



**DEPARTMENT OF DEFENSE
DEFENSE OFFICE OF HEARINGS AND APPEALS**



In the matter of:

Applicant for Security Clearance

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ISCR Case No. 14-04450

Appearances

For Government: Julie R. Mendez, Esquire, Department Counsel

For Applicant: *Pro se*

12/06/2017

Decision

GALES, Robert Robinson, Administrative Judge:

Applicant failed to mitigate the security concerns regarding financial considerations. Eligibility for a security clearance is denied.

Statement of the Case

On July 12, 2013, Applicant applied for a security clearance and submitted an Electronic Questionnaire for Investigations Processing (e-QIP) version of a Security Clearance Application. On September 25, 2014, the Department of Defense (DOD) Consolidated Adjudications Facility (CAF) issued a Statement of Reasons (SOR) to her, under Executive Order 10865, *Safeguarding Classified Information within Industry* (February 20, 1960), as amended and modified; DOD Directive 5220.6, *Defense Industrial Personnel Security Clearance Review Program* (January 2, 1992), as amended and modified (Directive); and the *Adjudicative Guidelines for Determining Eligibility For Access to Classified Information* (December 29, 2005) applicable to all adjudications and other determinations made under the Directive, effective September 1, 2006.¹ The SOR

¹ Effective June 8, 2017, by Directive 4 of the Security Executive Agent (SEAD 4), dated December 10, 2016, *National Security Adjudicative Guidelines* (AG) for all covered individuals who require initial or continued eligibility for

alleged security concerns under Guideline F (Financial Considerations), and detailed reasons why the DOD adjudicators were unable to find that it is clearly consistent with the interests of national security to grant or continue a security clearance for Applicant. The SOR recommended referral to an administrative judge to determine whether a clearance should be granted, continued, denied, or revoked.

It is unclear when Applicant received the SOR as there is no receipt in the case file. In a sworn statement, dated November 12, 2014, Applicant responded to the SOR and elected to have her case decided on the written record in lieu of a hearing. A complete copy of the Government's file of relevant material (FORM) was mailed to Applicant by the Defense Office of Hearings and Appeals (DOHA) on July 27, 2017, and she was afforded an opportunity, within a period of 30 days after receipt of the FORM, to file objections and submit material in refutation, extenuation, or mitigation. In addition to the FORM, Applicant was furnished a copy of the Directive as well as the previous Adjudicative Guidelines applicable to his case. Applicant received the FORM on August 16, 2017. Applicant's response was due on September 15, 2017. As of December 4, 2017, Applicant had not submitted any response to the FORM. The case was assigned to me on December 4, 2017.

Findings of Fact

In her Answer to the SOR, Applicant admitted with comments both of the factual allegations pertaining to financial considerations (§§ 1.a. and 1.b.) of the SOR. Applicant's admissions and comments are incorporated herein as findings of fact. After a complete and thorough review of the evidence in the record, and upon due consideration of same, I make the following additional findings of fact:

Applicant is a 30-year-old employee of a defense contractor. Her current position has not been divulged, but she was a postal clerk in Kuwait from December 2011 until she joined her current employer. She was unemployed from October 2010 until November 2011. She is a 2005 high school graduate, and she has earned a number of vocational, technical, or trade school certifications for various disciplines. Applicant enlisted in the inactive U.S. Army Reserves in September 2005, and served in that capacity until May 2010. She has never held a security clearance. Applicant was married in September 2005 and divorced in November 2011. She has no children.

access to classified information or eligibility to hold a sensitive position, were established to supersede all previously issued national security adjudicative criteria or guidelines. Accordingly, those guidelines previously implemented on September 1, 2006, under which this security clearance review case was initiated, no longer apply. In comparing the two versions, there is no substantial difference that might have a negative effect on Applicant in this case.

