DEPARTMENT OF THE TREASURY

Financial Crimes Enforcement Network

31 CFR Chapter X

RIN 1506–AB54

Anti-Money Laundering Regulations for Residential Real Estate Transfers

AGENCY: Financial Crimes Enforcement Network (FinCEN), Treasury.

ACTION: Notice of proposed rulemaking.

SUMMARY: FinCEN is issuing a proposed rule to require certain persons involved in real estate closings and settlements to submit reports and keep records on identified non-financed transfers of residential real property to specified legal entities and trusts on a nationwide basis. Transfers made directly to an individual would not be covered by this proposed rule. The proposed rule describes the circumstances in which a report must be filed, who must file a report, what information must be provided, and when a report is due. These reports are expected to assist the U.S. Department of the Treasury; Federal, State, and local law enforcement; and national security agencies in addressing illicit finance vulnerabilities in the U.S. residential real estate sector to curtail the ability of illicit actors to anonymously launder illicit proceeds through the purchase of residential real property, which threatens U.S. economic and national security.

DATES: Written comments on this proposed rule must be submitted on or before April 16, 2024.

ADDRESSES: Comments may be submitted by any of the following methods:

Please submit comments by one method only.

FOR FURTHER INFORMATION CONTACT: The FinCEN Regulatory Support Section at 1–800–767–2825 or electronically at frc@fincen.gov.

SUPPLEMENTARY INFORMATION:

I. Executive Summary

The U.S. Department of the Treasury (Treasury) has long recognized the illicit finance risks posed by abuse of the U.S. real estate market and of legal entities and trusts by criminals and corrupt officials to launder ill-gotten gains through transfers of residential real estate. The abuse of U.S. residential real estate markets threatens U.S. economic and national security and can disadvantage individuals and small businesses that seek to compete fairly in the U.S. economy. The proposed rule is designed to enhance transparency nationwide in the U.S. residential real estate market and to assist Treasury, law enforcement, and national security agencies in protecting U.S. economic and national security interests by requiring certain persons involved in real estate closings and settlements to file reports and maintain records related to identified non-financed transfers of residential real estate to specified legal entities and trusts on a nationwide basis, including information regarding beneficial owners of those entities and trusts.

Among the persons required by the Bank Secrecy Act (BSA) to maintain anti-money laundering (AML) programs are “persons involved in real estate closings and settlements.” Yet, for many years, FinCEN has exempted such persons from comprehensive regulation under the BSA and has issued a series of time-limited and geographically focused “geographic targeting orders” (GTOs) to the real estate sector in lieu of more comprehensive regulation. Information received in response to FinCEN’s GTOs relating to non-financed transfers of residential real estate (Residential Real Estate GTOs) have demonstrated the need for increased transparency and further regulation of this sector. This notice of proposed rulemaking (NPRM) thus proposes a new reporting requirement for non-financed residential real estate transactions, consistent with the BSA’s longstanding directive to impose AML requirements on persons involved in real estate closings and settlements. At the same time, FinCEN has carefully considered the comments received in response to an advanced notice of proposed rulemaking (ANPRM) on Anti-Money Laundering Regulations for Real Estate Transactions, and FinCEN appreciates the burdens that traditional AML program and SAR requirements may impose on persons involved in real estate transactions. This NPRM therefore proposes a streamlined reporting framework designed to minimize unnecessary burdens while also enhancing transparency. Although certain information collected under this proposed rule may also be available to law enforcement, in some instances, through the new beneficial ownership reporting requirements imposed by the Corporate Transparency Act (CTA), the CTA’s reporting regime and this proposed rule serve different purposes.

In contrast to the beneficial ownership reporting requirements outlined in the CTA, this proposed rule is a tailored reporting requirement that would capture a particular class of activity that Treasury deems high-risk and that warrants reporting on a transaction-specific basis. More specifically, the proposed rule would require certain persons involved in residential real estate closings and settlements to file, and to maintain a record of, a streamlined version of a Suspicious Activity Report (SAR), referred to here as a “Real Estate Report.” The persons subject to these reporting and recordkeeping requirements would be deemed reporting persons for purposes of the proposed rule and would be determined through a “cascading” approach based on the function performed by the person in the real estate closing and settlement. The “cascade” is designed to minimize burdens on persons involved in real estate closings and settlements while avoiding gaps in reporting and incentives for evasion. To provide some flexibility in this cascade approach, real estate professionals would also have the option to designate a reporting person from among those in the cascade by agreement.

The information required to be reported in the Real Estate Report would identify the reporting person, the legal entity or trust to which the residential real property is transferred, the beneficial owners of that transferee entity or transferee trust, the person that transfers the residential real property, and the property being transferred, along with certain transactional information about the transfer. The reporting person would be required to file the Real Estate Report no later than 30 days after the date of closing. Because of the streamlined nature of these Real Estate Reports compared to traditional SARs, as well as the flexible “cascade” framework, persons subject to this reporting requirement would not need to maintain the types of AML programs otherwise required of financial institutions under the BSA.  


2 31 U.S.C. 5338(h).
II. Background

A. Illicit Finance Risks in the U.S. Real Estate Sector

As Secretary of the Treasury (Secretary) Yellen noted at the 2023 Summit for Democracy, “[c]orrupt actors have for decades anonymously stashed their ill-gotten gains in real estate. Those looking to exploit our system have been able to—with anonymity—store illicit proceeds in an appreciating asset . . . Treasury is working to remove that anonymity.”3 The Secretary has made increasing transparency in the domestic and international financial system a national priority, noting that “illicit proceeds . . . equaling an estimated two percent of U.S. gross domestic product (GDP) flow through the U.S. financial system each year. Permitting illicit actors to benefit from the stability and security of the U.S. financial system weakens financial transparency, distorts markets, and hurts ordinary Americans.”4

Treasury’s Strategic Plan for 2022 to 2026 makes clear that one indicator of success in combatting illicit actors’ abuse of the U.S. financial system is achieving an “updated regulatory framework for real-estate [sic] to effectively cover cash transactions.”5 The United States’ stable real estate market and strong property rights protections make U.S. residential real estate attractive to illicit actors looking to launder the proceeds of crime and corruption. This is particularly the case for non-financed transfers that are currently outside the purview of the due diligence requirements imposed on regulated financial institutions pursuant to the BSA. For purposes of this rule, a non-financed transfer is any transfer that does not involve an extension of credit to the transferee secured by the transferred residential real property6 and extended by a financial institution that has both an obligation to maintain an AML program and an obligation to report suspicious transactions. Money launderers exploit the absence of an obligation on any party to a non-financed transfer to conduct due diligence.

As a result, and as the Administration’s 2021 U.S. Strategy for Countering Corruption notes, the United States’ real estate market is a significant destination for the laundered proceeds of illicit activity. Treasury’s 2022 National Money Laundering Risk Assessment (2022 NMLRA) also reflects this. The 2022 NMLRA identifies a lack of transparency in non-financed real estate transfers in particular as a key weakness in the U.S. Anti-Money Laundering and Countering the Financing of Terrorism (AML/CFT) regulatory regime.7

International bodies, such as the Financial Action Task Force (FATF) and non-government organizations, have likewise noted the sector’s appeal for illicit actors intent on laundering funds.8 In particular, the FATF has recommended that the United States take appropriate action to address money laundering risks in relation to non-financed transfers of real estate.9 Furthermore, open-source investigative reports have demonstrated that criminal actors frequently employ legal entities, such as limited liability companies (LLCs), to launder money, including through real estate. In August 2021, Global Financial Integrity (GFI), a non-governmental organization, published a study estimating that at least $2.3 billion had been laundered through the U.S. real estate market from 2015 to 2020 and the “use of anonymous shell companies and complex corporate structures continue[d] to be the number one money laundering typology” involving real estate.10 Additionally, over 50 percent (30 of the 56 cases the study examined) involved politically exposed persons (PEPs), which the FATF has found “may be able to use their political influence for profit illegally [and] . . . thus may present a risk higher than other customers.”11 GFI also highlighted that legal entities and trusts are frequently used to make such purchases, and that purchases are rarely made in the name of the PEP. For example, a 2020 forfeiture complaint filed by the Department of Justice (DOJ) alleged that a former president of a country in Africa and his spouse used funds derived from corruption to purchase U.S. residential properties worth millions of dollars via a trust.12

Such crimes undermine the national security goals of the United States, one pillar of which is countering corruption.13 FinCEN’s own December 2022 analysis revealed that between March and October 2022—the eight months following the invasion of Ukraine—Russian oligarchs sent millions of dollars to their children to purchase residential real estate in the

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11According to its website, GFI is “a Washington, DC-based think tank focused on illicit financial flows, corruption, illicit trade and money laundering.” See Global Financial Integrity, “About,” available at https://gfintegrity.org/about/.


4Id. at p. 24.

5Id. at p. 24.

6For purposes of this proposed rule, “residential real property” means: (1) real property located in the United States containing a structure designed principally for occupancy by one to four families; (2) vacant or unimproved land located in the United States zoned, or for which a permit has been issued, for the construction of a structure designed principally for occupancy by one to four families; or (3) shares in a cooperative housing corporation.

