DEFENSE LEGAL SERVICES AGENCY
DEFENSE OFFICE OF HEARINGS AND APPEALS

In the matter of:)
)
) ISCR Case No. 25-00861
)
)
Applicant for Security Clearance)
)

Appearances

For Government:
Carroll J. Connelley, Esq., Department Counsel

For Applicant:
Pro se

08/31/2026

Decision

NAGEL, Jeff A., Administrative Judge:

Applicant mitigated the Guideline F (Financial Considerations) security concerns. Eligibility for access to classified information is granted.

Statement of the Case

Applicant submitted a security clearance application (SCA) on August 17, 2024, in connection with his employment in the defense industry. On July 25, 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 action was taken under Executive Order 10865, *Safeguarding Classified Information Within Industry* (February 20, 1960), as amended; Department of Defense Directive 5220.6, *Defense Industrial Personnel Security Clearance Review Program* (January 2, 1992), as amended (Directive); and the adjudicative guidelines (AG) effective within the Department of Defense on June 8, 2017.

Applicant answered the SOR in writing (Answer) with a letter of explanation and numerous supporting documents on August 1, 2025, and requested a hearing before an administrative judge. The department counsel was prepared to proceed on June 4, 2026. The Defense Office of Hearings and Appeals (DOHA) issued a Notice of Hearing on July 20, 2026.

The case was assigned to me on June 10, 2026. I convened the hearing as scheduled on August 13, 2026. The Government called no witnesses and submitted Government Exhibits (GE) 1 through 6, which I admitted into evidence without objection. Applicant testified on his own behalf, called no witnesses, and submitted Applicant Exhibits (AE) A-D. Prior to the closing of the record, he submitted numerous documents and his closing statement, which I marked as AE E. I added the relevant documents to the previously admitted documents under the category they fell into. All AE were admitted without objection.

Findings of Fact

Applicant is a 60-year-old employee of a defense contractor, who mans a controlled access point. He has worked for the same company or its predecessors for 23 years. He is single and has no children. He has a college degree from a university in Mexico and an associate's degree from an American college. (Tr. at 17, 18)

Applicant took full responsibility for his financial problems, stating he was not ready for the bad days, since he had not prepared for them. Applicant took a hardship loan from his 401(k) in 2019 to buy a home. He purchased a manufactured home for approximately $45,000 after putting down an initial $12,000 payment. He unfortunately failed to consider the tax consequences during the 401(k) withdrawal, which was the beginning of his tax issues. He further testified that since 2012 he was the sole provider and caretaker for his mother who had numerous medical problems and expenses. This also contributed to his financial difficulties. (Tr. at 18, 19, 21, 24, 29, 41, Answer)

Applicant lost his mother in August of 2023 and was then able to begin focusing on and taking care of his financial problems. He took on extra work and side jobs to help pay off his debts. Applicant contacted both the IRS and the state tax authority collecting his property tax. He entered into agreements with them and successfully paid off 1.a. and 1.b. Applicant also entered into an agreement with Freedom Debt Relief (FDR) in October of 2023 to help him with debts 1.c. and 1.f. Applicant's agreement called for him to pay $108 every two weeks and he has done so without fail. FDR was unable to locate the creditors in 1.d. and 1.e. Applicant on his own tried to reach out and locate these creditors but was unable to do so. He then engaged the services of Accredited Debt Relief (ADR) to pay those debts off, but they too were unable to locate the creditors. Applicant, having the intent and desire to pay these debts, hired Credit Saint (CS) to locate them and has been paying $109 a month for them to do so. Applicant has a budget and only considers his actual time into his budget and not any potential overtime or side jobs. Applicant took most of the action described above before he filled out his security clearance application and the issuance of the SOR. (Tr. at 41, 43, 46-49, AE's A-D)

The SOR alleges that Applicant has six accounts which include a federal tax delinquency, unpaid property taxes, and charge-offs in the approximate amount of $54,000. Applicant began sporadically paying the IRS $120 a month on his tax debt in October of 2020. He had to stop making payments on this plan due to Covid and the need to support his mother. However, Applicant entered a new payment plan in March of 2025. He made all scheduled payments and in December of 2025 paid his tax debt with a lump sum payment. (Tr. at 24, 29, AE A)

I find that Applicant was candid, sincere, forthcoming, and his testimony was credible. I find no reason to doubt his veracity, integrity, or any of his testimony to include the attempts he has made to locate two of his creditors.

