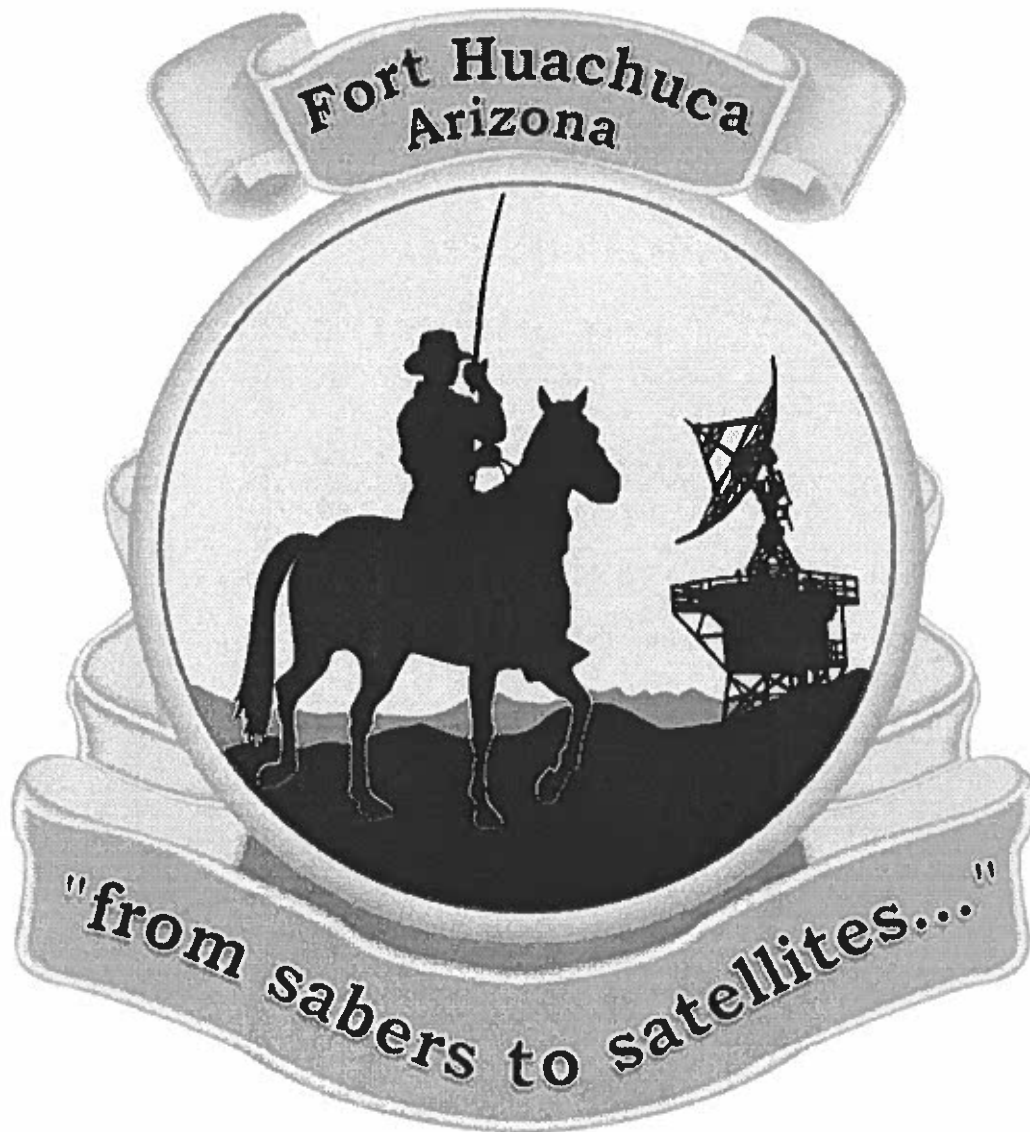


Fort Huachuca Real Estate Allowance Guide



Prepared by: Fort Huachuca Claims Office, 520-533-5772
September 2021

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FORT HUACHUCA REAL ESTATE ALLOWANCES GUIDE

(JTR, Chapter 5, paras. C54501 -C54507)

Current as of September 2021

PURPOSE: To assist the applicant by establishing the process and requirements for Real Estate Reimbursement Allowances.

KEY POINTS: The Applicant must establish certain facts for the reimbursement: Itemizing expenses indicated in DD Form 1705 with their equivalent in the settlement, locate regulatory basis for the reimbursement request for each expense from either the Joint Travel Regulation or this Guide and acquire verification by the realtor who took part in the sale/purchase that the charges are customary and reasonable. A legal review is not required for DFAS reimbursements.¹ If there are unique or outstanding legal issues, only the Approving Official may request a legal review.

GENERAL CONDITIONS: Civilian employees may be authorized reimbursement for certain expenses required to be paid in connection with the sale of a residence at the old duty station; and/or the purchase of a residence at the new duty station.

Reimbursement may be allowed when:

1. A transportation agreement is signed;
2. A PCS must be authorized or approved between two duty stations within the United States and/or non-foreign OCONUS areas like Hawai'i or Puerto Rico (with exceptions);
3. The residence at the old PDS must be the employee's actual residence at the time he/she was first definitely informed by the appropriate authority that he/she was to be transferred to a new duty station;
4. The settlement dates for the sale, purchase, or lease termination transaction are within the two-year time limitation; and
5. The residence/dwelling is the residence from which the employee regularly commutes to and from work.

PROCEDURES FOR FILING FOR REAL ESTATE EXPENSES

After expenses have been incurred and paid for by the claimant, and submitted to the Approving Official, the Approving Official must submit the following to DFAS-JTA/CO:

1. DD Form 1351-2: Include appropriate signatures and dates.
2. DD Form 1614, Travel Authorization, including any amendments.
3. A DD Form 1705 (Application for Reimbursement of Expenses Incurred by DoD Civilian Employee) Upon Sale or Purchase (or both) of Residence upon Change of Duty Station.
4. A copy of Settlement statement. (Itemized list of charges for the sale or purchase of a residence. This form requires signatures of both the seller and the buyer.)
5. A copy of Sale and/or Purchase Agreement. (Must have both the seller and buyer's signature.)
6. DFAS-Columbus requires a copy of receipts for expenses paid in cash outside of closing. (i.e., application fee, credit report, etc.)
7. Any advance payment paperwork, DD Form 1351-2

¹ JTR Chapter 5, Part F, section 054506, para B (1)a.

