DEFENSE LEGAL SERVICES AGENCY
DEFENSE OFFICE OF HEARINGS AND APPEALS
APPEAL BOARD

Date: August 4, 2026

In the matter of:	)	
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Applicant for Security Clearance	)	

APPEAL BOARD DECISION

APPEARANCES

FOR GOVERNMENT
Andrea M. Corrales, Esq., Deputy Chief Department Counsel

FOR APPLICANT
Vicki Fuller, Personal Representative

The Department of Defense (DoD) declined to grant Applicant a security clearance. On August 5, 2025, DoD issued a Statement of Reasons (SOR) advising Applicant of the basis of that decision – security concerns raised under Guideline F (Financial Considerations) of the National Security Adjudicative Guidelines (AG) in Appendix A of Security Executive Agent Directive 4 (effective June 8, 2017) and DoD Directive 5220.6 (Jan. 2, 1992, as amended) (Directive). On April 17, 2026, Defense Office of Hearings and Appeals Administrative Judge Mark Harvey denied Applicant national security eligibility. Applicant appealed pursuant to Directive ¶¶ E3.1.28 and E3.1.30.

The SOR alleged six security concerns: a charged-off auto loan (SOR ¶ 1.a), four consumer and medical debts (SOR ¶¶ 1.b–1.e), and a 2022 foreclosure on Applicant's home (SOR ¶ 1.f). The Judge found favorably for Applicant on the debts alleged at SOR ¶¶ 1.b through 1.d and adversely on the remaining three debts. On appeal, Applicant challenges the Judge's mitigation analysis, specifically his application of AG ¶ 20(e), *the individual has a reasonable basis to dispute the legitimacy of the past-due debt which is the cause of the problem and provides documented proof to substantiate the basis of the dispute or provides evidence of actions to resolve the issue.*

As a preliminary matter, we first address Applicant's overarching argument—that the Judge applied AG ¶ 20(e) inconsistently across the SOR allegations, finding three debts mitigated and the others not mitigated "without rational explanation for the differential treatment." Appeal Brief at 2. Applicant invites us to consider the Judge's favorable findings in comparison with his unfavorable findings and submits a graph to aid in that comparison. Because the Government did not cross-appeal the Judge's favorable findings, they are not in issue before us, and we decline to consider those findings or Applicant's assertions regarding them. Instead, we consider Applicant's arguments as they pertain to the Judge's adverse findings on SOR ¶¶ 1.a, 1.e, and 1.f. Finding no error in the Judge's findings and conclusions, we affirm.

Judge's Findings of Fact

Applicant is in her mid-30s and has earned multiple degrees, to include a master's degree in business administration. She has worked in business development and financial management and as an auditor and a budget analyst. Applicant described some circumstances that resulted in a decrease in her available income, including financial support to her mother, her sisters, and her sisters' children.

<u>SOR ¶ 1.a</u>

The SOR alleged that Applicant had a charged-off auto loan for about $17,039, which was corroborated by a March 2025 credit bureau report (CBR). Government Exhibit (GE) 3 at 2.

Following submission of her security clearance application (SCA) in March 2024, Applicant was interviewed by a background investigator. In an August 2024 interview, Applicant told the investigator that her car was repossessed, that she believed it then sold for more than it was worth, that she did not believe that she was liable for the amount reflected on her credit report, and that she planned to look into it. In a September 2024 interview, Applicant told the investigator that the original balance on the account was $46,064, that $42,104 was written off following repossession, and that the balance would therefore be $3,960, and not $17,039. In her March 18, 2025, response to interrogatories on this debt and others, Applicant alleged violations of the Fair Debt Collection Practices Act (FDCPA) and stated: "I do not owe these debts, nor have I ever received any bills, statements or notifications indicating that I am responsible for such obligations. Since I have never received any communication or validation regarding [these debts,] I do not acknowledge their legitimacy and dispute any claims made against me." GE 2 at 8.

