DEFENSE LEGAL SERVICES AGENCY
DEFENSE OFFICE OF HEARINGS AND APPEALS

In the matter of:	)	
	)	
	)	ISCR Case No. 25-01370
	)	
Applicant for Security Clearance	)	

Appearances

For Government: Cassie Ford, Esq., Department Counsel
For Applicant: *Pro Se*

07/30/2026

Decision

HOGAN, Erin C., Administrative Judge:

This case involves security concerns raised under Guideline F (Financial Considerations). Eligibility for access to classified information is denied.

Statement of the Case

Applicant submitted a security clearance application (SCA) on January 9, 2024. (Item 1) On January 5, 2026, the Defense Counterintelligence and Security Agency (DCSA) sent him a Statement of Reasons (SOR) alleging security concerns under Guideline F. 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 by the DOD on June 8, 2017.

Applicant timely answered the SOR and requested a hearing before an administrative judge. Department Counsel forwarded the case to the DOHA Hearing Office on March 5, 2026. The case was assigned to me on March 27, 2026. On April 14, 2026, a notice of hearing was issued scheduling the hearing on April 29, 2026, via video-teleconference. The hearing was held on that date. The Government offered five exhibits which were admitted in evidence as Government Exhibits (GE) 1-5 without objection. Applicant offered one exhibit which was marked as Applicant Exhibit (AE) A and admitted without objection. The record was held open until May 13, 2026, to allow Applicant to submit additional exhibits. He timely submitted three exhibits which were marked and admitted as AE B - AE D without objection. The transcript (Tr.) was received on May 8, 2026.

Some details in the decision were excluded to protect Applicant's right to privacy. Specific information is available in the cited exhibits.

Findings of Fact

Applicant, age 63, has been an employee of a government contractor since July 1996 and is seeking a security clearance. He was granted a security clearance in the past without incident. He was granted a top-secret security clearance in July 1996 and in April 2021. He has also had a part-time job with a private company since October 2018. He served on active duty in the United States Navy from November 1988 to July 1996, separating with an honorable discharge. He has a high school diploma. He was born in Grenada and immigrated to the United States in August 1988. He became a naturalized United States citizen on June 5, 1996. He divorced in 2017 and has two adult stepchildren. (Tr. 15-16, GE 1; GE 5 at 11; AE A at 4)

The SOR alleged delinquent federal and state income tax debts for tax years 2018, 2019, and 2020 and a Chapter 13 bankruptcy that was discharged in December 2023. Applicant admits all the allegations in the SOR. The SOR allegations include:

SOR ¶ 1.a: a delinquent $3,067 federal income tax debt owed to the Internal Revenue Service (IRS) for tax year 2018. (GE 3 at 16-18);

SOR ¶ 1.b: a delinquent $13,198 federal income tax debt owed to the IRS for tax year 2019. (GE 3 at 19, 26);

SOR ¶ 1.c: a delinquent $13,916 federal income tax debt owed to the IRS for tax year 2020. (GE 3 at 20-21);

SOR ¶ 1.d: a delinquent $1,543 state tax debt for tax year 2018. (GE 2 at 98-100; GE 3 at 9);

SOR ¶ 1.e: a delinquent $1,825 state tax debt for tax year 2019. (GE 2 at 101-104; GE 3 at 12-14);

SOR ¶ 1.f: a delinquent $1,944 state tax debt for tax year 2020. (GE 2 at 96; GE 3 at 15, 22, 24); and

SOR ¶ 1.g: Applicant filed for Chapter 13 bankruptcy in July 2018. The bankruptcy was discharged in December 2023. (GE 1 at 49; GE 2 at 6-7, 14, 25, 29-95; GE 4 at 1).

The total balance of federal taxes owed for tax years 2018, 2019 and 2020 was approximately $30,182 and the total balance of state taxes owed for tax years 2018, 2019 and 2020 was approximately $5,312.

