



GENERAL

Good News in Pushback Against Government Overreach

07.16.26 | Linda J. Rosenthal, JD



On June 30, 2026, we learned with relief that the Supreme Court had not taken a machete to the U.S. Constitution in [Trump v. Barbara](#) (birthright citizenship). Along with many Americans, the charitable community was watching this case closely.

That same day there was more welcome judicial news for the nation's 501(c)(3) organizations, this time coming from federal district courts in Massachusetts and in the District of Columbia.

Simply put, the second Trump administration had decided to muck about with the popular Public Service Loan Forgiveness (PSLF) Program created by Congress in 2007. Without any legal basis or authority, and in direct contravention of the clear and mandatory language of the PSLF statute, the White House purported to give the Secretary of Education, Linda McMahon, sole and unfettered discretion to tweak the eligibility criteria with the effect of excluding disfavored organizations. See [Executive Order 14235, Restoring Public Service Loan Forgiveness](#) (March 7, 2025) and [Final Rule](#) dated October 31, 2026, effective July 1, 2026, 34 CFR Part 685.

Hot on the heels of the government publishing the Final Rule in the Federal Register in late October, a wide variety of plaintiffs came out of the woodwork to file suit to halt these unauthorized, arbitrary, and unfair rules that could negatively affecting the nation's charitable nonprofits that do not ideologically align with the Trump administration.

Two Lawsuits

By early November 2025, there was litigation action as follows:



- District of Massachusetts. Two separate complaints: (a) *National Council of Nonprofits et al v. McMahon et al*, Civil Action No. 25-13242-MJJ; and (b) *Commonwealth of Massachusetts v. U.S. Department of Education*, Civil Action No. 25-13244-MJJ. They were consolidated for some purposes during the course of the trial. The judge described it as follows: “Twenty-two states, the District of Columbia, five cities and counties, five nonprofit employers, five employee associations, and more than one hundred amici challenge the lawfulness of the Department’s new rule. **Zero amici appeared in support of the defendants.**” (*emph. added*)
 - Judge’s Ruling: Memorandum of Decision (June 30, 2026), Judge Myong J. Joun [68 pp. PDF]
- District of the District of Columbia: *Robert F. Kennedy Center for Justice and Human Rights, et al, v. Linda McMahon et al*, Civil Action No. 25-03860 (AHA), additional named plaintiffs are: American Immigration Council; League of United Latin American Citizens Institute, Inc.; and The Door – A Center of Alternatives, Inc.
 - Judge’s Ruling: Memorandum Opinion (June 30, 2026) Judge Amir H. Ali [20 pp. PDF]

On the day before the (delayed) effective date of the Final Rule; namely July 1st, both Judge Joun and Judge Ali issued comprehensive and thoughtful opinions squarely supporting all of the plaintiffs’ arguments against the Trump administration. These jurists vacated the Final Rule, making clear it would not go into effect, noting also the continued validity of the Biden regulations. “The current regulations establish a straightforward and objective framework for processing PSLF applications.”

The most significant point in both the Massachusetts the District of Columbia decisions is that the Public Service Loan Forgiveness statute – 20 U.S.C. § 1087e(m) – is clear on which entities Congress had intended to be among the “qualified employers” in the popular and beneficial PSLF Program. More particularly, 501(c)(3) organizations as a group are explicitly listed. There is no ambiguity or wiggle-room for the government to exclude them.

Moreover, the PSLF statute is likewise clear that, when a borrower has met all of the conditions for cancellation of the student-loan balance, “[t]he Secretary shall cancel the balance of interest and principal due.” 20 U.S.C. § 1087e(m)(1) The term “shall” is commonly used in legislative drafting to mean “mandatory.” Under these circumstances, the Trump administration had no authority to delegate to the Secretary of Education any instructions or purported authority or power to vary from, or change, these statutory requirements.

“If an agency tasked with administering a statute commits an act outside the scope of the duties it was charged with, it has both exceeded its authority under that statute and has acted in a manner not in conformance with the law.”

The government’s Final Rule, say both judges, is also subject to challenge on grounds: (a) it is arbitrary and capricious; (b) it is unduly vague; and (c) would likely have a profoundly chilling effect on the nation’s charities in violation of the First Amendment.

Additional Commentary



- [Judges strike down Trump administration's overhaul of student loan forgiveness program](#) (June 30, 2026, updated 5:15 pm PDT Collin Binkley, *Associated Press* ["A pair of federal judges struck down a Trump administration overhaul to a public service forgiveness program for student loans, ruling Tuesday in separate cases in favor of advocates who said the program risked becoming a tool for political retribution."])
- [Court Declares Unlawful the Department of Education's Rule Restricting Public Service Loan Forgiveness Eligibility](#) (June 30, 2026) *publiccitizen.org* ["The lawsuit challenged a rule finalized in October 2025 that allowed ED to disqualify an employer from the PSLF program if the Secretary of Education determined that the organization had a "substantial illegal purpose." Under the rule, ED gave itself the unilateral power to decide whether an organization had such a purpose, based on the organization's participation in activities that the current administration disapproves of concerning immigration, discrimination, gender-affirming care, and other matters."])
- [Judge Strikes Down Limits on Public Service Loan Forgiveness](#) (June 30, 2026; 2:34 pm PDT, updated 5:23 pm PDT) Brian Dowling, *www.bloomberglaw.com* ["In vacating the agency's rule nationwide, Judge Myong J. Joun said Tuesday that Congress never gave the Department of Education the power to revise the definition of 'public service job' that it wrote into federal law as a condition to receive the loan forgiveness.*** [T]he program can't be used to compel groups to bring their conduct into line with Trump administration policy preferences."])
- [San Francisco, Santa Clara County, and broad coalition triumph in protecting Public Service Loan Forgiveness program](#) (July 2, 2026) *Press Release, sf.gov.news-san-francisco* [A " federal court has ordered the Federal Administration to stop its unlawful rewriting of the Public Service Loan Forgiveness (PSLF) program as a way of silencing local governments and non-profit organizations that do work that goes against the administration's political agenda. *** This victory preserves a financial lifeline for public service workers, and it ensures the Public Service Loan Forgiveness program can continue to function as Congress intended.""]

Conclusion

What happens next?

An appeal? "The day of the ruling, Under Secretary of Education Nicholas Kent said the 'department was evaluating next steps.' " He added: "The Department stands behind [... the Trump administration's...] commonsense policy to ensure that taxpayer dollars are never used to subsidize illegal activities."

But what about that lopsided ratio of *amici curiae* briefwriters noted by Judge Joun in the Massachusetts decision? "More than one hundred against" the Trump changes and "zero" supporting it?

– Linda J. Rosenthal, J.D., FPLG Information & Research Director