

## Bankruptcy and your government security clearance.

Military personnel and other government employees fear that filing personal bankruptcy, may negatively impact their security clearance and their jobs (even when instructed to do so by a superior to keep their security clearance). Here are some clearance investigation guidelines.



A consumer bankruptcy filing by an individual may or may not negatively impact their current or requested security clearance. It depends on the honesty of the person being investigated, the individual circumstances and the opinion of the adjudicating agency.

**All investigations are performed by the Office of Personnel Management/Federal Investigative Services (OPM/FSI) staff or OPM outside contractors.**

- OPM has an automated system that pulls credit reports and other federal agency information including IRS and Immigration as well as local agency information.
- OPM/FSI investigations have 13 check points. Of the most interest to bankruptcy questions are the "Personal responsibility" and "Financial responsibility" areas.

**Investigators are looking for any activity in the person's background that would:**

- Make them susceptible to being blackmailed or coerced into acts against the United States.
- Show them as being personally or financially irresponsible (flagrant overspending on credit and refusing to pay the bills, for example)
- Show them as being involved in past or current criminal activity
- Show inconsistencies or red flags (an E2 driving a Ferrari, for example)

**Falsifying any information on the investigation questionnaire or in interviews is regarded as very damaging to the applicant.**

Misrepresentation, misinformation, lying, omitting material information or any other attempt to mislead the investigation is likely to cause a denial of clearance from the adjudicators.

All responses, written and oral, are made under oath. It's better to admit the bad news and show the reasons for it along with efforts at mitigation.

### **Adjudication process**

OPM/FIS provides a verified report to the "client" – a government agency – and the agency performs the actual adjudication. Depending on the situation, the agency can (1) deny clearance, (2) approve clearance, or (3) issue a provisional or temporary clearance pending further

investigation.

There is no method of advance determination of the adjudication. But there is due process and an appeal procedure.

### **The “Whole Person” Concept**

OPM/FSI investigations are reported using the “whole person” concept. Efforts to mitigate negative behavior or action are key elements. For example:

- If a person has overwhelming debt from family medical bills and makes a timely bankruptcy filing along with credit counseling and any other discharge requirements, the bankruptcy may be regarded as a good faith action to mitigate the problem.
- If a person runs up irresponsible credit card debt and refuses to acknowledge requests for payment for some time and there is subsequent legal action, a bankruptcy may not be regarded as appropriate mitigation and may negatively affect the security clearance.

### **Conclusion**

- Security clearance applicants must be absolutely truthful during the investigation.
- The “Whole Person” concept means that past problems may not have a negative impact on their security clearance if causes can be explained and if mitigation efforts are appropriate and timely.
- Past or current bankruptcy may (or may not) negatively impact the security clearance application. It all depends on the circumstances and situation, truthfulness of the applicant and the adjudicating agency.

#### **Richmond:**

**804.358.9900**

Interstate Center  
2104 W Laburnum Ave, Suite 201  
Richmond, VA 23227

#### **Virginia Beach:**

**757.313.3000**

Southport Centre  
4525 South Boulevard, Suite 201  
Virginia Beach, VA 23452

#### **Newport News:**

**757.825.5577**

Patrick Henry Corporate Center  
12350 Jefferson Ave, Suite 170  
Newport News, VA 23602