Financial Considerations²

Other than the brief information mentioned in Applicant's e-QIP and Answer to the SOR, very little is known about her, her military accomplishments, or her finances. Applicant mentioned a period during which her husband was unemployed, but she failed to indicate when that occurred or what impact his status had on the family finances. A review of her credit reports reveals three accounts that became delinquent, but only two of those accounts were alleged in the SOR. The account that was not alleged in the SOR is a joint account with a jewelry store, with a credit limit of \$5,465 (for her wedding rings) that became delinquent in July 2011, and \$3,384 was charged off before the account was transferred or sold.³ In her 2013 e-QIP, Applicant acknowledged that she did not contact the creditor to make any repayment arrangements.

The SOR identified two purportedly delinquent accounts that had been placed for collection, and charged off, as generally reflected by Applicant's 2014 and 2017 credit reports. Those debts, totaling approximately \$20,089, their current status, according to the credit reports, other evidence submitted by the Government and Applicant, are described as follows:

(SOR ¶ 1.a.): This is a joint automobile installment loan with a high credit of \$12,234 and past-due balance of \$11,263 that was placed for collection. The creditor eventually charged off \$12,234 in about 2014.⁴ In her Answer to the SOR, Applicant admitted that the account remains delinquent. She explained that she tried to locate her ex-husband for financial assistance to resolve the account, but was unable to contact him. She added that she had made monthly repayment arrangements with the creditor,⁵ but failed to furnish any specifics regarding the repayment arrangements. She also failed to submit any documentation, such as letters, receipts, checks, bank account statements, etc., to support her contentions that repayment arrangements have been established, or that payments have been made. The account has not been resolved.

(SOR ¶ 1.b.): This is an unspecified type of joint installment account with a high credit of \$8,136 and past-due balance of \$8,076 that was placed for collection. The creditor eventually charged off \$8,136 in about 2014.⁶ In her Answer to the SOR, Applicant admitted that the account remains delinquent. She repeated the scenario regarding her ex-husband, but added that she had contacted a collection agent to which the account had supposedly been transferred. The new collection agent could not locate the account. Applicant acknowledged that she has been unsuccessful in reaching

² General source information pertaining to the financial accounts discussed below can be found in the following exhibits: Item 4 (Equifax Credit Report, dated August 28, 2014; Item 5 (Equifax Credit Report, dated July 18, 2017); Item 3 (e-QIP, dated July 12, 2013); Item 2 (Answer to the SOR, dated November 12, 2014).

³ Item 5, *supra* note 2, at 4.

⁴ Item 5, *supra* note 2, at 2.

⁵ Item 2, *supra* note 2.

⁶ Item 5, *supra* note 2, at 2

someone to make payment arrangements in order to settle the debt.⁷ She failed to submit any documentation to support her contentions that contacts had been made with the creditor of the collection agent in an effort to resolve the account. The account has not been resolved.

It is not known what Applicant's financial resources may be because she did not submit a Personal Financial Statement to reflect her net monthly income; monthly expenses; and any monthly remainder that might be available for discretionary spending or savings. There is no evidence of a budget. There is no evidence of any financial counseling. Applicant offered no evidence to indicate that her financial situation is now under control.

Policies

The U.S. Supreme Court has recognized the substantial discretion of the Executive Branch in regulating access to information pertaining to national security emphasizing, "no one has a 'right' to a security clearance."⁸ 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. The President has authorized the Secretary of Defense or his designee to grant an applicant eligibility for access to classified information "only upon a finding that it is clearly consistent with the national interest to do so."⁹

When evaluating an applicant's suitability for a security clearance, the administrative judge must consider the guidelines in SEAD 4. In addition to brief introductory explanations for each guideline, the guidelines list potentially disqualifying conditions and mitigating conditions, which are used in evaluating an applicant's eligibility for access to classified information.

An administrative judge need not view the guidelines as inflexible, ironclad rules of law. Instead, acknowledging the complexities of human behavior, these guidelines are applied in conjunction with the factors listed in 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 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 meaningful decision.