TIME LIMITATIONS:

The settlement dates for the sale and purchase or lease termination transactions for which reimbursement is requested must not be later than one year after the date that the civilian employee reported for duty at the new duty station. Upon the employee's written request, the one-time limitation may be extended by the commanding officer of the activity bearing the cost, or his/her designee for an additional period of time not to exceed another year. The written request should be submitted to the appropriate authority as soon as the employee becomes aware of the need for an extension but must be before the expiration of the one year limitation.

Note: Relocation allowances must be calculated by using the allowances in effect on the applicant's effective date of transfer.

The general rule is that civilian employees may be reimbursed for real estate expenses incurred before, and in anticipation of, a transfer if a clearly evident administrative intent to transfer the employee exists at the time the expenses are incurred. Due to regulatory requirements, if the claimed expense was incurred before the travel authorization was issued or transportation agreement signed, DFAS-CO requires that a copy of written intent to transfer accompany the real estate reimbursement, to authorize reimbursement (e.g., if the employee has been placed in the priority placement program, or the employee has formally accepted the offer to transfer). The civilian employee must have a travel authorization (DD Form 1614) prior to submitting the reimbursement for authorized expenses.

OTHER GENERAL REQUIREMENTS:

The title to the residence at the old or new duty station, or lease with regard to an unexpired lease, must be in the civilian employee's name alone, or in the joint names of the employee and one or more dependents, or solely in the name of one or more dependents. If the title is in the employee's name and that of someone who is not a dependent, only a partial reimbursement is given. Title interest must have been acquired prior to the date the employee was first officially notified of the transfer. In cases where a divorce occurs prior to the settlement date of a real estate transaction, and the ex-spouse is on the title, generally a partial reimbursement is made. The civilian employee is only reimbursed for expenses actually incurred and paid by the employee or a dependent.

REIMBURSEMENT LIMITS:

1. In connection with the sale of the residence at the old PDS, reimbursement must not exceed 10 percent of the actual sale price.
2. In connection with the purchase of a residence at the new PDS, reimbursement must not exceed 5 percent of the purchase price.

ALLOWABLE EXPENSES FOR SALE OF RESIDENCE:

The following expenses are typically reimbursable when reasonable in amount and customarily paid by the seller in the locale where the property is situated:

1. Broker's fees or Realtor commission
2. Other advertising and selling expenses (i.e., newspaper, bulletin board, multiple-listing services, etc.), only if not listed with a broker
3. Costs of searching title, preparing abstract and legal fees for a title opinion/title insurance policy
4. Costs of preparing conveyances, other instruments/contracts

5. Related notary fees and recording fees
6. Costs of making surveys, preparing drawings or plats when required for financing purposes
7. Lender required inspections
8. Transfer taxes
9. Reasonable attorney fees
10. Charge for prepayment of a mortgage

ALLOWABLE EXPENSES FOR RESIDENCE PURCHASE:

The following expenses are typically reimbursable when reasonable in amount and customarily paid by the buyer in the locale where the property is situated:

1. FHA or VA fee for the loan application
2. Loan origination fees (generally up to 1% of loan amount)
3. Credit report
4. Mortgage and transfer taxes
5. State revenue stamps
6. 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
7. Owners title insurance policy when required by the lender as a prerequisite to financing; normally optional and not reimbursable
8. Expenses in connection with the construction of a residence that are comparable to purchasing an existing residence
9. Lender's appraisal fee (only one is reimbursable)
10. Survey
11. Closing costs
12. Recording fees
13. Document preparation fees
14. Reasonable attorney fees
15. Expenses in connection with environmental testing and property inspection fees when required

EXPENSES WHICH ARE NOT REIMBURSABLE:

There is no authority for reimbursement of expenses to travel to the old duty station to finalize real estate transactions. Except as otherwise provided, the following items of expense are not reimbursable:

1. Owner's title insurance policy, "record title" insurance policy, mortgage insurance or insurance against loss or damage of property, and optional insurance
2. Tax service fee (charged to buyer to compute and prorate the tax obligation)
3. Interest on loans, points, and mortgage discounts or "rate buy downs"
4. Home owners warranty (ERA warranty, Blue Ribbon warranty)
5. Property taxes
6. Operating or maintenance costs
7. Cashier's check
8. Any fee, cost, charge or expense determined to be part of the finance charge
9. Home improvements
10. VA funding fee
11. Buyer's expenses paid by the seller
12. Expenses that result from construction of a residence

13. Legal fees where sale is not consummated

14. Losses due to prices/market conditions at old/new duty station

HELPFUL REAL ESTATE HINTS:

When buying a home, ask the bank to itemize or spell out what is included in the civilian employee's "points" charges. Sometimes the charge for points includes an appraisal fee, legal fees for document preparation, and survey cost, each of which may be reimbursable if listed as such. Points relating only to mortgage interest are not reimbursable.

When buying a home, the employee may find the hiring of a Home Inspection Service to be worthwhile. This is NOT a reimbursable expense, but it can save the employee money. There are two types of services. One type provides a report only of the structural areas of the house that are damaged, worn and need repair. The second type actually provides a one-year guarantee on various household appliances, such as the furnace, electrical system, or plumbing.

Reimbursement of real estate expenses is permitted ONLY after they have been approved and forwarded to DFAS Columbus Center (DFAS-JTA/CO).

Note: Separate packages should be submitted for the sale and purchase of a residence

Army Civilian funded employees should submit their reimbursements for review and signature to their supervisor or the official designated by the commanding officer of the employee's activity.

BOTH the sale and purchase of a residence must be approved by the NEW DUTY STATION official designated to approve payment, by a signature on the DD Form 1705 in section IV, block 20.

