FYI: An Update on Emerging Issues in Banking

Effects of Interest Rates on Money Market Mutual Funds

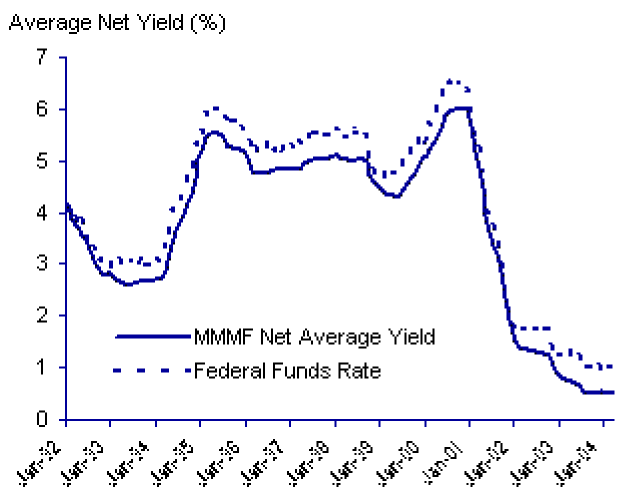
May 19, 2004

Overview

The prolonged low interest rate environment has pressured returns on money market mutual funds (MMMFs). Although low rates are a boon to borrowers, the opposite, of course, is true for savers, and MMMF portfolios are earning the lowest returns on investments since the funds were established more than 30 years ago (see Chart 1).[1] In this environment, there has been some concern about MMMFs "breaking the buck," a situation in which the net asset value (NAV) of a MMMF falls below $1 per share. Breaking the buck can occur if some of the fund's investments experienced significant losses, or if the fund's investment income declined below operating expenses.

Chart 1

Money Market Mutual Fund Yields Have Fallen to Record Low Levels as the Federal Reserve has Pushed Down the Federal Funds Rate



Data points are monthly averages through March 2004. Money market mutual fund average net yield is for taxable funds. The monthly net average yield for taxable money market mutual funds was 0.51% for March 2004.
Source: iMoneyNet, Inc. and Federal Reserve/Haver Analytics

Should the NAV of a MMMF break the buck, shareholders could lose money. Unlike bank deposits, MMMFs are not FDIC-insured. However, MMMFs are relatively low risk investments, and the expectation in the marketplace is that shareholders do not anticipate losing money. If their fund breaks the buck, shareholders would be expected to withdraw their money, unless the company sponsoring the fund provides financial support to prop up the NAV.

A byproduct of the prolonged low rate environment could be increased risk taking by MMMF managers searching for higher yields. Higher risk investments tend to be more volatile and would decline in value more quickly in a scenario of sharp interest rate increases. Indeed, rapidly rising interest rates may be the more problematic scenario for MMMFs. There has only been one instance of a MMMF breaking the buck and liquidating; this was due to losses associated with high-risk structured note investments that were incurred when rates spiked up sharply in 1994.[2] While this is the only MMMF that failed, there are several examples where sponsoring companies have sustained faltering MMMFs, primarily by buying or otherwise supporting troubled fund assets, sometimes expending hundreds of millions of dollars to do so.[3] These companies viewed the perception of safety as an overarching factor as to why investors have placed, in aggregate, some $2 trillion in MMMFs. Therefore for them, the reputation risk of allowing a fund in their family to fail far outweighed the cost of support.

This report examines the effects of interest rate scenarios on MMMF yield and net asset value, discusses challenges facing MMMF managers in terms of asset selection, and addresses potential risks to FDIC-insured banks and their affiliates that sponsor MMMFs. Currently, banks and bank affiliates sponsor approximately 33 percent of all MMMF assets.[4] Like other firms, banks and bank affiliates that sponsor MMMFs are experiencing low asset returns, diminished income from the need to reduce fees, and are subject to the general reputation risk associated with operating a MMMF. To alert banking organizations to potential risks and the legal framework for providing support to bank-advised funds, the FDIC and the other federal banking agencies released the *Interagency Policy on Banks/Thrifts Providing Financial Support to Funds Advised by the Banking Organization or its Affiliates* on January 6, 2004.[5]

What is a Money Market Mutual Fund?

