

Dear Legislators,

I invested in the Maryland Prepaid College Trust (MPCT). Only a few months ago I was assured my account would be worth nearly **\$80K**. My 12-year investment is now worth little more than my **\$40K** principal. I am retired but will return to work to cover gap. It is a **\$40K difference on paper that will cost me \$62,000** to recover. In the following pages, allow me to:

- I. document the change in my account value
- II. account for the financial impact
- III. outline how the Trust misled investors
- IV. ask you to **amend the current bill** to specify that:

suggested
language for
HB1290

“Amounts for transfer to other eligible programs shall be determined according to the language of the contract signed by the Trust participant.”

“Investment Earnings shall be calculated at 6% or at the rate of return the Trust receives and shall be applied to balances from the initial contribution forward.”

I. Documentation of Account Emptying

My child will start college this fall. Filling out the FAFSA for the first time in October last year, I contacted MPCT to confirm the **FAFSA value**. The customer service representative and I navigated to the most recent annual statement, calculated on December 31, 2021. The figure was **\$72,081.84**. Today it would be worth close to \$80K.

Maryland529
PO BOX 44257 | JACKSONVILLE, FL 32231

MPCT ANNUAL STATEMENT
December 31, 2021

0002470 125159 1 1
LAURA J. SONJARA
605 WORCESTER RD
TOWSON MD 21286-7834

VISIT: www.maryland529.com
CALL: 1.888.4MD.GRAD (63.4723), Prompt 2
MAIL: PO BOX 44257, JACKSONVILLE, FL 32231

ACCOUNT HOLDER:	Laura J. Sonjara
EMAIL:	
TOTAL FAFSA REPORTING VALUE*:	\$72,081.84
TOTAL CURRENT TAX YEAR PAYMENTS**:	\$0.00

ACCOUNT NUMBER:	BENEFICIARY:	ACCOUNT HOLDER'S SUCCESSOR:	
PRODUCT	PRODUCT TYPE: Four Year/8 Sem	PAYMENT OPTION: Lump Sum	PROJECTED COLLEGE ENROLLMENT YEAR: 2023
FINANCIALS	PURCHASE PRICE: \$38,936.00	PAYMENTS RECEIVED: \$38,936.00	BALANCE REMAINING: \$0.00
	SCHEDULED PAYMENT AMOUNT: \$38,936.00	EARLY PAYOFF DISCOUNT: \$0.00	TOTAL FEES DUE: \$0.00
	FAFSA REPORTING VALUE*: \$72,081.84	CURRENT TAX YEAR PAYMENTS**: \$0.00	
BENEFITS	SEMESTERS AVAILABLE: 8.000		

THIS STATEMENT INCLUDES ONLY ACTIVE CONTRACTS WITH BENEFITS REMAINING. BEFORE BENEFITS MAY BE UTILIZED, ALL OUTSTANDING BALANCES MUST BE PAID IN FULL, AND THE ACCOUNT HOLDER'S EMAIL AND THE BENEFICIARY'S SOCIAL SECURITY NUMBER MUST BE ON FILE. IF YOU BELIEVE THIS STATEMENT DOES NOT ACCURATELY REFLECT THE STATUS OF YOUR ACCOUNT, YOU HAVE 60 DAYS FROM THE DATE ABOVE TO NOTIFY US OF THE ERROR. AFTER 60 DAYS, THE INFORMATION WILL BE CONSIDERED CORRECT AND BINDING FOR THE ACCOUNT.

*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). FOR MORE INFORMATION, PLEASE SEE THE FAFSA LINK ON THE PREPAID BENEFITS PAGE WHEN YOU ACCESS YOUR ACCOUNT ONLINE.

** MARYLAND TAXPAYERS CAN DEDUCT UP TO \$2,500.00 PER ACCOUNT FROM THEIR MARYLAND STATE INCOME FOR PAYMENTS THEY MADE IN THAT CALENDAR YEAR. PAYMENTS IN EXCESS OF \$2,500.00 PER ACCOUNT CAN BE DEDUCTED IN FUTURE YEARS UNTIL THE FULL NUMBER OF PAYMENTS HAS BEEN DEDUCTED. CONSULT WITH A TAX PROFESSIONAL REGARDING QUESTIONS RELATING TO YOUR SPECIFIC CIRCUMSTANCES.

