



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



In the matter of: )  
)  
) ISCR Case No. 25-00366  
)  
)  
Applicant for Security Clearance )

**Appearances**

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

02/10/2026

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**Decision**

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HOGAN, Erin C., Administrative Judge:

Applicant did not mitigate the security concerns raised under Guideline F, Financial Considerations. Eligibility for access to classified information is denied.

**Statement of the Case**

On September 16, 2024, Applicant completed and signed an Electronic Questionnaires for Investigations Processing (e-QIP). (Government Exhibit (GE) 1) On March 18, 2025, the Department of Defense (DOD) issued a Statement of Reasons (SOR) to Applicant detailing security concerns under Guideline F, Financial Considerations. The action was taken under Executive Order (EO) 10865, *Safeguarding Classified Information within Industry* (February 20, 1960), as amended; Department of Defense Directive 5220.6, *Defense Industrial Personnel Security Clearance Review Program* (January 2, 1992), as amended (Directive); and the adjudicative guidelines (AG) effective within the Department of Defense on June 8, 2017.

On April 17, 2025, Applicant answered the SOR and requested a hearing before an administrative judge. The case was assigned to me on September 2, 2025. A Notice

of Hearing was issued scheduling the hearing on December 16, 2025. The hearing was held as scheduled, via video-teleconference. During the hearing, the Government offered four exhibits, which was admitted as Government Exhibits (GE) 1 – 4. Applicant testified and offered one exhibit, which was admitted as Applicant Exhibit (AE) A, consisting of 65 pages including Enclosures 1 – 7. The record was held open until January 7, 2026, to allow Applicant to submit additional documents. He timely provided AE B, consisting of 56 pages, which was admitted without objection. The transcript (Tr.) was received on December 29, 2025. The record closed on January 7, 2025. Based upon a review of the pleadings, exhibits, and testimony, eligibility for access to classified information is denied.

### **Findings of Fact**

In response to the SOR, Applicant admitted the allegations in SOR ¶¶ 1.a – 1.r and denied the allegation in SOR ¶ 1.s. His admissions are accepted as findings of fact. Additional findings follow.

Applicant is a 48-year-old employee of a DOD contractor seeking a security clearance for the first time. He has worked for his current employer since June 2024. He had a period of unemployment from April 2024 to June 2024. From January 2013 to April 2024, he worked for a private company. He had a personality conflict with his new supervisor and was terminated for insubordination. He has a high school diploma and about three years of college credits. He has no military service. He lives with his fiancée. They have lived together since 2008. He has three daughters ages 24, 20, and 13 and his fiancée has a daughter, age 21. The 13-year-old and 21-year-old live with Applicant and his fiancée. (Tr. 14-16, 51-57, 68-69; GE 1)

The names of individuals, businesses, and institutions have been changed in this decision in the interests of protecting the Applicant's privacy. More detailed information is located in the case file.

### **Financial Considerations**

The SOR alleges 19 delinquent debts, a total approximate balance of \$42,059. The delinquent accounts include: a \$5,774 delinquent account that was placed for collection (SOR ¶ 1.a: GE 3 at 2; GE 4 at 2); a \$4,343 delinquent account that was placed for collection (SOR ¶ 1.b: GE 3 at 2); a \$2,996 account that was charged off (SOR ¶ 1.c: GE 3 at 3; GE 4 at 1); a \$2,609 delinquent account that was charged off (SOR ¶ 1.d: GE 3 at GE 4 at 2); a \$1,892 delinquent credit account that was charged off (SOR ¶ 1.e: GE 3 at 3; GE 4 at 1); a \$1,715 delinquent account that was placed for collection (SOR ¶ 1.f: GE 3 at 4; GE 4 at 2); a \$1,713 delinquent credit card that was charged off (SOR ¶ 1.g: GE 3 at 4; GE 4 at 1); and a \$1,693 delinquent credit card account that was charged off (SOR ¶ 1.h: GE 3 at 4; GE 4 at 2).