⁷ It should be noted that the Appeal Board has indicated that promises to pay off delinquent debts in the future are not a substitute for a track record of paying debts in a timely manner and otherwise acting in a financially responsible manner. ISCR Case No. 07-13041 at 4 (App. Bd. Sep. 19, 2008) (citing ISCR Case No. 99-0012 at 3 (App. Bd. Dec. 1, 1999)).

⁸ *Department of the Navy v. Egan*, 484 U.S. 518, 528 (1988).

⁹ Exec. Or. 10865, *Safeguarding Classified Information within Industry* § 2 (Feb. 20, 1960), as amended and modified.

In the decision-making process, facts must be established by “substantial evidence.”¹⁰ The Government initially has the burden of producing evidence to establish a potentially disqualifying condition under the Directive, and has the burden of establishing controverted facts alleged in the SOR. Once the Government has produced substantial evidence of a disqualifying condition, under Directive ¶ E3.1.15, the applicant has the burden of persuasion to present evidence in refutation, explanation, extenuation or mitigation, sufficient to overcome the doubts raised by the Government’s case. The burden of disproving a mitigating condition never shifts to the Government.¹¹

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 as well. It is because of this special relationship that the Government must be able to repose a high degree of trust and confidence in those 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 as to potential, rather than actual, risk of compromise of classified information. Furthermore, “security clearance determinations should err, if they must, on the side of denials.”¹²

Clearance decisions must be “in terms of the national interest and shall in no sense be a determination as to the loyalty of the applicant concerned.”¹³ Thus, nothing in this decision should be construed to suggest that I have based this decision, in whole or in part, on any express or implied determination as to Applicant’s allegiance, loyalty, or patriotism. It is merely an indication the Applicant has or has not met the strict guidelines the President and the Secretary of Defense have established for issuing a clearance. In reaching this decision, I have drawn only those conclusions that are reasonable, logical, and based on the evidence contained in the record. Likewise, I have avoided drawing inferences grounded on mere speculation or conjecture.

Analysis

Guideline F, Financial Considerations

The security concern relating to the guideline for Financial Considerations is set out in AG ¶ 18:

¹⁰ “Substantial evidence [is] such relevant evidence as a reasonable mind might accept as adequate to support a conclusion in light of all contrary evidence in the record.” ISCR Case No. 04-11463 at 2 (App. Bd. Aug. 4, 2006) (citing Directive ¶ E3.1.32.1). “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).

¹¹ See ISCR Case No. 02-31154 at 5 (App. Bd. Sep. 22, 2005).

¹² *Egan*, 484 U.S. at 531.

¹³ See Exec. Or. 10865 § 7.

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. Affluence that cannot be explained by known sources of income is also a security concern insofar as it may result from criminal activity, including espionage.

The guideline notes several conditions that could raise security concerns. Under AG ¶ 19(a), an “inability to satisfy debts” is potentially disqualifying. In addition, AG ¶ 19(b) may apply if there is an “unwillingness to satisfy debts regardless of the ability to do so.” Similarly, under AG ¶ 19(c), “a history of not meeting financial obligations” may raise concerns. Applicant's credit reports reflect three delinquent accounts, only two of which are alleged in the SOR, and she has admitted that the two SOR-related accounts are still delinquent. AG ¶¶ 19(a), 19(b), and 19(c) apply.

The guideline also includes examples of conditions that could mitigate security concerns arising from financial difficulties. Under AG ¶ 20(a), the disqualifying condition may be mitigated where “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.”¹⁴ Also, under AG ¶ 20(b), financial security concerns may be mitigated where “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.” Evidence that “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” is potentially mitigating under AG ¶ 20(c). Similarly, AG ¶ 20(d) applies where the evidence shows “the individual initiated and is adhering to a good-faith effort to repay overdue creditors or otherwise resolve debts.”¹⁵

¹⁴ A debt that became delinquent several years ago is still considered recent because “an applicant's ongoing, unpaid debts evidence a continuing course of conduct and, therefore, can be viewed as recent for purposes of the Guideline F mitigating conditions.” ISCR Case No. 15-06532 at 3 (App. Bd. Feb. 16, 2017) (citing ISCR Case No. 15-01690 at 2 (App. Bd. Sep. 13, 2016)).

