DEFENSE LEGAL SERVICES AGENCY
DEFENSE OFFICE OF HEARINGS AND APPEALS

In the matter of:	)	
	)	
	)	ISCR Case No. 25-00955
	)	
	)	
Applicant for Security Clearance	)	
	)	

Appearances

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

For Applicant:
Pro se

08/20/2026

Decision

CEFOLA, Richard A., 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 December 4, 2024, Applicant submitted a Questionnaire for National Security Positions (Questionnaire). On October 17, 2025, the Defense Counterintelligence and Security Agency (DCSA) issued a Statement of Reasons (SOR) to Applicant detailing security concerns under Guideline B (Foreign Influence) and 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 (DoD) Directive 5220.6, *Defense Industrial Personnel Security Clearance Review Program* (January 2, 1992), as amended (Directive); and the adjudicative guidelines (AG) effective within DoD after June 8, 2017.

Applicant responded to the SOR in writing (Answer) on November 13, 2025, and requested that this case be decided on the written record in lieu of a hearing. In his Answer, Applicant admitted to all of the Guideline F allegations in the SOR. For the Guideline B allegation, he wrote “I deny” as to the main paragraph and “I admit” as to the sole subparagraph. On June 2, 2026, Department Counsel submitted the Government’s written case in a File of Relevant Material (FORM). Therein, Department Counsel withdrew the Guideline B allegation. As such, this issue will not be further considered. A complete copy of the FORM, consisting of Government’s Exhibits (GE) 1 to 8 and the Government’s arguments in support of the SOR, was received by Applicant on June 8, 2026. He was afforded 30 days to file objections and submit material to refute, extenuate, or mitigate the security concerns, but did not respond. The case was assigned to me on July 24, 2026, and all exhibits were admitted without objection.

Findings of Fact

Applicant is 37 years old, was married from 2014 to 2024, and has two minor children. He completed high school in 2007. Applicant has been employed by a defense contractor since 2024 as an assistant manager and applied for his first security clearance in connection with this employment. (Answer; GE 2 at 5, 11, 23, 28, 39)

SOR Paragraph 1 (Guideline F: Financial Considerations)

The Government alleged Applicant is ineligible for a security clearance because he has delinquent consumer debts totaling over $73,000. In his Questionnaire he noted having registered with a debt consolidation service in 2023 to which he paid $543 per month, with the goal of finishing payments by the end of 2025. Applicant later registered with a credit repair service that provided a letter on July 11, 2025, noting an intent to have the debts listed in SOR ¶¶ 1.b, 1.c, and 1.d removed from future credit report for being “erroneous.” (GE 2 at 40; GE 3 at 3, 6, 44) The following facts pertain:

1.a. Mortgage – Past Due ($40,342): On November 14, 2020, Applicant co-signed a $332,500 mortgage loan with a friend (NTT) with the understanding that NTT would make all payments on the loan and would refinance the debt as soon as was practicable to remove Applicant’s name. NTT subsequently stopped paying on the loan after he lost his job and got a divorce. The arrearage ultimately grew to over $40,000. On August 16, 2025, Applicant and NTT executed a modification agreement together with the lender that capitalized the unpaid balance and established a new principal balance of $340,848. The new monthly payments were established at $2,125 per month, with an ultimate balloon payment of $42,929 due at the loan maturity date on August 1, 2065. Applicant’s name remains on the loan but as of June 2, 2026, it was current. (Answer; GE 2 at 41; GE 3 at 4-5, 26, 32-34; GE 4 at 4, 7; GE 6 at 4; GE 7 at 1; GE 8 at 1)

1.b. Personal Loan – Charge Off ($2,337): Applicant took out this $2,500 loan (#1649) on November 6, 2024, and made his last payment on March 31, 2025. Applicant took out a separate $2,000 loan from the same lender (#6696) on August 20, 2024, but that was paid in full as of October 7, 2024. The debt alleged in the SOR (#1649) no longer appears on Applicant's most recent credit report (GE 8), but there is no evidence in the record the account was paid. (Answer; GE 3 at 11-12; GE 6 at 5-6; GE 7 at 1-3)

