



DEPARTMENT OF DEFENSE
DEFENSE OFFICE OF HEARINGS AND APPEALS



In the matter of:)
)
) ISCR Case No. 25-00410
)
Applicant for Security Clearance)

Appearances

For Government: John Renehan, Esq., Department Counsel
For Applicant: *Pro se*

02/17/2026

Decision

DRISKILL, A. M., Administrative Judge:

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

Statement of the Case

On May 7, 2025, the Department of Defense (DOD) issued a Statement of Reasons (SOR) to Applicant detailing security concerns under Guideline F. He responded to the SOR on May 8, 2025 (Answer) and requested a decision on the written record in lieu of a hearing. The Government's written case was submitted on July 17, 2025. A complete copy of the file of relevant material (FORM) was provided to Applicant, who was afforded an opportunity to file objections and submit material to refute, extenuate, or mitigate the security concerns. He received the FORM on July 25, 2025. He timely submitted documentation which I labeled as Applicant's Exhibits (AE) A through E. The case was assigned to me on December 9, 2025.

On January 20, 2026, I reopened the record to allow for the admission of additional evidence. Applicant timely submitted AE F through N, and the record closed on January

27, 2026. The Government exhibits included in the FORM and AE A-N are admitted in evidence without objection.

Findings of Fact

The SOR alleges Applicant owes \$34,224 in delinquent Federal income tax for tax year 2018 (SOR ¶ 1.a), and he has one delinquent consumer debt in the amount of \$8,828 (SOR ¶ 1.b). He admitted both allegations and included explanations and documentation in his Answer. The allegations are also supported by his 2024 security clearance application (SCA), his response to interrogatories, his March 2025 credit bureau report, and his 2024 subject interviews with a government investigator (SI). (Items 3-6)

Applicant is 40 years old. He earned a bachelor's degree in 2007 and did not serve in the military. He has been married since 2018 and has four minor children. He has worked for a defense contractor since May 2024. He previously held a security clearance in about 2010. (Items 3, 4; Answer)

In his 2024 SCA, Applicant indicated that he failed to pay his 2018 Federal taxes. He explained that, due to a tax filing software error, he was initially unaware of the tax owed but became aware of the balance due, approximately \$32,753, after being audited. He attributes the large tax bill to a 401(k) distribution he took in order to purchase a home. He further noted that the debt was determined to be temporarily uncollectable due to financial hardship after he lost his job, and that a lien was filed pertaining to the debt in 2021. He stated that all subsequent Federal income tax refunds have been applied to the debt but that no current repayment plan or settlement agreement has been reached. He also reported three delinquent consumer debts on his SCA, including the debt alleged in SOR ¶ 1.b. In the entry for that debt, he stated that he had been on a repayment plan to pay a settled amount, but he did not have enough money to continue making the payments. (Item 3)

In his SI, Applicant confirmed the information in his SCA. He attributed all of his debt to his period of pandemic-related unemployment in 2020 and to a 2018 relocation for work. He told the investigator that he could pay his current debts, but did not have additional income for the delinquent debts. His plan was to address his debts "as they come." (Item 6)

In his response to interrogatories, Applicant indicated that he had not paid his delinquent taxes or the account alleged in SOR ¶ 1.b. He again explained that the taxes pertain to a 401(k) distribution he used to purchase a house and, due to the software error discussed in his SCA, he was unaware of the tax debt until 2021. He stated, "[i]n the meantime, I had sold the house, and was later laid off from my job. The ensuing 7 months of unemployment before obtaining a lower paying job left me over leveraged with debt."¹

¹ According to his SCA, the home in question was purchased in November 2018 and sold in June 2019. He lists one period of unemployment, from May 2020 to October 2020. His tax account transcripts indicate the additional tax was assessed in April 2021. (Items 3, 4)

He stated he would make settlement arrangements with each account one at a time but needs stable employment and sufficient income in order to do so. (Item 4)

Applicant submitted a budget with his response to interrogatories which reflects a net monthly remainder of \$1,032. He also submitted a letter from the Internal Revenue Service (IRS) that indicates his balance due was \$33,868 as of October 2024, and he submitted a tax year 2018 tax account transcript created in January 2025 indicating a balance of \$34,224. The transcript reflects taxable income of \$200,224 and an initial tax paid of only \$15,756. An additional \$31,263 was assessed in April 2021. The transcript shows refunds from 2020 – 2023 were applied to the delinquent debt. It entered a “balance due account currently not collectible – due to hardship” status in October 2021² and became “considered currently collectible” in February 2023. Finally, he provided proof that he was making payments on a delinquent debt not alleged on the SOR. (Item 4)

