

UNITED STATES OF AMERICA
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
OFFICE OF HEARINGS AND APPEALS

In the Matter of:

DORA JAUREGUI,

Petitioner.

Docket No. 25-SG-0064-AG-045
(Claim No. 721026463)

April 8, 2026

DECISION AND ORDER

This matter is before this Court upon a *Hearing Request* filed by Dora Jauregui (“Petitioner”) on November 12, 2024. In the *Hearing Request*, Petitioner requested review of the United States Department of Housing and Urban Development (“HUD”) decision to seek repayment of a debt by garnishing Petitioner’s wages. Petitioner did not deny owing the debt to HUD. Rather, Petitioner claimed that the proposed garnishment would cause financial hardship. In support of her claim, Petitioner included a signed Consumer Debtor Financial Statement and a copy of her paystub for the pay period between October 21, 2024 and November 3, 2024.

On November 14, 2024, this Court issued an order requiring HUD and Petitioner to each submit documentary evidence in support of their positions. HUD timely complied with the order and filed the *Secretary’s Statement that Petitioner’s Debt is Past Due and Legally Enforceable* (“Secretary’s Statement”) on November 26, 2024. Petitioner, however, did not comply with the Court’s order.

Having not received any response from Petitioner, this Court issued an *Order to Show Cause* on January 7, 2025, wherein Petitioner was required to submit documentary evidence of financial hardship by January 28, 2024. The Court specifically advised that, “Evidence in support of Petitioner’s financial hardship claim must include copies of earnings statements, and bills and receipts for essential household expenses.” Petitioner failed to respond and, to date, has not presented any additional evidence or argument to the Court.

The Parties have been afforded the opportunity to present arguments and evidence in support of their prospective positions. Accordingly, this matter is ripe for decision.¹

¹ While Petitioner’s request for reconsideration was pending, a lapse in appropriations occurred that resulted in a federal government shutdown and the closure of this Court and furlough of all its judges and employees for approximately six weeks. Due to this closure, a *Notice and Stay of Proceedings* was issued on October 1, 2025, staying all matters pending before the Court, including the instant matter. The stay of this matter is now **LIFTED**. Although the Court has reopened, the government shutdown, which was the longest in history and was followed by a second, shorter shutdown in February 2026, has caused a significant backlog that is being addressed.

APPLICABLE LEGAL PRINCIPLES

Administrative Wage Garnishment. The Debt Collection Improvement Act of 1996 authorizes federal agencies to use administrative wage garnishment as a mechanism for the collection of nontax debts owed to the United States government. 31 U.S.C. § 3720D; see also 31 C.F.R. § 285.11(d) (“General rule. Whenever an agency determines that a delinquent debt is owed by an individual, the agency may initiate proceedings administratively to garnish the wages of the delinquent debtor.”); 24 C.F.R. § 17.81. Garnishment is the process of withholding amounts from an employee’s disposable pay and the paying of those amounts to a creditor in satisfaction of a withholding order. 31 C.F.R. § 285.11(c).

Hearings. The Secretary of HUD has designated the judges of the Office of Hearings and Appeals to adjudicate contested cases where the Secretary seeks to collect debts by means of administrative wage garnishment. 24 C.F.R. § 17.81(b). Hearings are conducted in accordance with procedures set forth at 31 C.F.R. § 285.11, as authorized by 24 C.F.R. § 17.81. This Court shall generally afford a debtor the right to a “paper hearing” wherein the issues in dispute are decided based upon a review of the written record. 31 C.F.R. § 285.11(f)(3)(iii).

HUD has the initial burden to prove the existence or amount of the debt. 31 C.F.R. § 285.11(f)(8)(i). After HUD has met its burden, the debtor must present by a preponderance of evidence that no debt exists or that the amount of the debt is incorrect. Id. at § 285.11(f)(8)(ii). Proving something by a preponderance of the evidence requires convincing “the trier of fact to believe that the existence of a fact is more probable than its nonexistence.” Metro. Stevedore Co. v. Rambo, 521 U.S. 121, 137 n.9 (1997) (quoting Concrete Pipe & Prods. v. Constr. Laborers Pension Trust, 508 U.S. 602, 622 (1993)). In addition, the debtor may present evidence that the terms of the repayment schedule are unlawful, would cause a financial hardship to the debtor, or that collection of the debt may not be pursued due to operation of law. 31 C.F.R. § 285.11(f)(8)(ii).

FINDINGS OF FACT

As a means of providing foreclosure relief to Petitioner, HUD advanced funds to Petitioner’s FHA-insured first mortgage lender. In exchange for such funds, Petitioner delivered to the Secretary a Promissory Note (“HUD Note”), dated January 4, 2023, and in the principal amount of \$ 18,384.88. Petitioner executed the HUD Note on January 7, 2023.

The terms of the HUD Note stated that payment is not required until the first of the following events occurs:

- i. The maturity of the Mortgage, August 1, 2050, the sale of the Property, the payoff of the Mortgage, or
- ii. If provided for under the Partial Claim note, the termination of FHA insurance, except that HUD will agree to subordinate the Partial Claim note to an FHA-Streamline Refinance.

The HUD Note also required that payment to be made at the “Office of Housing FHA-Comptroller, Director of Mortgage Insurance Accounting and Servicing, 451 Seventh Street,

SW, Washington, DC 20410 or any such other place as Lender may designate in writing by notice to the Borrower.”

