

# FEDERAL RESERVE BANK OF DALLAS

FISCAL AGENT OF THE UNITED STATES

Dallas, Texas, March 26, 1951

## REINVESTMENT PRIVILEGES AVAILABLE TO OWNERS OF MATURING UNITED STATES SAVINGS BONDS OF SERIES E

**To All Banking Institutions, and Others Concerned,  
in the Eleventh Federal Reserve District:**

There is quoted below a statement issued today by Secretary of the Treasury Snyder in which are outlined the various options available to owners of Series E Savings Bonds which begin to mature on May 1, 1951:

“I am sure that the signing today by President Truman of H. R. 2268 will be welcomed by the many holders of Series E Savings Bonds who have expressed a desire for a convenient reinvestment plan. I was deeply gratified by the dispatch with which Congress passed this necessary legislation to effectuate such a plan.

“An official circular giving the details of the reinvestment privileges available to owners of maturing Series E Savings Bonds will be issued immediately. In the meantime I desire to briefly outline the various options which the Treasury will offer holders of these bonds:

“Option 1. Cash—The owner of any Series E bond may receive, if he wishes, full cash payment for his bond at maturity. This is, of course, in accordance with the original terms of his contract. He may receive his cash by presenting his matured bond to any qualified bank or other paying agent, any Federal Reserve bank or branch, or to the United States Treasury. I want to make it absolutely clear that the offerings under Options 2 and 3 with respect to maturing bonds do not in any way restrict this right of the investor to cash his bond at any time.

“Option 2. Extension of E Bonds—Under this option, the owner will be given the privilege of retaining his bond for a period not to exceed 10 additional years during which time interest will accrue at the rate of 2½ percent simple interest each year for the first seven and one-half years, and then increase for the remaining two and one-half years to bring the aggregate interest return to approximately 2.9 percent, compounded semi-annually. This choice requires no action on the part of the owner. Any bond which is not turned in for cash at its original maturity date will be extended until such time as the owner does present it for payment. However, again I wish to emphasize that the extended bonds will also be redeemable at the owner's option, and when presented for payment the holder will receive the full face value of the bonds plus interest which has accrued at the new rates. Congress has continued the existing option of paying federal income taxes on interest on Series E bonds currently or in the year in which the extended bonds finally mature or are redeemed.

**“Option 3. Exchange for a Series G Bond—This third option was specifically designed for those who are desirous of receiving current interest income. Series G bonds are registered bonds issued at face amount and bear interest at the rate of 2½ percent per annum, payable semi-annually from issue date until their maturity in 12 years. A holder of maturing E bonds may exchange such holdings for the current income G bonds within a period of time prescribed by Treasury regulations. He may redeem the G bonds at his option at any time after six months from the issue date upon one calendar month’s notice. Also, G bonds issued in exchange for maturing E bonds will be redeemable at full face value whenever they are presented for payment. However, the privilege of deferring taxes on the interest on a Series E bond does not apply if the E bond is exchanged for a G bond.**

**“The privileges which I have just outlined will apply to all outstanding E bonds as they mature, and will apply to all new Series E Savings Bonds issued in the future.**

**“The Treasury’s program for voluntary reinvestment was decided upon after long deliberation, extensive consultation, and cooperative effort. Many groups and individuals met with officials of the Treasury and gave considerable time and thought to the measures which would be in the best interests of both the Government and bondholders. I wish to express my sincere appreciation to them and to the Congress for helping to effectuate this program.”**

**Within the next few days, Treasury Department Circulars containing the regulations governing these options will be forwarded to all banking institutions and others concerned.**

**Information concerning any details not contained in the regulations will be furnished upon request.**

**Yours very truly,**

**R. R. GILBERT**

**President**