SOR Allegations:

1. Applicant was indebted to the Federal Government for delinquent taxes in the amount of $15,010.75 for tax years 2019, 2020, 2021 and 2022. Applicant provided documentary evidence showing all his delinquent taxes have been satisfied (AE A).

2. Applicant was indebted to the county where his home is located on past unpaid property taxes in the approximate amount of $2,269.99. He has another tax debt on this property that he is actively paying on and will continue to do so. Applicant provided documentary evidence showing he satisfied his unpaid property taxes (AE B).

3. Applicant is indebted on an account that was charged off in the approximate amount of $11,737.00. Applicant hired FDR to help pay this debt off and has adhered to his agreement and this debt is well on its way to being satisfied. (AE C and D)

4. Applicant is indebted on an account that was charged off in the approximate amount of $2,600.00. The Applicant, as well as FDR and ADR, were unable to find this creditor. Applicant has now engaged CS to locate the creditor and has the intent and ability to pay this debt if they do so. (AE C)

5. Applicant is indebted on an account that was charged off in the approximate amount of $7,000. Applicant hired FDR to help pay this debt off and has adhered to his agreement. This debt is well on its way to being satisfied. (AE C and D)

6. Applicant is indebted on an account that was charged off in the approximate amount of $3,000.00. The Applicant as well as FDR and ADR were unable to find this creditor. Applicant has now engaged CS to locate the creditor and has the intent and ability to pay this debt if they do so. (AE C)

Policies

This case is adjudicated 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 AG, which became effective on June 8, 2017.

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(c), 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 classified information enters 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 classified information. Decisions include, by necessity, consideration of the possible risk the applicant may deliberately or inadvertently fail to safeguard classified information. Such decisions entail a certain degree of legally permissible extrapolation of potential, rather than actual, risk of compromise of classified 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;
>
> (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.

The SOR alleges and the Government established all six allegations: One involving delinquent federal taxes, one county property taxes, and four consumer debts that were charged off totaling approximately $54,000. AG ¶¶ 19(a), 19(c) and 19(f) are applicable.

Conditions that could mitigate the financial considerations security concerns are provided under AG ¶ 20. The following 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;

> (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.

Applicant's financial problems were caused by his need to take care of his mother and her medical expenses, and not considering the tax implications of taking a withdrawal from his 401(k). Once Applicant had the ability to do so, and before an SOR was issued or he even submitted his SCA, he began working on his finances. Applicant has paid off both his tax debts, and is almost done paying on two of his consumer debts through FDR. Applicant has gone to great lengths and has done everything within his power to locate the two remaining creditors. He has both the intent and ability to pay these debts once he does. I conclude AG ¶¶ 20(a), 20(b), 20(d) and 20(g) apply.

Applicant's delinquent debt occurred under circumstances unlikely to recur, and he has demonstrated current reliability, trustworthiness, and good judgment. Applicant has mitigated the financial consideration security concerns.

In support of these findings, I cite the Appeal Board's decision in ISCR Case No. 07-06482 at 3 (App. Bd. May 21, 2008) for the proposition that the adjudicative guidelines do not require that an applicant be debt-free. The Board's guidance for adjudications in cases such as this is the following:

> [A]n applicant is not required, as a matter of law, to establish that he has paid off each and every debt listed in the SOR. All that is required is that an applicant demonstrate that he has established a plan to resolve his financial problems and taken significant actions to implement that plan. The Judge can reasonably consider the entirety of an applicant's financial situation and his actions in evaluating the extent to which that applicant's plan for the reduction of his outstanding indebtedness is credible and realistic. There is no requirement that a plan provide for payments on all outstanding debts simultaneously. Rather, a reasonable plan (and concomitant conduct) may provide for the payments of such debts one at a time. (Internal citations and quotation marks are omitted.)

Whole-Person Concept

Under the whole-person concept, the administrative judge must evaluate an applicant's eligibility for a security clearance 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 have incorporated my comments under Guideline F in my whole-person analysis.

Overall, the record evidence leaves me without questions and doubts about Applicant's eligibility and suitability for a security clearance. I conclude Applicant mitigated the financial considerations 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:	For Applicant
Subparagraphs 1.a – 1.f:	For Applicant

Conclusion

It is clearly consistent with the national interest to grant Applicant eligibility for a security clearance. Eligibility for access to classified information is granted.

Jeff A. Nagel
Administrative Judge