



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



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| In the matter of: |) | |
| |) | |
| |) | ISCR Case No. 24-01217 |
| |) | |
| 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 March 18, 2025, the Department of Defense (DOD) issued a Statement of Reasons (SOR) to Applicant detailing security concerns under Guideline F. Applicant responded to the SOR on April 9, 2025 (Answer) and requested a decision on the written record in lieu of a hearing. The Government’s written case was submitted on June 6, 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. Applicant received the FORM on July 9, 2025. He timely submitted documentation, which I labeled as Applicant’s Exhibit (AE) A. The case was assigned to me on December 9, 2025. The Government exhibits included in the FORM and AE A are admitted in evidence without objection.

Findings of Fact

The SOR alleges Applicant has ten delinquent debts (seven personal loans and three credit cards) totaling \$234,952 and that he filed for Chapter 13 bankruptcy in November 2023, which was dismissed without discharge in November 2024 after he defaulted. He admitted all the allegations. The allegations are supported by Applicant’s

bankruptcy records and his August 2023, June 2024, October 2024, and January 2025 credit bureau reports (CBR). (Items 5, 7-10)

Applicant is 32 years old. He earned a bachelor's degree in 2018 and did not serve in the military. He has never married and has no children. He has been employed by a defense contractor since June 2023. (Item 3)

Applicant reported all alleged delinquent debts on his July 2023 security clearance application (SCA). He explained that he invested money into a well-known cryptocurrency exchange that went bankrupt due to fraud, causing him to lose most of his life savings by the end of 2022. He did not report how much money he lost. After that, he could no longer afford to make payments on his debts. He stated in the SCA that he was working to create payment plans to repay his debts and that he took the matter very seriously. (Item 3)

In his October 2023 subject interview (SI) with a government investigator, Applicant stated that he was working with an attorney to file for Chapter 13 bankruptcy. He stated that he initially made money when he got involved with crypto and digital currency, but the company he invested with was ultimately revealed to be a scam. He acknowledged that investors like him "took their chances," and that he has always taken financial risks. He explained that five of his delinquent personal loans were for cars he financed, which were tied to his long-time hobby of "flipping cars." While he usually made a small profit from this hobby, when he lost his money in the investment scam everything was thrown off and he became delinquent on his loans. He stated that he lives with his mother for free, which allows him to put more of his money toward his debts. (Item 4)

Bankruptcy records indicate Applicant filed for Chapter 13 bankruptcy on November 14, 2023. His filings included every debt listed on the SOR, and his mother is listed as a dependent. The home he lives in is listed as his property, with a value of \$554,600 and no mortgage. In his estimated monthly expenses, he listed items such as \$1,500 in rent, \$950 in food and housekeeping supplies, and \$150 for clothing, laundry, and dry cleaning. His net monthly remainder was calculated to be about \$5,774. His bankruptcy plan was confirmed on April 2, 2024. An October 2024 interim statement of his bankruptcy payments reflected that he had made a total of \$15,200 in payments toward the principals of the ten alleged debts on the SOR, but it also showed that he was \$11,550 behind in his bankruptcy plan payments. The bankruptcy was dismissed due to a material default by the debtor on November 24, 2024. (Item 5)

In his November 27, 2024 response to government interrogatories, Applicant explained that since filing for Chapter 13 bankruptcy in November 2023, he has "diligently adhered to the repayment schedule and consistently fulfilled all obligations outlined in the plan." He reiterated his commitment to resolving his financial issues. He further stated that, since losing his life savings by January 2023, his "life circumstances and family expenses have significantly changed," preventing him from being able to make the larger step-up payments in his bankruptcy plan. He stated that he and his attorney have created a new plan that he will be able to afford. He explained that he owns the property he lives in through inheritance, but due to conflicting wills, the property is in his uncle's name. He included a personal financial statement that lists his gross monthly salary as \$22,582 and

monthly expenses such as \$3,800 in rent, \$2,600 in groceries, and \$900 in clothing, as well as Chapter 13 scheduled monthly payments of \$4,812 and actual monthly payments of \$2,400. His net monthly remainder is \$62. (Item 4)

