

FEDERAL RESERVE BANK
OF NEW YORK
Fiscal Agent of the United States

[Circular No. 8511]
February 2, 1979]

TWO NEW SERIES OF SAVINGS BONDS
Series EE and HH — Effective January 2, 1980

To All Issuing Agents for Savings Bonds
in the Second Federal Reserve District:

On January 10, 1979, the U.S. Treasury Department announced plans to introduce two new series of savings bonds — Series EE and HH — in 1980, and also explained several other changes in the savings bond program. Printed below is the text of the announcement:

Treasury Secretary W. Michael Blumenthal today announced the introduction of new EE and HH U.S. Savings Bonds to replace the current E and H bonds effective January 2, 1980, a new exchange offering, and a decision on further extensions for outstanding bonds.

The announcement came at the annual Washington luncheon of the U.S. Industrial Payroll Savings Committee, a group of 60 major industrial leaders who volunteer their support to the savings bonds program.

The Secretary said the program changes underline the Treasury's interest in strengthening savings bonds as a vital part of its debt management operations. Bonds provide the Treasury with a stable source of funds from millions of citizens, and also provide Americans at all economic levels with an opportunity to save in a safe and convenient manner.

The present E and H bonds will continue to be sold at banks and other savings institutions until December 31, 1979. Payroll sales of E bonds will be converted to the new series EE in the period from January 2 to June 30, 1980.

Series EE Bonds

The series EE bond — so named because it will double in value between its purchase and maturity dates — will have these new features:

- the purchase price will be one-half the face value, e.g., \$25 will buy a \$50 (face value) bond.
- the lowest available denomination will be \$50, face value. Other denominations will be \$75, \$100, \$200, \$500, \$1,000, \$5,000 and \$10,000.
- the interest rate of 6 percent (for 5 or more years) remains, while the term to maturity will be 11 years and 9 months.
- the annual limitation on purchases will increase from the present \$7,500 (issue amount) to \$15,000 (issue amount).
- the new EE bonds will be eligible for redemption six months after issue.
- the requirement that a bond beneficiary must consent to a change in the bond will be eliminated.

Although the familiar \$25 savings bond (\$18.75 purchase price) will no longer be available, the new series EE \$50 bond can be purchased for \$25, an increase of only \$6.25 in the minimum purchase price.

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Series HH Bonds

The series HH bond will have these new features, as compared to the present H bond:

- interest payments will be a level 6 percent from day of issue, rather than the present graduated scale.
- bonds purchased for cash (rather than through exchange of other savings bonds and notes) will be subject to an interest penalty if redeemed before maturity.
- the annual purchase limitation will be increased from \$10,000 (face amount) to \$20,000 (face amount).

The new series HH bonds can be bought for cash or obtained in exchange for the present series E bonds or savings notes, singly or in combination, in multiples of \$500. The new HH bond will have the same maturity period as the H bond — 10 years — and the same denominations, which range from \$500 to \$10,000.

Outstanding Series E and H Bonds

Changes which affect owners of the present E and H bonds are:

- the earliest E bonds — bought between 1941 and April 1952 — will not be extended again when they fall due between 1981 and April 1992, after 40 years of interest-bearing life.
- all outstanding series E bonds and savings notes bought after April 1952 will receive a further 10-year extension. The Treasury Department intends this to be the final extension for bonds bought from May 1952 through November 1965.
- series H bonds bought from June 1952 through May 1959 will receive no further extensions. These bonds reach final maturity between February 1982 and May 1989.
- series H bonds bought after June 1959 will receive another 10-year extension, for a total bond life of 30 years. The Treasury Department intends this to be the final extension for these bonds.
- owners of E bonds and savings notes can exchange them for the new HH bonds after they go on sale January 2, 1980. This can be done up to a year after final maturity of the old E bonds. This exchange carries the same tax-deferral privilege as the present E to H bond exchange.

Role of Savings Bonds

Secretary Blumenthal said announcement of the changes should dispel any uncertainty about the Treasury's position on the final maturity of outstanding E and H bonds. Holders of the 1941-52 series E bonds will thus have the opportunity to decide well in advance of their bonds' final maturities whether to redeem them for cash or exchange them for HH bonds.

Approximately one out of three American households now own savings bonds, and more than 16 million people buy them yearly. About \$80.7 billion in savings bonds and savings notes are now outstanding. Bond sales during 1978 exceeded \$8 billion, for the highest sales since World War II.

