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BIRCH BAYH  
PARTNER

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HAND DELIVERED

Richard S. Carnell, Senior Counsel  
Senate Committee on Banking  
SD-234 Dirksen Senate Office Building  
Washington, D.C. 20510

Dear Rick:

Just a short note to thank you for taking the time the other day to discuss Merrill Lynch's concerns regarding Congressman Dorgan's amendment to ban S&Ls from investing in high-yield bonds. In this regard, I am enclosing an article from today's New York Times. The article makes a number of good points in explaining why the Dorgan amendment is an ill-conceived idea.

First, only about 800 American companies have the triple-B rating or better required to qualify for anything other than a "high-yield" rating. More than 21,000 American companies are unable to meet the triple-B standards. These are the businesses which have produced the most job growth, income growth and overall economic growth in the economy. Second, GAO has reported investments by thrifts in lower-rated companies have earned a higher return with fewer losses than most other thrifts' investments. Third, not one business owned by a majority of Blacks, Hispanics or women qualifies for the higher bond ratings. By precluding S&Ls from investing in high-yields, Congress is effectively banning thrifts from investing in minority-owned businesses. Fourth, by requiring a fire sale of existing portfolios, the amendment will disrupt the bond market by driving down prices, thereby hurting the very institutions Congress is trying to save. Fifth, thrifts are one of the largest investors in the economy and among the most geographically diversified. The author points out the absurdity of the notion that the Dorgan amendment, in the name of "populism," would give the Wall Street bond rating agencies veto power over where thrifts put their money.

Again, thank you for thoughtful consideration.

Best regards,

Birch Bayh

*Thanks for your thoughtful business. Birch*

Enclosure