In January 2025 correspondence with Government counsel, Applicant explained that the bankruptcy default was due to being unable to afford the step-up payment obligations as outlined in the repayment plan. He stated that his financial circumstances and expenses changed significantly over the past year, which made it challenging to adhere to the plan. He stated he was actively working with his attorney to submit a new repayment plan that he could afford, and he fully intends to refile for Chapter 13 bankruptcy. His CBR from the same month lists six of the SOR debts, four of which reflect lowered balances and a last payment date of November 2024, which is consistent with the bankruptcy paperwork discussed above. (Items 6, 10)

In his Answer, Applicant described seeking additional employment to improve his income, but over time he was faced with new financial burdens related to his mother's health issues as well as his own costly medical issues. He stated he also encountered a sharp rise in rent and cost of living, although he listed his current address as the same address in his SCA, i.e., his parent's home, which he had previously stated he was living at for free and that he owned through inheritance. He further stated in his Answer that he intends to either refile for bankruptcy, or he will resolve his debts outside of bankruptcy. (Answer)

In his response to the FORM, Applicant reiterated that his financial circumstances arose from being a victim of a cryptocurrency exchange that went bankrupt due to fraud. He also restated that he could not keep up with his bankruptcy plan when his financial circumstances changed. He stated that he has not incurred any new debt and has been living within his means, with stable employment and a recent annual salary increase to \$127,000, or \$10,583 gross per month. He continues to support his mother. He stated that he completed a certified credit counseling program as part of his original bankruptcy, although he did not provide proof of such counseling. (AE A)

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 evidence establishes the following disqualifying conditions under this guideline:

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

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

AG ¶ 19(e): consistent spending beyond one's means or frivolous or irresponsible spending, which may be indicated by excessive indebtedness, significant negative cash flow, a history of late payments or of non-payment, or other negative financial indicators.

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(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; and

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

Although becoming the victim of an investment scam is certainly a circumstance largely beyond Applicant's control, he made other questionable financial choices that put him at particular risk. He acknowledged how risky the cryptocurrency investment was, yet he elected to invest his life savings into it—at the same time obtaining hundreds of thousands of dollars in personal loans. This financial house of cards left him unable to weather the loss of his investment, only to be compounded by a later increase in his cost of living.

He attributes his inability to make the bankruptcy-plan payments to an increase in rent and cost of living, but he has provided confusing and conflicting information regarding his budget. He asserted that he owns the home he lives in and does not have to pay rent because he lives with his mother, but he also provided monthly rent figures of \$1,500 and \$3,800. It is unclear who is charging him rent, and in particular, there is no explanation as to why he did not seek out more affordable accommodations once his rent skyrocketed to \$3,800 at the same time he was trying to make large bankruptcy payments. Similarly, there is no explanation as to how he was making a gross salary of \$22,582 a month in November 2024 but now makes a gross salary of only \$10,583 a month after a recent raise, and no justification for his high cost in monthly spending, to include \$2,600 a month in groceries and \$900 a month on clothing. Explanations and justifications may certainly exist, but the record is silent as to these questions, and it is nearly impossible to draw reliable conclusions from this information.

Although he began acting responsibly by filing for Chapter 13 bankruptcy and making several months of payments toward his debt, he soon found the payments unaffordable, and there is no evidence he has taken any further responsible steps towards resolving his debts since the bankruptcy was dismissed over a year ago. All the SOR debts remain delinquent, therefore his financial issues are ongoing, and it is too soon to say whether the risky and unwise behavior that contributed to his situation is unlikely to recur. Although he received financial counseling, his financial issues are not being resolved, nor are they under control. None of the mitigating conditions apply.

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:

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| Paragraph 1, Guideline F: | AGAINST APPLICANT |
| Subparagraphs 1.a-k: | 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