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September 17, 2025

SUBMITTED VIA REGULATIONS.GOV

The Honorable Linda McMahon
Secretary of Education
U.S. Department of Education
400 Maryland Ave. SW
Washington, DC 20202

Re: Docket Number: ED-2025-OPE-0016; William D. Ford Federal Direct Loan (Direct Loan) Program

Dear Secretary McMahon:

On behalf of the more than 3 million members of the National Education Association (NEA), we submit the following comment in strong opposition to the U.S Department of Education’s proposed changes to the Public Service Loan Forgiveness (PSLF) program published in the Federal Register on August 18, 2025. **The NEA urges the Department to withdraw this proposal in its entirety and to preserve PSLF as Congress intended: a reliable and neutral pathway to debt relief for public servants.**

The Department’s proposed rule runs afoul of this straightforward definition, thereby exceeding the Secretary’s authority, undermining Congressional intent, and creating a risk of destabilizing a program that has already delivered life-changing relief for more than one million public servants, including educators, nurses, and public safety officers. Educators who once thought they would never escape the shadow of six-figure debt have seen balances forgiven, enabling them to remain in the profession. If implemented, this rule would weaponize PSLF by creating a vague new test by having the Secretary decide whether an employer has a “substantial illegal purpose,” punishing their employees by denying them PSLF. This test has no basis in statute, duplicates processes already assigned to the IRS and courts, and invites politicization by future administrations.

History of PSLF

Congress established the Public Service Loan Forgiveness (PSLF) program in the College Cost Reduction and Access Act of 2007, signed into law by President George W. Bush. In doing so,

Congress incentivized highly trained professionals to enter and remain in public service careers including teaching, nursing, social work, law enforcement, and other essential fields, despite the lower salaries typically associated with such professions.

The statutory language is clear: borrowers qualify for PSLF if they work full-time for ten years for a government entity or “[a]n organization that is described in section 501(c)(3) of [the Internal Revenue Code of 1986] and exempt from taxation under section 501(a)” of the Code.”¹ This clarity was intentional: if the IRS grants an organization the 501(c)(3) designation, the organization’s employees are eligible for PSLF.

Legislative history confirms this intent. The House Committee on Education and Labor emphasized, in favorably reporting out of committee the College Cost Reduction Act of 2007, explained that PSLF was designed to “recruit and retain” skilled professionals in public service jobs “serving the country in professions of national need” by providing a reliable pathway to debt relief.² The bipartisan value of this program was emphasized by Senators from both sides of the aisle, stressing that America’s workforce and communities depend on sustaining those who dedicate their careers to service.³

By tying PSLF eligibility to the IRS’ established nonprofit framework, Congress deliberately removed discretion from the U.S Department of Education to determine which 501(c)(3) organizations constitute eligible employers for purposes of the PSLF program. Lawmakers recognized that IRS determinations of 501(c)(3) status already include rigorous standards and compliance mechanisms. Any effort by the Department to redefine qualifying employment beyond this framework contradicts both the statutory text and the expressed intent of Congress.

The IRS’s Role in 501(c)(3) Oversight

Congress deliberately tied PSLF eligibility to the Internal Revenue Service’s recognition of an organization under section 501(c)(3) of the Internal Revenue Code. This decision reflects an understanding that the IRS has statutory authority, expertise, and compliance infrastructure to evaluate nonprofit organizations. The U.S Department of Education does not.

Under Treasury regulations, an organization must be organized and operated exclusively for exempt purposes, and none of its earnings may constitute profit for private individuals. The IRS applies this framework across many determinations each year, relying on precedent, revenue rulings, and detailed compliance reviews. The IRS also provides clear guidance to nonprofits through Publication 557, which sets out criteria for exemption, filing obligations, and grounds for revocation.⁴ The IRS has

¹ <https://studentaid.gov/help-center/answers/article/what-not-for-profits-eligible-employers-for-pslf>

² <https://www.congress.gov/committee-report/110th-congress/house-report/210>

³ 153 Cong. Rec. H10255-01, 2007 WL 2571706 (2007), also available at <https://www.govinfo.gov/content/pkg/CREC-2007-09-07/pdf/CREC-2007-09-07.pdf>

⁴ <https://www.irs.gov/pub/irs-pdf/p557.pdf>

established procedures for revoking an organization's nonprofit status if an organization violates the requirements of section 501(c)(3). Specifically, if an organization is found to be engaging in substantial political activity, diverting assets to private benefit, *or engaging in activity that is illegal or violates established public policy*. These decisions are subject to judicial review, ensuring fairness and accountability.