At her hearing, Applicant testified that her vehicle was repossessed while in the shop for repairs following an accident. She acknowledged she was behind on her auto loan payments but asserted that she had missed only about two months and "[n]ot enough for it to be repossessed." Decision at 3 (quoting Transcript (Tr.) at 25).

Applicant testified that she contacted the seller of the vehicle and told them that they had miscalculated the amount owed, specifically that they had added the value of the trade-in and the initial down payment to her balance rather than subtracting those amounts—"So it made it look like I owe money when they really kind of owe me money." Tr. at 26. The sales contract that Applicant provided did not support this narrative. Instead, it established that the purchase price was $43,000; that her gross trade-in allowance was $11,000, minus approximately $8,500 to pay off the lien on the trade-in vehicle, leaving a credit of approximately $2,400, which was applied as a downpayment. The sales contract did not reflect a cash downpayment.

In disputing this debt, Applicant asked the seller for several items, including a digital signature certificate, IP metadata, and a time-stamped audit trail. Similarly, she asked the creditor to provide:

> 1. The electronic-signature audit trail and IP attribution records;
>
> 2. The [Truth in Lending Act]/Reg Z calculation worksheet used to generate finance disclosures;
>
> 3. The loan-booking ledger showing application of down payment and trade-in; [and]
>
> 4. The dealer funding packet and "contract assignment acknowledgment" showing [the creditor's] acceptance and verification of contract accuracy.

Applicant Exhibit (AE) C-1 at 3. As the Judge highlighted, "Applicant did not provide a citation to federal or state authority which would require the creditor or seller to provide this information, or even if required, how it would warrant rescission of her purchase contract or voiding of her unpaid payments to the creditor under the contract." Decision at 4.

In her dispute with the creditor regarding this account, Applicant listed 18 problems with the sales contract, to include, for example, "Improper formatting of required 'federal box' disclosures" and "Questionable digital signatures with no audit trail." AE C-1 at 10. In response, the creditor sent a history of the account that detailed her purchase of the vehicle, payments on the loan, the repossession of the vehicle, its sale at auction, and the calculation of the deficiency. AE C-2. Applicant's payment history indicated that she missed about six months of payments in 2022 before the creditor repossessed her vehicle.

At hearing, Applicant expressed a willingness to pay the creditor if they could agree on an amount. She testified that she offered to pay, but she did not submit any documents to corroborate this claim. She presented no evidence of a payment plan or any payments after the vehicle was repossessed in July 2022.

<u>SOR ¶ 1.e</u>

The second allegation in issue alleged that Applicant had a bank debt of about $658 placed for collection, which was corroborated by the March 2025 CBR. GE 3 at 3. In her March 2024 SCA, Applicant reported that she owed the original creditor $500 and stated her intent to make a payment arrangement when she obtained employment. GE 1 at 47. In her subsequent response to interrogatories, Applicant said this account and others were erroneous and reflected inaccurate data pertaining to her credit reports, that she did not have a contractual relationship with the collection agencies, and that she did not authorize them to collect any debt or funds from her. She requested documentation showing authorization to collect and compliance with FDCPA. She denied that she ever received any statement or notifications that she was responsible for the obligation and declined to acknowledge its legitimacy. At hearing, Applicant testified that she did not recall having an account with the creditor in SOR ¶ 1.e but that she would pay it or resolve it if the collection agent verified the account.

<u>SOR ¶ 1.f</u>

The final allegation in issue alleges that Applicant's mortgage on her home went to foreclosure in about December 2022. Her March 2025 CBR indicated that the current balance on the loan was $0. GE 3 at 3.

In her March 2024 SCA, Applicant disclosed that this financial issue began in December 2022 and that the "balance was paid in full according to the company's own financial records and [an] Audit." GE 1 at 44. She also reported that she filed lawsuits in several courts to resolve issues associated with the foreclosure. *Id*. at 45. At hearing, Applicant testified that she lived in her home from June 2011, that her original mortgage was $119,000, and that her house was "paid off" with no more monthly mortgage payments to be made. Tr. at 57–58. She also testified that, when she sent her payments, the creditor did not apply them to her mortgage. *Id*. at 58.

