

Adjudicative Guideline F

Financial Considerations Job Aid

The Concern

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.

Disqualifying Conditions

Conditions that could raise a security concern and may be disqualifying include:

- (a) Inability to satisfy debts;
- (b) Unwillingness to satisfy debts regardless of the ability to do so;
- (c) A history of not meeting financial obligations;
- (d) Deceptive or illegal financial practices such as embezzlement, employee theft, check fraud, expense account fraud, mortgage fraud, filing deceptive loan statements and other intentional financial breaches of trust;
- (e) 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;
- (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;
- (g) Unexplained affluence, as shown by a lifestyle or standard of living, increase in net worth, or money transfers that are inconsistent with known legal sources of income;
- (h) Borrowing money or engaging in significant financial transactions to fund gambling or pay gambling debts; and
- (i) Concealing gambling losses, family conflict, or other problems caused by gambling.

Mitigating Conditions

Conditions that could mitigate security concerns include:

- (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 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;
- (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;
- (f) The affluence resulted from a legal source of income; 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.

Listed below is clarifying guidance of key terms and concepts pertaining to financial considerations.

Clarifying Guidance Key Terms

The concern for financial considerations identifies several behaviors that may raise questions about an individual's reliability and trustworthiness. Concerning behaviors may include:

- Being financially overextended;
- Affluence that cannot be explained; and
- Excessive gambling.

Concerning Behaviors	Description
Financially Overextended	<p>Financial difficulties may increase the temptation to commit illegal or unethical acts as a means of gaining funds to meet financial obligations. Financial difficulties are, therefore, a significant security concern.</p> <p>The cause of debts and action taken, or not taken, to pay debts tells far more about an individual's reliability, trustworthiness, and judgment than the amount of debt.</p> <ul style="list-style-type: none"> • An individual making a good faith effort to pay off a large debt caused by unexpected medical expenses or business reverses, for example, is likely to be an acceptable security risk. • Conversely, an individual who has made no effort to pay off much smaller debts caused by financial irresponsibility may be an unacceptable security risk.
Affluence	<p>Affluence <u>that cannot be explained</u> refers to:</p> <ul style="list-style-type: none"> • A lifestyle or standard of living; • A pattern of expenditures; • Sudden increase in net worth; or • Money transfers that cannot be explained by the individual's known sources of income. <p>An individual with more money than can be logically explained by known sources of income is a security concern because that money may have come from financially profitable crimes including espionage.</p>
Excessive Gambling	<p>Gambling to excess is a financial concern that may lead to serious security problems. Gamblers who lose more than they can afford often become so desperate for a quick source of funds that they resort to illegal behavior, including but not limited to embezzlement, fraud, and espionage.</p>