7The FATF is a global standard-setter of anti-money laundering and counter terrorist financing guidelines. The FATF has noted that “[c]rime groups increasingly use real estate worldwide to conduct money laundering activities,” and that “[t]he purchase of real estate allows for the movement of large amounts of funds all at once in a single transaction as opposed to multiple transactions of smaller values.” See Financial Action Task Force, Guidance for a Risk Based Approach: Real Estate Sector (July 2022), p. 18, available at https://www.fatf-gafi.org/content/dam/fatf-gafi/guidance/RBA-Real-Estate-Sector.pdf; coredownload.pdf.

United States, often via legal entities, demonstrating the appeal of residential real estate even to the potential targets of U.S. sanctions.14

As numerous public law enforcement actions illustrate, non-financed purchases of residential real estate by certain legal entities and trusts are acutely vulnerable to exploitation by illicit actors, due to a general lack of AML regulations covering or applicable to transfers conducted in this manner.15

While many non-financed residential real estate transfers may involve no illicit funds, a substantial proportion of such non-financed transactions are conducted by persons also engaged in activity characterized by other financial institutions as suspicious, and reporting on such non-financed residential real estate transactions is of significant value to law enforcement. For example, the individuals and entities identified in Residential Real Estate GTO reports correlate with traditional SAR filings by financial institutions: FinCEN has found that approximately 42 percent of non-financed real estate transfers captured by the Residential Real Estate GTOs are conducted by individuals or legal entities on which a SAR has been filed. In other words, persons of potential interest to law enforcement due to their engagement in suspicious activity are also engaging in a type of transaction known to be used as a method of money-laundering: the non-financed purchase of residential real estate through a legal entity.

In addition to the law enforcement and national security concerns regarding abuse of the residential real estate sector, money laundering through residential real estate can distort real estate prices and potentially make it more difficult for legitimate buyers and sellers to participate in the market. In particular, the presence of illicit funds in the real estate sector can affect housing prices.16 Legitimate buyers are also adversely affected by illicit actors’ preference to avoid financing, as sellers generally favor such “all-cash” offers due to the speed with which a sale can be closed.17

Due to the illicit finance risks presented and the attendant economic burdens of market abuse, FinCEN’s public efforts to counter money laundering in the real estate sector have focused on the use of legal entities by illicit actors to obfuscate ownership of residential real property.18 The reasoning behind this focus on legal entities is discussed extensively in FinCEN’s December 2021 Anti-Money Laundering Regulations for Real Estate Transactions ANPRM (2021 ANPRM), which highlighted how, as evidenced by open source investigations, law enforcement actions, and feedback from FinCEN’s Residential Real Estate GTO program, individuals intent on laundering money through residential real estate frequently take advantage of the opacity of shell companies or other legal entity structures to mask true beneficial ownership of a property and their involvement in real estate transfers.19

B. FinCEN’s Prior Regulation of the Real Estate Sector

1. Current Law

Enacted in 1970, the Currency and Foreign Transactions Reporting Act, generally referred to as the TSA, is designed to combat money laundering, the financing of terrorism, and other illicit financial activities.20 The Secretary is authorized to administer the BSA and to require financial institutions to keep

| million-settlement-civil-money-laundering-and-and-| U.S. Department of Justice, Press Release, Associate of Sanctioned Oligarch Indicted for Sanctions Evasion and Money Laundering: Fugitive Vladimir Voronchenko Aided in Concealing Luxury Real Estate Owned by Viktor Voskobel (Feb. 7, 2023), available at https://www.justice.gov/opa/pr/associate-sanctioned-oligarch-indicted-sanctions-evasion-and-money-laundering; moreover, as the FATF noted in 2022, “[d]isparities with rules surrounding legal structures across countries means property can often be acquired abroad by shell companies or through deep jurisdictional, exacerbating the risk of money laundering.” International bodies, such as the FATF have found that “[s]uccessful AML/CFT supervision of the real estate sector must contend with the obligations of true ownership provided by legal entities or arrangements.” Financial Action Task Force, Guidance for a Risk Based Approach: Real Estate Sector (July 2022), available at https://www.fatf-gafi.org/content/dam/fatf-gafi/guidance/RBA-Real-Estate-Sector.pdf
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records and file reports that “are highly useful in criminal, tax, or regulatory investigations or proceedings” or in the conduct of “intelligence or counterintelligence activities, including analysis, to protect against international terrorism.” 21 The Secretary delegated the authority to implement, administer, and enforce compliance with the BSA and its implementing regulations to the Director of FinCEN. 22

The BSA requires each covered financial institution to establish an AML/CFT program, which must include, at a minimum, “(A) the development of internal policies, procedures, and controls; (B) the designation of a compliance officer; (C) an ongoing employee training program; and (D) an independent audit function to test programs.” 23 The BSA also authorizes the Secretary to require covered financial institutions to report any suspicious transaction relevant to a possible violation of law or regulation (a “suspicious activity report” or “SAR”). 24 Among the financial institutions subject to those requirements under the BSA are “persons involved in real estate closings and settlements.” 25

FinCEN’s regulations implementing the BSA require banks, non-bank residential mortgage lenders and originators (RMLOs), and housing-related Government Sponsored Enterprises (GSEs) to file SARs and establish AML/CFT programs. 26 However, FinCEN’s regulations exempt other persons involved in real estate closings and settlements from the requirement to establish AML/CFT programs, and the regulations do not impose a SAR filing requirement on such persons. 27

2. FinCEN’s Real Estate Exemption

In 2002, FinCEN temporarily exempted certain financial institutions, including “persons involved in real estate closings and settlements” and “loan and finance companies,” from the requirement to establish an AML/CFT program. FinCEN explained that it would “continue studying the money laundering risks posed by these institutions in order to develop appropriate AML program requirements.” 28 That additional time was needed to consider the businesses that would be subject to such requirements, as well as the nature and scope of the AML/CFT risks associated with those businesses. 29 FinCEN also explained its concern that many of these financial institutions were sole proprietors or small businesses, and FinCEN intended to avoid imposing “unreasonable regulatory burdens with little or no corresponding anti-money laundering benefits.” 30

In 2003, FinCEN issued an ANPRM regarding the AML/CFT program requirement for “persons involved in real estate closings and settlements” (2003 ANPRM). The 2003 ANPRM solicited comments on the money laundering risks in real estate closings and settlements, how to define “persons involved in real estate closings and settlements,” whether any persons involved in real estate closings and settlements should be exempted from the AML/CFT program requirement, and how to structure the requirement in light of the size, location, and activities of persons in the real estate industry. 31 FinCEN received 52 comments on the 2003 ANPRM from individuals, various institutions and associations of interested parties, law firms, state bar associations, an office within DOJ, and an office within the Internal Revenue Service (IRS). 32 Many comments suggested that the threat of money laundering through real estate warranted appropriate regulation, but commenters disagreed over the specific businesses that should be covered. FinCEN did not propose regulations in response to these comments, and persons involved in real estate closings and settlements continue to be exempt from the AML/CFT program requirement.

3. FinCEN’s Targeted Actions in the Real Estate Sector

While maintaining the exemption for persons involved in real estate closings and settlements, FinCEN has taken targeted action to address certain vulnerabilities in the real estate sector. In a 2012 final rule, FinCEN eliminated an exemption for “loan and finance companies,” and required such companies—defined as RMLOs—to file SARs and comply with AML/CFT program obligations. 33 In a 2014 final rule, FinCEN extended similar requirements to the housing-related GSEs—Fannie Mae, Freddie Mac, and the Federal Home Loan Banks. 34

In a 2020 final rule, FinCEN also imposed additional AML/CFT obligations on banks lacking a federal functional regulator, ensuring that such entities would be subject to requirements to have an AML/CFT program and meet Customer Identification Program (CIP) and Customer Due Diligence (CDD) requirements, including the verification of beneficial owners of legal entity accounts, in addition to their existing SAR obligations (which would include reporting on transactions involving suspicious real estate transactions). 35

To address non-financed transfers of residential real estate that do not involve a bank or other lender, FinCEN also began to issue Residential Real Estate GTOs in 2016. 36 The Residential Real Estate GTOs require title insurance companies to file reports and maintain records concerning non-financed purchases of residential real estate above a certain price threshold by certain legal entities in select metropolitan areas of the United States. Information received in response to the Residential Real Estate GTOs has confirmed the money laundering risks involved in non-financed transfers of residential real estate and provided FinCEN and its law enforcement partners with additional data about that money laundering typology. The data obtained through the Residential Real Estate GTOs has connected non-financed residential real property purchases by certain legal entities with the true beneficial owners making the purchases, thereby decreasing the ability of criminals to hide their identities while laundering money through real estate. FinCEN regularly receives feedback from law enforcement agencies regarding these transactions. 37

24 31 C.F.R. 5318(g).
26 31 CFR parts 1020, 1029, 1030.
27 31 CFR 1010.205(b)(1)(v).
28 67 FR 21110, 21111 (Apr. 29, 2002).
29 Id.
30 Id. FinCEN initially exempted persons involved in closings and settlements for six months, and then subsequently extended the temporary exemption indefinitely. Id.; 67 FR 67547, 67548 (Nov. 6, 2002).
31 67 FR 21110, 21112 (Apr. 29, 2002).
37 See 31 U.S.C. 5326; 31 CFR 1010.370; Treasury Order 180–01 (Jan. 14, 2020), available at https://home.treasury.gov/about/generic-information/orders-and-directives/treasury-order-180-01. In general, a GTO is an order administered by FinCEN which for a finite period of time imposes additional recordkeeping or reporting requirements on domestic financial institutions or other businesses in a given geographic area, based on a finding that the additional requirements are necessary to carry out the purposes of, or to prevent evasion of, the BSA. The statutory maximum duration of a GTO is 180 days, though it may be renewed.
partners that they use the information to generate new investigative leads, identify new and related subjects in ongoing cases, and support prosecution and asset forfeiture efforts. Taking that input into account, FinCEN has renewed the time-limited Residential Real Estate GTOs multiple times and has expanded them to cover additional metropolitan areas and methods of payment, yielding additional insight into the risks in both the luxury and non-luxury residential real estate markets.37 The information on real estate purchases thus enables investigators to connect real estate transactions with other suspicious financial activity. Although the Residential Real Estate GTOs have been effective, they were intended to be a temporary information collection measure that is limited in duration, not a permanent solution to a nationwide problem.38 The proposed nationwide reporting framework for certain residential real estate transfers, if finalized, would replace the current Residential Real Estate GTOs.

