THE FAILURES AND FUTURE OF THE EB-5 REGIONAL CENTER PROGRAM: CAN IT BE FIXED?

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TUESDAY, FEBRUARY 2, 2016

United States Senate,
Committee on the Judiciary,
Washington, D.C.

The Committee met, pursuant to notice, at 10:03 a.m., in room SD-226, Dirksen Senate Office Building, Hon. Chuck Grassley, Chairman of the Committee, presiding.

Present: Senators Grassley, Sessions, Cornyn, Flake, Perdue, Tillis, Leahy, Feinstein, Schumer, Klobuchar, and Blumenthal.

OPENING STATEMENT OF HON. CHUCK GRASSLEY, A U.S. SENATOR FROM THE STATE OF IOWA

Chairman Grassley. Before I give my statement and Senator Feinstein gives her statement, I would like to kind of summarize the statement before I give it.

Number one, the purpose of the hearing is oversight, of course, but it is trying to get people to understand what can be done under existing law and try to encourage as much reform and enforcement under existing law can get done. And that refers basically to the agencies having lots of authority to change the program back to its original intent.

And then the other thing is the hearing, by what I just said, trying to get the agencies to do what they can to get this program back on its even keel, is because we worked so hard through the last 6 months of last year in a very bipartisan way, and also what I think would have been a bicameral way, to reform the program, and we did not get it done because, just like a massive force coming down involving the EB-5 Investment Coalition, the Chamber of Commerce, and the Real Estate Roundtable, with their force in the back rooms of the Congress, kept us from getting the legislation passed. And we do have to pass some legislation. But it is not the only way that changes can be made.

In 1990, Congress created an employment preference category known as "EB-5" which was "intended to create new employment for U.S. workers and to infuse new capital into the country"--then there is a comma, and then listen to these next words--"not to provide immigrant visas to wealthy individuals."

Two years later, Congress revised the EB-5 category by establishing a pilot program allowing investors to use regional centers to pool their investments. This "pilot" program still exists, nearly 25 years later, but it is very deeply flawed, lacks adequate oversight, and has veered far away from congressional intent. The program is in need of a major overhaul if it is going to be reauthorized at the end of this fiscal year.

Yet despite the need for reform, the fiscal year 2016 omnibus appropriations bill included a straight and clean extension of the program. This was a disappointment given the alarm bells and whistleblower allegations. It was a missed opportunity. So we will have to make a decision: Should this program be fixed or should it be nixed?

It is widely acknowledged that the EB-5 program is riddled with flaws and corruption. Maybe it is only here on Capitol Hill. Capitol Hill is an island surrounded by reality--that we can choose to plug our ears and refuse to listen to commonly accepted facts. Just listen to all the people that have raised questions. The Government Accountability Office, the media, industry experts, Members of Congress, and Federal agency officials have concurred that the program is a serious problem with serious vulnerabilities. So let me just mention a few.

Do you know that investments can be spent before business plans are approved?

Do you know that regional center operators can charge exorbitant fees of foreign nationals in addition to their required investments?

Do you know that jobs created are not "direct" or verifiable jobs but, rather, are "indirect" and based on estimates and economic modeling?

Jobs created by U.S. investors are counted by foreign nationals when obtaining a green card, even if EB-5 money is only a fraction of the total invested.

Do you know that investment funds are not adequately vetted?

Do you know that gifts and loans are acceptable sources of funds from foreign nationals?

Do you know that investment level has been stagnant for nearly 25 years?

Do you know that there is no prohibition against foreign governments owning or operating regional centers or projects?

Do you know that regional centers can be rented or sold without Government oversight or approval?

Do you know that regional centers do not have to certify that they comply with securities laws?

Do you know that there is no oversight of promoters who work overseas for the regional centers?

Do you know that there is no set of sanctions for violations, no recourse for bad actors?

Do you know that there are no required background checks on anyone associated with a regional center?

Do you know that regional centers draw Targeted Employment Area boundaries around poor areas in order to come in at a lower investment level, yet the jobs created are not actually created in those areas?

Do you know that every Targeted Employment Area designation is rubberstamped by the agency?

Do you know that adjudicators are pressured to get to yes, especially for those politically connected?

Do you know that visas are not properly scrutinized?

Do you know that visas are pushed through despite security warnings?

Do you know that files and applications lack basic and necessary information to monitor compliance?

Do you know that the agency does not do site visits for each and every project?

Do you know that there is no transparency on how funds are spent, who is paid, and what investors are told about the projects?

And then there are national security concerns that ought to affect everybody in this period of terrorism. There are also classified reports that detail the national security fraud and abuse. Our Committee has received numerous briefings, and we have also received classified documents to show this side of the story.

The enforcement arm of the Department of Homeland Security wrote an internal memo that raises serious concerns about the program. One section of the memo outlines concerns that it could be used by Iranian operatives to infiltrate the United States. The memo identifies seven main areas of program vulnerability, including the export of sensitive technology, economic espionage, use by foreign government agents and terrorists, investment fraud, illicit finance, and money laundering.

An interagency working group was organized by--get this--the National Security Staff because of the serious concerns. This group's draft memo said, "The capital raising activities inherent in the regional center model raise concerns about investor fraud and other conduct that may violate U.S. securities laws."

Now, the Securities and Exchange Commission has brought at least 10 suits against regional centers and operators. U.S. investors and foreign nationals are being duped and left high and dry. We will hear from the head of the Commission's enforcement branch about what they are seeing in the market.

Then there is the fact that most of the visas are going to urban and affluent areas at a discounted rate when Congress specifically intended to steer some visas to rural and high unemployment areas. Census tracts are stitched together to incorporate remote public housing developments so that high-rises, hotels, casinos, and resorts can attract investors for less than the statutory $1 million requirement.

How many more intelligence reports are needed to understand the problems? How many more whistleblowers are going to be demoted for speaking the truth? How many more projects in midtown Manhattan at the expense of rural America need to be highlighted? How many more headlines are needed before the program is going to be fixed?

Some say that we should do away with the program. Some say it needs to be reformed. And then, you know, there are some, as evidenced before Christmas, as I have already reported, who like the status quo. But it is time for things to change.

Today, we will hear from the Department of Homeland Security about the enhancements they have made and the improvements that they are considering. Nearly 4 years ago, I sent a letter to Director of U.S. Citizenship and Immigration Services Mayorkas about the problems in the program. Mayorkas, who is now number two at the Department, said he was considering regulatory changes to address the problem. Yet the Department has not done anything to resolve the problems. I am hopeful the agency will take immediate and appropriate steps within their authority to turn this program around.

Now, Senator Feinstein, thank you.

OPENING STATEMENT OF HON. DIANNE FEINSTEIN, A U.S. SENATOR FROM THE STATE OF CALIFORNIA

Senator Feinstein. And I thank you, Mr. Chairman, and I very much agree with what you have had to say. I am sitting in as Ranking Member today because, as you know, Senator Leahy has a very good reason as to why he cannot be here this morning.

I oppose the EB-5 program. I believe it should expire on September 30 of this year when it is set to end. And let me put it very simply. I do not believe America should sell visas and eventually citizenship. The right to immigrate should not be for sale.

As millions wait years and years--and as a matter of fact, right now there are 4.4 million people waiting in lines, and some have been in those lines waiting for 24 years. And they wait to be able to obtain a work visa or for Congress to act to repair this broken immigration system. This program provides a special path for the wealthy to become citizens. Our message to the world should not be that we care more about a half a million dollars than we care about American families.

Beyond that, the program is rife with problems. Number one is fraud. The program involves huge pools of investments recruited overseas, far from United States regulators. The lure for the investment is not a return, but a chance at U.S. citizenship through a visa. This is a big magnet for fraud. In case after case, the SEC has brought fraud charges against those who are alleged to have made false statements to lure investors and then use the money for personal reasons. We have compiled five of these. Let me read them to you.

Case number one, criminal indictment for $160 million fraud in connection with a purported convention center project near O'Hare airport in Chicago. The SEC has also previously filed fraud charges, which were settled. The SEC says $147 million was returned to investors. Last month, the defendant, Anshoo Sethi, 32, pleaded guilty. Each investor apparently has received the money back, and none received a visa.

Case two, SEC civil fraud charges against a Bay Area oil and gas company, Luca International, and its CEO for $68 million Ponzi-like scheme. The complaint says that the Chinese community was targeted, that parts of the money, several million dollars, were raised through EB-5, and the money was misspent for personal use. The defendants in this case are Marco and Bebe Ramirez, as well as a series of corporate entities.

Case three, SEC's civil fraud charges for $125 million fraud in connection with two Seattle real estate projects. The complaint alleges diverting of funds for personal use. Defendants are Lobsang Dargey and a series of corporate entities.

Case number four, SEC civil fraud cause in South Florida, alleging that Lin Zhong and a company raised $8.5 million through EB-5, but diverted nearly $1 million to purchase a boat, a BMW, and a Mercedes, among other improper personal uses of investor funds.

Case number five, SEC civil fraud case brought in Los Angeles against New York-based immigration lawyers offering EB-5 investments while not registered with the SEC to act as brokers. The complaint alleges the lawyer "abused his role as an immigration attorney to illicitly operate as a broker and engage in a scheme to secretly receive commissions for selling EB-5 securities." The SEC obtained agreements from numerous other law firms in Texas, Miami, Hoboken, and Los Angeles to cease and desist from similar conduct.

And it goes on and on.

