



DEPARTMENT OF DEFENSE  
DEFENSE OFFICE OF HEARINGS AND APPEALS



## Appearances

For Government: John Renahan, Department Counsel  
For Applicant: *Pro se*

12/02/2025

## Decision

LOKEY ANDERSON, Darlene D., Administrative Judge:

## Statement of Case

On March 8, 2023, Applicant submitted a security clearance application (e-QIP). On July 9, 2024, the Defense Counterintelligence and Security Agency Consolidated Adjudication Services (DCSA CAS) issued Applicant a Statement of Reasons (SOR), detailing security concerns under Guideline F, Financial Considerations. The action was taken under Executive Order 10865 (EO), *Safeguarding Classified Information within Industry* (February 20, 1960), as amended; DoD Directive 5220.6, *Defense Industrial Personnel Security Clearance Review Program* (January 2, 1992), as amended (Directive); and the *National Security Adjudicative Guidelines for Determining Eligibility for Access to Classified Information or Eligibility to Hold a Sensitive Position* (AG), effective within the DoD after June 8, 2017.

Applicant answered the SOR on a date uncertain and requested a hearing before an administrative judge. The case was assigned to me on June 30, 2025. The Defense

Office of Hearings and Appeals issued a notice of hearing on July 8, 2025, and the hearing was convened as scheduled on September 25, 2025. The Government offered seven exhibits, referred to as Government Exhibits 1 through 7, which were admitted without objection. The Applicant offered six exhibits, referred to as Applicant's Exhibit A through F, which were admitted without objection. Applicant testified on his own behalf. The record remained open until close of business on October 16, 2025, to allow the Applicant the opportunity to submit additional supporting documentation. Applicant submitted five additional documents, referred to as Applicant's Post-Hearing Exhibits A through E, which were admitted into evidence without objection. DOHA received the transcript of the hearing (Tr.) on October 7, 2025. This decision was delayed when all administrative judges were furloughed from October 1 through November 12, 2025, during a federal government shutdown due to a lapse in federal funding.

### **Findings of Fact**

Applicant is 43 years old. He has a fiancé and four children. He has a Bachelor's degree in Electrical Engineering. He holds the position of Electrical Engineer. He is seeking to obtain a security clearance in connection with his employment with a defense contractor.

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

The Government alleged that Applicant is ineligible for a clearance because he made financial decisions that indicate poor self-control, lack of judgment, or unwillingness to abide by rules and regulations, all of which raise questions about his reliability, trustworthiness and ability to protect classified information.

The SOR identified eight delinquent debts totaling approximately \$211,000 that includes a mortgage account; a car loan; Federal tax debt; and other miscellaneous debt. Applicant also failed to timely file Federal tax returns for seven tax years, from 2015 through 2022. In addition, he filed Bankruptcy in 2011 that was dismissed in 2012. Applicant admitted allegations 1.a., 1.c., 1.g., and 1.i of the SOR under this guideline. He denied the other allegations with explanations. Credit reports of the Applicant dated March 22, 2023; April 4, 2024; and June 14, 2024, confirm the indebtedness listed in the SOR. (Government Exhibits 4, 5, and 6.) Applicant started working for his current employer in January 2021. He has never held or applied for a security clearance before.

The following delinquent debts are of security concern:

1.a. Applicant is indebted to a creditor for a delinquent debt in the amount of \$70,468 that was charged off. This was a car loan that Applicant co-signed for his sister in July 2022. She purchased the car for approximately \$58,000 to \$60,000. After about a year of making payments, Applicant's sister defaulted on the loan. Applicant helped his sister make payments on the car for a while. (Tr. p. 23-24.) Applicant is currently in negotiations with the creditor to settle the account. The creditor initially agreed to settle the account for \$35,000, but no payment arrangements have been made yet. (Tr. p. 27.) Applicant hopes to continue negotiations to reach a lesser amount, somewhere between \$20,000 and \$25,000, and a monthly payment of between \$600 and \$800. (Tr. p. 30.) Applicant is also looking for part-time work to subsidize his income to afford to pay this debt. Following the hearing, Applicant agreed to settle the account for \$28,185.32. He made his first payment of \$587.19 on November 1, 2025. These payments are to continue each month for 28 months to resolve the debt. (Applicant's Post-Hearing Exhibit D.) The debt is being resolved.