4. The 2021 Real Estate ANPRM

On December 8, 2021, FinCEN published an ANPRM requesting comment on potential AML regulations for certain real estate professionals.39 The 2021 ANPRM solicited public comment on whether and how to address money laundering vulnerabilities in the U.S. real estate market, including whether a transactional reporting requirement, triggered when a real estate purchase meets certain conditions, should be imposed on real estate professionals under the BSA. The 2021 ANPRM also solicited comment on whether, in lieu of a transactional reporting requirement, FinCEN should promulgate AML/CFT program requirements and SAR filing requirements for persons involved in real estate closings and settlements, similar to those that are in place for banks and other financial institutions. The 2021 ANPRM further sought comment concerning many aspects of real estate transfers, including: views on the scope of potential regulation of non-financed residential and commercial real estate transfers by legal entities and legal arrangements such as trusts; the sector’s vulnerability to money laundering; differences in residential and commercial real estate transfers; due diligence best practices present in the industry; and the costs of any potential regulations.

In response to the 2021 ANPRM, FinCEN received 151 public comments from a wide variety of stakeholders, including real estate industry associations, law firms and associations, non-governmental organizations, credit unions, Members of Congress, academics, and members of the public. Approximately 41 were unique comments and 110 were uniform statements submitted by members of the title insurance industry.

In general, commenters were split in their opinions on whether FinCEN should require transactional reports 40 or require persons involved in real estate closings and settlements to have full AML/CFT program obligations.41 One commenter wrote that if FinCEN were to apply new reporting measures, it should work with the IRS to amend IRS Form 1099-S to include buyer-side information, the seller-side information it already collects.42 Still other commenters suggested expanding the Residential Real Estate GTOs program to cover the entire nation either all at once or incrementally.43 FinCEN has considered all the comments that it received in response to the 2021 ANPRM in drafting this proposed rule.

III. FinCEN’s Proposed Approach to a Real Estate Reporting Requirement

A. Streamlined SAR Requirement

FinCEN has considered the extent to which non-financed residential real estate transactions should be subject to the standard AML program and SAR-filing requirements that the BSA applies to other financial institutions. By subjecting financial institutions to those requirements and expressly including “persons involved in real estate closings and settlements” among the types of financial institutions specified in the statute, the BSA appears to indicate an expectation that such persons comply with the same AML/CFT rules currently applicable to other types of financial institutions. Although FinCEN originally issued an exemption in 2002 that relieved persons involved in real estate closings and settlements from that obligation, that exemption was intended to be only temporary while FinCEN continued to study money laundering risks in the real estate sector.44

After many years of study and several targeted and temporary actions to enhance transparency in the real estate sector, FinCEN is of the view that the money laundering risks for non-financed residential real estate transactions warrant comprehensive AML/CFT regulations. As explained above, such transactions can be used to facilitate and obscure illicit activity. And, as several commenters on the ANPRM have urged, AML programs and SAR-filing obligations would provide highly useful information to law enforcement about those transactions. FinCEN recognizes, however, that the standard AML program and SAR-filing requirements may be especially burdensome to persons involved in real estate transactions, as many of them may be small businesses or individuals who cannot easily implement an AML program designed to identify and report suspicious activity. Such programs, which require financial institutions to make risk-based judgments about transactions and suspicious activity, may also be ineffective if small businesses and individuals in the real estate sector have difficulty implementing them.

For these reasons, FinCEN is proposing a streamlined reporting requirement that differs from the requirements typically imposed on other financial institutions. In particular, section 5318(g) of the BSA authorizes the Secretary to require financial institutions to report, via SARs, any “suspicious transactions relevant to a possible violation of law or regulation.”45 But the BSA affords the Secretary flexibility in implementing that requirement, and indeed directs the Secretary to consider “the means by or
form in which the Secretary shall receive such reporting," including relevant “burdens,” “efficiency,” and “benefits.” 46 A new provision added to the BSA by section 6202 of the Anti-Money Laundering Act of 2020 (AML Act) further directs FinCEN to “establish streamlined . . . processes to, as appropriate, permit the filing of noncomplex categories of reports of suspicious activity.” In assessing whether streamlined filing is appropriate, FinCEN must determine, among other things, that such reports would “reduce burdens imposed on persons required to report[,]” while at the same time “not diminishing[ing] the usefulness of the reporting to Federal law enforcement agencies, national security officials, and the intelligence community in combatting financial crime, including the financing of terrorism[.]” 47

Based on that authority, FinCEN is proposing to streamline the SAR reporting requirement for purposes of this rule and to create a new form—the Real Estate Report—to reflect this streamlined approach. FinCEN believes that a streamlined reporting requirement, without an accompanying AML/CFT program, is appropriate, as the proposed rule would impose a requirement to report basic, standardized information about all relevant transactions, nationwide.

FinCEN believes the proposed streamlined reporting requirement would enhance the usefulness of BSA reporting to Federal law enforcement agencies, national security officials, and the intelligence community for combating financial crimes. The information collected would contain crucial details about a typology of real estate transfers that present acute illicit finance risks and for which there is broad consensus that regulation is needed—information that would not otherwise be routinely identified and reported in a traditional SAR.

FinCEN also believes that a streamlined filing requirement would reduce the potential burden on reporting persons. The filing requirement would be triggered when the conditions set forth in the proposed rule are met, which FinCEN believes will reduce the overall burden for most filers, compared to those that would be required when implementing a traditional AML program. The streamlined filing requirement, unlike the requirements for filing a traditional SAR, would entail no risk-based judgment about when to file and no narrative assessment. Thus, similar to a Currency Transaction Report (CTR), Form 8300, or report filed under the Residential Real Estate GTOs, the proposed Real Estate Report would not require filers to make discretionary decisions. 48 Because of this, while FinCEN’s traditional SAR authority mandates that SARs be guided by a financial institution’s AML/CFT program designed to ensure that those discretionary decisions are made appropriately, FinCEN believes that an AML/CFT program is not necessary for reporting persons to accurately prepare and file useful reports under the proposed rule. 49 For this reason, the proposed rule would exempt persons involved in real estate closings and settlements from the BSA’s requirement to establish AML/CFT programs—effectively maintaining the current exemption for such persons under 31 U.S.C. 5318(h)(1), in light of the new reporting requirement. 50

The proposed rule would also exempt reporting persons from the confidentiality provisions that the BSA applies to suspicious activity reporting. 51 These confidentiality provisions typically serve to ensure that banks and other such financial institutions do not inform SAR subjects to the fact that a SAR is being filed based on a suspicion with respect to the subject, potentially inducing a behavior change and reducing the utility of the SAR. However, as the triggering criteria for the filing of the proposed streamlined filing (a non-financed transfer to certain legal entities and trusts) would be known by all parties to the transfer, including those whose information will be collected and reported to FinCEN, the same confidentiality considerations do not apply. 52

B. The Corporate Transparency Act

FinCEN notes that certain information collected under this proposed rule—most notably the beneficial ownership information of certain legal entities—will be collected and available to law enforcement in certain instances by virtue of the new beneficial ownership reporting requirements imposed by the CTA and implemented through the Beneficial Ownership Information Reporting Requirements Rule (BOI Reporting Rule). 53 However, the CTA’s reporting regime and this proposed rule would serve different purposes. This proposed rule is designed as a tailored reporting requirement that would capture a particular class of activity that Treasury deems high-risk—namely, non-financed residential real estate transfers to certain legal entities and trusts—and that, given the risk, warrants reporting on a transaction-specific basis. The resulting reports could readily alert law enforcement to the persons involved in a transfer of assets that carries significant illicit finance risk. Indeed, as with traditional SARs, reports under this proposed rule would require reporting on specific real estate transactions and allow Treasury and law enforcement to connect money laundering through real estate with other types of potentially illicit activities and to conduct broad money laundering trend analysis. In contrast, the BOI Reporting Rule requires companies to file reports about the beneficial ownership of certain legal entities; however, this information is unlikely to shed light on purchases of real estate by criminal actors or allow law enforcement to map out purchases of residential real estate by individual criminals and money launderers as well as their networks. Although some information about real estate purchases may in some cases be separately available through other sources such as state land registries (as discussed