¹⁵ The Appeal Board has previously explained what constitutes a good-faith effort to repay overdue creditors or otherwise resolve debts:

In order to qualify for application of [the “good-faith” mitigating condition], an applicant must present evidence showing either a good-faith effort to repay overdue creditors or some other good-faith action aimed at resolving the applicant's debts. The Directive does not define the term ‘good-faith.’ However, the Board has indicated that the concept of good-faith ‘requires a showing that a person acts in a

In addition, AG ¶ 20(e) may apply if “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.”

AG ¶ 20(b) minimally applies, but none of the remaining mitigating conditions apply. The nature, frequency, and recency of Applicant’s continuing financial difficulties since about 2010 or before make it difficult to conclude that it occurred “so long ago” or “was so infrequent,” or that it is “unlikely to recur.” Applicant noted some unspecified financial hardships during a period of unemployment, as well as a period of her ex-husband’s unemployment. It appears, however, that those issues occurred after she started experiencing financial difficulties.

Rather than addressing the two delinquent SOR-related accounts, over a substantial period of time, Applicant simply took no action to resolve them. Instead, she seemingly awaited for financial assistance from her ex-husband before making any resolution efforts of her own. Aside from Applicant’s verbal and written comments regarding her debts, there is little documentary evidence to support her claimed good-faith efforts to address those debts. Applicant failed to submit documentation to support her contentions that: creditors or collection agents had been contacted; repayment plans had been established; payments had been made; or accounts had been resolved. There are no copies of account statements, cancelled checks, bank statements or registers, receipts, or letters from creditors or collection agents reflecting any positive activity – documented proof to substantiate compliance with repayment arrangements – with respect to the accounts.

Clearance decisions are aimed at evaluating an applicant’s judgment, reliability, and trustworthiness. They are not a debt-collection procedure. The guidelines do not require an applicant to establish resolution of each and every debt alleged in the SOR. An applicant needs only to establish a plan to resolve financial problems and take significant actions to implement the plan. There is no requirement that an applicant immediately resolve or make payments on all delinquent debts simultaneously, nor is there a requirement that the debts alleged in an SOR be paid first. Rather, a reasonable plan and concomitant conduct in furtherance of the plan may provide for the payment of such debts one at a time. Mere promises to pay debts in the future, without further confirmed action, are insufficient.

way that shows reasonableness, prudence, honesty, and adherence to duty or obligation.’ Accordingly, an applicant must do more than merely show that he or she relied on a legally available option (such as bankruptcy [or statute of limitations]) in order to claim the benefit of [the “good-faith” mitigating condition].

(internal citation and footnote omitted) ISCR Case No. 02-30304 at 3 (App. Bd. Apr. 20, 2004) (quoting ISCR Case No. 99-9020 at 5-6 (App. Bd. June 4, 2001)).

There is no evidence of a good-faith effort to contact the creditors to resolve the accounts.¹⁶ There is little evidence that the conditions that may have resulted in the financial issues were largely beyond Applicant's control. There is no evidence of financial counseling, a budget, or any disputes. Applicant offered no evidence to indicate that her financial situation is now under control. Equally as important, there is no evidence that Applicant acted responsibly under the circumstances, and that failure to do so continues to cast doubt on her current reliability, trustworthiness, and good judgment.¹⁷

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 the circumstances. The administrative judge should consider the nine adjudicative process factors listed at SEAD 4, App. A, ¶ 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 SEAD 4, App. A, ¶ 2(c), the ultimate determination of whether to grant a security clearance must be an overall commonsense judgment based upon careful consideration of the guidelines and the whole-person concept. Moreover, I have evaluated the various aspects of this case in light of the totality of the record evidence and have not merely performed a piecemeal analysis.¹⁸

There is some evidence mitigating Applicant's conduct. Applicant served in the inactive U.S. Army Reserves from September 2005 until May 2010. The accounts alleged in the SOR as well as the one that is not SOR-related are all joint accounts for which she is jointly responsible with her ex-husband.