Applicant testified that after his divorce in 2017, he started to "put off" things because he was feeling depressed. He was also under the mistaken belief that he did not have to file his income tax returns during his Chapter 13 bankruptcy. When he completed his security clearance application on January 9, 2024, he realized that he owed tax debts. He filed his federal income tax return for tax year 2018 on September 29, 2019, but did not pay the taxes owed. In September 2025, he hired a tax firm to help him resolve his federal tax debts. He filed his federal income tax returns for tax years 2019 and 2020 on October 20, 2025. All delinquent federal tax returns were filed. They are now waiting for the IRS to come up with a payment plan. Once he and his tax firm are notified of the payment plan, he intends to take out a home equity loan on his house to pay the tax debts in full. He has made some small payments to the IRS; he estimates the total amount of payments made was around $1,500. (Tr. 9-11, 17-23; GE 3 at 16-21)

During the hearing, Applicant testified that he owes additional federal income taxes after tax year 2020. He did not provide more detailed information about which specific tax years were delinquent. He estimated that he owes a total balance of approximately $50,000 in overdue federal taxes. He would like to be given additional time to wait for the IRS to come up with a payment plan and allow him time to apply for a home equity loan which he would use to pay off the federal tax debt. (Tr. 26, 38-39)

After the hearing, Applicant provided a copy of his federal income tax return for tax year 2025. His adjusted gross income was $148,164. His taxable income was $71,577. His total taxes owed were $10,661. He withheld or prepaid approximately $23,918. He received a refund of $13,257. It is likely that the refund will be applied towards his federal tax debt. (AE D) He did not provide documentation such as his tax transcripts from the IRS which would show the total amount of the tax debts and the related tax years where a tax debt was owed.

Regarding the delinquent state taxes owed for tax years 2018, 2019 and 2020, Applicant testified that he negotiated a payment plan with the state on his own. The total balance of the state tax debt listed on the installment agreement was $9,564, which was more than the total balance of the state tax debt alleged in the SOR of $5,312. He started making $230 monthly payments in September 2025. He has not missed a payment. (Tr. 24-26: GE 5 at 10; AE A at 3)

After the hearing, Applicant provided an April 2026 statement from his state comptroller which listed that his remaining balance due was $4,710. His monthly installment payment is $237. He provided a copy of bank records showing that he made consistent monthly payments from October 2025 to April 2026. (AE C) He also provided a copy of his 2025 state income tax return which shows that he is to receive a refund of $5,540. He indicates the refund will be applied towards his state income tax debt and the state tax debt will be satisfied. (AE B) Based on the documents submitted, it is likely that the state tax debt is resolved.

Applicant filed for Chapter 13 bankruptcy on July 31, 2018, as a result of incurring a lot of debt because of his 2017 divorce. Applicant was a cosigner on loans for a stepchild who was in college and another stepchild who attended private high school. The mortgage became delinquent because of the divorce. Applicant was responsible for everything in the house. He testified that the total amount of debt for the bankruptcy was around $36,000, to include $18,000 in past due mortgage payments. The Chapter 13 bankruptcy file listed his total assets as $448,956 and his total liabilities as $388,919. His net monthly income was $4,996 and his total monthly expenses were $4,653, leaving $342 left over after expenses. (Tr. 27-28; GE 2 at 41) The Chapter 13 bankruptcy was discharged on December 29, 2023. (GE 4) It is unclear whether the student loans were discharged. Student loans are usually not dischargeable. (GE 2 at 26)

In response to interrogatories, dated May 15, 2025, Applicant included a Personal Financial Statement. His net monthly income was $6,200. His total monthly expenses were approximately $2,900. His total monthly debt payments were approximately $2,565. He had approximately $735 in discretionary income after expenses. (Item 2 at 23)

During the hearing, Applicant provided a summary of his monthly financial information. He said his net monthly income was $3,900; His mortgage payment is $2,700; groceries cost $60; electric service costs $100; gas costs $300, $50 for internet; and $150 for cell phone. His total expenses are $3,360, leaving him approximately $540 in discretionary income. Three years ago, he had the unexpected expense of replacing a water heater which cost $8,000. He took a loan out to pay for the water heater and is making timely payments. His car is a 2014 model and it is paid off. He estimates his home is worth $500,000 and he has approximately $1,000 in savings. (Tr. 36)

