIL TO SHOW YOUR WORK YOUR CLAIM WILL BE REJECTED.)**

Block 24. Legal and Related Fees. Total the amounts appearing in lines 1102-1107 of your HUD-1 which were paid by the BORROWER. Also include amounts from lines 1201 and 1301. Do not include title insurance (lines 1108-1110) as legal fees. The amount paid for title insurance is entered in block 25f below. Do not include Settlement or closing cost fee (line 1101), this fee is entered in block 25g below.

Block 25a. Prepayment Charge. Not reimbursable for purchases.

Block 25b. Lender's Appraisal Fee. This occurs when your lender requires a second appraisal. If you paid this expense, include the amount from line 803 of the HUD-1.

Block 25c. FHA or VA Application Fee. When paid, this amount will be specifically itemized on your HUD-1, usually in one the additional lines in the 800 block. Include only FHA or VA application fees, do not list other application fees associated with obtaining credit, such as commitment fees, underwriting fees, or real estate fees. Note: VA Funding Fees are not Application Fees, and are not reimbursable.

Block 25d. Certification Fee. Total of the amounts you paid as itemized on line 805 and the 1300 block of your HUD-1. Also record on this line costs associated with certifications and inspections as required by the creditor, such as home, pest, radon, paint and flood Inspections or certificates. Inspections not required by the lender are ordinarily not reimbursable.

Block 25e. Credit Report Fee. Enter the amount from line 804 of your HUD-1.

Block 25f. Mortgage Title Policy Fee. Enter the amount from line 1108-1110 of your HUD-1, which records the title insurance cost. Only include the amount paid for the lender's title insurance (Maryland and Delaware claimants) and not the amount paid by the buyer if separated on the HUD-1.

Block 25g. Escrow Agent's Fee. Enter the amount from line 1101 of your HUD-1.

Block 25h. City/County/State Tax Stamps. Total the amounts you paid from lines 1202 and 1203 of your HUD-1.

Block 25i. Sales or Transfer Taxes; Mortgage Tax. Where applicable, these taxes will be itemized in line 1204-1207 of the HUD-1 or other appropriate documentation. Note that Tax Service Fees and Underwriting Fees are not reimbursable. Underwriting and tax service fees are ordinarily paid incident to and as a prerequisite to the extension of credit, and thus are not reimbursable.

Block 26. Other Incidental Expenses. Incidental expenses must be itemized and explained on a separate sheet (see APPENDIX D) attached to the DD Form 1705. For the purchaser, this will typically include:

- *Loan Origination Fees* (line 801 of HUD-1): Reimbursable up to 1% of the loan amount (absent some credible evidence that the great majority of purchasers in the local area pay loan origination fees in excess of one percent). Fees equivalent to loan origination fees, but labeled otherwise on the HUD may also be reimbursable.\*
- *Courier fees*: Rarely reimbursable but may be if required by law or circumstances and not used merely as a convenience.
- *Tax certification fees*: Reimbursable if to certify that the tax was paid and there is no lien against the property is reimbursable.
- *Wire Transfer Fees*: Only reimbursable when wire or handling fees are incidental expenses under FTR 302-6.2(d), if customary and required as a precondition for completion of the real estate transaction and not a cost of obtaining credit. \*\*
- *Homeowner & Cooperative Association Ownership (HOA) fees*: HOA type fees are generally not reimbursable. These type of fees normally fall under membership fees or operation and maintenance fees, all of which are not reimbursable. There is a limited exception for some fees charged in conjunction with the transfer of residences, such as fees for real estate brokerage and for preparing documents for the transfer of ownership, which have been held to be reimbursable. *See Frank, 07-1 BCA at P166,115 \*\*\**
- *Underwriting & Tax Service Fees* are seen as a cost of obtaining credit and are generally not reimbursable. See, *Ioan v. Sere*, GSBCA 1618-Relo, 2006 BCA at P33412, August 31, 2006.
- **More Detailed Information on Reimbursable Costs:** See this Guide at Section C, "Double Check Your Claim." This section gives detailed line by line analysis that corresponds with the HUD line numbers.