1.c. Personal Loan – Charge Off ($21,619): Applicant took out this $20,000 loan on July 16, 2022, and made his last payment on September 29, 2022. A debt acquisition company acquired the loan and sued Applicant, but the lawsuit was nonsuited without prejudice by the plaintiffs on July 31, 2024, without further explanation. Applicant averred that he had intended to pursue a settlement, but his counsel on this matter informed him via email on August 27, 2024, that the lawsuit was dismissed and advised him that he did not have to pay the debt. There is no evidence in the record of further communication from either the lender or the debt acquisition company; the charge off, nonetheless, remains on Applicant's latest credit report and the debt has not been settled. (Answer; GE 3 at 5; GE 5 at 3-4, 6; GE 6 at 3; GE 7 at 2; GE 8 at 2

1.d. Personal Loan – Charge Off ($8,899): Applicant took out this $9,000 loan on February 22, 2022, and made his last payment on September 22, 2022. A debt acquisition company acquired the loan and sued Applicant. Applicant appeared in court on July 16, 2025, but the plaintiff failed to appear. The case was subsequently continued to an unspecified date. There is no evidence in the record of further communication from either the lender or the debt acquisition company; the charge off, nonetheless, remains on Applicant's latest credit report and the debt has not been settled. (Answer; GE 3 at 5, 43; GE 5 at 1, 8; GE 6 at 3; GE 7 at 2; GE 8 at 2

Whole Person Evidence

Applicant averred that at least some of his financial difficulties stemmed from needing to frequently visit his children out of state, who live there with his ex-wife. In his Answer, Applicant stated that he is actively pursuing the fastest and most responsible path to resolve his financial obligations, including repayment plans, settlements, and professional financial counseling. He acknowledged the seriousness of the process and explained that he values integrity, responsibility, and the safeguarding of sensitive information. The comments and explanations Applicant included in his Questionnaire, interrogatories, and response to the defense investigator were reviewed in their entirety.

Policies

When evaluating an applicant's suitability for national security eligibility, the administrative judge must consider the AG. In addition to brief introductory explanations for each guideline, the AG list potentially disqualifying conditions and mitigating conditions, which are to be used in evaluating an applicant's national security eligibility. The AG are not inflexible rules of law.

Instead, recognizing the complexities of human behavior, these guidelines are applied in conjunction with the factors listed in AG ¶ 2 describing the adjudicative process. The administrative judge's overarching adjudicative goal is a fair, impartial, and commonsense decision. The entire process is a conscientious scrutiny of applicable guidelines in the context 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, "Any doubt concerning personnel being considered for national security eligibility will be resolved in favor of the national security." In reaching this decision, I have drawn only those conclusions that are reasonable, logical, and based on the evidence contained in the record. I have not drawn inferences based on mere speculation or conjecture.

Directive ¶ E3.1.14, requires the Government to 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, and has the ultimate burden of persuasion as to obtaining a favorable clearance decision."

A person who seeks access to classified 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 national security eligibility. Decisions include, by necessity, consideration of the possible risk the applicant may deliberately or inadvertently fail to protect or safeguard classified information.

Such decisions entail a certain degree of legally permissible extrapolation as to potential, rather than actual, risk of compromise of classified or sensitive information. Finally, as emphasized in Section 7 of Executive Order 10865, "Any determination under this order adverse to an applicant shall be a determination in terms of the national interest and shall in no sense be a determination as to the loyalty of the applicant concerned." *See also* Executive Order 12968, Section 3.1(b) (listing multiple prerequisites for access to classified or sensitive information.)

Analysis

SOR Paragraph 1 (Guideline F: Financial Considerations)

The security concerns relating to the guideline for financial considerations are set out in AG ¶ 18, which reads in pertinent part:

> 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 facts of this case establish the following disqualifying conditions set forth in AG ¶ 19 to all of the allegations under Guideline F:

> (a) inability to satisfy debts;
>
> (c) a history of not meeting financial obligations; and
>
> (d) consistent spending beyond one's means or frivolous or irresponsible spending, which may be indicated by excessive indebtedness, significant negative cash flow, a history of late payments or of non-payment, or other negative financial indicators.

