

**Statement Of Senator Patrick Leahy (D-Vt.)
At House Judiciary Committee Hearing On The Department Of Homeland Security's
Proposed Regulations Reforming The Investor Visa Program
March 8, 2017**

Chairman Goodlatte, Ranking Member Conyers, thank you for inviting me and Chairman Grassley to participate in today's discussion. For the last several years, we have worked together across the aisle — and across the Capitol — to bring overdue reforms to the EB-5 Regional Center program.

The EB-5 program I once championed seems like a distant memory. The program was designed to bring jobs to underserved rural and urban communities. And for some time it did just that. But the program that exists today has strayed from these goals. It is a magnet for fraud. Securities violations are common. And the incentives that Congress created to promote investment in distressed areas have become obsolete due to economic gerrymandering.

Only three percent of EB-5 investors now invest in rural areas. Three percent. Less than 10 percent invest in true high unemployment areas. Almost every other EB-5 project uses gerrymandering to qualify as distressed, despite many being located in the most affluent parts of the country. The fact that a luxury hotel in Beverly Hills can use gerrymandering to claim it is located in a distressed community is troubling. But the fact that this type of abuse now represents almost 90 percent of the entire EB-5 program is appalling. And an untold number of these luxury developments would be pursued regardless of EB-5 financing, casting doubt on whether the program is creating any jobs at all.

In my home State of Vermont, EB-5 has been used in areas that would not otherwise have been able to attract significant investment. But even in Vermont, experience has clearly shown the need for the reforms and the transparency that we have been working to achieve. In our state, the news organization Vermont Digger has dug deeply to reveal the need for broad reforms.

Yet, for some developers, any change to the status quo is a threat to their bottom line. And Congressional leadership has allowed a couple of powerful developers who exploit this program's flaws to derail critical reforms. That is unacceptable. The worst abusers of a government program should not be given veto power over its reform.

Thankfully, the Department of Homeland Security's proposed rules represent a significant step forward. Over a year ago, we asked then-Secretary Jeh Johnson to do all he could to improve the EB-5 program. And I commend him for his efforts. By increasing investment amounts and reining in abusive gerrymandering practices, these changes will end some of the most egregious abuses. Investors will also be afforded greater flexibility when circumstances change through no fault of their own, which will bring additional fairness to the program. But now it will be up to the new administration to see that these improvements are implemented and enforced. I want to thank both Chairman Goodlatte and Chairman Grassley for shining a spotlight on this issue. We must not let these proposed rules be diluted or discarded.

I still believe, as did Secretary Johnson, that EB-5's many problems ultimately demand a legislative solution. I remain committed to doing more to protect investors and to root out fraud within the program, such as increasing fraud investigations and requiring additional oversight of investor funds. Chairman Grassley and I will soon re-introduce our legislation that would do just that. It is my hope that the serious reforms proposed in the new rules will lead to these broader improvements. And I look forward to continuing to work with you all to make sure the EB-5 program again serves the rural and poor urban communities that Congress intended.

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