

**Prepared Statement by Senator Chuck Grassley of Iowa  
Chairman, Senate Judiciary Committee  
Hearing on The Department of Homeland Security's  
Proposed Regulations Reforming the Investor Visa Program  
March 8, 2017**

Chairman Goodlatte, Ranking Member Conyers, and  
Members of the House Judiciary Committee,

Thank you for giving me the chance to testify about reforming the EB-5 investor visa program. Senator Leahy and I have longstanding concerns with the regional center program. We have worked together for years to address this program's rampant waste, fraud and abuse.

As this Committee knows, in 1990 Congress created the EB-5 visa program. The goal of this new visa was to create new employment opportunities for American workers. A mere two years later Congress established a 'pilot' program which allowed investors to pool their investments into regional centers.

The theory behind this program was simple: by allowing investors to pool their funds, greater investments would occur and jobs for American workers would flourish.

25 years later, this pilot program still exists, but it is deeply flawed and has strayed from its original intent. There are many

problems with the regional center program, but let me mention just a few of the worst issues:

- Jobs created are not “direct” and verifiable jobs. They instead are “indirect” and based on vague estimates and economic modeling.
- A foreign national is allowed to count *all jobs* created by a project when obtaining their green card. This is even if their EB-5 money is only a mere fraction of the total investment.
- Investment funds are not adequately vetted, and there are no prohibitions against foreign governments owning or operating regional centers.
- Even more concerning, background checks aren’t required for anyone associated with a regional center. This raises serious questions about whether foreign

governments are selling U.S. green cards to their citizens.

- Regional centers gerrymander Targeted Employment Area boundaries to encompass economically distressed areas in order to come in at a lower investment level. This is an issue because the jobs created aren't actually created in those areas and the projects aren't actually in those areas. The problem is made worse by the fact that every Targeted Employment Area designation is rubberstamped.
- Finally, and perhaps the most frustrating, the minimum investment level hasn't been raised in 25 years.

I could keep going about the many abuses I have identified in this program. With this in mind, I believe that either the regional center program should be both completely overhauled and reformed, or it should expire. The American people deserve better.

Senator Leahy and I have tried to work in a bicameral, bipartisan way to enact real EB-5 reform. Last year, the Senate Judiciary Committee held two hearings alone on this subject, and the House Judiciary Committee held another.

We heard from local leaders and associations representing workers and regional centers. We listened to academics and government officials. We received feedback from many industries, as well as immigration and securities attorneys.

After painstaking negotiations and concessions by almost every stakeholder, some of us more than others, we reached a consensus that would have addressed these abuses and reauthorized the program for six years.

Unfortunately, this wasn't acceptable to some parties. Instead of addressing the program's waste, fraud, and abuse, Congress merely reauthorized the program until April 28. With that deadline approaching, Congress must get serious about reform.

Nothing better supports the need for serious reform than the work Chairman Chaffetz and I have done to draw attention to the program's very real national security concerns. We have sent several letters and conducted transcribed interviews with key players of an interagency working group to assess just how rampant fraud and abuse are in the program. This working group made several recommendations, the most compelling of which was to sunset the regional center model due to crippling fraud and national security vulnerabilities.

I also want to take a moment and address the proposed rules and reforms started by the Obama Administration. While I didn't always agree with the Obama Administration's regulatory agenda, I appreciate their recognition of this programs many issues, and the administrative steps taken to correct them.

Earlier this year, former Homeland Security Secretary Jeh Johnson published proposed rule changes to the regional center program that would stop gerrymandering and increase investment levels. I strongly support these changes. They are a

vital first step to returning the program to its original intent: creating new employment for American workers and infusing capital into distressed or rural areas.

When I met with Secretary Kelly before his confirmation, I emphasized the importance of these proposed rules, and it appears the Trump Administration will move forward with them.

Even with these changes, I will continue working with my colleagues in both Chambers and both Parties to reform the program.

I look forward to working with this Committee and the Trump Administration in the coming months on legislation that is serious and substantial.

Again, thank you for allowing me to testify today about the need to reform the EB-5 regional center program.