



441 G St. N.W.
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B-338110

February 25, 2026

The Honorable Bill Cassidy
Chairman
The Honorable Bernard Sanders
Ranking Member
Committee on Health, Education, Labor, and Pensions
United States Senate

The Honorable Tim Walberg
Chairman
The Honorable Robert C. Scott
Ranking Member
Committee on Education and Workforce
House of Representatives

Subject: *Department of Education: William D. Ford Federal Direct Loan (Direct Loan) Program*

Pursuant to section 801(a)(2)(A) of title 5, United States Code, this is our report on a major rule promulgated by the Department of Education (Department) titled “William D. Ford Federal Direct Loan (Direct Loan) Program” (RIN: 1840-AA28). We received the rule on February 10, 2026. It was published in the *Federal Register* on October 31, 2025. 90 Fed. Reg. 48966. The effective date of the rule is July 1, 2026.

According to the Department, this rule amends the regulations governing the Public Service Loan Forgiveness (PSLF) program under the William D. Ford Federal Direct Loan Program. See generally 34 C.F.R. § 685.219. The Department stated that the rule adds and clarifies provisions to exclude from PSLF eligibility employers that engage in specified illegal activities and have a substantial illegal purpose. The Department also stated that the rule establishes the standards and procedures it will use to determine whether an employer is no longer a qualifying employer, providing that borrowers will receive full credit for qualifying employment performed through the effective date of its determination, and setting forth a process by which an employer may regain eligibility following a determination of ineligibility. The Department stated further that the rule is intended to ensure that PSLF benefits are not provided to individuals employed by organizations with a substantial illegal purpose, thereby safeguarding taxpayer funds. Lastly, the Department stated that the rule is designed to enhance program integrity and accountability and to prevent federal subsidies from supporting organizations engaged in criminal activity.

Enclosed is our assessment of the Department’s compliance with the procedural steps required by section 801(a)(1)(B)(i) through (iv) of title 5 with respect to the rule. If you have any questions about this report or wish to contact GAO officials responsible for the evaluation work

relating to the subject matter of the rule, please contact me (202) 512-8156.

A handwritten signature in black ink that reads "Shirley A. Jones". The signature is written in a cursive style with a large initial 'S' and a distinct 'A'.

Shirley A. Jones
Managing Associate General Counsel

Enclosure

cc: John Huston
Deputy General Counsel, Office of the General Counsel
Department of Education

REPORT UNDER 5 U.S.C. § 801(a)(2)(A) ON A MAJOR RULE
ISSUED BY THE
DEPARTMENT OF EDUCATION
TITLED
“WILLIAM D. FORD FEDERAL DIRECT LOAN (DIRECT LOAN) PROGRAM”
(RIN: 1840-AA28)

(i) Cost-benefit analysis

The Department of Education (Department) prepared an analysis of the cost and benefits of this rule. 90 Fed. Reg. 48966 (Oct. 31, 2025). The Department estimates a net budgetary savings of approximately \$1.616 billion, reflecting reduced transfers to borrowers who will no longer receive credit toward loan forgiveness under the Public Service Loan Forgiveness (PSLF) program. *Id.* at 48991. The Department also estimates annualized transfer effects of \$179 million at a 3 percent discount rate and \$191 million at a 7 percent discount rate. *Id.* The Department stated that annual compliance and systems update costs are estimated at \$0.3 to \$0.4 million. *Id.* The Department also stated that it anticipates allocating 10 full-time equivalent employees on an ongoing basis to support systems, compliance, and oversight, with potential reductions in later years as deterrent effects materialize. *Id.* The Department stated further that given an average PSLF forgiveness amount of \$75,900 per borrower, it expects that reallocating staff resources to prevent improper payments will reduce overall net costs relative to the baseline. *Id.*

(ii) Agency actions relevant to the Regulatory Flexibility Act (RFA), 5 U.S.C. §§ 603–605, 607, and 609

The Secretary of the Department has certified that this rule will not have a significant economic impact on a substantial number of small entities. 90 Fed. Reg. at 48997.

(iii) Agency actions relevant to sections 202–205 of the Unfunded Mandates Reform Act of 1995, 2 U.S.C. §§ 1532–1535

In its submission to us, the Department indicated that it did not prepare a statement under the Act.

(iv) Other relevant information or requirements under acts and executive orders

Administrative Procedure Act, 5 U.S.C. §§ 551 *et seq.*

On August 18, 2025, the Department published a notice of proposed rulemaking. 90 Fed. Reg. 40154. The Department stated that it received comments and responded to comments in this rule. 90 Fed. Reg. at 48967.

Paperwork Reduction Act (PRA), 44 U.S.C. §§ 3501–3520

The Department determined that this rule contains information collection requirements under the Act. 90 Fed. Reg. at 48999.

Statutory authorization for the rule

The Department promulgated this rule pursuant to sections 1070g and 1087a of title 20, United States Code.

Executive Order No. 12866 (Regulatory Planning and Review)

The Department stated that this rule is economically significant under the Order. 90 Fed. Reg. at 48991.

Executive Order No. 13132 (Federalism)

The Department determined that this rule does not have federalism implications. 90 Fed. Reg. at 49000.