

Patterson Policy Watch – A Resource for the Nonprofit Sector

Welcome to the *Patterson Policy Watch*, which tracks key legal and policy developments that matter to the nonprofit sector. In response to the rapidly evolving landscape under the new presidential administration, Patterson Belknap's Tax-Exempt Organizations Group is highlighting executive actions, agency directives, legislative updates, and judicial responses that have the potential to impact nonprofit organizations and the communities they serve.

Below is a digest of select developments from the past week through May 4, 2026, which are organized broadly by issue area. We note that this is not a comprehensive list of all updates that may potentially be relevant to tax-exempt organizations. We will continue to provide regular updates to the *Patterson Policy Watch* to help you anticipate and navigate policy and legal developments. You can also view prior editions of the *Patterson Policy Watch* [here](#).

DEI

- May 4: The Department of Education (ED) [opened](#) an investigation into Smith College, an all-women's college, for "admitting biological men and granting them access to women-only spaces." The ED's investigation will focus on whether Smith College violated Title IX of the Education Amendments of 1972 (Title IX), which prohibits discrimination on the basis of sex in any program or activity receiving federal financial assistance. Title IX includes an exception for single-sex education, and, according to the ED's press release, "[a]n all-girls college that enrolls male students professing a female identity would cease to qualify as single sex under Title IX."

Education

- April 27: The ED [announced](#) a new "fraud detection capability" for the Free Application for Federal Student Aid (FAFSA) form, which is effective immediately. Each applicant using the FAFSA form will now be "evaluated in real-time using risk-based identity screening," and applicants "who display a certain level of risk will now be required to present government-issued identification before accessing federal student aid funds."
- April 29: The ED [opened](#) an investigation into Stanford University (Stanford) to determine whether Stanford violated Title VI of the Civil Rights Act of 1964 (Title VI), which prohibits discrimination on the basis of race, color, and national origin in educational programs and activities that receive federal financial assistance. The ED is investigating Stanford's National Board Resource Center, which is a program that helps future teachers who identify as persons of color to receive certain teaching certifications.
 - Similarly, as covered in the [March 24, 2026 issue](#) of the *Patterson Policy Watch*, the ED opened two new investigations into Harvard University for, among other things, "illegal race-based preferences in admissions."
- April 30: The ED [released](#) a [final rule](#) that implements certain student loan provisions of the One Big Beautiful Bill Act (OBBA), which was signed into law on July 4, 2025 and covered in our [July 24, 2025 client alert](#). The final rule amends seventeen current regulations and includes the following changes:
 - **Loan Limits** – Beginning on or after July 1, 2026, there will be caps on the amount of loans available to graduate students, professional students, and parents who borrow on behalf of dependent undergraduate students, including:
 - For graduate student loans, an annual cap of \$20,500, with an aggregate cap of \$100,000;
 - For professional student loans, an annual cap of \$50,000, with an aggregate cap of \$200,000;
 - For Parent PLUS borrowers, an annual cap of \$20,000, with an aggregate cap of \$65,000 per dependent; and
 - For borrowers who receive a loan made on or after July 1, 2026, an aggregate lifetime loan limit of \$257,500, with a few limited exceptions.
 - **Loan Repayment Options** – Beginning on July 1, 2026, there will be two new loan repayment plan options that will replace all prior loan repayment plans:
 - The Tiered Standard Plan provides fixed monthly payments over a period of 10-25 years, based on the borrower's outstanding principal balance.
 - The Repayment Assistance Plan is an income-based repayment option that allows borrowers to adjust payments based on their income and family size.
 - **Additional Changes:**
 - The final rule allows a borrower to rehabilitate a defaulted loan twice over the loan's lifetime. Prior to the final rule, borrowers were only able to rehabilitate a defaulted loan once.
 - The final rule ends access to economic hardship and unemployment deferments for loans made on or after July 1, 2027.
 - Beginning on July 1, 2026, the final rule permits institutions of higher education to limit the total amount of loans a student (or a parent borrowing on a dependent student's behalf) may incur for a program of study, as long as the limit applies consistently to all students enrolled in that program.
 - Beginning on July 1, 2026, institutions of higher education will be required to apply a schedule of reductions formula to reduce the annual loan eligibility for students who are enrolled less than full-time.