47 See AML Act, section 6202 (codified at 31 U.S.C. 5318(g)(3)(B)(i)–(iii)). Section 6102(c) of the AML Act also amended 31 U.S.C. 5318a(a)(2) to give the Secretary the authority to “require a class of domestic financial institutions or nonfinancial trades or businesses to maintain certain appropriate procedures, including the collection and reporting of certain information as the Secretary of the Treasury may prescribe by regulation, to . . . guard against money laundering, the financing of terrorism, or other forms of illicit finance.” FinCEN believes this authority also provides an additional basis for the reporting requirement proposed in this NPRM.
48 Under the BSA and its implementing regulations, “[e]ach financial institution other than a casino shall file a CTR in each case of: . . . withdrawal, exchange of currency or other payment or transfer by, through, or to such financial institution which involves a transaction in currency of more than $10,000[,]” 31 CFR 1010.330(a); see also 31 U.S.C. 5313. Under the BSA, relevant IRS statutes, and associated implementing regulations, “[a]ny [individual, trust, estate, partnership, association, company or corporation] who, in the course of a trade or business . . . receives currency in excess of $10,000 in 1 transaction (or 2 or more related transactions) shall . . . file a Form 8300 with respect to the transaction.” 31 CFR 1010.330(a)(1); see also 31 U.S.C. 5331; 26 U.S.C. 7701(a)(1).
50 See 31 CFR 1010.205(b)(v).
53 The BOI Reporting Rule implements the CTA’s reporting provisions. In recognition of the fact that illicit actors frequently use corporate structures to obfuscate their identities and launder ill-gotten gains, the BOI Reporting Rule requires certain legal entities to file reports with FinCEN that identify their beneficial owners. See 87 FR 59489 (Sept. 30, 2022). Access by authorized recipients to BOI collected under the CTA are governed by other FinCEN regulations. See 88 FR 88732 (Dec. 22, 2023).
below), the inclusion of both beneficial ownership information and real estate transaction information in a single report as proposed in this NPRM will enable law enforcement to access information about potential criminal activity in a more timely and efficient manner.

In addition, the information to be reported under this proposed rule would differ from the information to be reported under the CTA in several ways. For instance, the proposed rule would require reporting of certain information about beneficial owners that is not required to be reported under the CTA reporting regime.54 A discussion of the content of the proposed Real Estate Report is included in Section IV.E. Furthermore, reports filed pursuant to the BOI Reporting Rule—Beneficial Ownership Information Reports—and reports filed pursuant to this proposed rule—Real Estate Reports—would be housed in different databases with differing access privileges. The proposed Real Estate Reports would be stored electronically in the same database as traditional SAR and other BSA reports, in keeping with the nature, purposes, and use of those reports.

Nevertheless, although they serve different purposes, the proposed rule adopts or adapts certain definitions from the BOI Reporting Rule where appropriate. These definitions are discussed in more detail in Section IV.B.

C. Lack of Alternative Sources of Relevant Information

While other investigative methods and databases may be available to law enforcement seeking information on persons involved in non-financed transfers of residential real property, such sources of information are often incomplete, unreliable, and diffuse, resulting in a misalignment between these sources and the potential risks posed by the transfers.55 Furthermore, the non-uniformity of the title transfer processes across states and the fact that the recording of title information is largely done at the local level complicates and hinders investigative efforts. An investigator could spend months or even years going through the electronic or physical property records databases of the over 3,000 counties in the United States, only some of which have digitized their records.

Furthermore, although certain data about non-financed transfer could be obtained through the Residential Real Estate GTOs, those GTOs currently cover only 68 cities and counties and are currently covered by the Residential Real Estate GTOs. In order to verify how many non-financed purchases of residential real estate a known illicit actor has made, law enforcement may have to issue subpoenas to each jurisdiction and potentially travel in person to many counties to find the relevant information. Law enforcement is also likely to experience difficulty in finding beneficial ownership information for non-financed transfers of residential real estate to legal entities or trusts not registered in the United States. This is particularly key as international buyers contributed approximately $59 billion to the existing-home U.S. residential real estate market from April 2021 to March 2022 and 44 percent of international purchases were non-financed, compared to 24 percent for all existing-home buyers.56

The disjointed nature of existing local databases also poses a significant obstacle to a common investigative methodology employed by law enforcement when it searches for perpetrators of money laundering and other criminal activity—namely, identifying networks of individuals that have potentially engaged in suspicious activity. A search of the proposed Real Estate Reports would be far more efficient than searching incomplete commercial databases or potentially visiting thousands of county-level deed offices. FinCEN assesses that law enforcement would benefit from access to information about transfers that reflect an identified money laundering typology in one central location managed and hosted by the U.S. Government. Finally, existing commercial databases do not collect important information that is the focus of this rule, including funds transfer information.

IV. Section-by-Section Analysis

The proposed rule would impose reporting and recordkeeping requirements related to certain transfers of real estate property (reportable transfers). The reporting and recordkeeping obligations would primarily apply to “reporting persons,” who are certain persons involved in real estate closings and settlements. Generally, the reporting person would be identified on the basis of their order in a “cascade” of specific functions performed by various persons involved in facilitating the closing or settlement of a real estate transaction. The proposed rule would also allow persons in the cascade to designate the reporting person amongst themselves.

The reporting person would be required to report information identifying the transferee entity or trust, the beneficial owners of the transferee entity or trust, and certain individuals signing documents on behalf of the transferee entity or transference trust (signing individual), as well as information concerning the reporting person, the transferor, the real estate transferred, and certain payment information. The reporting person would be required to file a Real Estate Report with FinCEN and maintain a copy of that report, along with a certification by the transferee’s representative as to the identities of the beneficial owner(s) of the transferee, for a period of five years. If the persons involved in facilitating the closing or settlement enter into a designation agreement with regard to the reporting person, then the parties to the agreement would also be required to retain that agreement for a period of five years.57

A. Residential Real Property in Reportable Transfers

1. Residential Real Property

The proposed rule is meant to broadly capture residential real property such as single-family houses, townhouses, condominiums, and cooperatives, as well as apartment buildings designed for one to four families. These properties would be captured even if there is also a commercial element to the property, such as a single-family residence that is located above a commercial enterprise. The proposed rule would also include certain types of land on which a residence is not yet built. The criteria for whether property falls within the parameters of the rule can be met in one of three ways: (1) it is real property that includes a structure

54 For example, the CTA reporting regime will only indirectly require trusts to report their beneficial owners if an individual indirectly owns or controls a reporting company through a trust.


56 See National Association of Realtors, 2022 International Transactions in U.S. Residential Real Estate (July 2022), pp. 4–5, available at https://cdn.nar.realtor/sites/default/files/documents/2022-international-transactions-in-us-residential-real-estate-07-18-2022.pdf?gl=1*3orrzx* gcl au*MTc4MTk3NTgzOS4xNjg3OTg1MTYy. The overall dollar value of international investment in residential real estate was comparatively low from 2021–2022 compared to the prior ten years due, in part, to investment and travel restrictions accompanying the COVID–19 pandemic. FinCEN believes this dollar value, in the absence of pandemic conditions, may therefore experience some mean reversion.

57 See 31 CFR 1010.430(d).
designated principally for occupancy by one to four families; (2) it is land that is vacant or unimproved, and that is zoned, or for which a permit has been issued, for occupancy by one to four families; or (3) it is a share in a cooperative housing corporation. This definition modifies and expands the definition of “residential real property” used in the Residential Real Estate GTOs.

Although shares of a cooperative are generally treated under state law as personal property rather than real property, FinCEN believes that the money laundering risks for residential cooperatives are similar to those of condominiums and other residential real property. A cooperative is a corporation, and the owners of the cooperative are the corporation’s shareholders. Receiving ownership of shares in a cooperative therefore differs from receiving ownership of real property, as it does not include the filing of a deed specifying that ownership of a piece of real property has been transferred. However, the fundamental purpose of owning shares in a cooperative is to possess a piece of real property—generally a unit in an apartment owned by the cooperative. As the primary purpose for owning shares in a cooperative is to occupy real property, and because the market for cooperatives overlaps with the market for condominiums and other types of real property, FinCEN believes that it is appropriate to treat shares of a cooperative as residential real property for purposes of this rule. Without this treatment, money laundering risks may be unduly incentivized to shift investments to this segment of the real estate market.

The proposed rule also makes clear that reportable residential real property includes property located in the United States, which is defined in the BSA implementing regulations to mean any State, the District of Columbia, the Indian lands (as that term is defined in the Indian Gaming Regulatory Act), and territory or possession of the United States.

FinCEN believes this geographical scope is appropriate and that more limited coverage would likely push illicit activity into non-covered areas. Furthermore, a uniform national approach will provide consistency and predictability for businesses required to maintain records and make reports under this proposed rule.

2. Ownership Interests in Reportable Residential Real Property

For purposes of the proposed rule, a person may hold an ownership interest in residential real property if the person has rights to the property that are demonstrated through a deed or, for an interest in a cooperative housing corporation, through stock, shares, membership, a certificate, or other contractual agreement evidencing ownership.

Deeds are documents demonstrating title over property and recording changes in ownership and are effective when signed by the transferor and delivered to the transferee. They are generally publicly recorded, and although not all deeds are filed as such, the majority are, and there are benefits to doing so, such as preempting disputes over ownership and effecting the ability to sell the property.

The ownership interests of a cooperative housing corporation are not reflected on a deed and are instead typically demonstrated through stock or shares. The holder of each ownership interest has the right to dispose of that stock or share, the value of which primarily reflects the value of the residence attached to the interest.

