

UNITED STATES OF AMERICA  
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT  
OFFICE OF HEARINGS AND APPEALS  
Washington, D.C.

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In the Matter of:

**ANDREW HUTCHINS,**

Petitioner.

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Judge H. Alexander Manuel

HUDOHA No. 20-AM-0087-AG-050

Claim No. 721012154

March 24, 2023

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**DECISION AND ORDER**

On or about January 30, 2020, Andrew Hutchins, (“Petitioner”) filed a Request for Hearing concerning the amount, enforceability, or payment schedule of a debt allegedly owed to the U.S. Department of Housing and Urban Development (“HUD” or “the Secretary”). The Debt Collection Improvement Act of 1996, as amended (31 U.S.C. § 3720D), authorizes federal agencies to use administrative wage garnishments as a mechanism for the collection of debts allegedly owed to the United States government.

The Secretary of HUD has designated the administrative judges of this Office of Hearings and Appeals to adjudicate contested cases where the Secretary seeks to collect debts by means of administrative wage garnishment. This hearing is conducted in accordance with procedures set forth at 31 C.F.R. § 285.11, as authorized by 24 C.F.R. § 17.81.

**BACKGROUND**

In or around May 2013, Petitioner became delinquent on his mortgage payments with his primary lender, Bank of America (“B of A”). Petitioner’s primary mortgage was insured by HUD mortgage insurance. Petitioner’s mortgage was in default and he was threatened with foreclosure. *Secretary’s Statement* (“*Sec’y. Stat.*”), Exhibit A- *Declaration of Brian Dillon* (“*Dillon Decl.*”) at ¶ 4. To prevent the lender from foreclosing, HUD advanced funds to Petitioner’s lender to bring the primary mortgage current. *Id.* In exchange for this foreclosure relief, on June 10, 2013, Petitioner executed a Subordinate Note (“Note”) in the amount of \$8,920.24 in favor of the Secretary. *Sec’y. Stat.*, Exhibit B - Note. Paragraph 4(A) of the Note cites specific events that cause the Note to become due and payable. One of those events is the payment in full of the primary note. Note at ¶ 4(A)(i).

On or about June 20, 2017, the FHA insurance on Petitioner’s primary note was terminated when the primary lender notified the Secretary that the primary note was paid in full. *Dillon Decl.* at ¶ 4; Note at ¶¶ 4(A)(i) & (iii).

Upon payment in full of the primary note, Petitioner was required to make payment to HUD on the Note at the "Office of the Housing FHA-Comptroller, Director of Mortgage Insurance Accounting and Servicing, 451 Seventh Street, SW, Washington, DC 20410 or at such other place as [HUD] may designate in writing by notice to Borrower." Note at ¶ 4(B). Petitioner failed to make payment on the Note at the place and in the amount specified above. Consequently, Petitioner's debt to HUD also became delinquent. *Dillon Decl.* at ¶ 5. The Secretary has made efforts to collect this debt from Petitioner but has been unsuccessful.

The Secretary maintains that Petitioner is indebted to the Secretary in the following amounts:

- (a) \$8,920.24 as the unpaid principal balance as of January 31, 2020;
- (b) \$193.18 as the unpaid interest on the principal balance at 1% per annum through January 31, 2020;
- (c) \$916.62 as the unpaid penalties and administrative costs as of January 31, 2020; and
- (d) Interest on said principal balance from February 1, 2020 at 1% per annum until paid.

A Notice of Intent to Initiate Administrative Wage Garnishment Proceedings dated September 25, 2019 ("Notice") was sent to Petitioner. *Id.* at ¶ 6. In accordance with 31 C.F.R. § 285.11(e)(2)(ii), Petitioner was afforded the opportunity to enter into a written repayment agreement with HUD under mutually agreeable terms. Petitioner did not enter into a written repayment agreement in response to the Notice. *Id.* at ¶¶ 7-8.

The U.S. Department of the Treasury issued a Wage Garnishment Order to Petitioner's employer on October 25, 2019. Based on the issuance of the order, Petitioner's pay has been garnished three times in the total amount of \$806.66. All garnishments, except the last one in the amount of \$274.57, are reflected in the balance shown in paragraph 9 above. The last garnishment may have already taken place. *Id.* at ¶¶ 9-10.

In his hearing request, Petitioner states that the primary FHA-insured mortgage was paid in full, and that a release and mortgage satisfaction were issued. However, Petitioner provides no documentary evidence to prove that his Note to HUD was paid. Petitioner has provided proof that he paid off his primary mortgage and received a release from his primary lender, but this does not demonstrate that Petitioner has paid his indebtedness to HUD or that HUD has issued a release.