By anchoring PSLF in IRS determinations, Congress created a standard that is both objective and durable. The IRS' expertise ensures consistent application, while the possibility of revocation of this tax-exempt status provides a safeguard against abuse. This design leaves no room for the U.S. Department of Education to insert itself into judgments of nonprofit legitimacy, since the determination power has always lived within the IRS. The Department's proposed rule would create a duplicative process, in which an organization could remain in good standing with the IRS yet be disqualified from PSLF eligibility by the U.S. Secretary of Education. Such an outcome not only directly flouts the language of the statute and Congressional intent but also destabilizes borrowers' reliance on PSLF. If a borrower's employer is recognized as a 501(c)(3) by the IRS, that should end the inquiry. Congress was clear, and the Department must respect that clarity.

Lack of Administrative Fairness and Due Process

The proposed rule raises significant concerns about administrative fairness and due process. Borrowers and employers alike deserve clear, objective standards. Instead, the Department's new test of "substantial illegal purpose" introduces vagueness, unpredictability, and arbitrary and capricious decision-making for an entity that is not a judicial body.

This proposed rule would empower the Secretary to disqualify employers based on a mere "preponderance of the evidence." This is the lowest standard of proof, far below what courts require to establish either criminal liability or, in some cases, civil liability. By adopting such a weak standard, the Department creates the risk that allegations, speculation, or incomplete administrative records could strip borrowers of PSLF eligibility. This proposal also provides no meaningful appeal process against removing eligibility for PSLF. Borrowers whose eligibility is denied because their employer is deemed to have a "substantial illegal purpose" are left with no independent mechanism to challenge that determination. This denies borrowers procedural fairness and exposes them to devastating consequences without recourse.

The Department lacks the institutional expertise to adjudicate allegations of illegality. Determining whether an organization has violated the law is the responsibility of courts and, in the context of nonprofit status, as mentioned, the IRS. By attempting to assume these roles, the Department duplicates existing legal processes and risks issuing determinations inconsistent with judicial findings. Such inconsistency would only further confuse borrowers and undermine confidence in PSLF. Additionally, the vague language of "substantial illegal purpose" leaves room for political manipulation. Without clear statutory guidance, future administrations could wield this rule to target disfavored organizations, disqualifying them from PSLF eligibility regardless of whether they remain

recognized as 501(c)(3) nonprofits. This is the opposite of the stability Congress sought when it designed PSLF. Due process demands better.

Chilling Effect and Politically Focused Attacks

The proposed rule threatens the stability and independence of America's nonprofit sector, creating profound risks for civil society. By empowering the U.S Department of Education to exclude employers from PSLF eligibility based on a vague "substantial illegal purpose" test, the rule introduces the possibility of politicized enforcement against lawful organizations.

Nonprofit organizations play a critical role in supporting public education and the communities that schools serve. Many educators work in partnership with nonprofits that provide afterschool programs, mental health services, and immigrant family support. Under the Department's proposal, employees of these organizations could be stripped of PSLF eligibility if the Secretary disagrees with their mission or activities. Organizations that provide low or no-cost legal or health services to underserved Democratic and Republican constituencies similarly face the possibility that one of their greatest recruiting programs might be eliminated, hurting their ability to serve this population.

Moreover, the language of the proposed rule signals clear ideological targets. Activities such as providing gender-affirming care, supporting immigrant rights, advancing diversity and equity programs, or permitting peaceful protest are described as potential grounds for disqualification. None of these activities are unlawful. Many are constitutionally protected. Yet under the proposed rule, they could form the basis for stripping PSLF eligibility from thousands of borrowers. This politicizes a program Congress designed to be nonpartisan. Such an approach would have chilling effects on civil society. Nonprofits may curtail advocacy, silence programming, or change their missions to avoid political scrutiny. This undermines the independence of the nonprofit sector and weakens the social fabric that supports schools and families. Additionally, it creates inequities: organizations serving marginalized communities are most likely to be targeted, compounding existing barriers to educational opportunity.

