

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

In the Matter of:

JEFFREY LESTER,

Petitioner.

Docket No. 25-SG-0072-AG-053
(Claim No. 721025862)

April 14, 2026

DECISION AND ORDER

This matter is before this Court upon a *Hearing Request* filed by Jeffrey Lester (“Petitioner”) on November 14, 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. Specifically, Petitioner denied owing the subject debt, but did not include evidence in support of this claim. Instead, Petitioner included documentation suggesting he was seeking a reduced payment plan.

On November 19, 2024, this Court issued an order requiring HUD and Petitioner to each submit documentary evidence in support of their positions. HUD timely complied by filing the *Secretary’s Statement that Petitioner’s Debt is Past Due and Legally Enforceable* (“Secretary’s Statement”) on December 16, 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 23, 2025, wherein Petitioner was required to submit documentary evidence by February 24, 2025, or otherwise show cause as to why a decision in favor of HUD should not be rendered. 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 on two separate occasions. In exchange for such funds, and on each occasion, Petitioner delivered to the Secretary a Partial Claims Promissory Note. The first Partial Claims Promissory Note (“First HUD Note”) was dated August 7, 2009, and in the principal amount of \$ 4,480.30. Petitioner executed the First HUD Note on August 14, 2009. The second Partial Claims Promissory Note (“Second HUD Note”) was dated November 25, 2013, and in the principal amount of \$ 8,854.69. Petitioner executed the Second HUD Note on December 3, 2013.

The terms of both HUD Notes required payment on November 1, 2024, or earlier when the first of the following events occurs:

- i. Borrower has paid in full all amounts due under the primary Note and related mortgage, deed of trust or similar Security Instruments insured by the Secretary, or
- ii. The maturity date of the primary Note has been accelerated, or

- iii. The primary note and related mortgage, deed of trust or similar Security Instrument are no longer insured by the Secretary, or
- iv. The property is not occupied by the purchaser as his or her principal residence.

The HUD Notes also required that payment to be made at the “U.S. Department of HUD C/O DEVAL LLC, Westpoint 1 – 1255 Corporate Drive, Suite 300, Irving, TX 75038 or any such other place as Lender may designate in writing by notice to the Borrower.”

On February 7, 2023, the FHA mortgage insurance on Petitioner’s primary mortgage was terminated by the lender. Pursuant to the terms of the HUD Notes, the termination of the FHA insurance resulted in both HUD Notes becoming immediately due.

HUD’s accounting provides that Petitioner remains indebted to the Secretary of HUD in the following amounts:

- a. \$ 13,334.99 as the total, unpaid principal balance as of October 30, 2024;
- b. \$ 266.70 as the unpaid interest on the principal balance at 4.0 % per annum through October 30, 2024;
- c. \$ 863.05 as the unpaid penalties and administrative costs as of October 30, 2024; and
- d. interest on said principal balance, from October 31, 2024, at 4.0 % per annum until paid.

HUD attempted to collect the amount due under the HUD Notes but was unsuccessful. On May 20, 2024, HUD sent a Demand Notice to Petitioner. Then, on October 22, 2024, a Notice of Intent to Initiate Wage Garnishment Proceedings (“Notice”) was mailed to Petitioner at the same address. The Notice informed Petitioner of the opportunity to enter into a written repayment agreement under terms acceptable to the U.S. Department of Treasury by November 21, 2024, and directed Petitioner to call 1-888-826-3127 to discuss the terms for such an agreement. The Notice also informed Petitioner of his right to a hearing, and that such a request can be made by completing the Request for Hearing form that was included.

Petitioner did not enter into a repayment agreement. Instead, Petitioner submitted a completed Request for Hearing form on November 12, 2024.

DISCUSSION

HUD claims Petitioner owes a valid debt to HUD and proposes a repayment schedule of \$ 284.44 bi-weekly, or an amount equal to fifteen percent (15%) of Petitioner’s disposable pay. In support of its position, HUD produced a copy of both HUD Notes 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 Notes establish that Petitioner promised to pay the Secretary of HUD in return for loans Petitioner received, and that payment would be made if Petitioner’s primary mortgage

was no longer insured by the Secretary. The Declaration explained that the insurance on Petitioner's primary mortgage was terminated on or about February 7, 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 in default.

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).

Petitioner disputes owing the debt that is the subject of this proceeding.² However, he has not complied with the Court's orders to provide evidence in support of his position. Petitioner was afforded multiple opportunities to provide such evidence. For example, the form on which Petitioner submitted his *Hearing Request* explicitly directed Petitioner to "EXPLAIN any additional facts concerning your objection on a separate sheet of paper and, together with all supporting documentation, enclose it with this request. Your objection(s) will be considered based on the information and documents you provide with this form, and any records held by the agency." However, Petitioner did not submit any information with his hearing request relevant to the existence or legal enforceability of the debt.

Subsequent orders from this Court also directed Petitioner to submit evidence. He failed to comply. This Court has consistently held that "assertions without evidence are not sufficient to show that the debt claimed by the Secretary is not past due or unenforceable." *In re Hongmei Zhang*, HUDOHA No. 23-AF-0163-AG-093, slip op. at 3 (Dec. 3, 2024). Accordingly, the Court finds that Petitioner has not met his burden to prove, by a preponderance of evidence, that no debt exists.

As an aside, the Court recognizes that Petitioner submitted a Debtor Resolution Program Financial Statement (form HUD-56142) with his hearing request. The language of the form explains it is used by HUD to, "evaluate: (a) the debtor's ability to pay the debt in full; (b) the ability to pay the debt in installments; and/or (c) justification for a compromise." The Court infers Petitioner intended to enter into a repayment agreement when he submitted this document with his *Hearing Request*.

In administrative wage garnishment cases, the Court's jurisdiction is limited to determining whether a debt is past due or enforceable, and whether evidence of financial hardship should mitigate the amount of any garnishment imposed. The Court is not authorized to negotiate or accept offers of settlement on behalf of HUD. If Petitioner wishes to negotiate a settlement, they must contact the U.S. Department of Treasury, which services this debt on behalf of HUD, at 1-888-826-3127.

² The extent of Petitioner's argument on this issue was checking a box on the Hearing Request Form for the option, "I request a hearing based on the existence of the debt – I do not owe the debt."

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 fifteen percent (15%) of Petitioner's disposable pay, or such other amount as determined by the Secretary not to exceed fifteen percent (15%) of Petitioner's disposable pay. It is

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).