



**DEPARTMENT OF DEFENSE  
DEFENSE OFFICE OF HEARINGS AND APPEALS**



In the matter of: )  
 )  
XXXXXXXXXXXX ) ISCR Case No. 22-01174  
 )  
Applicant for Security Clearance )

**Appearances**

For Government: Carroll J. Connelley, Esq., Department Counsel  
For Applicant: *Pro se*

10/25/2024

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**Decision**

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KATAUSKAS, Philip J., Administrative Judge:

Applicant provided insufficient evidence to mitigate the national security concern arising from her problematic financial history. Her eligibility for access to classified information is denied.

**Statement of the Case**

Applicant submitted her security clearance application (SCA) on November 9, 2021. On September 26, 2022, the Department of Defense (DOD) sent Applicant a Statement of Reasons (SOR) alleging that her circumstances raised security concerns under Guideline F (financial considerations). This action was taken under Executive Order (E.O.) 10865, *Safeguarding Classified Information within Industry* (February 20, 1960), as amended, as well as Department of Defense Directive 5220.6, *Defense Industrial Personnel Security Clearance Review Program* (January 2, 1992), as amended (Directive). The *Adjudicative Guidelines for Determining Eligibility for Access to Classified Information* (AG), effective within the Defense Department on June 8, 2017, apply here.

Applicant answered the SOR on November 17, 2022 (Answer) and requested a hearing before an administrative judge. Department Counsel was ready to proceed on January 26, 2023. The case was assigned to me on September 19, 2023. On March 6, 2024, the Defense Office of Hearings and Appeals (DOHA) notified Applicant that the hearing was scheduled to be conducted in person on March 18, 2024. I convened the hearing as scheduled. Government Exhibits (GE) 1 through 5 were admitted without objection. Applicant testified and submitted Applicant's Exhibits (AE) A through AE Z, which were admitted without objection. DOHA received the transcript (Tr.) on March 29, 2024.

### **Findings of Fact**

Applicant is 30 years old, never married, and has no children. She is a high school graduate and attended college from August 2012 to April 2016 but did not receive her degree. Since June 2021, she has been employed by a defense contractor. (GE 1.)

Under Guideline F, the SOR alleged that Applicant has ten delinquent federal student loans, one direct state university student loan totaling \$50,470, and three delinquent consumer loans totaling \$4,033. (SOR ¶ 1.) She admitted those allegations. (Answer.) She did not disclose those debts in her SCA (GE 1) but volunteered the student loans in her February 9, 2022 personal subject interview (PSI). (GE 2.) The summary of the PSI reflects that she thought she had disclosed those 11 student loans in her SCA but did not recall the "specific details relating to the loans." (GE 2.)

Applicant's PSI reported that her monthly take-home pay was \$5,000 with \$2,121 in monthly expenses, leaving a net monthly remainder of \$2,879. It also reported that she said her "financial status is great." In that interview, she reported that she began making student loan payments of \$125 to \$150 per month in 2017 (how many unknown) but could not afford to continue. She has not made any payments since 2017. She attributed her inability to make payments to her periods of unemployment. (GE 2.) At the hearing, she produced no documents evidencing payments in 2017.

The median date when the SOR student debts went into collections is 2014. (GE 3.) All 11 SOR student debts but one are reported to be in collection on the 2021 and 2023 credit reports. SOR ¶ 1.g is reported PAYS AS AGREED in the 2023 report. SOR ¶ 1.k, the university student loan, is reported in collection on the 2021 report but is not reported on the 2023 report. The student loans went into collections between 2012 and 2016. All but two of her federal student loans went into collection while she was a student. (GE 3 and 4.)