Fast forward to this month. As reports surfaced that the Trust was not making good on its promises, I brought up my most recent account statement. Despite having the same format as the previous one, it did not include a line for the FAFSA value. The FAFSA value was on a separate page. On the new webpage, it listed my FAFSA value as my principal, my initial lump sum contribution made in 2011, and nothing more: **\$38,936**. Only a few months ago I was assured that I had \$72,000+, **which would now be near \$80,000**.

ACCOUNT HOLDER:	Laura J. Sonjara
EMAIL:	LSONJARA@GMAIL.COM
TOTAL CURRENT TAX YEAR PAYMENTS**:	\$0.00

FAFSA value??

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Home My Accounts Financials Documents Benefits Profile Logout

FAFSA Value

Beneficiary: [REDACTED]
Account Number: [REDACTED]
Product Type: Four Year/8 Sem

The FAFSA Values shown below can be used when reporting 529 assets on the Free Application for Federal Student Aid (FAFSA) application form. These figures represent the values of this account.

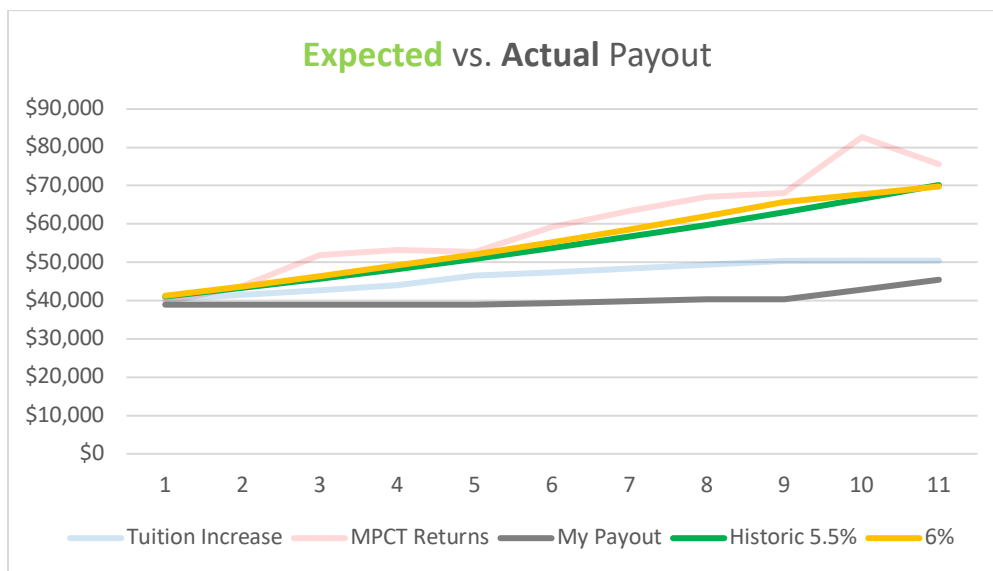
The value indicated below is the voluntary cancellation refund value of the account(s) as of the point in time the FAFSA Value is requested. This may be zero in cases where the total benefit dollars paid out to date exceeds the total paid into the plan, plus applicable earnings. Actual distributions for the account(s) may vary from the figures provided below based on timing, reason for refund, etc.

IMPORTANT UPDATE: Click here for important information from MD529 which may impact your FAFSA value.

Current Account Value:	\$38,936.00
All Accounts Total Value:	\$38,936.00

FAFSA

I have submitted a help ticket to have my account manually calculated. It may take up to five weeks. I am still waiting for a response, however I understand, from others who fully funded accounts 10+ years ago, that new earnings calculations methods devised in 2021 are being applied *retroactively*, reducing payouts from 5.5% annual earnings, which had been used until 2021, to less than < 1%.



II. Triple Financial Impact

Financially, we are adversely impacted in three ways. First, we won't receive the college funds we counted on. Second, our financial aid packages, which were determined on the reported FAFSA value, won't give the full amount of financial aid we were truly eligible for, and third going back to work to cover the difference will only drive up our Expected Family Contribution and lower our financial aid further.