B. Transferees in Reportable Transfers

1. Transferee Entities

The proposed regulation would require reporting only if a transferee of an ownership interest in residential real property is a transferee entity or a transferee trust, as those terms are defined. Such a transfer would be reportable even if one or more other transferees (i.e., those that are neither a transferee entity nor transferee trust) also receive an ownership interest in the same property as part of the same transaction. Generally, the proposed rule provides that a “transferee entity” is any person other than a transferee trust or an individual. For example, a transferee entity may be a corporation, partnership, estate, association, or limited liability company. However, the definition of a “transferee entity” contains exceptions for certain highly regulated entities.”

For example, as discussed further below, individuals and trusts (outside of statutory trusts) are excepted from the definition of “transferee entity.” In addition, certain types of legal entities that are exempt from the requirement to report beneficial ownership information under the CTA are also excepted. Trusts are considered “transferee trusts” rather than “transferee entities” to ensure the proposed rule differentiates between legal entities and legal arrangements.


62 For example, as discussed further below, individuals and trusts (outside of statutory trusts) are excepted from the definition of “transferee entity.” In addition, certain types of legal entities that are exempt from the requirement to report beneficial ownership information under the CTA are also excepted. Trusts are considered “transferee trusts” rather than “transferee entities” to ensure the proposed rule differentiates between legal entities and legal arrangements.

58 31 CFR 1010.100(hhh).
The exclusions in the proposed rule that align with the CTA’s exemptions largely turn on whether the entity in question is supervised by a government agency, is a government agency, or has disclosure requirements that may diminish illicit finance risk in the context of residential real property. Specifically, the proposed rule would exclude U.S. governmental authorities, securities reporting issuers, and certain banks, credit unions, depositary institution holding companies, money service businesses, brokers or dealers in securities, securities clearing agencies, other Exchange Act registered entities, insurance companies, state-licensed insurance producers, Commodity Exchange Act registered entities, public utilities, financial market utilities, and registered investment companies, as well as any legal entity whose ownership interests are controlled or wholly owned, directly or indirectly, by any of the above. For example, in the residential real estate context, FINCEN assesses that the illicit finance risk of non-financed transfers is adequately diminished when a business must register its securities with the Securities and Exchange Commission (SEC) under Section 12 of the Securities Exchange Act of 1934 or must file Forms 10–K or other supplementary and informational periodic information under section 15(d) of the Securities Exchange Act of 1934. Persons who beneficially own more than five percent of a covered class of equity securities for these businesses must publicly file with the SEC certain information relating to such beneficial ownership. Persons who are a director or an officer or who beneficially own more than 10 percent of such registered equity security (insiders) also must publicly report their ownership and transactions.

b. Non-Profit Organizations

The definition of transferee entity in the proposed rule should be read to include non-profit organizations.

FinCEN and at least four major federal financial institution regulators (the Federal Reserve Board of Governors, the Federal Deposit Insurance Corporation, the National Credit Union Administration, and the Office of the Comptroller of the Currency) have made clear that the U.S. government does not view the charitable sector as a whole as presenting a uniform or unacceptably high risk of being used or exploited for money laundering, terrorist financing, or sanctions violations. The agencies have also recognized that the vast majority of charities and other non-profit organizations comply with the law and properly support charitable and humanitarian causes. The FATF also has made clear that only a small subset of non-profits sending funds cross-border should be considered high risk as it relates to serving as potential vehicles of terrorist financing.

However, non-profit organizations (a subset of which are often referred to as charities), have proven vulnerable to abuse by certain illicit actors and have been implicated in illicit financing schemes, including fraud, money laundering, tax evasion, and terrorist financing. FinCEN’s consultations with law enforcement indicate that charities are routinely the subjects of investigations involving fraud and money laundering, and a review of criminal cases involving illicit finance crimes and non-profit organizations shows that such organizations are vulnerable to exploitation by illicit actors. Indeed, charities purporting to support such causes as AIDS research, police and firefighters, disabled youth, childhood hunger, and veterans’ issues have been investigated and prosecuted for fraud and money laundering.

Further, non-profit organizations have been used by corrupt governmental officials and by organized crime syndicates and drug traffickers to launder and conceal illicit proceeds and commit terrorist activities. For example, the Department of Justice recently convicted a group of defendants in Miami that were involved in a charity called the Miami Art Project (MAP), which raised funds for disaster relief and other charitable causes, as a money laundering conspiracy. The defendants raised over $10 million of illicit funds and used the proceeds to indulge their financial appetites and pay for an lavish lifestyle.

The FATF has issued a FATF Fact Sheet on Bank Secrecy Act Due Diligence Requirements for Charities and Non-Profit Organizations (June 2014), available at https://www.fincen.gov/sites/default/files/shared/Charities%20Fact%20Sheet%202014%20_0.pdf.


Under U.S. tax law, non-profit organizations include tax-exempt organizations: charitable organizations, churches and religious organizations, private foundations, and other non-profits such as civic leagues, social clubs, labor organizations, and business leagues, under Internal Revenue Code Section 501(c)(3), as well as political organizations subject to Section 527 to the Internal Revenue Code. See IRS, “Exempt Organization Types,” available at https://www.irs.gov/charities-non-profits/exempt-organization-types.

64 See 15 U.S.C. 78m(d)(1), (g)(1); 17 CFR 240.13d-1.
66 Under U.S. tax law, non-profit organizations include tax-exempt organizations: charitable organizations, churches and religious organizations, private foundations, and other non-profits such as civic leagues, social clubs, labor organizations, and business leagues, under Internal Revenue Code Section 501(c)(3), as well as political organizations subject to Section 527 to the Internal Revenue Code. See IRS, “Exempt Organization Types,” available at https://www.irs.gov/charities-non-profits/exempt-organization-types.
72 See generally U.S. v. Chin Patrick Ho, 984 F.3d 191 (2d Cir. 2020) (in which a Chinese think tank registered in Hong Kong and in the United States as a public charity exploited a charity in Nigeria to engage in money laundering and bribery under the Foreign Corrupt Practices Act).
cover purchases by non-profits.77 Another commenter detailed the regulations that cover non-profits and advocated against covering them.78 Having considered the circumstances and comments in totality, FinCEN believes that non-profit organizations are vulnerable to abuse by illicit actors seeking to launder illicit proceeds through residential real estate. Accordingly, they would be captured under the proposed definition of transferee entity.

c. Unregistered Pooled Investment Vehicles

Pooled investment vehicles (PIVs) that are not registered with the SEC may be transferee entities for purposes of the proposed rule. Broadly, PIVs can include investment companies registered with the SEC, such as mutual funds and exchange-traded funds, as well as unregistered investment companies, such as private real estate investment trusts, certain real estate funds, special financing vehicles, and private funds (which are usually categorized by their sponsors according to the investment strategy they pursue, and include funds such as hedge funds, private equity funds, and venture capital funds).79 Under the proposed rule, PIVs that are investment companies and are registered with the SEC would be exempt from the definition of a transferee entity. The difference between registered and unregistered PIVs turns in part on whether the PIV is or is not excluded from registration requirements as an investment company under the Investment Company Act of 1940.80 PIVs that meet these exclusion requirements, and are therefore not registered with the SEC, do not have disclosure and reporting requirements that govern similar but public PIVs, such as mutual funds or exchange-traded funds.

Furthermore, unregistered PIVs are not subject to comprehensive AML/CFT regulation and are therefore vulnerable to abuse by illicit actors. The risks they present may be significant—the private fund sector, for example, holds approximately $20 trillion assets under management—a number that has more than doubled over the past decade and is comparable to the holdings of highly regulated U.S. banks.81 In recent years, private funds have been used by sanctioned persons, corrupt officials, tax evaders, and other criminal actors as a gateway to the U.S. financial system. This includes funds stolen from Malaysia’s sovereign wealth fund, 1MDB;82 Venezuela’s state-owned oil and natural gas company, PDVSA;83 and funds from a large-scale cryptocurrency fraud scam.84 Unregistered PIVs have also been used to hide criminal proceeds in real estate. In one particular example, a criminal actor had a substantial ownership interest in a private fund and used it to both obfuscate and provide a veneer of legitimacy to illicit funds to make U.S. real estate purchases.85 Illicit actors may also hold a minority, non-controlling interest in an unregistered PIV, resulting in the unregistered PIV channeling that investor’s illicit funds into real estate, as unregistered PIVs are not generally required to establish the identities of investors or look into the investor’s source of funds.86 Outside of the real estate sector, the lack of comprehensive AML/CFT coverage for unregistered PIVs has posed major national security challenges, enabling U.S. adversaries to invest in, and thereby gain access to, sensitive and emerging U.S. technologies.87 In fact, according to a 2018 Department of Defense report, unregistered PIVs such as private funds and special purpose vehicles have allowed jurisdictions whose interests compete with the United States to “access the crown jewels of U.S. innovation,” including in the realms of artificial intelligence, sensors, virtual reality, self-driving vehicles, robotics, microchips, and facial and other image recognition technologies, without such activity being reviewed by the Committee on Foreign Investment in the United States or other relevant government authority, where required.88


79 The term “pooled investment vehicle” has a particular definition in Rule 206(4)-4 under the Investment Advisers Act of 1940. See 17 CFR 275.206(4)-8. However, the term is used more broadly in this NPRM. For information on private funds, see U.S. Securities and Exchange Commission, “Private Fund Adviser Overview,” available at https://www.sec.gov/divisions/investment/guidance/private-fund-adviser-resources. Section 202(a)(29) of the Advisers Act defines the term “private fund” as an issuer that would be an investment company, as defined in section 3 of the Investment Company Act of 1940 (15 U.S.C. 80a–3), but for section 3(c)(1) or 3(c)(7) of that Act. Section 3(c)(1) excludes a privately-offered issuer having fewer than a certain number of beneficial owners. Section 3(c)(7) excludes a privately-offered issuer the securities of which are owned exclusively by “qualified purchasers” (generally, persons and institutions owning a specified amount of investments). See U.S. Securities and Exchange Commission, “Investment Company Registration and Regulation Package,” available at https://www.sec.gov/investment/fast-answers/divisionsinvestmentinvcorr151004PR4_14554.