Applicant's mortgage was transferred twice to different mortgage companies, and Applicant testified that she did not owe anything to the creditor alleged in SOR ¶ 1.f because it was "not the original party" with which she had a contract. *Id.* at 59. The record evidence indicates that the foreclosure sale notice was published three times in a local newspaper, that a notice was sent to Applicant's residence, and that it was purchased by a limited liability corporation (LLC) at auction in November 2022 for $175,000. GE 6. In July 2023, the police evicted Applicant from the residence. She believed her removal was improper and filed a police report against the company that evicted her.

Under cross-examination by Government counsel, Applicant stated, "I own my house. It's paid for. None of this should have ever went on." Tr. at 60. Applicant also testified that the creditor advised her that she did not owe anything on the debt, and cited to the CBR, which reflects a balance of $0. *Id.* at 83-84.

Applicant sought relief in state and federal courts, filing multiple lawsuits against, among others, the mortgage company and the LLC that purchased the property. A state court denied Applicant's requests for relief, and the federal district court dismissed her claims, deferring to the state court's judgment. At the time of her security clearance hearing, some litigation was nevertheless still pending in state court.

Although Applicant provided arguments and documents regarding her litigation on her eviction, she did not provide any evidence to support her contention that her mortgage was paid, such as proof of payments made.

Judge's Analysis

The Judge concluded that the record established the disqualifying conditions in AG ¶¶ 19(a), *inability to satisfy debts*, and 19(c), *a history of not meeting financial obligations*. In his mitigation analysis, the Judge concluded that AG ¶ 20(a)[1] did not apply, as Applicant's ongoing unpaid debts demonstrated a continuing course of conduct that could be viewed as recent under Appeal Board precedent. He acknowledged that AG ¶ 20(b)[2] partially applied, as Applicant testified that she provided financial support to family members, but he declined to find it fully applicable "because she did not provide sufficient information about the amounts of financial support she provided to family members, or sufficient details about why those payments were necessary." Decision at 12. Moreover, he found that Applicant did not establish that she acted responsibly towards the SOR debts alleged in ¶¶ 1.a, 1.e, and 1.f, as required for application of AG ¶ 20(b).

Turning to AG ¶¶ 20(d)[3] and 20(e)[4], the Judge found that Applicant had "unsuccessfully attempted to use legal technicalities to address the financial issues in SOR ¶¶ 1.a and 1.f," and that "[h]er correspondence with courts, creditors, and other entities does not establish 'good faith' under AG ¶ 20(d)." Decision at 12. In concluding that neither mitigating condition applied to the three allegations in issue, the Judge stated:

> Applicant did not prove that she had a reasonable basis for stopping her payments to the creditors in SOR ¶¶ 1.a, 1.e, and 1.f. She did not support her claims with documentation showing that she paid or was making payment to address the debt in SOR ¶ 1.a and her mortgage before her home was foreclosed. Her claims that she paid these debts detracts from her credibility. Her false claims about paying these debts will not be considered for disqualification purposes; however, they will be considered in the credibility, mitigation, and whole-person assessments.
>
> The foreclosure sale resulted in a zero balance on her mortgage debt; however, her litigation of the foreclosure and eviction in state and federal courts shows lack of judgment.
>
> For her unresolved SOR debts, Applicant did not provide documentation after the SOR was issued for SOR ¶¶ 1.a and 1.e showing: (1) proof of payments, such as checking account statements, photocopies of checks, or a letter from the creditor proving that she paid or made any payments to these two SOR creditors after the SOR was issued; (2) correspondence to creditors or CBRs showing **credible** debt disputes; or (3) evidence of attempts to negotiate payment plans, such as settlement offers or agreements to show that she was attempting in

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[1] AG ¶ 20(a): the behavior happened so long ago, was so infrequent, or occurred under such circumstances that it is unlikely to recur and does not cast doubt on the individual's current reliability, trustworthiness, or good judgment.

