

Dear Members of the Assembly,

Please pass HB1290 and help Maryland Prepaid College Trust (MPCT) account holders such as our family who are set to lose tens of thousands of dollars as a result of catastrophic mismanagement and breach of contract. When we prepaid the accounts for our son 14 years ago, our contract clearly stated that we could EITHER claim the years of tuition OR roll over our funds into another college savings account and receive the principal plus or minus 100% of the trust returns since inception. Over the years, we noticed that the rates of tuition did not rise as much as we had expected, but we felt safe in the knowledge that earnings continued to accumulate – given that the trust returns were well above 5% in most years. Our 2021 account statements showed that our investment had paid off and the FAFSA values of our accounts were now worth more than twice the principal amount we had paid in.

Imagine our shock when we learned that as of 2022 the MPCT suddenly stopped crediting the promised trust returns during rollovers and even stopped processing rollovers altogether. Some account holders could not even access their principal! This is not a simple “miscalculation” due to mismanagement! The decision to stop paying out the promised trust returns as part of rollovers is a clear breach of contract and breaks with decades of precedent of how rollovers were handled.

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.

Respectfully,

Francois Guimbretiere