DEFENSE LEGAL SERVICES AGENCY
DEFENSE OFFICE OF HEARINGS AND APPEALS

In the matter of:	)	
	)	
	)	ISCR Case No. 24-02072
	)	
Applicant for Security Clearance	)	

Appearances

For Government: Karen Moreno-Sayles, Esq., Department Counsel
For Applicant: *Pro se*

09/09/2026

Decision

GARCIA, Candace Le'i, Administrative Judge:

Applicant did not mitigate the security concerns under Guideline F (Financial Considerations). Eligibility for access to classified information is denied.

Statement of the Case

On January 7, 2025, the Department of Defense (DOD) issued a Statement of Reasons (SOR) to Applicant detailing security concerns under Guideline F (financial considerations). The action was taken under Executive Order (Exec. Or.) 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 (AG) implemented by DOD on June 8, 2017.

Applicant submitted a response to the SOR on January 14, 2025 (Answer) and requested a hearing before an administrative judge. The case was assigned to me on July 9, 2025. The Defense Office of Hearings and Appeals (DOHA) issued a notice on August 15, 2025, scheduling the matter for a video teleconference hearing on September 16, 2025. I convened the hearing as scheduled.

At the hearing, I admitted in evidence without objection Government Exhibits (GE) 1-2, 4-5, and 7-11. I sustained Applicant's objection to GE 3, a report of investigation summarizing Applicant's interviews with an authorized DOD investigator in December 2023, January 2024, and February 2024, and GE 3 was not admitted in evidence. I overruled Applicant's objection to GE 6 and admitted it in evidence. Applicant testified, did not call any witnesses, and submitted documentation that I marked and admitted in evidence without objection as Applicant Exhibits (AE) A-C. At Applicant's request, I kept the record open until September 30, 2025, to enable her to submit additional documentation. She timely submitted documentation that I marked collectively as AE D and admitted in evidence without objection. DOHA received the hearing transcript (Tr.) on September 25, 2025. (Tr. 22-53, 87-89, 93-95)

This decision was delayed when all administrative judges were furloughed from October 1 through November 12, 2025, during a federal government shutdown due to a lapse in federal funding.

Findings of Fact

In her Answer, Applicant admitted all the SOR allegations, with explanations. She is 36 years old, single, and she does not have any children. She graduated from high school in 2008. She attended three colleges, the first from March to June 2009, the second from August 2014 to August 2018, and the third from October 2020 to June 2024, when she earned a bachelor's degree in information technology with a minor in cybersecurity. (GE 1-GE 2; Tr. 7-8, 57-58)

Applicant has worked for various defense contracting companies since approximately 2008. She was unemployed from August 2011 to March 2012 and September 2017 to October 2017. She has worked for her current employer, a defense contractor, since approximately October 2018. As of the date of her Answer, she was a systems engineer. She held a clearance as of the date of the hearing. (GE 1-GE 2; Tr. 5-6, 8-9, 19, 56-58)

The SOR alleges Applicant filed chapter 7 bankruptcy in November 2016, which was discharged in March 2017. (SOR ¶ 1.a) It also alleges she has three delinquent consumer debts, totaling $2,228, consisting of a $927 wireless cellular account (SOR ¶ 1.b), a $357 charged-off credit card (SOR ¶ 1.c), and a $944 past-due car loan, with a total balance of $23,986 (SOR ¶ 1.d). It also alleges that three state tax liens were entered against her, one in 2021 for $3,336, and two in 2024 for $5,222 and $1,679. (SOR ¶¶ 1.e-1.g) It further alleges she had a judgment of an undisclosed amount entered against her in 2024 for failure to pay rent. (SOR ¶ 1.h)

In addition to her admissions in her Answer, Applicant disclosed her chapter 7 bankruptcy and her state tax lien for tax year 2015 on her October 2016 and September 2022 security clearance applications (SCAs). Her bankruptcy, delinquent debts, and state tax liens are also established by her disclosures in her SCAs, her June 2024 response to interrogatories, court records, and credit bureau reports (CBRs) from December 2016, June 2017, October 2022, September 2024, and September 2025. (GE 1-GE 2, GE 4-GE 11)

