

# Student loan forgiveness: Trump proposes exclusions for 'illegal' activity

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U.S. Secretary of Education Linda McMahon speaks during the summer meeting of the National Governors Association at the Broadmoor Hotel in Colorado Springs, Colo. (AP Photo/David Zalubowski)

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WASHINGTON (AP) — Teachers, social workers, nurses and other public workers would be cut off from a popular [student loan cancellation program](#) if the Trump administration finds their employer engaged in activities with a “substantial illegal purpose,” under a new federal proposal released on Friday.

The Education Department took aim at nonprofits or government bodies that work with immigrants and transgender youth, releasing plans to overhaul the [Public Service Loan Forgiveness program](#). Opponents fear the new policy would turn the loan forgiveness benefit into a tool of political retribution.

The proposal would give the education secretary the final say in deciding whether a group or government entity should be excluded from the program, which was created by Congress in 2007 to encourage more college graduates to enter lower-paying public service fields. The proposal says illegal activity includes the trafficking or “chemical castration” of children, illegal immigration and supporting foreign terrorist organizations. “Chemical castration” is defined as using hormone therapy or drugs that delay puberty — [gender-affirming care](#) common for transgender children or teens.

President Donald Trump [ordered the changes](#) in March, saying the loan forgiveness program was steering taxpayer money to “activist organizations” that pose a threat to national security and do not serve the public.

The public will be given 30 days to weigh in on the proposal before it can be finalized. Any changes would take effect in July 2026.

Under current rules, government employees and many nonprofit workers can get their federal student loans canceled after they’ve made 10 years of payments. The program is open to government workers, including teachers, firefighters and employees of public hospitals, along with nonprofits that focus on certain areas.

The new proposal would exclude employees of any organization tied to an activity deemed illegal. The Education Department predicts that fewer than 10 organizations would be deemed ineligible per year. It doesn’t expect a “significant reduction” in the percentage of borrowers who would be granted forgiveness under the program, according to the proposal.

Yet the agency acknowledges that not all industries would be affected evenly. Schools, universities, health care providers, social workers and legal services organizations are among those most likely to have their eligibility jeopardized, the department wrote.

It did not give more specifics about what “illegal” actions those groups were taking that could bar them from the program. But the proposal suggests that performing gender-affirming care in the [27 states that outlaw it](#) would be enough.

If a state or federal court rules against an employer, that could lead to its expulsion from the program, or if the employer is involved in a legal settlement that includes an admission of wrongdoing.

Even without a legal finding, however, the education secretary could determine independently that an organization should be ejected. [The secretary](#) could judge whether an organization participated in illegal activity by using a legal standard known as the “preponderance of the evidence” — meaning it’s more likely than not that an accusation is true.

Once an organization is barred from the program, its workers’ future loan payments would no longer count toward cancellation. They would have to find work at another eligible employer to keep making progress toward forgiveness. A ban from the Education Department would last 10 years or until the employer completed a “corrective action plan” approved by the secretary.

Critics blasted the proposal as an illegal attempt to weaponize student loan cancellation. Kristin McGuire, CEO of the nonprofit Young Invincibles, which advocates for loan forgiveness, called it a political stunt designed to confuse borrowers.

“By using a distorted and overly broad definition of ‘illegal activities,’ the Trump administration is exploiting the student loan system to attack political opponents,” McGuire said in a statement.

The Education Department sketched out its plans for the overhaul during a federal rulemaking process that began in June. The agency gathered a panel of experts to help hash out the details — a process known as negotiated rulemaking. But the panel failed to reach a consensus, which freed the department to move forward with a proposal of its own design.

The proposal released on Friday included some changes meant to ease concerns raised by the expert panel. Some had worried the department would ban organizations merely for supporting transgender rights, even if they have no direct involvement in gender-affirming care. The new proposal clarifies that the secretary would not expel organizations for exercising their First Amendment rights.

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