A **Money Market Mutual Fund (MMMF)** is a type of mutual fund that invests shareholder contributions in low-risk and highly-liquid short term assets, such as Treasury bills, bank certificates of deposit, repurchase agreements, and commercial paper. As set forth in Rule 2a7 of the Investment Company Act of 1940, 95 percent of MMMF assets must be in the very highest rating categories, and the dollar weighted average maturity of the portfolio must be 90 days or less. Because of the high quality nature of investments, MMMFs are marketed to investors as a source of stable income. As such, these funds seek to maintain a net asset value of $1 per share.

MMMFs pay out earnings on investments to shareholders, after deducting operating expenses and fees. Most mutual fund families (including some sponsored by banks, bank affiliates, or bank holding companies) offer one or more MMMFs as short term investment options for their shareholders. However, some MMMFs are not part of a fund family.

MMMFs are sometimes confused with money market deposit accounts (MMDAs). MMDAs are savings deposits that can be issued only by FDIC-insured banks and thrifts. Subject to FDIC coverage rules, deposits are insured up to $100,000. MMMFs are not FDIC-insured, and while it is extremely rare, investors can lose principal.

Recent Trends in Money Market Mutual Fund Holdings

MMMFs represent 991 of the almost 8,200 mutual funds available as of November 2003, and MMMF assets account for almost 30 percent all mutual fund assets, according to the Investment Company Institute's (ICI) monthly survey of the U.S. fund industry. ICI, a national association that tracks and disseminates data on the mutual fund industry, reports that total MMMF assets stood at $2.0 trillion as of April 21, 2004. This total is split about equally between assets of retail (funds offered primarily to individuals with moderate-sized accounts) and institutional (funds held primarily by businesses, governments, institutional investors and high net-worth households) MMMFs.

About $230 billion has been withdrawn from MMMFs since year end 2002 when total assets stood at $2.32 trillion. This trend was driven, at least in part, by significant interest rate cuts that drove MMMF yields downward. Much of the outflow likely was absorbed by other short term, high quality investment vehicles, such as bond mutual funds and insured bank savings and money market accounts, although some of the outflows have been channeled into the stock market.

About 60 percent of MMMFs are sponsored by non-banking affiliated organizations, but banking organizations have been increasing offerings. As of March 2004, it is estimated that some 50 banking organizations sponsor 489 taxable MMMFs (up from 437 at year-end 2002) with an outstanding balance of nearly $650.5 billion, or 33.1 percent of all MMMF assets.[6]

MMMFs Have Been Affected By Persistently Low Rates, But This May Not Be the Worst Scenario

Media and analyst coverage of the effects of interest rates on MMMFs has focused almost exclusively on the potential for a "breaking the buck" scenario to develop because of low interest rates. Indeed, many funds are reporting very thin (and a few negative) margins even after the majority of funds have cut fees and expenses.

As of mid-June 2003 (just prior to the Federal Reserve Board rate cut), iMoneyNet reported that 209 MMMFs were yielding 0.25 percent or less. In March 2004, this number had risen to 379 MMMFs. However, these funds tend to represent the highest-expense, "B" and "C" fund shares - a small 1.3 percent of total money market fund assets - that may have difficulty in further reducing expenses.[7] An additional 359 funds were yielding between 0.25 and 0.50 percent in mid-June 2003.[8] This rose to 555 by March 2004, which represented $387 billion in assets, or more than 19 percent of the total MMMF assets outstanding.

The performance of the Japanese fund market, however, illustrates that prolonged periods of low short-term interest rates may not be the worst scenario for MMMFs. Short-term interest rates in Japan have been near zero percent for nearly four years. Nevertheless, "money-reserve funds," similar to U.S. money market funds, have not declined in value or experienced widespread failure.[9] In reviewing the effects of prolonged low rates on MMMF assets, the critical inverse relationship between yield and price may have been overlooked. As short-term rates have fallen, the market value of MMMF holdings has generally increased. Therefore, because of this appreciation (albeit diminishing), the majority of MMMFs report a NAV that is still above $1.

History Shows that MMMFs May Be More Susceptible to Rapid Spikes in Interest Rates

The yield/price relationship suggests that MMMFs also could be vulnerable should short-term interest rates *spike upward*. In this case, the market value of some MMMF investment holdings would be expected to decline, potentially driving the NAV below $1. A prior episode of MMMF stress occurred in 1994 when the Federal Reserve aggressively pushed up the Federal funds rate - by 125 basis points over a 60-day period - to ward off inflation (see Chart 1).