DD FORM 1705 COMPLETION

Completion of DD Form 1705 is the claimant's responsibility. The following guidelines may prove helpful when transferring expenses from the settlement statement to the DD Form 1705:

	DD FORM 1705	SETTLEMENT STATEMENT
Item 21 -	Sales/Brokers' Commission Fees	Lines 700-703.
Item 22 -	Advertising Fees	Separate receipt usually needed. Not on settlement statement.
Item 23 -	Appraisal fee (sale)	Line 803.
Item 24 -	Legal and Related Fees	Lines 1101-1113, 1201 and 1301. May be separate receipt for actual attorney fee.
Item 25A -	Prepayment charge	Separate receipt usually needed. If you see this, include copy of mortgage in package.
Item 25B -	Lender's Appraisal fee	Likely covered under line 803. POC means part of fee was paid in cash. Separate receipt is needed.
Item 25C -	FHA/VA application fee	May be on a statement or separate receipt.
Item 25D -	Certification Fee	Lines 805 and 1302.
Item 25E -	Credit Report Fee	Line 804. May be POC amount requiring

a separate receipt.

- | | | |
|------------|---------------------------------------|---|
| Item 25F - | Mortgage Title Policy Fee | Line 1109 if not claimed under item 4. |
| Item 25G - | Escrow Agent's fee | Line 1101. |
| Item 25H - | City/County/State Tax Stamps | Lines 1202 and 1203. |
| Item 25I - | Sales or Transfer Taxes; Mortgage Tax | Seldom used. |
| Item 26 - | Other Incidental Expenses | Everything else left on the form that the JTR authorizes reimbursement for (801, etc.). |

Part III – Certifications

Applicant Certification Statement:

I _____ certify that that the expenses included in Part II are a truthful and accurate reflection of what I paid as expenses for the Sale/Purchase of my residence.

Claimant's Signature:

Date:

Realtor Name (Last, First, MI):	State and License number:
Address:	Phone:

Realtor Certification Statement:

I _____ certify that the expenses identified in Part II by the applicant were actual expenses paid by the applicant and that they are reasonable in amount and customarily paid in the locale where the property is situated.

Realtor's Signature:

Date:

Authorizing Official Name (Last, First, MI):	Title:
Email:	Phone:

Approving Official Certification Statement:

I _____ certify that the applicant has compiled the required documents and is eligible for the reimbursement IAW JTR Ch. 5, Part. F before the packet is sent to DFAS.

Approving Official's Signature:

Date:

REIMBURSEMENT FOR REAL ESTATE SALE AND/OR PURCHASE CLOSING COST EXPENSES

(DoD Civilian Employees when transferring due to Permanent Change of Station (PCS))

PRIVACY ACT STATEMENT

AUTHORITY: 5 USC 5724 and EO 9397 (SSN).

PRINCIPAL PURPOSE(S): Used by DoD civilian employees to request reimbursement of real estate expenses related to the sale and/or purchase of their primary residence due to a permanent change in their duty stations.

ROUTINE USE(S): None.

DISCLOSURE: Voluntary; however, completion of this form is necessary before reimbursement may be authorized and expenses paid. The personal information requested is needed to identify the employee.

EMPLOYEE INSTRUCTIONS

1. Prepare an original and one copy of the Reimbursement for Real Estate Sale and/or Purchase, DD Form 1705. Complete all blocks in Parts I, II, or III and enter all applicable amounts and totals in Columns (1) and (2) of Part V, on the back of this form.
2. Attach one complete set of required supporting documents, e.g., sales agreement between buyer and seller, settlement statement, etc. **Please submit copies as the documents are not returned.** Sign and date in the applicable Employee Certification block.
3. Submit Travel Voucher or Subvoucher, DD Form 1351-2, along with the original DD Form 1705 and copies of supporting documents to your supervisor. **Retain a copy of this claim application and the originals of all supporting documents for your personal files.**

PART I - EMPLOYEE INFORMATION

1. NAME (Last, First, Middle Initial)	2. SOCIAL SECURITY NO.	3. MAILING ADDRESS (Include ZIP Code)
4. WAS A REAL ESTATE CLAIM PREVIOUSLY SUBMITTED FOR EXPENSES FOR THIS PCS TRANSFER? (X one)		
<input type="checkbox"/> YES <input type="checkbox"/> NO		

PART II - TRANSFER INFORMATION

5. YOUR NOTIFICATION DATE OF THIS TRANSFER (YYYYMMDD)	6. OLD DUTY STATION LOCATION	7. NEW DUTY STATION LOCATION
8. TRAVEL AUTHORIZATION DATE (YYYYMMDD)	9. DATE TRANSPORTATION AGREEMENT SIGNED (YYYYMMDD)	10. DATE REPORTED FOR DUTY AT NEW DUTY STATION (YYYYMMDD)

PART III - RESIDENCE INFORMATION

	a. PROPERTY AT OLD DUTY STATION	b. PROPERTY AT NEW DUTY STATION
11. COMPLETE RESIDENCE ADDRESS (Include apartment number and ZIP Code)		
12. NUMBER OF DWELLING UNITS		
13. CLOSING OR SETTLEMENT DATE (YYYYMMDD)		
14. SALE AND/OR PURCHASE PRICE	\$	\$
15. TOTAL EXPENSES CLAIMED	\$	\$

EMPLOYEE CERTIFICATION(S)

16. SALE OF OLD RESIDENCE I certify that the amounts claimed in Part V in conjunction with the above sale represent only amounts actually paid by me, that title to the property was in my name and/or a member of my immediate family, and that this was my primary residence when I was first definitely informed of my transfer.	17. PURCHASE OF NEW RESIDENCE I certify that the amounts claimed in Part V in conjunction with the above purchase represent only amounts actually paid by me, and that title to the property is in my name and/or a member of my immediate family and is my new primary residence.		
a. EMPLOYEE SIGNATURE	b. DATE (YYYYMMDD)	a. EMPLOYEE SIGNATURE	b. DATE (YYYYMMDD)

MANAGEMENT INSTRUCTIONS

(To be reviewed/completed by the employee's supervisor or the official designated by the commanding officer of the employee's activity.)

