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FinCEN Takes Aim at Real Estate Secrecy in Manhattan and Miami

“Geographic Targeting Orders” Require Identification for High-End Cash Buyers

WASHINGTON – The Financial Crimes Enforcement Network (FinCEN) today issued Geographic Targeting Orders (GTO) that will temporarily require certain U.S. title insurance companies to identify the natural persons behind companies used to pay “all cash” for high-end residential real estate in the Borough of Manhattan in New York City, New York, and Miami-Dade County, Florida. FinCEN is concerned that all-cash purchases – i.e., those without bank financing – may be conducted by individuals attempting to hide their assets and identity by purchasing residential properties through limited liability companies or other opaque structures. To enhance availability of information pertinent to mitigating this potential money laundering vulnerability, FinCEN will require certain title insurance companies to identify and report the true “beneficial owner” behind a legal entity involved in certain high-end residential real estate transactions in Manhattan and Miami-Dade County.

With these GTOs, FinCEN is proceeding with its risk-based approach to combating money laundering in the real estate sector. Having prioritized anti-money laundering protections on real estate transactions involving lending, FinCEN’s remaining concern is with the money laundering vulnerabilities associated with all-cash real estate transactions. This includes transactions in which individuals use shell companies to purchase high-value residential real estate, primarily in certain large U.S. cities.

“We are seeking to understand the risk that corrupt foreign officials, or transnational criminals, may be using premium U.S. real estate to secretly invest millions in dirty money,” said FinCEN Director Jennifer Shasky Calvery. “Over the years, our rules have evolved to make the standard mortgage market more transparent and less hospitable to fraud and money laundering. But cash purchases present a more complex gap that we seek to address. These GTOs will produce valuable data that will assist law enforcement and inform our broader efforts to combat money laundering in the real estate sector.”

Under specific circumstances, the GTOs will require certain title insurance companies to record and report to FinCEN the beneficial ownership information of legal entities purchasing certain high-value residential real estate without external financing. They will report this information to FinCEN where it will be made available to law enforcement investigators as part of FinCEN's database.

The information gathered from the GTOs will advance law enforcement's ability to identify the natural persons involved in transactions vulnerable to abuse for money laundering. This would mitigate the key vulnerability associated with these transactions – the ability for individuals to disguise their involvement in the purchase.

FinCEN is covering certain title insurance companies because title insurance is a common feature in the vast majority of real estate transactions. Title insurance companies thus play a central role that can provide FinCEN with valuable information about real estate transactions of concern. The GTOs do not imply any derogatory finding by FinCEN with respect to the covered companies. To the contrary, FinCEN appreciates the assistance and cooperation of the title insurance companies and the American Land Title Association in protecting the real estate markets from abuse by illicit actors.

The GTOs will be in effect for 180 days beginning on March 1, 2016. They will expire on August 27, 2016.

Any questions about the Orders should be directed to the FinCEN Resource Center at 800-767-2825.

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FinCEN's mission is to safeguard the financial system from illicit use and combat money laundering and promote national security through the collection, analysis, and dissemination of financial intelligence and strategic use of financial authorities.