

Issue: Restoring Public Service Loan Forgiveness (PSLF) Program

Session 1, June 30 – July 2, 2025

Statutory citation: Section 455(m) of the Higher Education Act of 1965, as amended (HEA)

Regulatory citation: Section 685.219

Summary of Issues:

Issue #1: The proposal will worsen workforce shortages and increase taxpayer costs.

The U.S. is projected to face a shortage of 86,000 doctors and 338,000 nurses by 2036.

Already, 86% of VA facilities report staffing gaps. These shortages increase wait times, reduce access, and force reliance on costly temp workers—driving up taxpayer costs.

Healthcare workers make up most nonprofit employees, and many carry high student debt.

About 75% of nurses and 70% of medical students borrow for school—often over \$200K—and **rely on PSLF** to manage repayment.

Education faces similar strain. Over 400,000 teaching roles are vacant or uncertified. Charter schools and other public education employers **depend on PSLF** to retain teachers, especially in low-income areas.

If PSLF-qualifying employers lose eligibility, affected workers may be forced to leave their jobs.

In many regions, **noncompetes** or lack of alternatives mean they can't stay local—hurting care, education, and ultimately raising costs for the public.

Issue #2: "Substantial illegal purpose" is applied inconsistently.

In the current proposal, some sections require "a pattern of" illegal activity, while others do not.

For consistency and fairness, all sections should use the phrase "a pattern of," and that term should be clearly defined (e.g., two or more similar actions over time).

Issue #3: There's no clear process to reinstate PSLF-eligible employers.

If an employer is disqualified, the rule doesn't explain how or when they can be reinstated. A clear timetable and set of corrective steps should be included to guide employers and protect affected employees.

Issue #4: Borrowers may lose PSLF access if their employer refuses to sign the form.

To verify employment for PSLF, a borrower needs a signature from an **Authorized**

Official—usually an HR administrator. These staff members typically just confirm employment dates and Employer Identification Numbers. They are not legal experts and may be unwilling to certify their employer has not engaged in illegal activity. Some may refer the form to legal counsel, causing long delays.

Millions of borrowers could be affected. The rule should:

- Allow borrowers to use alternative documents (like W-2s and paystubs) if their employer won't sign; and
- Ensure HR staff are not asked to certify anything before **July 1, 2026**, the effective date of the new rules.

Specifically, the proposal would amend 34 CFR 685.219 as follows:

Proposed Amendatory Text in **bluelines** to represent additions and edits from the Executive Order and Paragraph Restructuring in Paragraph (b): 34 CFR § 685.219 – Public Service Loan Forgiveness

(b) Definitions. The following definitions apply to this section:

(b)(36) "A pattern of" means two or more instances of conduct that are similar in nature, occur over time, and demonstrate a consistent practice.

(30) Substantial illegal purpose means –

(i) engaging in a pattern of aiding or abetting violations of 8 U.S.C. 1325 or other Federal immigration laws;

(ii) engaging in a pattern of supporting terrorism, including by facilitating funding to, or the operations of, cartels designated as Foreign Terrorist Organizations consistent with 8 U.S.C. 1189, or by engaging in violence for the purpose of obstructing or influencing Federal Government policy;

(iii) engaging in a pattern of the chemical and surgical castration or mutilation of children or the trafficking of children to states for purposes of emancipation from their lawful parents, in violation of applicable law;

(g) Borrower reconsideration process.

(7) Notwithstanding paragraph (g)(1) of this section, a borrower may not request reconsideration under this paragraph (g) based on the Secretary's determination that the organization lost its status as a qualifying employer due to engaging in activities that have a substantial illegal purpose under the standard described in paragraph (h) of this section. **However, a borrower may request reconsideration if they meet either of the following conditions:**

(a) They are subject to a noncompete agreement that restricts their ability to obtain employment with another qualifying PSLF employer within a 25-mile radius of their current residence or place of employment; or

(b) They are unable, after a good faith effort, to obtain equivalent or better employment at a qualifying PSLF employer within the same 25-mile radius.

