

Dear Maryland Legislature/Senate,

As a resident of the state of Maryland and MD529 MPCT account holder, I am writing this testimony to request your assistance in resolving an URGENT matter. In 2007, my family opened an MPCT account. We diligently and faithfully contributed into the MPCT until our last payment in October 2021. Since our son planned to start college in the Fall of 2022, we contacted MPCT customer support in early 2022 to better understand our account benefits. In particular, we inquired about the minimum benefit and were told a minimum benefit amount that was consistent with the revised minimum benefit definition in the MPCT August 21, 2021 letter to us and our December 31, 2021 account statement. Like many families, the information provided to us regarding our MPCT account was a critical factor in our decision as to where our son would attend college.

Our son began attending a MD state university in the Fall of 2022. To date, we've submitted claims for Fall 2022 and Spring 2023 semesters' tuition, fees, and qualified higher educational expenses. However, the amount of money we received from MPCT for each semester was not only below the minimum benefit, we will not even recover the full principal we paid into the plan! How can this be correct and justifiable? The MPCT is supposed serve our children, not take away the hard-earned money they saved. It is appalling and unconscionable that MPCT is not, at a minimum, providing us the equivalent of our principal investment into the fund for our son's education at this time while they correct their own mistakes. At this point, 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in your Account prior to October 31, 2021 **will earn 6%** on balances, compounded monthly, until benefits are withdrawn, or your Contract is terminated." (emphasis added) (Page 2, August 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in your Account prior to October 31, 2021 **will earn 6%** on balances, compounded monthly, until benefits are withdrawn, or your Contract is terminated." (emphasis added) (Page 5, August 2021 letter)

It is clear that the 6% earnings apply to all contributions into the account since its inception. MPCT now claims that the December 31, 2021 statements issued are incorrect because of issues associated with an earnings miscalculation. 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." This is a policy change that negatively impacts families.

When we opened a MD529 MPCT account in 2007, it was our understanding at the time that this plan would yield a rate of return based on the contract's definition of "minimum

benefits.” Every copy of the MPCT contract since we signed up with MPCT defines minimum benefits as payments made under this contract “plus a reasonable rate of return.” The 2021-2022 contract changed the definition of minimum benefit (as provided above) but it still includes a rate of return. The explanation of minimum benefits in the contract goes on to state that “in the event that Tuition at an Eligible Institution is less than payments you make under this contract plus a reasonable return, you may use the difference for other Qualified Higher Education Expenses such as room and board and books.” You can find this statement about other qualified higher education expenses in previous years contracts as well. We would note that during the January 24, 2023 hearing, Mr. Savia (MPCT Executive Director) stated multiple times that the MPCT only covers tuition. The definition of minimum benefits and the definition of qualified higher education expenses in the MPCT contracts contradict this statement.

As for the FAFSA reporting, we reported the MD529 value provided in writing, believing that was truly what we had in our MD529 account and that money would be paid to us for our son’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).”

As you may be aware, this value is used by universities in deciding what financial aid package to offer. 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 in this situation because of MD529’s mismanagement of this plan.

We need a resolution now. For our family, and many others, this is urgent and should be a priority as we are months from having to pay another university bill. Our son deserves the opportunity for a college education. We worked hard to provide that for him 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. (emphasis added)

Clearly, the Maryland legislature has the authority and responsibility to help those of us who have been harmed by MPCT. What are we asking for?

We respectfully request that you direct the State Treasurer to make the affected account holders “whole” again by honoring the amounts reflected in the December 2021 statements before Fall 2023 tuition, fees, and all other educational expenses are due.

Sincerely,

Martha Barillas