DEFENSE LEGAL SERVICES AGENCY
DEFENSE OFFICE OF HEARINGS AND APPEALS

In the matter of:	)	
	)	
	)	ISCR Case No. 25-01479
	)	
Applicant for Security Clearance	)	

Appearances

For Government: Brian Farrell, Esq., Department Counsel
For Applicant: Michael S. Lazaroff, Esq.

08/05/2026

Decision

GOLDSTEIN, J., Administrative Judge:

This case involves security concerns raised under Guideline F (Financial Considerations). Clearance is denied.

Statement of the Case

On May 16, 2025, Applicant submitted a security clearance application (SCA). On February 4, 2026, 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 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 for Determining Eligibility for Access to Classified Information, effective after June 8, 2017.

Applicant answered the SOR on May 6, 2026, and requested a hearing before an administrative judge. The case was assigned to me on July 6, 2026. The Defense Office of Hearings and Appeals (DOHA) issued a notice of hearing on July 8, 2026, and the hearing convened as scheduled on July 27, 2026. Government Exhibits (GE) 1 through 4 were admitted into evidence, without objection. Applicant testified and submitted Applicant Exhibits (AE) A through F. The record was left open until August 3, 2026, for receipt of additional documentation. Applicant submitted five additional documents, marked AE G through K. Department Counsel had no objections to AE G through K and they were admitted. DOHA received the hearing transcript (Tr.) on July 31, 2026.

Findings of Fact

Applicant is a 53-year-old employee of a defense contractor. She holds the position of quality control analyst and is seeking to obtain a security clearance in connection with this employment. She has worked for various government contractors since 2000. She also works a part-time job during nights and weekends at a restaurant. Applicant has bachelor's degree. (Tr. 25, 27)

Applicant's husband had a stroke in October 2020. He was out of work until March 2021. In December 2023, his position was converted to a contractor position, which greatly decreased his salary. In January 2024, her husband had another stroke and unexpectedly passed away. She has no children. (Tr. 22-23)

Guideline F - Financial Considerations

The Government alleged that Applicant is ineligible for a clearance because she made financial decisions that indicate poor self-control, lack of judgment, or unwillingness to abide by rules and regulations. The SOR alleged 14 delinquent debts totaling approximately $68,000, and a 2006 bankruptcy that was discharged in 2011.

Applicant's financial difficulties began around 1997. She and her husband were living off credit cards because her husband's hours were reduced at work. They were only able to make the minimum payments on their credit cards. While the cards were not delinquent, she and her husband entered into a debt consolidation agreement to help manage the debts in April 2001. The agreement called for payments of $836 per month through an automatic deduction for approximately five years. At hearing, she testified that they chose to go a different route to resolve their debt and discontinued the debt consolidation. She indicated that she took a second job to "pay everything." (GE 2 at 19; Tr. 55)

Applicant and her husband purchased a home in August 2003. They used credit cards to make purchases for the home. They were able to make payments on their debts until her ability to work overtime was cancelled. They hired a debt negotiating company to manage their debts, but the creditors sought judgments against them. As an effort to avoid judgments, she and her husband filed for Chapter 13 bankruptcy in 2006 (SOR ¶ 1.o). At the time they filed for Chapter 13 bankruptcy, their total combined monthly income was $4,416 and they had a total of $73,489 in unsecured debt. Much of the debt was for credit card purchases, but there were also two debts to a jeweler. (GE 4 at 31-39) Applicant and her husband both completed an instructional course on personal financial management in August 2006. Her bankruptcy payment was taken directly from her and her husband's pay in the amount of $2,440 per month. This bankruptcy was discharged in December 2011. (GE 4 at 62)

About five years later in 2016, Applicant obtained a debt consolidation loan. She identified credit card accounts and a debt to a jeweler as the accounts consolidated into the loan. She had an automatic deduction taken out of her pay each month in the amount of $1,348. However, this loan was "rolled into" another debt consolidation loan (likely that alleged as SOR ¶ 1.a). (GE 2 at 10-11; Tr. 56)

Applicant attributes her alleged debts to the death of her husband. He made approximately $3,600 per month prior to his death. (Tr. 23) With the loss of his income, Applicant once again found she was unable to resolve their debts. She used the $20,000 life insurance policy he had to pay medical bills, credit cards, and funeral expenses. However, it was not enough to resolve all their debts. (Tr. 41-42)

Applicant received the SOR on February 5, 2026. Beginning in April 2026, she signed up with a debt relief company (DRC) to get assistance with her debts. She made payments of $68 every two weeks to the DRC. However, the creditors for her two largest debts were unwilling to participate. She worked with the DRC from April 2026 to July 2026 and paid a total of $476. (AE D at 37, AE J; Tr. 23, 44)

