



# ON THE FRONT LINES *of the* FINANCIAL CRISIS

GW LAW ALUMNUS LED THE TARP DURING TROUBLED TIMES.

BY ARI KAPLAN, JD '97 | When Howard Schweitzer, JD '95, left his position at the Department of the Treasury in August 2009, his colleagues gave him the customary framed items acknowledging his service, with one exception: Beneath a glass frame was a picture his 8-year-old daughter had left on the edge of his bed during the economic meltdown. It said: “Daddy—you are saving the world.”

The drawing had been hanging in his office as a source of encouragement and a reminder of what the former chief operating officer of the \$700 billion Troubled Asset Relief Program was doing during the most tumultuous economic period in generations.

“I saw our financial system’s darkest days,” says Mr. Schweitzer, who was part of the original senior management team tasked with building the program infrastructure for an unprecedented national endeavor. “The immediate task of the TARP was to restore confidence in the financial system and take its failure off the table,” he says.

With the system substantially more stable than it was a year ago, Mr. Schweitzer is now refocusing his talent. “We were at a point where I knew that I could leave and the organization would be in great hands; it was just timing,” he says.

That timing has been a hallmark of Mr. Schweitzer’s successful career. Following his Law School graduation in 1995, he spent a year practicing antitrust law before joining the Export-Import Bank of the United States. He spent the next decade in various positions of increasing responsibility at the institution, including as senior vice president, general counsel, corporate secretary, and chief ethics officer from 2005 to 2008. “I had the opportunity to learn from some wonderful general counsel and chief executive officers,” he recalls.

The Ex-Im Bank provides financing for U.S. exports primarily to the emerging markets where either commercial financing is not available or the bank’s assistance is necessary to complete certain transactions. Its role is at the crossroads of market-based finance, foreign policy, and international trade. “At Ex-Im, you have the complexity of a financial institution layered on top of all the rules and regulations of being a government corporation,” says Mr. Schweitzer, who focused on steering the institution through that challenging intersection. He credits the Law School with providing the training necessary to succeed in this role. “GW taught me how to spot issues and apply my judgment.” Mr. Schweitzer’s parents are alumni of GW Law, as is his wife, Felicia Goldberg Schweitzer, JD ’95.

Mr. Schweitzer managed a legal division of 25 lawyers and worked closely with the CEO and board on corporate strategy. “As general counsel, you never know what is going to walk in the door, and, with the complexity of the organization, it was fascinating,” he says.

*Howard Schweitzer, JD ’95, was the chief operating officer of the U.S. Department of the Treasury’s Troubled Asset Relief Program from October 2008 to August 2009.*

In addition to providing leadership and risk management guidance, Mr. Schweitzer was responsible for critical litigation in asset recovery, as well as project finance and aircraft finance transactions. Most significantly, Mr. Schweitzer presided over Ex-Im Bank’s transformation from a government-funded institution to a self-sustaining body that is no longer supported by appropriations. “Based on a sophisticated loan-loss analysis, we determined that the bank, which had long been profitable, could support itself without taxpayer assistance,” he says. “We made our case to Congress, which agreed and passed legislation.”

When the global financial crisis erupted in fall 2008, Mr. Schweitzer moved to the Treasury Department, where Secretary Henry Paulson appointed him as chief operating officer of the TARP. Because Ex-Im Bank was part of the government’s financial apparatus, its officials worked extensively with their counterparts at the Treasury Department. The CEO of the bank moved to the TARP to become its chief investment officer, and Mr. Schweitzer joined as COO the following week.

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The pace was so fast that the day after discussing the position with Interim Assistant Secretary Neel Kashkari, who was leading the TARP’s operations, Mr. Schweitzer received a phone call at 8:30 in the morning offering him the job and requesting his presence at the office for a 9 a.m. staff meeting.

“I dropped everything and dove right in,” he recalls. “We had an incredible leadership team with a variety of perspectives spending late nights and weekends huddled up in the basement of the Treasury Department working to build the functions of an investment operation that was unlike anything the government had done before.”

Mr. Schweitzer’s immediate task was to build the TARP team and ensure alignment among the investment, asset management, risk management, compliance, finance, and legal functions. “We looked for people who could get the impossible done, but get it done the right way. We looked for risk takers with character.”

Many of the group's meetings took place in the treasury secretary's conference room adorned with portraits of George Washington and Abraham Lincoln. "There certainly was a sense of history, but most importantly there was a total commitment from the staff to flawlessly execute the secretary's policy amidst a presidential transition of historic proportions and intense second-guessing," Mr. Schweitzer says. "Everything we did was 'all in.' We felt that executing the treasury secretary's policy judgments was vital, so you had this incredible sense of challenge and responsibility to stabilize the system."

He also played a leading role in the TARP team's interaction with eight congressional committees and five oversight bodies,

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which included a special inspector general, the Department of the Treasury's inspector general, the Financial Stability Oversight Board, the Congressional Oversight Panel, and the Government Accountability Office. "We made responding to those entities part of our mission. We spent as much time working with them as we did executing the program itself because we knew that there was intense public interest."

Despite the public focus, Mr. Schweitzer appreciated the freedom to collaboratively develop best practices. "It was fair to debate the policy surrounding the TARP," he says. "Treasury and the Federal Reserve spent a lot of time designing these programs, which were very complex."