Applicant testified about having to end her college studies in April 2016. She thought she would graduate in 2016, but she was called to the university's bursar office and was told her mother had stopped paying Applicant's parent plus loans. She learned that her mother's paychecks were being garnished. That left a balance Applicant was unable to pay, because she did not have the money. She had only 17 credits left to complete her studies. (Tr. 17.) During her testimony, it was ascertained that SOR ¶ 1.k,

a \$2,033 debt to the university, was for Applicant, not for her mother, to pay. Her mother had paid her part, but Applicant still owes the \$2,033, and that is what prevented her from finishing school. She still owes that amount. (Tr. 18-24.) She believed this student loan was to be included with her federal student loans consolidation but now knows it was not. (Tr. 82-83.) There is no evidence that she has addressed or plans to address this debt. This debt has not been resolved.

Applicant testified about her federal work-study program. She was told that part of her pay under that program would go towards her loans. As an example, she referred to AE H, a W-2 form from her university for 2014, showing her gross earnings of \$707.50 from that program and a net pay of \$191.72 for that year. AE M is a copy of a university direct deposit payable to her for \$191.72 dated December 4, 2014. Some of her work study pay was supposed to be “set aside” to pay for her debt to the university. None of that “set aside” went into her pocket. But later testimony established that the money was paid directly to her. (Tr. 36-38.) The only reason she signed up for work-study was to help pay off her debt. (Tr. 24-27.)

Applicant testified about how her federal work-study program actually worked. She was referred to AE M, which shows a payment to her of \$707.50 year-to-date for that program as of November 14, 2014. She understood that the money was supposed to be half-and-half (half to her, half to the loans), but it did not work like that. All of that money came to her directly. She did not save some of that money for student loans, because at the time she was still in school and needed to pay for books, school expenses, and various other items. (Tr. 36-38.)

Applicant testified about the period just after she left college in 2016. She came home and took jobs, saving money, trying to do what she needed to do to pay off the debt. The university told her it would take five to seven years to pay off her student debt. She “was just trying to . . . work, get money, just trying to pay off . . . debts.” But in December 2017, she was “hit with . . . a terrifying death.” Her grandmother passed away. It was a lot for her and her family. “We had to put up expenses and everything for her funeral. That’s where . . . most -- some of the money I saved went towards that.” At the time, she was working two jobs, one at a restaurant and the second at a jewelry store in a mall. She had worked at the latter during her school years. Christmas was an important time for the mall store, with everyone doing last-minute shopping. Her boss wanted her to come in on Christmas Eve; but her grandmother had died on 3:33 a.m. on Christmas Eve. Applicant “just couldn’t do it.” As a result, she was let go from that position. (Tr. 27-28, 30.)

Applicant testified about her need to search for housing when her grandmother died. Applicant, her mother, her sister, and her aunt had all lived with her grandmother before she died. Her grandmother was the leaseholder, but nobody in the rest of the family was on the lease. So, they could not continue living in her grandmother’s house once she died. They found another rental, but it was the most expensive one she had ever seen, \$1,700 per month. She was paying for rent, food, Internet, and other expenses. (Tr. 29.)

Applicant testified about her tax refunds during her two employments between (1) May 2017 and November 2019 (as a tour guide) and (2) August 2020 and June 2021. (GE 1; Tr. 32-33.) She referred to AE D, a U.S. Department of Education (DOE) missive dated March 18, 2024, confirming her enrollment of ten federal student loans in Fresh Start (page 2) (a loan consolidation program). It also included a page 3 showing her payments on her federal student loans. They are listed as a "Treasury Offset." Those are amounts intercepted by the Internal Revenue Service (IRS) from her income tax refunds to be applied to her federal student loans. It shows two offsets from her 2019 refund and three offsets from her 2020 tax refund, totaling \$1,777. Those are the only payments that were made towards her federal student loans. (Tr. 33-35, 38.)

