

11627 Hunters Run Drive
Hunt Valley MD 21030

March 20, 2023

Dear House Committee:

RE: HOUSE BILL 1290

We are account holders in the Maryland 529 Pre-paid College Trust (MPCT) and are writing this letter to request your assistance in resolving this matter in a way which would be fair and equitable to all of us who have been harmed by the MPCT.

In 2009, we opened a MPCT account for our children with a 25% deposit and regular payments thereafter in order to help prepare for the education of our twins. Since the children were scheduled to start college in the Fall of 2022, I contacted MPCT in March 2022 to better understand our account benefits. I was told that both accounts had a total value of approximately \$81,000 as reported on our December 2021 FAFSA statement. We would be able to rollover our account into the MD Investment Plan or request minimum distributions plus excess distributions to cover additional tuition, books, room and board (as defined in the contract). We made critical college decisions based on this information.

My daughter enrolled in college in Fall 2022, and we were required to report this value to FAFSA and the college. My son does not need his account and as a result, we transferred the beneficiary's name over to my daughter. I made numerous subsequent calls to MPCT in preparation for payment of fall tuition in June 2022 and learned that the funds would not be released until August 2022. Around that time, we discovered that 50% of the account value disappeared and have been frantically calling on a weekly basis without any understanding of this the true situation. Due to such shady behavior, we feel that fraudulent practices have occurred, and this is not a miscalculation as we have been led to believe. NOW is the time we need distributions from her account. Where are our earnings?

My daughter, Sofia Konkolics, is attending a 6-year direct entry program for physician assistants, which was not available in Maryland. Her education holds a price tag of close to \$500,000. Every bit of the value that was reported on the 12/31/21 statement is needed to fund her education. Now that we do not have full access to these funds, our family is struggling to pay tuition. We are at a financial loss because we have had to unexpectedly pull money from other accounts to pay for our student's education. The MPCT is supposed to help parents when their children are ready to attend college, not take away the hard-earned money they saved. What's the point of working hard, sacrificing, and saving money for your child's college fund when it gives you back less money than the principal that you put in? It is appalling and unconscionable that MPCT has changed the rules when it is time to pay for our daughter's education. At the moment, MD529 currently has excess funds to not only pay us our full principal but also the earnings noted in our December 31, 2021 statements. To add insult to injury, MPCT has the means to help us but refuses to do so.

In the summer of 2022, we were told by representatives that MD529 was working on processing minimum benefits and we would be given an update soon. We continued to make frustrating calls, only to speak with representatives that could not or did not know answers to all our questions. We are now past the date when tuition was due for the Fall 2022. In November 2022, we were told that we could escalate our issue to "account support" and request a manual calculation since our child was currently enrolled in college. Despite weekly calls, I could not reach a manager and no one would return my calls. In December 2022, another tuition payment

was due and we still had no answers or access to our funds. An email was sent to Anthony Savia in December 2022 and he suggested that we request the minimum distribution and we could get our excess funds when this situation was resolved. This was done on 12/28/22; however, if this action jeopardizes our ability to receive the full value of our account, I will only assume that this option was suggested by Mr. Savia to harm us further. We finally received a manual calculation on only one of our two accounts in the form of a microscopic, erroneous excel spreadsheet that listed all our contributions, along with the many fees that were deducted. The value of our account is barely the same as our initial investment 15 years ago, and no one is available to help interpret this drastic reduction. The representatives claim they don't have access to any of these reports. We have attempted on numerous occasions to speak with Mr. Savia and he dropped off the face of the earth and not responded. It is truly frightening to be ignored when we trusted MD 529 with precious funds for education.

In our contract, we were given 100% of the Trust investment earnings should we choose to rollover from Prepaid to an investment plan, such as MD 529 investment plan. Those investment earnings are what the Trust made as a whole from our contributions and averaged roughly 6%. If we opted to rollover, this rate of return was supposed to be calculated (compounded since inception of the plan) as our rollover balance. However, MPCT changed the terms of these earnings without transparency and retroactively wiped out these earnings so that our earnings are now 0%, which with fees have changed our rollover balances to less than our original contribution amount or less. MPCT has never acknowledged the harm this has done to families who made financial decisions because of the earnings we were told we had. They changed the contract terms after freezing our funds for over 9 months with no explanation of what they were doing. This is a breach in contract Article IV in which the agency is not allowed to change contract terms that will harm the beneficiary. If they change the contract, we are supposed to have 60 days to dispute the change and have an opportunity to rollover or get a refund with the previous contract terms. None of that happened; instead MPT is saying it was a calculation or interpretation error, and we were never given an opportunity to rollover with original earnings after the change.

We chose the Prepaid Investment Plan because it had rollover options that favored out-of-state choices, and are horrified that the account value has been stolen on the exact year that we need the funds. If the Plan wants to change the terms, it should take effect on all new plans, not on existing plans. At this point, we have not had the opportunity to use any of our interest earnings for the entire first year of my daughter's education. Our earnings are not being delayed; they are being denied.

