

***Adjudicative Guideline F:  
Financial Considerations Short  
Student Guide***

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*Center for Development of Security Excellence*

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## Introduction

Welcome to the Adjudicative Guideline F: Financial Considerations Short. In this Short you will review two applicants' completed background investigation files and make a national security trust determination. The course objective is listed below:

- Review completed national security investigative files and make a national security trust determination based on Guideline F: Financial Considerations.

## Meet Joan and Ben

Joan Avalon is a 57-year-old mechanical engineer employed by a U.S. Government contractor. Joan recently received a promotion to a position that requires Secret eligibility and access. Joan submitted the required paperwork to initiate her national security background investigation through her security office.

Ben Caldwell is a 32-year-old technical writer employed by a U.S. Government agency. He recently transferred to a new position that requires Top Secret eligibility and access. Ben submitted the required paperwork to initiate his national security background investigation through his security office. These cases have been assigned to you. Before reviewing Joan and Ben's completed investigation files and making a national security trust determination, let's review the adjudicator's role in examining cases.

## Adjudicator's Role

The most important part of an adjudicator's job is to examine a sufficient period of an individual's life to determine whether the individual is an acceptable security risk. This task should never be taken lightly, as cleared personnel may eventually have access to classified information. Adjudicators take into consideration all available and reliable information, both favorable and unfavorable from an individual's past and present to form the "whole-person" concept, when making a national security trust determination.

## Factors to Consider When Adjudicating

In evaluating the relevance of an individual's conduct, the adjudicator should consider:

- (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.

## Factors to Consider When Adjudicating – Currently Eligible

When information of a security concern becomes known about a trusted insider or an individual who is currently eligible for access to classified information or eligible to hold a sensitive position, the adjudicator should consider whether the individual:

- (1) Voluntarily reported the information;
- (2) Was truthful and complete in responding to questions;
- (3) Sought assistance and followed professional guidance, where appropriate;
- (4) Resolved or appears likely to favorably resolve the security concern;
- (5) Has demonstrated positive changes in behavior; and
- (6) Should have their national security eligibility suspended pending final adjudication of the information.

## Guideline F – The Concern

Listed below is the National Security Adjudicative Guideline F: Financial Considerations concern from Security Executive Agent Directive (SEAD) 4.

*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.

## Clarifying Guidance – Concerning Behaviors

The Concern for Financial Considerations identifies several concerning 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.

### ***Financially Overextended***

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. **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.** 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***

Affluence that cannot be explained refers to 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. 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.

### ***Excessive Gambling***

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.

## **Investigative File Review – Joan**

Now that you have reviewed the guideline and clarifying guidance, your task is to review Joan and Ben's completed background investigation files and make a national security trust determination. Please note that other adjudicative guidelines may apply. In this case you will focus only on Guideline F: Financial Considerations.

Let's start with Joan. While reviewing Joan's investigative file and Standard Form 86, or SF-86, you read that she struggled to make payments for a large loan. Take a moment to review [Guideline F](#), if needed. Then, review the details in Joan's file listed below.

### ***Joan Avalon: Investigative File***

- Approximately two years ago, Joan set up a business to make fittings for oil-well drilling machinery.
- She borrowed \$200,000 to buy equipment.
- She received a contract for fittings and gaskets, but it was canceled in an oil industry downturn.
- The bank repossessed and sold the equipment, leaving Joan responsible for repaying the loan balance of \$140,000.
- She could not make the payments because her take-home pay left her little extra money after her normal expenses.
- Before she lost the contract, Joan had been able to handle all her financial responsibilities and pay all her bills.
- The court, where she is receiving financial counseling, arranged a payment schedule for her to repay the loan.
- Joan is making the payments arranged by the court and provided the receipts and court papers during her subject interview.

- She accurately reflected all financial information on her SF-86.

## Knowledge Check – Disqualifying Conditions

Does the information in Joan’s file raise a valid security concern under Guideline F: Financial Considerations?

Review the [investigative file](#), as needed, and then select the disqualifier(s) that apply to Joan’s case. Check your answer in the Answer Key at the end of this Student Guide.

- (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
- (i) Concealing gambling losses, family conflict, or other problems caused by gambling
- No disqualifying conditions apply

## Knowledge Check – Mitigating Conditions

Joan’s inability to repay the loan is a security concern and therefore disqualifying, however each Adjudicative Guideline has specific mitigating conditions that may reduce the severity of the disqualifying behavior and overall security concern and permit a favorable national security trust determination. Do any mitigating conditions apply to Joan’s case?

Review the [investigative file](#), as needed, and then select the mitigator(s) that apply to Joan’s case. Check your answer in the Answer Key at the end of this Student Guide.

- (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
- (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
- No mitigating conditions apply

### **Summary – Joan**

The information from Joan's background investigation raised a concern under Guideline F. Joan accurately reflected all financial information on her SF-86 and is currently making the payments arranged by the court. This concern can be mitigated.