Applicant attributed her bankruptcy and delinquent debts to significant financial hardships due to her periods of unemployment, not having health insurance, unexpected medical expenses, a job transition, financially supporting her then domesticated partner and that individual's niece and nephew while that individual was incarcerated, rising utility costs of approximately $1,000 monthly in approximately 2024, and overall financial instability. (GE 1-GE 2, GE 4; Tr. 21, 56-57, 59-60, 63-65, 78-80) She also acknowledged she previously lived beyond her means, stating "I was young getting into the Federal Government. When I came in . . . I didn't understand the severity of financial responsibly." (Tr. 56; *See also* Tr. 59-60) She attributed her tax liens to inadvertently claiming tax exemptions in approximately 2019 to increase her cashflow. When she disclosed her state tax lien for tax year 2015 on her SCAs, she stated she requested an extension to file her federal and state income tax return for that tax year because she wanted a professional tax preparer to file on her behalf since she owned a small business. (Answer; GE 1-GE 2; Tr. 20-21, 60-61)

Chapter 7 Bankruptcy

Applicant filed chapter 7 bankruptcy in November 2016, and it was discharged in March 2017. Her bankruptcy included car loans, credit cards, and medical debts. She estimated approximately $50,000 to $60,000 in liabilities. (SOR ¶ 1.a; GE 1-GE 2, GE 4-GE 5, GE 7-GE 11; Tr. 59-60, 81-82)

Delinquent consumer debts and judgment

SOR ¶ 1.b: a $927 wireless cellular account in collection. Applicant settled this debt with the collection agency in January 2025 for $649, payable at $54 monthly for 12 months. She made the first monthly installment payment that month. She testified she made further payments in accordance with the payment arrangement and then she "redid a payment, so that I can pay early, so I can resolve it [on] October 31st." (Tr. 52) She contacted the collection agency in September 2025 and settled the remaining balance of $711, with payments of $150 and $195 due in September and October 2026, respectively. She stated these payments were scheduled to be automatically deducted from her bank account, but she did not provide corroborating documentation. (Answer; GE 4, GE 7, GE 10-GE 11; AE B-AE C; Tr. 61-63)

SOR ¶ 1.c: a $357 charged-off credit card. Applicant settled this debt with the collection agency in January 2025. She made a payment of $178 in January 2025. The September 2025 CBR reports this debt as settled and paid in full for less than the full balance. This debt is resolved. (Answer; GE 10-11; Tr. 63)

SOR ¶ 1.d: a $944 past-due car loan, with a total balance of $23,986. Applicant purchased her car in October 2023. In 2024, she fell behind on her monthly car loan payments due to rising utility costs of approximately $1,000 monthly. She made her monthly car payment of $572 in January 2025. As of that month, her account was current, and her next monthly payment was due in February 2025. She made her monthly payment in February 2025 and every consecutive month since, and she intended to timely make her monthly car payments. This debt is resolved. (Answer; GE 10; Tr. 63-65, 78)

SOR ¶ 1.h: a judgment between $3,000 and $4,000 entered against Applicant in June 2024 for failure to pay her rent. Applicant has lived at the same address since 2023. This was not the first time Applicant had fallen behind on her rental payments, having had trouble paying her rent at two previous addresses. She worked with the rental office to bring her account balance current, and the case in which the judgment was entered against her was dismissed. Documentation from Applicant's rental office reflects she made three payments, in January 2025, of $880, $1,000, and $1,071, respectively; her monthly rent was $1,582; and her account was current. This debt is resolved. (Answer; GE 6; Tr. 69-73, 79, 82)

State tax liens

Three state tax liens, totaling $10,237 were entered against Applicant: one in June 2021 for $3,336 and two in October 2024 for $5,222 and $1,679. (SOR ¶¶ 1.e-1.g; GE 6) A previous state tax lien of $1,169 entered against her in April 2016 was released in March 2022. (GE 4) She testified that she first learned about the state tax lien entered against her in 2021 when she completed her SCA in September 2022. As previously discussed, she disclosed her state tax lien for tax year 2015 on her 2016 and 2022 SCAs.

