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GENERAL

The Public Service Loan Forgiveness Program: Safe ...At Last?

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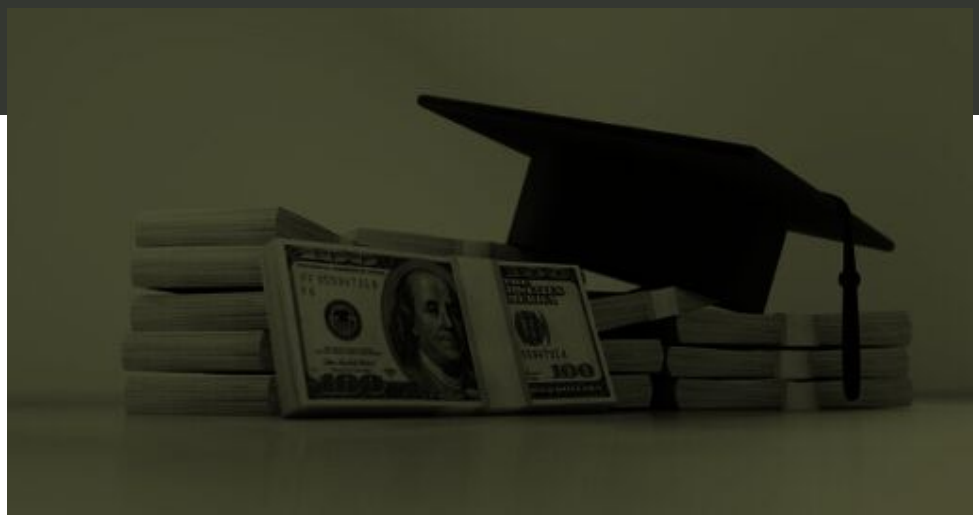

The barrage of "Shock-and-Awe 2.0" missiles launched from the White House beginning Inauguration Day 2025 included a bizarre plan to cripple the highly popular and very-much-needed Public Service Loan Forgiveness (PSLF) Program.

Of course, that's not exactly how the president presented it in *Executive Order 14235* (March 7, 2025) "Restoring Public Service Loan Forgiveness." He explained that his sworn duty is to "protect, preserve, and defend the Constitution and our national security, which includes ending the subsidization of illegal activities, including illegal immigration, human smuggling, child trafficking, pervasive damage to public property, and disruption of the public order, which threaten the security and stability of the United States."

"Accordingly," he added, "it is the policy of [his] Administration that individuals employed by organizations whose activities have a substantial illegal purpose shall not be eligible for public service loan forgiveness."

In *Executive Order 14235,* the president directed the Secretary of Education to change the express eligibility rules for "qualifying employers" from the original statutory language drafted and approved in Congress two decades ago with strong bipartisan support. He also authorized her to draft regulations, first in proposed form (open to public comment) and then in final form for official publication in the Federal Register. See *Final Regulations* [185 pp. PDF] (October 31, 2025), effective July 1, 2026.

Several coalitions of interested challengers were poised and ready to respond. Among the potential litigants eager to block the new DOE regulations were: the National Association of Nonprofits; twenty-two state attorneys general; many state and local government entities; and numerous

501(c)(3) organizations from around the nation.

Within a few days, they sprang into action, filing two separate and parallel (though not identical) lawsuits hundreds of miles apart. There were legal reasons, including distinct issues of "standing," as well as the strategic benefit of having two bites of the apple in friendly district courts.

- *Robert F. Kennedy Center for Justice and Human Rights, et al, v. McMahon, et al,* 1:25-cv-03860, (D.D.C.), District Court, District of Columbia, Hon. Amir H.Ali, *Complaint for Declaratory and Injunctive Relief* – *Doc #1* [20 pp. PDF], (November 4, 2025)
- *National Council of Nonprofits et al v. McMahon et al*, 1:25-cv-13242, (D. Mass.), District Court, District of Massachusetts, Hon. Myong J. Joun, *Complaint* – *Doc #1* [78 pp. PDF] (November 3, 2025)

On June 30, 2026, just hours before the challenged Federal regulations were to go into effect the next day, both federal district judges blocked them in forceful and unequivocal rulings. *See Judge Amir's Memorandum and Opinion – Doc #47* [20 pp. PDF] (June 30, 2026) as well as *Judge Joun's Memorandum of Decision – Doc #127* [68 pp. PDF] (June 30, 2026), the latter including at p. 2: "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. For the reasons set forth below, I agree with the challengers and hold that the Department's latest PSLF rule is unlawful.

In *Good News in Pushback Against Government Overreach (July 16, 2026) FPLG Blog,* we reported these developments, fully expecting that the Trump administration would appeal both losses, maneuvering them to be placed on the "rocket docket" to the Supreme Court.

Indeed, the government filed appeals by the end of August in each case: the first in the Court of Appeals for the District of Columbia Circuit; the second in the Court of Appeals for the First Circuit.

However, there has been a surprise – almost shocking – turn of events. The federal government – abruptly and without explanation – officially dropped both appeals through joint stipulations entered into the court records. See *Order – Doc #54* (District of Columbia Circuit); and *Judgment – Doc #132* (First Circuit).

