



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



In the matter of:)
)
) ISCR Case No. 25-00197
)
Applicant for Security Clearance)

Appearances

For Government: Brittany C. White, Esq., Department Counsel
For Applicant: Daniel Meyer, Esq.

04/30/2026

Decision

BORGSTROM, Eric H., Administrative Judge:

Applicant did not mitigate the financial considerations security concerns arising from his delinquent debts. Eligibility for access to classified information is denied.

Statement of the Case

On March 18, 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 DCSA acted under Executive Order (EO) 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 on June 8, 2017.

In Applicant's June 4, 2025 response to the SOR (Answer), he admitted all four delinquent accounts. He attached five documents, which I later admitted into evidence at the hearing. He requested a hearing before a Defense Office of Hearings and Appeals (DOHA) administrative judge. (Answer)

On July 7, 2025, the Government was ready to proceed to a hearing. The case was delayed when all administrative judges were furloughed from October 1 through

November 12, 2025, during a federal government shutdown due to a lapse in federal funding. I was assigned this case on December 17, 2025.

On January 6, 2026, a notice was issued scheduling the hearing for January 26, 2026, by video teleconference. The hearing was rescheduled for January 29, 2026, and it convened as rescheduled. The Government proffered seven evidentiary exhibits, which I admitted as Government Exhibits (GE) 1 through 7, without objection. Applicant testified and submitted six exhibits (including the five exhibits originally attached to the Answer), which I admitted as Applicant Exhibits (AE) A through F, without objection. At Applicant's request, I kept the record open until March 2, 2026, to provide him an opportunity to supplement the evidentiary record. DOHA received the hearing transcript (Tr.) on February 9, 2026. On March 2, 2026, Applicant provided four additional exhibits, which I admitted as AE G through J, without objection. The evidentiary record closed on March 2, 2026.

Findings of Fact

Applicant is 52 years old. From August 1991 to June 1998, he served on active duty in the U.S. Coast Guard (USCG), from which he received an honorable discharge. He graduated from high school in about 1991, earned a bachelor's degree in 2004, and earned a master's degree in 2006. He was first married from 1992 to 1998. He married his second wife in September 2000, separated in June 2013, and divorced in November 2016. He has two adult children. (GE 1, GE 2, GE 4, GE 5; Tr. 17-18, 35, 46)

Since October 2015, Applicant has been employed by a series of federal contractors, holding senior roles as director and chief technology officer (CTO) with his last three employers. Since January 2022, he has been employed with his current employer as the CTO, and he holds a 10% equity interest in this \$100 million company. (GE 1, GE 2, GE 4; Tr. 17-18, 28, 47)

The SOR alleges financial considerations security concerns arising from a repossessed vehicle (SOR ¶ 1.a.), two delinquent credit-card accounts (SOR ¶¶ 1.b. and 1.c.), and a Chapter 7 bankruptcy filing (SOR ¶ 1.d.). Applicant admitted all four allegations in his Answer. (Answer)

SOR ¶ 1.a. Applicant incurred this vehicle loan in about December 2017, and he voluntarily repossessed the vehicle in about October 2021. The vehicle was sold at auction, and he admitted that he owed a deficiency balance in the approximate amount of \$25,314. (Answer; GE 4-7; Tr. 39-40)

During his October 28, 2024 interview with an investigator from the Office of Personnel Management (OPM), Applicant explained that he voluntarily repossessed the vehicle during the COVID pandemic so that he could provide financial assistance to some of his family members. He claimed that the account was current at the time he surrendered the vehicle. At the time of the interview, he claimed to be making arrangements to resolve this account. (GE 5; Tr. 40)

At the hearing, Applicant admitted this debt and the circumstances discussed during his OPM interview, *supra*. He provided financial support to his parents and brother during COVID, as these family members worked in the service industry and were directly impacted by shutdowns and restrictions. When questioned about the “arrangements” to which he referred during his October 2024 interview, he explained that the creditor had sent him correspondence in about 2021 regarding a court filing or judgment. The hearing or court date was later canceled without further communication from the creditor. He clarified that he had no communication with the creditor between 2021 and his March 2025 letter to the creditor. He submitted a second letter to this creditor in October 2025. He claimed that he had also tried unsuccessfully to contact this creditor by phone in the last year. He testified that he has not received a response from this creditor. He expressed a willingness to pay this debt, but he had been reluctant to make telephonic contact with the creditor in the absence of a paper trail. As of the close of the record, there was no evidence of payment arrangements or payments made. (Tr. 20-22, 30, 33, 40-45, 54-58, 81; AE J)

