We are testifying to voice our deep concern about the decision of the Maryland Prepaid College Trust (MPCT) to recklessly change the contractually stipulated procedures for rollover calculations. This has completely erased the Trust Returns (amounting to about $40,000) that our accounts had accumulated over the past 14 years. Please pass HB1290 but amend the language to specify how families will be made whole by restoring the promised Trust Returns at rollover that were part of the original contracts and providing a clear timeline for doing so. Our son will be starting his college applications in less than 2 years, we need a fast resolution.

Below is a full explanation of our situation:

When our son (now 15 years old) was born, we were living in Baltimore. To prepare for his future, we set up two accounts with the MPCT, one through myself and one through my husband, to cover 2 years of university each. Both accounts were fully paid off as of 2009.

We opted for this option as a hedge against rising tuition costs and with the confidence that the Maryland Legislature was required to backfill any shortfalls in the Trust in the future.

We later moved from Maryland to New York for professional reasons, but we opted to retain our existing accounts with MPCT. We made this decision because the yearly account disclosures clearly indicated that we could always roll over our account to another qualified tuition program.

At the time we opened the accounts, the conditions for rollovers were described in the disclosure statements as follows:

> **A Contract in existence for three years or more as measured from the first payment due date.** The transferable amount will equal the actual payments made to the Prepaid College Trust plus or minus 100% of the Trust Returns applied to the contract payments, less Operating Expenses and any Benefits used.

This specific language was last included in our 2020-2021 Disclosure Statement, page 7, Article VI: Rollovers and Refunds.

All documents leading up to and including the 2020-2021 Disclosure Statement (page 3, Article II: Definitions, §29) defined Trust Returns as follows:

> 29. **Trust Returns** means the since inception rate of return for the Prepaid College Trust. The date of inception is December 31, 1998 and the since inception rate of return is updated quarterly by the Prepaid College Trust's investment advisor. Trust Returns are used to calculate Rollover Distributions and refunds as described in Article VI of this Disclosure Statement.

Over the years, we carefully monitored the Trust Returns and determined that they were well over 5% and at least as favorable as the returns that we saw in the NY 529 College Saving plan that we had set up for our son's younger sibling. Our December 2021 statement values were consistent with these contractual terms and showed a FAFSA value of more than twice our original investment. Thus, we saw no reason to initiate a rollover before our son had settled on a college.

We were therefore shocked to learn that the Prepaid College Trust apparently made a retroactive change in the calculation of rollovers that completely erased the promised Trust Returns for rollovers without clearly communicating this to families. From what we understand, a rollover might now leave us with LESS than our original investments due to added fees! Even more shocking many families have seen their accounts frozen and are being hit with late fees by their children's universities.

This reckless change breaks with a precedent of over 20 years of how rollovers were calculated. It also constitutes a breach of the promise in our original contract that no changes would be made that would harm the beneficiary.

We request your immediate assistance for us and the thousands of other account holders who are in a similar position. Please support this bill and include the following amendments:
Please pass HB1290, and include the following amendments:

- restore the promised Trust Returns at rollover that were part of the original contracts (using the "since inception return rate" of 6% that was current at the time of the April 2022 freeze)
- accept and process tuition, rollovers, refunds and other qualified educational expenses on a priority system beginning by June 1, 2023 for beneficiaries who are currently attending college or will attend college this fall and by September 1, 2023 for all other account holders
- establish a claims process to reimburse account holders who have incurred financial damages due to the April 2022 freeze (e.g., late fees, interest for alternate loans, tax penalties etc.)
- provide a mechanism to combine multiple accounts of a beneficiary so families who want to initiate a rollover of their children's funds are not limited by the IRS rule that only one tax-free rollover per beneficiary is permitted each year
- Extend statute of limitations for contract disputes to 1 year after the work group report is made public.

Sincerely,

Corinna Loeckenhoff