

Thank you for this opportunity to comment on problems involving the Maryland Prepaid College Trust (the Trust) and SB475. Despite what you may have read or heard from the Trust or its Board, **this is not:**

- a simple calculation error
- similar to a bank statement error
- the fault of their new plan administrator in Florida, Intuition College Savings Solutions
- account holders not being smart enough to know what they signed up for
- a problem only affecting 500 people

We now know **this is:**

- the result of a retroactive change in contract terms causing account values to plummet
- solely the result of actions of the Trust and its Board
- a situation affecting all 27,000+ account holders whether they are aware or not
- causing financial harm to many account holders to include unplanned loans, refinancing, and use of retirement funds
- causing some accounts to now be in the position of negative earnings, meaning they will not even get out what they paid in, due to the change in contract terms and high fees
- keeping some children from even being able to enroll in the college at all or to enroll or remain at the college of their choice due to continuing uncertainty over account values
- resulting in one million dollars of spending on outside counsel by the Trust
- resulting in spending of fifty thousand dollars for a crisis communication firm by the Trust

We now know **the Trust has:**

- a documented history of shockingly inadequate financial controls
- a long history of excessive employee turnover and instability in management positions
- to this day never notified account holders of any change in contract terms resulting in re-valuation of accounts
- continually grossly overpriced contracts due to highly inflated tuition estimates which continues to this day
- long had misleading marketing materials that includes these inflated estimates
- been determined by multiple outside audits to be overfunded by at least thirty percent
- missed deadline after self-imposed deadline to "fix" this problem, all the while mischaracterizing the nature of the issue
- reported FAFSA values they now will not honor, likely causing missed financial aid opportunities to hundreds or thousands of students
- somehow reported interest earnings on 2022 1099-Q forms even though "interest is frozen"
- never once communicated to account holders in a timely way since this began
- begun hiding behind their outside counsel Nelson Mullins and vetting any responses through them
- still not responded to all 500+ account holders who submitted support request forms month ago

We now know that **the Trust's Board**:

- holds meetings that are solely perfunctory, often with no discussion, comments, or questions whatsoever among Board members
- displays no sense of urgency to solve problems
- displays no sense of understanding the harms their actions are causing
- often barely achieves a quorum
- has had multiple resignations in recent months, to include being without a permanent chair at a time of crisis

The time has come for the Maryland Legislature to step in and honor its commitments to Trust account holders. As a taxpaying citizen of Maryland and resident of Legislative District 3 who votes in every primary and general election, I request the Trust be compelled to honor 2021 FAFSA values, for since-inception investment earnings to return to rollovers and refunds, and for a process to be set up to reimburse certain account holders who can provide documentation of financial harm though extra fees or interest incurred due to the actions of the Trust. I would urge that legislation stipulate that an independent outside party with no personal or business ties to Trust staff or Board members be appointed to oversee these matters as the Trust and its Board have displayed an inability to self-govern, self-manage and understand the consequences of their actions.

These steps must be incorporated into legislation and passed into law **this session**. The actions required in the legislation must take affect no later than mid-summer when the next round of tuition bills will come due. Additionally, it is important to understand that in order to remain in compliance with IRS regulations, qualified education expenses must be reimbursed in the year in which they are incurred. That is why this is a time sensitive matter that can wait no longer to be resolved. 2022 expenses are already ineligible for reimbursement under IRS regulations, which is another way that the Trust, through its delays and obfuscation, has caused extensive harm.

Further, after these urgent steps are taken, I urge the Legislature to consider structural reforms to the Trust and it's Board to include whether the Trust should be dissolved, the composition of the Board, and the significant need for ongoing outside oversight and independent audits if the Trust is to continue operating into the future.

I appreciate your time and consideration.

Very respectfully,

Kimberly Osborne  
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