Applicant testified about a job she took in November 2019. The job was pretty good, but she found out from co-workers that the person just before her had been bullied by one or more supervisors. When Applicant first started, her workload was "extremely high," and she had not been "trained properly." Her boss at the time called her into her office and ran down a list, did not let her explain, all of which were "highly incorrect." So she left that job in March 2020, just as COVID hit. She filed for and was granted unemployment (UE) benefits effective February 2020. (AE N.) While on UE benefits, she was unemployed until August 2020, when she took a job with a company that made "ID and . . . CAC cards" (Common Access Cards). She worked for that company until June 2021, when she joined her current employer. (Tr. 41-46.)

Applicant testified about SOR ¶ 1.I, an account in collection for \$1,460. This account was for furniture she rented for the apartment where she lived from August 2019 to February 29, 2024, before moving to her current residence. She explained that some of the time she did not have the full amount to pay for the furniture, so she linked the creditor to her bank account. There was a time when the creditor stopped taking payments from that account, the last payment having been taken on September 4, 2020. She believed those payments "were done." She called and was told the account was closed but she could make payments. So, she set up a new payment plan, with her first payment of \$150 made on March 14, 2024. She referred to AE E, a "Lease Information" document showing payments from an "Initial Payment" on October 17, 2019, through a September 4, 2020 penultimate payment of \$62.29 and the first payment of \$150 on the new plan made on March 14, 2024. That document was accessed on March 18, 2024. The Initial Payment was \$53. Thereafter, the biweekly "Rent" (including any "One Time Payments") was \$62.29. The exhibit shows 36 payment attempts, 12 successful and 24 unsuccessful. Under the new payment plan, AE shows the first payment of \$150 was made on March 14, 2024. This debt was scheduled to be resolved by April 12, 2024. (Tr. 46-48, 77-82.)

Applicant testified about AE F, J, P, R, and S. AE F is a May 23, 2018 email from a contractor to Applicant with addresses for the three credit reporting agencies and form letters to be sent to her creditors asking them to delete or correct their credit information about her. (Tr. 49.)

Applicant testified about AE R, an October 12, 2023 letter from a creditor to her releasing all claims and liabilities. At her PSI, she did not recall this account. It pertains to SOR ¶ 1.j. (\$2,067) and has been resolved. (GE 2; Tr. 53.)

Applicant testified about AE O, two pages consisting of: (1) an October 15, 2022 email to her from *debtrelief.studentaid.gov* confirming her federal student loan debt relief application, and; (2) a November 20, 2022 email to her from U.S. Secretary of Education Cardona advising that: (a) she is eligible for loan relief, and (b) lawsuits have blocked his ability to discharge her loans at present. She offered this exhibit to show that she was “at least trying to . . . do something in regards to making payments.” Her goal was to consolidate her loans and pay them off together. It was clarified that SOR ¶¶ 1.a through 1.i and 1.m. are her federal student loans. These are in the process of being consolidated, and she is awaiting the payment plan and when she starts paying. The payments will be taken directly from her bank account. (Tr. 55-57.)

Applicant was asked to reiterate the dates of unemployment listed in her SCA. She was unemployed from June 2013 to August 2013, because she was in school. She was unemployed from April 2015 to June 2015, because she was in school. She was unemployed from August 2015 to May 2016, while in school. She attended the university from 2012 to 2016. She was unemployed from March 2020 to August 2020. Since August 2020, she has always had full-time employment. (GE 1; Tr. 58-59.)

During school, Applicant lived on campus. Her mother helped by taking out separate parent plus loans. Since Applicant stopped going to school, she has not personally made any payments on her federal student loans. She first tried to consolidate her student loans in 2022. She denied that she tried to consolidate her loans because she was applying for her security clearance or had gotten her SOR. She explained that she was “going into . . . full adulthood . . . wanted to buy a car . . . put a down payment on the house . . . [S]he knew what [she] needed to do.” She needed to pay bills and pay debt off. (Tr. 60-61.)

