

NCLC Advocates Praise Proposed Settlement in Sweet v. Cardona

June 23, 2022

Settlement may restore faith in borrower defense process, though barriers to relief remain

WASHINGTON - Today advocates from the National Consumer Law Center applauded the proposed settlement agreement in the class action lawsuit *Sweet v. Cardona*, which challenged the U.S. Department of Education's failure to provide timely decisions on borrower defense applications submitted by federal student loan borrowers seeking loan cancellation based on predatory school conduct. **Kyra Taylor, staff attorney at the National Consumer Law Center, issued the following statement:**

"The relief promised by this settlement will be life changing for the defrauded borrowers whose loans will be canceled, but the settlement is also important for borrowers who have not filed applications for relief and who will therefore not benefit immediately. Many borrowers who are eligible for relief and are aware of how to apply have not submitted a borrower defense application because they assumed that the Department's failure to decide claims meant that applying for relief was futile. But the cancellation and decision deadlines provided by this proposed settlement upend those assumptions and will go a long way toward restoring borrowers' faith that the government will actually cancel debts associated with predatory school conduct. We hope that borrowers who have lost faith in the process see this announcement and submit their borrower defense applications today.

"The proposed settlement-along with the Department's recent decision to automatically cancel loans to attend Corinthian Colleges and Marinello-demonstrates that this administration is committed to providing long-overdue relief to federal student loan borrowers who were harmed by their school. But more work remains. Countless borrowers who were scammed by their school have no idea that they are eligible for relief and will not apply without some kind of intervention. Additionally, the Department still requires borrowers to complete a complicated 25-page form to apply for relief. Even with the improvements provided by this settlement, administrative hurdles will stop eligible borrowers from getting the relief they deserve.

"We urge the Department to do more with its existing authority to streamline its relief process to eliminate predatory debt from the federal student loan portfolio. For example, attorneys general have submitted group relief claims on behalf of thousands of students that have languished for years. Some of these pending group claims are now the subject of private litigation challenging the Department's delay. The Department should include the attorneys generals' group applications within this settlement, and discharge debts for borrowers covered by these outstanding group applications alongside the outstanding individual applications."

"In addition, the Department must expand its investigations to unearth additional cases of school misconduct and determine that those borrowers are eligible for relief. The Department should also use its existing findings of eligibility for relief as a basis for issuing group discharges that automatically cancel borrowers' debts, without requiring individual applications. Finally, the Department should engage in direct outreach to borrowers to inform them that they may be eligible for relief, and should simplify the process for borrowers to apply."

Additional resources:

- Letter submitted by 23 advocacy organizations and unions to the U.S. Department of Education asking for the cancellation of debts associated with all outstanding borrower defense claims. (April 13, 2021)
- Press release regarding the Department's decision to cancel all Corinthian College borrowers' debts (June 2, 2022)
- Press release regarding the Department's decision to cancel Marinello School of Beauty Borrowers' Debts (April 28, 2022)
- Press release regarding *Hemphill v. Cardona* lawsuit alleging that the Department of Education had illegally ignored its responsibility to issue a decision on a group borrower defense claim submitted by the Illinois Attorney General on behalf of former-students that attended Westwood College's Criminal Justice programs. (May 19, 2022)
- Press release regarding *Dunn v. Cardona* lawsuit alleging the Department of Education ignored its responsibility to issue a decision on a group borrower defense application submitted by the Massachusetts Attorney General on behalf of former students who attended the Medical Assistant and Medical Billing and Coding programs of the now-defunct Kaplan Career Institute. (April 26, 2022)