



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



In the matter of:)	
)	
)	ISCR Case No. 25-00247
)	
Applicant for Security Clearance)	

Appearances

For Government: Rhett Petcher, Esq., Department Counsel
For Applicant: *Pro se*

02/26/2026

Decision

LOKEY ANDERSON, Darlene D., Administrative Judge:

Statement of Case

On May 24, 2024, Applicant submitted a security clearance application (e-QIP). On June 4, 2025, 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 June 18, 2025, and requested a hearing before an administrative judge. The case was assigned to me on September 8, 2025. The Defense Office of Hearings and Appeals issued a notice of hearing on November 20, 2025, and the hearing was convened as scheduled on January 15, 2026. The Government offered nine exhibits, referred to as Government Exhibits 1 through 9, which were admitted without objection. Applicant testified, called no witnesses, and submitted no documentary evidence. The record remained open until close of business on January 17, 2026, to allow both the Government and the Applicant the opportunity to submit additional supporting documentation. The Government submitted one document which was discussed during the hearing, referred to as Government Exhibit 10, which was admitted without objection. Applicant submitted no further evidence. DOHA received the transcript of the hearing (Tr.) on February 2, 2026.

Findings of Fact

Applicant is 55 years old. He is married a second time, and has one adult daughter from his previous marriage. He has a Master's degree in International Business Law. He holds the position of Vice President of Strategic Business Development for a defense contractor. He is seeking to obtain a security clearance in connection with his employment. Applicant is applying for a security clearance for the first time. (Tr. p. 37.)

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 two Bankruptcies, and thirteen delinquent debts, consisting of a student loan, credit card debt, a delinquent mortgage, and various other charge-off accounts totaling in excess of \$367,000. Applicant admitted each of the allegations set forth under this guideline. Credit reports of the Applicant dated June 26, 2024; January 30, 2025; June 30, 2025, confirm the indebtedness listed in the SOR. (Government Exhibits 4, 5, and 6.)

Applicant was married the first time in 1996, and was divorced in 2004. He married his current wife in 2006. His wife has not worked outside of the home since they got married. (Tr. pp. 27-28.)

1.a. In October 2011, Applicant filed for Chapter 7 Bankruptcy. He explained that he was laid off from his job and was unemployed for an extended period with very little severance pay. He believes his debt at that time was between \$10,000 and \$20,000 which included a car loan and credit card debt. These debts were discharged in February 2012. Contrary to Applicant's testimony, his Chapter 7 petition shows that he was about \$1,000,000 in debt, and he had almost \$200,000 dollars in unsecured debt. (Tr. p. 39, and Government Exhibits 7 and 8.)

Applicant then got a consulting job where he worked for about a year before he started with his current employer. In 2013, he began working for a company that was later acquired by another company that ultimately became his current employer. He has been a Vice President but in different roles over the years. Applicant testified that prior to February 2023, he was debt free, he paid his bills on time, and had good credit. (Tr. p. 40.)

In 2023, Applicant purchased a house and within days of closing escrow, a city water main burst in the street just uphill and adjacent to his home. His home and his neighbor's home were completely flooded. Applicant's insurance company denied the claim, because it was caused by "surface water" occurring off of his property. The City also denied the claim citing "government immunity." To repair his flooded home, Applicant had to liquidate his retirement savings. He withdrew about \$200,00 from his 401k to use for house repairs, and incurred hundreds of thousands of dollars in credit card debt and loans to pay for the repairs. He estimates that he spent probably between \$250,000 to \$300,000 to repair his home. (Tr. p. 41.)

In July 2024, Applicant started contacting debt counseling companies to see if there was a way to reach settlement agreements with the creditors, or to make payments over an extended period of time, but even this did not create cash flow for him. (Tr. p. 43.) During this period, upon the advice of these companies, Applicant deliberately stopped paying many of his debts for several months hoping to force a settlement. While attempting to work out these payment plans and settlements with his creditors, Applicant's home was completely flooded again in August 2024. Again, the same city water main burst and caused more damage to Applicant's home, needing more repairs. At this point, Applicant realized that he could not afford to pay back the amount of debt he incurred from the two floods, and although he did not want to file Bankruptcy, he felt he had no other option. Applicant admitted that because of the floods he was past due on his mortgage payment for about a year and delinquent on his escrow taxes. (Tr. p. 42-47.)