What does that mean?

The lawsuits are over. The Trump/DOE Final Regulations (10/31/25) are invalid. "Prior to filing the appeals, ED amended the PSLF application form to comply with the district courts' orders, removing a June 2026 requirement that a borrower's employer attest that it does not have a substantial illegal purpose."

Is the Public Service Loan Forgiveness Program alive and well? Is it safe … at last?

The Historical Context – A Brief Detour

The story of the PSLF Program does not, of course, begin on January 20, 2025, as the Trump 2.0 administration came into office.

In order to understand and evaluate what may be ahead for this critical program (as well as more generally for reform prospects for all graduates including needy students facing crushing student

debt), it's helpful to take a brief detour back in time.

The PSLF Program is one of the topics frequently featured in the FPLG Blog as developments of interest and concern to the charitable-nonprofit sector have warranted.

The entire federal student-loan-servicing operation – carried out by nine contractors hired by the Department of Education – has long been a mess, but the worst havoc wreaked was on the PSLF Program.

The Public Service Loan Forgiveness statute was enacted in 2007 with strong bipartisan Congressional support and the best of intentions. The purposes were: (a) to address and ease the national crisis of crushing higher-education student-loan debt; and (b) and to assist the charitable-nonprofit sector with its chronic staffing-shortage issues. A 501(c)(3) organization trying to hire qualified people is at a competitive disadvantage with the private sector that offers higher salaries.

For graduates who work ten years for public-service or nonprofit employers and make 120 monthly loan payments, the government is required to forgive the remaining balance otherwise owed.

The Program was hobbled almost from the start by some of the terms of the statute itself, particularly those relating to how the Program should be carried out. They are – at one and the same time – both complex and also irritatingly vague. Almost no one, apparently – at the DOE, among the nine loan-servicing contractors, or the borrowers themselves – seemed to understand this statute or how it should work.

On top of those deficiencies, the PSLF Program was mismanaged to an astonishing degree, as described – most notably – by a key government-watchdog whistleblower. See *Why Public Service Loan Forgiveness Is So Unforgiving* (October 17, 2018) Cory Turner, *NPR*.

See also: *Public Service Loan Forgiveness: Glitches* (April 5, 2019) *FPLG Blog*: "There were reports of problems all along, but the deluge opened up when, in 2017, the first of the program enrollees reached their ten-year marks and applied for the promised cancellation of their debts. * * * . The title of the New York Times article on it says it all: *28,000 Public Servants Sought Student Loan Forgiveness. 96 Got It.*"

Under the first Trump administration, there was no help with these issues. And college costs continued to rise at an even more rapid clip.

As soon as President Biden took over, the student-debt crisis was moved into a priority status. See *Nonprofits & Student-Loan Forgiveness: Action Needed* (August 24, 2021) *FPLG Blog;* and *Student Loan Forgiveness Program: "Transformational" Fixes* (October 7, 2021) *FPLG Blog*.

In addition to tackling the significant problems in the PSLF Program, the new administration was eager to address the bigger picture of the crushing burden of debt on lower- and middle-income students. See *Public Service Loan Forgiveness: Update* (April 25, 2022) *FPLG Blog* ["Since the Biden Administration came into office in early 2021, there has been a continuing effort to solve past errors, to ease the path for applicants near the ten-year mark to apply for and receive loan cancellation including temporary waivers of certain requirements, to establish long-term fixes for the program, and to (possibly) wipe out a portion of debt for borrowers across the board."]

See also: *Urgent Action Needed on PSLF Program* (August 9, 2022) *FPLG Blog* and *No Extension for PSLF Temporary Waiver* (August 24, 2022) *FPLG Blog*.

In *Twists and Turns in 2022's Nonprofit News* (December 31, 2022), *FPLG Blog,* the third of three topics includes a summary of the push over two years of the Biden administration to reform the PSLF Program as well as to give relief more broadly to all borrowers. "There is understandable confusion about the progress and particulars …. The national conversation about the high cost of college and the oppressive debt burden many graduates carry for decades is difficult and complicated. It has spawned a variety of reform proposals. While they are all being considered simultaneously, they are proceeding on separate and distinct paths."

The year 2023 was one of highs and lows. There was a massive additional relief program announced – see *Good News on Public Service Loan Forgiveness Program* (May 16, 2023) *FPLG Blog*.

At the same time, there were legal challenges to the changes already announced by the Biden administration. See: *Student Loan Cancellation: Out With Plan A. In With Plan B* (July 18, 2023) *FPLG Blog* ["On the final day of the Supreme Court term, six of the nine justices tossed out the bold August 2022 initiative by the Biden Administration canceling $10,000 (or $20,000) of the student-loan debt of the nation's neediest borrowers."]

With more lawsuits filed to block proposed reforms, and under the political cloud of the switch in Congress from Democratic control to the GOP, the Biden reform agenda faced hurdles until the end of his term.

Now … the Present

Executive Order 14235 (March 7, 2025) "Restoring Public Service Loan Forgiveness," was a non-starter from the get-go, as were the Final Regulations (October 31, 2025) for all of the reasons addressed in the June 30, 2026, rulings by both federal judges.