- 1) I reasonably expected my trust account to be worth approximately \$80K by the time my first tuition payment was due. It is now worth half that. So, I have a sudden unexpected shortfall of \$10K each year for four years.

-10K

- 2) My financial aid should have been \$2300 more per year. In other words, if financial aid had been calculated on the figures the Trust reports today. Added with the \$10K I suddenly don't have from the Trust, that is around \$12K.

For the upcoming 2023-2024 school year, I can expect to have a deficit of 12K.

-10K

- 2K

- 3) What makes the biggest impact on financial aid is income. I am retired but will need to return to work to cover the \$12K yearly tuition gap. As our income increases, our financial aid decreases. That is, the more we make, the less financial aid we get. So, for this coming school year, I will need to cover the \$12K by grossing \$16K.

In 2024-2025, I will need to pay an additional \$5K because my financial aid will go down by that amount due to the increase in family income of 16K. To cover the expected 15K deficit in the 2024-2025 school year, I will need to gross \$20K.

-10K

- 5K

For 2025-2026 with the addition of \$20K to our family income I will have to pay an additional \$7000 to cover the decrease in financial aid due to expected family contribution. To cover that amount I will need to gross \$23K.

-10K

- 7K

For 2026-2027 with the additional 23K added to our family income, I can expect to pay an extra \$9K for tuition on top of the 12K already missing.

-10K

- 8K

-62K

For me the total impact of the Trust's "error" will be \$62,000 — **1/3 of which is simply because the additional income I will need will lower my financial aid.**

III. The Trust Misled Investors

A. Changed terms retroactively, misrepresenting change as a benefit

The Trust changed earnings calculations in 2021 without making it clear to investors that even contracts taken out years before would be affected. Previously contracts had stipulated that Rollovers would receive 100% of Interest Earnings. The Trust had been paying 5.5% compounded yearly for Interest Earnings. In 2021 the Trust changed that to a 6% calculation method. Initially our Account Statements reflected that, now they say they made a calculation error and that it should have been 6% *starting* in 2021, with a rate of < 1% applied to prior balances. None of this was properly disclosed to us. No one would have agreed to a drastic cut in Rollover amounts. In fact, the Trust led many of us to believe that using a 6% earnings rate to determine our earnings would benefit us. They changed contract terms retroactively, which adversely impacted us—two things they expressly said they would not do in our original contract. **THEY BROKE OUR CONTRACT.**

B. Published Information

At every juncture, we were assured our investment was wise and would be distributed fairly at maturity. Our children's future was secure. We were misled! I pored over the enrollment kit and contract when I initially invested, reviewed annual statements and annual reports, and contacted the Trust directly when filling out my first FAFSA for this coming school year's tuition. Promotional literature played on our fears and gave us a false sense of security. Yearly account statements offered no insight. Annual reports repeatedly predicted tuition increase at numbers that made our investment sensible. Customer service assured us that our we would receive earnings that were even better than expected. **AS INVESTORS WE WERE ENTITLED TO FULL, OBJECTIVE, AND ACCURATE INFORMATION.**

i. Enrollment Kit

In 2011 when my child was in kindergarten, I fully funded the MPCT at \$38,936 from a small inheritance. I carefully read the prospectus which cast the investment as "**Tomorrow's tuition at today's prices**" (see page 4, 2010-2011 enrollment kit below). On the same page the Trust provided a graph demonstrating the expected rate of average public tuition increase in Maryland. According to the chart, my child would need between **\$74K** and **\$101K** for her first year of college in 2023-2024. The final paragraph of the page assured investors, "And don't worry, if Tuition does not rise as projected, **you are eligible for a Minimum Benefit equal to the payments you make plus a reasonable rate of return.**" That **reasonable rate on payouts had been around 5.5%** until October 31, 2021, when the Trust changed its calculations for earnings to 6%. The Trust also promised a **Legislative Guarantee** that the State would step in, if needed (see white box below on page 5).

Maryland Prepaid College Trust
Tomorrow's tuition at today's prices.

With the Maryland Prepaid College Trust, you lock in future college tuition at today's prices, and your account can be used at nearly any college nationwide! You also get impressive Maryland State and federal tax benefits and peace of mind knowing that the Prepaid College Trust is backed by a Maryland Legislative Guarantee.