The program involves, as I said, huge pools of investments. It has become a big magnet for fraud. The Justice Department obtained an indictment on similar grounds as I have just read, and individual investors have also been sued. According to the GAO, over a 2-year period from January 2013 to January 2015, the SEC reported over 100 tips, complaints, and referrals related to the EB-5 program. In my State, we have--how many regional centers? Ninety-two regional centers, putting these things together. Just over half resulted in further investigation by the SEC or were referred to other law enforcement.

DHS officials reported to GAO that the Fraud Detection and National Security Office "constantly identifies new fraud schemes, and they must work to stay on top of emerging issues." One other big issue is whether this money comes from lawful sources. The GAO's report says, and I quote, "Both USCIS and State Department officials noted they did not have the authority to verify banking information with many foreign countries. For example, State officials said that because the United States Government lacks access to many foreign financial systems, there is no reliable method to verify the source of the funds."

In other words, the Government Accountability Office report documents that officials in the agencies running this program believe it is difficult to verify where this money is coming from. One example noted in the GAO report is that, and I quote, "A petitioner did not report potential financial ties to a number of brothels in China which would have raised questions about the legitimacy of the petitioner's source of funds." And that is just one. That petition ultimately was denied, according to the GAO report.

But think about the illicit nefarious sources of funding we could be talking about--drug trafficking, human trafficking, labor or sex, organized crime, terrorist groups. And the list goes on and on.

So my view, Mr. Chairman, is that this program should expire.

Chairman Grassley. Before I introduce you two, you or your staff worked hard last fall to help us put legislation together by reviewing it, offering technical assistance for a bipartisan bill that we were hoping to get passed before Christmas. So I just think I ought to take--whether it is you or your staff, take the opportunity to thank you for the extra effort you went to for us to draft what we thought was a bill that would pass the Congress and get all this problem taken care of.

I am going to introduce Mr. Colucci, Chief of Immigrant Investor Program Office that oversees the EB-5 program. He has held this position since December 2013. In this role, he leads the IPO staff of adjudicators, economists, and program support specialists in administering the EB-5 program. Before joining the agency, he spent time at the Treasury Department and the Bureau of Alcohol, Tobacco, Firearms, and Explosives, ATF.

Mr. Stephen Cohen is Associate Director of the Securities and Exchange Commission Division of Enforcement. In that capacity, he oversees a broad range of domestic and international enforcement activities, including investigations involving accounting and disclosure fraud, insider trading, registered and unregistered security offerings. He has been with the SEC for over 10 years, but has also worked in private practice and as a trial attorney in the Department of Justice.

Before you give your testimony, Mr. Colucci, I would like to ask you to be sworn, both of you. Do you affirm that the testimony you are about to give before the Committee will be the truth, the whole truth, and nothing but the truth, so help you God?

Mr. Colucci. I do.

Mr. Cohen. I do.

Chairman Grassley. Thank you. They both affirmed.

Mr. Colucci, go ahead, please. Yes, thank you for turning on the microphone.

STATEMENT OF NICHOLAS COLUCCI, CHIEF, OFFICE OF IMMIGRANT INVESTOR PROGRAM, U.S. CITIZENSHIP AND IMMIGRATION SERVICES, U.S. DEPARTMENT OF HOMELAND SECURITY, WASHINGTON, D.C.

Mr. Colucci. Chairman Grassley, Senator Feinstein, and distinguished members of the Committee, I am pleased to be here today to speak with you about the EB-5 Immigrant Investor Program. My name is Nicholas Colucci, and since December 2013, I have been the Chief of USCIS' Immigrant Investor Program Office. I came to USCIS with more than 21 years of regulatory and law enforcement experience with the Bureau of Alcohol, Tobacco, Firearms, and Explosives and the Financial Crimes Enforcement Network, where I managed diverse teams dedicated to combating money laundering, fraud, and terrorism financing. I share the Committee's dedication to ensuring the integrity of the EB-5 program and would like to tell you today about the steps that we have already taken and those that we are planning that will increase the transparency of the EB-5 program, reduce the risk for fraud, and, of the utmost importance, help preserve our Nation's security. I thank the Committee for your support and continued interest in strengthening the EB-5 program.

USCIS has taken great strides to develop a foundation to strengthen the integrity of the EB-5 program. Most significantly, in 2013, USCIS realigned the EB-5 program into IPO, the Immigrant Investor Program Office, and relocated it to Washington, D.C. USCIS also created a Fraud Detection and National Security EB-5 Division and embedded its personnel within our office to work alongside our adjudications officers and economists.

USCIS has well positioned itself to administer the EB-5 program effectively and to safeguard against fraud and national security concerns. However, no agency can do this alone. The establishment of IPO, the Immigrant Investor Program Office, in Washington, D.C., allows us to work closely with partners such as the Securities and Exchange Commission, Immigration and Customs Enforcement, the Federal Bureau of Investigation, and the Department of State to quickly identify and respond to fraud and national security concerns and to develop strategies to mitigate these risks.

Since establishing IPO to oversee the EB-5 program, USCIS has undertaken several initiatives to strengthen the program and increase our ability to mitigate, identify, and address fraud and national security risks, including more than doubling the number of embedded fraud detection and national security professionals in fiscal year 2015 and more than tripling the number of overseas verification requests sent to post in support of EB-5 adjudications; providing ongoing antifraud-related training to IPO staff to increase awareness and understanding of potential fraud schemes and scenarios; undertaking a thorough review of existing regional centers and terminating those that failed to submit required information or promote economic growth; expanding security checks to cover regional center businesses and certain executives; and publishing an updated, classified Intelligence Assessment of the EB-5 program in fiscal year 2015.

We have accomplished much to strengthen the integrity of the EB-5 program, but as Secretary Johnson noted in his April 2015 letter to this Committee, there remains more to be done, much of which requires Congress' help. USCIS has worked closely with congressional staff to identify key legislative enhancements to further strengthen the integrity of the EB-5 program, including providing USCIS with specific statutory authority to ensure the regional program is free of bad actors, to impose graduated sanctions where appropriate, and to collect each year the information we need to better oversee the program.

If implemented, I believe these common-sense reforms would create immeasurable benefits for the EB-5 program. With the continued support of this Committee, I am confident that we can ensure the EB-5 program fully realizes its goal of stimulating the United States economy through job creation and capital investment, while safeguarding national security and program integrity.

We look forward to continuing to work with this Committee to share ideas on how to further strengthen the EB-5 program and to provide technical assistance, if requested, to any EB-5-related legislation.

Once again, I appreciate the opportunity to be here today. I am happy to answer your questions. Thank you.

[The prepared statement of Mr. Colucci follows:]

Chairman Grassley. Thank you.

Mr. Cohen.

STATEMENT OF STEPHEN L. COHEN, ASSOCIATE DIRECTOR, DIVISION OF ENFORCEMENT, U.S. SECURITIES AND EXCHANGE COMMISSION, WASHINGTON, D.C.

Mr. Cohen. Chairman Grassley, Senator Feinstein, and members of the Committee, thank you for inviting me to testify on behalf of the U.S. Securities and Exchange Commission regarding the SEC's work related to the United States Citizenship and Immigration Services' EB-5 Immigrant Investor Program.

The SEC's mission is to protect investors, maintain fair, orderly, and efficient markets, and facilitate capital formation. The SEC's Division of Enforcement furthers this mission by investigating potential violations of the Federal securities laws and, with the approval of the Commission, bringing cases where evidence of such violations is found. Although the SEC has no role in administering the EB-5 program, over the last few years the Enforcement Division has worked with other SEC divisions and offices and with our law enforcement partners at the State, Federal, and international level to focus on potential violations of the Federal securities laws related to the EB-5 program. These efforts have coincided with a strong working relationship with the USCIS.

Although the SEC does not have oversight of the program, certain aspects of the EB-5 investments can implicate the Federal securities laws. When Congress first created the EB-5 program, each EB-5 investment was an individual infusion of capital by an EB-5 applicant into a business managed directly by the EB-5 applicant. Structured as such, the Federal securities laws were not typically implicated. Starting in 1992, however, Congress authorized a pilot program that enabled regional centers to pool multiple investors' funds. These pooled investments are generally offered as securities under one or more exemptions from the registration requirements of the Federal securities laws.

As with other unregistered private securities offerings, the SEC has limited visibility into this market as compared to registered offerings in the public market. Despite the potential exemptions from registration, however, EB-5 investments are still subject to the statutes and rules governing the offer and sale of securities, including the antifraud provisions of the Federal securities laws.

Because the Commission does not administer the EB-5 program, it generally does not receive or review materials related to the program. Additionally, as EB-5 investments are sold to non-U.S. persons, there is limited regulatory transparency with these offshore offers and sales of securities. Nonetheless, the SEC's Enforcement Division scrutinizes allegations regarding specific EB-5 investments and has brought a number of fraud and unregistered broker-dealer cases related to them.

Despite the EB-5 context, in most regards these cases are no different than many others we bring every year. Since February 2013, when the first EB-5-related action was filed, the Commission has filed 19 cases involving EB-5 offerings by U.S.-based persons or entities, almost half of which involved fraud allegations.

Beyond specific enforcement actions, in October 2013, the SEC's Office of Investor Education and Advocacy and the USCIS issued a joint investor alert about potential investment scams targeting foreign nationals who participate in the EB-5 program. In addition, earlier this year, the SEC's Office of Compliance Inspections and Examinations stated in its yearly examination priorities that it would review private placements, including offerings involving the EB-5 program, to evaluate whether legal requirements are being met.

The SEC has also worked with the Financial Industry Regulatory Authority, or FINRA, to share information and expertise regarding the role of brokers and dealers in the EB-5 industry. FINRA also has released guidance and rulemaking related to EB-5 offerings.

