

**QUESTIONS AND ANSWERS ABOUT
SERIES EE SAVINGS BONDS ISSUED MAY 1995 THROUGH APRIL 1997**

Question: *What interest rate does my bond earn?*

Answer: Your bond earns interest from purchase through original maturity (17 years) based on market yields for Treasury securities.

*For the first five years, your bond earns the **short-term** rate.
From 5 years to 17 years, your bond earns the **long-term** rate.*

Question: *What are the **short-term** and **long-term** rates?*

Answer: The **short-term** and **long-term** rates are announced by Treasury. They change each May 1 and November 1 to reflect changes in the market yield for Treasury securities.

The **short-term** rate is 85% of the average of six month Treasury security yields over the three months prior to May 1 and November 1.

The **long-term** rate is 85% of the average of five-year Treasury security yields over the 6 months prior to May 1 and November 1.

To find out what the rates are for the current six months, call 1-800-4US BOND.

Question: *How is the rate applied to my bond?*

Answer: Based on the rate in effect at the beginning of each period, interest will be added to your bond every six months. For example, if you bought a \$100 Series EE bond in July 1996, you paid \$50. From July through December 1996, the bond earned interest based on the **short-term** rate announced May 1996 of 4.36%. On January 1, 1997, the value of your bond increased to \$51.08. From January 1997 through June 1997, your \$51.08 earned interest based on the **short-term** rate announced November 1996 of 4.56%.

Question: *When will my bond be worth face value?*

Answer: Since the interest rate can change each six months, there is no way to predict when your bond will be worth face value. A bond earning interest at an average rate of 5% per year, compounded semiannually, would reach face value no later than 14 1/2 years after issue while a bond earning interest at an average rate of 6% per year, compounded semiannually, would reach face value no later than 12 years after issue.

You are guaranteed that your bond will be worth at least face value at 17 years. If the interest rates have been too low for your bond to accrue enough interest to be worth face value at 17 years, Treasury will make a one time adjustment to increase the redemption value to face value at that time.

Question: *What happens after 17 years?*

Answer: Your bond will continue to earn interest for an additional 13 years, until it is 30 years old.

Question: *What will the interest rate be during this time?*

Answer: The period from 17 years to 30 years is an "extension." During this period, your bond will earn interest at the rates in effect then for extensions for Series EE bonds issued May 1995 through April 1997.