

# Treasury Retail Securities

Federal Reserve Bank of Minneapolis  
Fiscal Agent of the United States

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## Important Notice: Over-The-Counter Sales of Paper Savings Bonds to be Discontinued December 31, 2011

The U.S. Department of the Treasury has announced it will end over-the-counter (OTC) sales of paper savings bonds at the end of this year. This includes sales of savings bonds through financial institutions and applications mailed directly to the Federal Reserve Bank by customers.

Ending sales of paper bonds will save an estimated \$70 million over the next five years and is a continuation of Treasury's all-electronic initiative. Savings bonds will remain available for purchase as electronic issues in TreasuryDirect®.

In response to this change, we ask that issuing agents **stop accepting applications for paper savings bonds after December 31, 2011**. Customers have until the close of business on December 31, 2011, to submit their final purchase applications and funds. Final applications mailed directly to the Federal Reserve by customers must be received by December 31, 2011. The back-end processing schedule remains the same and agents will have the normal five-day period after December 31, 2011, to submit orders to the Federal Reserve Bank.

We encourage you to continue redeeming savings bonds for your customers. There are currently more than 680 million paper bonds worth \$183 billion dollars in the hands of the public. Your organization remains a valued partner with Treasury, and we appreciate your continued commitment to our programs.

For your convenience, we are providing a set of frequently asked questions about this change. If you have further questions, please contact us at (800) 553-2663. While savings bonds will no longer be available in paper form, they remain available for purchase as electronic issues in TreasuryDirect. To learn more about electronic savings through TreasuryDirect, visit [www.treasurydirect.gov](http://www.treasurydirect.gov).

Sincerely,



Kelly A. Bernard  
Vice President  
Treasury Retail Securities  
Federal Reserve Bank of Minneapolis

## **Ending Over-The-Counter Sales of Paper Savings Bonds**

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### **What is changing?**

The U.S. Department of the Treasury will end sales of paper Series EE and I savings bonds through over-the-counter channels (e.g., financial institutions and mail-in orders) at the end of this year. Savings bonds will remain available for purchase as electronic issues in TreasuryDirect<sup>®</sup>.

### **Why is Treasury ending sales of paper savings bonds?**

Ending sales of paper savings bonds is a continuation of the Treasury Department's all-electronic effort announced in April 2010. The initiative will increase electronic transactions to reduce costs and enhance customer service. Ending sales of paper bonds will save an estimated \$70 million over the next five years. Technology makes it possible for us to sell and maintain savings bonds and other Treasury securities electronically in TreasuryDirect at a reduced expense to taxpayers.

### **When will the paper bond program end?**

Over-the-counter sales of paper savings bonds will be discontinued at the end of this calendar year. Final applications from customers must be received by an issuing agent by December 31, 2011. Applications mailed directly to a Federal Reserve Bank by customers must be received by December 31, 2011.

### **Does this change end all sales of paper bonds?**

When the Treasury Department stops selling savings bonds through over-the-counter channels, it will effectively end the paper savings bond program, with one exception. In 2010, a new Tax Time Bond Program was introduced making it possible for tax filers to purchase paper Series I savings bonds with their tax refunds. That purchase option will remain available.

### **What happens to the previously issued paper bonds?**

They are valid issues of the U.S. Treasury and will earn interest for 30 years or until redeemed. Paper bonds can be converted to electronic savings bonds in TreasuryDirect using a program called SmartExchange<sup>®</sup>. There's no charge to convert paper bonds. They won't lose any of the interest earned, and they retain their original issue dates and interest rate terms.

### **What about people who've been buying paper bonds to pay future college expenses?**

Paper savings bonds will no longer be available; however, the same education tax exclusion rules apply to electronic savings bonds in TreasuryDirect.

### **What about customers who like to give savings bonds as gifts?**

TreasuryDirect has a gift feature so customers can buy electronic savings bonds as gifts. The recipient of the gift must have a TreasuryDirect account (or be named on a minor linked account if under 18 years old) to receive the gift. Customers can hold bonds in their Gift Box area in TreasuryDirect until the bonds are electronically delivered.

### **What is TreasuryDirect?**

TreasuryDirect is a secure Web-based system that allows investors to establish accounts to purchase, hold, and manage Treasury securities online. Investors can purchase Series EE and I savings bonds, Treasury bills, notes, bonds and TIPS (Treasury Inflation-Protected Securities) through TreasuryDirect.

## **What are the advantages of TreasuryDirect?**

- Investors can buy, manage, and redeem Treasury securities online 24/7, all from the convenience of home, work or wherever they have secure Internet access.
- Investors can diversify their holdings since TreasuryDirect also offers Treasury bills, notes, bonds and Treasury Inflation-Protected Securities (TIPS).
- Investors can establish multiple registrations in one account.
- Investors can set up a simple payroll savings plan to automatically invest in savings bonds.
- Investors can schedule recurring purchases for savings bonds and marketable securities.
- Savings bonds purchases are generally added to the account in just one business day.
- Since the securities are electronic, there is no paper to lose, and no need to go to a local bank to redeem them.
- When the funds are needed, and after the minimum holding period has been reached, investors can redeem part or all of their savings bonds. The payment will be deposited to the checking or savings account they choose and funds should reach the bank or credit union in just one business day.
- Details such as issue date and current value are tracked.
- Accounts can be established for minor children and for specific purposes such as education or vacations.
- A summary of account activity, including recent purchases, payments and account balance, is provided.

## **How can I get more information about TreasuryDirect?**

For more information, visit [www.treasurydirect.gov](http://www.treasurydirect.gov).