Regulation Summary

The U.S. Department of Education's Final Rule on Public Service Loan Forgiveness

Background

In June 2025, the Department of Education (Department) launched a negotiated rulemaking committee to modify the regulations regarding the Public Service Loan Forgiveness (PSLF) Program. Third effort was a direct response to the White House executive order "Restoring Public Service Loan Forgiveness," which directed the Department to revise the PSLF program, in coordination with the Department of Treasury, to modify the definition of public service.

The committee met June 30 through July 2 and did not reach consensus on the language offered by the Department. As a result, the Department unilaterally drafted regulations and issued a proposed rule to amend the PSLF regulations in August 2025.

When the proposed rule was issued, the American Council on Education provided comments expressing concerns about the Department's proposal to redefine the definition of public service and warning of the potential harm to student loan borrowers if the proposed regulation were finalized. After reviewing all public comments, the Department released a final rule in October 2025, scheduled to take effect on July 1, 2026.

Final Rule Summary

Definitions

The following new definitions are defined in the final rule:

- Aiding and abetting
- Chemical castration or mutilation
- Child or children
- Foreign terrorist organizations
- Full-time employment
- Illegal discrimination
- Other federal immigration laws
- Qualifying employer
- Qualifying repayment plan[1]
- Substantial Illegal purpose
- Surgical castration or mutilation
- Terrorism
- Trafficking
- Violating state law
- Violence for the purpose of obstructing or influencing federal government policy

[1] Subject to alteration due to the passage of H.R. 1, the One Big Beautiful Bill and the creation of the new Repayment Assistance Plan.

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Borrower Eligibility

Beginning July 1, 2026, no payment on a student loan made by a borrower who works for a qualifying employer can count toward PSLF if the employer has engaged in activities that have a substantial illegal purpose. The Department defines substantial illegal purpose as

- Aiding and abetting violations of federal immigration laws
- Supporting terrorism
- 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 another state with a purpose to free them from their parents in violation of federal or state law
- Engaging in a pattern of aiding and abetting illegal discrimination
- Engaging in a pattern of violating state laws

Application Process

If the Department finds that an employer is no longer—or potentially may no longer—be considered to be a qualifying employer, it will notify the student loan borrower of the official or potential change in status.

Borrower Reconsideration Process

If an employer is found not to be a qualifying employer because it engaged in a substantial illegal purpose, the student loan borrower is not able to request a reconsideration of the Department's decision.

Standard for Determining Whether a Qualifying Employer Has A Substantial Illegal Purpose

The Department is to determine, by a preponderance of the evidence, that an employer has engaged in a substantial illegal purpose if the following evidence is presented:

- A final judgment by a state or federal court;
- A plea of guilty or *nolo contendere*; or
- A settlement.

The Department cannot determine that an employer has engaged in a substantial illegal purpose based on the employer or employee's exercising of their First Amendment rights or any other rights protected under the Constitution.

Process for Determining When a Qualifying Employer Engaged in Activities with a Substantial Illegal Purpose

The Department will determine that a qualifying employer has engaged in a substantial illegal purpose if:

- The Department receives an application from the employer affirming that it is engaged in a substantial illegal purpose; or
- The Department determines that an employer engaged in a substantial illegal purpose based on the standard outlined in the previous section.

If an employer is operating under a shared identification number with another entity, the employer is to be treated as separate and distinct from the other entity for the purposes of determining eligibility.

Regaining Eligibility as a Qualifying Employer

An employer that loses qualifying status may regain it after 10 years if it ceases the substantial illegal activity or agrees to a corrective action plan signed by the Secretary of Education highlighting the following:

- A certification that the employer is no longer engaging in a substantial illegal purpose;

- A report outlining the employer's compliance controls to prevent it from engaging in a substantial illegal purpose in the future; and
- Any other term or condition imposed by the Department.

If an employer regains eligibility, the Department is required to update the qualifying employer list that is accessible to student loan borrowers.