SOR ¶ 1.b. SOR ¶¶ 1.b. and 1.c. are credit-card accounts with the same creditor. The debt in SOR ¶ 1.b. is a credit-card account was opened in September 2015, and Applicant admitted that this account became delinquent in about August 2021. The account was charged off in the approximate amount of \$8,550. (GE 4-6; Tr. 24)

SOR ¶ 1.c. This credit-card account was opened in December 2015, and Applicant admitted that this account became delinquent in about August 2021. The account was charged off in the approximate amount of \$2,910. (GE 4-6; Tr. 24-25)

Applicant reported these two accounts on his May 2024 security clearance application (SCA). During his October 2024 OPM interview, Applicant explained that these two accounts (SOR ¶¶ 1.b. and 1.c.) became delinquent when he chose to financially support or assist his family members during the COVID pandemic. In his February 27, 2025 response to DOHA interrogatories, he confirmed the accuracy of the summary of the October 2024 interview, without any corrections or additions. At the hearing, Applicant testified that he had reached an agreement with the creditor a few days prior to the hearing. On December 29, 2025, Applicant paid \$10,929 to this creditor. Applicant submitted a checking account statement with a partial account number that could be either SOR ¶ 1.b., ¶ 1.c., or both. This amount is less than the aggregate balance of SOR ¶¶ 1.b. and 1.c., and there is no further information in the record as to whether there was an agreed-upon settlement or multiple payments scheduled. (AE H at 3; GE 4, GE 5; Tr. 24-25)

SOR ¶ 1.d. In April 2015, Applicant filed a voluntary petition for Chapter 7 bankruptcy, listing approximately \$125,000 in debt. The dischargeable debts were discharged in August 2015. In his October 2015 SCA, he explained that he had filed bankruptcy at the advice of his divorce attorney after his estranged wife had filed for bankruptcy. The complex and contentious divorce proceedings involved businesses, commercial properties, and a residential property, and his required attendance at out-of-

state court proceedings led to his termination and a period of unemployment. (Answer; GE 1-5; AE E; Tr. 26, 50-51)

With his Answer, Applicant included a declaration claiming he had a 10% equity interest in his company and that his “debts are scheduled to be cleared from [his] credit report by September 2027.” He attached a certificate of completion for a two-hour credit education course. He also attached letters to his creditors, dated March and May 2025, offering settlement of his three delinquent accounts. (AE C, AE E; Tr. 32)

With his Answer, Applicant also included a monthly budget listing his total income as \$28,176, his total expenses as \$15,522, and his net monthly remainder as \$12,654. His gross annual income was approximately \$225,000 when he started at his current employer in January 2022, and it is currently approximately \$360,000. (AE E; Tr. 30-31, 59-62)

At the hearing, Applicant testified that the contentious divorce proceedings resulted in a property settlement and a monthly child-support obligation. The divorce decree required Applicant to pay his ex-wife \$10,000 in child support arrears and \$5,000 in attorneys fees. (AE E; Tr. 51-52)

At the hearing, Applicant testified that he no longer uses credit-card accounts and relies upon cash for his purchases, to include vehicles. He provided documentary evidence of his checking account balance (approximately \$68,000). He continues to provide financial support to his parents as they navigate some health issues. (AE H; Tr. 23-25, 83)

Policies

When evaluating an applicant’s suitability for a security clearance, the administrative judge must consider the adjudicative guidelines. 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 the adjudicative process. The administrative judge’s overarching adjudicative goal is a fair, impartial, and commonsense decision. According to AG ¶ 2(a), 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.”

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 security decision.

A person who seeks access to sensitive 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 sensitive information. Decisions include, by necessity, consideration of the possible risk the applicant may deliberately or inadvertently fail to safeguard sensitive information. Such decisions entail a certain degree of legally permissible extrapolation of potential, rather than actual, risk of compromise of sensitive 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. . . .

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

Applicant's admissions and the documentary evidence established that he had three delinquent accounts, totaling approximately \$36,774. These accounts became delinquent in 2021. In April 2015, Applicant filed a voluntary petition for Chapter 7 bankruptcy, listing approximately \$125,000 in delinquent debts. The dischargeable debts were discharged in August 2015. Given Applicant's significant salary since January 2022 (\$225,000 or more) and his checking account balance (\$60,000-70,000), the record evidence indicates an unwillingness to satisfy debts in recent years. AG ¶¶ 19(a), 19(b), and 19(c) apply.

Conditions that could mitigate financial considerations security concerns are provided under AG ¶ 20. The following are potentially applicable in this case:

(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 has initiated and is adhering to a good-faith effort to repay overdue creditors or otherwise resolve debts.