1. For Sales and Purchases: Send the original Reimbursement for Real Estate Sale and/or Purchase Closing Cost Expenses, DD Form 1705, and copies of the supporting documents to the official designated to approve the reasonableness of the expenses itemized in Part V.
2. Submit the original DD Form 1705 and copies of the supporting documents, including the Travel Voucher or Subvoucher, DD Form 1351-2, to the appropriate payment approving official in the paying office.

PART IV - MANAGEMENT APPROVAL INFORMATION

18. SALE EXPENSES The sale expenses claimed in Part V are approved as being reasonable in amount and customarily paid by a seller in the locality where the property is located.	19. PURCHASE EXPENSES The purchase expenses claimed in Part V are approved as being reasonable in amount and customarily paid by a buyer in the locality where the property is located.	20. PAYMENT APPROVAL BY NEW DUTY STATION Payment of this claim is approved in the amount of: \$ _____ If amount approved is less than amount claimed, see attached memo.	
<input type="checkbox"/> AS CLAIMED <input type="checkbox"/> AS REDUCED (See attached memo)	<input type="checkbox"/> AS CLAIMED <input type="checkbox"/> AS REDUCED (See attached memo)		
a. SIGNATURE	b. DATE (YYYYMMDD)	a. SIGNATURE	b. DATE (YYYYMMDD)
c. TITLE	c. TITLE	c. TITLE	

PART V - EXPENSES INCURRED AND PAID IN SELLING RESIDENCE AT OLD DUTY STATION AND/OR PURCHASING RESIDENCE AT NEW DUTY STATION

EXPENSE ITEM AND EXPLANATION	TOTAL AMOUNTS PAID	
	(1) SALE EXPENSES FOR FORMER RESIDENCE AT OLD DUTY STATION	(2) PURCHASE EXPENSES FOR NEW RESIDENCE AT NEW DUTY STATION
21. SALES/BROKER'S COMMISSION FEES: The sales commission paid to a broker or real estate agent for selling former residence. Includes fees for listing the residence and payment for multiple listing service, when not included in the commission paid to the broker or the agent.	\$	
22. ADVERTISING FEES: Expenses paid for newspaper and other advertising when a direct sale is made without using the services of a real estate broker or real estate agent.	\$	
23. APPRAISAL FEE: The amount paid to a professional appraiser for establishing a suggested sale price for the residence.	\$	
24. LEGAL AND RELATED FEES: The amount(s) paid for title costs, e.g., abstract or title search, title examination, related notary fees, title insurance policy; costs of preparing conveyance documents and contracts; costs of making surveys, preparing drawings or plats when required for legal financing purposes; recording and transfer charges, etc.	\$	\$
25. MISCELLANEOUS COSTS: Amounts paid in connection with sale of the former residence and/or purchase of the new residence. The purchaser ordinarily pays these expenses (except Item a. below); however, depending on local custom and practice, the seller may be required to pay some of them.		
a. PREPAYMENT CHARGE: The amount required in the mortgage (or other mortgage security instrument) as a fee paid for loan repayment; or if not specifically required by the mortgage instrument, the prepayment amount paid. The amount is limited to 3 months prevailing interest on the loan balance.	\$	
b. LENDER'S APPRAISAL FEE: The amount paid for the mortgagee or lender's charge for residence appraisal.		\$
c. FHA OR VA APPLICATION FEE	\$	\$
d. CERTIFICATION FEE: The amount paid for any required certification as to the structural soundness or physical condition of the property, e.g., lender's inspection fee, pest inspection, radon test, etc., if required by the mortgagee and/or lender, FHA or VA.	\$	\$
e. CREDIT REPORT FEE: The amount paid for the credit or factual data report on the buyer, if required by mortgagee and/or lender, FHA or VA	\$	\$
f. MORTGAGE TITLE POLICY FEE: The amount paid for mortgage, or lender's, title insurance only. A mortgage insurance policy on the life of the borrower and the additional cost for an owner's title policy are NOT reimbursable expenses.	\$	\$
g. ESCROW AGENT'S FEE: The amount paid to an escrow agent, title company, or similar entity used to close a real estate transaction.	\$	\$
h. CITY/COUNTY/STATE TAX STAMPS	\$	\$
i. SALES OR TRANSFER TAXES; MORTGAGE TAX	\$	\$
26. OTHER INCIDENTAL EXPENSES: This includes other expenses that are reasonable and customary charges or fees paid as may be authorized and not properly included in the items listed above. Incidental expenses must be itemized and explained. Attach a separate sheet, if necessary.	\$	\$
27. TOTAL COSTS INCURRED AND PAID FOR THE SALE OF THE FORMER RESIDENCE AT THE OLD DUTY STATION (Column (1). See Footnotes 1 and 3)	\$ 0.00	
28. TOTAL COSTS INCURRED AND PAID FOR THE PURCHASE OF THE NEW RESIDENCE AT THE NEW DUTY STATION (Column (2). See Footnotes 2 and 3)		\$ 0.00

Note: Costs of insurance against damage or loss of property, maintenance and operating costs and property taxes are not reimbursable. Also, mortgage discounts, points, interest on loans, and losses in connection with the sale or purchase of a residence due to price or market conditions are not reimbursable. No fee, cost, charge, or expense is reimbursable which is determined to be a part of the finance charge under the Truth in Lending Act, Title I, Public Law 90-321, and Regulation Z issued by the Board of Governors of the Federal Reserve System.

Footnotes:

1. The total amount of expenses which may be reimbursed is this amount, but it shall not exceed 10% of the sale price of the residence at the old duty station.
2. The total amount of expenses which may be reimbursed is this amount, but it shall not exceed 5% of the purchase price of a residence at the new duty station.
3. If property is a multiple family unit type (excluding condominium) expenses are prorated and allowed for the employee's residence unit only.

