

FEDERAL RESERVE BANK OF DALLAS
FISCAL AGENT OF THE UNITED STATES
DALLAS, TEXAS 75222

Circular No. 71-107
May 7, 1971

To All Issuing Agents and Others Concerned
in the Eleventh Federal Reserve District:

The enclosed press statement and related material concerning extension periods for savings bonds and notes were released on April 29. Additional copies will be furnished upon request.

FEDERAL RESERVE BANK OF DALLAS
Fiscal Agent of the United States

Enclosures



FOR RELEASE AT 6:00 P. M.
THURSDAY, APRIL 29, 1971

SECRETARY CONNALLY ANNOUNCES EXTENSION
FOR E AND H SAVINGS BONDS, FREEDOM SHARES

Secretary of the Treasury John B. Connally today announced extensions of maturity for older Series E and H Savings Bonds and Freedom Shares. Today's action insures that, regardless of when purchased, these Bonds will continue to draw interest.

Series E Savings Bonds purchased from May 1941 through April 1952, the first of which would have begun to reach maturity in May of this year, have been granted a third 10-year extension. This extension will give these early E bonds a life span of 40 years. The Treasury said it intends that this will be the final extension provided for these bonds, but noted that E bonds can be exchanged into current-income H bonds at any time prior to their extended maturity.

At the same time, the Treasury announced that Series E Bonds issued from May 1952 through January 1957, and Series H Bonds issued from June 1952 through January 1957, have been granted a second 10-year extension.

U.S. Savings Notes -- known as Freedom Shares -- which were on sale from May 1967 through June 1970 have been granted a 10-year extension beyond their initial 4-1/2 year maturity period.

The interest rate for Savings Bonds and Freedom Shares in extension will be the rate prevailing at the time they enter the extension period. The current rate is a flat 5-1/2 percent during extended maturity.

Early E Bonds -- known as "Defense" or "War" Bonds -- were sold to help finance the enlarged expenditures associated with World War II. Of the \$53 billion of Savings Bonds outstanding today, \$5.6 billion date from World War II days.

QUESTIONS AND ANSWERS ABOUT EXTENSION OF MATURITY FOR
SERIES E AND H SAVINGS BONDS. FREEDOM SHARES

1. Q. What is the meaning of the Treasury's announcement to people who own Savings Bonds and Freedom Shares?
 - A. Older E and H Savings Bonds have been granted additional 10-year extensions; an extension has also been granted to Savings Notes -- Freedom Shares.

2. Q. What is the over-all, broad effect of the announcement?
 - A. All E and H Savings Bonds and Freedom Shares -- regardless of age -- will continue to earn interest.

3. Q. How does the announcement affect E Bonds now on sale?
 - A. It doesn't; E Bonds now on sale have an automatic 10-year extension period and, therefore, may be held for 15 years, 10 months.

4. Q. What is the interest rate for Savings Bonds entering an extension?
 - A. The interest rate will be the prevailing rate -- that which is in effect at the time the Bonds enter an extension period.

5. Q. What is the prevailing rate?
 - A. The current rate of interest for Bonds entering an extension is a flat 5-1/2 percent; this rate is guaranteed to next maturity.

6. Q. How does all this benefit the owners of Savings Bonds and Freedom Shares?
 - A. The granting of additional extensions for older E and H Bonds -- and a first extension for Freedom Shares -- will enable Bond-owners to complete their long-range plans, savings for vacations, new homes, college educations, retirement.

7. Q. What group of Savings Bonds has been granted a third extension?
 - A. All Series E Bonds now in -- or already promised -- a second extension; that is, those Bonds issued from May 1941 through April 1952.

8. Q. Is this third extension the last that can be expected?
 - A. Yes. The Treasury feels that this 40-year life span for the early E Bonds will enable bond owners to attain their goals. Experience indicates that only a small portion of bonds will remain outstanding beyond this period, and the problems of tracing ownership become increasingly complex with the passage of time. In any case, owners of E Bonds may exchange them for H Bonds at any time prior to their maturity.

9. Q. Does the decision to provide a third extension mean that all Savings Bonds will be given third extensions?
 - A. Not necessarily; however, no decision on this point is needed until 1981.

10. Q. What about E Bonds nearing the end of their first extension?
 - A. Series E Bonds issued from May 1952 through January 1957 now have been granted a second 10-year extension.

11. Q. What H Bonds are affected by the announcement?
- A. Series H Bonds issued from June 1952 through January 1957 have been granted a second 10-year extension.
12. Q. What about Freedom Shares -- Savings Notes -- that start maturing next fall?
- A. Freedom Shares -- on sale from May 1967 through June 1970 -- are being treated like E Bonds. They have been granted a 10-year extension beyond their original 4-1/2 year maturity.
13. Q. What is the interest rate for Freedom Shares entering an extension?
- A. The interest rate will be that which is in effect for Savings Bonds at the time the Freedom Shares enter an extension?
14. Q. What is the current rate?
- A. The current rate is a flat 5-1/2 percent and is guaranteed to next maturity.
15. Q. Have all E Bonds been granted at least one extension?
- A. Yes. All E Bonds may be held at least 10 years beyond first maturity.
16. Q. Have all H Bonds been granted extensions, too?
- A. No. However, all H Bonds issued through November 1965 have been promised at least one 10-year extension. Therefore, there is no need for a decision until 1975.

17. Q. Do all Savings Bonds benefits continue during extension?

A. Yes, including the important benefits of tax-deferral and exchange privileges.

18. Q. What does this mean in terms of dollars?

A. Over the years, interest rates have been improved several times -- ranging from the original 2.9 percent to the current "bonus" rate of 5-1/2 percent. If you hold a \$100 E Bond -- purchased in May 1941 for \$75 -- it is now worth \$201.12, and will earn 5-1/2 percent, compounded semiannually, on that amount throughout the new extension.