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# PUBLIC DEBT NEWS

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Department of the Treasury • Bureau of the Public Debt • Washington, DC 20239



FOR IMMEDIATE RELEASE

April 4, 2005

## **SERIES EE SAVINGS BONDS TO EARN FIXED RATES BEGINNING WITH MAY 2005 ISSUES**

The Treasury Department announced today that Series EE Savings Bonds issued on and after May 1, 2005, will earn fixed rates of interest. The new fixed rate will apply for the 30-year life of each bond, which includes a 10-year extended maturity period, unless a different rate or rate structure is announced and applied at the start of the extension period.

Rates for new issues will be adjusted each May 1 and November 1, with each new rate effective for all bonds issued through the following six months. Interest accrues monthly and is compounded semiannually. Savings bonds must be held a minimum of one year, and there is a three-month interest penalty applied to bonds held less than five years from issue date. At a minimum, Treasury guarantees that a bond's value will double after 20 years, its original maturity, and it will continue to earn the fixed rate set at the time of issue unless a new rate or rate structure is announced. If a bond does not double in value as the result of applying the fixed rate for 20 years, the Treasury will make a one-time adjustment at original maturity to make up the difference.

Series EE bonds issued prior to May 1, 2005, will continue to be governed by the terms in effect when they were issued.

Savings bonds are available in electronic or paper form. Paper EE bonds are issued at a 50 percent discount from face value, and electronic EE bonds are issued at face value. Issue prices for EE bonds start at \$25. Electronic savings bonds can be purchased directly from the Treasury Department by opening a TreasuryDirect online account at [www.treasurydirect.gov](http://www.treasurydirect.gov). Paper savings bonds can be purchased either through a financial institution or through payroll savings plans offered by thousands of employers.

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**QUESTIONS AND ANSWERS ABOUT  
THE SERIES EE SAVINGS BONDS RATE CHANGE**

**Q. Which Series EE Bonds are affected by the new way of setting rates?**

A. Series EE Savings Bonds issued on and after May 1, 2005, will earn a fixed rate of interest, set at the time of purchase. The new rate will apply for the 30-year life of each bond, including a 10-year extended maturity period, unless a different rate or rate structure is announced for the extension period. Interest accrues monthly and is compounded semiannually. EE bonds with issue dates prior to May 1, 2005, will continue to earn interest according to the terms in effect when they were issued.

**Q. How often will the fixed rates change for new issues?**

A. A fixed rate will be announced for new issues each May 1 and November 1.

**Q: How will the fixed rate on EE bonds be determined?**

A: The Department of the Treasury will set the fixed rate administratively. The rate will be based on 10-year Treasury note yields and adjusted for features unique to savings bonds, such as the tax deferral feature and the option to redeem the savings bonds at any time after the initial holding period.

**Q. How do you purchase EE bonds, and how long must they be held?**

A. EE bonds can be purchased two ways: firstly, in electronic form, at face value, by opening a TreasuryDirect account through our website, [www.treasurydirect.gov](http://www.treasurydirect.gov). Purchase prices for electronic securities start at \$25, and they can be purchased in any amount above that up to \$30,000 per person, per calendar year. Secondly, EE bonds are also available in paper form in denominations ranging from \$50 to \$10,000, with issue prices set at one-half their face value (for example, a \$100 EE bond costs \$50). Paper bonds can be purchased through most financial institutions and through payroll savings plans offered by thousands of employers nationwide. No matter the form in which they are issued, bonds must be held at least one year from their issue dates. A three-month interest penalty applies to bonds not held at least five years.

**Q. When will new EE bonds reach original maturity?**

A. EE Bonds issued on and after May 1, 2005, will reach original maturity at 20 years. These bonds also are guaranteed to double in value from their issue price no later than 20 years after their issue dates. This is the bonds' original maturity. If a bond does not double in value as the result of applying the fixed rate for 20 years, the Treasury will make a one-time adjustment at original maturity to make up the difference. During the 10-year extended maturity period that follows original maturity, bonds will earn interest at the fixed rate set at issue unless a new rate or new terms and conditions are announced for the extension period.