FEDERAL RESERVE BANK OF DALLAS

FISCAL AGENT OF THE UNITED STATES

Dallas, Texas, September 22, 1959

IMPROVED INTEREST RATES ON SERIES E AND H SAVINGS BONDS

To all Qualified Issuing and Paying Agents
in the Eleventh Federal Reserve District:

The President of the United States has signed a bill with respect to increases in interest rates on Series E and H United States Savings Bonds. The Treasury Department's summary of these changes is shown on the reverse hereof.

The official circulars are being printed by the Treasury Department in Washington. As soon as they are available, early in October, these circulars and other material will be mailed to each issuing and paying agent.

Stocks of bonds carrying the new terms and conditions are being printed, but at this time there will be no general withdrawal of stock of E bonds in the present design. However, **all Series E and H bonds purchased on or after June 1, 1959, will carry the new interest rates and redemption values and all other provisions as fully as if expressly set forth in the text of the bonds themselves.**

In the meantime, issuing agents should continue to use existing bond stock until notified to the contrary — possibly several months from now — holding requisitions to a minimum consistent with sales.

Yours very truly,

Watrous H. Irons

President

SUMMARY SHEET

Improvements in Series E and H Savings Bonds, effective June 1, 1959

1. **New Series E bonds with issue dates of June 1, 1959 and after**—Earn 3¾ percent compounded semi-annually, if held to maturity (instead of former 3¼ percent). The increase from 3¼ percent to 3¾ percent is accomplished by reducing the term of the bond to 7 years, 9 months (instead of former 8 years, 11 months).

2. **New Series H bonds with issue dates of June 1, 1959 and after**—Earn 3¾ percent if held to maturity (instead of former 3¼ percent). The new H bond, like its predecessor, is a current-income bond, issued at par, redeemable at par (on one month's notice after six months' holding), and maturing at par at the end of its ten-year life.

There are also improved redemption values and investment yields if the new E bonds are held for less than the 7¾ years to maturity. Here are some examples of the new values and yields:

When Held For:	Redemption Value Per $100 Bond	Yield For Period Held	Yield For Period Remaining To Maturity
1½ years	$78.04	2.67%	4.01%
3 years	82.64	3.26%	4.05%
5 years	89.60	3.59%	4.03%

As before, interim yields on the new H bonds are approximately the same as the new E's for equal periods of holding. Interest checks after the first three will be level providing 4 percent current income after 1½ years of holding.

3. **All outstanding E and H bonds purchased prior to June 1, 1959**—Earn at least ½ percent more than before from now to next maturity. Present bonds earning 3¼ percent or 3 percent for their full current maturity periods will earn ½ percent more. Those earning 2.9 percent will earn 6/10 percent more. There will be lesser improvement in yields if redeemed earlier. The increase will be on a graduated scale, starting with next full interest period beginning June 1, 1959 or after. There is no retroactive increase in interest rates for periods prior to June 1, 1959.

4. **Extension privileges on E bonds:**

(A) Unmatured bonds:

1. Issued June 1949 through April 1957 (which had not reached maturity before June 1, 1959) on which a 10-year 3 percent extension had already been promised, will now earn 3¾ percent for the entire extension period if held the full 10 years, with lesser yields (beginning at approximately 3½ percent) if redeemed earlier. (The redemption value of any bond at the beginning of the new extension will be the base upon which interest will accrue during the 10-year extension period.)

2. Issued beginning with May 1957 will have a 10-year extension privilege, interest rates and other terms and conditions to be determined as they approach maturity.

(B) Matured bonds:

1. Issued May 1941 through May 1949, which are already in their extension period and which will begin to reach second maturity in May 1961, have been given a second 10-year extension. (Other terms and conditions including interest rates to be determined as they approach extended maturity.)