



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



In the matter of:)
)
) ISCR Case No. 25-00555
)
Applicant for Security Clearance)

Appearances

For Government: Andrew H. Henderson, Esq, Department Counsel
For Applicant: *Pro se*

03/27/2026

Decision on Remand

WESLEY, ROGER C. Administrative Judge

Based upon a review of the case file, pleadings, exhibits, and testimony, Applicant did not mitigate financial considerations concerns. Eligibility for access to classified information or to hold a sensitive position is denied.

Statement of the Case

On August 3, 2025, the Defense Counterintelligence and Security Agency Adjudication and Vetting Services (DCSA AVS) issued a statement of reasons (SOR) to Applicant detailing reasons why under the financial considerations guideline the DCSA AVS could not make the preliminary affirmative determination of eligibility for granting a security clearance, and recommended referral to an administrative judge to determine whether a security clearance should be granted, continued, denied, or revoked. The action was taken under Executive Order (Exec. Or.) 10865, *Safeguarding Classified Information within Industry* (February 20, 1960); Department of Defense (DoD) Directive 5220.6 *Defense Industrial Personnel Security Clearance Review Program*, (January 2,

1992) (Directive); and Security Executive Agent Directive 4, establishing in Appendix A the *National Security Adjudicative Guidelines for Determining Eligibility for Access to Classified Information or Eligibility to Hold a Sensitive Position (AGs)*, effective June 8, 2017.

Applicant responded to the SOR (undated) and requested to have his case resolved on the written record without a hearing. Applicant received the File of Relevant Material (FORM) on September 11, 2025, and he elected to respond to the FORM with a letter of explanation with attachment documenting some payments. This case was assigned to me on January 8, 2026. The Government's case consisted of eight exhibits that were admitted into evidence without objection as Government Exhibits (GEs 1 through 8). Applicant's post-FORM submission was admitted into evidence without objection as Applicant's exhibit A (AE A).

Issuance of Remand

On March 19, 2026, the Appeal Board issued a remand. In its remand, the Appeal Board, the Appeal Board issued instructions to errors identified in the remand and thereafter determine whether or not Applicant sufficiently mitigated the Government's remaining concerns under Guideline F and issue a new decision. M

Summary of Pleadings

Under Guideline F, Applicant allegedly accumulated 11 quantified delinquent debts exceeding \$24,000, and three additional unquantified delinquent debts. Allegedly, Applicant's delinquent debts have not been resolved and remain outstanding.

In Applicant's response to the SOR, he admitted the allegations pertaining to his delinquent accounts. He added explanations and clarifications. He claimed he negotiated payment settlements with two of the listed SOR creditors (i.e., SOR ¶¶ 1.l and 1.m) and attached evidence of payment credits with these creditors.

Applicant further claimed to be working with a credit repair firm and has been submitting monthly payments to them since 2024, while enrolled in the firm's expedited program since June 2025. He claimed also that he will be submitting bank account statements showing proof of his payments. And, he acknowledged his awareness of other pending accounts that "he is slowly but surely resolving" while working with his retained credit repair agency. (GE 1)

Findings of Fact

Applicant is a 32-year-old employee of a defense contractor who seeks a security clearance. Allegations covered in the SOR and admitted by Applicant are incorporated and adopted as relevant and material findings. Additional findings follow.

Background

Applicant is unmarried and has no children. (GE 2) He earned a high school diploma in October 2023. Applicant reported no military service. (GE 2)

Since January 2024, Applicant has been employed by his current employer as a coatings applicator. (GE 2) Previously, he worked for other employers in various jobs. He has never held a security clearance and is presently sponsored by his current employer. (GEs 2-3)

Applicant's Finances

Between 2017 and 2023, Applicant accumulated 12 quantified delinquent accounts exceeding \$24,000. (GEs 5-7). Each of these delinquent accounts are addressed in the SOR allegations. (GEs 1-7) Additionally, he accumulated three unquantified delinquent accounts (covered by SOR ¶¶ 1.1-1.n). Together, these three debts exceed \$25,000 and bring Applicant's SOR-listed debt delinquencies to more than \$49,000 according to his submitted credit reports. (GEs. 5-7)

Applicant has made some progress with his reported SOR-listed debts. Documented is the sale of three of his charged off accounts (i.e., SOR creditors 1.1-1.m and 1.m) to third parties in 2024. (GEs 5-7) While the identity of the creditor 1.m purchaser matches the name of the judgment holder reported in GE 8 (see GE 7), neither the terms of the sale of the \$13,200 debt nor the capacity in which the purchaser of the SOR 1.m debt acquired the account (i.e., whether it acquired the SOR creditor 1.m account for itself (with or without a discount) or as an assigned collection agent for SOR creditor 1.m).