In addition, the SEC and USCIS have developed an effective information-sharing relationship with appropriate procedural safeguards, providing each other with training and technical assistance that facilitates the independent fulfillment of our mandates. These coordinated efforts also have benefited our other law enforcement partners and been effective both in sending a deterrent message to the EB-5 marketplace and an increasing awareness of potential risks to investors who participate in the program. We look forward to continuing to work further with USCIS and our other law enforcement partners as we enforce the securities laws in relation to EB-5 investments.

Thank you again for the opportunity to appear here today, and I would be happy to answer any questions you may have. Thank you.

[The prepared statement of Mr. Cohen follows:]

Chairman Grassley. Thank you both very much for your testimony, and we will have 5-minute rounds.

Mr. Colucci, you outlined a number of so-called enhancements in your testimony. I think that those enhancements are some window dressing, kind of a bland attempt to fix a flawed program. I think the agency could have done more, in fact, so much more, but instead it has focused on every way to expand deferred action and other administrative amnesty programs. So I would drill down with you to something you said in your statement. You said that the agency needed additional authority to "enhance reporting and auditing processes."

So my question is: Why is more authority needed here? Simply why can't the agency require regional centers today to disclose and be more transparent about their businesses and their practices?

Mr. Colucci. Thank you for that question, Chairman Grassley. There are things that we can do and plan to do to collect additional information from the regional centers. As you know, we collect information annually from regional centers, and right now we are actively working on a form that will include greater disclosures.

One of the things that the Secretary included in his letter to the Committee was a requirement for regional centers to certify continued compliance with United States securities laws, and we do think that does require legislative enhancement as opposed to something that we can do through regulation.

Chairman Grassley. Okay. In that latter statement you made, I do not know whether, without studying the letter to a greater extent on that simple point, but I think in too many instances passing the buck to Congress when your agency could simply do more of this today and demand that regional centers provide information on pending litigation, number one, use of fees and accounting of funds received and spent. It seems to me that that is just something that you could do right now and not need additional legislation. So I guess I would have to have you show me why you need legislation, at least to get that information.

Also, you mentioned that it would be helpful if your agency had more authority to terminate regional centers for criminal or security concerns. So my question is: If you had that authority, would you have terminated more centers in the last few years? And how many do you think would be terminated if you had this authority today?

Mr. Colucci. I can speak to when I took over the program in December 2013 and can say that in those cases where fraud or national security issues are present in the regional center, we have sought and are currently seeking termination of those regional centers. So nothing right now is stopping us from doing our job, which is what we are doing. We have a number of cases that are ongoing to do exactly that.

Chairman Grassley. Again for you, sir, the law states that investors shall pay $1 million for an EB-5 visa, but there is a discount or lower investment amount for rural areas and areas with high unemployment, known as "Targeted Employment Areas." Despite clear congressional intent to spur immigrants to invest and create jobs in areas of greatest need, it seems to me that the Department has routinely allowed EB-5 money to be invested in projects in affluent urban areas with low unemployment and little shortage of available financing. The Department has looked the other way and rubberstamped State and local designations.

Now, there is nothing in the law that says the Secretary shall abide by those determinations. It is the Department's job then to oversee and designate TEAs, and they need to start doing it now.

So my question: Why not rescind your regulation and start overruling State TEA designations?

Mr. Colucci. Chairman, as you mentioned, our regulations right now allow the States to create and designate Targeted Employment Areas, and through our policy memo that was issued in May 2013, we defer to the States the actual construction of the Targeted Employment Area. We will look at the methodology to make sure it does, indeed, have a 150-percent unemployment rate. As you know, the Secretary also addressed this issue in his letter to the Committee, and this is something that we are currently contemplating attempting to achieve through regulation.

Chairman Grassley. Okay. I am not going to take time away from my other staff people. On the second round, I will follow up on that very point.

Senator Feinstein?

Senator Feinstein. Thank you very much, Mr. Chairman.

I have been interested in reading, Mr. Cohen, your written remarks, and I would like to go to page 2 of your remarks and ask you to explain a little bit more about this particular case, the Commission filed 19 cases, half of which involved fraud.

"In February 2013...the first case...the Commission filed an action to halt an investment scheme that allegedly defrauded over 250 investors who invested through the...program, in what was purportedly a massive multi-hotel and convention center project. With the assistance of the USCIS, the Commission stopped the alleged fraud and obtained an emergency court order that led to the return of over $145 million to injured investors." And then the "matter was settled in March of 2014 with the Commission securing favorable relief. The key individual defendant was indicted based on the same conduct in August of 2014, and on January 12 of this year that individual pled guilty to a wire fraud charge."

Explain the nature of that case. How does it get so big? And the other thing is are you able to verify the source of funds that are used, where those monies come from when you do an investigation?

Mr. Cohen. So as to your first question, Senator Feinstein, that case was the first case that we brought under the EB-5 program, and as you indicated, it was a very large case. We were very fortunate in that case. We received some intelligence about potential issues related to that offering, and we were able to do a very streamlined and efficient investigation, with actually a lot of close coordination and assistance from USCIS. We were able to put together enough evidence of fraud to go into court and obtain a temporary restraining order to stop the use of those funds before it was dissipated. As such, in this particular instance, these funds were actually held in escrow, although the defendant had spent the lion's share of the administrative fees that he had collected, misappropriated for other reasons. Because the principal was actually in that account, we were able to freeze it and return that money to investors, although as you mentioned earlier, to my understanding they did not obtain visas. Again, we were real appreciative of the help of USCIS.

As to your second question, verifying the source of the funds is not part of the SEC's mission. That is part, as I understand it, of USCIS' program. From our perspective, just looking at the investment aspects, we would not be tracing back--

Senator Feinstein. Well, then, let me ask, Mr. Colucci, this is a big fraud. What was the source of funds of this fraud?

Mr. Colucci. The source of the funds came from each of the immigrant investors, and my tenure occurred after that particular case. But what I can tell you is that USCIS did not approve any of the petitions associated with that case.

Senator Feinstein. That is not what I am asking. What I am asking is where--I mean, this is a big case, and you are the investigating body. Where did the money come from? The amount of money that was put together, there were 250 investors. Did each one of them provide a half a million or more dollars?

Mr. Colucci. That is correct. Each one--

Senator Feinstein. And where did that money come from?

Mr. Colucci. We would have screened each one of those investors as well as their source of funds. I cannot speak directly--

Senator Feinstein. But they are outside the country, so where--there is no way you know whether this came from brothels in Shanghai or some trafficking scheme?

Mr. Colucci. We have many ways to adjudicate a source of funds, and I am happy to explain what we do if you would like.

Senator Feinstein. I think that would be useful. Thank you.

Mr. Colucci. Sure. So source of funds goes to the heart of what our adjudicators do every single day, and we provided them with significant tools in their arsenal to look into and evaluate source of funds. It starts with when they start with us. We have almost an entire day's training on source of funds. We have had--

Senator Feinstein. Well, did they look at this case?

Mr. Colucci. I cannot speak to this particular case because it was prior to my tenure.

Senator Feinstein. Wow, because this is--is this one of the largest cases, Mr. Cohen?

Mr. Cohen. It is one of the largest cases that we brought, yes, Senator.

Senator Feinstein. See, that is what concerns me about all of this, that there can be massive fraud going on and no one knows it. And what you are saying is you do not know it to this day. And that was their first case.

Mr. Colucci. Senator, what I can tell you is that not one of those petitions was approved.

Senator Feinstein. Okay. Well, that is good. And so you have no interest in knowing where the money came from. Is that right?

Mr. Colucci. We always have an interest in where the money comes from, and that, again, goes to the heart of each one of the adjudications that we do. So it is safe to say that we looked at every single investor as part of that adjudication of that particular case.

Senator Feinstein. Were they out-of-the-country investors?

Mr. Colucci. They were all out-of-the-country investors.

Senator Feinstein. And where were they?

Mr. Colucci. I cannot speak--I know the majority of our investors are typically from China, but I cannot speak directly to that particular case.

Senator Feinstein. Do you have any method in China of being able to ascertain the source of large sums of money that go into these investments?

Mr. Colucci. We do, Senator. I think an important point to remember is that the burden of proof is on the actual petitioner to be able to satisfy us that the source of funds is legitimate, and we have various tools to be able to prove that out.

Senator Feinstein. And what are those tools?

Mr. Colucci. It starts with the training that we provide to our officers, our fraud detection and national security team. If we do have doubts about the veracity of those funds, we actually have individuals who speak and write foreign languages and can do research in those countries. I personally went to China and met with the team in both Beijing and Guangzhou, China, to learn more about Chinese banking, as well as about various documents and how easy they were to obtain within China and how we could obtain them as a government agency.

Senator Feinstein. But it still gave you no clue as to where this money came from, whether it was legitimate money or illegitimate money. After there and everything else, in the biggest fraud, you have no clue.

Mr. Colucci. Again, I would just point out the fact that we did not approve any of those petitions.

Senator Feinstein. I appreciate that.

Mr. Colucci. That is the best I could answer that.

Senator Feinstein. Okay. All right.

Thank you, Mr. Chairman.

Chairman Grassley. Senator Cornyn and then Senator Schumer.

Senator Cornyn. Thank you, Mr. Chairman. I appreciate your having this hearing today. It is a very important hearing, and I likewise hope that you will consider a markup of legislation to reauthorize the EB-5 program. And I would just respectfully suggest that one of the best places to start would be with Senator Flake's EB-5 Integrity Act legislation. I think this is something we all agree needs to be done, and all of us want to make sure we are doing everything in our power both to provide the authorities to the enforcement agencies, but also to make sure that this program is run properly.

