

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

In the Matter of:

BRANDY GALLOWAY,

Petitioner.

)
) Judge H. Alexander Manuel
)
) HUDOHA No. 20-AM-0269-AG-169
)
) Claim No. 721016915
) April 28, 2023

DECISION AND ORDER

On or about November 6, 2020, Brandy Galloway, (“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

On or about November 23, 2017, Petitioner was delinquent on Petitioner’s mortgage payments with his primary lender, Bank of America (“B of A”). Petitioner’s primary mortgage was insured by HUD mortgage insurance. The primary mortgage was in default and Petitioner was threatened with foreclosure. *Secretary’s Statement that Petitioner’s Debt is Past Due and Legally Enforceable and Proposed Repayment Schedule* (“Sec’y. Stat.”), ¶ 3, 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 December 7, 2012, Petitioner executed a Subordinate Note (“Note”) in the amount of \$10,981.73, 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 Petitioner’s mortgage with the primary lender. Note at ¶ 4(A)(i).

On or about December 26, 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) \$10,981.73 as the unpaid principal balance;
- (b) \$110.24 as the unpaid interest on the principal balance at 1% per annum;
- (c) \$1,205.59 as the unpaid penalties and administrative costs; and
- (d) Interest on said principal balance from September 1, 2020 at 1% per annum until paid.

Id. ¶ 5.

A Notice of Intent to Initiate Administrative Wage Garnishment Proceedings dated May 21, 2020 ("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.

In response, Petitioner states that the primary FHA-insured mortgage was paid in full, and that a release and mortgage satisfaction were issued. *Petitioner's Response*, filed on or about January 19, 2021 ("*Petitioner's Response*") Petitioner states that:

“When [Petitioner] contacted the office of the attorney who represented [Petitioner] in this home sale, they related they noted an additional lean[sic] on the property, however, they simply ignored this lean[sic] since Bank of America was [Petitioner's] primary mortgage holder. It was [Petitioner's] belief that the title search, and subsequent title insurance that was issued during this home sale, would alleviate [Petitioner's] debt burden due to this legal oversight, as had this issue been adequately investigated by our real estate attorney the settlement of this debt would have been included in the home sale transaction.

Id. Petitioner further states that ongoing payments were made on the Note, totaling \$4,380, until May 2019, through HUD's debt collector, Coast.

There does not appear to be any material factual dispute in this case. Petitioner's obligation to repay the Note derives from the terms of the Note itself. 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 ... *\$10,981.73....*" "Lender" is defined under the heading "Parties" as "*the Secretary of Housing and Urban Development.*" Note at ¶¶ 1 and 2 (emphasis added). The Court finds this to be sufficient proof that Petitioner was aware of the terms of the Note and Petitioner does not appear to deny the obligation to repay the Note. Indeed, Petitioner agreed to make monthly payments to Coast to repay the Note. *Petitioner's Response.*

Petitioner's entire argument appears to be based on his mistaken belief that Bank of America or his closing attorney are responsible for repayment of the debt to HUD and that their involvement in the closing "would alleviate [Petitioner's] debt burden due to this legal oversight, as had this issue been adequately investigated by our real estate attorney the settlement of this debt would have been included in the home sale transaction." *Id.* The Court does not opine on the issue of whether Bank of America or Petitioner's attorney may also have liability to repay the amount of the Note to HUD. However, that liability theory does not absolve Petitioner of his legal obligation to repay HUD under the terms of the Note.

Petitioner provides no documentary evidence to prove that Petitioner's Note to HUD was ever repaid. The primary mortgage was paid off with a release being issued by the primary lender, but this does not demonstrate that Petitioner has paid the indebtedness to HUD or that HUD has issued a release. When Petitioner executed the Note, Petitioner was put on notice that the terms of the loan from HUD required repayment. As the Note demonstrates, Petitioner's indebtedness to HUD is separate and apart from the 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 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 ¶ 5.

In the absence of a release from HUD discharging Petitioner from the 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)). *See also Judith Herrera*, HUDOHA No. 12-M-CH-AWG27 (July 12, 2012)(wherein this Court found that a statement to Petitioner by a title company that “all was okay and Petitioner did not owe the debt” was insufficient evidence to prove that HUD had been paid).

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

Petitioner has not filed income statements 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,



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.