

Prepared Statement by Senator Chuck Grassley of Iowa
Chairman, Senate Judiciary Committee
“Citizenship for Sale: Oversight of the EB-5 Investor Visa Program”
Tuesday, June 19, 2018

Good morning. I would like to thank Director Cissna for being here today for this very important hearing on a topic that goes to the very integrity of our nation’s lawful immigration system.

Before I begin my formal remarks, I want to remind both my Democratic and Republican colleagues that the purpose of today’s hearing is to conduct oversight of a particular immigration program, the EB-5 Investor Visa. Our general, annual oversight hearing for Citizenship and Immigration Services is a separate hearing which will happen in September.

Today, we should focus on the very important and persistent issue at hand: fixing the beleaguered EB-5 Investor Visa Program.

Congress created the investor visa program in 1990 to stimulate our economy through job creation and capital investment. In 1992, we created a “pilot program” which allowed petitioners to pool their investments in regional centers designated by USCIS.

Since the regional center program’s creation, interest in the EB-5 program has grown. Today, almost all EB-5 petitioners invest in one of 903 approved regional centers.

As interest in the EB-5 Regional Center Program has grown, so have cases of fraud, corruption and threats to national security. There are many, many well-documented examples of the inherent problems in this program. In fact, over the last five years, I along with several of my colleagues, have written over 30 oversight letters highlighting the various vulnerabilities of this visa program.

Because I have consistently raised awareness of the rampant fraud and abuse of this program, I don’t need to tell you about the ex-wife of China’s third most wanted government official who pled guilty to committing EB-5 fraud by submitting false documents as part of a scheme to escape to the U.S. with stolen funds. I don’t need to tell you how Homeland Security Investigations discovered a group of Iranian operatives attempting to infiltrate the U.S. and facilitate terrorism through an illegal procurement network back in 2013. I also don’t need to detail the concerns with exporting sensitive technology, investment fraud, or other criminal activity.

So, I’ll only mention some of the most egregious recent cases.

This past January, a group of over 120 Chinese nationals sued an Idaho real estate development company and claimed they were fraudulently coerced into investing over \$60 million. The real estate company in question allegedly promised there was “zero risk” to invest in their specific EB-5 project, a claim that clearly violates the program’s requirements that capital be at risk. As a

result, this specific EB-5 project was terminated by USCIS and the investors' immigration status was jeopardized—all because this project misrepresented themselves in order to gain quick, easy money.

In May, the SEC barred two EB-5 companies from selling securities after it was discovered the companies' president and manager fraudulently raised \$22.5 million in EB-5 capital from Chinese investors. According to the SEC, these two companies were supposed to use the raised money for the development of a condominium complex. Instead, the companies' President and his wife stole more than \$12 million in order to purchase homes for themselves.

Finally, and also in May, two Maryland residents were charged with defrauding 31 immigrant investors and using money intended to create jobs after Hurricane Katrina for personal gain. The indictment claims the duo contracted with New Orleans to create a \$15.5 million investment fund, but instead used the money to buy themselves vacation and rental properties.

Several months ago, my staff was briefed by officials from the Department's Fraud Detection and National Security Directorate on its recent EB-5 National Security Concern Assessment.

Unsurprisingly, the report found that the program is susceptible to Ponzi schemes and financial fraud, and warned that current vetting by law enforcement systems may have missed national security concerns due to insufficiencies in vetting and data collection. I hope today we have the opportunity to hear about the improvements made as a result of this review.

Today, in spite of this ample evidence of fraud and corruption, and the concerning national security loopholes, the EB-5 "pilot program" continues to operate exactly the same way it did 25 years ago. However, it's not for a lack of trying.

For the past four and a half years, I've worked in a bipartisan, bicameral fashion with Senators Leahy, Chairman Goodlatte, and then-Ranking Member John Conyers to reform this program. Our staffers have spent countless hours, often working nights, weekends, and holidays, to produce consensus reform packages. Each and every time we've gotten an agreement at the last minute, powerful, well-connected EB-5 industry groups have torpedoed our efforts.

For the last year, my staff, along with Chairman Goodlatte, Senator Cornyn, and Senator Flake's teams, worked around the clock to produce an EB-5 reform package. Everyone made numerous concessions in order to reach a deal, and we produced a reform package that was fair and that everyone agreed to.

Our reforms had the unanimous support of Invest in the USA, the largest EB-5 trade association. Our reforms had the support of the EB-5 Rural Alliance, a group working to ensure that rural America has a fair shake at attracting EB-5 money. But, these reforms weren't acceptable to the big moneyed New York industry stakeholders who currently dominate the program. And because big money interests weren't happy with these reforms, they didn't become law.

Let that sink in for a minute. In spite of the fact that reforms were agreed to by Congressional offices and had the support of the largest EB-5 trade association, they didn't become law because a few EB-5 businesses with a lot of money used their political connections and influence to block them.

While legislative reforms are absolutely necessary, thankfully there is much the administration can do on its own to end corruption in this program. Since January of last year, there have been pending regulations at the Department of Homeland Security, which would modernize the program and ensure capital is actually flowing to rural and underserved urban areas.

As of today, those regulations still have not been implemented.

I'm looking forward to a fulsome discussion with Director Cissna on all of these topics. I'm hoping he can shed some light on steps USCIS is taking to crack down on fraud and abuse in the program. I'd also be curious to hear his thoughts on potential paths forward for legislative reforms.

Finally, and most importantly, I hope Director Cissna can provide an update on the status of the pending modernization regulations. As I have stated very clearly in several bicameral, bipartisan letters, the administration should finalize the modernization regulation as soon as possible. That regulation is a critical and necessary step towards reforming this troubled program.

I now turn to the Ranking Minority Member for her opening remarks.