THE JOINT TRAVEL REGULATIONS (JTR)

UNIFORMED SERVICE MEMBERS AND DOD CIVILIAN EMPLOYEES

MR. JEFFREY P. ANGERS, JR.
Deputy Assistant Secretary of the Army
(Military Personnel)

DR. DONNA NAVARRO
U.S. Coast Guard
Director, Military Personnel Policy

MR. MICHAEL R. MELILLO
Acting Deputy Assistant Secretary of the Navy
(Military Manpower and Personnel)

REAR ADMIRAL NANCY L. HANN
National Oceanic and
Atmospheric Administration
Deputy Director, NOAA Corps

MR. MARK R. ENGELBAUM
Deputy Assistant Secretary
of the Air Force
(Force Management Integration)

REAR ADMIRAL SUSAN M. ORSEGA
U.S. Public Health Service
Director, Commissioned Corps Headquarters

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the civilian employee's actual residence. Travel and transportation must begin within 1 year from the date of the civilian employee's death. A 1-year extension may be granted if requested by the family or heir before the expiration of the 1-year limit.

0545 REAL ESTATE ALLOWANCES

An eligible civilian employee is authorized reimbursement for certain expenses incurred for the sale of a residence, the settlement of an unexpired lease on a residence, the settlement of an unexpired lease on a lot on which a mobile home used as a residence was located at the old PDS, or the purchase (including construction) of a residence at the new PDS. These types of events are referred to as "residence transactions." Real estate allowances may be authorized after the civilian employee has signed the required service agreement and met the requirements in this section. A civilian employee may not receive an advance for residence-transactions expenses.

054501. Requirements for Reimbursement of Residence Transactions

A. Eligibility. A PCS must be authorized or approved to receive reimbursement for expenses. The old PDS and new PDS must be located in the CONUS or non-foreign area OCONUS, except as specified in par. 054502. The dwelling at the old PDS must be the civilian employee's actual residence when he or she is informed of a definite transfer to a new PDS. The residence is the place from which the civilian employee regularly commutes to and from work on a daily basis. Weekend travel does not qualify. The residence may be a mobile home or the lot where that mobile home is located or will be located. It includes the dwelling where a civilian employee's dependent resides or will reside if the PDS is in a remote area where adequate family housing is not available within reasonable commuting distance. The AO must determine that the residence reasonably relates to the PDS. For a civilian employee transferring from a foreign PDS, the new PDS is the location where the civilian employee reports for duty when reassigned or transferred from a foreign area. The following individuals are ineligible for reimbursement of residence transactions:

1. A new appointee assigned to a first PDS.
2. A civilian employee transferred from or to a foreign PDS, except for a civilian employee eligible for reimbursement of residence transaction expenses under par. 054502.
3. A civilian employee at a training location who is authorized dependent and HHG transportation to or from the training location when such transportation is authorized instead of per diem or actual expense allowances under the provisions of section 0326.
4. A civilian employee, assigned to a post of duty OCONUS, returning for separation.
5. A civilian employee performing RAT and whose return to a different non-foreign PDS OCONUS does not meet the short-distance transfer requirements in par. 054802 from the old PDS to the new PDS, which are both in a non-foreign area OCONUS.
6. A civilian employee hired locally at a location in a foreign area upon transfer to a PDS in the CONUS or non-foreign area OCONUS.

B. Time Limits. The settlement dates for residential sale and purchase or lease termination must be within the time limitations in this paragraph. The settlement for the sale, purchase, or lease termination transactions should be no later than 1 year after the civilian employee's effective date of

transfer. The 1-year period begins when the civilian employee's transfer becomes effective and ends on the first anniversary of that date. The commanding officer or designee may extend the 1-year period for up to an additional year. The civilian employee should submit a written request for a time extension to the appropriate authority within the initial 1-year period. The commanding officer of the activity bearing the cost may, but is not required to, take action on a request submitted more than 30 calendar days after the initial 1-year expiration date. An extension may be granted only if extenuating circumstances prevented the civilian employee from completing the residence transactions within the initial 1-year period and that the delayed transactions are reasonably related to the PCS. Costs for transactions completed after the 2-year period may not be reimbursed. There is no authority to waive the 2-year time limitation under any circumstances.

C. Title Requirements. The title to the residence at the old PDS or new PDS, or the interest in a cooperatively owned dwelling or in an unexpired lease, must be in the civilian employee's name alone, jointly in the names of the civilian employee and one or more dependents, or solely in the name of one or more dependents. At the old PDS, the civilian employee must have acquired his or her property interest before the date he or she was officially notified of the transfer. When par. 054502 applies, he or she must have acquired his or her interest in the residence at the old PDS before the date the civilian employee was officially notified of the foreign-area transfer.

D. Determining Title to the Residence. The name of the party or parties on the title document (for example, the deed) determine the title to the residence. A civilian employee or dependent is deemed to have equitable title to the residence, whether or not named on the title document, as long as the property is the civilian employee's residence as specified in par. 054501-A and any of the following conditions are met:

1. Title Is Held in Trust. The property is held in trust and meets all of the following conditions:

- a. The civilian employee or dependent are the only trust beneficiaries.
- b. The civilian employee or dependent retain the right to distribute the property for life.
- c. The civilian employee or dependent retain the right to manage the property.
- d. The civilian employee or dependent is the only trust grantor or settler, or retains the right to direct property distribution upon trust dissolution or death.
- e. The civilian employee provides the DoD Component concerned with a copy of the trust document.

2. Title Is Held by Financial Institution. The title is held in the name of a financial institution and meets all of the following conditions:

- a. The civilian employee or dependent executed a financing agreement (for example, mortgage) with the financial institution.
- b. The state or local law requires that lending parties take title to perfect or protect a security interest in the property, or the financial institution requires that it take possession of the title as a financing agreement condition.
- c. The civilian employee provides the DoD Component concerned with a copy of the

financing document. The DoD Component concerned may also require that the civilian employee provide proof of state or local laws governing secured credit.

