

**FEDERAL RESERVE BANK
OF NEW YORK
FISCAL AGENT OF THE UNITED STATES**

[Circular No. 3852]
[May 12, 1952]

UNNECESSARY CASHING OF SERIES E SAVINGS BONDS

*To all Issuing and Paying Agents for United States
Savings Bonds in the Second Federal Reserve District:*

On the reverse side of this circular is a copy of a letter from MR. E. F. BARTELT, Fiscal Assistant Secretary of the Treasury, enlisting your assistance in eliminating unnecessary cashing of outstanding Series E savings bonds.

Your cooperation can help owners of Series E savings bonds to recognize that cashing outstanding bonds in order to switch to the new bonds may be both unnecessary and ill advised.

Additional copies of this circular and of Treasury Circular No. 653, revised April 29, 1952, referred to in Mr. Bartelt's letter, will be furnished upon request.

ALLAN SPROUL,

President.



TREASURY DEPARTMENT

WASHINGTON

May 5, 1952

TO PAYING AND ISSUING AGENTS FOR UNITED STATES SAVINGS BONDS:

The increase in the interest rates on Series E Savings Bonds issued on and after May 1, which was announced on April 29, may raise a question in the minds of some bond owners whether they should cash any of their bonds issued prior to May 1 in order to reinvest the proceeds in one of the new Series E bonds.

It is believed that paying and issuing agents for United States Savings Bonds are in a position to render a valuable service to their customers in order to avoid ill-advised cashing of Series E bonds which were issued prior to May 1, and particularly those which are more than 4 months old. Special attention is called to the fact that outstanding Series E bonds which were purchased prior to January 1, 1952, by their original terms and conditions, will earn more than 3% interest compounded semiannually for the period from May 1, 1952 to maturity.

As you know, the annual yield to maturity increases with the age of the bonds. Series E bonds, which have been outstanding for 5 years, for example, earn interest on their current redemption value for the remaining 5 years of their life at an annual rate of approximately 4% per annum. The Treasury, of course, is anxious that paying and issuing agents for United States Savings Bonds cooperate as fully as possible where the owner of a savings bond issued prior to May 1 wishes to reinvest in the new Series E bond; on the other hand, it would be helpful from the standpoint of both the bond owner as well as the Government if paying and issuing agents for United States Savings Bonds would make a special effort to acquaint bond owners, when it seems appropriate, of the investment values of their Series E bonds which have been outstanding for several months.

In order to avoid misunderstanding it does not appear to be practicable to make a general announcement concerning this matter. It is believed that better results could be obtained if the situation should be handled on a personal basis. This is because of the varying personal factors which are involved in the purchase or redemption of savings bonds. Because of your close contacts with owners of Series E savings bonds you are in a position to render valuable services to your customers in a direct and personal manner by bringing to the attention of any holders who are contemplating switching into new E bonds the investment return on the current redemption value of their present Series E savings bonds. These values are shown in Table B attached to Treasury Circular No. 653, revised April 29, 1952, previously furnished to you.

Very truly yours,

E. F. Bartelt
Fiscal Assistant Secretary