1.b. In March 2025, Applicant filed for Chapter 13 Bankruptcy. At that time, a payment plan was confirmed by the trustee to include payments for Applicant's unsecured

debt; his mortgage arrearage; and the escrow taxes. Applicant also obtained two title loans on his two vehicles, but they were not included in his Bankruptcy petition because they are secured debt. (Tr. p. 96.) The Bankruptcy court docket sheet and related court records concerning Applicant's Chapter 13 indicates that the original payment plan was as follows: Applicant was ordered to pay \$700 monthly to the trustee from April 5, 2025, through January 5, 2026. Then on February 5, 2026, his monthly payment to the trustee increased to \$3,420 for 51 months. (Government Exhibit 10.) Applicant's testimony about this was somewhat confusing, but the essence of his position is that he could not afford the increase in payments required under the plan. (Tr. pp. 59-60.) Department Counsel asked him if he owed about \$165,000 in arrearages. Applicant stated that he believes he only owes somewhere between \$70,000 and \$90,000 in arrearage, and not \$165,000. (Tr. pp. 60-64)

On December 16, 2025, Applicant's attorney filed a motion to modify the Chapter 13 payment plan. Although not reflected in the docket sheet, Applicant believes that the new payment plan was confirmed. The new payment plan is as follows: From April 5, 2025 to May 4, 2025, the payment is \$630.19 for one month; then from May 5, 2025 to January 4, 2026, the payment is \$622 for eight months; following this, from January 5, 2026 to April 4, 2030, the payment is \$3,875 monthly for 51 months. (Government Exhibit 10.) Applicant believes this payment plan does not accurately address his indebtedness. He contends that the new modified payment plan is not sustainable for him considering all of the other bills he has to pay. (Tr. p. 61.) This means that he is unable to repay his past due creditors.

Applicant stated that since filing for Bankruptcy he has followed the Bankruptcy payment plan so far, and has been making his regular monthly mortgage payments of \$4,500, (not included in the bankruptcy). (Tr. pp. 57-58.)

Applicant explained that after filing for Bankruptcy, he still did not have enough money to finish the repairs in the house. So, he took out a few pay-day loans in the amount of about \$10,000 with about a 300 percent interest. He obtained these pay-day loans last summer to do more repairs to the house. (His credit cards were cancelled due to the bankruptcy.) His monthly payment of \$3,500 to service the pay-day loans only covers the interest and not the principle. (Tr. p. 106.)

Applicant also has other debts not included in the Bankruptcy. Prior to the flood, he owed about \$31,000 for two title loans he obtained when he borrowed against his 401k to purchase a car and other things. Prior to the Bankruptcy, his monthly payment was \$4,900 that covered just the interest. He stated that although he is regularly contributing to his 401k, the money is being used to pay his 401k debt. Applicant actually has nothing in his 401k. (Tr. p. 71 and 108-109.)

Although most of the repairs caused by the flood have now been completed, Applicant stated that he now has the expense of regular maintenance, which has recently included costs for repairs when his pool pump went out; problems with his irrigation system; and a thousand dollars to repair his sub-zero refrigerator. (Tr. p. 83.) Applicant's wife is not part of the Bankruptcy, but since she is not employed outside of the house, Applicant pays for all of her monthly bills and other expenses. To service her monthly debt is about \$3,500 a month. (Tr. p. 102.) He estimates her total debt at approximately \$20,000. (Tr. pp. 84-85.) Applicant stated that he has no discretionary funds or savings available for emergencies. For the past two years, he has been living paycheck to paycheck. He has no savings account, and a checking account with about \$1,000 in it. (Tr. pp. 88-89.)