So to the Chairman's question should this EB-5 program be fixed or nixed, I would suggest that we should mend it and not end it. And I think we can do that.

Since 2008, the EB-5 program has generated at least $12 billion in direct investment in the United States, with an additional $6 billion in the pipeline. Last year alone, the program resulted in $4.3 billion in direct investment for the United States. In my State, EB-5 investments account for hundreds of millions of dollars in economic growth each year and support between 3,000 and 5,000 jobs. If it were not for the job growth we have seen in Texas over recent years, the U.S. economy would not be seeing any job growth. And with the price of oil, though we are not growing as fast as we were, but I think to deny investors the capital that comes from the EB-5 program would not only hurt the economies of our various States and the Nation, but also eliminate some of the necessary and important job growth that we have seen associated with the EB-5 program.

So I would just ask, Mr. Colucci, the question of authorities comes up. We want to make sure you have what you need in order to do the job that Congress has asked you to do. Have you had a chance perhaps to see Senator Flake's legislation, which I am cosponsoring, the EB-5 Integrity Act? I would be interested, whether now or later, in whether you feel like that would give your agency the authorities that you think you need in order to do the job you have been asked to do.

Mr. Colucci. I have seen the legislation, Senator, and I will note that a number of items that the Secretary included in his letter to the Committee to help improve the integrity of the program were included in that legislation, and we were glad to see that.

Senator Cornyn. Thank you.

Mr. Cohen, Senator Feinstein expressed concern, which I think we would all share, about the source of the funds being used in the EB-5 program. My understanding from my staff is that the Securities and Exchange Commission is in part tasked with determining what the source of foreign direct investment in the United States is. Is that correct? Or do you play any role in determining whether these funds are indeed legitimate funds?

Mr. Cohen. We do not, Senator. We are only looking at the aspects of the program that relate to the investments. Where originally the source of the funds is is not something that we typically look at.

Now, in the course of an investigation, we may be looking to the source of funds to ensure legitimacy from a securities fraud perspective. We may trace funds back to ensure that we can return funds to investors when we bring a case. But from the perspective of the EB-5 program that relates to whether the source of the funds is legitimate or not legitimate, in the first instance that is not part of our mandate.

Senator Cornyn. Thank you for clarifying that.

So, Mr. Colucci, I guess the burden falls to your agency to do that, and in the case that Senator Feinstein inquired about, you said because of concerns about the source of the funds that the petitions for the EB-5 program and for a green card were denied. Is that correct?

Mr. Colucci. The petitions were ultimately denied because of the fraud that was taking place. Once we learn-- and this goes for any case that we have where there is an outside investigative interest. We will speak to that investigative agency, and we will place on hold a petition or an application while they continue with their investigation. And we will also work side by side with them and provide them any necessary assistance during that time.

Senator Cornyn. And you, I think importantly, pointed out that the burden is on the petitioner, and so they have the burden to satisfy your agency about the legitimacy of their application, including the source of the funds.

Mr. Colucci. The burden falls squarely on the petitioner, and, in fact, if we are not satisfied upon first review, we can issue something called a Request for Evidence, and the number one Request for Evidence that we issue in this context is for source of funds.

Senator Cornyn. I will just conclude by saying we want to make sure that you have the authorities that you need in order to do your job, and so I hope you will work with us and, indeed, I hope we will have, after this hearing and perhaps other hearings that the Chairman wants to have, an opportunity to mark up the EB-5 Integrity Act and have that discussion, because I think it is certainly something we all share as a concern about the integrity of the program and that it be maintained and any problems be rooted out.

Thank you very much.

Chairman Grassley. Senator Schumer.

Senator Schumer. Thank you, Mr. Chairman. I want to thank you and Senator Feinstein for holding this hearing and for your efforts to improve the program. I have worked on reforming the EB-5 program for years, dating back to comprehensive immigration reform. The reforms we put in that bill are very tough, much tougher than present law. And I want to say that I certainly want to say I support all of the efforts to root out the waste, fraud, and abuse where it exists.

So many of the ideas that both Chairman Grassley and Ranking Member Leahy have suggested are good. I support almost all of them. The amendments that Senator Grassley added to the bill they proposed last year was something that I supported. And many of them are embodied in the legislation that Senator Flake has introduced, which is have cosponsored as well with Senator Cornyn.

So this is not an issue of reforming. There is general consensus on reform, and reform did not hold back the bill from being modified last year. Let us make no mistake about that. Let the record show nobody was opposing the reforms that I am aware of at all, including providing new authorities to DHS to crack down on bad actors, increasing compliance and reporting, requiring transparency, and mandating audits.

So where did the fight come? Well, it was a regional fight. And, you know, there was an idea that urban areas like New York should not get EB-5 money.

Now, I hasten to add that EB-5 does not just go to New

York City in my State. It has helped some cities that really need help--the Buffalo-Niagara medical campus, downtown Rochester, and things like that.

But let us just take New York City. What the proposal last time tried to do is impose a rural model on New York City. So you had to live within a certain area to qualify as a poor person who would benefit. That is not how it works in New York City. We have 8 million people in an area, you know, one-fiftieth the size or one-hundredth the size of Iowa. It is very much smaller than Iowa, let us say, or Vermont. And people in the South Bronx across several census districts to go sell food or clean or build an office tower. Just as it would help a ski resort in Vermont or a big manufacturing plant in Iowa, it helps us. And to draw a line that says because you have to travel more, even though you are probably more poor--the poorest congressional district in America is the South Bronx. Many of the people in the South Bronx work in the office towers in Manhattan. They do. That is how it is. That is their jobs. Those are like our factories. And you do not get in a car and drive 30 miles to go. You get on the subway and you get over there.

But the way the compromise was structured, it would have knocked all of that out. I do not see why a poor person in the South Bronx should be any less entitled to the benefits of this program than a poor person in Vermont or in Iowa or anywhere else.

So my plea to my colleagues, both for and against this bill, is let us reform it. Let us reform it in a strong, tough way. I have complete agreement with what Senators Grassley and Feinstein said about reform. But let us then come up with a compromise which we offered. We even offered, Senator Cornyn and I, a rural set-aside. We did not ask for an urban set-aside. And I would hasten to add, you know, this is--everyone says this is a New York program. We are not the largest State benefiting from this. It happens to be California. And if you look at the map, it is spread out across the country, the benefits of this program.

We need jobs in America. We need good-paying jobs. We need to lift poor people out of poverty. We need to keep middle-class people from falling in the middle class. We do not have that many tools. EB-5 is not the perfect tool, but it can be made more perfect. But to eliminate it at a time when we are desperate to help people stay in the middle class and get to the middle class makes no sense.

So my plea to my colleagues: Compromise. It cannot be all one way. It cannot be it only works for rural areas, because the criteria that are set will eliminate it from being worked in large urban areas. And let us get it to work.

My time is up. That is what I wanted to say.

Chairman Grassley. Before Senator Flake, let me clarify that we were not trying to ever take New York out of the program. They could still apply, but at the higher level. We were also attempting to restore congressional intent when we wrote that. We even gave a visa carveout to both sides as one example.

Senator Flake?

Senator Flake. Thank you, and I want to thank the Chairman and Ranking Minority Member for calling this hearing. These are important issues, and I appreciate the answers that have been given and the discussion that has been had.

When you look at the backdrop here that we are discussing this program or reform of this program in, it is a backdrop of an economy that is struggling to recover. The U.S. economy is not exactly going gangbusters. We have limped along at about 2-percent growth for a number of years now. And to take away a tool like this that can provide and has provided significant investment in the economy here I think is a wrong approach. So we should mend it and not end it.

If we talk about how, you know, we should not be selling visas to the highest bidder kind of thing, if you look at our immigration programs, a number of our programs have to do with strengthening our economy. And whether it is bringing people here to fill gaps in our high-tech economy that we do not have the people here for or on the lower-skill side as well, much of our immigration structure is geared toward benefiting our economy, and this is just one of those programs. And it has been a very successful one.

I should say in Arizona we are fortunate to have a number of charter schools that have been funded through the EB-5 program. But as has been mentioned, there are a number of reforms that need to be made. We have recognized this, and we have promoted these reforms. As Senator Schumer mentioned during the so-called Gang of Eight bill, or S. 744, we included a number of very tough reforms, and I wish that that bill had passed. But it did not, so we moved ahead with other reforms. We want to make sure that we have a balance here. I think that is proper, and I am glad Senator Schumer is here to instill some New York values that we have heard so much about lately. But he is right. You cannot just say, all right, here is where the investment can be made or cannot be made and not take into account where individuals are traveling from or where they work because of these investments and the benefit to the economy generally.

I just appreciate what you have said already about the EB-5 Integrity Act and how you believe that it does provide some tools that will be helpful to better ensure that we root out any fraud or abuse that is occurring.

Let me just ask a question with regard to--I think over the last 8 years, the number of denials has increased from 120 to just over 1,000 in the past 8 years. But then from 2014 to 2015, the number of denials was down from 178 in 2014 to just a few, 11. So we have seen it dip and fall. Can you give some indication of the number of denials that come? Is that a function of number of applications or is it increased enforcement action on the part of Immigration or the SEC? What can we attribute this fluctuation to?

Mr. Colucci. I think you can attribute the result of decreased denials due to a couple of things, but first is probably the policy memorandum that we put out in May of 2013. It served to provide our adjudicators as well as stakeholders a very consistent way that we were going to--that we administer the program. It made a number of clarifications, and I think it just served to improve the quality of the applications and the petitions that we receive.