In 1993 and early 1994, rates had been very low for over a year, and there was a belief that rates would stay low for some time. As a result, some managers with yields under pressure reached for higher returns by using riskier instruments, such as collateralized mortgage obligations and structured notes.[10] For the most part, these instruments technically met the strict definitions of permissible investments for MMMFs because they were generally issued or guaranteed by government agencies. However, the performance of these instruments was much more volatile than traditional MMMF assets.

The only instance of a money market mutual fund breaking the buck occurred in 1994. The U.S. Government Money Market Fund was an institutional MMMF that was the only fund offered by the Community Bankers Mutual Fund Inc., in Denver, Colorado. Investors were primarily small community banks seeking a good rate on short term investments. The fund had invested 27.5 percent of its portfolio in adjustable rate derivative securities, otherwise known as structured notes. Beginning in March 1994, the value of the notes began to decline due to the sharp rise in interest rates, which caused the NAV to fall to 96 cents and resulted in liquidation of the fund in September of that year.[11] The sponsor of the U.S. Government Money Market Fund did not have the wherewithal to support the NAV. However, during that time, several other sponsors that employed similar investment strategies provided support to their MMMFs to maintain the NAV above $1.

There is Some Concern That History Will Repeat

As shown in Chart 1, the absolute level of interest rates is lower than in the 1993/1994 period and rates have been low for a longer period of time. Given the sustained period of low interest rates and the resultant significant pressure on margins at the current time, concern exists that some MMMF managers, facing an inability to cut expenses, may take on additional risk by buying higher-risk, higher-yielding and less liquid assets. It is difficult to determine aggregate holdings of MMMFs, and there are strict limitations on MMMFs that serve as a backstop for investment quality.

However, there are some qualifications to the investment limitations. For example, MMMFs may buy certain highly-rated derivatives and asset-backed securities. They also may keep assets that have been downgraded from the highest rating levels and may buy unrated assets, provided fund managers and board members determine that quality is comparable to rated securities. Moreover, even investing in traditional assets has become more challenging for MMMFs, as there is a limited supply of good quality short-term investments.

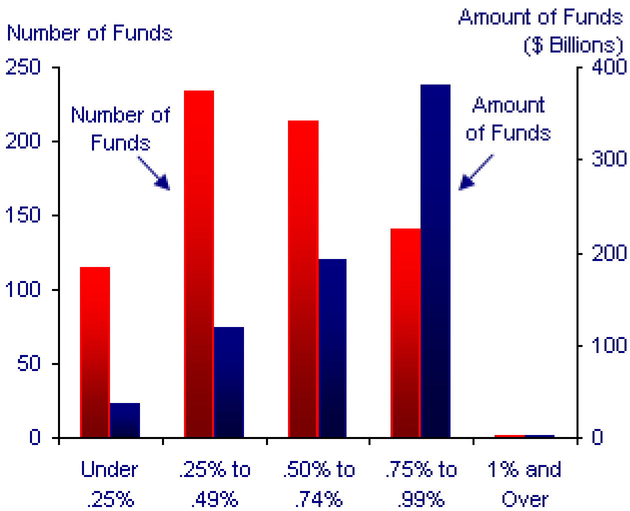
Standard & Poor's (S&P) has raised concerns that large purchases of higher-yielding securities may undermine fund liquidity and the $1 NAV if MMMF managers go out too far on the risk curve. In late February 2003, S&P released a list of securities considered to possess "limited liquidity" and cautioned funds to hold not more than 10 percent of assets in these securities.[12] For example, credit-linked notes, a type of credit derivative, is on the list. Credit-linked notes are used by investors to take on the credit risk of a particular company without purchasing one of the company's bonds. However, because of the complex financial structures, these notes are more illiquid than traditional MMMF investments such as commercial paper or government debt securities and may be difficult to trade in the secondary market.[13]

Performance of Bank or Bank Affiliate-Sponsored MMMFs

Currently, while about half of the number of all (taxable and nontaxable) banking organization-sponsored MMMFs report a yield less than 50 basis points, only 21.3 percent of the dollar amount of all banking organization-sponsored MMMFs are yielding less than 50 basis points as of March 30, 2004 (see Chart 2). A majority of banking organization-sponsored funds also report an expense ratio that is below 50 basis points (see Chart 3).