1.b. Applicant is indebted to a creditor for a delinquent debt in the amount of \$1,300 that was placed for collection. This is for damage to a closet wall that occurred when a pipe burst in an apartment Applicant was renting. He contends that the smoke damage occurred during the repair and that he is not responsible for the damage. Applicant is disputing the debt with the creditor. Applicant stated that if he is found liable, he will pay the debt. (Tr. p. 35.) Following the hearing, Applicant set up a payment plan, and made his first payment of \$324.94 that he plans to continue each month for a total of four months to resolve the debt. (Applicant's Post-Hearing Exhibit B.) The debt is being resolved.

1.c. Applicant is indebted to a creditor for a delinquent debt in the amount of \$309 that was charged off. This was Applicant's electricity bill that arrived at his credit union after he had switched accounts to another bank. In order to resolve the debt, Applicant stated that he must physically go the bank, but he has not had the time with his working hours. Following the hearing, on October 15, 2025, Applicant paid the debt off in full. (Applicant's Post-Hearing Exhibit C.) The debt is no longer owing.

1.d. Applicant is indebted to a creditor for a delinquent debt in the amount of \$277 that was charged off. Applicant showed that he made a payment of \$277.16 on September 19, 2024, which completely resolved the debt. (Tr. p. 38, and Applicant's Exhibit A.) The debt is no longer owing.

1.e. Applicant is indebted to a creditor for a delinquent debt in the amount of \$267 that was placed for collection. This was an insurance billing problem that Applicant resolved by showing a receipt for payment in the amount of \$133.85. (Tr. p. 43, and Applicant's Exhibit B.) The debt is no longer owing.

1.f. Applicant is indebted to a creditor for a delinquent debt in the amount of \$135 that was placed for collection. Applicant resolved the debt on September 19,

2024, with a payment receipt in the amount of \$135.38. (Applicant's Exhibit C.) The debt is no longer owing.

1.g. Applicant failed to timely file his Federal income tax returns for tax years 2015 through at least 2022. As of the date of the SOR, these Federal income tax returns remain unfiled. Applicant stated that when his taxes were simple, he filed them on time. In 2015, when his tax returns became complicated, he hired a childhood friend and his wife, who had opened a tax office, to file his returns. Shortly thereafter, the couple went through a divorce, and Applicant's tax returns were never filed. When Applicant contacted his friend about his tax returns, he was told that an amendment would be filed on his behalf, and that Applicant's tax returns would be filed, but they never were. In addition, Applicant stated that he had problems reaching a previous employer to get an employee identification (EIP) number that he needed for one or two of his income tax returns. (Tr. p. 45.)

Applicant stated that in 2021 or 2022, he hired a new tax preparer who actually filed all of his delinquent tax returns, except for tax years 2015 and 2016. He stated that she was unable to file returns for 2015 and 2016 because she has been unable to get Applicant's EIP number from his previous employer. (Tr. p. 47.) He provided copies of the Federal income tax returns that were filed for 2018, 2019, and 2020. (Applicant's Exhibit D.) He provided no copies of the other returns. He stated that has filed all of his Federal income tax returns up to date. He owes no Federal back taxes for years where he failed to file a return. In fact, he stated that he is expecting refunds for tax years 2020, 2021, and 2022. (Tr. p. 54, and Applicant's Post-Hearing Exhibit A.)

1.h. Applicant is indebted to the IRS in the amount of \$1,007.93, for outstanding taxes for tax year 2014. Applicant denied this debt because he claims the debt was a previous balance he owed that was cleared up when he filed his income tax returns for tax years 2017, 2018, 2019, 2020, and 2021. Since Applicant is now receiving refunds from his most recent tax return filings, it can be presumed that this debt has been resolved. (Tr. p. 58.) The debt is no longer owing.

