DEFENSE LEGAL SERVICES AGENCY
DEFENSE OFFICE OF HEARINGS AND APPEALS

In the matter of:	)	
	)	
	)	ISCR Case No. 25-00859
	)	
Applicant for Security Clearance	)	

Appearances

For Government: Nicole A. Smith, Esq., Department Counsel
For Applicant: *Pro se*

07/28/2026

Decision

BORGSTROM, Eric H., Administrative Judge:

Applicant did not mitigate the financial considerations security concerns. Eligibility for access to classified information is denied.

Statement of the Case

On August 14, 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; Department of Defense (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 November 7, 2025 response to the SOR (Answer), he denied SOR ¶ 1.a. and admitted SOR ¶¶ 1.b. and 1.c., without any further information or explanation. He attached a March 31, 2025, credit report, and he requested a hearing before a Defense Office of Hearings and Appeals (DOHA) administrative judge. (Answer)

On January 22, 2026, the Government was ready to proceed to a hearing. I was assigned this case on March 26, 2026. On March 31, 2026, DOHA issued a notice scheduling the hearing for May 5, 2026. The hearing proceeded as scheduled. The

Government proffered three evidentiary exhibits, which I admitted as Government Exhibits (GE) 1 through 3, without objection. Applicant testified and submitted two evidentiary exhibits, which I admitted as Applicant Exhibits (AE) A and B. At Applicant's request, the record remained open until May 28, 2026, to provide him an opportunity to supplement the evidentiary record. DOHA received the hearing transcript (Tr.) on May 12, 2026. Applicant timely provided three post-hearing submissions – proof of payments on SOR ¶ 1.c. (AE C), a payment receipt on ¶ 1.b. (AE D), and his May 28, 2026, email regarding settlement negotiations on SOR ¶ 1.a. (AE E) – which I admitted as AE C through E, without objection. The record closed on May 28, 2026.

Findings of Fact

Applicant is 35 years old. He graduated from high school in 2009. He attended some college-level courses in 2017, and he has been enrolled in community college since September 2023. From September 2010 to November 2021, he served honorably on active duty in the U.S. Navy. Since November 2021, he has been employed as a test engineer for a federal contractor. He has never married, and he does not have any children. (GE 1; Tr. 30-32, 46-47)

On June 28, 2022, Applicant completed and submitted an Electronic Questionnaire for Investigations Processing (e-QIP). Under Section 26 – Delinquency Involving Routine Accounts, he reported two delinquent accounts (including SOR ¶ 1.a.) and explained:

> Stupid Financial Decisions. Making more than I could spend, so I got callous. When I transferred from [State A] (high paying area) to [State B] (much less paying area), I got caught up in bills. I have slowly paying it off when I can. (GE 1 at 32)

In a March 12, 2025, e-QIP update, Applicant reported that his house was foreclosed upon in March 2025. He attributed the foreclosure to a toxic romantic relationship as he had unsuccessfully sought to have the former girlfriend evicted when she refused to leave. (GE 2; Tr. 53)

SOR ¶ 1.a. This personal loan was incurred in September 2015 and was charged off in about December 2019 in the approximate amount of $11,010. In his 2022 e-QIP, Applicant reported this account and estimated its delinquency as December 2017. Although he denied SOR ¶ 1.a. in his Answer, he admitted this debt at hearing. He testified that he had incurred this $30,000 loan to consolidate his debt and he had been unaware of its delinquency until about September 2023, when he checked his credit report. He theorized that he had set the payment of this account to "autopay" and had not updated his payment information as accounts changed or expired. As of the hearing, he had not made any payments on this account or had any communications with the creditor. He expressed his intent to contact the creditor in June 2026 and negotiate a payment plan or lump-sum settlement. In a post-hearing email, Applicant stated that he had contacted the creditor and had received a settlement offer of $6,050. As of the close of the record, there was no evidence of any payments by Applicant. (GE 1 at 32; GE 3 at 1-2; AE E; Tr. 15, 37-51)

SOR ¶ 1.b. This vehicle loan was opened in January 2018 and was charged off in about August 2020 in the approximate amount of $7,704. Although Applicant admitted this debt in his Answer, he amended his admission to a denial at hearing. He testified that this vehicle experienced significant mechanical problems. He could not afford the repairs and voluntarily surrendered the vehicle for repossession. Because the vehicle was inoperable, it remained in front of his former residence for multiple years, and he is unclear as to its current status or location. He expected to pay the creditor the deficiency balance following the auction of the vehicle; however, he has not had any further communication with the creditor since he surrendered the collateral. This account no longer appears on his credit report. As of the hearing, he had initiated no contacts with the creditor and had taken no steps to address or resolve the delinquent debt. On May 20, 2026, Applicant paid $2,732 on this account; however, there is no further information as to whether this was a lump-sum settlement or one of multiple agreed-upon payments. (Answer; GE 3 at 1; AE D; Tr. 15, 44-59)

