The following hypothetical example illustrates how this formula is applied: Assume a hypothetical savings bonds rate of 5.00% effective May 1, 2002, for a bond denominated at $25, with an issue date of September 1, 1997 and a redemption value of $16.00 as of September 1, 2002. The February 1, 2003, redemption value is calculated as follows: Bonds issue dated in September have semiannual rate periods beginning each March 1 and September 1. The first semiannual rate period to begin on or after the effective date of the May 1, 2002, rate would be the period beginning September 1, 2002. PV, the present value, would be the value of the bond at the beginning of the semiannual rate period, on September 1, 2002. The savings bonds rate of 5.00% converted to a decimal would be 0.05. The number of months, m, is 5 since 5 full calendar months (September through January) have lapsed since the beginning of the rate period. PV is then the result of the formula:

\[ PV = \frac{FV}{(1 + \frac{i}{2})^{m/6}} \]

where

- \( FV \) (future value) = redemption value on redemption date rounded to the nearest cent.
- \( PV \) (present value) = redemption value at the beginning of the semiannual rate period
- \( i \) = savings bonds rate converted to decimal form by dividing by 100.
- \( m \) = number of full calendar months outstanding during the semiannual rate period.

Example, assume a hypothetical savings bonds rate of 5.00% effective May 1, 2002, for a bond denominated at $25, with an issue date of September 1, 1997 and a redemption value of $16.00 as of September 1, 2002. The February 1, 2003, redemption value is calculated as follows: Bonds issue dated in September have semiannual rate periods beginning each March 1 and September 1. The first semiannual rate period to begin on or after the effective date of the May 1, 2002, rate would be the period beginning September 1, 2002. PV, the present value, would be the value of the bond at the beginning of the semiannual rate period, on September 1, 2002. The savings bonds rate of 5.00% converted to a decimal would be 0.05. The number of months, m, is 5 since 5 full calendar months (September through January) have lapsed since the beginning of the rate period. PV is then the result of the formula:

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- \( m \) = number of full calendar months outstanding during the semiannual rate period.

\[ FV = \$16.00 \times \{1 + (0.05 + 2)\}^{(5/6)} \]

The savings bonds rate of 5.00% converted to a decimal would be 0.05. The number of months, m, is 5 since 5 full calendar months (September through January) have lapsed since the beginning of the rate period. PV is then the result of the formula:

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- \( i \) = savings bonds rate converted to decimal form by dividing by 100.
- \( m \) = number of full calendar months outstanding during the semiannual rate period.

During an extended maturity period the bond will be subject to the terms and conditions in effect when it is issued and will continue to earn interest as described in §351.30, unless the terms and conditions applicable to an extended maturity period are expressly amended prior to the beginning of such period.

(1) Definitive bond. At original maturity, the redemption value of a definitive bond shall not be less than the face amount/denomination of the bond.

1. The following hypothetical example illustrates how this formula is applied:

Example, assume a hypothetical savings bonds rate of 5.00% effective May 1, 2002, for a bond denominated at $25, with an issue date of September 1, 1997 and a redemption value of $16.00 as of September 1, 2002. The February 1, 2003, redemption value is calculated as follows: Bonds issue dated in September have semiannual rate periods beginning each March 1 and September 1. The first semiannual rate period to begin on or after the effective date of the May 1, 2002, rate would be the period beginning September 1, 2002. PV, the present value, would be the value of the bond at the beginning of the semiannual rate period, on September 1, 2002. The savings bonds rate of 5.00% converted to a decimal would be 0.05. The number of months, m, is 5 since 5 full calendar months (September through January) have lapsed since the beginning of the rate period. PV is then the result of the formula:

\[ PV = \frac{FV}{(1 + \frac{i}{2})^{m/6}} \]

where

- \( FV \) (future value) = redemption value on redemption date rounded to the nearest cent.
- \( PV \) (present value) = redemption value at the beginning of the semiannual rate period
- \( i \) = savings bonds rate converted to decimal form by dividing by 100.
- \( m \) = number of full calendar months outstanding during the semiannual rate period.

(2) Book-entry bond. At original maturity, the redemption value of a book-entry bond shall not be less than double the purchase price of the bond.

During an extended maturity period the bond will be subject to the terms and conditions in effect when it is issued and will continue to earn interest as described in §351.30, unless the terms and conditions applicable to an extended maturity period are expressly amended prior to the beginning of such period.

SERIES EE SAVINGS BONDS WITH ISSUE DATES OF MAY 1, 2005, OR THEREAFTER

During an extended maturity period the bond will be subject to the terms and conditions in effect when it is issued and will continue to earn interest as described in §351.30, unless the terms and conditions applicable to an extended maturity period are expressly amended prior to the beginning of such period.

(1) Original maturity. Bonds reach original maturity at 20 years after the issue date.

(b) Final maturity. Bonds reach final maturity at 30 years after the issue date. Bonds cease to earn interest at final maturity.

(2) Book-entry bond. At original maturity, the redemption value of a book-entry bond shall not be less than double the purchase price of the bond.