The risks are not hypothetical. History shows that when agencies are given vague discretion, enforcement often falls hardest on organizations engaged in politically sensitive work. In this case, the damage would be magnified because borrowers and not bear the immediate harm. Those who chose careers in good faith would lose PSLF eligibility through no fault of their own.

Impact on Educators and the Public Service Workforce

The consequences of destabilizing the PSLF program are particularly severe for educators, who represent one of the largest groups of beneficiaries. K-12 teachers, education support professionals, and higher education faculty often carry substantial student debt loads while earning salaries significantly lower than similarly educated professionals. PSLF has been one of the few mechanisms that enables these educated professionals to remain in public service careers without facing lifelong

financial hardships that may prevent them from buying a home or raising a family.

Educator debt burdens are well documented. NEA members, as with others in the education profession, carry substantial student loan debt. At the same time, educator salaries lag far behind those of similarly credentialed professionals. According to NEA research, the average starting teacher salary nationwide is under \$47,000,⁵ while almost half of educators come out of school with an average loan balance above \$55,000.⁶ This mismatch between debt and income has made PSLF an indispensable program for educators. Educators are often required by state licensure rules to complete graduate studies, which compounds borrowing. As a result, it is not uncommon for teachers to enter the profession already tens of thousands of dollars in debt.

Thousands of educators have already seen their federal student loan balances forgiven through PSLF. For many, this forgiveness has meant the difference between leaving the profession and continuing to serve students. A Michigan special education teacher who had \$77,000 forgiven described the relief as “life changing.”⁷ Stories like this are echoed by educators across the nation. The NEA therefore has a vital stake in ensuring that PSLF program is administered in way that remains faithful to the statutory design enacted by Congress. The Department’s proposed rule would undermine that design, jeopardizing the financial security of educators and the stability of America’s public education system.

The stakes are not merely individual. PSLF plays a systemic role in sustaining the public education workforce. At a time when educator shortages are widespread, particularly in rural districts, high-poverty schools, and specialized areas such as special education and STEM, we should be creating additional incentives and support, not removing existing ones. Without the promise of PSLF, recruitment in these hard-to-staff fields becomes far more difficult. Educators weighing whether to remain in the classroom often cite PSLF as a deciding factor. Destabilizing PSLF by subjecting it to vague and politicized employer eligibility tests will discourage new educators from entering the profession and drive current educators away. The result will be fewer qualified educators, larger class sizes, and diminished educational opportunities for students, especially in the communities already most affected by shortages.

PSLF is not a perk or a loophole. It is a carefully designed investment in America’s workforce, ensuring that highly trained professionals can afford to dedicate their careers to public service.

For educators, it is a lifeline. Undermining it will not only harm individual educators but also undermine the stability and quality of public education nationwide. **The NEA urges the U.S Department of Education to withdraw this proposed rule in its entirety.** The Department must respect the law, the legislative intent of Congress, and the lives of those who rely on PSLF.

⁵ <https://www.nea.org/sites/default/files/2021-07/Student%20Loan%20Debt%20among%20Educators.pdf>

⁶ <https://www.nea.org/sites/default/files/2021-07/Student%20Loan%20Debt%20among%20Educators.pdf>

⁷ <https://mea.org/mea-members-share-stories-of-student-loan-debt-relief-with-u-s-ed-secretary-for-me-it-was-life-changing/>

On behalf of the NEA, I respectfully submit these comments in response to the Department's proposed rule on PSLF. Please do not hesitate to contact me or Samuel Dunietz at SDunietz@nea.org should you have any questions.

Sincerely,

A handwritten signature in black ink that reads "Daaiyah Bilal-Threats". The signature is written in a cursive style and ends with a long horizontal flourish.

Daaiyah Bilal-Threats
Senior Director, Education Policy and Implementation Center
National Education Association