PD P 0026-1 E
Department of the Treasury
Bureau of the Public Debt
(Revised January 2008)

QUESTIONS AND ANSWERS ABOUT SERIES EE SAVINGS BONDS ISSUED MAY 2005 AND THEREAFTER

Question: *Which series EE Bonds are affected by the new way of setting the interest rate?*

Answer: 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.

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

Answer: 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.

Question: *How often will the fixed rates change for new issues?*

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

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

Answer: EE bonds can be purchased two ways: firstly, in electronic form, at face value, by opening a TreasuryDirect® account. Purchase prices for electronic securities start at $25, and they can be purchased in any amount above that up to $5,000 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.

Question: *When will new EE bonds reach original maturity?*

Answer: EE bonds issued on and after May 1, 2005, will reach original maturity at 20 years. These bonds are also guaranteed to double in value from their issue price no later than 20 years after their issue dates. This is the bond's 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.