Other

- April 27: Representative Chip Roy (R-TX) [sent](#) a letter to Department of Health and Human Services (HHS) Secretary Robert F. Kennedy, Jr., urging HHS to suspend funding for the Council on American-Islamic Relations (CAIR) and to initiate debarment proceedings, which is an administrative action that would bar CAIR from receiving federal contracts, grants, or assistance. The letter alleges that CAIR misused federal grant funds and requests that HHS "conduct a full investigation into CAIR's grant compliance and terrorist affiliations."
 - For prior coverage related to CAIR, please see the [November 11, 2025](#), [November 25, 2025](#), [December 9, 2025](#), [December 23, 2025](#), [January 21, 2026](#), [March 10, 2026](#), and [April 14, 2026](#) issues of the *Patterson Policy Watch*.

- April 30: The ED and Department of Justice (DOJ) [each issued](#) press releases announcing that the Task Force to Eradicate Anti-Christian Bias (Task Force) [published](#) a report, entitled "Eradicating Anti-Christian Bias within the Federal Government." The Task Force was established in the February 6, 2025 executive order, entitled "[Eradicating Anti-Christian Bias](#)," which was covered in the [February 10, 2025 issue](#) of the *Patterson Policy Watch*, and includes several federal agencies, including the ED and DOJ. The DOJ's press release summarizes the report as "touch[ing] on a broad array of federal policies and programs, including conscience rights, the Johnson Amendment, fines against Christian universities, girls' sports, vaccine mandates, and the exclusion of Christians from public programs, among many others." The report states that the "Obama [Internal Revenue Service (IRS)] targeted conservative non-profits," and the "Biden IRS scrutinized conservative Christian churches and non-profits."
- May 1: Representatives Jamie Raskin (D-MD) and Mary Gay Scanlon (D-PA), as members of the House Committee on the Judiciary, [sent letters](#) to Associate Deputy Attorney General Aakash Singh and Acting U.S. Attorney for the Middle District of Alabama Kevin Davidson regarding the indictment of the Southern Poverty Law Center (SPLC). According to the [press release](#), Ranking Members Raskin and Scanlon are "demanding answers following alarming whistleblower disclosures to the [House Committee on the Judiciary] that senior DOJ leadership, including Mr. Singh, ordered prosecutors in the Middle District of Alabama to fast-track a legally deficient indictment of the SPLC despite significant concerns about the strength of the case." For prior coverage related to the SPLC, please see the [April 28, 2026 issue](#) of the *Patterson Policy Watch*.
- May 4: The Florida Attorney General [announced](#) a civil investigation into the SPLC for alleged deceptive and unfair practices related to charitable solicitation and fundraising. The Florida Attorney General [issued](#) an investigative subpoena, which commands SPLC to produce all requested documents and evidence by May 25, 2026, including, for example, "[e]xemplars of all [c]ommunications with Florida donors related to [the SPLC's] use of donor funds."

Judicial Watch

As legal challenges to executive actions continue to grow, and as the DOJ has begun to initiate actions in court to enforce the administration's priorities, we are tracking developments in key cases that have the potential to most directly impact nonprofit organizations across the sector.

Denial of Congressionally Appropriated Funds

A growing number of nonprofit grantees have sued the federal government (and their agents) for improperly withholding Congressionally appropriated funds. Updates in cases we are following in this area include:

- *State of Washington v. United States Department of Housing and Urban Development* (District of Rhode Island): On November 25, 2025, 21 states [sued](#) HUD regarding the new conditions it announced for grants under the Continuum of Care (CoC) Program, which provides federal funding to nonprofit organizations and state and local governments to provide housing and services for individuals experiencing homelessness. The new conditions include, among others: (1) reducing the percentage of CoC funding for permanent housing from 90 percent to 30 percent; (2) prohibiting CoC funding to applicants that acknowledge transgender and gender diverse individuals; and (3) requiring funding recipients to align with the policies set forth in the July 24, 2025 executive order, entitled "[Ending Crime and Disorder on America's Streets](#)," which requires HUD to prioritize grants to states and localities that enforce prohibitions on illicit drug use, urban camping and loitering, and urban squatting. This executive order was covered in the [July 29, 2025 issue](#) of the *Patterson Policy Watch*. Plaintiffs argue that HUD's new conditions on federal funding violate the Administrative Procedure Act, separation-of-powers principles, the Spending Clause, and the Tenth Amendment. Plaintiffs additionally filed a motion for a preliminary injunction, requesting that the District Court enjoin the new grant conditions and reinstate the previous grant conditions; the Court converted the motion into a motion for temporary restraining order and a preliminary injunction. Similarly, on December 1, 2025, in *National Alliance to End Homelessness v. United States Department of Housing and Urban Development* (District of Rhode Island), Plaintiffs, nonprofit organizations and several local municipalities, [sued](#) HUD, challenging the same conditions as *State of Washington v. U.S. Department of Housing and Urban Development*.
 - On December 23, 2025, the District Court in both cases [granted](#) Plaintiffs' [requests](#) for a preliminary injunction, ordering that HUD's rescission of the 2024 and 2025 funding conditions is stayed and that HUD is preliminarily enjoined from replacing the 2024 and 2025 funding conditions.
 - On January 14, both Plaintiffs [filed](#) motions for summary judgment, requesting that the District Court (1) vacate and set aside the 2024 and 2025 funding conditions, meaning that the 2024 and 2025 funding conditions would be nullified and have no legal force, and (2) enjoin Defendants from implementing or enforcing the 2024 and 2025 funding conditions.
 - On January 23, Defendants in both related cases [filed a cross-motion](#) for summary judgment and opposition to Plaintiffs' motions for summary judgment, arguing that HUD has statutory discretion in how it administers the CoC Program and that the new conditions on CoC funding are within HUD's statutory discretion.
 - On February 17, Defendants in both related cases [filed an expedited request](#) to dissolve the District Court's preliminary injunction, arguing that the preliminary injunction "will not preserve the status quo pending the outcome of this litigation but will instead effectively dictate the final disposition of billions of FY 2025 dollars." Defendants argue that the preliminary injunction needs to be dissolved or, in the alternative, that the District Court must rule on the pending motions for summary judgment because, under the 2026 Consolidated Appropriations Act (CAA), if HUD does not award fiscal year 2025 funds to CoC projects under a Notice of Funding Opportunity before July 1, 2026, those projects will receive renewed funding.
 - On February 27, the District Court [issued](#) a text order, which is an order issued by a court directly onto a case's docket rather than as a separate document, in both cases to deny the Defendants' request to dissolve the preliminary injunction, finding that Plaintiffs continue to face the risk of irreparable harm from gaps that Defendants would cause by changing the funding selection criteria on an expedited basis and from trying to reimplement the Notice of Funding Opportunity for December 2025, which the Court had already found Plaintiffs had a strong likelihood of showing was illegal.
 - On March 2, Defendants in both related cases [filed](#) a notice of appeal with the First Circuit Court of Appeals and filed an [emergency motion](#) to stay the preliminary injunction issued by the District Court while Defendants appeal the injunction in the First Circuit.
 - On March 6, the District Court [issued](#) a text order to deny Defendants' requests for an emergency stay, noting that Defendants had failed to appeal the preliminary injunction itself and finding that Plaintiffs would be substantially injured by staying the case and subjecting them to the harms caused by Defendants trying to implement the 2025 funding criteria.
 - On March 9, Defendants [filed](#) a motion for an emergency stay of the preliminary injunction in the First Circuit, in which Defendants requested that the First Circuit grant a stay of the District Court's preliminary injunction pending appeal no later than March 30, 2026.
 - On April 2, the First Circuit Court of Appeals [issued](#) an opinion denying HUD's request for an emergency stay of the preliminary injunction. The First Circuit determined that Defendants could not show that the District Court abused its discretion by declining to dissolve the preliminary injunction and that Plaintiffs continue to face the threat of irreparable harm related to potential loss of funding.

- On April 22, the First Circuit Court of Appeals dismissed the appeal in *State of Washington v. U.S. Department of Housing and Urban Development*, pursuant to the appellants' assented-to motion.
- On **April 27**, the First Circuit Court of Appeals dismissed the appeal in *National Alliance to End Homelessness v. United States Department of Housing and Urban Development*, pursuant to the appellants' assented-to motion.

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