

Standard for Determining a Qualifying Employer for Public Service Loan
Forgiveness Proposed Regulatory Text for 34 C.F.R. § 685.219 (h):

34 C.F.R. § 685.219 (h) – Standard for Determining a Qualifying Employer

(h) Standard for determining a qualifying employer engaged in activities that have a substantial illegal purpose. The Secretary determines by a preponderance of the evidence, and after notice and opportunity to respond, that a qualifying employer has engaged on or after July 1, 2026, in activities that have a substantial illegal purpose by considering the materiality of any illegal activities or actions (by gauging both frequency or severity) and will not find that the organization has a substantial illegal purpose if it has only engaged in illegal activities or actions that are minor or purely technical.

- (1) A final judgment by a State or Federal court, whereby the employer is found to have engaged in activities that have a substantial illegal purpose;
- (2) A plea of guilty or *nolo contendere*, whereby the employer admits to have engaged in activities that have substantial illegal purpose or pleads *nolo contendere* to allegations that the employer engaged in activities that have substantial illegal purpose; or
- (3) A settlement that includes admission by the employer that it engaged in activities that have a substantial illegal purpose described in paragraph (h) of this section.