Nevertheless, they created understandable concern in the same way that many of the Trump administration's outrageous actions must be taken seriously.

For example, during the same time period that the two PSLF Program lawsuits were working their way through the federal district level – that is, fall 2025 through spring 2026 – the notorious and patently unconstitutional birthright-citizenship challenge went to the head of the line for "emergency" hearing in the U.S. Supreme Court. (The high court's rejection of that argument was handed down on June 30, 2026, the same day that the two federal district courts ruled favorably on the PSLF Program lawsuits. Nevertheless, it was a nail-biter up to the last minute.)

The Trump/DOE strategy of "changing" the statute via administrative/regulatory action was an odd plan. Arguing that the PSLF statute (as currently amended since 2008) is not exactly airtight on the matter of eligibility, thereby leaving room for the relevant executive department – the DOE – to fill in the imaginary ambiguities and blanks, is a weak position. The problem: There is no wiggle room in the law adopted by Congress.

Even in a well-founded case – which this is not – going the administrative route involves jumping through repeated hoops, all of which the administration tripped through, falling flat. The two district judges gave the government's arguments more than fair hearings, but rejected each and every one

of these attempts to twist itself (and this statute) into a pretzel.

Each set of plaintiffs raised several grounds for the respective trial court to rule in their favor. Each judge focused on the first and most obviously inadequate argument that the government asserted, rejecting it soundly, while also making clear that the plaintiffs' remaining grounds for relief are valid as well.

The Trump administration, despite having a majority in both houses of Congress could have more directly accomplished its goal of tweaking the PSLF Program to its liking by having friendly lawmakers shepherd through an amendment to the governing statute. That choice was not selected and – unless the polls and predictions for November 3, 2026, are way off the mark – at least one chamber of Congress will flip and the amendment option will evaporate. See, however, analysis (after the invalidated 10/31/25 Regulations were withdrawn, but before the appeals were dropped) on future possible legislative action. *Public Service Loan Forgiveness: Recent Legal Developments* (August 31, 2026) *Legal Sidebar: LSB1147*, Sean Stiff, *Congressional Research Service.*

For additional commentary on the federal judges' June 30th rulings, see, e.g.,: *Court Declares Unlawful the Department of Education's Rule Restricting Public Service Loan Forgiveness Eligibility (June 30, 2026) Public Citizen*; and *Judge Strikes Down Limits on Public Service Loan Forgiveness* (June 30, 2026) Brian Dowling, *Bloomberg Law.*

For additional commentary on the surprise abandonment of the appeals, see *Student Loan Forgiveness for Nonprofit and Public Service Workers Is Safe After Government Drops Appeal* [October 22, 2026) *National Council of Nonprofits*: ["With the appeal dismissed, the court's order vacating the rule stands, and PSLF remains as Congress designed it. The program continues to help charitable nonprofits attract and retain the skilled workers our communities rely on. This outcome gives nonprofit employees the certainty that the loan relief they've earned through years of public service will be there for them, so they can keep doing the work that strengthens the communities they serve."]

See also: *DOJ drops fight to put Trump's restrictions on public service loan forgiveness* (October 21, 2026) Danielle Douglas-Gabriel, *The Washington Post*; *Judges strike down Trump administration's overhaul of student loan forgiveness program (*June 30, 2026) Collin Binkley, *Associated Press; San Francisco, Santa Clara County, and broad coalition triumph in protecting Public Service Loan Forgiveness Program* (July 2, 2026) *Press Release*, *San Francisco Government News*; and *Trump administration drops legal fight to overhaul student loan forgiveness program* (October 21, 2026) Heather Hollingsworth, *ABC News* ["The Trump administration's attempt to weaponize public service loan forgiveness against organizations it disagrees with was anti-democratic and unlawful from the start."]

Conclusion

There remains the larger crisis in higher-education financing for many low- and moderate-income individuals who otherwise cannot attend college, but who remain prey to the vagaries of federal policies and enforcement for the still-troubled federal student loan system. These graduates are part of the class of beneficiaries that the charitable sector aims to protect. They are also an important part of our workforce, even if they do not – or cannot – avail themselves of the PSLF Program.

The administration has moved forward with other structural changes to federal student aid, including phasing out the existing SAVE plan and channeling post-July 2026 loans into standard or Repayment Assistance Plan (RAP) options, and also capping or eliminating certain loan programs. It is also aggressively pursuing repayment. See *Trump and Student Loans: What's Happening With FAFSA, Federal Loan Limits, New Repayment Plans and More* (October 9, 2026) Shannon Bradley et al, *Nerd Wallet* ["Federal student loan policy is evolving fast."]

"The Trump administration is demanding borrowers repay their student loans even as their monthly payments jump from almost zero to hundreds of dollars. This push is happening as thousands of borrowers are being moved out of an affordable Biden-era plan struck down by the courts. Republicans also sunset more affordable repayment plans in their sweeping domestic policy law last year, officially ending those plans in 2028. See *Why the GOP's student loan payback push could be a problem* (October 26, 2026) Rebecca Carballo and Mackenzie Wilkes, *Politico.*

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