Signature: Sign block 17a and date block 17b. LEAVE PART IV BLANK. Part IV will be completed by the Client Services Division Staff.

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Notes:

\*Some charges recorded under the 800 section of the HUD receipt may be equivalent to loan origination fees, even if they are labeled otherwise. This is most likely when no fee is listed under section 801. A Loan Origination Fee is defined as, "a fee paid by the borrower to compensate the lender for administrative type expenses incurred in originating and processing a loan." 41 CFR 302-6.2(d)(1)(ii). The Boards have given guidance as to what type of evidence should be submitted to support a claim that a fee charged is actually the equivalent of a loan origination fee. See guidance below:

*The Board has recognized that expenses designated as a mortgage broker fee, but which in reality represent the cost of processing a loan application, may in fact be reimbursable as a loan origination fee or its equivalent. E.g., Floyd C. Freeman, GSBCA 16648-RELO, 05-2 BCA P 33,044; Timothy R. Defoggi, GSBCA 16496-RELO, 05-1 BCA 32,907. In assessing whether a particular expense is reimbursable under the FTR, we will look beyond the labels used by the parties and examine the underlying substance of the fee in question. It is, however, claimant's burden to establish his entitlement to payment of a particular expense. E.g., Defoggi; Cindy L. Luciano, GSBCA 16403-RELO, 04-2 BCA P 32,715. If Mr. King contends that the term "mortgage broker fee" was not used in its customary sense, but rather denotes administrative expenses of processing the loan, he must provide written verification from a knowledgeable source, such as the mortgage company, explaining the actual nature of this charge. Sere; Richard A. Poisel, GSBCA 15330-RELO, 01-1 BCA P 31,284. To the extent claimant can show that this charge was for items similar to those covered in a loan origination fee, he may be able to recover this expense, at least up to one percent of the loan amount. Virginia Wensley Koch, GSBCA 16277-RELO, 04-1 BCA P 32,625. [Emphasis Added]. In the Matter of WILLIAM L. KING, JR., CBCA No. 457-RELO, U S CIVILIAN BOARD OF CONTRACT APPEALS, 2007 CIVBCA LEXIS 45; 2007-1 B.C.A. (CCH) P33,504, (February 9, 2007).*

**\*\*** Charges associated with the extension of credit, however, are not allowable under the Federal Travel Regulation (FTR), 41 CFR 302-6.2(d)(2)(v), (2000) which provides that unless specifically authorized elsewhere in the regulation, no fees, charges, costs, or expenses determined to be part of the finance charge under the Truth in Lending Act, 15 U.S.C. § 1605 (1994), may be reimbursed. The Truth in Lending Act provides that the finance charge shall be determined as the sum of all charges imposed directly or indirectly by the creditor incident to the extension of credit. *Poisel*, GSBCA 15333-RELO (Dec. 8, 2000).

**\*\*\*** The JTR expressly prohibits the reimbursement of fees related to operating and maintenance costs. See 41 CFR 302-11.202(f)(12). The GSA and Boards have long held that HOA & Cooperative fees are the responsibility of the homeowner and "an item of added value for the benefit of the purchaser and not part of the reimbursable expenses of purchasing a home at the new official duty station, nor is it required for an extension of credit by the lending institution." Even when a lump sum payment at closing is required, it is usually considered to be non-reimbursable. See, *Mattson*, CBCA No. 654-RELO, 2007-2 B.C.A. (CCH) P33,635 (July 27, 2007); *Andreas Frank*, CBCA 557-RELO, 07-1 BCA P 33,531 (March 20, 2007).

### **(3) Double-Check Your Claim.**

Using your HUD-1, scan down the reverse side, page 2, to ensure all of the reimbursable items have been included in the correct block on your DD Form 1705. Be sure to only claim those amounts that you paid (whether buyer or seller).

Lines 700-704: Total Sales/Broker's Commission based on price \$ may be claimed by SELLERS in Block 21 of DD Form 1705. This amount may not exceed 6% of the contract price without justification. BUYERS real estate fees are not reimburseable.