In July 2026, she filed a Chapter 13 bankruptcy petition. All of her SOR-listed debts (SOR ¶¶ 1.a – 1.n) are listed in her bankruptcy petition, as is her mortgage and car payment. (Tr. 30-37) Her SOR-listed debts included unresolved credit card debt, debt consolidation loans, and debts to jewelers. Her liabilities listed in her bankruptcy petition totaled about $126,000, with $67,000 being nonpriority unsecured claims. Her income was listed as about $4,691 monthly with expenses of approximately $3,497, leaving her a remainder of about $650 monthly. (AE D) Under her Chapter 13 plan approved July 15, 2026, she was required to pay $2,080 for 60 months. On July 28, 2026, she moved to amend the payment plan to be reduced from $2,080 to $1,869. Her approved Chapter 13 plan provided for about $50,000 to be available for distribution to her nonpriority unsecured creditors if she successfully makes all 60 of the required payments. (AE E) If her amended plan is accepted, "general unsecured creditors will see a reduction in the amount of their claim that is paid from approximately 73% to approximately 52%." (AE G) She has made one payment of $969.99 to her bankruptcy trustee under her accepted plan. She completed pre-bankruptcy credit counseling on June 20, 2026, and a personal financial management class on August 2, 2026. (AE E, AE H, AE I)

Of note, the creditor listed in SOR ¶ 1.i was the original creditor and the debt was placed with the creditor listed in SOR ¶ 1.e for collection. (AE D at 23; Tr. 58) As a result, SOR ¶ 1.i is found in Applicant's favor to avoid duplication. Applicant is also trying to find a roommate who will share half of her utility bills and related expense. (Tr. 37-38)

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 is potentially applicable in this case:

> (a) inability to satisfy debts; and
>
> (c) a history of not meeting financial obligations.

As discussed above, Applicant has a lengthy history of delinquent debts as demonstrated by the 2006 Chapter 13 bankruptcy and the alleged debts. She lacks the ability to satisfy her 14 SOR-alleged delinquent debts totaling approximately $68,000. 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; and
>
> (d) the individual initiated and is adhering to a good-faith effort to repay overdue creditors or otherwise resolve debts.

Mitigating Condition AG ¶ 20(a) is not established. Applicant argues that AG ¶ 20(a) should apply because the events that triggered her current financial difficulties occurred when her husband passed, which was a circumstance that it is unlikely to recur, and does not cast doubt on her current reliability, trustworthiness, or good judgment. However, Applicant's financial history reflects that she has repeatedly had financial problems and relied on credit to support her since 1997. Currently, her largest SOR-listed debts are both debt consolidation loans, which she rolled older debts into. She also has additional credit card debt. Because these significant liabilities remain unpaid, the financial problems are not “historical” but are instead current and ongoing. She only started to address them after receiving the SOR, first through the DRC and then through Chapter 13 bankruptcy. Consequently, her financial problems cannot be characterized as having occurred so long ago, or under such circumstances, that it is unlikely to recur or no longer casts doubt on Applicant’s current reliability and good judgment.

Applicant asserts that mitigating condition AG ¶ 20(b) applies because her financial problems were initiated by uncontrollable events, specifically her husband’s strokes and subsequent death. While the current crisis may have been beyond Applicant's control, the application of AG ¶ 20(b) is strictly conditioned upon the requirement that the individual “acted responsibly under the circumstances.” In this case, the record demonstrates a prolonged period of inaction following her husband’s passing. Applicant took no meaningful action to address the outstanding debts until prompted by the security clearance process. While the law does not demand immediate repayment of all obligations during a period of hardship, it does require an active track record of efforts to manage one’s finances in a responsible manner. Because Applicant’s response to the financial distress lacks the requisite indicators of responsible behavior, mitigating condition AG ¶ 20(b) is not established.

Applicant argues that AG ¶ 20(c) should apply because she participated in financial counseling. However, the application of AG ¶ 20(c) also requires that there are “clear indications that the problem is being resolved or is under control.” In this case, Applicant has participated in financial counseling in the past when she filed her 2006 Chapter 13 bankruptcy petition. Yet, despite the discharge of her debts in 2011, she continued to use credit to make ends meet. Applicant has not demonstrated that there are clear indications that her problem is being resolved or is under control. She only began to take action on her delinquencies after receiving the SOR. She has made one payment under her current Chapter 13 plan and has no established track record of making $1,869 to $2,080 monthly payments. Mitigating condition AG ¶ 20(c) is not established.

Finally, Applicant submits that she has established a good-faith effort to repay overdue creditors or otherwise resolve debts and that AG ¶ 20(d) should apply. However, she has only documented a total of $476 in payments from April 2026 to July 2026, and one $969.99 payment to her bankruptcy trustee. Applicant’s recent efforts to rectify her financial situation are not a substitute for a consistent record of timely remedial action in light of her long history of financial delinquencies. *See*, ISCR Case No. 03-12862 at 4 (App. Bd. Apr. 5, 2005).

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's filing of a bankruptcy petition does not: "(a) preclude the Judge from considering the security significance of Applicant's history of financial difficulties; or (b) compel the Judge to conclude Applicant had demonstrated financial reform and rehabilitation sufficient to warrant a favorable security clearance decision." ISCR Case No. 02-17869 at 3-4 (App. Bd. Dec. 21, 2004). Here, the likelihood of recurrence, the frequency of her financial difficulties, and the motivation to resolve her delinquencies only after receiving the SOR outweigh the circumstances beyond her control and her recent efforts to resolve her debt. Eligibility for access to classified information is denied.

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.h:	Against Applicant
Subparagraph 1.i:	For Applicant
Subparagraphs 1.j-1.o:	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.

Jennifer Goldstein
Administrative Judge