Additional delinquent accounts include: a \$1,614 delinquent account that was charged off (SOR ¶ 1.i: GE 3 at 5; GE 4 at 1); a \$1,460 delinquent department store credit

card account that was charged off (SOR ¶ 1.j: GE 3 at 5; GE 4 at 1); a \$1,244 delinquent account that was charged off (SOR ¶ 1.k: GE 3 at 5; GE 4 at 1); a \$1,203 delinquent credit account that was charged off (SOR ¶ 1.l: GE 3 at 6; GE 4 at 2); a \$1,040 delinquent department store credit card that was charged off (SOR ¶ 1.m: GE 3 at 6; GE 4 at 2); a \$1,002 delinquent credit card account that was placed for collection (SOR ¶ 1.n: GE 3 at 6; GE 4 at 2); and a \$767 delinquent account that was placed for collection. (SOR ¶ 1.o: GE 3 at 7; GE 4 at 2)

Additional delinquent accounts include: a \$670 delinquent credit card account that was placed for collection (SOR ¶ 1.p: GE 3 at 7; GE 4 at 2); a \$1,182 delinquent account that was placed for collection (SOR ¶ 1.q: GE 3 at 7; GE 4 at 2); a \$1,182 delinquent credit card account that was placed for collection (SOR ¶ 1.r: GE 3 at 7; GE 4 at 2); and a \$7,920 debt related to an early cancellation of an automobile lease that was charged off (SOR ¶ 1.s: GE 3 at 9; GE 4 at 1).

In his response to the SOR, Applicant indicated that several years ago, he and his fiancée wanted to resolve their debts more quickly. In the fall of 2019, they consulted a legal group that specialized in debt resolution. They entered into a debt resolution agreement with the legal group on October 3, 2019. The debts alleged in SOR ¶¶ 1.c – 1.o were included the agreement. The total amount of the debt was approximately \$32,461. His plan was to have the legal group take over these accounts and work with creditors to help reduce his monthly payments with the goal of paying off the debts more quickly. He indicated that he agreed to pay \$533 a month over a period of four years. All of his accounts were current at the beginning of the agreement. The debts eventually became delinquent because the legal group did not initially resolve any of the delinquent accounts. Applicant and his fiancée contacted the legal group several times. They were difficult to reach and when they answered the phone, he and his fiancée felt that they were not being provided the information that they needed. (Tr. 16-17, 28-33; Response to SOR; AE A, enclosure 3)

Around February 2021, Applicant asked for an update of the debt resolution program and discovered that the legal group had not settled any of the debts included in the program, even though he had paid them \$533 a month for over a year. He testified that he made payments for 16 months and paid them an approximate total of \$8,000. He immediately cancelled the agreement with the legal group. He admits to owing the debts but does not agree with the amount owed. He is trying to locate the current collector of each debt so he can negotiate a payment plan with each of them. He indicates that the process of locating the current creditor is difficult. When he reached the current collection agency for some of the debts, they told him that they would not communicate with him because he was represented by legal counsel. The record is unclear whether he informed the creditors that he no longer had legal representation. (Tr. 33; Response to SOR; AE A, enclosure 3)

During the hearing, Applicant was asked if the legal group reimbursed him for the money he paid them during the agreement. He said that he received about 75 percent of

the money back. He admits to using the money to pay current bills rather than the debts that were included in the debt resolution program. (Tr. 67)

The status of the Applicant's delinquent debts are as follows:

SOR ¶ 1.a: \$5,774 delinquent account placed for collection: The creditor took Applicant to small claims court for this debt in March 2025. The Magistrate dismissed the case because the creditor failed to validate the debt due to lack of documentation. This debt is found for Applicant. (Tr. 17-23; AE A, Enclosure 1)

SOR ¶ 1.b: \$4,343 delinquent account that was placed for collection: Applicant was sued in small claims court for this debt in September 2024. He came to an agreement with the creditor. He agreed to pay \$50 a month until the debt is paid in full. The balance owed on the debt as of October 2025 was \$3,869. Payments were being made but the status of the debt is unknown. (Tr. 23-24; AE B at 49-50)