SOR ¶ 1.c. Applicant testified that this credit-card account has been delinquent since about 2017, with an approximate balance of $26,240. He admitted this account and explained that he started making $100 bi-weekly payments on this account in November 2025. He provided documentary evidence of 14 payments, totaling $1,403, between November 2025 and May 2026. The creditor agreed to settle the debt of $14,432 or 144 bi-weekly payments. (GE 3 at 2; AE C; Tr. 14, 45-60)

Applicant testified that he earned approximately $98,000 in salary in 2025, and his anticipated salary for 2026 is approximately $101,600. He has approximately $6,300 in his bank accounts. In addition to his salary, he receives monthly disability compensation from the Department of Veterans Affairs (VA). In April 2026, his VA disability compensation rating changed from 40% to 80%, which increased his monthly VA disability compensation from $750 to approximately $2,200. In the past, he has received educational benefits under the Government Issue (GI) Bill ($3,700 a month); however, he has not taken classes since fall of 2025. (Tr. 32-37, 62-63)

Applicant provided monthly budgets for 2025 and 2026. For 2025, he reported his bi-weekly take-home pay was approximately $2,418 and his monthly VA compensation was $671, totaling approximately $5,507 in monthly income. Although his budget is a complicated structure of automatic payments, his monthly expenses appeared to be approximately $2,763 (doubling the bi-weekly expenses). For 2026, he reported his bi-weekly take-home pay as approximately $2,606 and his monthly VA compensation as $2,200, totaling approximately $7,412. His 2026 monthly expenses appear to be approximately $3,884. With his salary and VA compensation, Applicant’s net monthly remainder is approximately $3,528 after expenses. (AE A)

In April 2026, Applicant prepared a debt repayment plan. He acknowledged his past mismanagement and established a bi-weekly budgeting system with autopay for most recurring expenses. He expressed his intent to pay SOR ¶¶ 1.a. and 1.c. within the next two years and using his GI Bill benefits to supplement his debt payments. (AE B)

Applicant attributed his financial delinquencies to some financial mismanagement, cost-of-living adjustments after he relocated with the Navy, and his toxic relationship with a former girlfriend. He moved out of his house in about September 2023 because she was using drugs and would not leave his residence. He then started to take a closer look at his finances and obtained a credit report because of his past mismanagement and irresponsibility. He acknowledged that the three alleged debts had become delinquent due to his mismanagement. He identified two past-due credit card accounts, totaling approximately $7,500, which he paid in August 2023 and December 2024. He intends to use his VA disability compensation and his GI bill benefits to satisfy all of his delinquent accounts by April 2027. He testified, "I don't really know what I'm doing. I made the budget. I'm trying to stick to it." He continues to pay the car insurance of the daughter of his former girlfriend. He has not participated in any credit counseling or financial education classes. (GE 1; Tr. 40-41, 61-68)

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; and

> (c) a history of not meeting financial obligations.

The record evidence established Applicant's three delinquent accounts, totaling approximately $45,000. These debts became delinquent between December 2017 and August 2020. AG ¶¶ 19(a) 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;

(d) the individual 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 debt-resolution efforts or required to be debt-free. "Rather, all that is required is than 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 attributed his financial delinquencies to both a toxic relationship with a former girlfriend (who would not leave his residence) and his own financial mismanagement. By his own admission, he initiated automatic payments on two of the accounts (SOR ¶¶ 1.a. and 1.c.) and did not monitor these payments and accounts. For the repossessed vehicle (SOR ¶ 1.b.), he surrendered the vehicle in about 2020 or 2022 and took no further steps to address the deficiency balance on the account. He reported two delinquent accounts on his e-QIP, including SOR ¶ 1.a., but took no further action to address these debts or to participate in credit counseling to understand how to address and resolve these debts.

After the issuance of the SOR, Applicant initiated a payment plan with one creditor (SOR ¶ 1.c.), and, after the hearing, he contacted the other two creditors to negotiate repayment plans. These efforts are favorable evidence in mitigation; however, the timing of these efforts must be considered. The timing of Applicant's 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).

Applicant has developed a plan to maintain his monthly financial obligations and to resolve his three delinquent accounts, but he has not demonstrated the requisite track record of financial responsibility. He may also benefit from participating in credit counseling or a financial education course. None of the financial considerations mitigating conditions apply. Based upon the current record, he has not mitigated the financial considerations security concerns.

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.

I found Applicant's testimony to be credible and his acknowledgement of his past financial mismanagement to be sincere. In April 2026, he developed a structured and reasonable debt-resolution plan, and he has taken some steps in furtherance of this plan. Unfortunately, the timing of his debt-resolution efforts – all after the issuance of the SOR – undercuts his evidence in mitigation. He has not demonstrated the track record of financial responsibility of an individual entrusted to safeguard classified information. 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 sustained efforts to address and resolve his delinquent debts, Applicant 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

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 national interest to grant Applicant's eligibility for access to classified information.

Eric H. Borgstrom
Administrative Judge