80 81

81 See U.S. Securities and Exchange Commission, “Private Fund Statistics,” available at https://www.sec.gov/answers/private-fund-statistics. This figure reflects the assets of private funds managed by registered investment advisers only. Form PF is filed by certain investment advisers registered with the SEC to report confidential information about the private funds they advise. Form PF is not filed by investment advisers that advise private funds but that are not registered with the SEC. Form PF provides the SEC and Financial Stability Oversight Council (FSOC) with important information about the basic operations and strategies of private funds and has helped establish a benchmark for the private fund industry for assessing systemic risk.


FinCEN therefore believes that unregistered PIVs generally present sufficient illicit finance risk to warrant inclusion in the definition of a transferee entity. These unregistered PIVs may include entities such as private funds,\textsuperscript{89} certain market intermediaries,\textsuperscript{90} certain companies that primarily engage in the business of acquiring mortgages,\textsuperscript{91} certain funds maintained by charitable organizations,\textsuperscript{92} and certain church plans.\textsuperscript{93}

d. Large Operating Companies

The proposed definition would capture certain legal entities that are known as “large operating companies” in the CTA and BOI Reporting Rule context. Within that framework, a large operating company is an entity that: “employs more than 20 employees on a full-time basis in the United States;” “filed in the previous year Federal income tax returns in the United States demonstrating more than $5,000,000 in gross receipts or sales in the aggregate;” and “has an operating presence at a physical office within the United States[].”\textsuperscript{94} When explaining why this exemption was added to the CTA, Senator Sherrod Brown noted:

The justification for the exemption of entities that have both physical operations and at least 20 employees in the United States is that these entities’ physical U.S. presence will make it easy for U.S. law enforcement to discover those entities’ true owners. Like other exemptions in the bill, this exemption should be narrowly construed to exclude entities that do not have an easily located physical presence in the United States, do not have multiple employees physically present on an ongoing basis in the United States, or use strategies that make it difficult for U.S. law enforcement to contact their workforce or discover the names of their beneficial owners.\textsuperscript{95}

\textsuperscript{89}Private funds often are excluded from the definition of “investment company” under 15 U.S.C. 80a–3(c)(1) and/or 15 U.S.C. 80a–3(c)(7).
\textsuperscript{90}Certain market intermediaries are excluded from the definition of “investment company” under 15 U.S.C. 80a–3(c)(2).
\textsuperscript{91}Certain investment vehicles that are primarily engaged in “purchasing or otherwise acquiring mortgages and other liens on and interests in real estate” are excluded from the definition of “investment company” under 15 U.S.C. 80a–3(c)(5)(C).
\textsuperscript{92}Certain investment vehicles maintained by certain charitable organizations are excluded from the definition of “investment company” under 15 U.S.C. 80a–3(c)(14).
\textsuperscript{93}Certain church plans are excluded from the definition of “investment company” under 15 U.S.C. 80a–3(c)(14).

Senator Brown cautioned however, that “[t]his exemption should be subject to continuous, careful review by Treasury . . . to detect and prevent its misuse.”\textsuperscript{96}

One of the primary purposes of the proposed rule is to identify transferee entities that engage in non-financed residential real estate transfers. While it may be easier for law enforcement to identify beneficial owners behind large operating companies in comparison to shell companies, the very fact that a legal entity has engaged in activity that FinCEN has identified as presenting an illicit finance risk—the use of identity obfuscating vehicles in a non-financed residential real estate transfer—is valuable information for law enforcement, both to support individual investigations and to allow for aggregated analysis of money laundering in the U.S. real estate sector.

However, certain large operating companies may fall within other exclusions provided for in the proposed rule. For example, a company required to register its securities with the SEC under section 12 of the Securities Exchange Act of 1934 would be excluded.

2. Transferee Trusts

The proposed rule defines “transferee trust” as any legal arrangement created when a person (generally known as a settlor or grantor) places assets under the control of a trustee for the benefit of one or more persons (each generally known as a beneficiary) or for a specified purpose, as well as any legal arrangement similar in structure or function to the above, whether formed under the laws of the United States or a foreign jurisdiction. The proposed rule further notes that a trust is deemed to be the transferee trust regardless of whether residential real property is titled in the name of the trust itself or in the name of the trustee in their capacity as the trustee of the trust. However, the proposed rule excludes trusts that are securities reporting issuers, which includes companies that must register securities with the SEC and become subject to periodic reporting and disclosure requirements. FinCEN considers these trusts to be more tightly supervised and, because they are required to make certain public disclosures, they present a lower illicit finance risk. For similar reasons, trusts that have a trustee that is a securities reporting issuer are not covered by the proposed rule. Furthermore, the proposed rule excludes statutory trusts from being transferee trusts; instead, a statutory trust could be considered to be a transferee entity, unless one of the exemptions to the definition of “transferee entity” applies.

Multiple 2021 ANPRM commenters highlighted the use of trusts to facilitate exploitation of the real estate market for the purpose of laundering money, were largely supportive of including them in any regulation, and suggested that transfers to trusts be covered, particularly since the CTA did not explicitly provide for reporting of beneficial ownership information from trusts.\textsuperscript{97} Other commenters recognized that trusts can present illicit finance risks but were only supportive of covering certain types.\textsuperscript{98} As discussed in detail above, FinCEN believes that non-financed residential real estate transfers to trusts present a high risk for money laundering. The reporting of all non-financed transfers of residential real estate in which the transferee is a trust would provide data relevant to a possible violation of law or regulation.

3. Beneficial Owners of Transferee Entities and Transferee Trusts

The proposed Real Estate Report would collect information about the beneficial owners of transferee entities and transferee trusts. Where possible, FinCEN has aligned the proposed rule’s definitions of beneficial ownership with those contained in the CTA and its implementing regulations.

a. Determining the Beneficial Owners of Transferee Entities

Consistent with the CTA, the proposed rule provides that a beneficial owner of a transferee entity is “any


individual who, directly or indirectly, either exercises substantial control over the transferee entity or owns or controls at least 25 percent of the ownership interests of the transferee entity." However, as the owners or directors of tax-exempt organizations do not hold a direct ownership stake in the organization, the reportable beneficial owners would be limited only to the individuals who exercise substantial control.

Comments on the 2021 ANPRM were generally supportive of using the CTA’s definition of the beneficial owner in any potential regulation. However, one commenter suggested FinCEN use the definition of beneficial owner set out in the Residential Real Estate GTOs.

FinCEN considered that definition as well as other definitions for beneficial ownership for transferee entities. However, FinCEN believes that the BOI Reporting Rule’s definition would be best suited to capture potentially obfuscated ownership of residential real property in non-financed transfers, particularly since it will always result in the identification of at least one beneficial owner via the "substantial control” component of the definition, even if no individual meets the 25 percent “ownership interests” threshold. In addition, the use of consistent definitions of beneficial ownership across regulations would reduce the potential for confusion.

b. Determining the Beneficial Owners of Transferee Trusts

The proposed rule would collect information about the beneficial owners of trusts, defined as any individual who, at the time of the real estate transfer to the trust: (1) is a trustee; (2) otherwise has authority to dispose of transferee trust assets, such as may be the case with a trust protector; 99 (3) is a beneficiary who is the sole permissible recipient of income and principal from the transferee trust or who has the right to demand a distribution of, or to withdraw, substantially all of the assets of the transferee trust; (4) is a grantor or settlor of a revocable transferee trust; or (5) is the beneficial owner of a legal entity or trust that holds one of the positions described in (1)-(4), taking into account the exceptions that apply to transferees and transferee trusts.

