



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



In the matter of:

Applicant for Security Clearance)

) ISCR Case No. 25-00227

Appearances

For Government: William Miller, Esquire, Department Counsel
For Applicant: *Pro se*

07/16/2025

Decision

HOGAN, Erin C., Administrative Judge:

On April 24, 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 (EO) 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.

On April 29, 2025, Applicant answered the SOR and requested a hearing before an administrative judge. The case was assigned to me on June 4, 2025. A Notice of Hearing was issued on June 5, 2025, scheduling the hearing on June 17, 2025. The hearing was held as scheduled. During the hearing, the Government offered eight exhibits which were admitted as Government Exhibits (GE) 1–8. Applicant testified and offered four exhibits which were admitted as Applicant Exhibits (AE) A - D. The transcript (Tr.)

was received electronically on June 25, 2025. Based upon a review of the pleadings, exhibits, and testimony, eligibility for access to classified information is granted.

Procedural Issues

Applicant objected to the admission of GE 3 and GE 5 based on relevance. She did not think her past financial problems were relevant to the present SOR. I allowed both GE 3 and GE 5 to be admitted. I told Applicant her past financial history is relevant, but that she would be allowed to comment on both exhibits during her case-in-chief. (Tr. 11)

Findings of Fact

Applicant is a 49-year-old employee of a DOD contractor seeking a security clearance. She has worked for her current employer since August 2021. She earned two master's degrees. She has never served in the military. She has held a security clearance in the past. She is single and has a 13-year-old daughter who resides with her. (Tr. 23; GE 1)

The names of individuals, businesses, and institutions have been changed in this decision in the interests of protecting the Applicant's privacy. More detailed information is located in the case file.

Guideline F, Financial Considerations:

In her answer to the SOR, Applicant denies the sole allegation in SOR ¶ 1.a.

Applicant submitted an Electronic Questionnaire for Investigations Processing (e-QIP) on March 13, 2024. In response to Section 26, Financial Record, Applicant answered that she had several delinquent accounts, charged-off accounts, or delinquent accounts that were placed for collection. Applicant indicated that she resolved most of the delinquent accounts with the exception of the debt alleged in the sole SOR allegation. The debt was a charged-off car loan in the amount of \$35,570. (SOR ¶ 1.a: GE 1 at 46; GE 2 at 4, 7; GE 4 at 3-4; GE 6 at 7; GE 7 at 2; GE 8 at 2).

Applicant's past delinquent accounts from 2020 are not alleged in the SOR. They will not be considered under matters of disqualification but will be considered under matters of extenuation and mitigation. Her past delinquent accounts were the result of periods of unemployment and under-employment. As a contract employee, it is not unusual to have periods of unemployment when a contract ends. Once Applicant obtained more suitable employment, she took steps to resolve her delinquent accounts. All of her past delinquent accounts are resolved with the exception of the debt alleged in SOR ¶ 1.a. (GE 3 at 3, 15-25)

Applicant initially denied the SOR allegation in ¶ 1.a, but is aware that as the co-signer of the car loan, she was responsible for paying the loan off if the primary signer did not make the payments. (Tr. 29) Mr. X, her long-time partner, needed a car so he could drive to work. His credit was not good enough to obtain a car loan on his own. Applicant agreed to co-sign the car loan with the understanding that Mr. X would make the payments on the loan and would refinance the car loan in his name only after one year. The car was purchased in December 2022. The first payment on the loan was due in February 2023. Mr. X lost his job prior to the first payment being due. Applicant agreed to make some of the payments for him while he looked for new employment. She paid several of the monthly payments until Mr. X found a new job and got back on his feet. She contacted the creditor but they initially did not talk to her because she was not the primary borrower on the account. They did contact her in March 2023 after Mr. X was over 60 days past due on his car loan payments. She continued making payments to help Mr. X until August 2023 when Mr. X was able to start making the regular payments. The creditor stopped contacting her and Applicant assumed Mr. X was making regular payments on the car loan. (Tr. 17-18, 32-34; GE 4 at 3-4; AE A)

On her e-QIP, dated March 13, 2024, Applicant listed the car loan in response to Section 26, Delinquency Involving Routine Accounts. She indicated she was a co-signer on the car loan. She wrote:

I co-signed the vehicle for a long-time friend. Upon signing for the vehicle, he had several periods of unemployment and had difficulty making payments. He is currently employed and working with the creditor to pay the past due amount and make the account current.