1.i. Applicant filed for Chapter 7 Bankruptcy in 2011, with liabilities in the approximate amount of \$138,871.68. This debt was the amount remaining on Applicant's mortgage account. In March 2021, Applicant's Bankruptcy was dismissed for failure to file a certification of completion of the required personal financial management course. Applicant explained that the only reason he initially filed for Bankruptcy in the first place was because his home was hit by a tornado and became uninhabitable. His insurance was supposed to pay for certain repairs, and they could not afford to do so because of the extent of the tornado damage to the neighborhood. Applicant moved out of the house and into an apartment. He contacted someone who told him to file for Bankruptcy in order to get more time for the process to work itself out. The results of a subsequent lawsuit held Applicant's mortgage company liable for defaulting on the loan and for negligence. In the end, Applicant was not held liable for

anything. (Tr. p. 59.) Applicant stated that this debt has been removed from his credit report. The debt is no longer owing.

Applicant stated that he believes his finances are extremely stable. He earns about \$130,000 annually, more money than what his bills require. He stated that he now earns double the amount he used to make. After paying his regular monthly expense he has about \$3,000 left at the end of the month. (Tr. p. 64.) He has about \$20,000 in savings and two retirement accounts that have \$20,000 and \$30,000 respectively. (Tr. pp. 64-66.)

Applicant submitted a copy of a handwritten note thanking him for his excellent work performance. Although Applicant was unable to obtain annual performance evaluations, information from his personnel file indicates that he is a very good electrical designer who has impressed the engineering staff. He is described as a strong technical individual, who is a self-starter, and who is looking to grow. He has 18 years of experience, and the company hopes to stretch him into leadership roles. (Applicant's Post-Hearing Exhibit E.)

## **Policies**

When evaluating an applicant's suitability for a security clearance, the administrative judge must consider the adjudicative guidelines (AG). In addition to brief introductory explanations for each guideline, the adjudicative guidelines list potentially disqualifying conditions and mitigating conditions, which are to be used in evaluating an applicant's eligibility for access to classified information.

These guidelines are not inflexible rules of law. Instead, recognizing the complexities of human behavior, administrative judges apply the guidelines in conjunction with the factors listed in AG ¶ 2 describing the adjudicative process. The administrative judge's overarching adjudicative goal is a fair, impartial, and commonsense decision. The entire process is a conscientious scrutiny of a number of variables known as the whole-person concept. The administrative judge must consider all available, 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." In reaching this decision, I have drawn only those conclusions that are reasonable, logical and based on the evidence contained in the record. Likewise, I have avoided drawing inferences grounded on mere speculation or conjecture.

Under Directive ¶ E3.1.14, the government must present evidence to establish controverted facts alleged in the SOR. Under Directive ¶ E3.1.15, the applicant is

responsible for presenting “witnesses and other evidence to rebut, explain, extenuate, or mitigate facts admitted by the applicant or proven by Department Counsel.” The applicant has the ultimate burden of persuasion to obtain a favorable clearance decision.

A person who seeks access to classified information enters into a fiduciary relationship with the government predicated upon trust and confidence. This relationship transcends normal duty hours and endures throughout off-duty hours. The government reposes a high degree of trust and confidence in individuals to whom it grants access to classified information. Decisions include, by necessity, consideration of the possible risk the applicant may deliberately or inadvertently fail to safeguard classified information. Such decisions entail a certain degree of legally permissible extrapolation as to potential, rather than actual, risk of compromise of classified information.

Section 7 of EO 10865 provides that adverse decisions shall be “in terms of the national interest and shall in no sense be a determination as to the loyalty of the applicant concerned.” *See also* EO 12968, Section 3.1(b) (listing multiple prerequisites for access to classified or sensitive information).

## **Analysis**

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

The security concern 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. Affluence that cannot be explained by known sources of income is also a security concern insofar as it may result from criminal activity, including espionage.

The guideline notes several conditions that could raise security concerns under AG ¶ 19. Four are potentially applicable in this case:

- (a) inability or unwillingness to satisfy debts;
- (b) unwillingness to satisfy debts regardless of the ability to do so;
- (c) a history of not meeting financial obligations; and
- (f) failure to file or fraudulently filing annual Federal, state, or local income tax returns or failure to pay annual Federal, state, or local income tax as required.