Since the Series E bond will no longer be sold after December 31, 1979, it will be necessary to recall early in 1980 all unissued bond stock in the hands of issuing agents. In order to keep the amount of stock that must be recalled to a minimum, we would ask you to monitor your stock inventory during 1979 so as not to build up excess levels. We would also encourage you to return to this Bank at any time during the year stock which you believe to be excess to your needs. You may particularly wish to review your levels of stock of the higher denomination bonds. Any excess stock returned to this Bank should be spoiled in the usual manner.

We will make arrangements to supply each issuing agent with a working supply of the new Series EE bond stock during the last quarter of 1979.

Enclosed are copies of charts that compare the present Series E and H bonds to the proposed new bonds. If you have any questions relating to savings bonds matters, please call our Savings Bond Division (Tel. No. 212-791-5972).

PAUL A. VOLCKER,
President.

SERIES E EXTENDED MATURITIES

Date of Issue	Date of Maturity (including new extension)	Term of Bond
* May 1941 – Apr. 1952	May 1981 – Apr. 1992	40 years
May 1952 – Jan. 1957	Jan. 1992 – Sept. 1996	39 years, 8 mos.
Feb. 1957 – May 1959	Jan. 1996 – Apr. 1998	38 years, 11 mos.
June 1959 – Nov. 1965	Mar. 1997 – Aug. 2003	37 years, 9 mos.
Dec. 1965 – May 1969	Dec. 1992 – May 1996	27 years
June 1969 – Nov. 1973	Apr. 1995 – Sept. 1999	25 years, 10 mos.
Dec. 1973 – Dec. 1979	Dec. 1998 – Dec. 2004	25 years
Jan. 1980 – June 1980	Jan. 2005 – June 2005	25 years (payroll issues only)

SERIES H EXTENDED MATURITIES

Date of Issue	Date of Maturity (including new extension)	Term of Bond
* June 1952 – Jan. 1957	Feb. 1982 – Sept. 1986	29 years, 8 mos.
* Feb. 1957 – May 1959	Feb. 1987 – May 1989	30 years
* June 1959 – Dec. 1979	June 1989 – Dec. 2009	30 years

SAVINGS NOTES EXTENDED MATURITIES

Date of Issue	Date of Maturity (including new extension)	Term of Note
May 1967 – Oct. 1970	Nov. 1991 – Apr. 1995	24 years, 6 mos.

The above tables show the extended maturity dates and terms (calculated with the most recent extension) for all Savings Bonds and Savings Notes (Freedom Shares).

Bonds with issue dates marked by an asterisk above will receive no further extensions and will cease to earn interest as of their respective maturity dates. To determine the final maturity date of one of these Bonds, add the number of years and months in the column "Term of Bond" to the issue date on the Bond. For example, a Series E Bond which bears an issue date of July 1942 has a 40-year term and will mature in July 1982. A Series H Bond which bears an issue date of August 1954 has a term of 29 years, 8 months and will mature in April 1984.

Bonds and Notes which are not marked by an asterisk have been granted an additional 10-year extension.

COMPARISON OF TERMS AND CONDITIONS OF
 SERIES E AND SERIES EE
 ACCRUAL-TYPE SAVINGS BONDS

	Series E Bonds	Series EE Bonds
Offering Date	Terminate over-the-counter sales December 31, 1979; terminate payroll sales no later than June 30, 1980	Begin January 2, 1980; phase in payroll sales through June 30, 1980
Denominations	\$25, \$50, \$75, \$100, \$200, \$500, \$1,000, \$10,000, \$100,000	\$50, \$75, \$100, \$200, \$500, \$1,000, \$5,000, \$10,000
Issue Price	75% of face amount	50% of face amount
Maturity	5 years with guaranteed 10-year extension	11 years and 9 months
Interest	Accrues through periodic increases in redemption value to maturity	Same
Yield Curve	4% after 2 months, 4.5% first year, increases gradually thereafter to yield 6% if held 5 years	4% after 2 months, 4.5% first year, increases gradually thereafter to yield 6% if held 5 or more years
Retention Period	Redeemable any time after 2 months from issue date	Redeemable any time after 6 months from issue date
Annual Limitation	\$7,500 issue price	\$15,000 issue price
Tax Status	Accruals subject to Federal income and to estate, inheritance and gift taxes — Federal and state — but exempt from all other state and local taxes. Federal income tax may be reported (1) as it accrues, (2) in year bond matures, is redeemed or otherwise disposed; or (3) in accordance with provisions of exchange offering.	Same
Registration	In names of individuals in single, coownership or beneficiary form; in names of fiduciaries or organizations in single ownership only.	Same
Transferability	Not eligible for transfer or pledge as collateral.	Same
Rights of Owners	Coownership: either owner may redeem, both must join reissue request. Beneficiary: only owner may redeem during lifetime; both must join reissue request.	Coownership: same. Beneficiary: same except that consent of beneficiary to reissue not required.
Exchange Privilege	Eligible, alone or with savings notes, for exchange for Series H bonds in multiples of \$500, with tax deferral privilege.	Eligible, alone or with Series E bonds or savings notes, for exchange for Series HH bonds in multiples of \$500, with tax deferral privilege. There are some limitations on eligibility of E and EE bonds for exchange.