SOR ¶ 1.e: \$1,892 delinquent department store credit card account that was charged off: Applicant testified that he appeared in court regarding this debt and entered into a repayment agreement. He made regular monthly payments in 2023. In late 2023, the legal group that was acting as the debt collector ceased operations and the automatic debits from his bank account stopped. He received notice indicating he would be contacted when a new contractor was assigned to the account. He claims the account balance is now \$320. The status of the debt is unknown. (Tr. 27-40; AE A; Response to SOR)

SOR ¶ 1.p: \$670 delinquent credit card account that was placed for collection: Applicant entered into a repayment agreement. He has been making monthly payments of \$50 towards the debt. At the time of his response to the SOR, the balance was \$320. Applicant testified that this debt was paid in full. Documentation was provided after the hearing verifying the debt was paid. (Tr. 40-41; AE A, Enclosure 4; AE B at 53)

SOR ¶ 1.q: \$1,182 delinquent credit card account placed for collection: In his response to the SOR, Applicant indicated that this account was not delinquent. He entered into a repayment agreement and has been making \$50 monthly payments. The balance was \$182 as of March 24, 2025. Applicant was making regular payments as indicated by the low balance in March 2025. This debt is found for Applicant. (Tr. 42-43; AE A, Enclosure 5)

SOR ¶ 1.r: \$1,182 delinquent credit card account placed for collection: In his response to the SOR, Applicant indicated that he entered into a repayment agreement with the creditor. He has been paying \$50 a month. The balance was \$190 as of March 24, 2025. After the hearing, Applicant provided documentation that the debt was resolved. (Tr. 43; AE A, Enclosure 6; AE B at 55-56)

SOR ¶ 1.s: \$7,920 owed to a car dealership for a cancelled automobile lease: Applicant denies this account. He leased the car in November 2017. He began

experiencing persistent road noise issues. He brought the car in for repair to the dealership seven times, but the issue was never resolved. The car was in the shop over 30 days cumulatively for the same defect. He claims that he called the dealership's corporate headquarters over ten times, but the matter was never taken seriously or resolved to his satisfaction. He claims that his state's lemon law defines a reasonable number of repairs for the same defect as three times. He believes he does not owe this debt. Aside from verbally telling the dealership that he believed he did not owe anything on the lease based on the state's lemon law, he did not pursue the matter further. He did not research the steps that need to be followed to raise a claim the car was defective under the state lemon law. He made payments to the dealership from November 2017 to spring 2020. Three months later, in July 2020, he took the car into the dealership for a repair and the car was repossessed and the lease terminated for nonpayment. (Tr. 43-49; AE A, Enclosure 7)

SOR ¶¶ 1.c, 1.d, and 1.f -1.o are debts that were included in Applicant's debt resolution agreement with the legal group. Applicant ended the agreement in February 2021 and no progress has been made regarding the resolution of these debts. He testified that it is difficult to locate the current debt collector for each account. He also claims when he does locate the debt collector, they tell him they cannot talk to him because he has legal counsel. Applicant could have informed the creditors with whom he had contact that he no longer had legal counsel, which would have allowed them to negotiate a payment agreement with him. These debts remain unsatisfied.

Applicant is paid approximately \$1,600 every two weeks, approximately \$3,200 a month. His fiancée is paid approximately \$2,400 every two weeks, approximately \$4,800 a month. Their total net monthly income is approximately \$8,000. His fiancée's mother owns the home, and they pay her \$600 a month for rent. They have two car loans with payments of \$650 and \$1,100 a month, a total of \$1,750. Car insurance is between \$240 and \$300 a month; gas and electric are \$300 on the low end of consumption and \$500 on the high end of consumption; water is \$130 every three months; the family cell phone plan is \$240 a month and internet is \$70 a month. (Tr. 55-61)

Applicant has between \$5,000 to \$6,000 in his 401(k) account. He has no federal or state tax debts. He and his fiancée have approximately ten open credit card accounts. He testified that he lives paycheck to paycheck. He has approximately 16 student loans, with an approximate total balance of \$65,000 that are currently in deferment. He is not sure when the deferment status will end. (Tr. 51-53; 59, 65-67)

