

Maryland 529 Policy Holder Testimony – February 22, 2023

My name is Jamie Goldstein and in 2006 I opened up a third account in Maryland's Prepaid College Trust for my third child who was all of three years old. Over the course of 5 years I paid in a little under \$40,000 finishing my last payment in November of 2012 for four years of tuition. I signed an application that referenced the contract described by the in-effect disclosure statement. While I probably didn't read every line of the contract, I know I had at least two options – Minimum Benefits or a Rollover/Refund if for instance my son didn't go to college.

I want to focus my testimony on the change to Rollover/Refund calculations. In August of 2021 Maryland 529 made changes to their disclosure statement, although I never received an email pointing out these changes. I later read the details of the changes, because in December 2021 I received my first tuition benefits payment which was far in excess of the Weighted Average Tuition. I interpreted the language to mean I received 6 % interest on the funds I put in from the first dollar, whether for Minimum Benefits or Rollover. In early 2022 a FAFSA calculation for year end 2021 was provided that implied that if I had requested a rollover in August of 2021 I would have received about \$75,000. When I later estimated the Rollover value I would have received using the pre-August 2021 disclosure statement and calculation methodology, I came up with a value of \$75k, and when I estimated using 6% on earnings I came up with a value of \$74k.

However, in January 2023, Maryland 529 issued a Public Update walking back that 6% interest calculation for Minimum Benefits, claiming a calculation error was made, although their update was also silent on Rollover changes. I requested a manual calculation of Minimum Benefits and on January 26, 2023 received a calculation that effectively shows that Maryland 529 would value a Rollover of my account at \$41,000 in August of 2021. My rollover value had plummeted by 30k.

This reduction in rollover value is a breach of the contract I signed. Article IX says contract changes will not retroactively be modified in manner adverse to the account holder or beneficiary. This reduction in rollover value is a significant and adverse reduction to me. I require that my rollover benefits be restored to me and all other account holders. Maryland 529 leadership may say that the two month period to withdraw from the contract after disclosures have been changed has lapsed. I counter that the average lay person who if they even read the changes to the rollover calculations would have concluded that the 6% interest was from the first dollar put in. Maryland 529's Program Manager company was selected by competitive procurement as the industry leader in the Prepaid Tuition space. If their personnel, who day to day work in the Prepaid Tuition world and are presumed experts, after reading disclosure statements, business rules, requirements, and whatever else was provided by Maryland 529 staff to implement the new system, if they came to the same interpretation of 6% interest upon first dollar put in, how would any account holder have stood a chance in August of 2021 to realize they would be better off getting a Rollover under the old rules?

Maryland 529 should be compelled by this bill and other actions to communicate to all account holders that their account rollover value has dropped and furthermore be given the option to Rollover their accounts less any benefits paid using the pre August 2021 calculations. And this needs to be done this

year, not next year or the year after, so that funds can be used while my child and other account holder's children are in college.