[2] AG ¶ 20(b): the conditions that resulted in the financial problem were largely beyond the person's control (e.g., loss of employment, a business downturn, unexpected medical emergency, a death, divorce or separation, clear victimization by predatory lending practices, or identity theft), and the individual acted responsibly under the circumstances.

[3] AG ¶ 20(d): the individual initiated and is adhering to a good-faith effort to repay overdue creditors or otherwise resolve debts.

[4] AG ¶ 20(e): the individual has a reasonable basis to dispute the legitimacy of the past-due debt which is the cause of the problem and provides documented proof to substantiate the basis of the dispute or provides evidence of actions to resolve the issue.

> good faith to resolve her delinquent debts. AG ¶ 20(d) does not apply. Applicant failed to establish mitigation under AG ¶ 20(e) because she did not provide documented proof to substantiate the existence, basis, or the result of any debt **reasonable** disputes.

Id. at 13 (emphasis in original).

Discussion

On appeal, Applicant focuses on AG ¶ 20(e), and she first challenges the Judge's application of this mitigating condition to the auto loan debt (SOR ¶ 1.a). She asserts that the "Judge applied the wrong legal question under AG ¶ 20(e) to SOR ¶ 1.a by evaluating whether Applicant had a reasonable basis for stopping her payments, rather than evaluating whether she had a reasonable basis to dispute the legitimacy of the reported debt, the question AG ¶ 20(e) actually requires." Appeal Brief at 3. She argues that the "hearing record established a specific, numerical basis for that dispute," citing to the sales contract and the correspondence with the creditor, and that the Judge "did not evaluate whether that specific factual basis was reasonable under AG ¶ 20(e)." *Id*. at 5.

We disagree with the entirety of this fallacious argument. First, we have frequently noted that a security clearance adjudication is not the place to split hairs or to engage in the parsing of words, and this argument does both. Second, and contrary to Applicant's argument, the Judge explicitly found that the evidence—specifically, the correspondence with the auto loan creditor—did **not** establish a credible dispute. Decision at 13. He made that particular finding in his discussion of whether Applicant made a good faith effort to resolve her debts under AG ¶ 20(d). As quoted above, under AG ¶ 20(e), the Judge made an explicit finding that Applicant failed both prongs of that mitigating condition, in that "she did not provide documented proof to substantiate the existence, basis, or the result of any debt **reasonable** disputes." *Id.* (emphasis in original). This argument is singularly without merit.

Turning to the foreclosure allegation (SOR ¶ 1.f), Applicant argues that the Judge's "characterization of Applicant's foreclosure litigation as demonstrating 'lack of judgment' constitutes a misapplication of the Adjudicative Guidelines, which require evaluation of whether active litigation reflects good-faith dispute resolution under AG ¶ 20(e), not a conclusion about its likely outcome." Appeal Brief at 3. To the extent that we understand this argument, Applicant appears to be under the misimpression that the Judge was speculating on the likely outcome of the litigation. For example, she asserts: "Whether the foreclosure litigation ultimately establishes a meritorious claim is a question for the courts. Whether it constitutes a reasonable, good-faith effort to dispute a financial obligation is a question the Administrative Judge was required to evaluate under AG ¶ 20(e), and he did not." *Id*. at 6.

As a preliminary matter, we highlight that the Judge was properly addressing SOR ¶ 1.f as a debt that had been resolved, not through any efforts by Applicant but by the LLC's purchase of the property at a price higher than Applicant's mortgage loan. The fact that the debt was resolved did not, however, require the Judge to find it mitigated. We have consistently and repeatedly held that a judge should consider the circumstances surrounding how applicants incurred and resolved such debts in evaluating whether they have demonstrated good judgment and reliability. *See, e.g.*, ISCR Case No. 17-00192 at 2 (App. Bd. Sep. 21, 2018). That is precisely what the Judge did here. Although the debt was resolved, the Judge concluded that it was not mitigated because Applicant demonstrated poor judgment in the way she dealt with it.

