



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



In the matter of:)
)
) ISCR Case No. 24-01106
)
Applicant for Security Clearance)

Appearances

For Government: Carroll J. Connelley, Esq., Department Counsel
For Applicant: Patrick Korody, Esq.

09/29/2025

Decision

HYAMS, Ross D., Administrative Judge:

Applicant failed to mitigate the financial considerations security concerns. Eligibility for access to classified information is denied.

Statement of the Case

On July 25, 2024, the Defense Counterintelligence and Security Agency (DCSA) issued a Statement of Reasons (SOR) to Applicant detailing security concerns under Guideline F (financial considerations). Applicant answered the SOR on September 15, 2024, and requested a hearing before an administrative judge. The case was assigned to me on April 1, 2025.

The hearing convened on May 6, 2025. Applicant proceeded pro se. Department Counsel submitted Government Exhibits (GE) 1-7, which were admitted in evidence without objection. Applicant submitted Applicant's Exhibits (AE) A-D, which were admitted without objection. After the hearing concluded, Applicant retained counsel to prepare a post-hearing submission. On June 30th, she submitted a letter and attachments, which are marked AE E-DD, and were admitted without objection.

Findings of Fact

Applicant admitted all SOR allegations, ¶¶ 1.a-1.s. Her admissions are incorporated into the findings of fact. Based on my review of the pleadings, evidence submitted, and testimony, I make the following findings of fact.

Applicant is 55 years old. She is self-employed as a court reporter and has about thirty years of experience. She is not married and has no children. She earned a bachelor's degree in 2000 and a master's degree in 2002. She has been recognized for her skill in the court reporting field. (Tr. 13-16; AE D)

In 2016, Applicant started her own court reporting business. At that time, she had to purchase her own equipment. Her initial employment opportunities fell through, and she had to pay for her equipment without the expected income. It took some time to build her contacts and business. She was behind on her bills by the end of 2016 and considered filing for bankruptcy. In 2018, she discovered a debt relief company and testified that she paid them about \$300 a month for three years to get her debts lowered or discharged. At the end of the three-year period, the debt relief company was supposed to assist her with credit building. However, in 2021, she discovered that the company had closed, and she did not receive this service. At that time, she started getting sued by her creditors. (Tr. 16-71; GE 4; AE H)

Applicant claimed that she paid the debt relief company the monthly fee to negotiate with her creditors, not make debt payments. She paid them at least \$11,000, and they only resolved a few accounts for her. She does not know what happened to the rest of the money she paid them. She did not monitor their activities closely while she was paying them and later found that they had bad reviews under the Better Business Bureau (BBB) and were alleged to be scamming customers. She had filed a Chapter 7 Bankruptcy in 1998 and was too embarrassed to do so again. (Tr. 16-71; GE 5)

Applicant reported she made less money in 2020 because the court houses shut down during the COVID-19 pandemic. In 2024, Applicant worked less and earned less, because her mother was in the hospital, her father passed away, and her mother moved in with her. She now pays for some of her mother's care expenses. (Tr. 16-71)

The SOR alleges 19 debts. From her testimony at the hearing, it was clear that Applicant did not know much about the origin, current status, or plan for resolution of the debts. The allegations are as follows:

SOR ¶ 1.a is a charged off credit card account for \$3,576. Applicant did not provide sufficient evidence of resolution of this account. She provided evidence of resolution of another account with the same creditor. Post hearing, she requested verification of the debt with the creditor, and provided litigation documentation involving the same creditor, but that documentation did not clearly tie it to this account or debt. This debt is unresolved. (Tr. 16-71; GE 2, 3; AE A, B, C, K)

SOR ¶ 1.b is a charged off credit card account for \$2,747. Applicant did not provide sufficient evidence of resolution. Post hearing, she reached out to the creditor to make a settlement arrangement, and she may have made two \$100 payments. This debt is unresolved. (Tr. 16-71; GE 2, 3; AE L)

SOR ¶ 1.c is a charged off credit card account for \$2,095. Applicant did not provide sufficient evidence of resolution. Post hearing, she requested verification of the debt with the creditor. This debt is unresolved. (Tr. 16-71; GE 2, 3; AE M)

SOR ¶ 1.d is a charged off credit card account for \$1,697. Applicant did not provide sufficient evidence of resolution. Post hearing, she requested verification of the debt with the creditor. This debt is unresolved. (Tr. 16-71; GE 2, 3; AE N)

SOR ¶ 1.e is a charged off credit card account for \$1,618. Applicant did not provide sufficient evidence of resolution. Post hearing, she requested verification of the debt with the creditor. This debt is unresolved. (Tr. 16-71; GE 2, 3; AE O)

SOR ¶ 1.f is a charged off credit card account for \$1,610. Applicant did not provide sufficient evidence of resolution. Post hearing, she requested verification of the debt with the creditor. This debt is unresolved. (Tr. 16-71; GE 2, 3; AE P)

SOR ¶ 1.g is a collection account for a bank for \$1,574. Applicant did not provide sufficient evidence of resolution. Post hearing, she requested verification of the debt with the creditor. This debt is unresolved. (Tr. 16-71; GE 2, 3; AE Q)

