



# OFFICE OF ILLINOIS STATE TREASURER

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## President Trump Must End Silence About \$26 Billion National U.S. Savings Bond Loophole

*\$1 Billion Due Illinois; Bonds Could Date to 1930s*

**CHICAGO** – President Donald Trump must end his silence on a \$26 billion unclaimed property loophole so that money tied up in matured U.S. savings bonds can be paid to their owners, Illinois State Treasurer Michael Frerichs and Congressman Danny Davis (D-IL-07) said today.

As state treasurer, Frerichs is the unclaimed property administrator in Illinois. There is an estimated \$1 billion in matured, unpaid U.S. savings bonds tied to Illinois families stuck in this loophole. The savings bonds could date to the 1930s when they were first made available for purchase.

“There is an easy way for the President and Congress to solve this government-created problem, and that simply is to change federal law and close the loophole,” Frerichs said. “The Trump administration wastes enough of our money. It should not be allowed to block Illinois families from obtaining the proceeds of matured savings bonds.”

Congressman Davis is the lead Democratic cosponsor of legislation that would require the federal treasury to surrender the names of mature bond holders and the value of their bonds to each state’s unclaimed property administrator. In turn, the unclaimed property administrator would work to return the money to the proper owner or heir.

For generations, U.S. savings bonds have been a staple for family gifts commemorating birthdays, holidays and graduations. It effectively is a loan to the federal government. An individual purchases the bond in exchange for a fixed rate of interest over a fixed period of time. When that time expires, the savings bond ceases to earn interest. If unpaid, the federal government benefits from the initial loan as well as the unpaid interest. Savings bonds are attractive to investors because they are not subject to state or local income taxes. With passage of the Unclaimed Savings Bond Act of 2019, Illinois will reclaim roughly \$1 billion worth of decades old, matured, unclaimed savings bonds sitting in the U.S. Treasury. Values start at \$25 and can increase to as much as \$10,000.

Bonds that are surrendered to the state treasury, such as those found in an abandoned safe deposit box, are eligible to be reunited with their owner, and Frerichs’ office strives to do so. **However, bonds not surrendered to the state that the federal government knows exists are not afforded the same**

**protection.** Unlike the state of Illinois, the federal government is not required to try to find the bond's owner. Hence, the loophole.

There is a proposal in Congress to close the loophole. Sponsored by a bipartisan group of nine Representatives (H.R.5269) and twenty Senators (S.2417), the legislation would allow states access to the names and addresses of matured, unpaid bond holders. With the names and addresses, Frerichs would be able to try to inform the bondholder of the unclaimed property.

Frerichs' office has proven adept at returning unclaimed property. More than \$733 million has been returned to families in the past four fiscal years, a record-setting amount since Illinois' unclaimed property program was established in 1961 and retroactively applied to 1946.

It is difficult to pass federal legislation, however, when a president is silent to its value. That is why President Trump must clearly indicate his support for this effort so that passage from both chambers can occur before the end of the year.

"So often we talk about using common sense to address our challenges," Frerichs said. "I cannot think of anything more straight-forward. All we are asking is for the federal government to close a loophole and give us the authority to reunite people with their U.S. savings bonds."

At Issue:

- Most of these \$26 billion in bonds are physical pieces of paper that are lost, stolen, forgotten or destroyed. The federal government knows they have matured and, unlike states, are not required to try to contact the owner.
- Many of these bonds were issued more than 70 years ago, were for small amounts, and matured after 30-40 years. The chances of owners or heirs seeking to redeem these bonds from the U.S. Treasury is extremely low and federal officials are not required to try to find them.
- The U.S. Treasury is the sole source of names, addresses and serial numbers needed to claim the bond proceeds. States simply seek the names and addresses so they can try to locate these owners.
- The problem only will get worse because the federal government eliminated paper bonds in 2010. Since January 2011 the bonds are electronic, so there is nothing to secure in a safe deposit box.
- Estimated value of matured, unpaid U.S. savings bonds in nearby states: Indiana, \$478 million; Kentucky, \$319 million; Missouri, \$438 million; Iowa, \$226 million; Wisconsin \$415 million; and Michigan, \$773 million.

**As Illinois State Treasurer,** Frerichs is the state's Chief Investment and Banking Officer and actively manages approximately \$30 billion. The portfolio includes \$13 billion in state funds, \$11 billion in college savings plans and \$6 billion on behalf of local and state governments. The investment approach is cautious to ensure the preservation of capital and returns \$42 to the state for every \$1 spent in operations. Frerichs' office protects consumers by safeguarding more than \$3 billion in unclaimed property, encouraging savings plans for college or trade school, increasing financial education among all ages, assisting people with disabilities save without losing government benefits, and removing barriers to a secure retirement. The Treasurer's Office predates Illinois incorporation in 1818. Voters in 1848 chose to make it an elected office.

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