When making a national security trust determination, remember that an investigative file may have multiple adjudicative concerns. This training Short focuses on National Security Adjudicative Guideline F.

## **Investigative File Review – Ben**

Now let's look at Ben. Your task is to review Ben's completed investigation files and make a national security trust determination. Please note that other adjudicative guidelines may apply. In this case you will focus only on Guideline F: Financial Considerations. While reviewing Ben's investigative file and SF-86, you read that he is having issues with debt. Take a moment to review [Guideline F](#), if needed. Then, review the details in Ben's file listed below.

### ***Ben Caldwell: Investigative File***

- Ben accumulated approximately \$20,000 in credit card debt over the last two years. He feels he has everything under control. However, he is unable to pay the minimum payment required and has been working full-time since college.
- A year ago, he received a \$40,000 inheritance from the sale of his parents' house, but very little of the money remains.
- He is still paying off the remaining \$10,000 on his student loan debt and has been late on 50 payments over the last seven years.
- He shared that he plays poker with some friends several times a month and that the stakes are high. Usually, he wins or loses \$500 when he plays.

- He mentioned that his girlfriend no longer lends him money to fund his gambling and encouraged him to get counseling to deal with his excessive spending and gambling habits. However, he didn't feel it was necessary.

## Knowledge Check – Disqualifying Conditions

Does the information in Ben's file raise a valid security concern under Guideline F: Financial Considerations?

Select the [investigative file](#), as needed, and then select the disqualifier(s) that apply to Ben's case. Check your answer in the Answer Key at the end of this Student Guide.

- (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
- (i) Concealing gambling losses, family conflict, or other problems caused by gambling
- No disqualifying conditions apply

## Knowledge Check – Mitigating Conditions

Ben's inability to satisfy his debts and his gambling are a security concern and therefore disqualifying, however each Adjudicative Guideline has specific mitigating conditions that may reduce the severity of the disqualifying behavior and overall security concern and permit a favorable national security trust determination. Do any mitigating conditions apply to Ben's case?

Review the [investigative file](#), as needed, and then select the mitigator(s) that apply to Ben's case. Check your answer in the Answer Key at the end of this Student Guide.

- (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
- (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
- No mitigating conditions apply

### **Summary – Ben**

The information from Ben's background investigation raised a concern under Guideline F. Ben's debt and gambling issues are recent, and he is not making any effort to address his spending and gambling problems. This concern cannot be mitigated. When making a national security trust determination, remember that an investigative file may have multiple adjudicative concerns. This training Short focuses on National Security Adjudicative Guideline F.

## **Conclusion**

Congratulations! You have completed the Adjudicative Guideline F: Financial Considerations Short. You should now be able to review completed background investigative files and make a national security trust determination based on Guideline F. For more information on the other Adjudicative Guidelines, please see the other Shorts developed by CDSE. To review Guideline F: Financial Considerations Short, access the Job Aid in the Course Resources.

## Appendix A: Answer Key

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### Knowledge Check – Disqualifying Conditions – Joan

Does the information in Joan’s file raise a valid security concern under Guideline F: Financial Considerations?

- (a) Inability to satisfy debts (correct response)
- (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
- (i) Concealing gambling losses, family conflict, or other problems caused by gambling
- No disqualifying conditions apply

**Feedback:** *Joan was unable to make her loan payments.*

### Knowledge Check – Mitigating Conditions – Joan

Do any mitigating conditions apply to Joan’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 (correct response)
- (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 (correct response)
- (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 (correct response)

- (d) The individual initiated and is adhering to a good-faith effort to repay overdue creditors or otherwise resolve debts (correct response)
- (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
- (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
- No mitigating conditions apply

**Feedback:** *This situation occurred under such circumstances that it is unlikely to recur and the conditions that resulted in the financial problem were largely beyond the person's control (i.e., business downturn). Based on Joan's efforts, there is clear indication that the problem is being resolved and she is adhering to a good-faith effort to repay the debt.*

## Knowledge Check – Disqualifying Conditions – Ben

Does the information in Ben's file raise a valid security concern under Guideline F: Financial Considerations?

- (a) Inability to satisfy debts (correct response)
- (b) Unwillingness to satisfy debts regardless of the ability to do so
- (c) A history of not meeting financial obligations (correct response)
- (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 (correct response)
- (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 (correct response)
- (i) Concealing gambling losses, family conflict, or other problems caused by gambling
- No disqualifying conditions apply

**Feedback:** *The conditions that raise a security concern and may be disqualifying in Ben's case include his inability to satisfy debts, his history of not meeting financial obligations, his consistent spending beyond his means, and engaging in significant financial transactions to fund gambling.*

## Knowledge Check – Mitigating Conditions – Ben

Do any mitigating conditions apply to Ben'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
- (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
- (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
- No mitigating conditions apply (correct response)

**Feedback:** *The disqualifying conditions cannot be mitigated in this case.*