Court records do confirm that the acquiring entity of the SOR ¶ 1.m account sued Applicant in its own name for the full amount of the SOR 1.m debt and obtained a default judgment in July 2025. (GE 8) This default judgment was, in turn, vacated without prejudice following the parties' completion of a structured settlement that called for the full payoff of the entered judgment amount of \$13,664 in monthly payments of \$285. for 48 months. To date, Applicant has paid down the judgment principal with monthly payments totaling \$4,500 and is in full compliance with his negotiated settlement agreement. (GEs 2 and 8 and AE A)

Applicant's attachments to his SOR response also identify the same judgment creditor cited in GE 8 as the purchaser of Applicant's SOR ¶ 1.1 debt (identified as a banking entity). (GE 1) The furnished balance sheet account attached to Applicant's response credited him with a \$270 payment, made in July 2025 on an apparent undated payment plan, leaving a balance owing of \$9,434. No other monthly payments on his implicit payment plan with this creditor were documented. Without a copy of the payment plan arranged with the GE 8 creditor, terms and conditions of the plan cannot be traced in Applicant's credit reports or other submissions in the record for compliance assessment. All that can be discerned from Applicant's credit reports is that at some time the SOR ¶ 1.1 debt reported in Applicant's 2024 credit report was a \$10,500 charged off debt that was sold to a third party for an undisclosed amount. (GE 5) Piecing together the rest of the history of this debt cannot be made without more information from Applicant.

Similarly, the unquantified SOR creditor 1.n delinquent debt identified in Applicant's 2024 credit report (GE 5) is reported as a charged-off delinquent debt in the amount of \$1,900 that was later sold to another party (with or without a discount) for an undisclosed amount, leaving Applicant with a zero balance. (GE 5) The identity of the third-party purchaser of the debt and what became of this account is undisclosed and unknown. Any meaningful assessment of the payment status of this debt will require more information from Applicant than he has provided to date.

To help Applicant to identify and work with his creditors holding delinquent accounts with the goal of resolving them wherever possible, Applicant retained a credit repair firm in September 2024. (GEs 2-3) Under the terms of his agreement with the credit repair firm, he agreed to monthly payments of \$149.99 for their services, beginning in September 2024. (GE 2-3) Through April 2025, Applicant documented monthly payments totaling \$1,192. (GEs 2-3) What progress this repair firm has made in resolving his individual SOR debts remains undocumented and unclear.

In a May 2025 personal financial statement provided by Applicant, he reported net monthly income of \$6,100, monthly expenses of \$3,275, and a net monthly remainder of \$2,825. (GE 4) He did not list any personal debt obligations. For assets, he reported none. (GE 4) Applicant offered no persuasive financial reasons why he could not address more of his reported delinquent accounts with the financial resources available to him. Afforded opportunities to provide evidence of budgeting initiatives, financial counseling, endorsements, performance evaluations, and other evidence of reliability, good judgment, and trustworthiness, Applicant declined to do so.

Policies

By virtue of the jurisprudential principles recognized by the U.S. Supreme Court in *Department of the Navy v. Egan*, 484 U.S. 518, 528 (1988), "no one has a 'right' to a security clearance." 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." *Egan*. at 527.

Eligibility for access to classified information may only be granted "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 AGs list guidelines to be considered by judges in the decision-making process covering DOHA cases. These guidelines take into account factors that could create a potential conflict of interest for the individual applicant, as well as considerations that could affect the individual's reliability, trustworthiness, and ability to protect classified information.