Applicant's mother passed away in May 2025. He made repairs to her house before he listed it for sale in December 2025 for \$80,000. He will be reimbursed the expenses that he put into his mother's house and then he and his sister will split the additional proceeds from the sale of the house. He claims that once he receives money from the sale of his mother's house, he will have some money to pay other debts. (Tr. 63-64)

## **Policies**

The U.S. Supreme Court has recognized the substantial discretion of the Executive Branch in regulating access to information pertaining to national security emphasizing, “no one has a ‘right’ to a security clearance.” *Department of the Navy v. Egan*, 484 U.S. 518, 528 (1988). As Commander in Chief, the President has the authority to control access to information bearing on national security and to determine whether an individual is sufficiently trustworthy to have access to such information. *Id.* at 527. The President has authorized the Secretary of Defense or his designee to grant applicants eligibility for access to classified information “only upon a finding that it is clearly consistent with the national interest to do so.” Exec. Or. 10865, *Safeguarding Classified Information within Industry* § 2 (Feb. 20, 1960), as amended.

Eligibility for a security clearance is predicated upon the applicant meeting the criteria contained in the adjudicative guidelines. These guidelines are not inflexible rules of law. Instead, recognizing the complexities of human behavior, these guidelines are applied in conjunction with an evaluation of the whole person. An administrative judge’s overarching adjudicative goal is a fair, impartial, and commonsense decision. An administrative judge must consider all available, reliable information about the person, past and present, favorable and unfavorable.

The Government reposes a high degree of trust and confidence in persons with access to classified information. This relationship transcends normal duty hours and endures throughout off-duty hours. 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 about potential, rather than actual, risk of compromise of classified information. Clearance decisions must be “in terms of the national interest and shall in no sense be a determination as to the loyalty of the applicant concerned.” See Exec. Or. 10865 § 7. Thus, a decision to deny a security clearance should not be construed to suggest that it is based, in whole or in part, on any express or implied determination about an applicant’s allegiance, loyalty, or patriotism. It is merely an indication the applicant has not met the strict guidelines the President, Secretary of Defense, and Director of National Intelligence have established for issuing a clearance.

Initially, the Government must establish, by substantial evidence, conditions in the personal or professional history of the applicant that may disqualify the applicant from being eligible for access to classified information. The Government has the burden of establishing controverted facts alleged in the SOR. See *Egan*, 484 U.S. at 531. “Substantial evidence” is “more than a scintilla but less than a preponderance.” See *v. Washington Metro. Area Transit Auth.*, 36 F.3d 375, 380 (4th Cir. 1994). The guidelines presume a nexus or rational connection between proven conduct under any of the criteria listed therein and an applicant’s security suitability. See ISCR Case No. 95-0611 at 2 (App. Bd. May 2, 1996).

Once the Government establishes a disqualifying condition by substantial evidence, the burden shifts to the applicant to rebut, explain, extenuate, or mitigate the facts. Directive ¶ E3.1.15. An applicant “has the ultimate burden of demonstrating that it is clearly consistent with the national interest to grant or continue his security clearance.” ISCR Case No. 01-20700 at 3 (App. Bd. Dec. 19, 2002). The burden of disproving a mitigating condition never shifts to the Government. See ISCR Case No. 02-31154 at 5 (App. Bd. Sep. 22, 2005). “[S]ecurity clearance determinations should err, if they must, on the side of denials.” *Egan*, 484 U.S. at 531; see AG ¶ 2(b).

## **Analysis**

### **Guideline F, Financial Considerations**

AG ¶ 18 expresses the security concern for financial considerations:

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. The following are potentially applicable in this case:

- (a) inability to satisfy debts; and
  
- (c) a history of not meeting financial obligations.

Applicant has a history of financial problems and delinquent debts. At the time the SOR was issued, he had over \$42,000 in unresolved delinquent consumer debt. AG ¶¶ 19(a) and 19(c) are applicable.

The guideline also includes conditions that could mitigate security concerns arising from financial difficulties. I have considered all the mitigating conditions under AG ¶ 20 and the following potentially apply:

- (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, a death, divorce or separation, clear victimization by predatory lending practices, or identity theft), and the individual acted responsibly under the circumstances;

(c) the individual has received or is receiving financial counseling for the problem from a legitimate and credible source, such as a non-profit credit counseling service, and there are clear indications that the problem is being resolved or is under control;

(d) the individual initiated and is adhering to a good-faith effort to repay overdue creditors or otherwise resolve debts; and

(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.