Applicant took on-line courses and watched on-line lectures on personal finances. He does not follow a budget. He describes his current financial situation as good. He has no other delinquent accounts. He would like to have additional time to wait for the IRS to come up with a payment agreement, and then he will take out a home equity loan to pay off the federal tax debts. He admits that he used bad judgment when he neglected his state and federal taxes. He is ashamed of his behavior. He cannot keep his job if he does not have a security clearance. (Tr. 36-39) In July 2025, his employer recognized him for his 25 years of service. (AE A at 1-2)

Policies

"[N]o 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." (*Egan* 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." (EO 10865 § 2)

Eligibility for a security clearance is predicated upon the applicant meeting the criteria contained in the AG. These guidelines are not inflexible rules of law. Instead, recognizing the complexities of human behavior, an administrative judge applies these guidelines 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 and 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 that 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 made "in terms of the national interest and shall in no sense be a determination as to the loyalty of the applicant concerned." (EO 10865 § 7). Thus, a decision to deny a security clearance is merely an indication the applicant has not met the strict guidelines the President and the Secretary of Defense 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. (*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. (ISCR Case No. 15-01253 at 3 (App. Bd. Apr. 20, 2016)). 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 burden of proving a mitigating condition, and the burden of disproving it never shifts to the Government. (ISCR Case No. 02-31154 at 5 (App. Bd. Sep. 22, 2005))

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)). "[S]ecurity clearance determinations should err, if they must, on the side of denials." (*Egan*, 484 U.S. at 531; AG ¶ 2(b))

Analysis

Guideline F: Financial Considerations

The concern under this guideline is set out in AG ¶ 19:

> 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, 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.

This concern is broader than the possibility that a person might knowingly compromise classified information to raise money. It encompasses concerns about a person's self-control, judgment, and other qualities essential to protecting classified information. A person who is financially irresponsible may also be irresponsible, unconcerned, or negligent in handling and safeguarding classified information. (ISCR Case No. 11-05365 at 3 (App. Bd. May 1, 2012)).

AG ¶ 19 notes several disqualifying conditions that could raise security concerns. The disqualifying conditions that are relevant to Applicant's case are:

(a) inability to satisfy debts;

(c) a history of not meeting financial obligations; and

(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.

AG ¶ 19(a) and ¶ 19(c) apply with regard to his Chapter 13 bankruptcy which was filed in July 2018 and discharged in December 2023, because it showed an inability to satisfy debts and a history of not meeting financial obligations. AG ¶¶ 19(a), 19(c) and 19(f) apply to Applicant's failure to file and his federal and state income taxes for tax years 2018, 2019, and 2020.

AG ¶ 20 describes conditions that could mitigate security concerns. 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 under control;

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

AG ¶ 20(a) applies because the financial problems which resulted in Applicant's Chapter 13 bankruptcy was the result of his 2017 divorce. He successfully completed his Chapter 13 bankruptcy plan in December 2023. However, his financial problems remain because of his delinquent tax debts. As a result, this mitigating condition is given less weight.

AG ¶ 20(b) applies because Applicant's 2017 divorce created additional financial burdens for him. He assumed responsibility for all of the household expenses. As a result, he filed for bankruptcy under Chapter 13. However, I cannot conclude Applicant acted responsibly under the circumstances, because he failed to pay his federal and state tax debts for tax years 2018, 2019 and 2020. It appears he timely filed his 2018 state and federal income tax returns, but he did not file his income tax returns for tax years 2019 and 2020 until 2025. He also testified that he had incurred additional income tax debts for subsequent tax years. He did not provide additional information other than that the total amount of the tax debt was approximately $50,000. This mitigating condition is given less weight because of Applicant's neglect of his state and federal income taxes over a period of several years beginning in 2019.

AG ¶ 20(c) does not fully apply. Although Applicant took on-line courses and watched on-line lectures on personal finances, there no clear indications that the problem is being resolved or under control.