These AGs include conditions that could raise a security concern and may be disqualifying (disqualifying conditions), if any, and all of the conditions that could mitigate security concerns, if any. These guidelines must be considered before deciding whether or not a security clearance should be granted, continued, or denied. Although, the guidelines do not require judges to place exclusive reliance on the enumerated disqualifying and mitigating conditions in the guidelines in arriving at a decision.

In addition to the relevant AGs, judges must take into account the pertinent considerations for assessing extenuation and mitigation set forth in ¶ 2(a) of the AGs, which are intended to assist the judges in reaching a fair and impartial, commonsense decision based on a careful consideration of the pertinent guidelines within the context of the whole person. The adjudicative process is designed to examine a sufficient period of an applicant's life to enable predictive judgments to be made about whether the applicant is an acceptable security risk.

When evaluating an applicant's conduct, the relevant guidelines are to be considered together with the following ¶ 2(d) factors: (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 of the conduct; (8) the potential for pressure, coercion, exploitation, or duress; and (9) the likelihood of continuation or recurrence.

Viewing the issues raised and evidence as a whole, the following individual guidelines are pertinent herein:

Financial Considerations

The Concern: Failure or inability 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 or 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 acts or otherwise questionable acts to generate funds. . . .
. AG ¶ 18.

Burdens of Proof

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, Feb. 20, 1960, § 7. See also Exec. Or. 12968 (Aug. 2, 1995), § 3.1.

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 [or her] 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

Security concerns are raised over Applicant’s accumulation of 11 delinquent SOR-listed debts exceeding \$24,000 in quantified amounts, along with three reported unquantified delinquent accounts exceeding \$25,000 *en totale*. Considered together, these delinquent accounts raise trust, reliability, and judgment concerns about his current and future ability to manage his finances safely and responsibly. These concerns are addressed below.

Applicant’s admitted debt delinquencies require no independent proof to substantiate them. See Directive at E3.1.1.14; *McCormick on Evidence* § 262 (6th ed.

2006). His admitted debt delinquencies are fully documented and raise judgment issues over the management of his finances. See ISCR Case No. 03-01059 (App. Bd. Sept. 24, 2004). Credit bureau reports are ordinary business records admissible as an exception to the Federal Rules of Evidence as a hearsay exception that does not require an authenticating witness. See ISCR Case No. 18-00052 at 3 (App. Bd Jan. 18, 2019); ISCR Case No. 07-08955 at 1-2 (App. Bd. Sep. 15, 2008)

Department Counsel (DC) argued in his FORM summary for treatment of the judgment creditor debt (covered by SOR ¶ 1.m) as an arms-length purchase of the charged-off delinquent account held by SOR creditor 1.m. Without more defining information from Applicant, on the sale of the account, the acquisition could reasonably be classified as a novation with new terms and payment responsibilities imposed on Applicant.

Under DC's theory of the case, the post-SOR debt acquiring creditor pursued its own enforcement options when Applicant failed to cure his default and sought judicial relief as an independent creditor unlinked to SOR creditor 1.m. DC used the new debt cited in GE 8 as a counterweight to Applicant's claims of improved financial circumstances. Considering all of the circumstances evidenced in the case, DC's treatment of the settled judgment debt as a post-SOR non-covered SOR debt to counter any Applicant mitigation claims represented a perfectly reasonable approach in addressing Applicant's overall financial condition. Without a copy of his payment agreement with the purchasing creditor identified in GE 8 and payment history of the account, meaningful assessment of the debt is severely challenged.

On appeal, the Appeal Board found both of the post-FORM GE 8 creditor's settled debts with Applicant to constitute settlements of the same debts covered by SOR ¶¶ 1.l and 1.m with some payment histories documented and remanded the case for correction of the erroneous readings of the payment status of both purchased debts. The Appeal Board's reading of the GE-8 creditor's settlements as settlements of the SOR creditor 1.l and 1.m debts is controlling and must be respected. And, while the purchased accounts of the debts covered by SOR ¶¶ 1.l and 1.n are neither quantified nor detailed as to the purchasers identified in Applicant's credit reports and any discounts they may have received, they, too, are entitled to credit as delinquent accounts favorably resolved.

