

PREPARING FOR SECURITY CLEARANCE REVIEWS

A secret security clearance is required for most Signal and Military Intelligence military occupational specialties (MOS). Most Initial Entry Training (IET) Soldiers are provided an interim clearance upon arrival at Fort Gordon. A comprehensive background investigation will be completed while the Soldier is attending training. Soldiers must demonstrate financial responsibility in order to be granted a final security clearance. A credit history that includes old, unpaid debts; delinquent accounts, charged off loans, deficiency judgments, or repossessions will normally result in a delay or even denial of the security clearance. Resolution of these debts will be demonstrated by the establishment of a creditor-approved repayment plan and proof of three consecutive months of payment for each of the delinquent accounts (see attachment – *Proof of acceptable payment*). Soldiers who are not granted a final security clearance during IET will be placed in a *derogatory status* (*derog*). A Soldier who remains in a *derog status* until graduation will not be released for a permanent change of station (PCS) move, and will be placed in a *hold over status*. While in a *hold over status*, a Soldier should make every effort to resolve the financial issues preventing issue of the security clearance. If a Soldier is unable to resolve the negative financial issues within a reasonable time, he/she may discuss other options with the battalion S-2. Options may include a request for voluntary reclassification to a MOS that does not require a security clearance. An involuntary reclassification action may be initiated for soldiers who fail to resolve security clearance issues and do not request voluntary reclassification.

PROCEDURES

- 1. Obtain a copy of your credit reports from all three credit reporting services (Experian, Trans Union and Equifax) as soon as possible after arrival at Fort Gordon.** Reports may be accessed on line at www.annualcreditreport.com, by calling 877-322-8228, or by submitting a written request to Annual Credit Report Request Service, P.O. Box 105281, Atlanta, Georgia 30348-5281. This web site provides free reports with no obligation to purchase other financial products. Computers are available for your use in the Army Community Service welcome lobby, Room 172, Darling Hall from 0730 – 1700, Monday – Friday. If you have delinquent or unpaid debts listed on the credit report that are *accurate*, immediately request a meeting with the unit S-2 (Security Officer) to discuss your options.
- 2. Review the credit reports for any errors.** Each credit report includes an explanation of how to challenge errors by filing a *dispute*. All unknown accounts, inaccurate balances, and duplicate entries should be disputed. Credit reporting agencies are required to investigate all disputes by contacting the creditor. The creditor must validate the accuracy of the entries or the credit reporting agency must delete them.
- 3. Verify account information.** Remember that contact with creditors may include conversations with collection agencies. Some of them may be difficult or uncooperative.

Do not respond in the same way. Make every effort to express your willingness to work out a mutually acceptable agreement. Ask to speak with someone who can work with you on a payment arrangement. However, if you plan to enroll in a debt repayment plan through a nonprofit agency to resolve the debts, explain to the creditor that you are verifying account information, provide the date of your appointment at the debt repayment agency, and state that a counselor should be contacting them soon about your account.

Tips for successful creditor negotiation

Try and work with the same person each time you contact the creditor. Keep a log of each time you speak with them that includes the following information:

- **Date of the call**
- **Name of the person you spoke to**
- **Phone number and extension of the person**
- **Summary of the conversation**

Verify the following:

- **Account number**
- **Mailing address (for you and the creditor)**
- **Current balance**

4. Determine your plan to bring the accounts current or repay them in full.

There are a number of ways to accomplish this. You may choose different methods for each creditor (unless you are participating in a debt repayment plan through a non-profit agency which will require inclusion of all debts). Now that you know what accounts are delinquent, what the balance is, and how much money you have available to apply to each account, you can choose the strategy that works for you. You must be aware that many of these accounts are old and may be inactive or even in a charged off status. That means that the creditor may no longer be pursuing active collection of the account. That does not relieve you of the responsibility to repay if you want to obtain a security clearance. Your contact with the creditor will provide them new information about your location, your interest in repayment, and the consistency of a monthly military paycheck. Once you have made contact with the creditor, they may initiate more aggressive collection efforts if you fail to repay.

5. Choices for repayment.

Negotiate a settlement payment for less than the balance and pay it.

Confirm that the debt is in error. You will have to demonstrate proof of this.