Moreover, and contrary to Applicant's argument, the Judge expressly answered the question of whether the litigation "constituted a reasonable, good-faith effort to dispute a financial obligation." First, he specifically found that she did not act in good faith: "Applicant has unsuccessfully attempted to use legal technicalities to address the financial issues in SOR ¶¶ 1.a and 1.f. Her correspondence with courts, creditors, and other entities does not establish 'good faith' under AG ¶ 20(d)." Decision at 12. Second, and as discussed above, he plainly stated his conclusion that there was no reasonable basis for the dispute: "Applicant failed to establish mitigation under AG ¶ 20(e) because she did not provide documented proof to substantiate the existence, basis, or the result of any debt **reasonable** disputes." *Id*. at 13. This second allegation of error is groundless.

Applicant next challenges the Judge's adverse credibility assessment. The Directive requires us to give deference to a judge's credibility determination, and a party challenging such a credibility determination has a heavy burden of persuasion on appeal. Directive ¶ E3.1.32.1; ISCR Case No. 03-05072 at 5 (App. Bd. Jul. 14, 2005). Here, the Judge made the following assessment: "Her claims that she paid [the auto loan and mortgage loan] detracts from her credibility. Her false claims about paying these debts will not be considered for disqualification purposes; however, they will be considered in the credibility, mitigation, and whole-person assessments." Decision at 13. Applicant argues that "the decision cites no specific testimony or exhibit demonstrating that Applicant falsely claimed to have made payments she knew she had not made." Appeal Brief at 7. That is simply wrong. For example, the decision cites to Applicant's testimony that the mortgage on her house was "paid off" and that she owned her house outright. Decision at 6 and 7 (quoting Tr. at 57–58, 60). As the Judge noted, Applicant submitted no documents to support this repeated assertion, which is completely contradicted by the evidence of foreclosure. The Judge's conclusion that Applicant made "false claims" about payments is well-supported by the record. Applicant has failed to carry her burden of persuasion.

Finally, Applicant challenges the Judge's Whole-Person Concept analysis as "legally insufficient." Appeal Brief at 7. The Judge summarized the evidence in mitigation, noted that "[t]he evidence against grant of a security clearance is detailed in the financial considerations section, supra," and concluded that "this evidence is more substantial than the evidence of mitigation." Decision at 14. Applicant argues that he failed to explain how the AG ¶ 2(d) factors were applied to the specific facts of the case and therefore "[did] not satisfy the standard the Adjudicative Guidelines require." Appeal Brief at 8. We disagree. The Judge incorporated by reference his detailed findings and conclusions under Guideline F. Reading the decision as a whole, we are firmly convinced that the Judge evaluated the alleged security concerns in light of the entirety of the evidence, which is what a Whole-Person Concept analysis requires. Directive ¶ 6.3; AG ¶ 2(d).

With her appeal, Applicant submitted new documents pertaining to her debts. The Appeal Board does not review cases *de novo* and is prohibited from considering new evidence on appeal. Directive ¶ E3.1.29.

Conclusion

Applicant has not established that the Judge's conclusions were arbitrary, capricious, or contrary to law. Rather, the Judge examined and weighed the disqualifying and mitigating evidence and articulated a satisfactory explanation for the decision. The record is sufficient to support that the Judge's findings and conclusions are sustainable. "The general standard is that a clearance may be granted only when 'clearly consistent with the interests of the national security.'" *Dep't of the Navy v. Egan*, 484 U.S. 518, 528 (1988). "Any doubt concerning personnel being considered for national security eligibility will be resolved in favor of the national security." AG ¶ 2(b).

Order

The decision in ISCR Case No. 25-00811 is **AFFIRMED**.

Signed: Moira Modzelewski
Moira Modzelewski
Administrative Judge
Chair, Appeal Board

Signed: Allison Marie
Allison Marie
Administrative Judge
Member, Appeal Board

Signed: Eric H. Borgstrom
Eric H. Borgstrom
Administrative Judge
Member, Appeal Board