So, while non-SOR delinquent debts that are admitted and documented (as here) may be considered in the Government's case in chief for purposes of credibility, application of mitigation initiatives, and whole-person analysis (see ISCR Case No. 03-20327 at 4 (App. Bd. Oct. 26, 2006) (citing ISCR Case No. 02-07218 at 3 (App. Bd. Mar. 15, 2004); ISCR Case No. 00-0633 at 3 (App. Bd. Oct 24, 2003)), each of the debts covered by SOR ¶¶ 1.l-1.n are entitled to debt resolution by settlement measures accepted and implemented by their purchasers.

Addressing Applicant's remaining 11 SOR admitted debts that haven't been resolved, these debts warrant the application of three of the disqualifying conditions (DC) in the financial consideration guidelines. DC ¶¶ 19(a), "inability to satisfy debts"; 19(b),

“unwillingness to satisfy debts regardless of the ability to do so,” 19(c), “a history of not meeting financial obligations,” apply to Applicant’s situation.

Financial stability in a person cleared to protect classified information is required precisely to inspire trust and confidence in the holder of a security clearance that entitles the person to access classified information. While the principal concern of a security clearance holder’s demonstrated financial difficulties is vulnerability to coercion and influence, judgment and trust concerns are implicit in cases involving delinquent debts.

Historically, the timing of addressing and resolving an applicant’s delinquent debts is critical to an assessment of the applicant’s trustworthiness, reliability, and good judgment in following rules and guidelines necessary for those seeking access to classified information or to holding a sensitive position. See ISCR Case No. 14-06808 at 3 (App. Bd. Nov. 23, 2016); ISCR Case No. 14-01894 at 5 (App. Bd. Aug. 18, 2015); ISCR Case No. 14-00221 at 2-5 (App. Bd. June 29, 2016).

While Applicant is entitled to partial application of mitigating condition (MC) ¶ 20(d), “the individual initiated and is adhering to a good-faith effort to repay overdue creditors or otherwise resolve debts,” based on his accepted resolution of SOR covered debts 1.I-1.n, none of the other potentially available MCs can be applied to Applicant’s remaining unresolved debts without more information from Applicant. His retainer of a credit repair firm, while encouraging, has produced no tangible payoffs or payment plans with any of his remaining creditors, despite Applicant’s ample resources to make meaningful inroads in paying off his delinquent accounts.

Applicant’s acknowledged awareness of his remaining debts and his commitments to address them in the future are certainly welcomed. Promises to pay or otherwise resolve delinquent debts in the future, however, have never been accepted by the Appeal Board as a substitute for a track record of paying debts in a timely manner and otherwise acting in a financially responsible manner. See ISCR Case No. 17-04110 at 4 (App. Bd. Sep. 26, 2019); ISCR Case No. 09-05252 at 3 (App. Bd. Dec. 3, 2010). Accordingly, without documented evidence of his making stronger initiatives to resolve his debt delinquencies, more favorable treatment of his debt management efforts cannot be made at this time.

Whole-person assessment

Whole-person assessment of Applicant’s clearance eligibility requires consideration of whether his history of accumulated delinquent consumer debts is fully compatible with minimum standards for holding a security clearance. While Applicant is entitled to credit for his work in the defense industry and his addressing of several of his delinquent accounts, his efforts to date are not enough to overcome his repeated failures or inability to address the bulk of his delinquent debts. Overall good judgment, reliability and trustworthiness are not established.

Based on a consideration of all of the facts and circumstances considered in this case, it is premature to make safe predictions that Applicant will be able to undertake the

necessary documented good-faith efforts to absorb the Government's financial concerns within the foreseeable future. More time is needed to establish the requisite levels of stability with his finances to establish his overall eligibility for holding a security clearance.

I have carefully applied the law, as set forth in *Department of Navy v. Egan*, 484 U.S. 518 (1988), Exec. Or. 10865, the Directive, and the AGs, to the facts and circumstances in the context of the whole person. I conclude financial considerations security concerns are not mitigated. Eligibility for access to classified information is denied.

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:

GUIDELINE F (FINANCIAL CONSIDERATIONS): AGAINST APPLICANT

Subparagraphs 1.a-1.k:

Against Applicant

Subparagraphs 1.l-1.n:

For 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 Applicant eligibility for a security clearance. Eligibility for access to classified information is denied.

Roger C. Wesley
Administrative Judge