Line 801: Loan Origination Fee. BUYERS will normally be reimbursed for up to 1% of the loan amount if itemized as an incidental expense in Block 26.

Line 802: Loan Discount. This is not a reimbursable expense.

Line 803: Appraisal Fee. SELLERS will be reimbursed in Block 23

Line 804: Credit Report. Reimbursable in Block 25e.

Line 805: Inspection Fees. Required by Lender reimbursable in Block 25d.

Line 806: Mortgage Insurance Application Fee. Amount paid to guarantee repayment of the loan, typically life or owner's insurance is not reimbursable. Mortgage Title Insurance is reimbursable and normally itemized on line 1108.

Line 807: Loan Assumption and or Transfer Fee. BUYERs may be reimbursed if itemized in Block 26.

Lines 808-11: Fees paid as a condition for obtaining credit are not reimbursable. Sometimes described as "Loan Application Fee", "Commitment Fee", "Underwriting Fee", "Tax Service Fee", or "Real Estate Fee" these items are not reimbursable expenses.

Lines 900-904: Items Required by Lender to be Paid in Advance. These expenses are not reimbursable.

Line 1001: Hazard Insurance. Including fire and flood insurance. This is not a reimbursable expense.

Line 1002: Mortgage Insurance. Not reimbursable.

Lines 1003-1005: City and county property taxes are not reimbursable.

Lines 1006-1008: Reserves Deposited with Lender. Escrow accounts are generally prepayments of otherwise non-reimbursable expenses.

Line 1101: Settlement or Closing Fee. Reimbursable in block 25g.

Lines 1102-1107: Title Charges. Reimbursable in block 24.

Line 1108: Title Insurance. Paid under line 1109 is reimbursable in block 25f.

Line 1109: Lenders Coverage. Reimbursable in block 25f.

Line 1110: Owners Coverage. This is not a reimbursable expense.

Line 1201: Recording Fees. Reimbursable if itemized in block 26.

Line 1202: City/County tax/stamps. Reimbursable in block 25h.

Line 1203: State tax/stamps. Reimbursable in block 25h.

Lines 1204-1207: Sales/Transfer or Mortgage Taxes. Reimbursable in block 25i.

Line 1301: Survey. Reimbursable in block 24.

Line 1302: Pest Inspection. Reimbursable in block 25d only when required by lender. Radon testing or other environmental testing is reimbursable when required by the lender. Must provide a statement explaining requirement.

Line 1303: Additional Settlement Charges. Often reimbursable in block 26. But see (4), Common Errors, below.

#### **(4) Common Errors.**

Any amount paid to reduce the interest rate (“points”) will appear on line 802 of the HUD-1, Loan Discount, and is not reimbursable to either the buyer or seller.

Some lenders charge additional fees apart from interest upon the loan. These fees are typically identified in lines 808-811 and go by many names: “Loan Application Fee”, “Commitment Fee”, “Underwriting Fee”, “Tax Service Fee”, or “Real Estate Fee”. In most cases, these are finance charges under the Truth in Lending Act and Regulation Z and are not reimbursable.

Any amount paid to guarantee repayment of the loan is not reimbursable, such as lines 902 and 903, Mortgage and Hazard Insurance.

The costs of paying taxes are different from the tax itself. Tax stamps certify payment. Grantors and Transfer taxes are part of the transaction and are reimbursable. The tax due on the property varies based on the value and is not reimbursable. Therefore, the costs itemized on line 1202-1203 are claimed in block 25h, lines 1204-1207 in block 25i, but taxes from lines 1003-1005 are not included.

Some mortgage brokers and title companies will itemize expenses on the HUD-1 using the miscellaneous lines rather than the commonly reimbursed lines. Remember, if you pay a reimbursable expense, be sure to claim it regardless of which line number it is hidden under. However, provide an explanation as to the claimed expense on an attached sheet of paper (see APPENDIX D) if the cost is not recorded on a commonly reimbursable HUD line.

