

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

In the Matter of:

VELVET MCGREGOR,

Petitioner.

Docket No. 24-AF-0197-AG-131
(Claim No. 721021459)

July 1, 2025

DECISION AND ORDER

On March 21, 2024, Velvet McGregor (“Petitioner”) filed a *Hearing Request* seeking a hearing concerning the amount, enforceability, or payment schedule of a debt allegedly owed to the United States Department of Housing and Urban Development (“HUD” or the “Secretary”).¹ The Debt Collection Improvement Act of 1996, as amended (31 U.S.C. § 3720D), authorizes federal agencies to use administrative wage garnishment as a mechanism for the collection of debts owed to the United States government.

The Secretary of HUD has designated the 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.

FINDINGS OF FACT

Petitioner executed and delivered a Promissory Note (“HUD Note”), dated October 10, 2020, in favor of the Secretary in the principal amount of \$8,942.68. The funds secured by the HUD Note were paid by the Secretary to Petitioner’s primary mortgage lender to bring Petitioner’s primary mortgage current and provide foreclosure relief to Petitioner.

The terms of the HUD Note included Petitioner’s promise to pay, secured by a mortgage, deed of trust, or similar security instrument to protect the Secretary from losses if Petitioner defaulted on the HUD Note. The HUD Note required payment on May 1, 2049, or, if earlier, when the first of the following events occurs:

- i. The 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

¹ On May 2, 2025, the Secretary moved to substitute counsel in this matter. That request is **GRANTED**.

- iii. The 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.

On or about June 10, 2022, the Federal Housing Administration insurance on Petitioner's primary note was terminated, as the primary lender indicated that the mortgage was paid in full. The Secretary alleges that Petitioner is indebted to HUD in the following amounts:

- i. \$8,942.68 as the unpaid principal balance;
- ii. \$201.24 as the unpaid interest on the principal balance at 3% per annum;
- iii. \$177.79 as the unpaid penalties and administrative costs on the balance; and
- iv. interest on said principal balance from February 29, 2024 at 3% per annum until paid.

A Notice of Intent to Initiate Administrative Wage Garnishment Proceedings ("Notice"), dated December 12, 2023, was sent to Petitioner. In accordance with 31 C.F.R. § 285.11(e)(2)(ii), the Notice afforded Petitioner the opportunity to enter into a written repayment agreement with HUD under mutually agreeable terms.

Petitioner did not provide HUD with her income information. HUD proposes a wage garnishment repayment schedule of \$258.68 per month,² or an amount equal to 15% of Petitioner's disposable pay.

DISCUSSION

HUD bears the initial burden of proof to show the existence and amount of the alleged debt. See 31 C.F.R. § 285.11(f)(8)(i). Petitioner, thereafter, may show by a preponderance of the evidence that no debt exists or that the amount of the debt is incorrect. See 31 C.F.R. § 285.11(f)(8)(ii). Additionally, Petitioner may present evidence that the terms of the proposed repayment schedule are unlawful, would cause an undue hardship to Petitioner, or are legally unenforceable. Id.

As evidence of the Petitioner's indebtedness, HUD filed the *Secretary's Statement that Petitioner's Debt is Past Due and Legally Enforceable and Proposed Repayment Schedule* together with a copy of the HUD Note and the Declaration of Brian Dillon, wherein Mr. Dillon, Director of HUD's Asset Recovery Division, states the amount owed by Petitioner. The express language of the HUD Note, signed and agreed to by Petitioner, states under "Borrower's Promise to Pay" that "[i]n return for a loan received from Lender, Borrower promises to pay the principal sum... to the order of the Lender." The HUD Note further states that payment shall be made at Novad Management Consulting, Shepard's Mall 2401 NW 23rd Street, Suite 1A1, Oklahoma City, OK 73107. The copy of the HUD Note submitted by HUD under oath is sufficient to establish the existence and the amount of the debt owed by Petitioner.

² HUD states that the proposed repayment schedule will liquidate the debt in approximately three years as recommended by the Federal Claims Collection Standards.

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 argues that she is not responsible for the subject debt and that a bank is responsible for the debt because of an oversight when she refinanced her home. However, Petitioner provides no documentary evidence in support. This Tribunal 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, Petitioner has not met her burden to prove, by a preponderance of evidence, that she is not responsible for the debt.

Petitioner also argues that late fees cannot be assessed. As a practice, the Debt Collection Improvement Act of 1996 requires HUD to refer delinquent debts to the U.S. Department of the Treasury (“Treasury”) for collection. 31 U.S.C. § 3711(g). By law, HUD is further required to charge interest and fees on past due debts. HUD Debt Collection Handbook, 1900.25 REV-5 § 2-5 (A). When HUD sends a debt to Treasury, Treasury is authorized to charge HUD a fee for its collection efforts. 31 U.S.C. § 3711(g)(6). But Petitioner, as the debtor, is also required to pay for debt collection fees charged by Treasury until the outstanding debt is paid in full. Payments made by the debtor are first applied to fees, then to interest, and then finally to the principal. 31 C.F.R. § 901.9(f). In this case, the evidence presented by the Petitioner has not established that the subject debt amount is in error, so the debt remains intact. As a result, this Tribunal finds that the collection fees associated with the subject debt must be included as required and paid by Petitioner.

Accordingly, the Secretary may garnish up to 15% of Petitioner’s disposable pay. Should Petitioner wish to negotiate repayment terms with HUD, this Tribunal is not authorized to extend, recommend, or accept any payment plan or settlement offer on behalf of HUD.³ Petitioner is entitled to seek reassessment of the repayment schedule in the future in the event she experiences materially changed financial circumstances. See 31 C.F.R. § 285.11(k).

ORDER

For the reasons set forth above, this Tribunal finds the subject debt is 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.

³ Treasury has authority to negotiate and accept settlement offers related to this debt and can be reached by contacting HUD Counsel assigned to this matter.

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

SO ORDERED,



J. Jeremiah Mahoney, Chief Administrative Law Judge, on behalf of 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.*).