3. Title Includes a Cosigner. An individual who signs a civilian employee's financing agreement (for example, a mortgage) to lend a name (for example, credit) to the arrangement is often referred to as a "cosigner" on the financing agreement. If the title is held both in the name of the civilian employee individually, or the civilian employee and one or more dependents jointly, or one or more dependents and a cosigner who is not a dependent and meets all of the following conditions:

a. The civilian employee or dependent has the right to use the property and to direct property distribution or transfer from one party to another.

b. The lender requires the cosigner's signature on the finance document.

c. The civilian employee or dependent is liable for payments under the financing arrangement.

d. The cosigner's name is on the title.

e. The cosigner's does not have a financial interest in the property unless the civilian employee or dependent defaults on the financing arrangement.

f. The civilian employee provides the DoD Component concerned with acceptable documentation. The documentation may include a copy of the financing document or a written statement from the civilian employee certifying that the conditions in par. 054501-D3 apply. The documentation also may include a written statement from the cosigner certifying no financial interest in the property and any other documentation that the DoD Component concerned may require.

4. Title Is Held by Property Seller. The property seller holds the title and meets all of the following conditions:

a. The civilian employee or dependent has the right to use the property and to direct property distribution or transfer from one party to another.

b. The civilian employee or dependent signed a financing agreement (for example, a land contract) with the property seller providing for fixed periodic payments and title transfer to the civilian employee or dependent upon completion of the payment schedule.

c. Civilian employee provides the DoD Component concerned with a copy of a financing agreement.

5. Other Equitable Title Situations. The title is held only in the civilian employee's name or a dependent's name, or jointly by the civilian employee and dependent. The title also is held by an individual who is not a dependent. In addition to these factors, all of the following conditions must be met:

a. The civilian employee or dependent has the right to use the property and to direct distribution or transfer from one party to another.

b. Only the civilian employee or dependent has made payments on the property.

c. The civilian employee or dependent receives all proceeds from the property sale.

d. The civilian employee provides documentation acceptable to the DoD Component that the above conditions have been met. Supporting documentation must include financial documents proving that only the civilian employee or dependent made payments on the property, and that the civilian employee or dependent received all proceeds from the property sale. The civilian employee must provide any other documentation required by the DoD Component concerned.

E. **Pro Rata Reimbursement.** A civilian employee is reimbursed only for expenses that he or she, or a dependent, actually incurred and paid. If persons other than the civilian employee or dependent shared any expenses, reimbursement is limited to the portion actually paid by the civilian employee or dependent. If a civilian employee or dependent share title to a residence with someone else, or if a civilian employee has equitable title interest under par. 054501-D, the civilian employee is reimbursed on a pro rata basis (proportional share) to the extent of his or her actual or deemed title interest in the residence. Additionally, a civilian employee is reimbursed on a pro rata basis in the following situations:

1. The residence is a duplex or other type of multiple occupancy dwelling that is occupied only partially by the civilian employee, or whenever the civilian employee shares responsibility for a leased property (for example, a shared apartment arrangement).

2. A residence is bought or sold with more land than reasonably relates to the residence site.

F. **Property Management Services Selected and Subsequent Residence Sale.** A civilian employee who chooses property management services after the DoD Component offers them may later choose to sell the residence per par. 054504-B within the applicable time limitation and requirements for reimbursement. The reimbursement, including the amount previously paid for property management services, is limited to the reimbursement limitations in par. 054504-F. This authority does not extend to a civilian employee enrolled in the Home Sale Program or apply to property at a foreign location OCONUS.

054502. Transfer from a Foreign PDS to a PDS in the CONUS or Non-Foreign PDS OCONUS

A. Eligibility

1. A civilian employee who completes an agreed-upon tour of duty at a foreign PDS and is reassigned or transferred to a PDS in the CONUS or non-foreign PDS OCONUS is authorized reimbursement of costs for residence transactions. All of the following conditions must apply:

a. The new PDS is not the same PDS from which the civilian employee was reassigned or transferred to the OCONUS PDS.

b. The distance between the residence, the old PDS, and the new PDS must meet the criteria in par. 054802 for a short-distance transfer.

c. The civilian employee signs a service agreement to the new PDS.

2. A civilian employee who was not initially a civilian employee and, after signing a service agreement in connection with a transfer from a PDS in the CONUS or non-foreign PDS OCONUS to the foreign PDS, was moved to the foreign PDS at Government expense under a civilian PCS travel order is

ineligible for real estate allowances. The following people are also ineligible:

a. A locally hired civilian employee in par. 054908 who meets any of these criteria:

(1) Is a former member of the U.S. Armed Forces.

(2) Is not a former member of the U.S. Armed Forces, unless the individual was a civilian employee of an Agency who was initially transferred from a PDS in the CONUS or non-foreign area OCONUS to the foreign PDS.

(3) Accompanied or followed the spouse to the area OCONUS.

b. A civilian employee hired in the CONUS or non-foreign area OCONUS for assignment to a first PDS that is in a foreign area.

c. A former civilian employee with a break in service who is rehired in the CONUS or in a non-foreign area OCONUS for assignment to a first PDS that is in a foreign area.

B. Reimbursable Expenses

1. Expenses incurred for a residence sale or the settlement of an unexpired lease at the PDS from which the civilian employee was transferred when assigned to a foreign PDS are reimbursable. Expenses incurred for a residence purchase at the new PDS are also reimbursable.

2. Expenses may not be reimbursed for a real estate transaction that occurs before the civilian employee officially receives notification, ordinarily in the form of a PCS travel order, that reassignment or transfer is to a different PDS in the CONUS or non-foreign area OCONUS.

054503. Residence Sale in Anticipation of Transfer

A. Following Base-Closure Announcement. A civilian employee is authorized reimbursement for real estate expenses incurred before, and in anticipation of, a transfer if administrative intent to transfer the civilian employee is evident when the expenses are incurred. The announcement of a base closure, accompanied by an offer to assist in finding a new position for an affected civilian employee, is evidence of the intent to relocate. Registering a civilian employee in the Priority Placement Program (PPP) constitutes an offer to assist in finding a new position. A civilian employee, registered in the PPP or other placement program, who sells a residence in anticipation of a PCS is authorized reimbursement for residence sale expenses when transferred to a new PDS, if otherwise eligible. Each civilian employee should be cautioned that eligibility for real estate expenses reimbursement exists only if the civilian employee is subsequently employed in a position that involves a PCS with a service agreement. If the PCS is to a foreign area, reimbursement for the expenses may be made only after the civilian employee completes a tour of duty in the foreign area and a subsequent transfer to a different PDS in the CONUS or non-foreign area OCONUS in par. 054502.