Here are some examples of denied expenses all of which are contained in the JTR and are readily identified by those claimants who wish to read the JTR prior to incurring expenses:

- 1) Seller paid closing costs so buyer was not eligible for government reimbursement. (This can be negotiated with seller or the contract structured differently.)
- 2) Buyer incurred significant lender charges above a 1% loan origination fee and was not reimbursed government expenses associated with lender costs exceeding 1% of loan origination fee. (This can be negotiated with a lender or seller can choose a lender that does not charge these fees.)
- 3) Buyer shared title to the property with someone who was not an immediate family member/dependent and could not prove equitable title and was only reimbursed a pro-rata share of expenses. (For example a purchase with a fiancé may entitle buyer to only 50% of reimbursement costs. The JTR and the case law discuss how to avoid this situation.)
- 4) Buyer incurred a realtor fee (\$295 in this case) which was not considered a reimbursable expense. (Only certain realtors charge this fee and it can be negotiated away with the realtor or buyer can choose a realtor that does not charge this fee.)

5.) Buyer claimed expenses for home purchase which was not consummated and reimbursement was disallowed. (Recognize this in advance and plan accordingly.)

6.) When married employees have their own orders, they can not be listed as a dependent on the spouse's orders. Therefore, if both names are on the title, they could only be reimbursed for 1/2 of the expenses since the other person is not considered their dependent for the purpose of the PCS Travel Entitlements. This is "spelled out" in the JTR below:

PART P: REAL ESTATE TRANSACTION AND UNEXPIRED LEASE EXPENSE ALLOWANCES (FTR PART 302-11) SECTION 1: GENERAL

C5750 GENERAL

G. General

1. Title Requirements. The title to the residence at the old/new PDS, or the interest in a cooperatively owned dwelling or in an unexpired lease, must be:

- a. In the employee's name alone,
- b. Jointly in the names of the employee and one or more dependent(s), or
- c. Solely in the name of one or more dependent(s).

H. Reimbursement

1. Employee Must Actually Incur the Expenses. An employee is reimbursed only for expenses actually incurred and paid by the employee/dependent(s). If any expenses were shared by persons other than the employee/dependent(s), reimbursement is limited to the portion actually paid by the employee and/or dependent(s).

2. Pro Rata Reimbursement. If an employee and/or dependent share title to a residence with someone else, or if an employee has title interest under par. C5750-G2b, the employee is reimbursed on a pro rata basis to the extent of the employee's actual/deemed title interest in the residence. Additionally, an employee is reimbursed on a pro rata basis in the following situations:

## APPENDIX B

**Understanding the HUD-1.** See *U.S. Department of Housing and Urban Development Handbook 4305.2*.

### A. Specific Settlement Costs

This part of the guide discusses the settlement services which you may be required to get and pay for and which are itemized in Section L of the HUD-1 Settlement Statement. You also will find a sample of the HUD-1 form to help you to understand the settlement transaction.

When shopping for settlement services, you can use this section as a guide, noting on it the possible services required by various lenders and the different fees quoted by service providers. Settlement costs can increase the cost of your loan, so compare carefully.

**700. Sales/Broker's Commission:** This is the total dollar amount of the real estate broker's sales commission, which is usually paid by the seller. This commission is typically a percentage of the selling price of the home.

L. SETTLEMENT CHARGES		
700. TOTAL SALES/BROKER'S COMMISSION based on price \$ @ % =	PAID FROM BORROWER'S FUNDS AT SETTLEMENT	PAID FROM SELLER'S FUNDS AT SETTLEMENT
<i>Division of Commission (line 700) as follows:</i>		
701. \$ to		
702. \$ to		
703. Commission paid at Settlement		
704.		

**800. Items Payable in Connection with Loan:** These are the fees that lenders charge to process, approve and make the mortgage loan:

**801. Loan Origination:** This fee is usually known as a loan origination fee but sometimes is called a "point" or "points." It covers the lender's administrative costs in processing the loan. Often expressed as a percentage of the loan, the fee will vary among lenders. Generally, the buyer pays the fee, unless otherwise negotiated.