In August 2021, MPCT notified account holders of significant changes in the administration of the Trust. These changes included:

- "Minimum Benefit means payments duly made under this Contract, minus Operating Expenses, plus a certain rate of return. Accounts in existence on October 31, 2021: For accounts in existence on October 31, 2021, contributions in your Account prior to October 31, 2021 will earn 6% on balances, compounded monthly, until benefits are withdrawn, or your Contract is terminated." (Page 2, August 21, 2021 letter)
- "Earnings for Rollovers and Refunds. Accounts in existence on October 31, 2021: For accounts in existence on October 31, 2021, contributions in your Account prior to October 31, 2021 will earn 6% on balances, compounded monthly, until benefits are withdrawn, or your Contract is terminated." (Page 5, August 21, 2021 letter) Based on a plain language interpretation of these statements, it is clear that the 6% earnings earned applied to all contributions into the account since its inception. In addition, at the January 24, 2023 hearing, a consumer panel provided slides to the Committees. In these slides, it states the Board's intent was for the 6% earnings to apply to contributions prior to November 2021. Our December 31, 2021 statement from MPCT indicated a FAFSA reporting value that was consistent with this interpretation so we had no reason to suspect any miscalculation.

We received a letter in January 2023 from the MD State Senate asking our university to be patient while Maryland resolves this situation. This is unacceptable as institutions will not register students for classes or release grades when tuition is not paid. This letter also states that the issue will not be resolved until April 2023. We have no confidence that this will happen based on the track record since April 2022.

This issue has reached national coverage and is an embarrassment to the State of Maryland. Everyone knows this is not a calculation error. During the January 24, 2023, hearing, Mr. Savia stated the plan is in healthy standing and it has millions in surplus of funds. The Trust is overflowing at the tune of 130%, making money on our payments and the surplus of funds that were not rolled over in previous years. Why would all plan holders before us receive 100% earnings, and future plan holders be entitled to 6% earnings, but families with children in college now receive 0% earnings? It makes no sense.

MPCT now claims that the December 31, 2021 statements issued are incorrect because of issues associated with an earnings miscalculation. In addition, MPCT is interpreting statements in the August 21, 2021 letter such that the 6% earning does not apply to contributions prior to November 21, 2021. In its January 6, 2023 update MPCT stated that "Prior to November 1, 2021, any contributions made had earnings attributed at the rate of one-year government security minus 1.2% [and] starting on November 1, 2021, any existing balance began having earnings attributed at the 6% annual rate until used."

As for the FAFSA reporting, when we filled out our FAFSA for 2022-2023 and 2023-2024, the account statement we were provided indicated a value much higher than our principal. We reported that value, believing that was truly what we had in our MD529 account and that money would be paid to us for our daughter's education. The MPCT annual statement states:

"*FAFSA VALUES REPRESENT THE REFUND VALUE TO BE USED WHEN REPORTING PREPAID TUITION PLANS AS AN ASSET OF THE PARENT ON THE FREE APPLICATION FOR FEDERAL STUDENT AID (FAFSA)."

This FAFSA value directly impacts a family's finances. Why is it acceptable for MD529 to provide an overestimated and incorrect account value for families to report to FAFSA that negatively impacts a family's opportunity for financial aid? This is leading Maryland families to financial hardships. We are at the mercy of the Board and the Maryland legislature to fix this problem. We did what we had to on our part. We saved. We read. We communicated. We did our due diligence. Yet, we are in this situation because of mismanagement of a plan by MPCT that has existed over many years. This is not an issue that just started a few months ago. Please have your staff look into the past audits. There have been red flags for years, and it was up to the Board to address them, and up to the state to hold the executive team accountable. Instead, appropriate actions were not taken in time and as a result, families are being negatively impacted. We pay our Maryland taxes, and we are honest hard-working citizens. We never expected to be here. On behalf of our family and all other families with students in college, we ask for your help. During the January 24, 2023 hearing, Mr. Savia stated that it would take several months to solve this problem. That is unacceptable. We need a resolution now. As stated earlier, we have been trying to get resolution for one year. For our family, this is urgent and should be a priority as we are "months" from having to pay another university bill in June 2023. Our daughter deserves the opportunity for a college education. We worked hard to provide that for her and relied on MD529 to help us make that happen.

The MPCT Disclosure Statement states the following:

Investments in the Maryland Senator Edward J. Kasemeyer Prepaid College Trust are backed by a Maryland Legislative Guarantee. In the event that the Trust ever experiences a financial shortfall,

Maryland law requires the Governor to include funds in the State budget to allow the Trust to pay your full Benefits. As with the entire State budget, the Maryland General Assembly has final approval.

Clearly, the Maryland legislature has the authority and responsibility to help those of us who have been harmed by MPCT. As described above we have acted in good faith honoring our end of the contract by making payments on time and performed our due diligence in obtaining, confirming, and understanding the information provided to us. We should not have to bear the additional financial burden of having to come up with additional funds to pay for college because of MD529's, mismanagement, miscalculations, and ineffective communications.

The proposed bills to form committees and move responsibility are all stall tactics and will not pay for college bills due now. The fix is SIMPLE. My proposed amendments to House Bill 1290 are as follows:

- (1) Honor the contracts we signed and restore the earnings to accounts to reflect the December 2021 values, making us whole again.
- (2) Fund these accounts from the lucrative MD 529 Trust or from the MD General Fund;
- (3) Until resolved, plan holders should be allowed to take minimum tuition benefits without forfeiting claims to earnings rollovers; and
- (4) Set priority disbursements no later than June 1, 2023, for beneficiaries currently in college.

Anything other than doing this is a crime, breach of contract, and outright fraud. We need our earnings NOW to pay for college, not in four years after our children graduate, and definitely not in a ROTH IRA. Families before us have received all of their earnings and we expect no less. We need every cent of the earnings our accounts made in this account to pay for education. We need your help to make this right. Thank you for hearing our situation.

Sincerely,

Patricia A Stavros and Sofia Konkolics