In his Answer, Applicant admitted both allegations. He attributed his initial financial issues to his 2018 relocation and 2019 job change that required another move. The second move also led him to sell his home at a loss. In February 2020, he took out a consolidation loan to resolve the debts he had accumulated from the multiple relocations. Shortly after that, he was laid off due to the pandemic. He explained that the job he took in November 2020 after his period of unemployment paid 30 percent less than his previous job, and it required another major relocation. His finances were immediately strained by this pay cut, and shortly after starting at that job he received his delinquent tax bill. He was able to pay down some of his other bills while the tax bill was in an uncollectible status, but he has not been able to address the tax bill since it became collectible again.

In his Answer, Applicant explained the SOR ¶ 1.b debt became delinquent in about 2022 when he was unable to pay his bills while also paying rent and medical bills for his family. He entered into settlement agreements and payment plans for his debts, but he was unable to afford continuing the payments with this creditor. He is continuing to pay on the other unalleged debts with repayment plans, and he emphasized that he and his family live frugally. He is seeking part-time work to help supplement his income, but he has not found a suitable position yet.

A number of attachments were included with Applicant’s Answer. A rental agreement reflects a monthly rent of \$3,459 and about \$55 in other monthly charges. A consolidation loan agreement shows that he took out a \$35,000 loan in February 2020, and a May 2025 statement from the loan company shows a \$10,151 balance with a past due payment of \$300 owed. A June 2023 employment agreement reflects a salary of \$160,000 at Applicant’s former employer. A May 2025 credit bureau report reflects no new delinquent debt. An undated IRS Collection Information Statement reflects \$40,713 in credit-card debt with minimum monthly payments totaling \$1,229; \$32,619 owed on a ten-year-old vehicle; and \$6,382 owed on a timeshare. Monthly necessary living

² Applicant’s SCA indicates he was employed full-time as a detail planner at a shipyard during this period. His employment there began in November 2020 and ended in May 2023. This is the job he refers to as paying significantly less than the previous job.

expenses are estimated to be \$9,918, and monthly gross income is about \$14,057. A termination letter reflects Applicant was laid off in April 2020 due to the pandemic, and he received a severance package valued at \$33,312.50. An employment offer letter from November 2020 reflects a salary of \$100,000.

In his FORM response, Applicant provided evidence that he has begun working at a second job and stated that he is using the extra income to pay for his children's school tuition, so he still does not have enough money to pay his delinquent debts. He stated that, since the last credit card he paid off did not significantly improve his credit score, he "cannot consider the inert debt [SOR ¶ 1.b] a high priority." (AE A, B) He provided a July 2025 letter from the IRS indicating that his 2024 state income tax refund was applied to his Federal tax debt, and that his passport may be revoked due to his noncompliance with the IRS. (AE C) He provided evidence that, in May 2025, he wrote to the IRS and requested the debt be placed in an uncollectible status, and he provided a USPS Informed Delivery email indicating a letter from the IRS was due to be delivered to him on August 18, 2025, which he thought might be in response to his request. (AE D, E)

Applicant provided several additional exhibits once the record was re-opened. In December 2025, the IRS responded to Applicant's "currently not collectible" request and determined that they could not consider his request at this time because their review of his financial statement shows he has the ability to pay \$607 per month. His request for a "collection due process or equivalent hearing" was determined to be invalid because it was not submitted within the required timeframe. In January 2026, the IRS sent Applicant's wife a letter that seems to indicate she may owe delinquent taxes for a number of tax years, including after she married, but the letter contains few details. (AE F, H)

Applicant responded to the IRS's rejection of his request with a December 2025 letter enumerating additional financial hardships, including new loans he had to take out to pay for expensive repairs to the family vehicle. He still has a gross income of \$14,057 and now has total monthly necessary living expenses of \$12,675, including: five loans with monthly payments totaling \$1,661; 15 credit cards totaling \$35,897 with minimum monthly payments totaling \$939; a \$862 monthly payment on the ten-year-old family vehicle; a new vehicle with a monthly payment of \$412; and a \$4,790 balance on a timeshare. (AE G) Applicant also provided evidence that the balance on the debt alleged in SOR ¶ 1.b has not changed, but his credit score has been rising over time. (AE F, I, J)

A 2024 performance review shows that Applicant was rated overall as "exceeds expectations" and his supervisor noted their "[c]ustomer has faith in him and respect [sic] his opinions and expertise." (AE F, K) Three emails from the customer indicate that they are very happy with Applicant's performance. (AE F, L-N)

Policies

This case is adjudicated under Executive Order 10865, *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 adjudicative guidelines (AG) implemented by the DOD on June 8, 2017.