Applicant stated that at one point they had the house up for sale but had only low-ball offers. Realtors advised that he wait until the market turns around. He is still contemplating selling his house, but a final decision has not been made. (Tr. pp. 88-89.)

Applicant stated that last summer, the city hired a contractor and they started fixing the main water pipe to prevent any future water main bursts. They constructed a bypass to a newer part of the water main system. The pipe that originally caused the problems was removed and is no longer there. (Tr. p. 51.) Applicant stated that he is not in a flood plain and he has no flood insurance. Even if he did have flood insurance, the damage to his home done by the water main pipe would not have been covered because the floods were considered to be natural disasters, with "rising water", that is excluded from the policies. (Tr. 52.)

A Financial Statement prepared by the Applicant dated December 2024, shows that Applicant's salary at that time was approximately \$235,000 annually. He testified that his pay has increased since then, and he is currently earning approximately \$250,000 annually. (Tr. p. 30.) Since starting with the company, he has consistently received annual raises and bonuses.

The following delinquent debts listed in the SOR are of security concern:

1.c. Applicant is indebted to a creditor on an account placed for collection in the approximate amount of \$116,826. This is a student loan. This debt is not included in the Chapter 13 Bankruptcy petition filed in March 2025. They are deferred during the Bankruptcy. Since no interest is occurring during the Bankruptcy, after the Bankruptcy, Applicant believes he will owe about \$1,100 monthly toward his student loan. The debt remains owing. (Tr. p. 98.)

1.d. Applicant is indebted to a creditor on an account that was charged off in the approximate amount of \$44,971. This is a credit card. The debt has been included in the Chapter 13 Bankruptcy petition filed in March 2025. (Tr. p. 92, and Applicant's Answer to the SOR.)

1.e. Applicant is indebted to a creditor on an account that was charged off in the approximate amount of \$30,734. This is a credit card. The debt has been included in the Chapter 13 Bankruptcy petition filed in March 2025. (Tr. p. 93, and Applicant's Answer to the SOR.)

1.f. Applicant is indebted to a creditor on an account that was charged off in the approximate amount of \$28,581. This is a credit card. The debt has been included in the Chapter 13 Bankruptcy petition filed in March 2025. (Tr. p. 93, and Applicant's Answer to the SOR.)

1.g. Applicant is indebted to a creditor on an account that was charged off in the approximate amount of \$26,151. This is a credit card. The debt has been included in the Chapter 13 Bankruptcy petition filed in March 2025. (Tr. p. 93, and Applicant's Answer to the SOR.)

1.h. Applicant is indebted to a creditor on an account that was charged off in the approximate amount of \$18,103. This is a credit card. The debt has been included in the Chapter 13 Bankruptcy petition filed in March 2025. (Tr. p. 93, and Applicant's Answer to the SOR.)

1.i. Applicant is indebted to a creditor on an account placed for collection in the approximate amount of \$14,144. This is a credit card. The debt has been included in the Chapter 13 Bankruptcy petition filed in March 2025. (Tr. p. 93, and Applicant's Answer to the SOR.)

1.j. Applicant is indebted to a creditor on an account that was charged off in the approximate amount of \$7,715. This is a credit card. The debt has been included in the Chapter 13 Bankruptcy petition filed in March 2025. (Tr. p. 93, and Applicant's Answer to the SOR.)

1.k. Applicant is indebted to a creditor on an account that was charged off in the approximate amount of \$6,082. This is a microloan. The debt has been included in the Chapter 13 Bankruptcy petition filed in March 2025. (Tr. pp. 93-94, and Applicant's Answer to the SOR.)

1.l. Applicant is indebted to a creditor on an account that was charged off in the approximate amount of \$1,145. This is a microloan. The debt has been included in the Chapter 13 Bankruptcy petition filed in March 2025. (Tr. pp. 93-94, and Applicant's Answer to the SOR.)

1.m. Applicant is indebted to a creditor on an account that was charged off in the approximate amount of \$549. This is a microloan. The debt has been included in the Chapter 13 Bankruptcy petition filed in March 2025. (Tr. pp. 93-94, and Applicant's Answer to the SOR.)

