

§ 351.29

the beginning of the semiannual earning period.

(c) We add the resulting interest amount, rounded to the nearest cent, to the redemption value of the bond at the beginning of the earning period to produce the redemption value at the next semiannual accrual date. The redemption value of a bond remains constant between accrual dates.

SERIES EE SAVINGS BONDS WITH ISSUE DATES OF MAY 1, 1997, THROUGH APRIL 1, 2005

§ 351.29 What are the maturity periods of bonds with issue dates of May 1, 1997, through April 1, 2005?

(a) *Original maturity*—(1) *Bonds with issue dates from May 1, 1997, to May 1, 2003.* Bonds reach original maturity at 17 years after issue date.

(2) *Bonds with issue dates of June 1, 2003, through April 1, 2005.* Bonds reach original maturity at 20 years after issue date.

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

[68 FR 24796, May 8, 2003, as amended at 70 FR 17288, Apr. 5, 2005]

§ 351.30 What are interest rates and monthly accruals for Series EE bonds with issue dates of May 1, 1997, through April 1, 2005, during the original maturity period?

Savings bond rates (defined in §351.13) apply to earnings during the first semiannual rate period beginning on or after the effective date of the rate. Interest is credited on the first day of each month and compounded semiannually. Interest accrues beginning with the fourth month from the issue date. For example, a bond issued in January has interest first credited on May 1, which represents one month of interest because of the 3-month interest penalty. The following table shows, for any given month of issue with rates announced each May and November, the months making up the semiannual rate period during which interest is earned at the announced rate (disregarding the penalty for bonds redeemed prior to 5 years after the issue date) and the months in which the bonds increase in value. This rate is an annual rate compounded semiannually.

If issue month is—	And rate announcement/effective date is—	Then, semiannual rate periods in which interest is earned include months of—	And bonds increase in value on 1st day of months of—
Jan. or Jul	May 1	Jul. through Dec	Aug. through Jan.
Feb. or Aug	May 1	Aug. through Jan	Sep. through Feb.
Mar. or Sep	May 1	Sep. through Feb	Oct. through Mar.
Apr. or Oct	May 1	Oct. through Mar	Nov. through Apr.
May or Nov	May 1	May through Oct	Jun. through Nov.
Jun. or Dec	May 1	Jun. through Nov	Jul. through Dec.
Jan. or Jul	Nov. 1	Jan. through Jun	Feb. through Jul.
Feb. or Aug	Nov. 1	Feb. through Jul	Mar. through Aug.
Mar. or Sep	Nov. 1	Mar. through Aug	Apr. through Sep.
Apr. or Oct	Nov. 1	Apr. through Sep	May through Oct.
May or Nov	Nov. 1	Nov. through Apr	Dec. through May.
Jun. or Dec	Nov. 1	Dec. through May	Jan. through Jun.

§ 351.31 What is the interest penalty for Series EE bonds with issue dates of May 1, 1997, through April 1, 2005, that are redeemed less than 5 years after the issue date?

If you redeem a Series EE savings bond with an issue date of May 1, 1997, through April 1, 2005, less than five years following the issue date, we reduce the overall earning period from the issue date by three months. For example, if you redeem a bond issued

January 1, 1998, 9 months later on October 1, 1998, we will determine the redemption value by applying the redemption value calculation formula described in §351.32 and the savings bonds rate for that bond at 6 months after the issue date on July 1, 1998. 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.

[68 FR 24796, May 8, 2003, as amended at 70 FR 17288, Apr. 5, 2005]

§ 351.32 How are redemption values calculated for Series EE bonds with issue dates of May 1, 1997, through April 1, 2005?

(a) *Formula for redemption value.* We determine the redemption value of a bond for the accrual date (the first day of each month beginning with the fourth month from the issue date) in accordance with this section and the following formula:

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

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.¹

¹The 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. FV is then the result of the formula:

$$FV = \$16.00 \times \{[1 + (0.05 \div 2)]^{(5/6)}\} = \$16.33$$

after rounding to the nearest cent.

Using the example, the FV of a savings bond with a \$50 or larger denomination can be determined by applying the appropriate multiple, for example: \$16.33 × (\$50.00/\$25.00) for a bond with a \$50.00 face amount; or \$16.33 × (\$100.00/\$25.00) for a bond with a \$100.00 face amount.

(b) *Value of 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.

§ 351.33 What are interest rates and redemption values for Series EE bonds issued May 1, 1997, through April 1, 2005, during an extended maturity 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.

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

§ 351.34 What are the maturity periods of Series EE bonds with issue dates of May 1, 2005, or thereafter?

(a) *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.

[70 FR 17288, Apr. 9, 2005]

§ 351.35 What do I need to know about interest rates, penalties, and redemption values for Series EE bonds with issue dates of May 1, 2005, or thereafter?

(a) *Fixed rate or fixed rate of interest.* Fixed rate or fixed rate of interest means the rate of interest for a Series EE savings bond with an issue date of May 1, 2005, or thereafter, established by the Secretary or the Secretary's designee.

(b) *Determination of fixed rate of interest.* (1) The Secretary or the Secretary's designee determines the fixed rate of interest, which is established for the life of the bond, including the extended maturity period, unless, prior to the beginning of such maturity period, the Secretary either announces a