“[N]o 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 § 2.

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, an administrative judge applies these guidelines 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 and 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 that 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 made “in terms of the national interest and shall in no sense be a determination as to the loyalty of the applicant concerned.” Exec. Or. 10865 § 7. Thus, a decision to deny a security clearance is merely an indication the applicant has not met the strict guidelines the President and the Secretary of Defense 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. 15-01253 at 3 (App. Bd. Apr. 20, 2016).

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 burden of proving a mitigating condition,

and the burden of disproving it never shifts to the Government. See ISCR Case No. 02-31154 at 5 (App. Bd. Sep. 22, 2005).

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). “[S]ecurity clearance determinations should err, if they must, on the side of denials.” *Egan*, 484 U.S. at 531.

Analysis

Guideline F, Financial Considerations

The concern under this guideline 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.

The following disqualifying conditions are relevant:

AG ¶ 19(a): inability to satisfy debts;

AG ¶ 19(c): a history of not meeting financial obligations; and

AG ¶ 19(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.

The evidence in the FORM and Applicant’s admissions establish AG ¶¶ 19(a), (c), and (f) for SOR ¶ 1.a and AG ¶¶ 19(a) and (c) for SOR ¶ 1.b.

The following mitigating conditions are potentially applicable:

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;

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;

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

AG ¶ 20(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.

Applicant incurred his tax debt due to taking an early distribution from his 401(k) plan to help purchase a house. Although it appears a filing error delayed the correct calculation for his taxes that year, the size of the final tax bill was predictable given the well-known, deliberately punitive structure of early 401(k) withdrawals. This debt did not arise from conditions largely beyond Applicant's control. AG ¶ 20(b) does not apply to SOR ¶ 1.a.

Applicant has not paid his tax debt, apart from the automatic, involuntary application of his annual tax refunds to offset his existing tax debt. He has been aware of this debt for almost five years. Failure to comply with tax laws suggests that an applicant has a problem with abiding by well-established government rules and systems. Voluntary compliance with rules and systems is essential for protecting classified information. See, e.g., ISCR Case No. 16-01726 at 5 (App. Bd. Feb. 28, 2018). A person who fails repeatedly to fulfill his or her legal obligations, such as filing tax returns when due, does not demonstrate the high degree of good judgment and reliability required of those granted access to classified information. See, e.g., ISCR Case No. 17-01382 at 4 (App. Bd. May 16, 2018). He has recently asked the IRS to classify his tax debt as uncollectible due to hardship, but the IRS has determined that he has the ability to make payments toward his debt. Though he has resubmitted his request with an updated budget, there is insufficient evidence in the record to be able to conclude that the IRS's future determination, if they even make one, will be any different. AG ¶¶ 20(d) and 20(g) do not apply to SOR ¶ 1.a.

Applicant's delinquent consumer debt arose due to several job changes and corresponding relocations, his period of unemployment in 2020, and reduced wages after returning to work. These are circumstances beyond Applicant's control. There is no evidence, however, that he has acted responsibly toward this debt, and it remains unresolved. AG ¶¶ 20(b) and 20 (d) do not apply to SOR ¶ 1.b.

Although Applicant has argued that his credit score has improved and that he has made great strides in overcoming his financial circumstances, his budget reflects a troubling pattern of running up balances on multiple credit cards and taking out loans to cover basic expenses. This heavy dependence on credit contributed to his prior financial issues, including his inability or unwillingness to pay the two SOR debts. His financial issues are current and ongoing, and did not occur under circumstances that make them

unlikely to recur. They continue to cast doubt on his current reliability, trustworthiness, and good judgment. AG ¶ 20(a) does not apply to SOR ¶¶ 1.a and 1.b.

Whole-Person Concept

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. In applying the whole-person concept, an 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. An 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.

I have incorporated my comments under Guideline F in my whole-person analysis and applied the adjudicative factors in AG ¶ 2(d). Because Applicant requested a determination on the record without a hearing, I had no opportunity to evaluate his credibility and sincerity based on demeanor. See ISCR Case No. 01-12350 at 3-4 (App. Bd. Jul. 23, 2003). After weighing the disqualifying and mitigating conditions under Guideline F and evaluating all the evidence in the context of the whole person, I conclude Applicant has not mitigated the security concerns raised 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-b:	Against Applicant

Conclusion

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

A. M. Driskill
Administrative Judge