Applicant stated in her June 2024 response to interrogatories she owed approximately $8,500 in state taxes, and she arranged a payment plan with the state tax authority to make a $500 payment by September 2024, followed by monthly payments of $152 until her state tax liens were resolved. She missed a payment under this installment plan because she stated she did not receive necessary information. December 2024 documentation from the state tax authority titled, "Payment Plan Cancellation Notice," reflects an outstanding balance of $7,997 and that her payment plan agreement was cancelled due to failure to make payments under her payment plan and failure to respond to an "Agreement Default Notice." (Answer; GE 2, GE 4; Tr. 60-61, 66-69)

In January 2025, Applicant's outstanding balance for tax periods 2015, 2017, and 2018, totaling $8,032, was $993, $1,711, and $5,327, respectively. Applicant expected her total tax liability to be reduced to approximately $5,106 after her anticipated refunds from her recently filed state income tax returns were applied to her outstanding balance. She testified she contacted the state tax authority in January 2025 and established another payment plan, in which she made a $200 payment in January 2025 and was expected to make monthly payments of $156 for 60 months beginning in March 2025. She did not provide documentation to corroborate her testimony. She acknowledged she did not consistently make payments under that plan. She stated she then established another payment plan consisting of a $539 payment followed by monthly payments of $120 for 48 months or until the balance is resolved. As of the date of the hearing, she stated the outstanding balance of her state tax liens totaled $5,396. Again, she did not provide corroborating documentation. Her state tax liens are not resolved. (Answer; GE 1-GE 2, GE 4, GE 6; AE A; Tr. 57, 60-61, 66-69; 82)

Applicant stated she paid between $11,000 and $12,000 in federal taxes by applying her refunds towards her outstanding federal taxes for tax years 2015 and prior, and she stated she resolved these federal taxes in approximately 2023. An Internal Revenue Service tax account transcript for tax year 2015 reflects she filed her federal income tax return for that tax year in August 2018, and she owed $3,193. Refunds for tax years 2018, 2020, and 2021 were applied to her outstanding federal taxes, and she had a zero balance as of August 2024. She stated she does not have any other outstanding federal taxes, and she was current on filing her federal and state income tax returns. (GE 1, GE 4; Tr. 73-74)

The most recent CBR from September 2025 reflects four new debts: two that are past due with the same creditor, a buy now pay later service, in the amounts of $445 and $162, respectively; a medical debt in collection for $996; and a fourth debt to a bank in collection for $1,278. Applicant stated she was unaware of these delinquent debts, and she intended to contact the creditors to investigate them. She further stated she was unaware of any other delinquent debts. (GE 11; Tr. 74-76, 82-84) These four debts were not alleged in the SOR and cannot be used for disqualification purposes but may be used while assessing the applicability of mitigating conditions and in the whole-person analysis.

Applicant stated her annual salary since 2023 has been approximately $60,000, which was an increase from her previous annual salary of approximately $45,000. She resides alone and she does not provide anyone with financial support. She testified she had a minimal amount in her savings account and approximately $16,000 in her retirement savings account. After her monthly expenses, she estimated her monthly net remainder was $300. She testified she sometimes has a negative monthly net remainder, and she last did so three months prior to the hearing. She stated she had recently started an inner spiritual and wellness business in which she earns between $200 and $400 monthly. She stated she received online financial counseling through her bank two months prior to the hearing, and she previously received financial counseling through her bankruptcy. (GE 4-GE 5; Tr. 76-78, 81, 84-86)

Applicant stated she has worked diligently to rebuild her financial standing by maintaining stable employment, responsibly managing her finances, and taking concrete steps to ensure financial stability moving forward. She acknowledged her past mistakes and stated she has learned valuable financial management skills that will prevent such errors in future. She also stated her income has increased, which has helped with her efforts to resolve her financial issues. She stated she has health insurance, and her current employer does not permit her to claim tax exemptions. She characterized her financial situation as improving. (Answer; GE 4; Tr. 56-58, 61, 76, 80, 87)

Applicant provided character statements from two individuals, a former coworker and a coworker since 2020. The latter individual stated that Applicant "has consistently demonstrated professionalism, integrity, and a strong commitment to her work. Her most recent annual performance review was very positive, and she has continually sought opportunities to improve herself both personally and professionally." (AE D) The former coworker also attested to Applicant's reliability, trustworthiness, and judgment. (AE D)

Policies

This case is adjudicated 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.