Lock in today's prices Over the last decade, we've seen tuition costs increase at public and private colleges nationwide! Even though these costs may continue to change by the time your child is ready for college, your account will pay for the number of years purchased as follows:

At a Maryland public college
- Full in-state or in-county tuition and mandatory fees, as defined in the Disclosure Statement

At an eligible private or out-of-state college or graduate school
- Up to that year's Weighted Average Tuition of the Maryland public colleges toward the tuition and mandatory fees at the selected college

And don't worry, if Tuition does not rise as projected, you are eligible for a Minimum Benefit equal to the payments you make plus a reasonable rate of return. Also, if your child receives a scholarship or grant, you can use your account toward other eligible college expenses such as room and board, books, course-specific fees, etc.

PROJECTED 4-YEAR AVERAGE TUITION COST MARYLAND PUBLIC COLLEGES

Year	Projected 4-Year Average Tuition Cost
2012-2015	\$60,445
2016-2019	\$64,481
2020-2023	\$74,113
2024-2027	\$100,716
2028-2031	\$127,242

This chart shows the anticipated Weighted Average Tuition for four years at a four-year college based on our projected Weighted Average Tuition for 2012-2015 of \$6,052 at Maryland's public colleges, which is a 7% increase in tuition over the prior year. This chart assumes future annual increases in tuition of 7% annually for each following academic year. Anticipated 6% annual increase in mandatory fees is also included. Using these assumptions, the Weighted Average Tuition for four years of college beginning in 2012 would be \$242,000, while the four-year Weighted Average Tuition starting in 2028 would be \$327,242.

Community College Plan: Our most affordable plan. Purchase one or two years at a community college. However, this plan does not require your child to attend a community college. If he or she attends a four-year college, in or out of Maryland, this plan will pay up to one, two, three, four, or five years at a four-year college or university.

Extended Monthly: Equal monthly payments for a specified number of months that generally continue through July 1 of the projected year of the child's college enrollment (or initial year of eligible use for current 10-12 graders).

Down Payments: 25%, 40%, or 55% of the lump sum, with the remaining amount paid by either monthly or annual payments, as described above.

Legislative Guarantees 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.

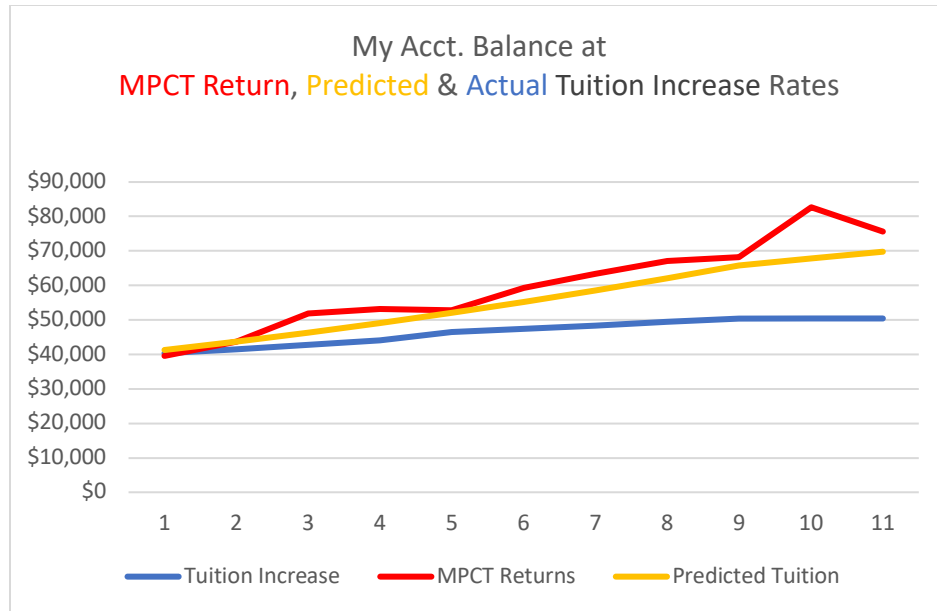
Annual: Equal yearly payments.
Five-Year Monthly: 60 equal monthly payments.