B. Civilian Employee Officially Notified of Return to a Different PDS in the CONUS or Non-foreign Area OCONUS. A civilian employee who is notified officially that his or her return will be to a different PDS in the CONUS or non-foreign area OCONUS may sell the residence at the former PDS in the CONUS or non-foreign area OCONUS following receipt of official notification. Reimbursement for real estate expenses must follow section 0545 upon completion of a tour of duty in the foreign area and subsequent transfer to a different PDS in the CONUS or non-foreign area OCONUS. Each civilian

employee should be cautioned of the following:

1. Reimbursement is not allowed for any real estate transaction that occurs before official notification that the civilian employee's return will be to a PDS other than the one from which transferred to the foreign PDS. A travel order transferring the civilian employee from a foreign PDS to a PDS other than the one from which the civilian employee was transferred to the foreign PDS ordinarily constitutes official notification.

2. Reimbursement must not be made until the civilian employee is transferred back to a PDS in the CONUS or in a non-foreign area OCONUS.

3. Reimbursement must not be made for the transfer to the foreign-area PDS, even though the civilian employee is notified at that time that his or her return will not be to the same PDS after completing the foreign assignment.

4. Reimbursement is not allowed for a civilian employee who returns to the actual residence for separation.

054504. Allowable Reimbursable Expenses for Sale or Purchase of Residence

A. Broker's Fees or Real Estate Commission. A broker's fee or real estate commission for services in selling the residence is reimbursable, but limited to rates generally charged for such services in the old PDS locality. No such fee or commission is reimbursable for the new PDS home purchase.

B. Advertising and Selling Expenses. Customary costs of appraisal and costs of newspaper, bulletin board, multiple-listing services, or other advertising for selling the residence at the old PDS are reimbursable if not included in a broker's fee or real estate agent's commission.

C. Legal and Related Costs. To the extent they are not included in broker's fees or similar services reimbursed under other categories, the following expenses are reimbursable for selling a residence if customarily paid by the seller at the old PDS, and purchasing a residence if customarily paid by a purchaser at the new PDS. Payable expenses are limited to the amounts customarily charged where the residence is located:

1. Searching title, preparing abstract and legal fees for a title opinion, or where customarily furnished by the seller, the cost of a title insurance policy.

2. Preparing conveyances, other instruments, and contracts.

3. Related notary fees and recording fees.

4. Making surveys and preparing drawings or plats when required for legal financing purposes.

5. Special services when the transferred civilian employee is unable to physically attend settlement, and services were procured by the transferred civilian employee or someone working with the civilian employee (not the lender), and if the special services are necessary for reasons other than personal preference. This includes a fee for courier delivery, or similar service, or the cost of preparing a power of attorney.

6. When a single over-all legal fee is charged, that fee may be paid without itemization if it is within the customary range of residence transaction charges in that location. Litigation costs are not reimbursable.

7. Similar expenses.

D. Miscellaneous Expenses. The expenses listed below are reimbursable for selling a residence if customarily paid by a seller at the old PDS, or purchasing a residence if customarily paid by a buyer at the new PDS, within specifically stated limitations. In the absence of limitations, amounts customarily paid in the location of the residence are reimbursable with the following appropriate supporting documentation provided by the civilian employee:

1. Federal Housing Administration or VA fee for a loan application.

2. Loan origination fees and similar charges, such as loan-assumption fees and loan-transfer fees. Reimbursement for a loan assumption fee, a loan transfer fee, or a similar charge also may be allowed if it is assessed instead of a loan origination fee and reflects charges for services similar to those covered by a loan origination fee. A civilian employee may be reimbursed for these fees limited to 1% of the loan amount without itemization of the lender's administrative charges. Reimbursement may be for more than 1% only if a civilian employee shows by clear and convincing evidence that the higher rate does not include prepaid interest, points, or a mortgage discount; and the higher rate is customarily charged in the location of the residence.

Note: A loan origination fee is a fee paid by a borrower to compensate a lender for administrative-type expenses incurred in originating and processing a loan.

3. Cost of preparing credit reports.

4. Mortgage and transfer taxes.

5. State revenue stamps.

6. Other fees and charges similar in nature to those listed above, unless specifically prohibited in par. 054505 below.

7. Charge for prepayment of a mortgage or other security instrument for the sale of a residence at the old PDS 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 the lender customarily charges this penalty. In this case, the reimbursement is limited to 3 months' interest on the loan balance.

8. Mortgage title insurance policy paid for by a civilian employee on a residence he or she purchased that is required by the lender.

9. Owner's title insurance policy, provided it is a prerequisite to financing or transferring property or the owner's title insurance policy cost and is inseparable from the other insurance costs.

10. Expenses for construction of a residence comparable to reimbursable expenses for the purchase of an existing residence.

11. Expenses for environmental testing and property inspection fees when required by Federal, state, or local law, or by a lender as a precondition to sale or purchase. Environmental protection fee if required as a condition of the mortgage.

E. Incidental Expenses. Incidental charges made for required services in selling and purchasing residences are reimbursable if they are customarily paid by a seller at the old PDS or if customarily paid by a purchaser at the new PDS, limited to amounts customarily charged in the location of the residence.

F. Reimbursement Limit. Total reimbursement is limited to 10% of the actual sale price of the residence at the old PDS and 5% of the purchase price of a residence at the new PDS.

054505. Non-Reimbursable Expenses for Sale or Purchase of a Residence

A. General Non-Reimbursable Expenses. Except as otherwise provided in par. 054504, the following expenses are not reimbursable:

1. 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 a civilian employee for the purchase of a residence at the civilian employee’s discretion.

2. Interest on loans, points, and mortgage discounts.

3. Property taxes.

4. Operating or maintenance costs.

5. No fee, cost, charge, or expense determined to be part of the finance charge under the Truth in Lending Act (15 U.S.C. §1601), and Regulation Z issued in 12 CFR §226, unless specifically authorized in par. 054504-D above.