Negotiate with creditors on your own, create a repayment agreement that works for you and the creditor, and prepare a summary of the terms. Provide a copy of this summary to your S-2. The summary may be either typed or written. After the S-2 approves, a copy of the proposal should be sent to each of your creditors along with the first monthly payment as agreed. Be sure that you have funds to make the monthly payment before you commit to a repayment plan. Failure to adhere to the repayment plan may result in more aggressive collection action by the creditor or suspension of the clearance at a later time during a periodic review. You should consider attending one of the financial classes offered by Army Community Service for times and locations) that

provide help with developing a budget, reducing expenses, and creditor negotiation instruction (check the training link at www.gordon.army.mil/acs or call 706-791-3371/7878/2147. If you still need additional assistance, individual counseling appointments are available.

Work through a non-profit debt repayment agency. This is a middle-man, not a lender. They are often able to negotiate a better repayment plan and reduce interest rates and late fees. BE SURE that you select a non-profit agency. Some agencies pretend to be non-profit but will actually try to loan you money at very high interest rates. This is a consolidation company, not a debt repayment agency. Check that the agency is accredited as non-profit and a member of the National Foundation of Consumer Credit (NFCC) or the Association for Independent Credit Counselors (AICC) before working with them. Contact information for some of the nonprofit agencies is available from your S-2 or the Army Community Service. The counselor will help you create a realistic budget, determine the monthly payments that you can make to the debts, negotiate with creditors to establish a payment on your behalf. Expect that the monthly payment is usually 2-3% of the balance. There is normally a 7.5% administrative fee added to your monthly payment that covers administrative costs of maintaining your account, issuing checks to the creditors, postage, etc. If your total monthly payment fee is \$200, the fee is only \$15. Many of the nonprofit agencies will allow you to pay by allotment. This is an excellent way to ensure that the payment is made on time each month.

Get a consolidation loan to pay off all your creditors at once. The repayment will normally be at a much higher interest rate. Although the monthly repayment may be affordable, the long term cost of the loan will be substantial. Consider discussing your decision with your S-2 or a financial counselor at Army Community Service before pursuing this option.

6. If you filed bankruptcy. If you have a bankruptcy in your financial history, you must provide the following documents: proof of bankruptcy disposition, creditors included in the bankruptcy, discharge date or when you are scheduled to complete the payments (Chapter 13), and the type of bankruptcy (Chapter 7 or 13), amount of the debt to each creditor that was absolved (usually Schedule F), and your own statement of the reason for filing bankruptcy.

If you have difficulty obtaining your bankruptcy documentation, contact your lawyer, the courthouse where it was filed, or search the public records in the state where it was filed (in person or through the internet). If you did not list all your debts on the EPSQ, you must explain in writing (handwritten or typed), why you omitted these debts when you completed your security questionnaire, and it must be signed and dated.

7. Contact your battalion S-2 (Security) representative if you need assistance.

ACCEPTABLE PROOF OF PAYMENT

Documentation from your financial institution

Check. You may provide a copy of a cancelled check as proof of payment. A cancelled check is one that has already been processed by the bank or credit union. If you provide a copy of a check that has not been processed through the bank or credit union, it will not be considered proof that payment has been made.

Account statement. A copy of the statement will be sufficient if it reflects the date, amount of the transaction, and to whom the money was paid.

Documentation from your creditor.

Statement. A statement on the creditor's letterhead will be sufficient if it contains the date, amount paid, remaining balance, and your name and account number.

Correspondence. A memo or letter from the creditor or court on official letterhead that lists the date, amount paid, remaining balance, and your name and account number.

Documentation from another legitimate source.

Money order or cashier's check. You may provide a copy of a completed money order or cashier's check once it has been purchased and completed. If the "payee" portion is left blank, it is unacceptable.

Release of lien. You may provide an original or copy of a release of lien.

Non-profit debt repayment agency. If you choose to participate in a debt repayment plan to resolve debts, you may enroll with an agency telephonically, on line, or in person. Prior to enrollment, be sure to verify the non-profit status of the agency. Check to see if the agency is accredited through the Council on Accreditation and a member of the National Foundation for Consumer Credit (NFCC). They will display the logo of those organizations on their website or in their publications.