During an extended maturity period the bond will be subject to the terms and conditions in effect when it is issued and will continue to earn interest as described in §351.30, unless the terms and conditions applicable to an extended maturity period are expressly amended prior to the beginning of such period.

SERIES EE SAVINGS BONDS WITH ISSUE DATES OF MAY 1, 2005, OR THEREAFTER

During an extended maturity period the bond will be subject to the terms and conditions in effect when it is issued and will continue to earn interest as described in §351.30, unless the terms and conditions applicable to an extended maturity period are expressly amended prior to the beginning of such period.

(b) Final maturity. Bonds reach final maturity at 30 years after the issue date. Bonds cease to earn interest at final maturity.

(2) Book-entry bond. At original maturity, the redemption value of a book-entry bond shall not be less than double the purchase price of the bond.

During an extended maturity period the bond will be subject to the terms and conditions in effect when it is issued and will continue to earn interest as described in §351.30, unless the terms and conditions applicable to an extended maturity period are expressly amended prior to the beginning of such period.

SERIES EE SAVINGS BONDS WITH ISSUE DATES OF MAY 1, 2005, OR THEREAFTER

During an extended maturity period the bond will be subject to the terms and conditions in effect when it is issued and will continue to earn interest as described in §351.30, unless the terms and conditions applicable to an extended maturity period are expressly amended prior to the beginning of such period.

(b) Final maturity. Bonds reach final maturity at 30 years after the issue date. Bonds cease to earn interest at final maturity.

(2) Book-entry bond. At original maturity, the redemption value of a book-entry bond shall not be less than double the purchase price of the bond.

During an extended maturity period the bond will be subject to the terms and conditions in effect when it is issued and will continue to earn interest as described in §351.30, unless the terms and conditions applicable to an extended maturity period are expressly amended prior to the beginning of such period.

SERIES EE SAVINGS BONDS WITH ISSUE DATES OF MAY 1, 2005, OR THEREAFTER

During an extended maturity period the bond will be subject to the terms and conditions in effect when it is issued and will continue to earn interest as described in §351.30, unless the terms and conditions applicable to an extended maturity period are expressly amended prior to the beginning of such period.

(b) Final maturity. Bonds reach final maturity at 30 years after the issue date. Bonds cease to earn interest at final maturity.
(2) The Secretary’s determination of rates of interest and savings bond redemption values is final and conclusive.

(c) Announcement of fixed rate. (1) The Secretary or the Secretary’s designee will furnish a fixed rate of interest in announcements published each May 1 and November 1. The effective date of the rates will be the first day of the month of the announcement.

(2) If the regularly scheduled date for the announcement is a day when the Treasury is not open for business, then the Secretary will make the announcement on the next business day; however, the effective date of the rates remains the first day of the month of the announcement.

(3) The Secretary may announce rates at any other time.

(4) The most recently announced fixed rate applies only to bonds purchased during the six months following the announcement, or for any other period of time announced by the Secretary.

(d) Monthly accruals. Interest accrues on the first day of each month; that is, we add the interest earned on a bond during any given month to its value at the beginning of the following month. The accrued interest compounds semi-annually.

(e) Interest penalty for Series EE bonds redeemed less than 5 years after issue date. If you redeem a bond with an issue date of May 1, 2005, or thereafter, less than five years following the issue date, we reduce the overall earning period from the issue date by three months. However, the redemption value of a bond subject to the 3-month interest penalty shall not be reduced below the issue price. This penalty does not apply to bonds redeemed 5 years or more after the issue date.

(f) Redemption value of Series EE bonds at original maturity—(1) Definitive bond. At original maturity, the redemption value of a definitive bond shall not be less than the face amount/denomination of the bond.

(2) Book-entry bond. At original maturity, the redemption value of a book-entry bond shall not be less than double the purchase price of the bond.

[70 FR 17289, Apr. 9, 2005]

§§ 351.36–351.39 [Reserved]

Subpart C—Definitive Series EE Savings Bonds

§ 351.40 What were the denominations and prices of definitive Series EE savings bonds?

Prior to January 1, 2012, we issued definitive Series EE savings bonds in denominations of $50, $75, $100, $200, $500, $1000, $5000, and $10,000. The purchase price was one-half the amount of the denomination.

[76 FR 66855, Oct. 28, 2011]

§ 351.41 When are definitive Series EE savings bonds validly issued?

A definitive bond is validly issued when it is registered as provided in 31 CFR part 353, and when it bears an issue date and the validation indicia of an authorized issuing agent.

§ 351.42 What is the issue date of a definitive series EE savings bond?

The issue date of a definitive bond is the first day of the month in which an authorized issuing agent received payment of the issue price.

[76 FR 66855, Oct. 28, 2011]

§ 351.43 Are taxpayer identification numbers (TINs) required for the registration of a definitive Series EE savings bond?

The registration of a definitive Series EE savings bond must include the TIN of the owner or first-named co-owner. The TIN of the second-named coowner or beneficiary is not required but its inclusion is desirable. If the bond was purchased as a gift or award and the owner’s TIN is not known, the TIN of the purchaser must be included in the registration of the bond.