1.n. Applicant is indebted to a creditor on an account that was past due in the amount of approximately \$50,736, with a total balance of \$790,340. This is his mortgage debt. Applicant believes that arrearage is about \$90,000. The debt has been included in the Chapter 13 Bankruptcy petition filed in March 2025. (Tr. p. 94, and Applicant's Answer to the SOR.)

1.o. Applicant is indebted to a creditor on an account that was charged off in the approximate amount of \$21,278. This is a credit card. The debt has been included in the Chapter 13 Bankruptcy petition filed in March 2025. (Tr. p. 94, and Applicant's Answer to the SOR.)

After the Bankruptcy is completed, Applicant will also be responsible to pay the money he owes on the two Title Loans which he estimates at about \$30,000, and his student loans that he owes in the amount of about \$118,000. (Tr. p. 99.)

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 to satisfy debts;
- (b) unwillingness to satisfy debts regardless of the ability to do so;
- (c) a history of not meeting financial obligations; and
- (e) consistently 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.

Applicant's house was flooded twice through no fault of his own, and as a result he incurred excessive debt to repair his home that caused him financial hardship. 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.

There are extenuating circumstances here, namely two disastrous events that occurred in 2023 and 2024, a little over a year apart. Applicant's house was flooded twice through no fault of his own. He received no help from his insurance company or from the city to do the home repairs. These circumstances were beyond his control and contributed to his financial hardship. This situation warrants special consideration. However, even considering the extenuating circumstances, Applicant is required to use good judgment and show that he is financially responsible.

In response to these disasters, Applicant liquidated his 401(k), took out pay-day loans at 300 percent interest, and microloans, to get the money to make the repairs. He borrowed so much money and became so indebted that he has been unable to repay his delinquent debts, and is having difficulty paying his regular monthly expenses. In March 2025, he filed for Chapter 13 Bankruptcy to set up a payment plan to resolve some of his debts, but he now indicates that he is unable to pay on all of his other debts, not listed in the Bankruptcy. Despite the Bankruptcy, his financial situation has worsened. He has no discretionary funds available for emergencies. He is using pay-day loans to get by, and is paying for his wife's spending. Applicant is not financially stable. He has spent much more than he can afford, and is clearly living beyond his means. His conduct shows poor financial management, and a history of financial irresponsibility which casts doubt on his current reliability, trustworthiness, and/or good judgment.

Applicant appears to want to resolve his debt, but he has lots of work to do to achieve this. Since the two flood disasters, he has made no adjustments to his lifestyle or any effort to cut back on his spending to deal with his situation. Furthermore, there has been only a short time, nine months of systematic payments to repay his creditors through the Bankruptcy, while he has been falling farther into debt. At this time, Applicant needs time to show the Government a track record of monthly payments that demonstrates that he can afford to pay his delinquent debts, and establishes a lifestyle that shows that he can and will be financially responsible, and live within his means without difficulty. Mitigating conditions 20(b) applies here, but does not establish full mitigation.

There is insufficient evidence in the record to show that Applicant has made a good faith effort to resolve his debts. Applicant has made some progress in that he has filed for Chapter 13 Bankruptcy with the intent of paying off some of his debts. However, Applicant shows very little progress towards resolving his total indebtedness. He has indicated that he cannot afford to make the current payments under the Bankruptcy plan. At this time, he remains excessively indebted, and it is not certain that he will be able to repay his delinquent debts. There is insufficient evidence in the record to show that the Applicant has carried his burden of proof to establish mitigation of the Government security concerns under Guideline F.

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. In the event that Applicant follows through with his commitment to resolve his debts and show a pattern of financial responsibility, sometime in the future he may be found to be sufficiently reliable to properly protect and access classified information, but not at this time.

I considered the potentially disqualifying and mitigating conditions in light of all relevant facts and circumstances surrounding this case. I conclude Applicant has not 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:	AGAINST APPLICANT
Subparagraphs 1.a. through 1.o.:	Against Applicant

Conclusion

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

Darlene Lokey Anderson
Administrative Judge