

February 22, 2023

My husband and I are longtime accountholders of two Maryland 529 prepaid accounts. We purchased a four-year plan in 2004 and a second four-year plan in 2009 for our two daughters. Since purchasing the plans in lump sums, we had no reason to review the yearly contracts and disclosure statements and had no reason to doubt that the funds were secure and well-managed.

Our older daughter is a freshman at Wake Forest University, and last summer I was able to have the prepaid fund ("Fund") send the weighted average tuition ("WAT") to Wake. Shortly thereafter, I learned that accrued interest on the WAT was being withheld because of "problems with interest calculations." Nevertheless, in the fall, I was able to have the Fund send the WAT to Wake for Spring 2023 tuition.

We do not have a sympathetic story, like many other Maryland residents. We did not rely on elevated, but incorrect, account values when choosing a college or filling out financial aid forms. But, as Maryland residents and account holders, we are horrified that the Fund has for many years been mismanaged, leading to the problems it has today. In the past few months, we have learned how the Fund has had a slew of Executive Directors who have quit after a short time. We have read the 2019 Audit, which details extreme mismanagement, including prior interest rate calculation errors and worse. And we have learned that in 2021, 6% interest was applied to rollover accounts retroactively to the inception of accounts, seemingly at odds with what a prepaid account was intended to be. And now, similar promises of 6% interest on existing accounts is not being honored. At a minimum, current and noncontroversial earned interest should be given to all account holders who are currently in the distribution phase of the prepaid plan.

We are very concerned that these many years of mismanagement went seemingly unnoticed by the Maryland Legislature. We are also very concerned that account holders are being treated differently, where some people were able to cash in on the wrong, elevated account amounts, while most of us have not been given the minimal interest we were expecting.

How can anyone have confidence in the MD Prepaid 529? The Fund has failed to calculate rollovers correctly. The Fund has failed to pay out the actuarial surplus since 2014. Going forward, who will verify that the software is working and the calculations are correct?

The oversight board has failed its oversight responsibilities and has hired incompetent or poorly skilled individuals to run the trust multiple times.

Tony Savia has repeatedly said the running the trust is complicated; maybe that's because he doesn't have a software or finance background. Based on his recent actions, he sees a budget and wants to spend it by hiring lawyers and crisis consultants and planning a retreat.

It's time to protect the people who put their trust in the Fund and in the state of Maryland.

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