

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

In the Matter of:

SALLY BOYD,

Petitioner.

Docket No. 24-AF-0133-AO-026
(Claim No. 7-210233770B)

July 22, 2025

DECISION AND ORDER

This matter is before the Court upon a *Request for Hearing* (“*Request*”) filed by Sally Boyd, (“Petitioner”) on February 12, 2024, pursuant to 24 C.F.R. § 17.69(a), concerning an alleged debt that the United States Department of Housing and Urban Development (“HUD” or “the Secretary”) seeks to collect from Petitioner via administrative offset under 31 U.S.C. § 3716. In her *Request*, Petitioner claims that the full amount of the loan was paid to the mortgage company, Mr. Cooper, as a part of the closing process. The Secretary, however, states that HUD was not repaid from the proceeds of the sales transaction.

LEGAL FRAMEWORK

The Debt Collection Improvement Act of 1996 authorizes federal agencies to use administrative offset as a mechanism for the collection of debts owed to the United States government. See 31 U.S.C. §§ 3716, 3720A. The Office of Hearings and Appeals has jurisdiction to determine whether Petitioner’s alleged debt is past due and legally enforceable pursuant to 24 C.F.R. §§ 17.61 *et seq.*

The debtor has the right to review the Secretary’s case and present their own evidence. See 24 C.F.R. § 17.69(a)-(b). This Court will then review the written record of the proceeding to determine whether, by a preponderance of the evidence, all or part of that debt is past due and legally enforceable. Id. at § 17.69(c). Thereafter, the Court must issue a written decision that constitutes the final agency decision with respect to the past due status and enforceability of the debt. Id. § 17.73(a).

FINDINGS OF FACT

On November 4, 2021, HUD advanced funds to Petitioner’s FHA-insured lender to bring her primary mortgage current and avoid foreclosure of his property. In exchange for the foreclosure relief, Petitioner and her husband executed and delivered to the Secretary a Subordinate Note (“HUD Note”) in the amount of \$22,880.57. The terms of the HUD Note

required payment on December 1, 2051, or earlier when the first of the following events occurred:

- 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 Note and related mortgage, deed of trust or similar Security Instrument are no longer insured by the Secretary.

The HUD Note also required that payment be made to “Office of Housing FHA-Comptroller, Director of Mortgage Insurance Accounting and Servicing, 451 7th Street S.W. Washington, DC 20410 or any such other place as Lender may designate in writing by notice to Borrower.”

On January 24, 2022, the FHA mortgage insurance on the primary mortgage was terminated, as the lender indicated the mortgage was paid in full, and Petitioner’s debt to HUD became due and payable pursuant to the terms of the HUD Note. However, the HUD Note was not paid as required.

On January 22, 2024, a Notice of Intent to Collect by Treasury Offset was sent to Petitioner’s last known address. The Secretary has made efforts to collect repayment of this debt in full, but has been unsuccessful. The Secretary alleges that Petitioner is indebted to HUD in the following amounts:

- i. \$22,880.57 as the unpaid principal balance as of March 30, 2024;
- ii. \$228.80 as the unpaid interest on the principal balance at 3.0% per annum through March 30, 2024;
- iii. \$1,438.84 as the unpaid penalties and administrative costs on the principal balance through March 30, 2024; and
- iv. Interest on said principal balance from April 1, 2024, at 3.0% per annum until paid.

DISCUSSION

Initially, Petitioner disputed the existence of the debt owed to HUD stating that the full amount of the loan was paid during the closing process to the mortgage company, Mr. Cooper. Petitioner also stated that she was concerned that Mr. Cooper received excess funds from HUD due to financial discrepancies. In support of her claim, Petitioner provided numerous documents relating to the sale of her home.

Petitioner’s claim that Mr. Cooper failed to pay off the HUD Note is not a valid basis for releasing her from liability for the subject debt. Petitioner and her husband signed the HUD Note and agreed to the terms therein. “A third party’s error or negligence does not normally relieve Petitioner of liability for the debt ... Petitioner’s obligation to pay the debt derives from the terms of the Note.” *In re Stephond West*, HUDOHA No. 17-AM-0026-AG-006 (Mar. 14,

2018), *citing In re Bryan McClees*, HUDOHA No. 17-AM-0037-AO-010 (Feb. 14, 2018) and *In re Cydine A. Taylor*, HUDOHA No. 14-AM-0063-AO-005 (Oct. 22, 2014); also see, *In re Judith Herrera*, HUDOA No. 12-M-CH-AWG27 (July 12, 2012) (this Court found that a statement to Petitioner by a title company that “all was okay ... petitioner did not owe debt” was insufficient as evidence to prove that HUD debt had been paid).

Upon further investigation, Petitioner acknowledged liability for the debt and asked for options to pay or defer the amount owed to HUD. This Court is not authorized to extend, recommend, or accept any payment plan or settlement offer on behalf of HUD.¹ Having resolved the issue of liability, the Court finds that the debt in this case is past due and enforceable.

ORDER

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

ORDERED that the Secretary is authorized to seek collection of this outstanding obligation by means of administrative offset in the amounts claimed by the Secretary. 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 offset, imposed on February 12, 2024, is **VACATED**.

SO ORDERED,



ALEXANDER FERNANDEZ-PONS
CN = ALEXANDER FERNANDEZ-
PONS C = US O = U.S. Government
OU = Department of Housing and
Urban Development, Office of the
Secretary
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Alexander Fernández-Pons
Administrative Law 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.*).

¹ The U.S. Department of Treasury has authority to negotiate and accept settlement offers related to this debt and can be reached at 1-888-826-3127.