"[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." *Id.* 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 adjudicative guidelines. 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. *See Egan* 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. *See* 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. *See* 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* at 531.

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.

Applicant has a history of not paying her debts. She also failed to timely pay her state income taxes, as required, resulting in three state tax liens entered against her in 2021 and 2024 for tax years 2015, 2017, and 2018. AG ¶¶ 19(a), 19(c), and 19(f) are established.

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;
>
> (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; 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.

Conditions beyond Applicant's control contributed to her debts. The first prong of AG ¶ 20(b) applies. For the full application of AG ¶ 20(b), she must provide evidence that she acted responsibly under the circumstances. While her efforts to begin resolving her delinquent consumer debts alleged in the SOR occurred upon the issuance of the SOR in January 2025, the record shows she made efforts to resolve her state tax liens and other delinquent debts not alleged in the SOR, to include other consumer debts, another state tax lien, and outstanding federal taxes, before the issuance of the SOR.

While Applicant settled her remaining balance for the debt in SOR ¶ 1.b in September 2025, she failed to provide documentation showing she made the required payments in accordance with that settlement. She also failed to provide documentation showing she has abided by the terms of her latest payment plan with the state tax authority to resolve her outstanding state tax liens. She has been aware of at least one state tax lien, pertaining to tax year 2015, since her 2016 SCA, and she has failed to abide by the terms of at least two prior payment arrangements with the state tax authority to resolve her outstanding state tax liens. In addition, her most recent CBR from September 2025 reflects she has incurred four new delinquent debts, totaling approximately $2,881. She was unaware of these debts as of the date of the hearing and needed time to investigate them.

A security clearance adjudication is an evaluation of an individual's judgment, reliability, and trustworthiness. It is not a debt-collection procedure. ISCR Case No. 09-02160 (App. Bd. Jun. 21, 2010). The adjudicative guidelines do not require that an individual make payments on all delinquent debts simultaneously, pay the debts alleged in the SOR first, or establish resolution of every debt alleged in the SOR. He or she need only establish a plan to resolve financial problems and take significant actions to implement the plan. *See* ISCR Case No. 07-06482 at 2-3 (App. Bd. May 21, 2008). As such, I find allegations SOR ¶¶ 1.c-1.d and 1.h in Applicant's favor under AG ¶ 20(b).

However, in light of Applicant's 2016 chapter 7 bankruptcy, in which Applicant received a discharge of liabilities totaling approximately $50,000, her failure to resolve her outstanding state tax liens and the debt in SOR ¶ 1.b, coupled with her incurrence of new delinquent debts totaling $2,881, raise questions about her judgment, trustworthiness, and reliability. While she received financial counseling, her minimal monthly net remainder balanced against her outstanding state tax liens, her delinquent debts, and her previous chapter 7 bankruptcy means she needs more time to get her financial issues under control. I find that that these financial issues continue to cast doubt on her reliability, trustworthiness, and judgment. AG ¶¶ 20(a), 20(b), 20(c), 20(d), and 20(g) do not apply to SOR ¶¶ 1.a-1.b and 1.e-1.g.

Whole-Person Concept

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. In applying the whole-person concept, an 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. 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 applied the adjudicative factors in AG ¶ 2(d). I considered the potentially disqualifying and mitigating conditions in light of all the facts and circumstances surrounding this case. Overall, the record evidence leaves me with questions and doubts about Applicant's eligibility and suitability for a security clearance. I conclude Applicant did not mitigate all 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:	AGAINST APPLICANT
Subparagraphs 1.a-1.b:	Against Applicant
Subparagraphs 1.c-1.d:	For Applicant
Subparagraphs 1.e-1.g:	Against Applicant
Subparagraph 1.h:	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.

Candace Le'i Garcia
Administrative Judge