

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

In the Matter of:

LEIGH LANZA,

Petitioner.

Docket No. 24-VH-0213-AG-138
(Claim No. 721017641)

August 29, 2025

DECISION AND ORDER

This matter is before the Tribunal upon a *Hearing Request* filed by Leigh Lanza (“Petitioner”) on April 5, 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. Petitioner claimed a title company should be at fault for failing to properly handle the closing of her property resulting in this alleged debt becoming due.

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 Tribunal 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. In exchange for such funds, Petitioner delivered to the Secretary a Subordinate Note ("HUD Note"), dated August 18, 2012, and in the principal amount of \$39,525.04. The HUD Note was executed by Petitioner on August 24, 2012.

The terms of the HUD Note required payment on August 1, 2041, 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 Instrument insured by the Secretary; or
- ii. The maturity date of the primary Note has been accelerated, or
- iii. The Note and related mortgage, deed or trust [sic] 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 Note also required that payment to be made to "the Office of Housing FHA-Comptroller, Director of Mortgage Insurance Accounting and Servicing, 451 Seventh Street, SW, Washington, DC 20410 or any such other place as Lender may designate in writing...."

In late January of 2020, Petitioner was corresponding with Austin Title regarding paying off her primary mortgage held by Carrington Mortgage Services, LLC ("Carrington"). During this process, there was confusion as to whether a payoff amount provided by Carrington would also satisfy the HUD Note. An employee with Austin Title explained to Petitioner, "It appears that they too[k] you[r] \$39k 2nd lien and modified it down to the \$4k. So, the payoff with Carrington covers both loans." However, that information was not accurate.

On February 10, 2020, Petitioner's primary mortgage was paid in full, and the FHA mortgage insurance was terminated. By the terms of the HUD Note, the satisfaction of the primary mortgage and termination of the FHA insurance resulted in the HUD Note becoming immediately due. However, funds were not submitted to the Secretary as required.

HUD attempted to collect the amount due under the HUD Note but was unsuccessful. On March 4, 2024, a Notice of Intent to Initiate Wage Garnishment Proceedings ("Notice") was sent to Petitioner's last-known address. The Notice informed Petitioner of the opportunity to enter

into a written repayment agreement under terms acceptable to HUD. However, Petitioner never entered into any such agreement.

Petitioner remains indebted to HUD in the following amounts:

- a. \$ 39,525.04 as the unpaid principal balance as of April 30, 2024;
- b. \$ 1,283.88 as the unpaid interest on the principal balance at 1.0% per annum through April 30, 2024;
- c. \$ 6,271.69 as the unpaid penalties and administrative costs through April 30, 2024; and
- d. interest on said principal balance, from April 30, 2024, at 1.0% per annum until paid.

DISCUSSION

HUD claims Petitioner owes a valid debt to HUD and proposes a repayment schedule in the amount of 15 percent of Petitioner's disposable pay. HUD bears the initial burden to prove the existence or amount of the debt. 31 C.F.R. § 285.11(f)(8)(i). In support of its position, HUD has produced a copy of the HUD Note bearing Petitioner's signature, and the sworn Declaration of Brian Dillon ("Declaration"), who is the Director for the Asset Recovery Division of HUD's Financial Operations Center. In addition, HUD provides a *Decision and Order*, issued January 12, 2023, wherein this Court previously found that the debt in this matter is past due and enforceable.

The HUD Note establishes that Petitioner promised to pay the Secretary of HUD in return for a loan Petitioner received, and that payment would be made if Petitioner's primary mortgage was paid in full or no longer insured by the Secretary. The Declaration explained that the insurance on Petitioner's primary mortgage was terminated on or about February 10, 2020, 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 delinquent.

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. Moreover, in the prior adjudication, Petitioner was found to be contractually obligated to pay this debt. See *In re Lanza*, HUDOHA 21-VH-0184-AG-100, at 3 (Jan. 12, 2023).

Petitioner has not presented any new evidence to demonstrate that the debt has been satisfied or that she has been otherwise released from her obligation to pay. In fact, Petitioner's arguments were raised in the previous proceeding and many of the documents submitted in support thereof are the same. Regarding Petitioner's claim that the title company should be responsible, the Court previously held, "It is Petitioner's responsibility, and not the responsibility of the primary lender or the title company, to ensure that the subject debt is fully satisfied." Id. Therefore, although Petitioner's claim that she expected the title company to perform its duty to be credible, she is nevertheless bound by her agreement to repay the Secretary in the amount and manner required pursuant to the terms of the HUD Note. Accordingly, the Court finds that Petitioner has failed to satisfy her burden to prove this debt is not past due or enforceable. See 31 C.F.R. § 285.11(f)(8)(ii).

ORDER

For the reasons set forth above, the Tribunal 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 15% of Petitioner's disposable pay, or such other amount as determined by the Secretary, not to exceed 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,



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.).