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VIA HAND DELIVERY
U.S. House Judiciary Subcommittee on
Immigration, Policy & Enforcement
Washington, DC 20003

September 14, 2011

**RE: IIUSA Written Testimony for September 14, 2011 Hearing on
The Investor Visa Regional Center Program: Key to Creating American Jobs
Need for Permanent Authorization of the EB-5 Regional Center Program**

Dear Honorable Subcommittee Members:

This letter by the Association to Invest In the USA (IIUSA), the national trade association of EB-5 Regional Centers ("Regional Centers") and other Program stakeholders, is for insertion into the hearing record for the September 14, 2011 hearing entitled "The Investor Visa Program: Key to Creating American Jobs." IIUSA urges Congress to permanently authorize the EB-5 Regional Center Program ("the Regional Center Program") as soon as possible. The Regional Center, which is part of the overall EB-5 program, is currently due to sunset on September 30, 2012. With the EB-5 Regional Center Program on track to account for over \$1.25 billion in foreign direct investment (FDI) and more than 25,000 U.S. jobs created or saved in FY2011 (all at no cost to the U.S. taxpayer), IIUSA believes the Regional Center Program must be given the certainty it needs to reach its potential in this time of economic need. This letter details the positive economic impact of the Regional Center Program and concludes that Congress must permanently authorize the Regional Center Program as soon as possible so that it can make its maximum contribution to U.S. job creation and economic development.

Association to Invest In the USA (IIUSA)

As background, IIUSA has several missions, as follows:

- Stimulate economic development and job growth in the United States, while aiding to reduce foreign trade imbalances.

- Further immigration to the United States by qualified, educated, highly skilled, and investment-oriented foreign nationals.
- Educate the public and government about the benefits derived by the Regional Centers through the EB-5 Regional Center Program.
- Help Regional Centers address administrative, regulatory and legislative issues.
- Advance and maintain Regional Center industry standards and best practices.
- Be a strong, unified voice for permanent authorization and improvement of the EB-5 Regional Center Program to enhance Regional Center activities.

EB-5 Regional Center Program Background

Congress enacted the Regional Center Program in 1992, in accordance with a Congressional mandate to stimulate economic activity and create jobs for U.S. workers, while simultaneously affording successful foreign entrepreneurs the opportunity to become lawful permanent residents of the U.S. Regional Centers seeking to participate in the EB-5 Program are approved by U.S. Citizenship and Immigration Services (“USCIS”) through a lengthy application process. Investors who commit \$1 million (\$500,000 in rural and high unemployment areas) to a Regional Center project and show that the investment will create or save 10 jobs for U.S. workers first receive a conditional green card. Two years later investors can apply to make their green card permanent.

The Regional Center Program is an important vehicle for large-scale investment of capital for commercial economic development and job creation in economically weak communities across the U.S. Most Regional Centers are located in economically distressed or rural areas. Many are established in conjunction with state and/or local economic development authorities. There are currently 180 approved Regional Centers, with over 40 more applications pending.¹ This is an investment and employment creation program that assists U.S. communities all over the country, generating revenue for cash-strapped localities and creating jobs.

Based on a very conservative approach, IIUSA has compiled the following estimates on economic impact. These numbers do not even consider the leveraging of EB-5 capital with other financing (which typically occurs at a rate of \$3/\$1EB5), the fact that Regional Centers typically allocate far more than ten jobs per investor, and the other job-creating investments and expenditures made in the U.S. after immigrating by EB-5 investors, many of whom have access to far greater capital than the minimum required for their EB-5 investment.

¹ A list of approved EB-5 Regional Centers is at <http://www.uscis.gov/eb-5centers>.

EB-5 capital is foreign direct investment (FDI), all from the private sector, invested into U.S. job creating enterprises.

| FISCAL YEAR | U.S. JOBS CREATED/SAVED | FDI CAPITAL FORMATION |
|--------------------|-------------------------|-----------------------|
| 2011 [projections] | 25,000+ | \$1.25B+ |
| 2010 | 17,000+ | \$845M+ |
| 2009 | 7,600+ | \$377M+ |
| 2008 | 6,000+ | \$290M+ |
| 2007 | 3,200+ | \$160M+ |
| 2006 | 3,200+ | \$160M+ |
| 2005 | 1,700+ | \$82M+ |
| 2004 | 660+ | \$33M+ |
| 2003 | 450+ | \$22.5M+ |