Applicant was asked why in 2022 she did not start making payments on her student loans. She answered at that point she “was already on the list to do . . . the consolidation, to do . . . debt relief . . . and was just waiting to hear back.” She was also paying off the balance from the apartment where she was living and wanted to move. She was paying off other bills and saving up to move. (Tr. 61-63.)

Applicant agreed that in the beginning of March 2024, she reapplied to consolidate her student loan debts in Fresh Start. Thereafter, she was told that her application did not “go through,” so she resubmitted her application “just this morning” (March 18, 2024). She agreed that she still has the same 10 federal student loan debts for approximately \$49,559. (Tr. 63-64.)

Applicant was referred to her February 9, 2022 PSI (GE 2), when she said that once the COVID deferment ended she would establish a settlement plan. She was asked why at that time she did not start making payments to at least pay off some of the interest

that was accruing on her student loans. She answered that she had “other bills to pay . . . like rent . . . [electricity] . . . a lot of stuff . . . on [her] plate to pay off.” She added that her ex at the time was living with her but was not paying anything. She was left with “past due, past due, past due.” (Tr. 64-67.)

Applicant reiterated that she renewed her Fresh Start loan consolidation the morning of the hearing and was asked when she would begin to make payments. She was told the initial packet would be the sign-up and a layout of how much she is going to pay. The second packet will have the full payment list and how she is to make payments. (Tr. 68.)

Applicant testified that the plan will take \$387 or \$400 every two weeks, but she is going to increase that to \$500 every two weeks. She just got a raise and makes about \$4,500 per month. Her rent now is \$1,675 per month, which includes utilities. Groceries will be about \$300 per month. She confirmed that she will have about \$1,000 to put towards student loans. Applicant is referred to AE D, page 2. All of the ten federal student loans appear to be listed there. She has not made any payments on those debts. (Tr. 67-73.)

Applicant testified about SOR ¶ 1.n, an account for a cellphone in collection for \$506. She recounted telephone conversations she had about this account. She switched service from A to B. B was supposed to pay off A for her. Because A was merging into B, she called B and was told the account was so old they could not find it. She was told to call the collection agency. She called the collection agency and was told it was closed and had gone back to A. She called A and was told it was so old they could not find the account.

Applicant testified further about her finances. Her checking account currently has about \$400. Her savings account has zero. She had 401(k) accounts in her two previous jobs, but she needs to look into that. She signed up for a 401(k) with her current job but does not believe she put anything in it. She will have money left over at the end of every month. She testified that she was living paycheck-to-paycheck now and was asked how she was going to pay the extra \$1,000 [on federal student loans] if she was living paycheck-to-paycheck. She explained that she has cut back on expenses, like groceries, consolidated Wi-Fi and phone bills, and does not have cable. She started a business as a travel agent. When she is done with her eight-hour government job, she still has to do her travel agent job. (Tr. 85-92.)

### **Law and Policies**

It is well established that no one has a right to a security clearance. As the Supreme Court held, “the clearly consistent standard indicates that security determinations should err, if they must, on the side of denials.” *Department of the Navy v. Egan*, 484 U.S. 518, 531 (1988).

When evaluating an applicant's suitability for a security clearance, an administrative judge must consider the adjudicative guidelines. These guidelines are flexible rules of law that apply together with common sense and the general factors of the whole-person concept. An administrative judge must consider all available and reliable information about the person, past and present, favorable and unfavorable, in making a decision. The protection of the national security is the paramount consideration. AG ¶¶ 2(b) requires that "[a]ny doubt concerning personnel being considered for national security eligibility will be resolved in favor of the national security."

Under Directive ¶ E3.1.14, the Government must present evidence to establish controverted facts alleged in the SOR. Under Directive ¶ E3.1.15, then the applicant is responsible for presenting "witnesses and other evidence to rebut, explain, extenuate, or mitigate facts admitted by applicant or proven by Department Counsel . . . ." The applicant has the ultimate burden of persuasion in seeking a favorable security decision.