(h)...

(i)...

(j) Process for reinstating an employer disqualified for engaging in activities with a substantial illegal purpose. The Secretary may automatically reinstate an employer determined to be in violation of the standard under paragraph (h) of this section when:

(1) The Secretary receives no conclusive evidence that the employer has engaged in activities that meet the standard described in paragraph (h) during the 12-month period following the date of disqualification.

Suggested revisions to the Public Service Loan Forgiveness (PSLF) & Temporary Expanded PSLF (TEPSLF) Certification & Application Form

<https://studentaid.gov/sites/default/files/public-service-application-for-forgiveness.pdf>

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Notes for completing Section 5B:

If you are unable to have this form completed by an Authorized Official because the organization has closed or you are unable to contact your employer to obtain an acceptable signature, you may be able to certify your employment using alternative documentation. This process will add significant time to the review of this form. If the employment being certified is or was with the U.S. Military, you can submit this form with a Form DD-214 or an SCRA Status Report document that corresponds with the employment period in Question 4, instead of completing Section 5A. If the employment being certified is for any other employer, you must submit documentation that confirms both the FEIN/EIN of the employer AND your period of employment, instead of completing Section 5A. This would include an IRS Form W-2 for every calendar year included in your employment period (with or without corresponding paystubs), OR paystubs for every month that you were employed during the employment period. Any month that cannot be documented will not be certified as eligible employment. **Important: If your employer is unwilling to sign Section 5A due to concerns about the legal attestation now required of Authorized Officials—such as certifying that the organization has not engaged in activities with a substantial illegal purpose—you may still submit this form using the alternative documentation process described above.**

Additionally, if you are seeking to certify employment for any period prior to July 1, 2026, employers will not be asked to attest to compliance with the standards that go into effect on or after that date. Employment for periods before July 1, 2026 will continue to be verified under the prior standard.

Sources:

Healthcare:

- The U.S. is projected to face a shortage of **up to 86,000 doctors and 338,000 nurses by 2036**.
Source: Association of American Medical Colleges (AAMC), 2023; National Council of State Boards of Nursing (NCSBN)
- **86% of Veterans Affairs facilities** report staffing shortages, leading to longer wait times and higher costs.
Source: U.S. Department of Veterans Affairs, 2022
- Healthcare professionals are the largest group of nonprofit employees. Around **75% of nurses and 70% of medical students carry student debt**, often exceeding \$200,000.
Sources: American Association of Colleges of Nursing (AACN); Association of American Medical Colleges (AAMC), 2023
- Many professionals choose or remain in nonprofit and public service positions due to **PSLF eligibility**. Losing that eligibility will drive resignations or relocations—especially in states where **noncompetes clauses** are still enforceable.

Education:

- The U.S. is facing a **teacher shortage crisis**, with over **55% of public schools reporting being understaffed** during the 2022–2023 school year.
Source: National Center for Education Statistics (NCES), "School Pulse Panel," January 2023
- Shortages are particularly acute in **special education, STEM fields, and rural or low-income districts**.
Source: Learning Policy Institute, "The Teacher Shortage Is Real and Growing," 2023
- A **2023 National Education Association (NEA) survey** found that nearly **50% of teachers** are considering leaving the profession, and **student debt** is one of the leading contributors to educator stress and attrition.
Source: National Education Association, "Teacher Burnout Survey," 2023
- Many teachers enter and remain in public education with the expectation that their service will qualify for **Public Service Loan Forgiveness**. Narrowing the definition of "qualifying employer" could disqualify certain public schools, **charter school networks**, early childhood education programs, or contract-based positions—driving teachers out of already-struggling schools.
- Teacher turnover costs school systems an average of **\$20,000 per educator**, not including the impact on student achievement.
Source: Learning Policy Institute, "The Cost of Teacher Turnover," 2017