**These statistics were derived from the most recent official U.S. Citizenship and Immigration Services (USCIS) and U.S. Department of State statistics.

| | | |
|----------------|----------------|----------------|
| TOTALS: | 65,000+ | \$3.1B+ |
|----------------|----------------|----------------|

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Based on current trends, IIUSA conservatively estimates that failure to permanently reauthorize the Regional Center Program would represent losses of at least 450,000 U.S. new jobs that could have been created, and investment losses of at least \$30 Billion (in foreign direct investment (“FDI”) and domestic capital) over the next five years.³

As noted in the chart below, the number of EB-5 applications has grown exponentially in recent years.

| Fiscal Year and/or Quarter | Form I-526 Petition | Form I-829 Petition |
|----------------------------|---------------------|---------------------|
| FY11 Q1&Q2 | 1,601 | 1,150 |
| FY10 | 1,955 | 768 |
| FY09 | 1,028 | 437 |
| FY08 | 1,257 | 390 |
| FY07 | 776 | 194 |
| FY06 | 486 | 89 |
| FY05 | 332 | 37 |

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USCIS estimates that over 90% of all EB-5 petitions are filed through Regional Centers.

² This statistical extrapolation is based on the following equation: I-526s filed x approval rate x \$500,000 = FDI capital formation AND I-526s filed x approval rate x 10 jobs = jobs created/saved.

³ This is a statistical extrapolation that assumes growth again in FY2012 and bumping up against the 10,000 visa limit in FY2013. The 5-year period starts in FY2013 where, assuming that each principal investor represents an average of 2.5 visas used (as reported by USCIS), the maximum amount that could be accounted for is \$2.0B annually (4,000 principal investors x \$500,000). Multiply that \$2.0B by 5 years = \$10.0B. When you take into account leveraging of other financing at a rate of \$3/\$1 in EB-5 capital, you get \$30.0B. At a rate of 10 jobs/investor, \$30.0B of EB-5 projects adds up to 600,000 jobs minimum. Trim 150,000 off of that to estimate "new jobs" instead of "created/saved."

⁴ USCIS Quarterly EB-5 Stakeholders Meeting Presentation: June, 2011, at http://www.uscis.gov/USCIS/Outreach/Upcoming%20National%20Engagements/National%20Engagement%20Pages/2011%20Events/June%202011/EB_5%20presentation%20063011.pdf.

The EB-5 Regional Center Program is an Economic Development Program

The last five-year reauthorization for the EB-5 Regional Center Program expired on September 30, 2008. A short-term six-month extension was included in the FY 2009 continuing resolution (“CR”). That expired on March 6, 2009. A second six-month extension was included in the FY 2009 omnibus appropriations bill. After almost expiring in September 30, 2009, another 30-day extension passed on another CR. It finally was extended for three years, through September 30, 2012, as part of the FY2010 U.S. Department of Homeland Security appropriations bill.

This is no way to treat an economic development and job creation program at a time when domestic capital markets are weak and unemployment remains above 9%. IIUSA is not asking for more visas or an extension of immigration benefits. The Regional Center Program must be permanently authorized so that the Program can have a larger scale economic impact. The EB-5 Program itself is a permanent part of U.S. immigration law. Only the Regional Center Pilot Program is up for “sunset.”

The looming sunset of the Regional Center program is already causing a slowdown in new project offerings because of the time it takes to get EB-5 capital into a project. First, a Regional Center must draft project-specific offering documents to ensure they meet securities law requirements. After that, it can take several months to find foreign investors for a project, and then a few months to do due diligence on potential investors, verify that they earned their money legally, and prepare their EB-5 petitions for submission. Moreover, USCIS currently takes about six months to process I-526 petitions, the first step in the EB-5 process. Typically EB-5 capital is released to the project only after I-526 approval. Cumulatively, the various steps in the process add up to more than a year. Thus, Regional Centers or developers that need EB-5 capital for a new project face the prospect that it will not arrive until after September 30, 2012. Their efforts will be in vain, and U.S. jobs will be lost, unless Congress reauthorizes the Regional Center program immediately.

The typical Regional Center investor locks large sums of private capital at risk in a job-creating enterprise for at least five years. They should not have to worry about whether the Regional Center Program will expire during that time. This uncertainty would make any investor uneasy, and forces them to consider investing elsewhere. Other developed nations have some form of immigrant investor visa, and the U.S. competes with those nations for these investors, their resources, and entrepreneurial success. Many of those programs provide far fewer risks of losing money or immigration status.