Chart 2

Half of Banking Organization-Sponsored Money Market Mutual Funds Yield Under 50 Basis Points

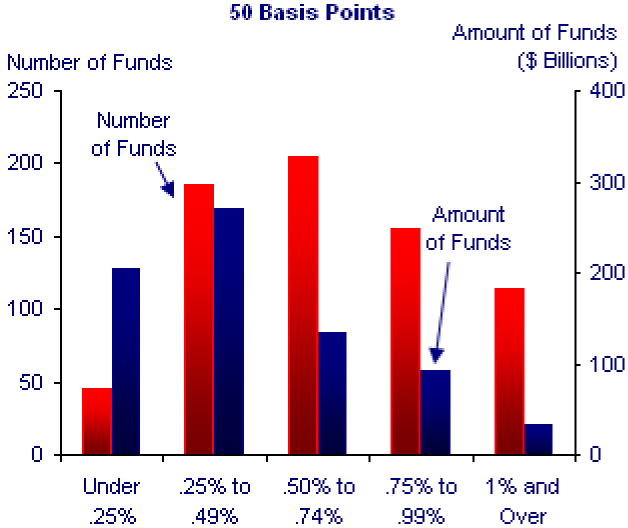


Monthly average net yield and balances for banking organization-sponsored funds as of March 2004. The March monthly net yield for banking organization-sponsored funds is 0.50% and 0.47% for non-bank sponsored funds.

Source: iMoneyNet, Inc.

Chart 3

Most Banking Organization-Sponsored Money Market Mutual Funds Have Expense Ratios Under 50 Basis Points



Monthly average net yield and balances for banking organization-sponsored funds as of March 2004. The March monthly average expense incurred ratio for banking organization-sponsored funds is 0.68% and 0.76% for non-bank sponsored funds.

Source: iMoneyNet, Inc.

Still, it appears that a fair number of banking organizations, like other MMMF-sponsoring companies, have been required to cut costs and waive fees to maintain a stable NAV as spreads have narrowed. A comparison of the average expenses-incurred ratio of 0.68 percent for taxable banking organization-sponsored funds for

March 2004 to the average gross yield of 1.08 percent for the same period shows that most banking organization-sponsored funds have some room to lower yields. This spread (40 basis points) is higher than the spread for non banking organization-sponsored funds (34 basis points) as the average gross yield for non banking organization-sponsored funds is 1.09 percent and the average expenses-incurred ratio is 0.75 percent.

Potential Risks to Banking Organizations from MMMFs

Although data are not available to quantify the effect of lower fees on banking organizations' bottom lines, fee waivers during the persistent low interest rate environment contribute to earnings risk in the form of reductions to other income. Additionally, should funds break the buck, the banking organization could be faced with liquidity risk, if it chooses to support the fund, and reputation and legal risk in either a support or liquidation scenario. Although banking organizations are not statutorily required to provide financial support to the funds they sponsor, they may decide to do so to minimize reputation risk that would arise in the event of liquidation or to limit liability.

Examples of banks and their affiliates supporting their MMMFs occurred, again during 1994 when interest rates rose rapidly. At that time, a mid-sized bank holding company garnered unfavorable media attention related to its MMMF. This banking organization managed, administered and distributed proprietary mutual funds and injected almost $4 million in cash into two proprietary MMMFs to cover losses from structured notes and other derivatives known as "cost of fund index floaters," when the market value of these instruments plunged along with a rapid spike in interest rates.

The bank holding company sold these derivatives holdings to comply with an SEC directive issued June 30, 1994, that reiterated the agency's position on structured note holdings of MMMFs and asked money fund managers to make an "orderly disposal" of securities that the agency considers too risky for them to own.[14] Also in 1994, a large banking organization made a $5 million cash infusion into three MMMFs to cover derivatives-related losses on structured notes and subsequently sold the securities, also in response to the SEC directive.[15]

The FDIC and other banking regulators recently issued a Policy Statement to alert banking organizations to the safety and soundness and legal impediments to a bank providing financial support to funds. This Policy Statement indicates that bank management should consult with the appropriate federal agency before or immediately after (in the event of an emergency) providing support to funds; should have proper controls over such transactions; and should adopt policies governing support transactions. These policies should ensure that the bank will *not*

(1) inappropriately place its resources and reputation at risk for the benefit of the fund's investors and creditors;

(2) violate the limits and requirements contained in Sections 23A and 23 B of the Federal Reserve Act and Regulation W, other applicable legal requirements or any special supervisory condition imposed by the agencies; or

(3) create an expectation that the bank will prop up the advised funds.