This proposed definition leverages the BOI Reporting Rule’s approach to ascertaining the beneficial owners of a trust. Although the BOI Reporting Rule does not require reporting of beneficial ownership information by most trusts, as most trusts are not “reporting companies” for purposes of the CTA, the rule does require certain information to be reported about the beneficial owners of trusts when an individual is considered to own or control a reporting company through a trust. In line with that approach, each of the defined beneficial owners of a transferee trust has either ownership or control over trust assets, including over any real property transferred to the trust. For example, an individual who is the sole permissible recipient of both income and principal from the trust, or has the right to demand a distribution of, or withdraw, substantially all of the assets from the trust, has an ownership or controlling interest in the assets held in trust. Other individuals with authority to dispose of trust assets, such as trustees and grantors or settlers that have retained the right to revoke the trust, will be considered as controlling the assets held in trust. In the case of legal entities or trusts with ownership or control of trust assets, the beneficial owners of those legal entities or trusts also would be beneficial owners of the trust.

c. Beneficial Ownership as a Transactional Reporting Requirement

The proposed rule would not require reporting persons to report changes to beneficial ownership of a transferee entity or transferee trust on an ongoing basis. The proposed rule is concerned only with real estate transfers, and it is not within the scope or intention of these regulations to require reporting persons to conduct ongoing monitoring of ownership of residential real property. While at least one 2021 ANPRM commenter supported the introduction of ongoing monitoring for change of ownership, most commenters did not address this issue. FinCEN assesses that it would likely represent a large and impractical burden to place an obligation on reporting persons that would require them to investigate changes to beneficial ownership of residential real estate that continues to be owned by the transferee entity or trust, or to require transferee entities or transferee trusts to report changes in beneficial ownership to a real estate professional involved in their transfer of residential real property after the transaction has been concluded.

C. Reportable Transfers

The proposed rule would define a reportable transfer as a transfer of any ownership interest in residential real property to a transferee entity or transferee trust, with certain exceptions. These proposed exceptions are meant to reflect FinCEN’s intent to capture only higher risk transfers and therefore the definition exempts most financed transfers, as well as certain types of other low-risk transfers. Under the proposed rule, transfers would be reportable irrespective of the value of the property or the dollar value of the transaction; there is no dollar threshold for a reportable transfer. As such, gifts and other similar transfers of property may be reportable. Importantly, transfers would only be reportable if a reporting person is involved in the transfer and if the transferee is either a legal entity or trust. Transfers between individuals would not be reportable.

1. Exception for Financed Transfers

First, certain financed transfers would be excepted. Specifically, the exception would apply to transfers involving an extension of credit to the transferee, but only if the credit is secured by the transferred residential real property and is extended by a financial institution that has both an obligation to maintain an AML program and a requirement to file SARs. Transfers financed by a private lender or the seller, neither of which are likely to have AML/CFT compliance programs and SAR filing obligations, would not fall within this exception. The purpose of the exception is to avoid duplication of required due diligence, as banks and other financial institutions subject to AML/CFT program requirements and SAR filing obligations must already extend to any mortgages offered in a financed residential real estate transfer. Unlike in the non-financed space, these due diligence obligations of covered financial institutions mitigate the risks of money laundering through real estate for financed transactions and lead to reporting on suspicious transactions.

Some commenters on the 2021 ANPRM highlighted that non-financed purchases make up a significant portion of the residential real estate market. 100

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99 A trust protector is a person given power within the trust to take certain types of significant actions, such as the right to oversee the trustee’s decisions, to remove the trustee, or to amend or terminate the trust. See section 806 of the Uniform Trust Code (2003), available at https://www.uniformlaws.org/viewdocument/committee-archive-76?CommunityKey=193ff839-7955-4846-8c3c-ce74ac23938d&tab=librarydocuments; archive-76?CommunityKey=193ff839-7955-4846-8c3c-ce74ac23938d&tab=librarydocuments; and Andrew T. Huber, “Trust Protectors: The Role Continues to Evolve,” American Bar Association (Jan.-Feb. 2017), available at https://www.americanbar.org/groups/realpropertytrustestatepublications/probatepropertymagazine/2017/january_february_2017/aba_rpte_pp_v33_1_article_hubertrust_protectors/.

Most commenters who addressed the issue were supportive of FinCEN covering non-financed transfers. Some explicitly stated that only non-financed transfers should be covered, but two comments stated that FinCEN should cover both non-financed and financed transfers. Two commenters were not supportive of covering non-financed transactions, either because they believe real estate professionals are already reporting on potential financial crimes through other FinCEN forms, such as the Form 8300, or because they believe most settlement agents already force funds through financial institutions that have traditional AML/CFT program requirements. However, FinCEN believes that further regulation is needed and its experience with the Residential Real Estate GTOs program has shown that existing reporting through Form 8300s and the minimal involvement of financial institutions subject to AML/CFT program requirements are not sufficient to obviate the illicit finance threat posed by non-financed transfers of residential real property.

2. Exceptions for Low-Risk Transfers

Exceptions also would exist for transfers that are the result of a grant, transfer, or revocation of an easement; transfers that occur as a result of the death of an owner of the residential real property; transfers that are the result of divorce or dissolution of marriage; or transfers to a bankruptcy estate. FinCEN views easements, which involve rights to use land for a specified purpose, as presenting little illicit finance risk. Transfers incidental to death, divorce, or bankruptcy are governed by preexisting legal documents, such as wills, or generally involve the court system through probate, divorce, or bankruptcy proceedings. FinCEN believes these circumstances present a relatively low risk for purposes of laundering money.

3. No Exceptions Based on the Property’s Value or Purchase Price

Residential real properties with a wide range of values are used by illicit actors to launder money, including residential real properties transferred for no consideration. Criminal networks interested in cleaning funds do not exclusively invest in luxury or high-value property, but also launder money through low-value real estate. FinCEN believes that any dollar threshold would enable money launderers to structure payments to avoid reporting requirements. Accordingly, the proposed rule does not provide exceptions for transfers above or below a set dollar value. Furthermore, it is meant to capture both sales and non-sale transfers, such as gifts and transfers to trusts. The transfer of residential real property to a trust by the settlor or grantor may therefore be reportable, although FinCEN expects that such reporting will be significantly limited by the exception for transfers of financed residential real property and by the exception for transfers occurring as a result of death. The latter, in particular, would exempt transfers by an executor or the grantor or settlor’s property to a testamentary trust.

FinCEN believes that the inclusion of low dollar value transfers in the proposed rule is unlikely to significantly increase the burden on potential reporting persons versus a scenario in which a dollar threshold is imposed. For example, according to the U.S. Census Bureau, residences costing less than $125,000 accounted for less than 0.5 percent of all new residences sold in 2022, and residences costing less than $300,000 accounted for 7 percent of all new residences sold in 2022. The American Land Title Association (ALTA) has indicated to FinCEN that a uniform reporting threshold, regardless of what the threshold is, would decrease compliance burdens for industry compared to thresholds that vary across jurisdictions. With respect to non-sale transfers made for no consideration, such as transfers made to a trust, FinCEN notes that the proposed rule provides the previously discussed exception for transfers that most often involve no consideration, such as those that occur due to death or divorce, which substantially narrows the scope of coverage. However, FinCEN welcomes comments on the potential burdens related to the reporting of non-sale transfers.

4. No Application to Transfers Without a Reporting Person

FinCEN believes that the proposed rule would capture the majority of sale and non-sale transfers of residential real estate. However, transfers that do not involve a typical real estate-related professional as reflected in the cascade of potential reporting persons would not be captured.

5. No Application to Transfers to Natural Persons

Transfers made directly to individuals would not be reportable under this regulation. Therefore, if the transferred property’s title is in the name of one or more individuals, with no ownership interests held by a transferee entity or a transferee trust, the transfer would not be reportable under the rule.

Some 2021 ANPRM commenters recognized that non-financed transfers of residential real estate to individuals present money laundering risk and supported their coverage by any potential regulation. Other commenters, however, stated that the burden of covering natural person purchases would be too large for the industry to bear and expressed privacy concerns. All non-financed transfers of residential real estate are less regulated than financed transfers and are inherently more vulnerable to money laundering.
laundering. However, FinCEN has not yet conducted a review of residential real estate purchases by natural persons sufficient to conclude that those transactions present a high risk for money laundering. To be sure, illicit actors often use natural person nominees or straw purchasers—such as a spouse, relative, or employee—to acquire real estate while obscuring beneficial ownership.\textsuperscript{108} Such nominees or straw purchasers are unlikely to disclose that they are receiving ownership of real estate on behalf of the illicit actor. Requiring the reporting of information about transfers to individuals would significantly increase the number of reports filed and significantly increase burden on industry. Although the BSA would provide privacy protections for reports filed under the proposed rule, for the reasons stated above, FinCEN is not proposing to cover residential real estate purchases by natural persons at this time.

\section*{D. Reporting Persons}

The proposed rule would impose a filing and recordkeeping obligation on certain persons involved in real estate closings and settlements. The proposed rule would designate only one reporting person for any given reportable transfer. The reporting person would be identified in one of two ways: by way of a cascading reporting order or by way of a written agreement between the real estate professionals described in the cascading reporting order.

\subsection*{1. The Reporting Cascade}

Through the cascade, a real estate professional would be a reporting person required to file a report and keep records for a given transfer if the person performs a function described in the cascade and no other person performs a function described higher in the cascade. For example, if no person is involved in the transfer as described in the first tier of potential reporting persons, the reporting obligation would fall to the person involved in the transfer as described in the second tier of potential reporting persons, if any, and so on. The cascade includes only persons engaged as a business in the provision of real estate closing and settlement services within the United States.

For any reportable transfer, a potential reporting person would need to determine whether there is another potential reporting person involved in the transfer who sits higher in the cascade. Although potential reporting persons will likely communicate with each other regarding the need to file a report, there would be no requirement to verify that any other potential reporting person in fact filed it.