AG ¶ 20(d) applies regarding his state tax debts. He entered into a payment agreement with the state to pay his state tax debts. He provided proof that he was timely making his monthly payments, and it appears the state tax debt will be resolved when his 2025 state income tax refund is applied to the debt.

AG ¶ 20(f) applies to Applicant's state tax debts for tax years 2018, 2019, and 2020. He has provided proof that he entered into an agreement with the state comptroller and has made timely payments on his installment plan. It is likely that his state income tax refund for tax year 2025 was applied to the balance of his delinquent state tax debts and is now resolved. While Applicant hired a tax firm to help him resolve his federal tax debts in 2025, he is still waiting for the IRS to come up with a payment plan. Questions remain about whether Applicant also owes federal taxes for additional tax years because the total balance of his federal tax debts increased from approximately $30,000 as alleged in the SOR to approximately $50,000 based on his testimony at the hearing. He neglected his delinquent federal tax debts for years. He did not begin to resolve these tax debts until 2025 after submitting his security clearance application in January 2024. AG ¶ 20(f) does not apply to the federal tax debts for tax years 2018, 2019, and 2020.

While Applicant says that his financial situation is currently good, he still has significant outstanding tax debt. He also did not provide corroborating evidence to support that he has no additional delinquent debts such as a copy of a current credit report.

The DOHA Appeal Board has held that failure to comply with tax laws suggests that an applicant has a problem with abiding by well-established government rules and systems. Voluntary compliance with rules and systems is essential for protecting classified information. (*See, e.g.,* ISCR Case No. 16-01726 at 5 (App. Bd. Feb. 28, 2018)). A person who fails repeatedly to fulfill his or her legal obligations, such as filing tax returns and paying taxes when due, does not demonstrate the high degree of good judgment and reliability required of those granted access to classified information. *See, e.g.,* ISCR Case No. 17-01382 at 4 (App. Bd. May 16, 2018)).

The Appeal Board in ISCR Case No. 10-04641 at 4 (App. Bd. Sept. 24, 2013) explained an applicant's responsibility for proving the applicability of mitigating conditions is as follows:

> Once a concern arises regarding an applicant's security clearance eligibility, there is a strong presumption against the grant or maintenance of a security clearance. (*See Dorfmont v. Brown*, 913 F.2d 1399, 1401 (9th Cir. 1990), *cert. denied*, 499 U.S. 905 (1991)). After the Government presents evidence raising security concerns, the burden shifts to the applicant to rebut or mitigate those concerns. *See* Directive ¶ E3.1.15. The standard applicable in security clearance decisions is that articulated in *Egan*, *supra*. "Any doubt concerning personnel being considered for access to classified information will be resolved in favor of the national security." Directive, Enclosure 2 ¶ 2(b).

While Applicant is making progress towards his federal tax debts, there is insufficient evidence to mitigate the concerns raised under Financial Considerations.

Whole-Person Concept

Under AG ¶ 2(c), the ultimate determination of whether the granting or continuing of national security eligibility is clearly consistent with the interests of national security must be an overall commonsense judgment based upon careful consideration of the adjudicative guidelines, each of which is to be evaluated in the context of the whole person. An 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.

I have incorporated my comments under Guideline F in my whole-person analysis, and I have considered the factors in AG ¶ 2(d). After weighing the disqualifying and mitigating conditions under Guideline F and evaluating all the evidence in the context of the whole person, I conclude that Applicant did not mitigate the security concerns raised under financial considerations.

This decision should not be construed as a determination that Applicant cannot or will not attain the state of reform necessary for award of a security clearance in the future. With continued effort to resolve his tax debts and establish and maintain his financial responsibility he may well be able to demonstrate persuasive evidence of his security clearance worthiness.

Formal Findings

Formal findings 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; 1.g:	Against Applicant
Subparagraphs 1.d – 1.f:	For Applicant

Conclusion

I conclude that it is not clearly consistent with the interests of national security to grant Applicant eligibility for access to classified information. Clearance is denied.

Erin C. Hogan
Administrative Judge