



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



In the matter of:)
)
) ISCR Case No. 24-02295
)
)
Applicant for Security Clearance)

Appearances

For Government: Andre M. Gregorian, Esquire, Department Counsel
For Applicant: *Pro se*

03/30/2026

Decision

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 June 10, 2024, Applicant completed and signed an Electronic Questionnaires for Investigations Processing (e-QIP). (Government Exhibit (GE) 1) On January 2, 2025, the Defense Counterintelligence and Security Agency (DCSA) 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 on June 8, 2017.

On January 10, 2025, and May 10, 2025, Applicant answered the SOR and requested a hearing before an administrative judge. The case was assigned to me on

September 2, 2025. On December 16, 2025, a Notice of Hearing was issued scheduling the hearing on January 28, 2026. The hearing was held as scheduled, via video-conference. During the hearing, the Government offered six exhibits, which were admitted as Government Exhibits (GE) 1 – 6. Applicant testified and offered one exhibit, which was marked as Applicant Exhibit (AE) A and admitted without objection. The record was held open until February 6, 2026, to allow Applicant to submit additional documents. He timely provided a document which was marked as AE B, consisting of 43 pages, which was admitted without objection. The transcript (Tr.) was received on February 9, 2026. The record closed on that date.

Findings of Fact

In response to the SOR, Applicant admitted to all of the allegations in the SOR. His admissions are accepted as findings of fact. Additional findings follow.

Applicant is a 54-year-old employee of a defense contractor seeking a security clearance for the first time. He has worked for his current employer since May 2024. He was born in the Philippines. He graduated from high school in the Philippines. He immigrated to the United States in 1992 and became a U.S. citizen in 2005. He has no military service. He is divorced. He has a 13-year-old son who lives with him. (Tr. 26; 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

Applicant's SOR alleges two bankruptcies. He first filed for bankruptcy under Chapter 7 in October 1996. His debts were discharged in January 1997. (SOR ¶ 1.a: GE 3). He filed for Chapter 7 bankruptcy a second time in August 2021. His debts were discharged in November 2021. (SOR ¶ 1.b: GE 1 at 34; GE 4).

The SOR also alleges Applicant has 11 delinquent debts that occurred after his most recent bankruptcy. The debts include: a \$3,745 delinquent account that was placed for collection (SOR ¶ 1.c: GE 5 at 3; GE 6 at 4); a \$2,606 delinquent account that was charged off (SOR ¶ 1.d: GE 5 at 3; GE 6 at 6); a \$2,573 delinquent account that was placed for collection (SOR ¶ 1.e: GE 5 at 3; GE 6 at 3); a \$2,266 delinquent credit account that was charged off (SOR ¶ 1.f: GE 5 at 3); a \$1,237 delinquent account that was placed for collection (SOR ¶ 1.g: GE 5 at 4) and a \$1,040 delinquent credit-card account that was placed for collection (SOR ¶ 1.h: GE 5 at 4; GE 6 at 4-5).

Additional delinquent accounts include: a \$799 delinquent account that was placed for collection (SOR ¶ 1.i: GE 5 at 4; GE 6 at 4); a \$472 delinquent credit-card account that was placed for collection (SOR ¶ 1.j: GE 5 at 4; GE 6 at 5); a \$462 delinquent account that was placed for collection (SOR ¶ 1.k: GE 5 at 5; GE 6 at 5-6); a \$451 delinquent

account that was charged off (SOR ¶ 1.l: GE 5 at 5; GE 6 at 6); and a \$403 delinquent account that was placed for collection (SOR ¶ 1.m: GE 5 at 5).

During the hearing, Applicant testified that he filed for Chapter 7 bankruptcy in 1996 because he had separated from his wife and left everything to her. He wanted a new life. He moved to Europe and lived there from March 2008 to September 2014. (Tr. 46-47; GE 1 at 9-10; GE 2 at 2) He filed for Chapter 7 bankruptcy a second time because of financial difficulties. He had to move to his parents' house to care for his mother after his father passed away. His mother suffered from dementia. He assumed the bills for his parents' house, but did not realize that it had a reverse mortgage. He could not keep up with the bills and the mortgage on his parents' home went into foreclosure. He also lost his job with an employer who terminated him for taking time off without authorization in 2020, which he disputes. The total amount of the debt discharged in the 2021 Chapter 7 bankruptcy was \$64,988. (Tr. 30, 34, 47 - 48; GE 2 at 3)