SOR ¶ 1.h is a charged off credit card account for \$1,389. Post hearing, Applicant requested verification of the debt with the creditor, and in mid-June made a settlement arrangement. (Tr. 16-71; GE 2, 3; AE R)

SOR ¶ 1.i is a collection account for a bank for \$1,267. Applicant did not provide sufficient evidence of resolution. Post hearing, she requested verification of the debt with the creditor. This debt is unresolved. (Tr. 16-71; GE 2, 3; AE S)

SOR ¶ 1.j is a collection account for a bank for \$1,199. Applicant did not provide sufficient evidence of resolution. Post hearing, she requested verification of the debt with the creditor. This debt is unresolved. (Tr. 16-71; GE 2, 3; AE T)

SOR ¶ 1.k is a charged off credit card account for \$1,193. Applicant did not provide sufficient evidence of resolution. Post hearing, she requested verification of the debt with the creditor. This debt is unresolved. (Tr. 16-71; GE 2, 3; AE U)

SOR ¶ 1.l is a collection account for a bank for \$1,153. Applicant did not provide sufficient evidence of resolution. Post hearing, she requested verification of the debt with the creditor. This debt is unresolved. (Tr. 16-71; GE 2, 3; AE V)

SOR ¶ 1.m is a charged off credit card account for \$1,035. Post hearing, Applicant requested verification of the debt with the creditor, and in mid-June made a settlement arrangement. (Tr. 16-71; GE 2, 3; AE W)

SOR ¶ 1.n is a collection account for a bank for \$1,000. Post hearing, Applicant requested verification of the debt with the creditor, and in mid-June made a settlement payment. (Tr. 16-71; GE 2, 3; AE X)

SOR ¶ 1.o is a collection account for a bank for \$997. Post hearing, Applicant requested verification of the debt with the creditor, and in mid-June made a settlement payment. (Tr. 16-71; GE 2, 3; AE Y)

SOR ¶ 1.p is a charged off credit card account for \$915. Post hearing, Applicant requested verification of the debt with the creditor, and in mid-June made a settlement payment. (Tr. 16-71; GE 2, 3; AE Y)

SOR ¶ 1.q is a collection account for a bank for \$825. Post hearing, Applicant requested verification of the debt with the creditor, and in late June made a settlement arrangement. (Tr. 16-71; GE 2, 3; AE Z)

SOR ¶ 1.r is a collection account for a bank for \$791. Post hearing, Applicant requested verification of the debt with the creditor, and in late June made a settlement arrangement. (Tr. 16-71; GE 2, 3; AE AA)

SOR ¶ 1.s is a collection account for a bank for \$306. Applicant did not provide sufficient evidence of resolution. Post hearing, she requested verification of the debt with the creditor. Information she provided did not match the debt or the creditor. This debt is unresolved. (Tr. 16-71; GE 2, 3; AE BB)

At the hearing, Applicant reported she has a \$7,000 debt with a hospital for two emergency room visits, that are not alleged on the SOR. She did not have health insurance at the time. She testified that she last spoke with the creditor in March 2024, but has not yet made payment arrangements. After the hearing she sent a \$100 payment on this debt. This debt is unresolved. (Tr. 16-71; AE I)

Applicant reported that she owes about \$88,000 in student loans that have been previously deferred but would have to enter repayment soon. She also testified that she has a payment plan with the IRS to pay about \$500 in taxes owed. (Tr. 16-71; AE J)

Post hearing, Applicant took credit counseling. She provided character letters and certificates of professional accomplishments. Applicant provided a monthly budget, in which she claims to have \$590 monthly remainder. In 2017 and 2022, despite her delinquent debt, she traveled overseas for a court-reporting competition and vacation. (Tr. 16-71; GE 1; AE F, CC, DD).

Policies

This case is adjudicated under Executive Order (EO) 10865, *Safeguarding Classified Information within Industry* (February 20, 1960), as amended; DOD Directive 5220.6, *Defense Industrial Personnel Security Clearance Review Program* (January 2, 1992), as amended (Directive); and the adjudicative guidelines (AG), which became effective on June 8, 2017.

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

These guidelines are not inflexible rules of law. Instead, recognizing the complexities of human behavior, administrative judges apply the guidelines in conjunction with the factors listed in the adjudicative process. The administrative judge's overarching adjudicative goal is a fair, impartial, and commonsense decision. According to AG ¶ 2(c), the entire process is a conscientious scrutiny of a number of variables known as the "whole-person concept." The administrative judge must consider all available, reliable information about the person, past and present, favorable and unfavorable, in making a decision. The protection of the national security is the paramount consideration. AG ¶ 2(b) requires that "[a]ny doubt concerning personnel being considered for national security eligibility will be resolved in favor of the national security."

Under Directive ¶ E3.1.14, the Government must present evidence to establish controverted facts alleged in the SOR. Under Directive ¶ E3.1.15, the applicant is responsible for presenting "witnesses and other evidence to rebut, explain, extenuate, or mitigate facts admitted by the applicant or proven by Department Counsel." The applicant has the ultimate burden of persuasion to obtain a favorable security decision.

