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United States Senate

COMMITTEE ON BANKING, HOUSING, AND
 URBAN AFFAIRS

WASHINGTON, DC 20510-6075

December 11, 1989

Mr. Peter Behr
 Editor, Business Section
 The Washington Post
 1150 15th Street, N.W.
 Washington, D.C. 20071

Dear Mr. Behr:

Thank you for taking the time to meet with Mr. Kevin Gottlieb to discuss the accuracy of an important Washington Post story. The article in question misrepresented my position on junk bond holdings by federally insured savings and loan associations.

As you know, on Friday, July 28, 1989, The Washington Post carried a long article by reporter, Kathleen Day, entitled "A Lobby's Decline and Fall: Bailout Erodes S&L Industry's Clout." In that piece the author included a paragraph which said the following:

"Garn has been one of the leading Senate defenders of the use of junk bonds by S&Ls, a practice that many members of Congress have argued should be ended because the bonds are considered too risky for institutions holding deposits insured by taxpayers. Riegle, who has received major contributions from people connected with Columbia Savings and Lincoln Savings & Loan, has been an ally of Garn's on the issue."

In this July 28 paragraph, reproduced above, the reporter states clearly and unequivocally that I was an "ally" of Senator Garn on the issue of defending the use of junk bonds by savings and loans which would use deposits insured by taxpayers. Ms. Day's contention is 100% false. The inaccuracy of her statement is evidenced by public statements which I made in the savings and loan conference committee meetings between the House and the Senate on the savings and loan resolution legislation prior to the date of the story in question here. As the transcript of the proceedings of the Senate/House Conference Committee indicates, I made the following statements:

"Now I think the idea that we not only maintain junk bond investments or high risk investments for savings and loans using federally insured, publicly insured deposits for it in the future, after this history, is very, very unsound public policy.

"Now quite apart from the question of whether we wanted to suddenly expand the volume of junk bond activity in the country, I am willing to leave that to the private marketplace. If there are investors out there that want to put their money in in this way, all well and good. If they can do well, more power to them, but to do it with taxpayer insured

money at this point when the public in this country has just taken the size of the bath that it has I think is irresponsible, and that is why the Senate conferees -- I speak for myself in terms of my position, as we all speak for ourselves -- but this proposal is part of the package on which we are unanimous because there is a concern in this area."

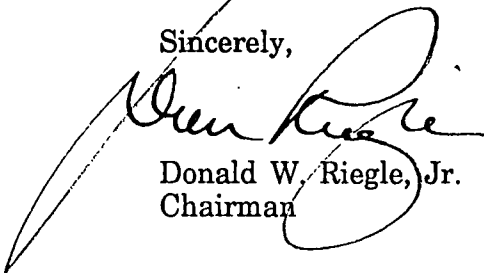
These statements issued in an open Conference Committee meeting are conclusive and definitive. They indicate that I was opposed to the use of junk bonds by savings and loans which would use taxpayer insured deposits for the purpose of those investments. Indeed, I led the effort in the Senate to prohibit the use of junk bonds for this purpose. That effort resulted in the prohibition of junk bonds being used in this way by savings and loans, a prohibition which remained in the final legislation passed by the Congress and signed by the President on August 9.

My position of opposing the use of junk bonds as an insured investment in savings and loans was stated repeatedly in meetings with my Committee colleagues and staff in the spring of 1989, almost five months before the July 28 article was published. Many others in the Washington public and private sectors knew of my opposition. And certainly many professionals in the junk bond community knew of my opposition and expressed to me their disapproval of my position. Nevertheless, my position was stated and pursued through to a proper legislative conclusion which reflects itself in the final bill.

As you will note, the date on the transcript of the Joint Conference on the savings and loan crisis is July 26, 1989, the day when I offered those remarks as Chairman of the Conference. This official government document is the basis for the passages which I have included in this letter and included in the attachment to this letter. Inasmuch as The Washington Post published its article on July 28, two days later, and inasmuch as The Washington Post had two reporters covering the savings and loan conference, I believe it is fair to expect that the Post would have realized the inaccuracy in the article submitted by Ms. Day and would have corrected that inaccuracy before it was published. Given that the inaccuracy was not corrected and that it was published in the incorrect form, I am now formally requesting that a correction be made and that it precede the electronic record of the article in the electronic files which maintain the article on the newspaper archive system.

I appreciate your consideration in this matter.

Sincerely,



Donald W. Riegler, Jr.
Chairman

Enclosure: Joint Conference Minutes