## **Analysis**

### **Guideline F - Financial Considerations**

The security concern relating to Guideline F for financial considerations is set out in AG ¶ 18:

Failure to live within one's means, satisfy debts, and meet financial obligations may indicate poor self-control, lack of judgment, or unwillingness to abide by rules and regulations, all of which can raise questions about an individual's reliability, trustworthiness, and ability to protect classified or sensitive information. Financial distress can also be caused or exacerbated by, and thus can be a possible indicator of, other issues of personnel security concern such as excessive gambling, mental health conditions, substance misuse, or alcohol abuse or dependence. An individual who is financially overextended is at greater risk of having to engage in illegal or otherwise questionable acts to generate funds.

This concern is broader than the possibility that an individual might knowingly compromise classified information in order to raise money. It encompasses concerns about an individual's self-control, judgment, and other qualities essential to protecting classified information. An individual who is financially irresponsible may also be irresponsible, unconcerned, or negligent in handling and safeguarding classified information. ISCR Case No. 11-05365 at 3 (App. Bd. May 1, 2012).

Guideline F notes conditions that could raise security concerns under AG ¶ 19. The followings conditions are applicable in this case:

- (a) Inability to satisfy debts; and

(c) a history of not meeting financial obligations.

The SOR debts are established by Applicant's admissions and the credit reports. They were in collection when the SOR was issued in September 2022. Therefore, AG ¶¶ 19(a), (b), and (c) apply. The next inquiry is whether any mitigating conditions apply.

Guideline F also includes conditions that could mitigate security concerns arising from financial difficulties. The following mitigating conditions under AG ¶ 20 are potentially applicable:

- (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;
- (b) the conditions that resulted in the financial problem were largely beyond the person's control (e.g., loss of employment , . . . divorce or separation), and the individual acted responsibly under the circumstances); and
- (d) the individual initiated and is adhering to a good-faith effort to repay overdue creditors or otherwise resolve debts.

I have considered mitigating condition AG ¶ 20(a). Applicant's ten federal student loans went into collections on balance in 2014. In fact, all but two of her federal student loans went into collections while she was still in school between 2012 and 2016. Although that is quite some time ago, they remained in collections on the 2021 and 2023 credit reports (except for one absent from the 2023 credit report). Those debts were not infrequent.

They were delinquent when the SOR was issued in September 2022. Applicant claimed in her PSI that she made some payments in 2017 but could not continue them. She attributed her inability to continue to her periods of unemployment. But her periods of unemployment were mostly short and while she was in school using student loans (6/2013-5/2016). From March 2020 to August 2020, she was unemployed, but she received unemployment benefits during that period. Since August 2020, she has been employed full-time.

She had a \$2,879 net monthly remainder at the time of her February 2022 PSI. At that time, she was reported to have said her "financial status is great." At the hearing, she testified that she now has the financial wherewithal to pay \$1,000 per month towards her federal student loans. She did not, however, file to consolidate those loans until October 2022, *after* her November 2021 SCA, *after* her February 2022 PSI, and *after* her SOR was issued in September 2022. In the beginning of March 2024, she reapplied to consolidate her federal student loans. She resubmitted her loan consolidation form the



morning of the hearing after being told earlier that it did not “go through.” She is now awaiting her payment schedule. (DOE told her in November 2022 she was eligible.) She has not personally made any documented payments on her federal student loans.

At the hearing, Applicant denied that she sought to consolidate her federal student loans in 2022, because she had applied for a security clearance or had received her SOR. She explained that she wanted to consolidate because she was going into full adulthood, wanted to buy a car, and put a down payment on a house. She needed to pay bills and pay debt off. Her student loans, however, had been in collections for years, before she addressed them. And her financial status looked great in February 2022, only if one ignored her approximately \$50,000 in delinquent student debt.