Those debates allowed Mr. Schweitzer and his staff to develop an operation that remained true to its mission and accountable to those responsible for its creation. "We felt like building that accountability to the stakeholders was not ancillary, it was critically important in terms of trying to maintain the public's trust." In addition, as a key point-person regarding the financial crisis, he facilitated communication between the Department of the Treasury and President-elect Barack Obama's transition team.

Mr. Schweitzer says that the untold story of the TARP is the monumental achievement of building something that big so quickly in the face of potential market devastation and a presidential transition. "I give tremendous credit to Secretary Paulson and Secretary [Timothy] Geithner," he says. "We had outstanding leadership under incredibly challenging circumstances."

As he was helping to build the organization, he focused on four core pillars: hiring the right people, who shared the "all in" philosophy and ability to execute under the circumstances; focusing relentlessly on the mission of stabilizing the financial system while protecting the taxpayer; creating a culture of accountability to the TARP's stakeholders; and embracing change as the role of the organization and its staff members evolved daily.

Mr. Schweitzer led initiatives that would embrace change to sustain turnover at the top, which is common in government. For instance, his team built a leadership development initiative with heavy emphasis on transformational leadership. "We had an average of 30 individuals showing up at 7:30 a.m. every

Wednesday to participate in our course and to think about how to transform the organization while building a culture based on change in a crisis environment."


He remained at the TARP until this past summer, when Secretary Geithner presented him with the Department of the Treasury Distinguished Service Award. During his tenure, the organization grew from five to 200 employees. "We built a terrific team of professionals," he says. Since his departure,

Mr. Schweitzer has been a sought-after speaker about crisis response, the TARP, and financial system reform.

"Looking back on my career in government, it has really involved steering organizations through a maze of legal, reputational, operational, and market risk in highly scrutinized, complex environments." As general counsel of the Ex-Im Bank, he worked directly with the CEO to maximize opportunities, and at the TARP, he helped execute the administration's policy and avoid the pitfalls that could have derailed its effectiveness.

When asked to gauge the TARP's success, Mr. Schweitzer says, "It's difficult to attribute financial system stabilization to any one program or action, but collectively the government's financial crisis programs pulled us back from the brink of global financial and economic meltdown." In terms of measuring TARP's cost to the taxpayer, he says, "we need a couple of decades to measure the absolute cost, but on a relative basis, I believe that history will show that the cost of inaction would have far exceeded the TARP's cost."

In addition to sharing guidance with his audiences on finance-related topics, he is an advocate for public service. "To have an opportunity to use your law degree to serve the public and your community is incredibly satisfying," he says. "Government service in particular gives you an opportunity to take on responsibility at a level that you cannot get at a lot of places and gives you an incredible feeling of trying to make the world a better place."

Luckily for the global financial system, he has the experience, and a priceless drawing, to prove it. 



# REGULATORY REFORM AT THE CROSSROADS

Pay Czar Kenneth Feinberg keynotes law symposium

As the financial crisis continues to cause uncertainty about the country's economic future, GW Law School and the GW Banking Law Society hosted a conference this fall to discuss the right response to regulatory reform.

The day-long symposium on Oct. 23 brought together experts in a variety of fields. Keynote speaker Kenneth Feinberg discussed his thorny task of setting pay for 175 of the nation's top executives. Mr. Feinberg, who is serving unpaid as the special master for executive compensation for the Troubled Asset Relief Program at the Treasury Department, spoke at the event the day after his decision to sharply curtail executive pay at top banks and automakers became public.

"The key is tying executives' own compensatory interest to that of the company," Mr. Feinberg said. His plan eliminates any guarantees beyond salary; reduces cash salary by as much as 90 percent; and ties remaining compensation to long-term stock, a portion of which would be redeemable only once the company pays the government back. It affects the 25 highest-paid executives at each of the seven companies that received the most federal dollars: Citibank, A.I.G., Bank of America, Chrysler, Chrysler Financial, GM, and GMAC.

Determining how to structure executive pay wasn't simple, Mr. Feinberg said. His mandate required that he "make sure companies thrive and are able to attract talent, so they can sooner rather than later pay back taxpayer money" but also "make sure the compensation avoids excessive risk." In addition, he had to balance sharp contrasts in perceptions of worth on Wall Street—where companies fear they will lose top employees to competitors that don't have to comply with these standards—and on Main Street, where there's been "understandable public disgust" at CEOs' bloated pay packages.



*Kenneth Feinberg, the special master for executive compensation for the TARP, was the symposium's luncheon keynote speaker. (Left) Gary Gensler, chairman of the Commodity Futures Trading Commission, gave the morning keynote address.*

The conference, which was held in GW Law's Jacob Burns Moot Court Room, also included an address by Gary Gensler, chairman of the Commodity Futures Trading Commission, and panels on systemic risk regulation, the proposed consumer financial protection agency, and prospects for international cooperation on capital standards, executive compensation, and regulation of derivatives.

John Buchman, professorial lecturer in law at GW and general counsel and corporate secretary for E\*TRADE Bank, initiated and organized the event with 3L Eric Levine, Pavel Shaitanau, JD '08; Sarah Elliott, JD '08; Carly Grey, JD '07; Helen Y. Lee, JD '08, and the GW business law faculty.

*Faculty members and students asked questions during the panel sessions, which addressed systemic risk regulation, consumer financial protection, and executive compensation.*



*Professorial Lecturer in Law John A. Buchman (left) speaks with Gordon Miller, Neal Peterson, and other attendees between panels.*