On October 10, 2023, the FHA insurance on Petitioner’s primary mortgage was terminated, as the lender indicated that mortgage was paid in full. Pursuant to the terms of the HUD Note, the satisfaction of the primary mortgage and termination of the FHA insurance resulted in the HUD Note becoming immediately due.

HUD attempted to collect the amount due under the HUD Note but was unsuccessful. On October 25, 2024, a Notice of Intent to Initiate Wage Garnishment Proceedings (“Notice”) was mailed to Petitioner’s last-known address. The Notice informed Petitioner of the opportunity to enter into a written repayment agreement under terms acceptable to HUD. However, Petitioner never entered into any such agreement.

Accordingly, Petitioner remains indebted to the Secretary of HUD in the following amounts:

- a. \$ 18,384.88 as the unpaid principal balance as of October 31, 2024;
- b. \$ 306.40 as the unpaid interest on the principal balance at 4.0 % per annum through October 31, 2024;
- c. \$ 1,170.08 as the unpaid penalties and administrative costs as of October 31, 2024; and
- d. interest on said principal balance, from November 1, 2024, at 4.0 % per annum until paid.

DISCUSSION

HUD claims Petitioner owes a valid debt to HUD and proposes a repayment schedule of \$351.38 bi-weekly, or an amount equal to 15% of Petitioner’s disposable pay. In support of its position, HUD has produced a copy of the HUD Note bearing Petitioner’s signature, and the sworn Declaration of Brian Dillon (“Declaration”), who was the Director for the Asset Recovery Division of HUD’s Financial Operations Center.

The HUD Note establishes that Petitioner promised to pay the Secretary of HUD in return for a loan Petitioner received, and that payment would be made if Petitioner’s primary mortgage was paid in full or no longer insured by the Secretary. The Declaration explained that the insurance on Petitioner’s primary mortgage was terminated on or about October 10, 2023, because that lender indicated that the primary mortgage was paid in full. The Declaration adds that HUD has attempted to collect on this debt, but Petitioner remains delinquent.

The Court has reviewed the *Secretary’s Statement* and its supporting evidence and finds that HUD has met its initial burden to prove the existence and amount of the debt. Therefore, the burden shifts to Petitioner to prove that no debt exists, or the amount of the debt is incorrect. 31 C.F.R. § 285.11(f)(8)(ii).

As noted *supra*, Petitioner does not dispute the existence of amount of the debt. Rather, Petitioner claims that repayment in the manner proposed by the Secretary would cause financial hardship.

Financial adversity does not invalidate a debt or release a debtor from a legal obligation to repay it. See *In re Nicole Spencer*, HUDOHA No. 22-AM-0132-AG-090, at 3 (Nov. 15, 2023) (citing *In re Raymond Kovalski*, HUDBCA No. 87-1681-G18 (Dec. 8, 1986)). However, if financial hardship is demonstrated in a wage garnishment case, the Court may downwardly adjust the amount of the garnishment to reflect the debtor's financial condition. 31 C.F.R. § 285.11(k)(3). A financial hardship claim must be supported with "particularized evidence including proofs of payment, showing that [a debtor] will be unable to pay essential subsistence costs such as food, medical care, housing or transportation" if garnishment of their wages is imposed. *In re Jannette M. Bush*, HUDOHA No. 22-AM-0158-AG-106, at 2-3 (Aug. 30, 2024).

Petitioner has not produced sufficient evidence that garnishment, as proposed by HUD, would cause financial hardship. To date, Petitioner has only produced the Consumer Debtor Financial Statement and a paystub. Petitioner was required to submit proof of her expenses, but failed to do so. Indeed, the Hearing Request form submitted by Petitioner included language informing Petitioner, "**You must provide a signed financial statement along with copies of earnings and income records and proof of expenses.**" This Court also issued orders requiring Petitioner to provide bills and receipts for essential household expenses.

As of the date of this *Decision*, Petitioner has had multiple opportunities to provide evidence that garnishment of her wages would cause financial hardship. She failed to do so. Even if the Court were to credit the minimal evidence on this issue, Petitioner still did not meet her burden.² Accordingly, the Court finds that the debt arising from the HUD Note is enforceable in the amount claimed by HUD. The Court further finds that garnishment of Petitioner's wages in the amount proposed by HUD would not cause financial hardship.

ORDER

For the reasons set forth above, the Court finds the subject debt to be legally enforceable against Petitioner in the amount claimed by the Secretary. It is:

ORDERED that the Secretary is authorized to seek administrative wage garnishment in the amount of 15% of Petitioner's disposable pay, or such other amount as determined by the Secretary not to exceed 15% of Petitioner's disposable pay. It is

² Petitioner's paystub reflects a disposable bi-weekly pay of \$2,342.59. That is enough to cover a fifteen percent garnishment of roughly \$351.38, while still leaving Petitioner with sufficient funds to cover the \$3,130 in monthly expenses she identified on her Consumer Debtor Financial Statement.

FURTHER ORDERED that the Order imposing the *Stay of Referral* of this matter to the U.S. Department of the Treasury for administrative wage garnishment is **VACATED**.

SO ORDERED,

A handwritten signature in black ink, appearing to read 'Sandra W. Gluvna', written over a horizontal line.

Sandra W. Gluvna
Administrative Judge

Finality of Decision. Pursuant to 31 C.F.R. § 285.11(f)(12), this constitutes the final agency action for the purposes of judicial review under the Administrative Procedure Act (5 U.S.C. § 701 et seq.). However, a debtor whose wages are subject to a garnishment order may request a review of the amount garnished at any time based on materially changed circumstances. 31 C.F.R. § 285.11(k)(1).