



## **Restoring Public Service Loan Forgiveness to Its Statutory Purpose**

***This final rule will protect American taxpayers and ensure Federal dollars only support organizations that are serving the public good***

On October 30, 2025, the U.S. Department of Education (Department) announced a final rule amending the regulations for the Public Service Loan Forgiveness (PSLF) program.<sup>1</sup>

This final rule is intended to restore confidence in the PSLF program and return the program to its statutory purpose – supporting public service. Under the final rule, the Department now has new tools to prevent taxpayers from supporting loan forgiveness for borrowers whose organizations are breaking the law.

Enacted in 2007 through the *College Cost Reduction and Access Act*, PSLF is intended to provide student loan cancellation to borrowers who spend a significant period of time working in the public service sector. The program provides for loan cancellation after a borrower has made 120 qualifying payments while employed at a qualifying public service employer—incentivizing borrowers to work in public service careers that improve their communities.

Since its initial enactment, the PSLF program has been expanded through fiscally irresponsible pandemic-era waivers. Specifically, the waivers counted non-qualifying payments toward debt relief and utilized inadequate eligibility standard monitoring, allowing organizations to qualify despite engaging in illegal activities to the detriment of the public interest and American taxpayers. This final rule establishes new regulations in order to restore the PSLF program to its statutory purpose while safeguarding American taxpayer dollars.

This final rule amends the definition of a “qualifying employer” to exclude employers that participate in illegal activities such that they have a substantial illegal purpose. When an organization has a pattern or practice of engaging in certain illegal conduct, they have a substantial illegal purpose because a significant amount of their activities are supporting illegal activity. Illegal activity by its very nature runs contrary to the public good. The statute written by Congress focuses on public service, and the Trump Administration will not direct taxpayer dollars from hardworking Americans to organizations that are breaking the law.

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<sup>1</sup> The final rule will be published in the *Federal Register* on October 31, 2015.

The final rule defines those illegal activities at issue; establishes a process for determinations of employer disqualification from the PSLF program; provides a reconsideration process for employers in the event they are removed from qualifying employer status; requires timely notification to borrowers and employers of any relevant determinations; and clarifies that this rule will only be applied prospectively. This fact sheet provides a summary of the major provisions of the regulation, including information on specific borrower and employer eligibility and participation in the PSLF program following the final rule's effective date on July 1, 2026.

Importantly, the rule does not change the underlying law; it establishes new consequences for breaking the law. Employers that are following the law will not be impacted under this final rule. Furthermore, employers that have minor compliance issues where there is no concerted practice of illegal activity will generally not be ineligible.

### **Definition of Qualifying Employer**

This final rule amends the definition of “qualifying employer” to exclude organizations that engage in activities such that they have a substantial illegal purpose. These activities include aiding and abetting violations of Federal immigration laws, supporting terrorism or engaging in violence for the purpose of obstructing or influencing Federal Government policy, engaging in the chemical and surgical castration or mutilation of children in violation of Federal or State law, engaging in the trafficking of children to States for purposes of emancipation from their lawful parents in violation of Federal or State law, engaging in a pattern of aiding and abetting illegal discrimination, and engaging in a pattern of violating State laws.

### **Employer Determinations and Reconsideration**

In this final rule, the Department establishes a process for determining that employers have a substantial illegal purpose and may no longer be a qualifying employer for the purposes of the PSLF program. The Secretary will determine, by a preponderance of the evidence, and after notice and opportunity to respond, that a qualifying employer has engaged on or after July 1, 2026, in illegal activities such that the organization has a substantial illegal purpose by considering the materiality of any illegal activities or actions. The final rule outlines specific evidence that the Secretary may find is conclusive when making a determination, including a final judgement by a State or Federal court, a plea of guilty or *nolo contendere*, or a settlement by an employer that includes an admission that it engaged in illegal activities such that it has a substantial illegal purpose.

Employers will be provided with a notice, a transparent record, and an opportunity to review, respond, and rebut the Department's findings—providing due process to all impacted stakeholders and applying the rule fairly and consistently. Qualifying employers that are under review because they may have a substantial illegal purpose will maintain qualifying employer status until a final determination is made by the Secretary.

For employers that have been found to have a substantial illegal purpose and wish to regain eligibility, they may either:

1. Reapply to serve as a qualifying employer 10 years after the date of the determination; or
2. Enter into a corrective action plan prior to an ineligibility determination that is agreed to by the Secretary in order to maintain a qualifying employer status.

Borrowers who participate in PSLF already have a reconsideration process in place that allows a borrower to appeal a determination directly related to their own PSLF status. This final rule does not provide an avenue for borrowers to appeal an employer's qualifying employer status; however, if the employer appeals a determination, a borrower may provide the employer with evidence to support the employer's appeal of the determination.

### **Timely Notification**

Employers will be provided with notice and opportunity to respond during the determination process as outlined above. In the event that the Secretary determines a qualifying employer has a substantial illegal purpose and is no longer a qualifying employer, the Department will provide a notification to both impacted borrowers and employers.

Borrowers will also receive a notification when their employer has been notified that the organization may no longer satisfy the definition of a qualifying employer, the employer has a pending determination, and a determination that the employer is no longer a qualifying employer.

In addition, borrowers may use the PSLF Help Tool on the Department's website to identify qualifying employers by searching the employer identification number (EIN). The Department will update this list within 30 days of a disqualifying determination, ensuring borrowers have the most up-to-date information while pursuing debt relief and benefitting the public good.

### **Prospective Application**

On or after July 1, 2026, no payment made by a borrower will be credited as a qualifying PSLF payment for any month that their employer was found to have engaged in illegal activity that rose to the level of substantial illegal purpose. Borrowers will receive full credit until the effective date of the Secretary's determination.

If an employer determination is made at any point within a month, consistent with current practice, the borrower will receive full credit for that month. For example, if a determination is made on September 3, 2026, based on activity that occurred on or after July 1, 2026, a borrower will still receive credit for employment and will subsequently be eligible to make a qualifying payment for September 2026. Moving forward, however, the borrower will not receive any further credit and must change employment to be eligible for continued participation in the PSLF program.

The Department will not retroactively disqualify any payments made by borrowers for any month preceding the effective date.

### **Illegal Activity vs. Substantial Illegal Purpose**

The final rule enumerates certain crimes that the Secretary will consider when determining if the employer has a substantial illegal purpose. Evidence of unlawful behavior will be used in determining if an organization has a substantial illegal purpose, but not all organizations that have broken the law have a substantial illegal purpose.

In determining whether an organization has a substantial illegal purpose, the Secretary weighs evidence of illegal activity and determines if that illegal activity is so severe or pervasive in the organization that more than an insubstantial amount of its activities have an illegal purpose. If so, the organization has a substantial illegal purpose and will be disqualified from PSLF.

One instance of participation in terrorism may be enough to disqualify an organization, whereas technical and minor violations of law may not be sufficient. Determinations of this standard will be based on uniform criteria and evaluated specific to the case at hand.

Illegal activities considered by the Secretary include terrorism, trafficking, aiding and abetting illegal discrimination, and certain violations of State law.

### **Effective Date**

This final rule will be effective on July 1, 2026. This final rule provides borrowers and employers ample opportunity to understand the impact on them and take any necessary actions. As stated above, the rule does not change the underlying law; it establishes consequences for breaking the law. Only illegal activities that occur on or after July 1, 2026, will be taken into account when the Department takes enforcement action under the rule.