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Making Visas-for-Dollars Work

By ANN LEE

AMONG the most popular tools for attracting foreign investment to the United States is the EB-5 program. It seems like the perfect win-win: any foreigner who invests between \$500,000 and \$1 million here, and creates at least 10 domestic jobs from that investment within two years, gets a green card.

Given how many high-worth investors are clamoring to enter the United States, the program could have a significant effect on American unemployment. Indeed, it has brought in some \$1 billion over the last fiscal year, and the President's Council on Jobs and Competitiveness has called for the program to be "[radically expanded](#)" over the next few years.

Unfortunately, the program is so rife with fraud and corruption that it could actually have the opposite impact and deter investment. To regain its credibility, the program must make a number of changes to enable more transparency and demand more competence from its operators.

The most egregious problems with the EB-5 program can be found in its 218 regional centers, which work with private-sector brokers to identify local investments and direct foreign participants to them. Examples abound of centers and brokers playing down risky investments and misrepresenting how the program works, including a promise that EB-5 investments are guaranteed by the federal government — when the government in fact does nothing of the sort. Many investments have failed to create the required 10 jobs and even gone bankrupt, [leaving the investor](#) without his money or his green card.

While many EB-5 regional centers have solid records, a disturbing number have directed investor money to risky projects and companies that pay little to no return, overseen by brokers who get a commission regardless of how the investment plays out.

Aside from accusations of outright fraud, there is also a clear lack of understanding among government administrators about how to manage an investment program. As a result, they often approve businesses that are simple to understand, like a condo development or a grocery store, but whose business models don't generate enough profit to hire workers, while rejecting more sophisticated businesses that stand a greater potential of generating profits and jobs.

For the time being, these problems haven't turned the tide of interest in the EB-5 program. But that could change: recent high-profile investigations by Reuters and Businessweek, as well as a warning against fraudulent brokers by the [Chinese Supreme People's Court](#), could start having a significant deterrent effect, especially since other countries, like Canada, are following America's lead with their own versions of the program.

Fortunately, the solutions are straightforward. The federal government needs to rein in freewheeling brokers with heavier penalties for misrepresenting investments, hire more business-

savvy administrators and make the entire process more transparent, so that applicants know why their money was accepted or rejected.

The EB-5 program has a lot of promise to reduce unemployment, and the White House is right to call for its expansion. Rather than end it, let's fix it.

<http://www.nytimes.com/2012/04/16/opinion/reform-the-eb-5-program.html>