In addition to sponsoring MMMFs, some banking organizations hold MMMFs as an investment, traditionally as a way to earn a better return on funds invested for the short term. Like other MMMF investors, banking organizations that hold these investments are experiencing diminished returns on them. Credit risk can also become a factor for banking organizations should they hold MMMFs as an investment. In fact, the only MMMF that broke the buck, the U.S. Government Money Market Fund, was marketed to community banks, which lost $2.5 million in the aggregate, before recovering some of the losses in a legal suit.[16] This example indicates that while it is extremely rare, investors can lose money with MMMFs, and if banks choose to invest in MMMFs, management should perform proper due diligence and monitor the funds' performance on an ongoing basis.

Managing Uncertainty Going Forward

Of course, it is unclear what will happen with interest rates going forward, but fund managers need to be aware of and be able to react to various interest rate scenarios. Should short-term interest rates rise rapidly over the longer-term, fund managers must carefully monitor the effects on the relationship between pricing and yield, and balance these factors with risk tolerance levels.

The marketplace perceives that it is unlikely any fund company with the requisite wherewithal would allow its MMMF to "break the buck." Rather, as has been the case in the past, sponsoring companies will likely continue to waive fees and cut expenses or will provide financial support to the fund, as a means of maintaining the notion of stability and thereby minimizing reputation risk. However, over the prolonged low interest rate cycle, these strategies are hurting the bottom line of fund sponsors in the form of reduced income.

Some money market mutual fund sponsors are looking at alternatives other than cutting fees, for example, combining multiple funds into one larger fund, to improve operating efficiency. Peter Crane, vice president and managing editor at iMoneyNet, suggests that fund managers are considering adding new fees, such as per check charges, although at this time, no firms have levied such charges. Fund managers could also shift the management of their funds to other asset management companies or partner with other firms that may be able to realize economies of scale due to larger operations.[17]

[1] The Reserve Fund was the first money market mutual fund established in 1972.

[2] Mix, Diane. "Global Investing - Low Rates Yield a Sense of Déjà Vu," *FT.Com*, June 24, 2002.

[3] For example, see Eaton, Leslie, "Paine Webber to Bail Out a Fund Battered by Complex Investments," *The New York Times*, July 23, 1994, and McGough, Robert, "Piper Jaffray Acts to Boost Battered Fund," *The Wall Street Journal*, May 23, 1994.

[4] The terms "bank organization-sponsored" and "bank and bank affiliate-sponsored" used in this report broadly refer to instances where a bank, its subsidiaries, a bank holding company, or its subsidiaries establish money market mutual funds. The terms "banking organization-advised" and "bank and bank-affiliate-advised" refer to situations where a bank, its subsidiaries, a bank holding company or its affiliates are the investment adviser of a fund and receive a fee for their investment advice. Very often, organizations that sponsor funds also advise them.

[5] This Policy Statement is available at http://www.fdic.gov/news/news/press/2004/pr0104a.html.

[6] Data are provided by iMoneyNet.

[7] Generally B- and C-class fund shares charge at least 1 percent a year in expenses,

leaving an extremely small margin for shareholders; the average expense ratio for money funds is about 0.57 percent of assets. B- and C- fund shares typically are sold through brokers or financial advisers who collect a commission from the fund. The fund company charges higher expense ratios to pay for these commissions.

[8] Pender, Kathleen. "New Rate Cut Perils Money Market Funds," *San Francisco Chronicle*, June 29, 2003 (as appeared on www.sunspot.com).

[9] Singer, Jason. "Japan's Zero Base Rate Offers Lessons to U.S. Fund Manager," *The Wall Street Journal*, June 27, 2003.

[10] Mix, Diane. June 24, 2002.

[11] Securities and Exchange Commission. "Order Instituting Public Administrative and Cease-and-Desist Proceedings, Making Findings, and Imposing Remedial Sanctions and Cease-and-Desist Orders in the Matter of Craig S. Vanucci and Brian K. Andrew," *File No. 3-9804*, January 11, 1999.