I would also mention that, you know, we have a number of individuals who represent regional centers and petitioners, and they do so for a wide variety of clients, and so they are very familiar with the program requirements, and so we see better applications now than we did in, say, 2010.

Senator Flake. Okay. Thank you.

Do you have any thoughts on that from the SEC's perspective?

Mr. Cohen. No, Senator, we do not have any role in that aspect of the program.

Senator Flake. All right. Well, thank you.

Let me just say, Mr. Chairman, I hope that we are able to mark up legislation. It is a good thing just to simply see the program reauthorized without the reforms that all of us recognize that are needed. And so it is a good time this year to actually move legislation that will reform the program and put in place the measures that we know need to be put in place. Thank you for having this hearing.

Chairman Grassley. Thank you, Senator Flake.

Now, Senator Blumenthal.

Senator Blumenthal. Thank you, Mr. Chairman. I want to join in the very passionate and eloquent remarks that Senator Schumer has made about the importance of this program and the need to reform it where necessary to eliminate fraud or waste, but to retain the best of its features that create jobs and opportunity. And it has created jobs and opportunity unquestionably in some parts of the country, and it should be mended but not ended insofar as it applies to parts of the country that need this kind of influx of potential investors. We want investors in this country. We also want to eliminate the bad actors that have exploited the program and given it a bad name.

So my feeling is--and I am going to ask whether you agree with me or not--that one of the principal problems has been the cases of fraud, that is, misuse of monies by a few bad actors. Do you agree?

Mr. Colucci. I would say, Senator, that as we put together the Immigrant Investor Program Office in 2013, that everything that we did, it is safe to say fraud--protecting the program from fraud and national security concerns were at the top of our list.

Senator Blumenthal. Would you agree?

Mr. Cohen. I agree that fraud and national security are--

Senator Blumenthal. And fraud can occur in any Government program, correct?

Mr. Colucci. Sir, prior to coming into this job, I worked at the Financial Crimes Enforcement Network and worked quite often with other Government agencies looking at fraud in Government programs, whether it was HHS and Medicare or IRS and income tax refund fraud.

Senator Blumenthal. And more can be done to eliminate fraud in this program.

Mr. Colucci. That is our goal every single day.

Senator Blumenthal. By providing more resources?

Mr. Colucci. We believe right now we have the resources, but we are in the process of hiring up even more.

Senator Blumenthal. And what specific authority do you need to better prevent or prosecute fraud?

Mr. Colucci. A few things were included in the Secretary's letter, but I think primarily the ability to terminate a regional center for fraud or national security concerns. Currently, we are only able to terminate a regional center if they do not file their annual paperwork with us or if they are failing to promote economic growth.

Mr. Cohen. Do you have answers to those questions, sir?

Mr. Cohen. I would agree, Senator, that we have seen fraud in the program from a securities perspective, and obviously that is something that we focus on and concerns us. But I think as you noted as well, we see fraud more broadly, and so I think it is worth mentioning in context that we see these kinds of offering frauds are the same kinds of offering frauds that we see across the private offering market.

Senator Blumenthal. And fraud occurs in a variety of areas, in the security markets and other kinds of areas overseen by the SEC, correct?

Mr. Cohen. No question about it, Senator.

Senator Blumenthal. And you try to prevent and prosecute it. You do not eliminate the markets or the instruments that provide for financing and investment. Correct?

Mr. Cohen. Absolutely correct, Senator.

Senator Blumenthal. Let me ask you, Mr. Colucci, what is the process for beginning an investigation of fraud when it comes to your attention?

Mr. Colucci. I will speak to the process of when we, someone within the Immigrant Investor Program Office, finds something that may be fraud. We have embedded within our office 20 professionals from our fraud detection and national security team who do nothing but work the EB-5 program. So whenever we do see an appearance of fraud, we will immediately get with our fraud detection partners who sit in the same space that we do, and if necessary, they will work to bring it to the attention of the SEC, ICE, or the FBI, whichever agency sort of has that jurisdiction.

Senator Blumenthal. My time is just about expired, but I want to make the suggestion that you come to us for additional authority or resources, and obviously some of the reforms suggested so far speak to the need for reforming the program. But if resources are an issue, as they often are in enforcement--and the SEC is well aware of the need for additional resources, and I support requests from the SEC for those resources--I hope that you will come to us, because I support reforming this program without inhibiting or imperiling it. But I think resources are often a key to enforcement, and I hope that you will request them if necessary.

Thank you, Mr. Chairman.

Chairman Grassley. Senator Tillis.

Senator Tillis. Thank you, Mr. Chair. Actually, I want to join the chorus of the "mend it, do not end it" crowd over here, and I look forward to the opportunity to mark up Senator Flake's EB-5 Integrity Act.

I have a couple of questions that really stem from comments that Senator Schumer made. I was in the legislature down in North Carolina, and you had the age-old conflict with economic development areas, the urban areas and the rural areas. First off, can you tell me, I think, Mr. Colucci, after California, North Carolina--or not North Carolina--New York, and southern Florida, about how much of the entire program is concentrated in those areas today?

Mr. Colucci. I am not able to estimate a percentage, Senator, but what I can tell you is New York, California, Florida, and Texas probably receive the most EB-5 capital.

Senator Tillis. You know, I think that, again, I was reminded of some discussions we have had about our economic development zones in North Carolina and I think some legitimate points that Senator Schumer has made. But what do you make of the recommendations in the Secretary's letter about fixing the gerrymandering problem with the TEAs? And how do you do that without having an unintended consequence of disadvantaging some of what Senator Schumer or Senator Blumenthal may consider legitimate projects in their areas?

Mr. Colucci. Senator, this is an area that the Secretary addressed in his letter to this Committee, and as the administrators of the program, I think we owe our stakeholders a responsibility to have Targeted Employment Areas drawn consistently, and I am not sure we have given the State enough guidance with respect to the regulations to do that.

Senator Tillis. Do the contiguous census tracts pose a problem, that suggestion that I think was in the Secretary's letter?

Mr. Colucci. I think what the Secretary referred to is right now to put together a Targeted Employment Area, a State or a municipality in some cases in some States use census tracts to put those together, and I think where the concern is--

Senator Tillis. But not necessarily contiguous? I think that was the--maybe I misread the distinction in the Secretary's letter.

Mr. Colucci. I have his letter here, and--

Senator Tillis. In fact, it actually may have been in some of my staff briefing. I am sorry. It may have been some of the background materials. But is there a way to do it that you do not necessarily pose a problem for areas like New York, which seem to have a significant number of the EB-5 program, but open it up to maybe more opportunities for States like North Carolina and other regions?

Mr. Colucci. I think that is something that we plan to look at. TEA, Targeted Employment Areas, and putting together rules around Targeted Employment Areas is something that, you know, we take very seriously and something that we are contemplating as part of a regulatory solution. We do realize that there are a lot of schools of thought out there. We know about things such as commuting patterns, and we have economists on staff who previously worked at the Bureau of Labor Statistics, and so we are quite confident that we can put something out there in terms of a notice and comment to let our stakeholder community respond to.

Senator Tillis. You mentioned, I think, during the questions from Senator Cornyn that you are familiar with Senator Flake's bill. Are there any aspects of that bill that give you concern?

Mr. Colucci. Sir, the Department has not taken an official position on any of the EB-5-related bills, so I hesitate, as the individual who is responsible for the operations of the program as it is today, to talk specifically about any aspects of the bill. But I do, as always, with USCIS, we stand ready to offer any sort of technical assistance or share ideas if invited.

Senator Tillis. Thank you.

Thank you, Mr. Chair.

Chairman Grassley. Before I call on Senator Sessions, there are a couple points I would like to make, one for Senator Tillis. The whole point of what we were trying to accomplish last year in our legislation was to get back to the original intents, because you asked about North Carolina. If you look at the history of this legislation, you will find that it was meant to be for high-unemployment areas and for rural areas. And specifically, as I said in the first paragraph of my opening statement, it was not to give--the purpose of this bill was not to give millionaires the opportunity to buy their way into the country.

The second point I would make--and Senator Blumenthal is gong now, but he did ask you legitimately, would you come to us if you have ideas that need to be done? Well, you have already done that, and those were the things that we incorporated in our bill last year.

Senator Sessions?

Senator Sessions. Thank you. Thank you, Mr. Chairman. Thank you for your leadership on this. I know you have been working on it for a number of years. I remember working with Senator Leahy on it a number of years ago, and we still have not really done what we need to do. So I think this situation needs to be fixed, and we need to move forward.

The general idea that when we admit a million people a year, a million one a year to lawful green status, to have less than 1 percent of those be people who are going to invest $1 million into the United States economy is a good principle, I think. I think that is a healthy thing for America to incentivize that. And I have always supported it and think it makes sense.

But, Mr. Colucci, do we have more requests than we can grant? Do you have more requests than you can grant?

Mr. Colucci. Senator, right now we have approximately 22,000 petitions that are in, and as you know, there are about 10,000 visas that can be used in any given year, and the State Department handles that end of things. But those 10,000 visas includes not only the petitioner but also a spouse and derivatives, or his or her children.

Senator Sessions. So it is really more than 10,000 persons. And what about the fact that you have been authorized to increase the limit or the amount of investment required? These numbers were set back in 1990, and we have had a substantial increase in inflation since then. Why don't we raise the amount to get the kind of larger investment, more job creation for the same number of investors?

Mr. Colucci. Senator, that is something that the Secretary did include in his letter, and as he also mentioned in the letter, that is something that we can do through regulatory action so long as we consult with the Bureau of Labor Statistics and the State Department, and it is something that we will include in a regulation that we are putting together.

Senator Sessions. And you do not need Congress for that anymore?

