DEFENSE LEGAL SERVICES AGENCY
DEFENSE OFFICE OF HEARINGS AND APPEALS

In the matter of:	)	
	)	
	)	ISCR Case No. 24-01580
	)	
Applicant for Security Clearance	)	

Appearances

For Government: Erin P. Thompson, Esq., Department Counsel

For Applicant: *Pro se*

07/09/2026

Decision

Curry, Marc E., Administrative Judge:

Applicant's contention that his financial problems stemmed from the inherent risks of being a self-employed entrepreneur has merit. However, he did not submit enough substantiated evidence to establish that he has mitigated his financial problems, given their longstanding and recurrent nature, and the amount of delinquent debt that remains outstanding. His application for a security clearance is denied.

Statement of the Case

On December 31, 2024, the Defense Counterintelligence and Security Agency Adjudication (DCSA) issued a Statement of Reasons (SOR) to Applicant detailing security concerns under Guideline F, financial considerations, explaining why it was unable to find it clearly consistent with the national security to grant security clearance eligibility. The DCSA took the action under Executive Order (EO) 10865, *Safeguarding Classified Information within Industry* (February 20, 1960), as amended; Department of Defense (DOD) Directive 5220.6, *Defense Industrial Personnel Security Clearance Review Program* (January 2, 1992), as amended (Directive); and the National Adjudicative Guidelines (AG) effective for any adjudication made on or after June 8, 2017.

Applicant answered the SOR on February 12, 2025, admitting subparagraphs 1.a and 1.b, and denying subparagraphs 1.c and 1.d. He requested a hearing, and the case was assigned to me on August 6, 2025. On September 16, 2025, the Defense Office of Hearings and Appeals (DOHA) issued a notice of video teleconference hearing scheduling the case for October 22, 2025. Because of the federal government shutdown, the hearing was continued and ultimately rescheduled for December 16, 2025. The hearing was held as rescheduled. At the hearing, I received seven government exhibits, marked as Government Exhibit (GE) 1 through GE 7 and I considered the testimony of Applicant. At Applicant's request I marked and identified three exhibits which he screened-shared with me and Department Counsel, as Applicant Exhibits (AE) A through C. Because they were not legible, I did not admit them into the record. Instead, I proposed extending the record to January 12, 2026 to allow him the opportunity to submit legible copies of these exhibits, together with any additional exhibits that he desired, to supplement his case. Department Counsel did not object.

Applicant did not submit any exhibits by the deadline, nor did he contact me to request an extension deadline, whereupon I closed the record. AE A through AE C were not admitted. The hearing transcript (Tr.) was received on December 29, 2025.

Findings of Fact

Applicant is a 54-year-old married man with three adult children. After graduating from high school, he attended the U.S. Coast Guard (USCG) Academy and graduated in 1993. He served on active duty from 1993 to 1998 and in the USCG Reserve from 1998 to his retirement in 2017. At the time of his retirement, he was a commander (O-5). (Tr. 10) He held a security clearance during his entire USCG career. (Tr. 12)

Applicant earned a master's degree in disaster management in 2005. He has been working in the field of maritime security consulting since 2011. (GE 4 at 4), He has been self-employed nearly his entire character, characterizing himself as "a serial entrepreneur." (Tr. 11; AE 6 at 20) In addition to his maritime security consulting, he is a registered lobbyist. (Tr. 12)

Applicant owes creditors more than $300,000 of delinquent debt, including a past-due mortgage account (subparagraph 1.a), and delinquent federal income taxes (subparagraph 1.b). (Answer at 1; Tr. 19) In addition, his tax delinquencies have resulted in multiple Federal tax liens against his property in 2011, 2014, 2015, and 2018, and his state taxing authority issuing liens against his property in 2012, 2014, 2017, and 2018. (Tr. 34)

Applicant attributes his financial problems to his "unwavering commitment to [his] entrepreneurial spirit." (Tr. 14) Moreover, he contends successful entrepreneurship is predicated on the willingness to take "deliberate and strategic risks" to grow one's business. (GE 1 at 52) This perspective has contributed to some significant financial success over the years, as his business sometimes generated up to $200,000 in annual net profit. (GE 7 at 1) Conversely, Applicant has experienced low periods when his business ventures underperformed, leading to large amounts of debt, as alleged in the SOR. During rough periods, he would “rid[e] them through” by taking steps such as “drain[ing] [his] savings,” mortgaging his house, and borrowing money from relatives. (Tr. 14)

As of the date of the SOR, Applicant had a delinquent mortgage debt totaling $59,677. He first began having problems making his mortgage payments in approximately 2018. (GE 7 at 2) On or about the date of his SOR Answer in February 2024, he had been attempting to negotiate a loan modification. (Answer at 1) His efforts were unsuccessful because the mortgage company refused to accept any partial payments or payment plans. (Tr. 19)

Ultimately, the home mortgage went into foreclosure. As of the date of the SOR, Applicant’s entire mortgage principal totaled $469,394. (Answer at 1; Tr. 24) The mortgage payments are currently $108,000 in arrears. Applicant is in the process of selling his business. He claims he will use the profit from the sale, which he anticipates being $300,000, to pay back the delinquent mortgage payments. (Tr. 17) The sale of the business was scheduled for January 5, 2026.

As noted in the Statement of the Case, I left the record open to January 12, 2026 to give Applicant the opportunity to submit any exhibit that he desired to supplement his case. He did not submit any exhibits.