**802. Loan Discount:** Also often called "points" or "discount points," a loan discount is a one-time charge imposed by the lender or broker to lower the rate at which the lender or broker would otherwise offer the loan to you. Each "point" is equal to one percent of the mortgage amount. For example, if a lender charges two points on an \$80,000 loan this amounts to a charge of \$1,600.

**803. Appraisal Fee:** This charge pays for an appraisal report made by an appraiser.

**804. Credit Report Fee:** This fee covers the cost of a credit report, which shows your credit history. The lender uses the information in a credit report to help decide whether or not to approve your loan and how much money to lend you.

**805. Lender's Inspection Fee:** This charge covers inspections, often of newly constructed housing, made by employees of your lender or by an outside inspector. (Pest or other inspections made by companies other than the lender are discussed in line 1302.)

**806. Mortgage Insurance Application Fee:** This fee covers the processing of an application for mortgage insurance.

**807. Assumption Fee:** This is a fee which is charged when a buyer "assumes" or takes over the duty to pay the seller's existing mortgage loan.

**808. Mortgage Broker Fee:** Fees paid to mortgage brokers would be listed here. A CLO fee would also be listed here.

<b>800. ITEMS PAYABLE IN CONNECTION WITH LOAN</b>		
801. Loan Origination Fee %		
802. Loan Discount %		
803. Appraisal Fee to		
804. Credit Report to		
805. Lender's Inspection Fee		
806. Mortgage Insurance Application Fee to		
807. Assumption Fee		
808. Mortgage Broker Fee		
809.		
810.		
811.		

**900. Items Required by Lender to Be Paid in Advance:** You may be required to prepay certain items at the time of settlement, such as accrued interest, mortgage insurance premiums and hazard insurance premiums.

**901. Interest:** Lenders usually require borrowers to pay the interest that accrues from the date of settlement to the first monthly payment.

**902. Mortgage Insurance Premium:** The lender may require you to pay your first year's mortgage insurance premium or a lump sum premium that covers the life of the loan, in advance, at the settlement.

**903. Hazard Insurance Premium:** Hazard insurance protects you and the lender against loss due to fire, windstorm, and natural hazards. Lenders often require the borrower to bring to the settlement a paid-up first year's policy or to pay for the first year's premium at settlement.

**904. Flood Insurance:** If the lender requires flood insurance, it is usually listed here.

<b>900. ITEMS REQUIRED BY LENDER TO BE PAID IN ADVANCE</b>		
901. Interest from to @\$ /day		
902. Mortgage Insurance Premium for months to		
903. Hazard Insurance Premium for years to		

904. years to		
905.		

**1000 - 1008. Escrow Account Deposits:** These lines identify the payment of taxes and/or insurance and other items that must be made at settlement to set up an escrow account. The lender is not allowed to collect more than a certain amount. The individual item deposits may overstate the amount that can be collected. The aggregate adjustment makes the correction in the amount on line 1008. It will be zero or a negative amount.

<b>1000. RESERVES DEPOSITED WITH LENDER</b>		
1001. Hazard Insurance months @ \$ per month		
1002. Mortgage insurance months @ \$ per month		
1003. City property taxes months @ \$ per month		
1004. County property taxes months @ \$ per month		
1005. Annual assessments months @ \$ per month		
1006. months @ \$ per month		
1007. months @ \$ per month		
1008. Aggregate Adjustment		

**1100. Title Charges:** Title charges may cover a variety of services performed by title companies and others. Your particular settlement may not include all of the items below or may include others not listed.

**1101. Settlement or Closing Fee:** This fee is paid to the settlement agent or escrow holder. Responsibility for payment of this fee should be negotiated between the seller and the buyer.

**1102-1104. Abstract of Title Search, Title Examination, Title Insurance Binder:** The charges on these lines cover the costs of the title search and examination.

**1105. Document Preparation:** This is a separate fee that some lenders or title companies charge to cover their costs of preparation of final legal papers, such as a mortgage, deed of trust, note or deed.