Applicant bears the burdens of production and persuasion in mitigation. An applicant is not held to a standard of perfection in his or her debt-resolution efforts or required to be debt-free. "Rather, all that is required is that an applicant act responsibly given his circumstances and develop a reasonable plan for repayment, accompanied by 'concomitant conduct,' that is, actions which evidence a serious intent to effectuate the plan." ISCR Case No. 15-02903 at 3 (App. Bd. Mar. 9, 2017). See, e.g., ISCR Case No. 13-00987 at 3, n.5 (App. Bd. Aug. 14, 2014).

Applicant established circumstances beyond his control that contributed to his financial problems. His complex, contentious, and costly divorce proceedings resulted in a period of unemployment. He filed a Chapter 7 bankruptcy petition at the advice of legal counsel, due to these divorce proceedings. In mid-2021, Applicant elected to surrender his vehicle and cease his payments on his credit-card accounts to provide financial support to his family members impacted by the COVID pandemic. While the pandemic may have been beyond his control, he was gainfully employed and earning more than

\$225,000 annually by January 2022. Meanwhile, there is no evidence of any attempts to contact these creditors (SOR ¶¶ 1.a.-1.c.) between 2021 and March 2025. Applicant did not establish that he acted responsibly to address and resolve his delinquent accounts. AG ¶ 20(b) does not apply.

Applicant completed a two-hour credit education course; however, he did not make any payment arrangements or payments until on the eve of the DOHA hearing. AG ¶ 20(c) does not apply.

Applicant's \$10,929 payment in December 2025 to settle or partially settle the debts alleged in SOR ¶¶ 1.b. and 1.c. is favorable evidence in mitigation; however, the timing of his debt-resolution efforts is relevant and material to the evaluation of his evidence in mitigation. See, e.g., ADP Case No. 16-03595 at 4 (App. Bd. Aug. 27, 2018) (timing of debt-resolution efforts is relevant in evaluating the sufficiency of case in mitigation). Here, his inaction and delay undermine the "good faith" of his efforts to resolve his overdue debts. AG ¶ 20(d) does not apply.

Applicant has been aware of these financial delinquencies since mid-2021. He reported them on his May 2024 SCA and discussed them during his October 2024 OPM interview. However, he did not take any steps to address these three delinquent accounts until after the issuance of the SOR. In his Answer, he noted that these accounts would be cleared from his credit report by September 2027. His inaction is incongruent with the expectations and obligations of individuals entrusted to safeguard classified information. The security concerns arising from his 2015 bankruptcy petition and discharge are mitigated under AG ¶ 20(a), given the passage of time and circumstances that are unlikely to recur. His more recent financial delinquencies, notwithstanding his recent settlement of two debts, remain a security concern. The record as a whole does not support full mitigation of the financial considerations security concerns. See ISCR Case No. 24-02104 at 2 (App. Bd. Jan. 26, 2026) ("The Judge's decision to afford some mitigative credit to the September 2025 IRS payment did not require him to find Applicant's federal tax filing concern fully mitigated, and his conclusion that, 'considering the evidence 'as a whole,' Applicant's failures regarding his [federal income taxes] are not mitigated' is well-rooted in Appeal Board precedent.").

Whole-Person Concept

Under the whole-person concept, the administrative judge must evaluate an applicant's eligibility for access to classified information 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. I considered the potentially disqualifying and mitigating conditions in light of all the facts and circumstances surrounding this case. I have incorporated my comments under Guideline F and the factors in AG ¶ 2(d) in this whole-person analysis.

Applicant served in the USCG and has thrived in his professional career. I found his testimony to be candid, sincere, and credible. On the eve of hearing, he settled two delinquent accounts; however, this recent action does not overcome the years of inaction regarding his financial delinquencies. He has had the financial means for several years to address and resolve these delinquent accounts, yet he failed to do so. As noted above, he has not demonstrated the financial responsibility of one entrusted to safeguard classified information. He mitigated the financial considerations security concerns arising from the bankruptcy but not those concerns based on his more recent delinquent accounts. Eligibility for access to classified information is denied.

This decision should not be construed as a determination that Applicant cannot obtain a security clearance in the future. With a track record of financial responsibility, he may overcome the aforementioned concerns.

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.-1.c.:	Against Applicant
Subparagraph 1.d.:	For Applicant

Conclusion

In light of all of the circumstances presented by the record in this case, I conclude that it is not clearly consistent with the interests of national security to grant Applicant eligibility for a security clearance. Eligibility for access to classified information is denied.

Eric H. Borgstrom
Administrative Judge