COMPARISON OF TERMS AND CONDITIONS OF
 SERIES H AND SERIES HH
 CURRENT INCOME-TYPE SAVINGS BONDS

	Series H Bonds	Series HH Bonds
Offering Date	Terminate December 31, 1979	Begin January 2, 1980
Denominations	\$500, \$1,000, \$5,000, \$10,000	Same
Issue Price	Face Amount	Same
Maturity	10 years with guaranteed 10-year extension	10 years
Interest	Payable semiannually by check	Same
Yield Curve	4.2% first 6 months, 5.8% next 4½ years, 6.5% final 5 years to yield 6% if held to maturity. During extension, uniform payments based on rate prevailing when bond enters extended maturity.	Payments based on 6% level rate, however, bonds sold for cash will have an interest penalty applied against redemption value, if redeemed prior to maturity. Bonds issued on exchange will not be penalized for early redemption.
Retention Period	Redeemable any time after 6 months from issue date.	Same
Annual Limitation	\$10,000 face amount	\$20,000 face amount
Tax Status	Interest is subject to Federal income tax reporting in year it is paid. Bonds subject to estate, inheritance and gift taxes - Federal and state - but exempt from all other state and local taxes.	Same
Registration	In names of individuals in single, coownership or beneficiary form; in names of fiduciaries or organizations in single ownership only.	Same
Transferability	Not eligible for transfer or pledge as collateral.	Same
Rights of Owners	Coownership: either owner may redeem; both must join reissue request. Beneficiary: only owner may redeem during lifetime; both must join reissue request.	Coownership: same. Beneficiary: same except that consent of beneficiary to reissue not required.
Exchange Privilege	Issuable on exchange from Series E bonds and savings notes, in multiples of \$500, with continued tax deferral privilege applicable to accrued interest.	Issuable on exchange from Series E, EE, and savings notes, in multiples of \$500, with continued tax deferral privilege applicable to accrued interest. There are some limitations on eligibility of E and EE bonds for exchange.

COMPARISON OF THE TERMS AND CONDITIONS OF
CURRENT INCOME BOND EXCHANGE OFFERINGS

	Series H Exchange	Series HH Exchange
Offering Date	Terminate December 31, 1979	Begin January 2, 1980
Eligible Securities	Series E Bonds and Savings Notes, singly or in combination.	Series E Bonds, Savings Notes, and Series EE Bonds, singly or in combination. E Bonds must be received no later than one year following their final maturity date; there are also some limitations on eligibility of EE bonds for exchange.
Minimum Amount	\$500 current redemption value of accrual-type securities	Same
Annual Purchase Limitation	Exempt	Same
Exchange Security	Series H Bonds including all terms and conditions thereof.	Series HH Bonds, including all terms and conditions thereof except that bonds redeemed prior to maturity will not be subject to the interest penalty.
Eligible Owners	Registered owners, coowners and persons entitled as surviving beneficiaries or next of kin or legatees of deceased owners.	Same
Tax Treatment	Accrued interest on retired securities may be (1) reported on Federal income tax return for year of exchange (or maturity, if earlier), or (2) deferred to the taxable year in which the current income bonds are redeemed, disposed of or mature. Amount of deferred accruals will be shown on face of new bonds.	Same
Registration of Bonds Issued on Exchange	Tax deferred: New bonds will be in name of owner and in same forms as securities submitted except that principal coowner, as defined in Circular, may change, add or eliminate coowner or beneficiary. Non-tax deferred: Any authorized form.	Same
Cash Adjustments	If securities submitted for exchange have current value which is not an even multiple of \$500, subscriber may add cash to reach next highest multiple or receive payment of amount in excess of next lower multiple. In the latter case, amount of accrued interest included in refund must be reported currently for Federal income tax purposes.	Same