Mr. Colucci. Not to raise the investment level.

Senator Sessions. With regard to these regional centers, the way this thing works is it has become more just an investment situation, it seems to me. So a person invests $1 million with the regional center, and they go out and find some investment project and put the $1 million into it, and this qualifies the person to be on a path to a green card, permanent residency in the United States. Is that right?

Mr. Colucci. That is correct. That is how the regional center program works.

Senator Sessions. And the investors have no personal connection with the job creation and the manufacturing that may occur?

Mr. Colucci. The investor has to be a limited partner in--what the regional center does is it sells shares usually in something called the "new commercial enterprise," and the investors purchase a share in that new commercial enterprise, and they are limited partners usually in that new commercial enterprise.

Senator Sessions. And have we had situations in which it has not worked, the investors have not put the money up or the jobs have not been created? And what happens then? Are people deported? Do you have a plan? And have you deported people who have failed to comply?

Mr. Colucci. Yes. One condition of the program is that the money remain at risk, and because of that, people can and do lose their funds. And, yes, for every denial--so individuals, once they come in, they are a conditional permanent resident, and after 2 years they seek to remove that. And if they are not able to demonstrate to us that their investment either did create 10 jobs or is well on its way to create 10 jobs, we will deny the investment. And if the investor, the petitioner, is still in the country, we will work to issue a notice to appear in front of an immigration judge.

Senator Sessions. I think you have to do that, or you lose all integrity in the program.

Well, I think the plan needs to serve the national interest, and our goal is not just to undercut American lending institutions by providing lower interest rate loans from around the world. It is not to provide lower interest rates so that one hotel can build across the street from another hotel and put that one out of business, for example. I mean, the plan is to have this program serve the national interest and create jobs, real jobs. I have seen that happen. I know it can be positive. And I also have questions about some of the results of how this has played out.

So you have any suggestions how we can make sure that we are actually fulfilling the fundamental vision for EB-5, which is to have foreign investment to create real jobs for working Americans?

Mr. Colucci. Sir, I believe the Secretary summarized those well in his letter to the Committee, and we at USCIS always stand ready to share ideas or provide technical assistance if requested.

Senator Sessions. Well, thank you.

Mr. Chairman, I know you have worked on this for a long time. Senator Flake has worked on this. I hope we can make some progress this year.

Chairman Grassley. I am going to call on Senator Perdue and then Senator Klobuchar. I am glad to hear all the support that there is for the Flake bill. I appreciate that very much. It is about one-half of the bill that I was trying to get passed before Christmas, and I appreciate the lending of that support to at least that much of our legislation.

Senator Perdue?

Senator Perdue. I just have a couple points and a question for both our witnesses. Thank you for being here today.

You know, foreign investment is a major part of economic development for any country, and it is important to us. But I would like to put this program in perspective, Mr. Chairman. You know, we as a country bring in about $200 billion of foreign direct investment every year. This program has brought in about $5 billion since 1990, so over about 25 years, and about half of that has been brought in in the last 5 years or so. So over the life of the program, this equates to about only $200 million of foreign investment per year, and even in the last 5 years, only about $500 million per year, versus the average of $200 billion as a country. So I want to put it in perspective, but that does represent about 85,000 jobs.

I want to put it in perspective one other way, and that is that, you know, we have $2 trillion of U.S. capital trapped overseas because of our archaic repatriation laws, so I want to--you know, this is very important. But if we really want to get the economy going and put people back to work, we ought to look at the priorities of how to attract capital, not only foreign direct investment but also repatriating U.S. capital.

In that vein, I know that in California we had a situation with an EB-5 program out there relative to Iranian nationals with connection to the Revolutionary Guard and other elements of the Iranian Government. So obviously there is a potential national security component to this equation.

Mr. Colucci, what changes has the USCIS undertaken to address some of the possible serious vulnerabilities that we see that were exploited in California specifically?

Mr. Colucci. Yes, thank you for that question, Senator. Since 2013, when we started the office, we made a priority to embed within the office 20 fraud detection and national security specialists, and they served to vet each regional center, the entity as well as the principals, not only upon application but also we look at each regional center annually, including at the principals. That group, that fraud detection and national security group, also has access on-site to classified information to check intelligence community holdings. So we are very comfortable with respect to the vetting of regional centers as well as the applicants and principals therein.

Senator Perdue. Mr. Cohen, with regard to active versus passive investors--from both of you I ask for a response on this--in terms of the direct management and direction of an EB-5 business enterprise, what involvement do we have to make sure this is an active versus passive investor? And what is the attitude of the SEC and the USCIS relative to this idea of active versus passive investment?

Mr. Cohen. Senator, from our perspective, we do not look at it to see whether it constitutes--whether it meets the guidelines for the program. We leave that to USCIS. We are, quite frankly, interested in it for the question of whether it constitutes an investment in a security. So we are sort of looking at it from the back end and trying to determine whether these offerings are subject to the Federal securities laws.

Senator Perdue. I see. So it really does not matter to you whether they are active or passive, is that correct, relative to it being a security?

Mr. Cohen. It may under certain circumstances. In some regards, the more active management of the investment like the program before the regional center program might actually take it outside of the definition of a security. Here it is kind of a middle ground. They are typically limited partnerships where there is a partnership interest which does constitute active sufficient to maintain its character as a security.

Senator Perdue. And that was part of the issue in the Iranian issue, wasn't it, the partnership dimension in the active versus passive conversation?

Mr. Colucci. Senator, I do not recall. That is certainly something we can look into, and we are happy to--

Senator Perdue. Well, how do you look at this active versus passive investment issue?

Mr. Colucci. Individual investors can--we have both active--and I would not necessarily say passive, but they are limited partners in the regional center. It is probably more common in the regional center context to have limited partnerships. In the stand-alone context, which is another part of the program, quite often we see individuals who come in and actually start a business or are engaged in the business each day, but it is much more common in the regional center side of things to have limited partners.

Senator Perdue. Thank you.

Thank you, Mr. Chairman.

Chairman Grassley. Senator Klobuchar.

Senator Klobuchar. Thank you very much, Mr. Chairman. Thank you to both of you. I was not privy to some of the first questions, so I am sorry if I ask them again.

Senator Perdue was talking about over time some of the changes in the numbers with the program. Has there been an expansion in the program? Do you think that you have seen more people using the program, more States using the program? And where do you think you go from here if it were to continue as it is?

Mr. Colucci. The program has--

Senator Klobuchar. It started in 1990, right? I think. Is that correct? It started in 1990, the EB--

Mr. Colucci. Yes, the EB-5 program was passed by Congress in 1990, and in terms of fiscal year 2013 to fiscal year 2015, the program was responsible for, we estimate, at least $8.7 billion and around 35,000 jobs, and so it is safe to say the program is more popular than ever. As I mentioned, there are probably 22,000 petitions right now waiting to be adjudicated, which equals, if each one is worth half a million dollars, $11 billion sort of in the pipeline.

Senator Klobuchar. Very good. And are there certain countries where you are seeing more interest than others?

Mr. Colucci. Yes, Senator. I believe about 85 percent of the visas issues last year by the State Department were from China, and then they were followed by, I believe, South Korea and Mexico. But each one after China--

Senator Klobuchar. And how about certain parts of the country where we have seen more interest, in our own country? You answered the first question correctly. I am just getting a sense of it.

Mr. Colucci. I think the most--and it is not a surprise, I guess, because that is where the population bases are. But the States that seem to receive the most EB-5 capital are California, Florida, New York, and Texas. But I can tell you that there is regional center coverage in every State and I believe every territory, and there are projects all across the country that are receiving EB-5 funding.

Senator Klobuchar. And you talked with Senator Perdue about the vetting with each regional center and what you have been doing with the employees that you have on the fraud side. On the fraud side, is there any comparisons with what you have found with fraud or any cases that you brought or investigated compared to other Government programs? You know, we have seen fraud in other Government programs. We do our best to keep it down to a minimum and to enforce the laws vigorously. Are there any comparisons you have compared to other ones?

Mr. Colucci. I cannot compare, but when I worked at the Treasury Department, we worked quite frequently with HHS, Health and Human Services, and the FBI on things like Medicare fraud and IRS and income tax refund fraud. There is always fraud in the Government programs, but that is why we do what we do, is to try to, you know, prevent the fraud from happening in the first place, and then when it does happen, detect it, and then ultimately deal with it. That is where we concentrate a lot of our efforts.

Senator Klobuchar. Okay. I think it will be interesting to look at because, you know, that is one of the--that is something that people are questioning, showing the fraud if it is somewhat minimal compared to other programs, would be a good thing to do to be helpful so we can get some perspective on it, or if it is bigger than other programs, I think that would be good to know.

What do you think is causing the recent growth? You talked about the last few years and the interest. What is your view of why more people are applying?

Mr. Colucci. You know, it is hard for me to answer that question. I think the popularity of the regional center program probably started with the recession that we had and conventional financing dried up. And I think it has just gained popularity since then.

Senator Klobuchar. Do you think there is more that we could do to track the jobs that are created by it? Or do you think that is pretty much done with the numbers that you gave us?

Mr. Colucci. I think there is more that--these are estimates that we have provided, but I do think there is more that we can do. I would love to be able to tell you, Senator, in Minnesota how many jobs there are and what industries, and right now we are not able to do that. But we are looking to enhance our systems, and right now we do have the Commerce Department conducting a more precise study for us that is going to value the EB-5 program and talk about jobs created.

Senator Klobuchar. Did you want to add anything, Mr. Cohen?

Mr. Cohen. No, Senator. Thank you.

