

Foreclosure freeze could put security clearances at risk

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The sudden [moratorium on many foreclosures](#) across the country has unexpectedly put some federal workers and contractors in jeopardy of losing their security clearances because of the heightened uncertainty clouding their finances, according to lawyers who handle these cases.

Employees with security clearances are monitored by the government for financial problems that would make them vulnerable to bribery or blackmail. And with many financial companies adopting some form of foreclosure freeze in recent weeks, it's taking longer for some delinquent borrowers to resolve their mortgage cases and put their troubles behind them, the lawyers said.

This problem is especially acute in the Washington region, home to nearly a third of the the nation's [854,000 employees with top-secret clearances](#).

"Resolving debt is more complicated when the lenders are in paralysis," said Dennis Sysko, a national security lawyer in Glen Burnie. "The longer it is unresolved, the longer the cloud remains."

Lawyers in the Washington area said they are starting to field inquiries about foreclosure delays from workers who have security clearances or are trying to get them. Many don't know whether they should be elated or concerned by the turn of events.

"I'm just really confused because nobody has made clear to me what this foreclosure delay means," said Brian Young, a federal employee from Capitol Heights.

Young bought his first home in October 2007 with a first and second mortgage from [Bank of America](#). At the time, he had the interim secret clearance he needed to do his electrical engineering job at a Defense Department agency, he said. He applied for a permanent clearance soon thereafter.

When the permanent clearance did not come through as quickly as he'd hoped, Young said, his pay was cut, and he fell behind on his mortgage in August. He was engaged in talks with his lender to modify his loan when his security clearance was revoked. His supervisors suspended him from his job, citing him as a financial risk, mostly because of his mortgage problems, he said.

Young is appealing the decision. But as he waits, he's fallen further behind on his mortgage and other bills, including child support payments. Bank of America informed him that it would expedite foreclosure and seize his home, but then the lender suddenly announced a halt to all its foreclosure sales nationwide. This week, the bank said that it would [restart foreclosures in some states](#), but not yet in the Washington region.

"This is just dragging everything out, and my credit keeps taking more hits," Young said. "If it helps me in some way, cool. But I just don't know if it does."

The moratorium comes to D.C.

Foreclosure delays started when Ally Financial, formerly GMAC, suspended evictions last month after concerns arose about flaws in court documents used to seize homes. The firm limited its freeze to the 23 states where lenders have to win a court order to initiate a foreclosure. Other major lenders, including [J.P. Morgan Chase](#) and Bank of America, also suspended foreclosures in those states.

Virginia, Maryland and the District were not immediately affected by the lenders' actions. But then Bank of America suspended foreclosures nationwide. Others have since selectively halted foreclosures here. And at least two area circuit courts - in Prince George's and Montgomery counties - are reviewing cases for paperwork flaws.

Under government guidelines, the failure of security-cleared workers to live within their means and pay off debt suggests poor self-control, bad judgment and an unwillingness to abide by rules, raising concerns about their ability to protect classified information.

Only a few government agencies make public their decisions to revoke or deny security clearances. Among them is the Defense Department's Office of Hearings and Appeals (DOHA), which reviews cases involving contractors for the Pentagon and about two dozen agencies, according to lawyers.

From January 2006 through June 2010, about 70 appeals involving foreclosures and other distressed sales were considered by that office, and security clearances were revoked or denied in 62 of those cases, according to Sheldon I. Cohen, an Arlington lawyer who recently wrote [a paper about the rulings](#).

"In many cases, they act as a court of morality," Cohen said.

Based on his study of the DOHA appeals cases in the past 4 1/2 years, Cohen said that the number of security clearance denials and revocations has kept pace with the number of mortgage defaults, foreclosures and other distressed sales in the country.

'Emotionally charged issue'

The number of security-cleared workers who are in trouble with their loans is not public. But John P. Mahoney, a lawyer in the District, said there is no reason to believe that these employees are insulated from the problems that plague the housing market at large.

"Now they are concerned that their clearance will be pulled or they will be fired because their real estate investments have gone bad," Mahoney said. "It's a very emotionally charged issue, because some of these people have had high-level clearances for decades and never dreamed they would face a problem like this."

Two weeks ago, Mahoney was contacted by a government contractor panicked about the payments she's missed on three investment properties she can no longer afford. She can't refinance or sell the homes because each has lost value.

The contractor, who asked not to be named for fear of losing her job, said in an interview that she has had a security clearance for more than 20 years. She is talking to Bank of America, her lender, about modifying the loans to avoid foreclosure.

"I'm hoping the freeze will work for me instead of against me," she said.

But anything that keeps her from resolving the problems leaves her in limbo. And that means it will take that much longer for her to regain her financial footing, reestablish her credit and reassure the government that she's trustworthy.

"If the foreclosure moratorium continues and she is unable to successfully modify her loans, she's left with the financial concerns that could lead to her termination," Mahoney said. He added, "Action needs to be taken, a government-wide approach, so that people who add value to the government's mission and have a long record of trusted service don't lose their jobs for no other reason than an economic downturn."

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