Applicant has a history of being irresponsible by not addressing both his financial indebtedness and his income tax obligations. His actions or inactions both demonstrate a history of poor judgment and untrustworthiness. The evidence is sufficient to raise the above disqualifying conditions.

The following mitigating conditions under the Financial Considerations guideline are potentially applicable under 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;
- (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, or a death, divorce, or separation), and the individual acted responsibly under the circumstances;
- (d) the individual initiated and is adhering to a good faith effort to repay overdue creditors or otherwise resolve debts;
- (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; and
- (g) the individual has made arrangements with the appropriate tax authority to file or pay the amount owed and is in compliance with those arrangements.

Although Applicant began working for his current employer in 2021, his employer did not require him to apply for a security clearance until 2023. He has never held a security clearance before and was obviously not aware of the consequences his financial situation could have on his security clearance eligibility. His delinquent debts

and his failure to timely file his Federal income tax returns for seven years clearly shows poor judgment, unreliability, and untrustworthiness. After a careful review of the evidence, the largest debt listed in the SOR in the amount of \$138,871, was not Applicant's responsibility. After deducting that amount from the SOR, he was only delinquently indebted in the amount of \$73,295, of which \$70,000 was a loan he co-signed for his sister. In any event, after receiving the SOR on July 9, 2024, he made an effort to address his delinquent debts and his income tax filings. He paid off several small debts and filed all but two of his Federal income tax returns. But, it was not until the hearing that he realized the seriousness and the importance of demonstrating complete financial responsibility and how it can impact his ability to access classified information. Following the hearing, he immediately set up payment plans and made the first payments toward resolving each of the two remaining larger debts. The remaining smaller debt, he paid off in full. Applicant has now addressed all of his delinquent debts and is committed to resolving them as soon as possible.

There is no question that Applicant is guilty of procrastination. As previously stated, he has never held a security clearance before and was not fully aware of the requirements associated with possessing a security clearance. Since learning of these requirements, Applicant has made a good-faith effort to resolve his debts and file his Federal income tax returns. He now clearly understands that he must always be financially responsible going forward. He must resolve his debts on time, live within his means, and file his income tax returns on time. His finances are now stable. He earns twice as much as he used to. At the end of the month he has about \$3,000 left in discretionary funds. At this time, there is sufficient evidence in the record to show that he has carried his burden of proof to establish mitigation of the government security concerns under Guideline F. Accordingly, Guideline F is found for the Applicant.

### **Whole-Person Concept**

Under the whole-person concept, the administrative judge must evaluate an applicant's eligibility for a security clearance by considering the totality of the applicant's conduct and all relevant circumstances. The administrative judge should consider the nine adjudicative process factors listed at AG ¶ 2(d):

- (1) the nature, extent, and seriousness of the conduct; (2) the circumstances surrounding the conduct, to include knowledgeable participation; (3) the frequency and recency of the conduct; (4) the individual's age and maturity at the time of the conduct; (5) the extent to which participation is voluntary; (6) the presence or absence of rehabilitation and other permanent behavioral changes; (7) the motivation for the conduct; (8) the potential for pressure, coercion, exploitation, or duress; and (9) the likelihood of continuation or recurrence.

Under AG ¶ 2(c), 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. Applicant must follow through with his commitment to resolve his delinquent debts and show financial responsibility at all times going forward to be sufficiently reliable to properly protect and access classified information.

I considered the potentially disqualifying and mitigating conditions in light of all relevant facts and circumstances surrounding this case. I conclude Applicant has mitigated the Financial Considerations security concern.

### **Formal Findings**

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

Paragraph 1, Guideline F:

FOR APPLICANT

Subparagraphs 1.a. through 1.i.

For Applicant

### **Conclusion**

In light of all of the circumstances presented by the record in this case, it is clearly consistent with the national interest to grant or continue Applicant's eligibility for a security clearance. Eligibility for access to classified information is granted.

Darlene Lokey Anderson  
Administrative Judge