Senator Klobuchar. Okay. Just one last thing, and I appreciated the Chairman's help on this, a program that is not an EB-5 program, but as you know, at the end of the year we were looking at at least getting extensions as we worked toward an immigration reform bill. EB-5 was extended to religious workers and the Conrad 30 program. And what the Conrad 30 program does, similarly, to try to keep work and jobs and people working in our country in places of need, it allows foreign medical doctors trained in the U.S. to apply for a waiver--I do not know if you are familiar with this--for the 2-year residence program upon completion of their exchange program. So basically what is happening is we are training some doctors from other countries, and they actually are required to go back to their country. However, some of them would like to stay, and we actually have a need for doctors, a big need--I know this in my State--in rural areas and underserved areas. So this allows them to do a waiver for their 2-year residence program, and we have found it to be really helpful.

So what you do not know about your EB-5 program, it has actually been somehow going along with our program, which is an entirely different program, but I wanted to make sure you are aware of this because it allows us to make sure that underserved areas, including a lot of the rural areas of our country, have doctors. And the reason it is called "Conrad 30" is it was named after former Senator Conrad, who was here for a number of years, from North Dakota. North Dakota has had a doctor shortage, and also because it allowed 30 doctors for each State, and we have been trying to make some improvements to it, as I know is happening with the EB-5 program, for spouses and for other things to make the program move more smoothly. But I just wanted to mention that program as well as another immigration program.

So thank you very much, and thank you, Mr. Chairman.

Chairman Grassley. I will call on Senator Leahy, but I already mentioned that Senator Leahy and I had worked on this legislation last year. Thank you very much, Senator Leahy.

Senator Klobuchar. Yes, thank you as well, Senator Leahy.

Senator Leahy. Thank you. And, Mr. Chairman, I want to thank you and I want to thank Senator Klobuchar on this.

I think it is really important that you are holding this hearing. I think this is an area that needs a lot of oversight.

I am going to put my full statement, with your permission, in the record.

Chairman Grassley. Yes, without objection.

[The prepared statement of Senator Leahy follows:]

/ COMMITTEE INSERT

Senator Leahy. But there is one point that I do want to make very clear. Reform of this program has to be meaningful reform. Reform in words only does nothing to help. We have to have real change to protect national security, which should be important to all of us. We should eliminate rampant fraud and abuse.

Now, many of these necessary reforms are not included in some of the alternative proposals that are being pushed. That should cause us all pause. Senator Grassley and I, keeping this totally out of any kind of partisan thing, we want real reform. It means meaningful reform of the Targeted Employment Areas. I am not trying to keep rich neighborhoods in New York City or Texas or elsewhere from gaining access to EB-5 capital. But they should not get it all, and they should not have it at a discount. Congress never intended that. I was here when the original EB-5 program was written. That was never intended. I want a fair share--and I am not asking for anything more than a fair share, but I want a fair share to rural and urban poor areas. Affluent areas tend to take care of themselves, but I am thinking of the rural and urban poor areas.

The regional center program that exists today too often serves as a corporate subsidy for mega developers. Newspapers from the Wall Street Journal to the Seattle Times have exposed the widespread abuse of Targeted Employment

Areas, which has resulted in the wealthiest pockets of the country qualifying for incentives intended for distressed areas. Now, these are newspapers with widely varying editorial content, but they are united on this. In fact, the Wall Street Journal reports that an estimated 80 percent of all EB-5 projects need gerrymandering to qualify as high-unemployment areas.

So, Mr. Colucci, let me ask you, is it still the Department's position that stringing together affluent census tracts that contain EB-5 projects with unrelated high-unemployment census tracts is gerrymandering, as Secretary Johnson has described it?

Mr. Colucci. Senator Leahy, you are correct that Secretary Johnson did use the term "gerrymandering" in his letter to the Committee, and I think what we want to do, in terms of being the administrator of the program, is bring a little bit more consistency with respect to how the States put together these Targeted Employment Areas, and we are going to seek to do that. We do have the authority to do that through regulation, and we are going to consider that.

Senator Leahy. So are you suggesting that--I mean, some of our legislative efforts have been blocked. I think most of us who sit down and really look at this know that there have been abuses and they have to be corrected. Are you saying that you can ensure, for example, real incentives to invest in distressed areas as Congress intended rather than what we are seeing through the gerrymandering?

Mr. Colucci. Sir, I think what we think we can do is to try to bring a little bit more consistency with respect to how Targeted Employment Areas are put together by each of the States. This is something that each quarter we have a stakeholder engagement where we have an average of 600 individuals, either in person or on the phone, attending our engagement, and this is something that is brought up at some of our engagements about, you know, leveling the playing field, one consistent set of rules for each State to abide by.

Senator Leahy. I think it is safe to say that neither Senator Grassley nor I wanted to exclude urban areas. I might not have urban areas in my States; he does in his. But we want them to go to the poor areas which would not get the investment otherwise, not areas where people want to go in and invest because they want to live there and have apartments there or whatever. And, of course, in rural areas it speaks for itself. Rural areas, whether it is rural Iowa, rural Vermont, rural Arizona, they need investments and jobs in those areas so that you get rid of a lot of the haves/have-nots that States face. That is more of an editorial comment on my part, but work with us and let us--the Chairman and I are committed. We would like to see real reform.

So I thank you, Mr. Chairman, and I apologize that-- well, you understand the reason why I could not be here earlier, and I think you fully support the reason I could not be. But thank you.

Chairman Grassley. You have been so active in this area of reform of EB-5. No apology is necessary. I hope all the people in Vermont know how hard you are working on it.

I will go to the second round, and I will just repeat the question you have already answered so you know where I am picking up again. Why not rescind your regulations and start overruling State TEA designation? My follow-up question: Since the agency restructured the program in Washington, supposedly to prevent fraud, although there is some suggestion that this was so that the former director could have more direct control over adjudicators and increase processing times, but, regardless, why can't the agency simply hire employees that would oversee the TEA designation? And given that States have every incentive to ensure the lines are gerrymandered, isn't it best for this office, your office, to make a final ruling on those designations?

Mr. Colucci. Senator, I will say, as we look to construct a regulation, that we will think about all available options with respect to how we put together and approve Targeted Employment Areas.

Chairman Grassley. I appreciate your answer. Just so you can acknowledge, you do not have to agree with me at this point, but there is a financial incentive for the States to do everything they can to get that money. And if you are going to avoid a lot of things that the States manipulated to get it through the census tracts, et cetera, et cetera, you know, that is where a lot of stuff will be cut off--you know, whatever the cowboys, cut off, you know, the herd. Anyway, if you can stop it at the beginning, the better off you are.

Let me ask you another question. Will you use your authority to deny petitions for investment in Targeted Employment Areas that have clearly been gerrymandered?

Mr. Colucci. Senator, right now our regulations require deferring to the States with respect to how Targeted Employment Areas are put together, through a policy memorandum, we defer to the States. We will look at their methodology. We will look at, you know, what data they use to put together that Targeted Employment Area to make sure that they are using the most recently available unemployment statistics, for example. However, we will not second-guess the actual construction of that area, but we will indeed ensure that that area does meet the 150 percent necessary to be designated as a Targeted Employment Area.

Chairman Grassley. I accept your answer. I am not sure that that is enough. I think that is where--there is a lot of leeway there where a lot of bad things that get around the original intent of the law and get away with. By the way, I just realized what I was trying to say, "cut it off at the pass."

Anyway, do you think it is appropriate for a project to be built with EB-5 money in the most affluent areas of New York City, on Fifth Avenue or at the edge of Central Park, simply because the regional center was able to count low-income and high-unemployment areas in Harlem?

Mr. Colucci. Sir, what I can tell you is I guess reiterate what I said. Right now the States are able to put together those Targeted Employment Areas, and we do not second-guess the areas that they designate. However, we will ensure that their methodology is up-to-date and accurate.

Chairman Grassley. Okay. Along the lines of Senator Feinstein's questions, can you talk a little bit about the trends you see in funds from investors, whether they are gifted to them or loaned to them?

Mr. Colucci. It is quite common for us to see funds that are not necessarily loaned to them, but where they will use an asset of theirs, most usually a residence, and, you know, pull money out, take a mortgage or a second mortgage out and utilize those funds for their investment.

Chairman Grassley. I am going to make a statement, and if I am wrong, you tell me I am wrong. And then I have got a question to follow up. The law prohibits limiting any type or sources of funds, I believe. Is the agency contemplating any restrictions at all on the source of funds that may be used in EB-5 investments?

Mr. Colucci. Sir, right now we ensure that the source of funds is legitimate, and that is what our adjudicators do every single day, is really look to see if those funds are legitimate.

Chairman Grassley. Can you say with certainty today that no foreign government owns a regional center or does not invest in a regional center or its affiliated enterprises?

Mr. Colucci. Sir, I do not believe that is the case, but I would need to go back and just consult with the staff, because I do not want to misspeak at this hearing.

Chairman Grassley. Then why don't you do that and submit that in writing. Would you, please?

Mr. Colucci. We would be happy to.

[The information follows:]

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Chairman Grassley. Can you say with certainty today that no project is being used by a foreign government or entity to conduct espionage or terrorist activities against the United States?

Mr. Colucci. Sir, I think in the--to respond to your question, I think the safest thing to do is probably offer a briefing in maybe a different setting than today. I do not think it is the case, but I think it is probably safer to do that in a different scenario.

Chairman Grassley. Well, I guess maybe I would like to have that briefing.

Senator Leahy. I will join you.

Chairman Grassley. Thank you, Senator Leahy.

I did infer--or I did state in my opening statement that we have had some of those secured briefings, but if that is what it takes to answer that question, I will do that.