In response to a question about what actions, if any, she has taken to resolve the debt, she indicated that "The main signatory on the loan is making arrangements to bring the account current." (GE 1 at 46)

In May 2024, Mr. X's car was stolen. It was found on fire in a grocery store parking lot. Mr. X told Applicant that he was contacting the creditor to ascertain the balance owed on the car loan. He also told her that he had GAP insurance to cover this situation. It was later discovered that Mr. X had let the insurance lapse on the car so there was no insurance to pay off the car loan. (Previously, Applicant had the car covered on her insurance policy. Her insurance company notified her that the car was covered by another insurance company and they were dropping the coverage. Mr. X never told her that he changed insurance companies.) (Tr. 32-34; GE 4 at 3-4)

Mr. X told Applicant several times that he was entering a payment agreement with the creditor, however, he would never follow through with making steady payments to the creditor. Applicant sincerely believed that Mr. X was entering into a payment agreement with the creditor. The creditor did not contact her directly. She was not aware that the loan

was charged off until she received the SOR in April 2025. She told Mr. X that his failure to make payments on his car loan adversely affected her credit and her clearance. He told her that he understood and that he was making arrangements. He never followed up with the creditor. (Tr. 36-37)

On June 11, 2025, Applicant entered into a repayment agreement with the creditor. The current balance on the car loan was \$34,851. She agreed to pay a total amount of \$29,042 with monthly payments of \$200 a month. She made her first payment on June 11, 2025. The final payment will occur on August 10, 2027. Applicant testified that the creditor also told her that if she established a history of routine monthly payments, there is a possibility that they could come to an agreement where she could settle the debt by paying one lump sum. (Tr. 21, 34-35, 48-49; AE C)

In response to DOHA Interrogatories, dated January 22, 2025, Applicant prepared a Personal Financial Worksheet. She listed her total net monthly income as \$8,825.61. After expenses, she had a net remainder of \$2,385. She had approximately \$76,630 in savings. (GE 2 at 9) During the hearing, she testified that the current balance on her savings account was approximately \$56,000. She has no other delinquent debts. Her student loans were in forbearance from January 10, 2025, to March 13, 2025. The balance is approximately \$168,000. Applicant is in the process of consolidating her student loans on an income-based repayment plan. She is waiting for the promissory notes from the student loan processor before she can submit the paperwork. She claims that her loans remain in forbearance during this process. She is current on her federal and state income taxes. (Tr. 38-40, 44, GE 2 at 9)

In 2021, Applicant attended financial counseling when she purchased a home. She was required to do so because she purchased the home with the assistance of the Neighborhood Assistance Corporation of America (NACA). She had a financial advisor who assisted her with the home-buying process. She attended classes and seminars. She learned how to budget so that she could make her house payments and live within her means. (Tr. 44-45)

Department Counsel asked Applicant why her repayment agreement on the repossessed car was only \$200 when she had \$56,000 in savings. She responded that she chose a lesser payment because she does not want to over-promise or under-deliver. Her past experience as a contract employee taught her that you can lose your employment unexpectedly. She wants to make sure that she can continue to make the payments even if she loses her job. Her savings allow her a cushion in case she is laid off in the future. She would be able to pay her expenses while looking for new employment. (Tr. 42-43)

Applicant admits to having financial problems in the past. The main reason for her financial problems was that she worked as a contractor and experienced several periods

of unemployment to include: October to November 2019; September to October 2017; July 2016 to April 2017; and June 2014 to August 2015. She also supported her late mother from 2015 until she passed away in 2023, She provided \$1,200 a month in support to her mother. Her mother lived in a nursing home. She also maintained her mother's empty home during this time. (Tr. 26-27, 43)

Applicant admits that she had previously co-signed another car loan for Mr. X in 2014. This car was also repossessed because Mr. X did not make the payments. (GE 3 at 3) She also co-signed an apartment lease for Mr. X in October 2015. Mr. X did not make the payments. (GE 3 at 4). Applicant testified that she decided to co-sign the car loan in December 2022 because she honestly believed that he had turned a corner. He was in a job where he possessed a top secret security clearance. He was in a more stable position and she thought he learned a lesson. (Tr. 31) She accepts responsibility for her mistake. She believes that she has made positive changes. She trusted Mr. X, her close partner of more than 12 years. He took no steps to correct the situation. She no longer has contact with him. She learned to be more cautious in the future with her financial dealings. She has no intention to co-sign for anyone in the future because of the problems it has caused. (Tr. 49-50)

Whole Person Evidence

Several people wrote favorable character statements on Applicant's behalf. Dr. CAJ, was Applicant's supervisor in a former job from October 2019 to August 2023. Dr. CAJ states she had exceptional qualities that make her highly suitable for a role requiring a security clearance. She handled sensitive personally identifiable information (PII) while she worked for Dr. CAJ. She had the utmost integrity in managing confidential data in all aspects of her work. She applied good judgment when dealing with sensitive matters. She recommends her for a security clearance. (AE B at 1-2)

Mr. C has been Applicant's current supervisor since January 2025. During the time he has worked with her, he has known her to be trustworthy, reliable, and honest. He indicates she demonstrated integrity while working with their federal clients especially when it comes to confidential information. She has never shared or discussed client information outside of his team. He recommends her for a security clearance. (AE B at 6)

Ms. TB, Applicant's project manager, has worked with Applicant for almost two years. During this time, she has witnessed Applicant's integrity, discretion, and unwavering commitment in all aspects of her work. She remains calm under pressure, exercises sound judgment, and is very reliable when protecting sensitive information. She is aware of the one financial issue in her security clearance case. Applicant has kept her leadership aware of the situation, maintained accountability, and proactively took steps

to rectify the issue. She strongly recommends her for a security clearance because she is confident in her trustworthiness and suitability for this responsibility. (AE B at 7)

Several other people wrote similar favorable statements about Applicant. (AE B at 3-5) Her performance reviews and feedback have been favorable. (AE D)

Policies

When evaluating an applicant's suitability for a security clearance, the administrative judge must consider the adjudicative guidelines (AG). In addition to brief introductory explanations for each guideline, the adjudicative guidelines list potentially disqualifying conditions and mitigating conditions, which are useful 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, 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. 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 access 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.