**1106. Notary Fee:** This fee is charged for the cost of having a person who is licensed as a notary public swear to the fact that the persons named in the documents did, in fact, sign them.

**1107. Attorney's Fees:** You may be required to pay for legal services provided to the lender, such as an examination of the title binder. Occasionally, the seller will agree in the agreement of sale to pay part of this fee. The cost of your attorney and/or the seller's attorney may also appear here. If an attorney's involvement is required by the lender, the fee will appear on this part of the form, or on lines 1111, 1112 or 1113.

**1108. Title Insurance:** The total cost of owner's and lender's title insurance is shown here.

**1109. Lender's Title Insurance:** The cost of the lender's policy is shown here.

**1110. Owner's (Buyer's) Title Insurance:** The cost of the owner's policy is shown here.

<b>1100. TITLE CHARGES</b>		
1101. Settlement or closing fee to		
1102. Abstract or title search to		
1103. Title examination to		
1104. Title insurance binder to		
1105. Document preparation to		
1106. Notary fees to		
1107. Attorney's fees to		
<i>(includes above items numbers; )</i>		
1108. Title Insurance to		
<i>(includes above items numbers; )</i>		
1109. Lender's coverage \$		
1110. Owner's coverage \$		
1111.		
1112.		
1113.		

**1200. Government Recording and Transfer Charges:** These fees may be paid by you or by the seller, depending upon your agreement of sale with the seller. The buyer usually pays the fees for legally recording the new deed and mortgage (line 1201). Transfer taxes, which in some localities are collected whenever property changes hands or a mortgage loan is made, can be quite large and are set by state and/or local governments. City, county and/or state tax stamps may have to be purchased as well (lines 1202 and 1203).

<b>1200. GOVERNMENT RECORDING AND TRANSFER CHARGES</b>		
1201. Recording fees: Deed \$ ; Mortgage \$ ; Releases \$		
1202. City/county tax/stamps: Deed \$ ; Mortgage \$		
1203. State tax/stamps: Deed \$ ; Mortgage \$		
1204.		
1205.		

**1300. Additional Settlement Charges:**

**1301. Survey:** The lender may require that a surveyor conduct a property survey. This is a protection to the buyer as well. Usually the buyer pays the surveyor's fee, but sometimes this may be paid by the seller.

**1302. Pest and Other Inspections:** This fee is to cover inspections for termites or other pest infestation of your home.

**1303-1305. Lead-Based Paint Inspections:** This fee is to cover inspections or evaluations for lead-based paint hazard risk assessments and may be on any blank line in the 1300 series.

<b>1300. ADDITIONAL SETTLEMENT CHARGES</b>		
1301. Survey to		
1302. Pest inspection to		

1303.		
1304.		
1305.		

**1400. Total Settlement Charges:** The sum of all fees in the borrower's column entitled "Paid from Borrower's Funds at Settlement" is placed here. This figure is then transferred to line 103 of Section J, "Settlement charges to borrower" in the **Summary of Borrower's Transaction** on page 1 of the HUD-1 Settlement Statement and added to the purchase price. The sums of all of the settlement fees paid by the seller are transferred to line 502 of Section K, **Summary of Seller's Transaction** on page 1 of the HUD-1 Settlement Statement.

1400. <b>TOTAL SETTLEMENT CHARGES</b> ( <i>enter on lines 103, Section J and 502, Section K</i> )		
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**Paid Outside Of Closing ("POC"):** Some fees may be listed on the HUD-1 to the left of the borrower's column and marked "P.O.C." Fees such as those for credit reports and appraisals are usually paid by the borrower before closing/settlement. They are additional costs to you. Other fees such as those paid by the lender to a mortgage broker or other settlement service providers may be paid after closing/settlement. These fees are usually included in the interest rate or other settlement charge. They are not an additional cost to you. These types of fees will not be added into the total on Line 1400.

## APPENDIX C

# Relocation Income Tax Allowance (RITA)

**Note:** Travelers who had PCS entitlements (other than a RIT) issued in the previous calendar year may be required to file a RIT claim.