The burden therefore shifts to Applicant to mitigate security concerns under Guideline F. The guideline includes the following mitigating conditions set forth in AG ¶ 20 applicable to security concerns arising from Applicant's financial history:

> (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, or 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

(e) the individual has a reasonable basis to dispute the legitimacy of the past-due debt which is the cause of the problem and provides documented proof to substantiate the basis of the dispute or provides evidence of actions to resolve the issue.

Regarding SOR ¶ 1.a, Applicant provided evidence of having engaged in good-faith efforts to resolve the mortgage debt by refinancing the account prior to issuance of the SOR. His friend NTT made payments and the account is in good standing. As a result, AG ¶ 20(d) applies. SOR ¶ 1.a is found for Applicant.

Regarding SOR ¶ 1.b, Applicant made only a few payments toward this personal loan before it fell into arrears and was charged off. The fact that it no longer appears on Applicant's latest credit report does not establish any meaningful, independent evidence as to the disposition of this debt. ISCR 14-03612 at 3 (App. Bd. Aug. 15, 2015) None of the mitigating conditions apply and SOR ¶ 1.b is found against Applicant.

Regarding SOR ¶ 1.c, Applicant took out a $20,000 personal loan two years before his divorce. Applicant provided no discussion about the nature of his expenses or this loan as he accumulating the debt. The current legal status of this debt, whether nonsuited or dismissed, is not the Guideline F issue of concern. The circumstances underlying the debts – and what they may reveal about Applicant's judgment and reliability – are the issue. ISCR 15-03019 at 3 (App. Bd. Jul. 5, 2017) This debt does not present as an anomaly, but rather a trend. There is no evidence of any payment toward this debt in the last four years and none of the mitigating conditions apply. SOR ¶ 1.c is found against Applicant.

Finally, regarding SOR ¶ 1.d, the same rationale discussed above in SOR ¶ 1.c applies. Applicant took out this $9,000 personal loan a few months before the SOR ¶ 1.c loan and likewise stopped paying on it after a few months. Similarly, the record contains no evidence about the nature of the loan or expenses encountered. There is no evidence of payment toward this debt in the last four years and none of the mitigating conditions apply. SOR ¶ 1.d is found against Applicant.

I have considered Applicant's general discussion of expenses incurred traveling to visit his children out of state, but his personal loan history and debt issues long predate his divorce. Additionally, there is no evidence in the record to support the assertion that any of the debts – all of which Applicant admits – are "erroneous." As such, I am unable to find that he acted reasonably or responsibly under the circumstances or that he has yet made a good faith effort to deal with his debts.

His retention of debt consolidation and credit repair services is laudable and hopefully foretells a more stable financial future. At this time however, Applicant's financial issues are ongoing and continue to cast doubt on his current reliability, trustworthiness, and good judgment. None of the mitigating conditions are sufficiently applicable to mitigate the security concerns. With the exception of SOR ¶ 1.a, SOR ¶ 1 is found against Applicant.

Whole-Person Concept

Under the whole-person concept, the administrative judge must evaluate an applicant's eligibility for national security eligibility 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 national security 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 above whole-person factors and the potentially disqualifying and mitigating conditions in light of all pertinent facts and circumstances surrounding this case. I have also given the appropriate weight to Applicant's statements in his Questionnaire, Answer, and responses to interrogatories. Because Applicant requested a determination on the written record without a hearing, I had no opportunity to question him or evaluate his credibility and sincerity based on demeanor. Overall, the Guideline F issues in the record evidence leave me with questions and doubts as to Applicant's suitability for national security eligibility and a security clearance.

Formal Findings

Formal findings for or against Applicant on the allegations set forth in the SOR, as required by ¶ E3.1.25 of Enclosure 3 of the Directive, are:

Paragraph 1, Guideline F:	AGAINST APPLICANT
Subparagraph 1.a:	For Applicant
Subparagraphs 1.b – 1.d:	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 interests of national security to grant Applicant's eligibility for a security clearance. Eligibility for access to classified information is denied.

RICHARD A. CEFOLA
Administrative Judge