AG ¶ 20(a) does not apply. While Applicant has been paying or paid several of his delinquent debts, most of the debts remain unresolved. His financial issues are ongoing.

AG ¶ 20(b) partially applies. Applicant's period of unemployment; his experience with the unresponsive legal debt consolidation group, and the death of his mother are considered circumstances beyond his control. However, I cannot conclude Applicant acted responsibly under the circumstances because he neglected his delinquent debts. When he cancelled his debt resolution agreement with the legal group in February 2021, he was reimbursed 75% of the payments he contributed to the debt resolution plan. He did not use the money to resolve the debts included in the debt resolution agreement. Instead, he chose to pay more recent accounts. Most of the delinquent accounts remain unresolved at the close of the record. I cannot conclude that he has acted responsibly under the circumstances.

AG ¶ 20(c) does not apply. While Applicant entered into an agreement with a debt resolution legal group, he has not received formal financial counseling from a legitimate and credible source. Formal financial counseling would be helpful for he and his fiancée to learn how to manage their household budgets. For example, reducing the amount of open credit card accounts would enable them to keep track of their spending. While Applicant intends to pay his debts, there is no clear indication that the problem is being resolved or under control.

AG ¶ 20(d) applies with respect to Applicant's payments to the debts alleged in SOR ¶¶ 1.a, 1.b, 1.e, and 1.p-1.r. Regardless, most of the debts remain unresolved. The total approximate balance of the unresolved debt is \$27,016. It is too soon to tell whether

Applicant will be able to resolve the remaining 13 delinquent debts, most of which have been delinquent since 2019. While he intends to resolve all his debts, a promise to pay in the future is not sufficient to indicate a good-faith effort to resolve one's debts. He has not taken sufficient steps to resolve the remaining debts, so this mitigating factor is given less weight.

AG ¶ 20(e) potentially applies to the debt alleged in SOR ¶ 1.s. Applicant might have had legitimate cause to raise his state's lemon law pertaining to the repair issues on his leased automobile. Unfortunately, he did not research his options for how to initiate a dispute under the law. It is unclear what the outcome would have been if this had been pursued.

Overall, Applicant did not meet his burden of proof to mitigate the concerns raised under financial considerations.

### **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 the 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), "[t]he ultimate determination" of whether to grant a security clearance "must be an overall commonsense judgment based upon careful consideration of the guidelines, each of which is to be evaluated in the context of the whole-person." My comments under Guideline F are incorporated in my whole-person analysis. Some of the factors in AG ¶ 2(d) were addressed under those guidelines but some warrant additional comment.

I considered the issues the Applicant encountered with the debt resolution legal group. However, I also considered that he ignored resolving most of the delinquent accounts that were listed in the debt resolution plan after he terminated the debt resolution agreement in February 2021. He paid or is resolving some of the accounts, but many of the debts alleged in the SOR remain unresolved. His significant financial issues raise doubts about his ability to be entrusted with access to classified information. In cases

where there is doubt, national security concerns must take priority. The security concerns raised under Financial Considerations are not mitigated.

This decision should not be construed as a determination that Applicant cannot or will not attain the state of true reform and rehabilitation necessary to be eligible for a security clearance. The determination of an individual's eligibility and suitability for a security clearance is not a once in a lifetime occurrence, but is based on applying the factors, both disqualifying and mitigating, to the evidence presented. Under his current circumstances, a clearance is not warranted. In the future, he may well demonstrate persuasive evidence of his security worthiness.

### **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.b, 1.e, and 1.p - 1.r:	For Applicant
Subparagraphs 1.c, 1.d, 1.f – 1.o, and 1.s:	Against Applicant

### **Conclusion**

In light of all of the circumstances in this case, it is not clearly consistent with the interests of national security to grant or continue Applicant's eligibility for a security clearance. Eligibility for access to classified information is denied.

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Erin C. Hogan  
Administrative Judge