When an employee relocates to another permanent duty station in conjunction with a PCS, the reimbursement amounts received on settlement claims from the payment office must be reported as income to the Internal Revenue Service (IRS) and may be taxed. Mandatory Federal Withholding Tax (FWT) and applicable Federal Insurance Contributions Act (FICA) and Medicare taxes will be withheld from taxable entitlement on applicable vouchers. A **PCS W-2, reflecting entitlement (income) and taxes withheld**, will be issued to the traveler, for each calendar year that entitlement is issued to him/her or in his/her behalf (i.e., airline tickets). The traveler may also have to pay state and local taxes applicable to the old and new permanent duty stations.

To offset this burden, the traveler should apply for a RIT allowance. The RIT allowance is designed to reimburse the traveler for the substantial additional Federal, State, and local income taxes paid because of the PCS move.

**The RIT Allowance is not automatic - travelers must apply for it to get it.**

Any PCS traveler to whom PCS entitlement, other than a RIT allowance, was issued in a previous calendar year (Note: that previous year is known as Year 1), should apply for the RIT allowance.

Any traveler who received Withholding Tax Allowance (WTA) entitlement, must submit a RIT allowance claim the following calendar year, since WTA entitlement is treated similar to an "advance" against the RIT allowance entitlement. The computation of the RIT allowance claim includes reduction by the amount of the prior year WTA entitlement, which may prove that the WTA payment issued the previous year was excessive, thus requiring collection from the traveler.

Similarly, for travelers who receive WTA entitlement but do not file a RIT, the WTA is considered a debt of the traveler and collection action will be initiated.

**RIT allowance claims are to be received in the appropriate payment office within 120 days of the beginning of the calendar year following the year of other PCS entitlement.** The RIT allowance year is called Year 2. If the traveler wishes to have the RIT allowance settled and a payment issued prior to filing their tax return, the RIT allowance claim should be filed as soon as all W-2s from all sources have been received for the prior calendar year.

**Note:** A traveler may have more than one Year 1 and Year 2 if they have settlement vouchers paid in more than one calendar year. Travelers may be entitled to more than one RIT allowance per travel order. For example, if the traveler sells their residence at the old duty station within two years of reporting to the new duty station and, after the sale, purchases a new residence, and subsequently files and is reimbursed taxable closing costs.

To file for the RIT allowance, complete and submit the following documents:

Travel Voucher (DD Form 1351-2), signed and dated. DD Form 1351-2 can be found at the following website:  
<http://www.dtic.mil/whs/directives/infomgt/forms/eforms/dd1351-2.pdf>

Relocation Income Tax (RIT) Allowance Status Certification Form (original and two (2) copies). The RIT form can be found at the following web site:  
<http://www.dfas.mil/civilianpay/travel/relocationincometaxallowancerita/rita.pdf>.

Three (3) copies of all W-2 forms for earned income for the year in which the traveler is paid PCS travel claim payments for which they are claiming RIT allowance (and spouse's if filing a joint return).

Three (3) copies of the IRS Schedule SE from self-employment income, if applicable (and spouse's if filing a joint return).

Three (3) copies of PCS travel orders (DD Form 1614), including all amendments.

**Note:** Submit a separate claim for each PCS travel order (when multiple moves are involved) and for each year  
**1. PCS RIT claims for taxable entitlement processed by DFAS Columbus should be mailed to the following address for receipt no later than April 30 of the year following the issuance of entitlement:**

Defense Finance and Accounting Service  
Accounting Services  
DFAS-FTP/CA  
PO BOX 369015  
Columbus OH 43236-9015

If DFAS Columbus was not the paying office for PCS entitlements, please mail the RIT claim to the office that processed your PCS claims and issued a W-2 for the claims.

For more information regarding the filing of a RIT claim or other PCS entitlement, contact a travel customer service representative at 1-800-756-4571 (option 4) or DSN 869-6331.

Questions or comments for Civilian Pay, please contact your Customer Service Representatives (CSR).