The disqualifying evidence under the whole-person concept is simply more substantial. There are two delinquent accounts alleged in the SOR with a combined

¹⁶ "Even if Applicant's financial difficulties initially arose, in whole or in part, due to circumstances outside his [or her] control, the Judge could still consider whether Applicant has since acted in a reasonable manner when dealing with those financial difficulties." ISCR Case No. 05-11366 at 4 n.9 (App. Bd. Jan. 12, 2007) (citing ISCR Case No. 99-0462 at 4 (App. Bd. May 25, 2000); ISCR Case No. 99-0012 at 4 (App. Bd. Dec. 1, 1999); ISCR Case No. 03-13096 at 4 (App. Bd. Nov. 29, 2005)). A component is whether he or she maintained contact with creditors and attempted to negotiate partial payments to keep debts current.

¹⁷ See ISCR Case No. 09-08533 at 3-4 (App. Bd. Oct. 6, 2010).

¹⁸ See *U.S. v. Bottone*, 365 F.2d 389, 392 (2d Cir. 1966); See also ISCR Case No. 03-22861 at 2-3 (App. Bd. Jun. 2, 2006).

unpaid balance of \$20,089. Applicant apparently made no efforts since they were charged off in 2014 to address them. Her unsubstantiated comments that she contacted her creditors and a collection agent to resolve them, without more, are simply insufficient to prove that she made any of those good-faith efforts. There is no evidence that she disputed any of the accounts.

Considering the lack of evidence regarding her current finances, and the absence of character evidence regarding Applicant's honesty, integrity, and trustworthiness, I am unable to reach a positive conclusion pertaining to Applicant's eligibility for a security clearance.

The Appeal Board has addressed a key element in the whole-person analysis in financial cases stating:¹⁹

In evaluating Guideline F cases, the Board has previously noted that the concept of "meaningful track record" necessarily includes evidence of actual debt reduction through payment of debts. However, an applicant is not required, as a matter of law, to establish that he [or she] has paid off each and every debt listed in the SOR. All that is required is that an applicant demonstrate that he [or she] has "... established a plan to resolve his [or her] 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 [or her] actions in evaluating the extent to which that applicant's plan for the reduction of his outstanding indebtedness is credible and realistic. See Directive ¶ E2.2(a) ("Available, reliable information about the person, past and present, favorable and unfavorable, should be considered in reaching a determination.") 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 payment of such debts one at a time. Likewise, there is no requirement that the first debts actually paid in furtherance of a reasonable debt plan be the ones listed in the SOR.

Applicant has demonstrated an extremely poor track record of debt reduction and elimination efforts, avoiding the debts in her name, and failing to take timely corrective actions. Overall, the evidence leaves me with substantial questions and doubts as to Applicant's eligibility and suitability for a security clearance. For all of these reasons, I conclude Applicant has failed to mitigate the security concerns arising from her financial considerations. See SEAD 4, App. A, ¶¶ 2(d)(1) through AG 2(d)(9).

¹⁹ ISCR Case No. 07-06482 at 2-3 (App. Bd. May 21, 2008) (internal citations omitted).

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
Subparagraph 1.a.:	Against Applicant
Subparagraph 1.b.:	Against Applicant

Conclusion

In light of all of the circumstances presented by the record in this case, it is not clearly consistent with the interests of national security to grant Applicant eligibility for a security clearance. Eligibility for access to classified information is denied.

ROBERT ROBINSON GALES
Administrative Judge