A person who seeks access to classified information enters 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 the applicant may deliberately or inadvertently fail to safeguard classified information. Such decisions entail a certain degree of legally permissible extrapolation of potential, rather than actual, risk of compromise of classified information.

Section 7 of EO 10865 provides that adverse decisions shall be "in terms of the national interest and shall in no sense be a determination as to the loyalty of the applicant concerned." See also EO 12968, Section 3.1(b) (listing multiple prerequisites for access to classified or sensitive information).

Analysis

Guideline F, Financial Considerations

The security concern for financial considerations is set out in AG ¶ 18:

Failure to live within one's means, satisfy debts, and meet financial obligations may indicate poor self-control, lack of judgment, or unwillingness to abide by rules and regulations, all of which can raise questions about an individual's reliability, trustworthiness, and ability to protect classified or sensitive information. Financial distress can also be caused or exacerbated by, and thus can be a possible indicator of, other issues of personnel security concern such as excessive gambling, mental health conditions, substance misuse, or alcohol abuse or dependence. An individual who is financially overextended is at greater risk of having to engage in illegal or otherwise questionable acts to generate funds.

This concern is broader than the possibility that an individual might knowingly compromise classified information in order to raise money. It encompasses concerns about an individual's self-control, judgment, and other qualities essential to protecting classified information. An individual who is financially irresponsible may also be irresponsible, unconcerned, or negligent in handling and safeguarding classified information. ISCR Case No. 11-05365 at 3 (App. Bd. May 1, 2012).

The guideline notes conditions that could raise security concerns under AG ¶ 19. The following are applicable in this case:

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

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; and

(d) the individual initiated and is adhering to a good-faith effort to repay overdue creditors or otherwise resolve debts.

AG ¶ 20(a) does not apply. Applicant's failure to pay her charged off and delinquent debt is recent, not isolated, and ongoing. This continues to cast doubt on her current reliability, trustworthiness, and judgment.

AG ¶ 20(b) does not apply. In 2016, Applicant started a new business. It was reasonable for her to incur startup costs and expect there to be income interruptions at the start of her business. These were not circumstances beyond her control. In 2018, Applicant put minimal effort in finding and vetting a debt resolution company. She blindly sent them monthly payments, was unsure of the services they were supposed to be providing, and did not follow up on their efforts until it was too late. She did not act responsibly under the circumstances.

AG ¶¶ 20(c) and (d) do not apply. Applicant did not take financial counseling until after the hearing. She did not make payment arrangements until after the hearing, and these were for a few of her smaller debts. I do not credit her post-hearing efforts. I cannot find the problem is being resolved or under control, or that she has made a good faith effort to repay creditors or resolve debt.

Too many of Applicant's substantial efforts occurred post hearing. She knew very little about her debts at the hearing and had put minimal effort into resolving delinquent debt until it was clear she might not be granted a security clearance. She did not provide responsible oversight of the credit repair company efforts to ensure that she was making progress in resolving delinquent debt.

The Appeals Board has held that an Applicant who waits until her clearance is in jeopardy before resolving debts might be lacking in the judgment expected of those with access to classified information, ISCR Case No. 15-03208 at 5 (App. Bd. Mar. 7, 2017), and that waiting to pay legitimate debts until forced to do so by the security clearance process does not constitute good-faith debt resolution. See ISCR Case No. 10-05909 at 3 (App. Bd. Sep. 27, 2012).

Whole-Person Concept

Under the whole-person concept, the administrative judge must evaluate an applicant's eligibility for a security clearance by considering the totality of the applicant's conduct and all relevant circumstances. The administrative judge should consider the nine adjudicative process factors listed at AG ¶ 2(d):

(1) the nature, extent, and seriousness of the conduct; (2) the circumstances surrounding the conduct, to include knowledgeable participation; (3) the frequency and recency of the conduct; (4) the individual's age and maturity at the time of the conduct; (5) the extent to which participation is voluntary; (6) the presence or absence of rehabilitation and other permanent behavioral changes; (7) the motivation for the conduct; (8) the potential for pressure, coercion, exploitation, or duress; and (9) the likelihood of continuation or recurrence.

Under AG ¶ 2(c), the ultimate determination of whether to grant eligibility for a security clearance must be an overall commonsense judgment based upon careful consideration of the guidelines and the whole-person concept. I considered the potentially disqualifying and mitigating conditions in light of all the facts and circumstances surrounding this case. I have considered the character letters and Applicant's certificates of professional accomplishments. I have incorporated my comments under Guideline F in my whole-person analysis.

Overall, the record evidence leaves me with questions and doubts about Applicant's eligibility for a security clearance. I conclude that Applicant has not mitigated the financial considerations security concerns.

Formal Findings

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

Paragraph 1, Guideline F:

AGAINST APPLICANT

Subparagraphs 1.a-1.s:

Against Applicant

Conclusion

It is not clearly consistent with the national interest to grant Applicant a security clearance. Eligibility for access to classified information is denied.

Ross D. Hyams
Administrative Judge