Applicant first began struggling with paying his federal and state income taxes in 2011. (GE 7 at 4) When he first got behind, he entered what he characterized as “a fairly easy payment plan.” His efforts at compliance were unsuccessful and the amount of his federal income tax debt continued to compound. (Tr. 23)

In April 2024, Applicant used the proceeds from an inheritance to satisfy approximately $114,000 of his outstanding federal income tax debts. (Answer at 2, 5) He testified that the amount of his current IRS debt remains in “the low hundreds.” (Tr. 24) Applicant contends that the federal tax liens have been released but provided no substantiating documented evidence.

Applicant claims he is in the process of selling his business for $300,000. He intends to apply the proceeds from the sale to his federal income tax delinquencies. (Tr. 20) The sale was scheduled for January 5, 2026. (Tr. 19) Applicant asked for an extension of the record, in part, to move the evidence documenting the scheduled sale into the record. He provided no evidence by the deadline and did not contact the court to request a further extension of the record.

In July 2024, Applicant began working with the IRS Taxpayer Advocate Service (the Service), a free program provided to taxpayers seeking to negotiate installment plans. (Answer at 7) He completed an IRS collection information statement, which the

Service will use to assist him in processing his request through the IRS' review system. (Answer at 7) In addition, the Service informed him of steps that he could take to apply for a waiver of fees and penalties. (Tr. 43) Applicant has yet to follow through on this advice. (Tr. 43)

Subparagraph 1.d alleges that Applicant had liens for tax years 2012, 2014, 2017, and 2018 entered against him for delinquent state income taxes. This allegation is supported by the documents set forth in Ex. 6. Applicant denies this allegation, alleging that these liens had been released after he paid the underlying delinquencies. (Tr. 36) He provided no substantiating evidence.

Applicant admits that he owes the state taxing authority a balance of past debts, totaling $11,000 for tax years 2021 to 2024. (Tr. 35-36) He testified that he is satisfying this debt through monthly payments (Tr. 33) but did not provide corroborating evidence.

Applicant maintains a budget. He has approximately $2,837 in after-expense income. (GE 4 at 9) He consults with an accountant and a financial planner to help him manage his finances. (Tr. 45-46)

Applicant owes his father-in-law $20,000 and his sister-in-law $40,000. He periodically borrows from family members and friends "to stay afloat," and to help with bills such as his youngest son's college tuition. (Tr. 16, 20)

Policies

The U.S. Supreme Court has recognized the substantial discretion the Executive Branch has in regulating access to information pertaining to national security, emphasizing that "no one has a 'right' to a security clearance." *Department of the Navy v. Egan*, 484 U.S. 518, 528 (1988). 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 required to be considered 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, these guidelines are applied in conjunction with the factors listed in the adjudicative process. The administrative judge's overall 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 national security is the paramount consideration. AG ¶ 1(d) 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. 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 applicant or proven by Department Counsel. . .." The applicant has the ultimate burden of persuasion to obtain a favorable security decision.

Under the whole-person concept, the administrative judge must consider the totality of an applicant's conduct and all relevant circumstances in light of the nine adjudicative process factors in AG ¶ 2(d). They are as follows:

> (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.

Analysis

Guideline F: Financial Considerations

The security concern under this Guideline states that "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." (AG ¶ 18) Applicant's history of financial delinquencies triggers the application of AG ¶ 19(a), "inability to satisfy debts;" and AG ¶ 19(c),"a history of not meeting financial obligations." Applicant's ongoing federal and state income tax delinquencies trigger the application of AG ¶ 19(f), "failure to file or fraudulently filing annual Federal, state, or local income tax returns or failure to pay annual Federal, state, or local income tax as required."

The following mitigating conditions under AG ¶ 20 are potentially applicable:

> (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;

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

Although Applicant paid down his federal income delinquency by $114,000, he still owes more than $100,000 to the IRS. Moreover, he owes approximately $11,000 in delinquent state income taxes, and his home mortgage remains in foreclosure. AG ¶ 20(a) is inapplicable.

Applicant's financial problems were caused primarily by intermittent business downturns over the years. Conversely, he has been experiencing these recurrent problems for 15 years, and he does not seem to grasp the urgency of resolving these problems, as he had not yet contacted the IRS to request a penalty waiver as the IRS taxpayer assistance service recommended. Consequently, although the business downturns constitute circumstances beyond his control, he has not acted responsibly under the circumstances. AG ¶ 20(b) is only partially applicable.

Applicant has been working with a financial counselor and an accountant to improve his financial situation. However, he is procrastinating in resolving his delinquent debts. He did make a significant payment to reduce his tax delinquency; however, the money he used to do so was inherited, and there remains little evidence of a sustained track record of steady, consistent debt payments. As such, the receipt of the inheritance has limited probative value. AG ¶ 20(c) is only partially applicable since Applicant has not established that his financial problems are under control.

Applicant's use of his inheritance income to make a substantial federal income tax payment is sufficient to trigger the application of AG ¶ 20(d). However, it has limited probative value, as discussed in the paragraph above.

Applicant contends that he has been paying his state income tax delinquency but provided no substantiating evidence. He is working with the IRS to establish a plan to pay his delinquent federal income taxes; however, he has yet to follow through on their advice about applying for waiver of penalties and fees. Under these circumstances, AG ¶ 20(g) applies, but has limited probative value.

Whole-Person Concept

Applicant's contention that the courage to take strategic risks is essential to business development has merit. However, using his income to take such risks while allowing his debt to become delinquent is reckless, not strategic. In sum, I conclude that Applicant failed to mitigate the security 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.d:	Against Applicant

Conclusion

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

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Marc E. Curry
Administrative Judge