6. Expenses that result from residence construction that are not comparable to the expenses for purchasing an existing residence.

7. VA funding fee.

B. Losses Due to Prices or Market Conditions. Losses may not be reimbursed when caused by failure to sell a residence at the old PDS at the price asked, at its current appraised value, or at its original cost. Losses due to failure to buy a dwelling at the new PDS at a price comparable to the selling price of the residence at the old PDS, or any similar causes, also are not reimbursed.

054506. Procedure and Claim Requirements for Sale or Purchase of Residence Reimbursement

A. Application for Reimbursement of Expenses. A civilian employee must prepare and submit DD Form 1705 (Reimbursement for Real Estate Sale and/or Purchase Closing Cost Expenses) to be reimbursed for expenses.

Table 5-95. Required Supporting Documents for Real Estate Transactions		
1	Selling a Residence	a. Sales agreement. b. Mortgage document. If a prepayment fee is claimed, the document must include the

Table 5-95. Required Supporting Documents for Real Estate Transactions	
	<p>payment terms.</p> <p>c. Property settlement document and approved claim application if there has been a prior claim settlement for a residence purchase.</p> <p>d. Title document (for example, the deed) necessary to determine title to the residence as required in <u>par. 054501-D</u>.</p> <p>e. Paid invoices or receipts of \$75 or more for each additional claimed expense item.</p>
2	<p>Purchasing a Residence</p> <p>a. Purchase agreement.</p> <p>b. Finance charge disclosure statement when provided by a lending institution in compliance with <u>Public Law 90-321</u> (Consumer Credit Protection Act). Property settlement document and approved claim application if there has been a prior claim settlement for a residence sale.</p> <p>d. Title document (for example, the deed) necessary to determine title to the residence as required in <u>par. 054501-D</u>.</p> <p>e. Paid invoices or receipts of \$75 or more for each additional claimed expense item.</p> <p>f. Loan closing statement.</p>

B. Review and Approval of Reasonable Charges.

1. An official designated by the commanding officer of an activity must review the expenses claimed and the supporting documentation. The reviewing official must determine if the expenses claimed are reasonable in amount and customarily paid by the seller or buyer (as appropriate) in the location of the property.

a. The reviewing official may use the service of available legal officers in determining whether any claimed item is an authorized real estate expense or a finance charge under the Truth in Lending Act (15 U.S.C. §1601).

b. The local real estate association should be contacted for a schedule of typical closing costs for local single-family property purchases and sales. The local real estate association also may provide information concerning local real estate transaction custom and practices, including information about which costs are paid by the buyer and which costs are paid by the seller. These closing costs should be used as guidelines but not as rigid limitations in determining if the expenses claimed are reasonable.

c. The reviewing official must attach to DD Form 1705 an explanation regarding any disallowance, reduction, or adjustment of cost items. Any portion of costs determined to be excessive, or for which a satisfactory explanation cannot be obtained, must not be approved. For approved expense items, the reviewing official must indicate the authorized amount, sign DD Form 1705, and return the entire claim to the official from whom it was received at the civilian employee's new duty location.

d. If a reviewing official determines that the DD Form 1705 cannot be approved due to incomplete documentation, or other reasons, the reviewing official must return the claim with an explanatory letter to the official from whom it was received at the civilian employee's new PDS.

2. The official at the new duty location must forward the claim to the appropriate payment official for payment approval if the claim was approved. If the reviewing official determined a claim is not payable, the official at the new duty location must forward any attached explanatory letter to the civilian employee. See the DoD Financial Management Regulation, Vol. 9, Chapter 6 (Permanent Duty Travel), for claim submission.

054507. Allowable Reimbursable Expenses for an Unexpired Lease Settlement

A. Conditions for Reimbursement. Expenses, including broker's fees for obtaining a sublease or charges for advertising an unexpired lease, incurred for settling an unexpired lease (including month-to-month rental) on a residence occupied by a civilian employee at the old PDS are reimbursable when all of the following conditions apply:

1. Applicable laws or the lease terms provide for payment of settlement expenses.
2. They cannot be avoided by subleasing or other arrangement.
3. The civilian employee has not contributed to the expense, for example, by failing to give appropriate lease termination notice promptly after the civilian employee receives official notification of the date of transfer.
4. The broker's fees or advertising charges are limited to those customarily charged for comparable services in that locality.

B. Claim Requirement. A civilian employee must submit a claim following the directions in the DoD Financial Management Regulation, Vol. 9 (Travel Policy), for reimbursement of costs incurred for settlement of an unexpired lease. Allowable cost items are limited to those payments made by the civilian employee that represent unavoidable expense directly attributable to lease termination before the expiration date. The total expenses amount must be entered on the travel voucher. The civilian employee must be prepared to provide the following documentation:

1. A copy of the lease specifying penalties or other costs payable if occupancy is terminated before the lease expiration date.
2. A statement of the extent of bona fide attempts made to avoid penalty costs if the lease includes a savings provision for subleasing or making other arrangements to avoid penalty costs.
3. An itemization of expenses and necessary explanations for clarification of penalty costs and paid receipts for each expense item.

Note: For authority to reimburse a civilian employee for a lease penalty expense incurred for early termination of a lease in connection with a transfer to or from a foreign area, see the DSSR.

0546 RELOCATION SERVICES

A DoD Component may offer relocation services to a civilian employee if he or she transfers from one PDS to another in the Government's interest and signs a service agreement. A service agreement is not required for property management services for a TCS (see par. 053714). A transfer is not in the Government's interest and relocation services are not authorized if the transfer is primarily for the civilian employee's convenience or benefit or at the civilian employee's request. Applying for a vacancy announcement is considered in the Government's interest. Relocation services are not authorized for a new appointee, a civilian employee assigned under the Government Civilian Employees Training Act (5 U.S.C. §4109), or a civilian employee assigned or transferred to or from a foreign PDS except when he or she is eligible for reimbursement of residence-transaction expenses and property management services in par. 054602. If a civilian employee violates the service agreement terms, the Government may recover from the civilian employee all payments made on his or her behalf to the relocation company (see section