The express language of the Note, signed and agreed to by Petitioner, states under "Borrower's Promise to Pay" that, "In return for a *loan* received from Lender, Borrower ***promises to pay*** the principal sum of ... ***\$8,920.24....***" "Lender" is defined under the heading "Parties" as "***the Secretary of Housing and Urban Development.***" Note at ¶¶ 1 and 2 (emphasis added).

When Petitioner executed the Note, he was put on notice that he received a loan from HUD that must be repaid. As the Note demonstrates, Petitioner's indebtedness to HUD is separate and apart from his indebtedness to the primary FHA-insured lender. As a result, the payments made to the primary lender to pay off Petitioner's primary mortgage are separate and apart from the payments needed to satisfy Petitioner's debt to HUD.

Petitioner filed a copy of a Cancellation of Deed to Secure Debt (“CDSD”) in support of his position. Although the CDSD makes reference to the primary FHA-insured mortgage that was originally recorded on August 12, 2003, it does not reference the HUD-held Subordinate Note and Mortgage that Petitioner obtained from HUD in 2013. Nowhere on the CDSD is HUD listed as the lender. Thus, although Petitioner has presented evidence that his indebtedness to his primary lender has been paid in full, Petitioner has presented no evidence that HUD's Note was paid in full or that HUD has released Petitioner from liability under the Note. *Dillon Decl.* at ¶ 12.

In the absence of a release from HUD discharging Petitioner from his obligation to repay the debt, Petitioner remains indebted to the Secretary in the amounts set forth above. See In re Juanita Mason, HUDOA No. 08-H-NY-AWG70, at p. 3 (December 8, 2008) (“... [F]or Petitioner not to be held liable for the debt, there must either be a release in writing from the lender...or valuable consideration accepted by the lender from Petitioner....”)(citations omitted).

Petitioner seeks to establish that the alleged debt in this case is not owed, not properly calculated, or is not legally enforceable. Petitioner has not brought forth any evidence to show that the amounts claimed by the Secretary were incorrectly calculated. This Court has consistently maintained that “[a]ssertions without evidence are not sufficient to show that the debt claimed by the Secretary is not past due and or enforceable.” (*See Michael R. Bridges*, HUDOHA No. 13-AM-0125-AG-054 (August 13, 2013); *Eric and Eliza Rodriguez*, HUDOHA No. 13-AM-0061-AG-023 (April 17, 2013)(citing *Franklin Harper*, HUDBCA No. 01-D-CH-AWG41 (March 23, 2005); *Troy Williams*, HUDOA No. 09-M-CH-AWG52 (June 23, 2009), citing *Bonnie Walker*, HUDBCA No. 95-G-NY-T300 (July 3, 1996)).

Therefore, the Court finds Petitioner liable for the debt in this case in the amounts claimed by the Secretary.

Petitioner has filed no documentary evidence to prove that undue financial hardship would be created by imposition of a repayment schedule. The Court therefore authorizes repayment at the amount of 15% of Petitioner’s disposable pay, or the maximum amount authorized by law. This Court has authority to mitigate payments in determining whether financial hardship would be imposed in particular cases, but the Court does not have the authority to establish “a debtor’s repayment amount or a schedule of payments.”

As such, while Petitioner may wish to negotiate repayment terms with the Department, this Court is not authorized to extend, recommend or accept any payment plan or settlement offer on behalf of the Department. If Petitioner wishes to discuss a payment plan, Petitioner may discuss the matter with Michael DeMarco the Director of the HUD Financial Operations Center, at 1-800-669-5152, extension 2859 or write to HUD Financial Operation Center, 50 Corporate Circle, Albany, NY 12203-5121. Petitioner is also entitled to seek reassessment of this financial hardship determination in the future in the event that he experiences materially-changed financial circumstances. *See* 31 C.F.R. §285.11(k).

## ORDER

For the reasons set forth above, the Order imposing the stay of referral of this matter to the U.S. Department of the Treasury for administrative wage garnishment is **VACATED**.

It is hereby **ORDERED** that the Secretary is authorized to seek collection of this outstanding obligation by means of administrative wage garnishment in the amount of 15% of Petitioner's disposable pay for each pay period.

SO ORDERED,



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H. Alexander Manuel

Administrative Judge

**APPEAL NOTICE:** You have the right to move for reconsideration of this case before the HUD Office of Hearings and Appeals within 20 days of the date of this ruling or decision; or, thereafter, to reopen this case. Ordinarily, such motions will not be granted absent a demonstration by the movant that there is substantial new evidence to be presented that could not have been presented previously. An appeal may also be taken of this decision to the appropriate United States District Court. For wage garnishments cases, See 24 C.F.R. § 17.81, 31 C.F.R. § 285.119f), and 5 U.S.C. 701, et seq. For administrative offset cases, See 24 C.F.R. § 17.73(a), and 5 U.S.C. § 701, et seq.