The Maryland Prepaid College Trust gives us a big tax break and a Legislative Guarantee. And by putting our grandkids through college, we're giving their parents one less thing to worry about. **CATHY GRAYSON WITH GRANDCHILDREN, CORA & COLIN**

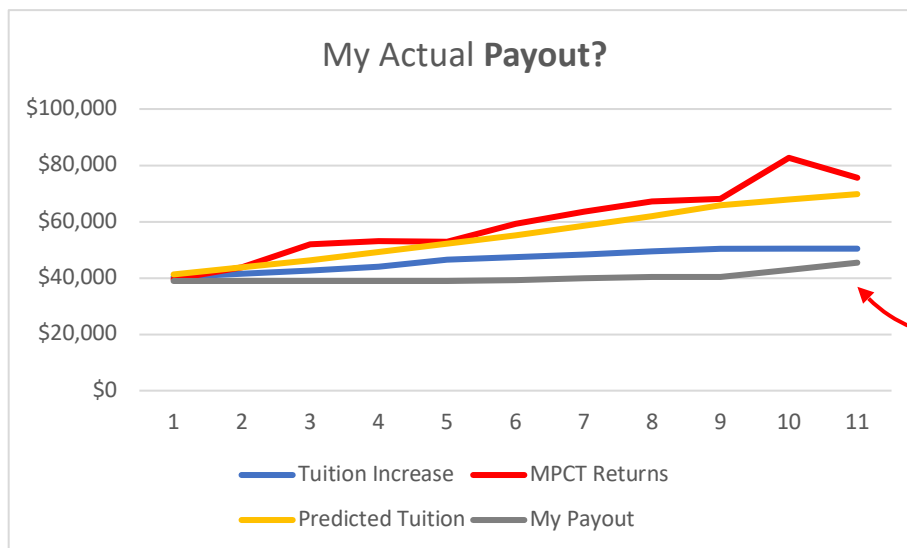
ii. Annual Statements & Reports

Each year, annual statements reported only the amount of my lump sum payment, \$38,936. In 2021 the FAFSA value was added to the statement. Returns on the Trust during the period were found separately in annual reports. The Trust now claims that the 2021 FAFSA value was incorrect. It was a calculation error.

These reports reaffirmed the financial soundness of the Trust. In all but two reports, they **predicted tuition would increase 6%** a year. Three percent increase was expected in 2022 and 2023. **Actual tuition** increase during the period I invested was 2.5%. The **Trust's average rate of return was 6.5%**, during the time I was invested. Year after year there was a **surplus** which could more than cover the "present value and all future tuition obligations and installment contract receivables." The surplus reached as high as 180%. **AS AN INVESTOR, I RELIED ON THIS INFORMATION IN GOOD FAITH TO CONTINUE MY INVESTMENT IN THE TRUST.**



Where does my **actual payout** fall on this graph? Below it. Even below actual Tuition rise! It represents a < 1% return on investment over the last 12 years.



C. False Assurances by Customer Service

When I prepared my FAFSA for the first time in October 2022, I called to confirm the amount, **the representative congratulated me**. The surplus and new calculation method, he explained, resulted in increased FAFSA values. When I asked if that was the yearly payout for out-of-state or private school, he said that I was entitled to the Weighted Average Tuition (WAT), \$10,608, or Minimum Benefit whichever was greater. I pointed out the \$30K difference between the two

figures. Quoting from the contract passage below, **he clarified that the Minimum Benefit would need to be calculated but assured me that it would reflect 6% interest.**

Minimum Benefits. Minimum Benefits are defined as 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 November 1., 2021 will earn 6% on balances, compounded monthly, until benefits are withdrawn, or your Contract is terminated.

The 6% interest earnings calculations accorded with the FAFSA value we were both looking at, the \$72,081.84. My original contribution of roughly \$39K had been invested for 11 years at the time the document on our screen was prepared. \$72K made sense.

