

Sweet v. McMahon Settlement: Court Rejects Broad Extension of Borrower Defense Deadlines, Tightens Timelines for Post-Class Applicants

January 20, 2026

The borrower-defense settlement in *Sweet v. McMahon* (formerly *Sweet v. Cardona* and *Sweet v. DeVos*) continues to shape the Department of Education’s (ED) obligations to adjudicate borrower defense to repayment applications. A recent bench ruling materially affects the timeline for so-called “post-class” applicants.

Under the settlement, borrowers fall into three groups. First, approximately 200,000 borrowers who attended one of 151 identified institutions received automatic “Full Settlement Relief,” including discharge of federal loans, refunds of amounts paid, and deletion of adverse credit reporting. Second, class members with borrower defense applications pending as of June 22, 2022 are entitled to decisions under fixed timelines, with automatic relief if ED fails to meet those deadlines. ED has reported that it has resolved a substantial portion of these claims. Third, the post-class group consists of roughly 207,000 borrowers who filed more than 251,000 applications between June 23 and November 15, 2022. Under the settlement, ED must issue decisions on those applications by January 28, 2026, or the applications are automatically approved.

In November, ED moved to extend the post-class deadline by 18 months, to July 2027. The agency cited resource constraints, including declining staffing at Federal Student Aid, the absence of additional congressional funding, and a current adjudication rate of approximately 1,500 post-class applications per month. ED also reported that roughly half of post-class applications adjudicated to date have been denied and argued that automatic relief under the existing deadline could result in billions in loan discharges. Plaintiffs opposed the extension, emphasizing that ED remains significantly behind schedule and that fewer than one-fifth of post-class applications had been resolved.

On December 11, 2025, after oral argument, Judge William Alsup issued a bench ruling largely denying the requested extension. The Court held that post-class applications involving “Exhibit C” institutions, schools that ED has determined show significant indicators of substantial misconduct, grounded in credible allegations or, in some cases, confirmed findings, remain subject to the original January 28, 2026 deadline and will be automatically approved if not adjudicated by that date. For the balance of post-class applications not involving Exhibit C institutions, the Court granted only a limited extension, setting a new adjudication deadline of April 15, 2026.

ED now faces firm, court-ordered deadlines to adjudicate these claims on a compressed schedule. Institutions should anticipate increased adjudicatory activity and potential outreach from ED as the agency works to meet the Court's timelines.

Should you have any questions about the impact of the ruling on your institution's policies and practices, please contact Dina Vespia (dvespia@cullenllp.com), Nicole Donatich (ndonatich@cullenllp.com) or Jordan Milite (jmilite@cullenllp.com).

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