Applicant attended financial counseling as a requirement of his 2021 bankruptcy filing. After his bankruptcy discharge, he continued to have financial problems and acquired delinquent debt. (Tr. At 56; GE 1 at 36)

On December 29, 2025, Applicant entered into a debt resolution program with a company. All of the debts are included in the program with the exception of the debts alleged in SOR ¶¶ 1.k and 1.m. The company negotiates with the creditors to accept a lesser balance on the debt. In order to do so, the accounts must be delinquent which could negatively impact a person's credit score. Applicant agreed to make payments of \$186.93 to the company on a biweekly basis in conjunction with his pay periods. He has an allotment set up with his bank to have the payments sent directly to the company every pay period. (Tr. 40-43; AE A)

In the agreement with the company, there is a summary of Applicant's monthly budget. His household income is approximately \$2,400. His monthly expenses are approximately \$1,550. He pays the company \$387 a month. After expenses, he has a monthly remainder of approximately \$444. The total amount of debt that he has enrolled in the program is approximately \$24,119. The estimated settlement amount is \$13,265. The settlement fees are estimated to be \$4,823. The total cost of the program is estimated to be \$19,440. (Tr. 43; AE A)

Under cross-examination, Department Counsel noted that a credit report dated January 16, 2026, listed three additional debts that were not alleged in the SOR. The debts included a \$6,943 delinquent debt from a car that Applicant voluntarily returned to the dealer; a \$1,349 delinquent cell phone account; and a \$1,143 delinquent debt that was placed for collection. The \$1,143 debt is included in Applicant's debt resolution agreement with the company. The other accounts have not been included. (Tr. 50-52; GE 6 at 1-4; AE A)

Applicant testified that he bought a car and was unable to make payments, so he returned the car to the dealer. This relates to the \$6,943 debt in the above paragraph.

The recent credit reports indicate he purchased the car in 2022, and it was voluntarily repossessed in 2025. None of the 11 debts alleged in the SOR are resolved. Applicant recently entered into the debt resolution agreement with the company. After the hearing, he provided a credit report, dated January 28, 2026. While he resolved some accounts, the delinquent debts in the SOR remain outstanding. (Tr. 50-51, 54-55; GE 6 at 1-4; AE B)

Applicant has about \$350 in his bank account. His retirement account has a balance of \$21,000. He is current on his federal and state income tax return filings and does not have any tax debt. (Tr. 54-56)

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, as indicated by his two Chapter 7 bankruptcy filings in October 1996 and August 2021. He continues to incur delinquent debt. At the time the SOR was issued, he had 11 delinquent debts with a total approximate balance of over \$16,000 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; and

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

AG ¶ 20(a) does not apply. While Applicant recently entered into a debt resolution agreement in December 2025, all of the debts remain unresolved. In addition, three additional delinquent debts were listed on his most recent credit report in January 2026. The total amount of the additional debt was \$9,435. His financial issues are ongoing and raise questions about his reliability, trustworthiness and judgment.

AG ¶ 20(b) partially applies. Circumstances beyond his control contributed to Applicant's second bankruptcy filing in 2021. He had to care for his elderly mother and assume responsibility for payments on the family home. He was also laid off in about 2020. However, I cannot conclude Applicant acted responsibly under the circumstances because he continued to incur delinquent debt after his 2021 bankruptcy discharge.

AG ¶ 20(c) does not apply. While Applicant took a financial counseling course in conjunction with his 2021 Chapter 7 bankruptcy, he continued to incur delinquent debt after his bankruptcy discharge. While he intends to pay his delinquent debts, there is no clear indication that the problem is being resolved or under control.

AG ¶ 20(d) only partially applies. Applicant recently entered into a debt resolution agreement with the company in December 2025, but it is too soon to conclude that he will complete the agreement. None of the debts have been settled and Applicant continues to incur additional delinquent debt. 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 delinquent debts, so this mitigating factor is given less weight.

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 Applicant has worked for his current employer since May 2024. I considered that he has sole custody of his son. I considered his Chapter 7 bankruptcies in 1996 and 2021. I considered that Applicant continued to incur delinquent debt after his bankruptcies. While Applicant recently enter into a debt resolution agreement with the company, it is too soon to conclude that he will successfully complete the agreement. He also continued to incur additional delinquent accounts. At the close of the record, none of the delinquent accounts alleged in the SOR have been resolved. His history of financial problems and his current significant delinquent debt 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.