EB-5 Investors Are Carefully Screened

EB-5 investors are put through multiple background checks, and the source of their investment capital confirmed as legal, before receiving an EB-5 visa. Regional Centers

have a strong incentive to perform their own background checks on investors before agreeing to embark on the EB-5 process with them. They must be a legitimate business partner with a global perspective, legal source of investment capital and no criminal background. It is a waste of the Regional Center's time to do business with anyone whom they have not pre-screened to ensure that the investor is a suitable candidate for the benefits offered by the EB-5 Regional Center Program. USCIS performs background checks on each individual investor, as well (in some cases multiple times, since these background checks are repeated after a certain amount of time).

The EB-5 Regional Center Program Has a History of Bipartisan Congressional and USCIS Support

With so many local, state, and federal officials around the country publicly supporting their local Regional Center, reauthorization of the Regional Center Program is not controversial. In 2008 the House of Representatives passed a five-year extension of the Program (H.R. 5569) under suspension of the rules with strong bipartisan support. On July 22, 2009, Senate Judiciary Chairman Patrick Leahy and then-Ranking Member Arlen Specter held a Senate Judiciary Committee hearing on the need for permanent authorization of the Program and to seek ways to improve the management, oversight and efficiency of the program. At that hearing Chairman Leahy and Senator Jeff Sessions were unified in their support for the program and their conclusion that permanent authorization is critical to securing the jobs and investments the program is capable of producing. Robert Kruszka, then Deputy Chief of USCIS Service Center Operations, agreed in his testimony and added that permanent authorization would make USCIS' job easier.

The EB-5 Regional Center Program Creates Jobs for U.S. Workers at No Cost to U.S. Taxpayer

The Congressional Budget Office scored the 2008 five-year extension (H.R. 5569) of the EB-5 Regional Center Program as revenue neutral.⁵ In addition to coming at **no cost** to the public to run the Program, once EB-5 investors become green card holders, they also become U.S. taxpayers and pay taxes on their worldwide income. This instantly contributes to the general public welfare of the U.S. Using capital in addition to their EB-5 investment, that in many cases is very substantial, they also buy houses, send their children to college, pay local taxes, and purchase other goods and services from U.S. businesses. This secondary economic impact is. It is truly a win for all involved: U.S. workers, businesses, and governments (local, state, and federal), and, of course, public and private Regional Center operators promoting job creation within their communities and their foreign direct investors who use the Program.

⁵ CBO Cost Estimate H.R. 5569: May 9, 2008, at <http://www.cbo.gov/ftpdocs/92xx/doc9244/hr5569.pdf>.

Congress Should Permanently Authorize the EB-5 Regional Center Program Now

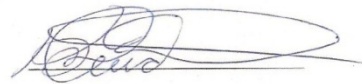
Congress must act now to permanently authorize the Regional Center Program. If too much time passes before Congress acts, investors, developers and Regional Centers may lose confidence in starting new projects. Permanent authorization would provide the certainty necessary to promote confidence in the Regional Center Program. With the U.S. economy needing to create over 100,000 jobs per month to begin bringing the unemployment rate down, action is needed now to ensure that the Regional Center Program can continue doing its part in this effort.

IIUSA and its members seek your assistance in ensuring that Congress enacts a permanent extension of the Program as soon as possible. With the unemployment rate currently at 9.1%, we must use all policy tools at our disposal to achieve a sustained economic recovery, especially those that cost the public zero. In today's globalized economy, it is imperative that the U.S. compete with other existing immigrant investor programs around the world. Attracting these successful foreign entrepreneurs – and their resources – to the U.S. is an essential part of a 21st century economic policy.

The Regional Center Program needs certainty to reach its full potential. That certainty can only come with permanent authorization as soon as possible. There is too much at stake, in the form of new jobs for U.S. workers, capital (both FDI and domestic), and U.S. businesses finding much needed funding, to allow the Regional Center program to expire.

We look forward to working with you on this important issue. Please contact me if I or IIUSA can assist you.

Sincerely,

A handwritten signature in blue ink, appearing to read "K. David Andersson", with a long horizontal flourish extending to the right.

K. David Andersson
IIUSA President