[12] Fine, Jacob. "Beware the Falling Yields: Money Markets Struggle to Maintain $1 Value," *The Bond Buyer*, January 17, 2003.

[13] Wiggins, Jenny. "Agency Cautions U.S. Money Market Funds," *Financial Times*, February 23, 2003.

[14] Crockett, Barton. "Wilmington Trust Unit Dumps Risky Holdings," *The American Banker*, July 11, 1994. The June 30, 1994, SEC letter followed a December 1993 SEC release that identified characteristics of securities that involve risks "inappropriate for a money market fund to assume."

[15] Calian, Sara. "Fleet Financial Injects $5 Million in Three Funds - Money-Market Cash Infusion Averts 'Breaking Buck' on Derivatives Losses," *The Wall Street Journal*, August 22, 1994.

[16] Securities and Exchange Commission, January 11, 1999.

[17] Damato, Karen. "Trying to Outrun Low Interest Rates," *The Wall Street Journal*, July 1, 2003.

About *FYI*

FYI is an electronic bulletin summarizing current information about the trends that are driving change in the banking industry, plus links to the wide array of other FDIC publications and data tools.

Disclaimer

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Chart 1 Money Market Mutual Fund Yields Have Fallen to Record Low Levels as the Federal Reserve has Pushed Down the Federal Funds Rate		
Month/Year	**Money Market Mutual Fund Net Average Yield**	**Federal Funds Rate**
Jan-92	4.19	4.03
Feb-92	3.86	4.06
Mar-92	3.77	3.98
Apr-92	3.68	3.73
May-92	3.55	3.82
Jun-92	3.48	3.76
Jul-92	3.27	3.25
Aug-92	3.09	3.3
Sep-92	2.95	3.22
Oct-92	2.82	3.1
Nov-92	2.79	3.09
Dec-92	2.87	2.92
Jan-93	2.80	3.02
Feb-93	2.72	3.03
Mar-93	2.67	3.07
Apr-93	2.64	2.96
May-93	2.60	3.00
Jun-93	2.63	3.04
Jul-93	2.64	3.06
Aug-93	2.65	3.03
Sep-93	2.66	3.09
Oct-93	2.65	2.99
Nov-93	2.68	3.02
Dec-93	2.71	2.96
Jan-94	2.70	3.05
Feb-94	2.76	3.25

Mar-94	2.87	3.34
Apr-94	3.06	3.56
May-94	3.37	4.01
Jun-94	3.62	4.25
Jul-94	3.78	4.26
Aug-94	3.96	4.47
Sep-94	4.17	4.73
Oct-94	4.33	4.76
Nov-94	4.64	5.29
Dec-94	5.04	5.45
Jan-95	5.19	5.53
Feb-95	5.45	5.92
Mar-95	5.52	5.98
Apr-95	5.54	6.05
May-95	5.52	6.01
Jun-95	5.49	6.00
Jul-95	5.37	5.85
Aug-95	5.27	5.74
Sep-95	5.25	5.80
Oct-95	5.22	5.76
Nov-95	5.23	5.80
Dec-95	5.19	5.60
Jan-96	5.05	5.56
Feb-96	4.83	5.22
Mar-96	4.76	5.31
Apr-96	4.75	5.22
May-96	4.74	5.24
Jun-96	4.77	5.27
Jul-96	4.81	5.40
Aug-96	4.82	5.22
Sep-96	4.83	5.30
Oct-96	4.82	5.24
Nov-96	4.84	5.31
Dec-96	4.85	5.29

Jan-97	4.84	5.25
Feb-97	4.82	5.19
Mar-97	4.84	5.39
Apr-97	4.94	5.51
May-97	4.98	5.50
Jun-97	5.02	5.56
Jul-97	5.02	5.52
Aug-97	5.04	5.54
Sep-97	5.02	5.54
Oct-97	5.01	5.50
Nov-97	5.05	5.52
Dec-97	5.12	5.50
Jan-98	5.10	5.56
Feb-98	5.04	5.51
Mar-98	5.03	5.49
Apr-98	5.02	5.45
May-98	5.00	5.49
Jun-98	5.01	5.56
Jul-98	5.01	5.54
Aug-98	5.01	5.55
Sep-98	4.98	5.51
Oct-98	4.73	5.07
Nov-98	4.61	4.83
Dec-98	4.54	4.68
Jan-99	4.46	4.63
Feb-99	4.36	4.76
Mar-99	4.35	4.81
Apr-99	4.32	4.74
May-99	4.29	4.74
Jun-99	4.31	4.76
Jul-99	4.45	4.99
Aug-99	4.55	5.07
Sep-99	4.69	5.22
Oct-99	4.77	5.20