Senator Flake, I have got more questions, but I should--okay. Thank you. I am doing a second round. Do you have questions?

Senator Leahy. I do not.

Chairman Grassley. Okay. My next question, Mr. Colucci, deals with a number of concerns about the job creation requirement.

First, under the law, EB-5 investors must create full-time employment for not fewer than 10 U.S. citizens or lawful residents. However, under current regulation, the agency may adjust an investor's status to permanent residents if investors simply provide evidence that they "created or can be expected to create within a reasonable time 10 full-time jobs."

Now, to me that gives a lot of leeway, but let me continue.

Further, USCIS believes that to establish that jobs reasonably can be expected to be created, it only has to be determined that the jobs "are more likely than not going to be created within a reasonable time." The Department should ensure that foreign nationals are only obtaining green cards once these 10 full-time jobs are actually being created, not using methodologies, estimates, and expectations that they likely will be created.

Second, EB-5 investors are allowed to take credit for jobs their investments did not create. In 2013, the Inspector General concluded that USCIS regulations allowed foreign investors "to take credit for jobs created with U.S. funds, making it impossible for USCIS to determine whether foreign funds actually created the jobs. Consequently, the foreign investors are able to gain eligibility for permanent resident status without proof of U.S. job creation." That is the end of that quote that I started with.

The Inspector General described how in one case it reviewed, the regional center was able to claim 100 percent of the projected job growth from the project to apply towards its foreign investors, even though the foreign investment was limited to only 18 percent of the total investment in the project.

In 2015, the Government Accountability Office agreed that the agency's practice of allowing EB-5 investors to claim all jobs created by projects funded with both EB-5 and non-EB-5 money "can inflate the job creation benefit of the immigrant investment."

Last point. The EB-5 category called "tenant occupancy projects" are projects in which regional center funding is used to construct or renovate offices or retail space at, for example, office buildings or strip malls. Under the tenant occupancy model, businesses move into the new or refurbished office space, and the jobs of workers moving in are counted as jobs created by the EB-5 investment. But in late 2011, USCIS economists concluded that the application of the tenant occupancy methodology is not a reasonable methodology for estimating job creation.

So based on this conclusion, it is the Committee's understanding that senior USCIS career officials advocating prohibiting tenant occupancy projects altogether because the nexus between the investment and the job creation was too attenuated. These recommendations were evidently disregarded by USCIS leadership, and tenant occupancy projects were allowed to stay.

So, question: How does the agency confirm that 10 full-time jobs have actually been created by each EB-5 investor?

Mr. Colucci. Thank you for that question, Senator. An individual who comes in as an immigrant investor and stays here for the required 2 years, at the end of that 2-year period they are seeking to remove their conditions, and what they have to do in order to do that was sustain their investment the entire time of their residency here, the 2 years, as well as be able to demonstrate that their investment led to the creation of 10 jobs. And so the burden, again, falls to the petitioner to prove to us that they did indeed create 10 jobs.

In the case of direct jobs, we actually receive from the petitioner via the employer an actual, what is called an "I-9," a USCIS form that confirms eligibility for employment within the United States.

As far as indirect and induced jobs, which are created using a model, which is allowed by the statute, we confirm that if it was an expenditure-based model that was put together, in other words, we are going to spend $100 million on a hotel in Washington, D.C., to create X number of jobs, we will confirm that those expenditures actually took place. The petitioner will provide that evidence to us.

Chairman Grassley. If I am not wrong, you said that more than 35,000 jobs have been created because of the program. How many of those are direct jobs versus indirect jobs? Can you say how many direct jobs were counted in the years 2014 and 2015?

Mr. Colucci. I do not have that breakdown, Senator.

Chairman Grassley. Can you answer that in writing? Or is it not possible to answer it even in writing?

Mr. Colucci. I think we can certainly put something together in writing, but I do not know how exact it would be. But we could certainly look at percentages, rough percentages.

Chairman Grassley. Well, then, before you go to all that work, talk to my staff and find out if what you might be able to give to us would be worthwhile. Otherwise, why have you do the work?

Will you terminate the policy allowing investors to count all the jobs created by a project towards the job creation requirement even when EB-5 money accounts for only a fraction of the total investment? Alternatively, would the agency consider putting a cap on the percentage of jobs estimated to be created by non-EB-5 funds in order to meet the job creation requirement?

Mr. Colucci. Senator, so the agency made a choice, a policy choice, and actually put into regulation the ability for all investment to count towards EB-5 jobs, and we recently looked at a number of industries, and we came up with about 160 that would not be able to qualify for EB-5 funding because they just cannot create the jobs on EB-5 investment alone. That includes things like manufacturing, pharmaceutical industry. And I think I would also like to point out in some cases the reverse is true. Projects may not take place but for EB-5 funding. I have seen a number of lending letters from financial institutions in which they state this funding is only contingent upon you being able to get EB-5 funding.

And then just a final point on that is we like to see third-party financing. It gives us a little bit more--you know, it is good to know that a commercial lending institution has evaluated the project and decided to invest in that project. But certainly if the Committee has ideas with respect to this, we are certainly able and willing to discuss and provide any technical assistance as requested.

Chairman Grassley. Okay. Will USCIS move to prohibit tenant occupancy projects? And if you will not, why would you not do that, especially based upon the IG report, or GAO, whatever it was?

Mr. Colucci. Right now we do allow tenant occupancy.

I can tell you that it is not something that the regional centers use very frequently, but we look at tenant occupancy like we look at everything, based on a preponderance of the evidence. And so the burden is on the petitioner to show that those jobs that resulted from a new construction project--in other words, the tenants that inhabit that building are new jobs versus relocated jobs and they have to be able to show to us that that has occurred. And one way they can do that is through the modeling that you talked about, the statistical or economic modeling. And one way to do that is to show--it is supply and demand, to show that there was significantly more demand than there is supply in an office, and that is something that our economists will vet. And, again, just to stress it one more time, the burden is on the petitioner to establish that.

Chairman Grassley. Currently, regional centers and, thereby, their USCIS regional center designations are being bought and sold among equity and capital investment groups, some of which, we understand, may be Chinese-owned. USCIS does not receive prior notification of these sales and only requires these sales to be reported through an amendment after the fact. Regional centers are also rented. Such sale and rental transactions should be prohibited as they greatly diminish the integrity of the program and make it difficult, if not impossible, to oversee regional center activities.

Would USCIS consider prohibiting, restricting, or at a minimum requiring review and approval by USCIS of the proposed sale or rental of regional centers? And if not, why not?

Mr. Colucci. Senator, you are correct that as of right now today we have to be made aware of a sale within 30 days of that sale taking place. But I would stress that we do get the information with respect to the new owners of the regional center, and if we do have concerns, we will work those like we would any other case where there are concerns and, if needed, get another investigative agency to look into it and then potentially put the associated petitions and applications on hold.

Chairman Grassley. Given widespread reports of regional center failures and abuse by unscrupulous promoters, the agency must take a more aggressive approach to ensuring that operators and investors comply with the law. One way to monitor compliance and prevent fraud is by instituting a program of site visits and random auditing of regional centers and projects. Site inspections could also be a substantial tool in assessing a regional center's continual requirement to promote job creation and economic development bolstering current efforts. If necessary, the agency has the authority to assess fees to assist with these increased site visits.

Senator Leahy's bill and my bill allow for the creation of an integrity fund, requiring regional centers to pay an annual fee to the Department for the purpose of conducting audits and site visits--in other words, just to see if the law is followed.

Will USCIS commit to performing a site visit of every EB-5 project site at least once during the 2-year period between approval of the first I-526 petition and the date on which such petitioners petition for removal of conditions is adjudicated?

Mr. Colucci. Thank you for that question. I can tell you that right now we are planning, USCIS is planning to institute a random site visit program so that we can go out there and determine that the jobs are taking place or the projects are taking place and they are on schedule and jobs are being created.

We are also in the process of developing an audit program where we are hiring auditors right now who can go out and audit regional centers. So we can do this in the absence of legislation, and we are taking those steps forward to better promote program integrity.

Chairman Grassley. So the answer is that very, very shortly those site visits are going to happen as a routine, right?

Mr. Colucci. We hope to get those off the ground this fiscal year, yes, Senator.

Chairman Grassley. Okay. I am going to--I might have some--okay. Then I will conclude.

Listen, once again, just so you know, we do appreciate your staff and you having been helpful in the writing of legislation, so I thank you a second time. I thank you for being a witness here today. It is clear that reforms are needed in the EB-5 regional center program. If Congress decides to reauthorize it, I hope my colleagues understand the implications of allowing this program to go on as it has for so long unchecked and unchanged.

So let me be clear. This will be the first hearing of this Committee on the EB-5 program. We will also keep a close eye on the hearings held by the House Judiciary Committee. I am happy to meet with other members, any member, and work with other offices to achieve this real reform that benefits the entire country and the American people.

The hearing record will be open for 1 week for members' statements and questions for the witnesses, so you folks might expect some questions from other people.

Senator Leahy?

Senator Leahy. Mr. Chairman, I cannot thank you enough for doing this. I think it is extremely important to have further hearings. As I review this record, I may have a few questions for the record, but if this program is to continue to exist, it has got to improve, and the problems in it have got to be removed. I will work with you as hard as you want.

Chairman Grassley. And work as hard as you can to do everything you said you were going to do, or other things I have asked you to do within the law, and also continue to work with us, as you have, on technical help on the legislation.

The meeting is adjourned. Thank you all very much.

[Whereupon, at 11:58 a.m., the Committee was adjourned.]

C O N T E N T S