

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

In the Matter of:

CONSTANTINE FLORIS, and  
PANAGIOTIS FLORIS,  
  
Petitioners.

25-SG-0059-AO-011  
(Claim No. 7-210278860A)

January 29, 2025

**DECISION AND ORDER**

This matter is before the Tribunal upon a *Hearing Request* filed by Constantine Floris and Panagiotis Floris (collectively “Petitioners”) on November 12, 2024. In the *Hearing Request*, Petitioners disputed the existence of a debt allegedly owed to the United States Department of Housing and Urban Development (“HUD” or “the Secretary”) that HUD was seeking to collect via administrative offset under 31 U.S.C. § 3716.

**APPLICABLE LEGAL PRINCIPLES**

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. An administrative offset is the withholding of funds payable by the United States to a person to satisfy a claim. 31 U.S.C. § 3701(a)(1).

The Office of Hearings and Appeals has jurisdiction to determine whether Petitioners’ alleged debt is past due and legally enforceable. See 24 C.F.R. §§ 17.61 *et seq.* The debtor has the right to review HUD’s records related to the debt and to present their own evidence. Id. This Tribunal 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 Tribunal 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

In July 2021, the HUD-insured primary mortgage on Petitioners' home was in default and Petitioners were threatened with foreclosure. To prevent the foreclosure, HUD advanced funds to Petitioners' FHA-insured lender on July 29, 2021, to bring Petitioners' primary mortgage current.<sup>1</sup> In August 2021, HUD funds totaling \$19,874.75 were applied to Petitioners' primary mortgage account.

In exchange for the foreclosure relief from HUD, Petitioners executed and delivered to the Secretary a Promissory Note in the amount of \$19,874.75. The terms of the Promissory Note required payment on November 1, 2041, 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 primary note and related mortgage, deed of trust, or similar security instrument are no longer insured by the Secretary.

The Promissory Note also required that payment be made to the Secretary, as the lender, at "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 by notice to Borrower."

Eventually, Petitioners refinanced their primary mortgage. This resulted in the FHA insurance on Petitioners' primary mortgage being terminated on May 11, 2022, because that mortgage was paid in full. And, pursuant to the terms of the Promissory Note, Petitioners' debt to the Secretary became immediately due and payable. However, Petitioners failed to make payment on the Promissory Note as required causing Petitioners' debt to HUD to become delinquent.

HUD has attempted to collect on the claim from Petitioners, but has been unsuccessful. On September 16, 2024, HUD issued a Demand Notice to Petitioners requesting repayment. HUD also issued Notices of Intent to Collect by Treasury Offset, dated October 14, 2024, to Petitioners. The Secretary alleges Petitioners are indebted to HUD in the following amounts:

- i. \$19,874.75 as the unpaid principal balance as of October 31, 2024;
- ii. \$132.48 as the unpaid interest on the principal balance at 4.0% per annum through October 31, 2024; and
- iii. interest on said principal balance from November 1, 2024, at 4.0% per annum until paid.

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<sup>1</sup> Petitioners' FHA-insured primary mortgage was being serviced by Rushmore Loan Management Services at this time.

## DISCUSSION

Petitioners dispute the existence of the debt and claim that they would not have been able to refinance the primary mortgage if there existed a partial claim on the property. With their *Hearing Request*, Petitioners produce documentation showing that they had a loan with Wells Fargo that was subsequently transferred to Rushmore Loan Management Services. The documentation also states that in 2021, Petitioners were approved for mortgage assistance and funds in the amount of \$19,874.25 were applied to Petitioners' primary loan on August 4, 2021. Petitioners' documentation references a Promissory Note and Partial Claim Mortgage in that amount.

As evidence that Petitioners owe a valid debt to HUD, the Secretary produced a copy of the Promissory Note wherein Petitioners agreed to pay the Secretary \$19,874.45. The Secretary's evidence is supported by the sworn Declaration of Brian Dillon, who is the Director of the Asset Recovery Division for HUD's Financial Operations Center. Mr. Dillon's Declaration explains that the funds from HUD were paid to Petitioners' primary mortgage to bring it current.

The evidence produced by both Parties demonstrates the existence of a loan between HUD and Petitioners in the amount of \$19,974.25 that would become due and payable when their primary mortgage was paid in full. Petitioners' letter even references a miscellaneous repayment in that amount, and Petitioners acknowledge that they refinanced their primary mortgage, which would have resulted in that primary mortgage being paid. However, Petitioners fail to produce any evidence demonstrating that their debt to HUD was similarly satisfied. See 24 C.F.R. §17.69(a)-(b) (affording a debtor the opportunity to present evidence that all or part of a debt is not past due). 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 (Dec. 3, 2024). Moreover, to demonstrate that Petitioners are not liable for the subject debt, "there must be either a release in writing from the former lender explicitly relieving Petitioner's obligation, 'or valuable consideration accepted by the lender' indicating intent to release." *In re Gisela Gonzalez Figueroa*, HUDOHA No. 24-AF-0015-AO-003 (Dec. 6, 2024). Here, Petitioners' evidence fails to prove that they do not owe a debt to HUD and or that their debt to HUD has been satisfied.

## ORDER

For the reasons set forth above, the Tribunal finds the debt that is the subject of this proceeding is legally enforceable against Petitioners in the full amount claimed by the Secretary.

Accordingly, it is **ORDERED** that the Secretary is authorized to seek collection of this outstanding obligation by means of administrative offset in the amount claimed.

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 November 14, 2024, is **VACATED**.

**SO ORDERED,**

  
Sandra W. Gluvna  
Administrative Judge

**Finality of Decision.** Pursuant to 24 C.F.R. § 17.73(a), this constitutes the final agency action for the purposes of judicial review under the Administrative Procedure Act (5 U.S.C. § 701 *et seq.*).