Nov-99	4.92	5.42
Dec-99	5.06	5.30
Jan-00	5.11	5.45
Feb-00	5.22	5.73
Mar-00	5.32	5.85
Apr-00	5.46	6.02
May-00	5.62	6.27
Jun-00	5.87	6.53
Jul-00	5.96	6.54
Aug-00	5.99	6.50
Sep-00	6.00	6.52
Oct-00	5.99	6.51
Nov-00	6.01	6.51
Dec-00	5.98	6.40
Jan-01	5.67	5.98
Feb-01	5.20	5.49
Mar-01	4.87	5.31
Apr-01	4.47	4.80
May-01	3.95	4.21
Jun-01	3.63	3.97
Jul-01	3.38	3.77
Aug-01	3.21	3.65
Sep-01	2.88	3.07
Oct-01	2.34	2.49
Nov-01	1.95	2.09
Dec-01	1.66	1.82
Jan-02	1.49	1.73
Feb-02	1.41	1.74
Mar-02	1.37	1.73
Apr-02	1.37	1.75
May-02	1.33	1.75
Jun-02	1.32	1.75
Jul-02	1.29	1.73
Aug-02	1.26	1.74

Sep-02	1.24	1.75
Oct-02	1.22	1.75
Nov-02	1.03	1.34
Dec-02	0.90	1.24
Jan-03	0.83	1.24
Feb-03	0.78	1.26
Mar-03	0.75	1.25
Apr-03	0.72	1.26
May-03	0.70	1.26
Jun-03	0.65	1.22
Jul-03	0.54	1.01
Aug-03	0.52	1.03
Sep-03	0.52	1.01
Oct-03	0.52	1.01
Nov-03	0.53	1.00
Dec-03	0.53	0.98
Jan-04	0.52	1.00
Feb-04	0.52	1.01
Mar-04	0.51	1.00

Data points are monthly averages through March 2004. Money market mutual fund average net yield is for taxable funds. The monthly net average yield for taxable money market mutual funds was 0.51% for March 2004.

Source: iMoneyNet, Inc. and Federal Reserve/Haver Analytics

Chart 2 Half of Banking Organization-Sponsored Money Market Mutual Funds Yield Under 50 Basis Points		
Money Market Mutual Fund Yield	**Number of Funds**	**Amount of Funds ($ Billions)**
Under .25%	115	$ 36
.25% to .49%	234	$ 119
.50% to .74%	214	$ 192
.75% to .99%	140	$ 381
1% and Over	1	$ 3
Monthly average net yield and balances for banking organization-sponsored funds as of March 2004. The March monthly net yield for banking organization-sponsored funds is 0.50% and 0.47% for non-bank sponsored funds. Source: iMoneyNet, Inc.		

Chart 3
Most Banking Organization-Sponsored Money Market Mutual Funds Have Expense Ratios Under 50 Basis Points

Expense Ratio	Number of Funds	Amount of Funds ($ Billions)
Under .25%	46	$ 204
.25% to .49%	185	$ 270
.50% to .74%	204	$ 134
.75% to .99%	155	$ 91
1% and Over	114	$ 32

Monthly average net yield and balances for banking organization-sponsored funds as of March 2004. The March monthly average expense ratio for banking organization-sponsored funds is 0.68% and 0.76% for non-bank sponsored funds.

Source: iMoneyNet, Inc.

Map 1: Depopulation Is Most Prevalent in the Center of the Country

A map of the United States depicts the rate of depopulation across America from 1970 to 2000. Counties that added population over the 30-year span are called "growing counties" (total 2,362 or 75 percent); counties that lost population at a relatively constant rate are called "declining counties" (total 547 or 17 percent); and counties that not only lost population but saw the rate of loss increase in the 1990s are called "accelerated declining counties" (total 232 or 8 percent). There are a total of 3,141 counties.

Source: US Census Bureau