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 applicant or proven by Department Counsel. . ." The applicant has the ultimate burden of persuasion as to obtaining a favorable security 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 access to classified information. Decisions include, by necessity, consideration of the possible risk that 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 information.

Section 7 of EO 10865 provides that 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).

GUIDELINE F: Financial Considerations

The security concern relating to the guideline 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. 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.

AG ¶ 19 notes several disqualifying conditions that could raise security concerns. The disqualifying conditions that are relevant to Applicant's case include:

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

The SOR alleges Applicant owes approximately \$35,570 for a charged-off car loan. Applicant was a co-signer on the loan. As a cosigner, she is responsible for the debt if the principal signer defaults on the payments. AG ¶¶ 19(a) and 19(c) apply.

The Government's substantial evidence and Applicant's own admissions raise security concerns under Guideline F. The burden shifted to Applicant to produce evidence to rebut, explain, extenuate, or mitigate the security concerns. (Directive ¶ E3.1.15)

AG ¶ 20 includes examples of conditions that could mitigate security concerns arising from financial difficulties. The following mitigating conditions potentially apply to Applicant's 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; and
- (d) the individual initiated and is adhering to a good-faith effort to repay overdue creditors or otherwise resolve debts.

AG ¶ 20(a) applies. While it took some time for Applicant to make payments towards this car loan, she was waiting for Mr. X, the principal signatory on the loan, to arrange to make payments. He led her to believe that he was resolving the debt. Aside from the debt, Applicant is financially stable. She worked hard to resolve her past financial problems and now owns a home. Applicant has learned a difficult lesson about serving as a cosigner for another person's loan. Admittedly, she made this mistake on three occasions, but trusted Mr. X, her partner for 12 years. The most recent loan default caused the end of the relationship. She is unlikely to repeat this behavior, and the situation does not cast doubt on her current reliability, trustworthiness, or good judgment.

AG ¶ 20(b) applies. As a cosigner, Applicant became the victim of a failed agreement with Mr. X, the principal borrower, a man who used to be her partner. He misled her by telling her that he was making arrangements to make the loan payments even though he had no intent to do so. She even listed this on her March 2024 e-QIP application. This was a circumstance beyond her control. Once she realized that Mr. X, the principal borrower, was not going to make payments, she entered into a repayment agreement with the creditor. While this occurred just before Applicant's hearing, she is financially capable of following through with the payments. She acted responsibly under the circumstances.

AG ¶ 20(d) partially applies because Applicant recently entered into a payment agreement with the creditor. This mitigating condition is given less weight because Applicant had only made one payment towards the repayment plan at the close of the record. It is too early to conclude she will make timely payments towards this debt. However, it is likely she will make timely payments considering her past history of

resolving her delinquent accounts incurred as a result of unemployment once she found suitable employment.

This is an unusual case. The sole allegation is a car loan, that Applicant signed as a cosigner. On the one hand, Applicant is responsible for the loan as a co-signer. On the other hand, she became responsible for this debt because of the negligence and lack of consideration of Mr. X to make timely payments. Applicant has agreed to start making payments towards this debt. Her current financial situation indicates that she is able to make the monthly payments towards this debt. Applicant mitigated the security concerns raised under Financial Considerations.

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 timely 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 considered Applicant has worked for the same defense contractor since August 2021. I considered the favorable character letters of her supervisors and friends. I considered that she is a single mother of a 13-year-old daughter. I considered that she supported her mother from 2015 until her death in 2023. Applicant made poor financial judgments in the past, but she worked on paying them off. I considered a lot of her past debt was due to periods of unemployment. While it was poor judgment to co-sign a car loan with Mr. X after he failed to make payments when she co-signed a previous car loan in 2014 and an apartment lease in 2015, she is dealing with consequences. Her relationship with Mr. X has ended. While she recently entered into a repayment agreement towards this loan, she is financially able to afford these payments

even with her pending student loan payments. Her actions do not raise questions about her trustworthiness and reliability. Security concerns under financial considerations are mitigated.

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

Subparagraph 1.a:

For Applicant

Conclusion

In light of all of the circumstances presented by the record in this case, it is clearly consistent with the national security to grant Applicant eligibility for a security clearance. Eligibility for access to classified information is granted.

ERIN C. HOGAN
Administrative Judge