It is difficult not to conclude that Applicant’s sudden interest in addressing her federal student loans was prompted by the advent of her security clearance process. Financial remedial efforts taken by an applicant after the clearance process has begun are often viewed as not being in good faith. At best, the timing of such efforts undercuts the weight of remedial actions. See, e.g., ISCR Case No. 15-06440 at 4 (App. Bd. Dec. 26, 2017). And so it is here. AG ¶¶ 20(a) does not apply.

I have considered mitigating conditions AG ¶¶ 20(b) and (d). I found no conditions largely beyond Applicant’s control that prevented her from addressing her federal student loans in the many years they were delinquent before she ultimately did so once her national security clearance process was underway. Similarly, although she did initiate efforts to repay her overdue educational loan creditors, I find that she did so in whole or in large part, because she was under financial scrutiny going through her clearance process. That undercuts the mitigating weight to be given to those remedial efforts. I find that AG ¶¶ 20(b) and (d) do not apply.

The DOE automatically paused student loan payments and set interest rates to 0% from March 13, 2020, until Sept. 1, 2023. Because Applicant never made any payments on her federal student loans, this pause had no effect on her case. COVID-19 Emergency Relief and Federal Student Aid: [Federal Student Aid \(.gov\) https://studentaid.gov › announcements-events › covid-19.](https://studentaid.gov/announcements-events/covid-19)

SOR ¶¶ 1.a through i and m are not mitigated. SOR ¶ 1.j has been resolved, so I find that allegation mitigated. She has not resolved SOR ¶ 1.k, so I find that allegation is not mitigated. SOR ¶ 1.l is in the process of being resolved, so I find that allegation mitigated. She used her best efforts to resolve SOR ¶ 1.n, so I find that allegation mitigated.

### **Whole-Person Concept**

Under AG ¶ 2(a), the ultimate determination of whether to grant eligibility for a security clearance must be an overall commonsense judgment based upon careful consideration of the guidelines and the whole-person concept. AG ¶¶ 2(a) and (d)(1)-(9) (explaining the “whole-person” concept and factors). In my analysis above, I considered

the potentially disqualifying and mitigating conditions and the whole-person concept in light of all the facts and circumstances surrounding this case. There are three exhibits that bear favorably on Applicant's character. They are:

AE S is an August 6, 2019 letter from her then employer commending her for preventing a tourist from entering a prohibited area of the workplace. One her duties at that time was protecting the security of the building. (Tr. 51-53.)

AE J is a March 10, 2024 character reference letter from one of her high school teachers who remained in contact with her through college and into the work force. The author vouches for her integrity, loyalty, and sense of responsibility. (Tr. 50.)

AE B is a March 18, 2024 letter from a bank creditor to her confirming that its collection agency received payment in full from her for a debt. This was not alleged in the SOR but shows that she had paid off a debt. The debt was her mother's, not hers, for about \$500. Nonetheless, Applicant settled it for \$307 (Tr. 73-75.)

I have carefully weighed these exhibits. They reflect positively on Applicant's character, and I have given them the commendatory value they deserve.

Nevertheless, Applicant leaves me with questions and doubts about her eligibility and suitability for a security clearance. Therefore, I conclude that Applicant has not provided sufficient evidence to mitigate the security concerns arising under Guideline F, financial considerations.

### **Formal Findings**

Formal findings for or against Applicant on the allegations set forth in the SOR, as required by section E3.1.25 of Enclosure 3 of the Directive, are:

Paragraph 1, Guideline F	AGAINST APPLICANT
Subparagraphs 1.a – 1.i:	Against Applicant
Subparagraph 1.j.:	For Applicant
Subparagraph 1.k:	Against Applicant
Subparagraph 1.l:	For Applicant
Subparagraph 1.m.:	Against Applicant
Subparagraph 1.n.:	For Applicant

## **Conclusion**

I conclude that it is not clearly consistent with the interests of national security to grant Applicant eligibility for access to classified information. Clearance is denied.

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Philip J. Katauskas  
Administrative Judge