The Trust representative knew I was planning to use the money in the next year, but revealed nothing about the fact that a new calculation method being used would not give me the value documented in my file, that I would be getting approximately half. **AS AN INVESTOR I SHOULD HAVE BEEN INFORMED THAT THE INVESTMENT WAS NOT GOING TO MEET MY GOALS, ESPECIALLY WHEN I DIRECTLY ASKED.**

D. No Direct Account Access

To determine the precise FAFSA value *as of the date of the phone call*, the customer service representative told me to submit a request for the Trust to calculate that number. I could also ask for my Minimum Benefit, Rollover, and Refund values. I did. **I filled out the Google form and waited weeks only to receive an email with no additional information**, simply the December 31, 2021 Statement with the \$72K figure. Nothing else was calculated. No additional information was given. As an investor this is unacceptable. **AS AN INVESTOR I SHOULD HAVE RECEIVED A PROMPT, INFORMATIVE RESPONSE.**

Not long after that call and my uninformative email response from the Trust, the annual report came out. In the letter to investors at the beginning of the report, Mrs. Tsirigotis clarified that **the 6% interest calculation applied to Minimum Benefits, Rollovers, and Refunds.** My concern about the \$10,608 being the only money I would receive yearly for tuition at a private or out-of-state school was allayed.

THE TRUST HAS DISREGARDED OUR INVESTOR RIGHTS IN NUMEROUS WAYS. THEY DID NOT PROVIDE GOOD FAITH PREDICTIONS OF TUITION RISE. THE ADVICE WE REQUESTED AND RECEIVED NEVER ALERTED US TO IMMANENT RISKS DESPITE KNOWING OUR TIMELINE FOR WITHDRAWAL. CLEAR INFORMATION ABOUT THE COSTS TO US WAS NOT PROVIDED WHEN EARNINGS CALCULATIONS WERE CHANGED. WE DID NOT RECEIVE UNDERSTANDABLE, ACCURATE, AND TIMELY ACCOUNT STATEMENTS. WE HAVE NEVER BEEN ABLE TO MOVE OUR ACCOUNTS ELSEWHERE SIMPLY AND EFFICIENTLY, WE HAVE ALWAYS NEEDED TO SUBMIT A HELP TICKET AND WAIT 2-3 WEEKS FOR INCOMPLETE ANSWERS. THEY TOOK ACTION THAT ADVERSELY AFFECTED OUR FINANCES.

IV. Request for action

- A. Use the **Legislative Guarantee**. In the event of a shortfall, we were promised money would be put aside to fund the gap. While the Trust argues that there is no shortfall, a 2019 Audit indicates they were paying out more than they could sustain. The Assembly and Governor can **approve additional funds in the State budget** to make us whole.
- B. **Use the “rainy day” fund** to make those with students in college and about to start college whole.
- C. **Amend the current bill** to specify how rollovers will be calculated.
 1. **Simply state that transfer amounts to other eligible programs (Article VII) will be determined based on the original contract** signed by the participant. (2010-2011 Enrollment Kit below)

Transfers to Other Eligible Programs. Upon notification in writing to the Board, you may transfer your Account to another program intended to comply with Section 529 of the Internal Revenue Code. If this Contract is less than 3 years old as measured from the first payment due date, the transferable amount will equal the contributions to the Prepaid College Trust plus or minus 75% of the Investment Earnings or losses realized on the contributions, less any administrative fees or Benefits used. If this Contract is over 3 years old as measured from the first payment due date, **the transferable amount will equal the contributions to the Prepaid College Trust plus or minus 100% of the Investment Earnings or losses realized on the contributions, less any administrative fees or Benefits used.** All transfers are subject to the Internal Revenue Code.

2. Specify that **Investment Earnings** shall be calculated at **6% OR the rate of return the Trust receives** and shall be **applied to balances from the initial contribution forward.**

Please use your power as part of the general assembly to **ensure we have immediate access to the full value of our accounts according to the 6% earnings calculations used to generate the December 31, 2021 Annual Statements.** The **costs due to further delay will only increase** as parents seek to be compensated for gaps in financial aid, or their kids needing to drop out. We were counting on these tuition benefits. **Our kids are in limbo.** And, as residents of Maryland we hope for a fair and quick resolution to **prevent further financial and reputational costs to the State of Maryland.**

If I can be of any assistance in your efforts, please feel free to call on me.

Many thanks,

Laura Sonjara
605 Worcester Road
Towson, MD 21286