The proposed cascade is as follows:\textsuperscript{109}

First, real estate professionals providing certain settlement services in the settlement process—in the first instance, the reporting obligation would rest with real estate professionals providing certain settlement services at the termination of the settlement process. Specifically, the cascade first designates as a reporting person the person listed as the closing or settlement agent on a settlement (or closing) statement, which is common to the vast majority of residential real property transfers. This ensures that a potential reporting person familiar with the intricacies of the transfer, including transactional information and details about the parties involved, will be the most frequent reporting person. This, in turn, will ensure that the reports are more accurate and useful to law enforcement and will lessen the burden on reporting persons. In the event that no person is directly identified as a closing or settlement agent on the statement, the reporting obligation would fall on the person that prepared the closing or settlement statement. If no person prepared a closing or settlement statement, the reporting obligation falls to the person that files the deed or other instrument that transfers ownership of the residential real property.

Second, the person that underwrites an owner’s title insurance policy for the transferee—if no person executes the specific settlement functions in the first tier of the cascade, the reporting obligation would then fall upon the person that underwrites the title insurance policy associated with the real property transfer. Such policies are typically underwritten by large title insurance companies that issue policies providing indemnity in the event the title of the transferred property is later determined to have a defect or encumbrance.\textsuperscript{110} Title insurance companies have been the reporting persons for the Residential Real Estate GTOs since 2016 and have demonstrated the ability to gather information and file reports containing information similar to that which would be collected under the proposed rule. Given that the underwriting function is further removed from the termination of the settlement process than the settlement services described in the first tier of the cascade, and so further removed from information to be collected, FinCEN assesses that persons underwriting such policies should be second line reporting persons. Title insurance agents may serve as settlement agents and if serving such a first-tier function, would have easier access to the necessary information in that capacity.

Third, the person that disburse the greatest amount of funds in connection with the reportable transfer—in the event that no person executes the specific settlement functions in the first tier of the cascade, and no person underwrites a title insurance policy, the third tier of the cascade would require reporting by the person that disburse the greatest amount of funds in connection with residential real property transfer. The proposed rule notes that such disbursement may be in any form, including from an escrow account (which is frequently used to settle real estate transfers), from a trust account, or from a lawyer’s trust account. Such reporting persons will have visibility into funds transfer information associated with the residential real property transfer and FinCEN believes that, by virtue of this, they should be able to obtain the information this proposed rule would collect with relatively little burden. However, this tier of the cascade would only cover persons involved in real estate settlements and closings who are disbursing funds via third-party accounts and excludes direct transfers from transferees to transferors and disbursements coming directly from banks.

Fourth, the person that prepares an evaluation of the title status—in the event that no person participates in the transfer who falls within the first three tiers of the cascade, the reporting person would be the person who prepares an evaluation of the title status.


\textsuperscript{109} The types of businesses involved in a real estate closing or settlement vary depending on the type of transaction and on the jurisdiction. As such, the reporting cascade (see Proposed amendments infra 31 CFR 1031.320(c)) is itemized to capture a broad array of potential businesses. However, FinCEN believes that, for any transaction, the functions described in first three tiers of the reporting cascade would be performed by only one business, with no other separate business performing the other two functions. FinCEN therefore treats the reporting cascade as having five functional groupings.

evaluation of the status of the title. Such an evaluation may take the form of a title check, which is typically performed by title insurance companies in lieu of providing actual insurance or an opinion letter, which is rendered by attorneys.

Fifth, the person who prepares the deed—Finally, should no person identified in the first four tiers of the cascade participate in the real property transfer, the reporting obligation would fall to the preparer of the deed associated with the transfer. A deed is typically prepared by an attorney, but it may also be prepared by a non-attorney settlement or closing agent or by the transferee itself.

2. Capturing Both Sale and Non-Sale Transfers

The reporting cascade is designed to capture both sales of residential real estate and non-sale transfers of residential real estate. It assigns a reporting obligation based on the functions fulfilled by the various real estate professionals involved in the closing and settlement process, regardless of whether the transfer is a sale or non-sale. FinCEN believes that it is necessary to capture non-sale transfers to ensure uniform coverage of non-financed transfers and to ensure that nominees do not purchase homes for criminal actors and then transfer the title on free of charge to a legal entity or trust.

During a typical closing and settlement for a non-financed transfer of residential real estate, a transferee will offer to purchase a residential real property for a given price. This offer can occur through a representative, such as a real estate agent, attorney, or registered agent, or it may come directly from the transferee itself. If the transferee accepts the offered price, either directly or through a representative, the parties can proceed toward the settlement process, normally through a sales contract. It is at this point that title agencies or companies and escrow agents or companies typically become involved in the process. Title agencies will conduct an examination of the title to ensure it is free from defects, such as liens or other encumbrances. Escrow companies may at this point hold a deposit or “earnest money” from the transferee that the transferee would forfeit should it be responsible for breaking the purchase contract.111 A transferee may also, and usually does, purchase a title insurance policy, which ensures that the title of the property is free from defects and indemnifies the transferee should a title defect later come to light. As noted above, a transferee may opt, in lieu of title insurance, to obtain a title check from the title insurance company or an opinion letter from an attorney.112 However, neither title insurance nor a title check is required to close or settle non-financed transfers of residential real property.

The transfer can then move toward settlement, which is also sometimes referred to as “closing.” According to ALTA, settlement is “[t]he process of completing a real estate transaction in accordance with written instructions within which deeds, mortgages, leases, and other required instruments are executed and/or delivered, an accounting between the parties is made, the funds are disbursed, and the appropriate documents are recorded in the public record.”113 At settlement, a closing or settlement agent—which is most often a title agent but can be a representative of an escrow company or an attorney—will prepare a “settlement statement,” which normally contains an itemized list of all of the fees or charges that the buyer and seller will pay during the settlement portion of the transfer.114 At settlement, the settlement statement and other closing documents are signed by the parties to the transfer and, if applicable, funds are disbursed to the transferor. This typically occurs via an escrow account, but also occurs at times via a trust account or attorney trust account or via a direct transfer of funds between the transferee and transferor (though, due to its risky nature, this practice is not common). Following the execution of the settlement statement and other closing documents and the disbursal of funds, the settlement agent will file the deed (the instrument which effects the transfer of ownership of the property) with the relevant local land registry or recordation office. Deeds are typically prepared by attorneys, but may be prepared by the settlement agent, escrow officer, or the transferee itself.115

A transfer of residential real estate that does not involve a purchase, such as a transfer that is a gift or that is made to a trust, involves a closing and settlement process that is distinct from the process described above that exists for typical sales of residential real estate. For example, such non-sale transfers would not involve a settlement agent or settlement statement or the transfer of funds through escrow. They may, however, involve an attorney or other real estate professional who prepares or files the deed, provides title insurance, or provides a title evaluation.

3. Designation Agreements

Although the reporting cascade would identify the real estate professional who would be primarily responsible for filing a Real Estate Report, the real estate professionals described in the reporting cascade may enter into a written agreement to designate another person in the reporting cascade as the reporting person. For example, if a real estate professional involved in the transfer provides certain settlement services in the settlement process, as described in the first tier of the cascade, that person may enter into a written designation agreement with a title insurance company underwriting the transfer as described in the second tier of the cascade, through which the two parties agree that the title insurance company would be the designated reporting person with respect to that transfer. The person who would otherwise be the reporting person must

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111 “Escrow is a transaction in which an impartial third-party acts in a fiduciary capacity for all or some of the parties. . . . in performing settlement services according to local practice and


114 “The title settlement agent is typically the same entity that performs two separate functions in a real estate transaction. The terms title agent and settlement agent are often used interchangeably.” American Land Title Association, ALTA Best Practices 4.0 (May 23, 2023), p. 4, available at https://www.alta.org/best-practices/download/cfm/bestPractId=97&type=pdf.


111”Escrow is [a] transaction in which an impartial third-party acts in a fiduciary capacity for all or some of the parties . . . in performing settlement services according to local practice and
be a party to the agreement; however, it is not necessary that all persons involved in the transfer who are described in the reporting cascade be parties to the agreement.

While the agreement must be in writing and must identify the date of the agreement, the name and address of the transferee entity or transferee trust, the property, the name and address of the designated reporting person, and the name and address of all other parties to the agreement, there is no required format for the designation agreement. All parties to the agreement would be required to retain a copy for a period of five years.

4. Employees, Agents, and Partners

If an employee, agent, or partner acting within the scope of such individual’s employment, agency, or partnership would be the reporting person in a reportable property transfer, then the individual’s employer, principal, or partnership is deemed to be the reporting person. In that case, it is the responsibility of the reporting person (i.e., the employer, principal, or partnership) to ensure that a report is filed. Accordingly, FinCEN expects that, in most cases, individuals will not be reporting persons. However, there may be certain cases (e.g., sole proprietorships) where the responsibility to file a report rests with an individual.

5. Consultations With Real Estate Professionals

The cascade is designed to both prevent an increased burden on reporting persons by ensuring that multiple real estate professionals do not have to collect information and file a report about the same transfer, while at the same time minimizing opportunities for reporting evasion by ensuring a report is filed for most reportable transfers. In the course of developing this cascading reporting order, FinCEN held extensive discussions with real estate professionals and the IRS, which employs a somewhat similar cascading reporting structure for its Form 1099–S. These discussions suggest that potential reporting persons involved in a real estate closing or settlement would be aware of one another’s presence or absence in the process at the time of closing, and that the reporting chain would be easily interpreted by persons involved in real estate closings and settlements.

Several 2021 ANPRM commenters suggested the use of a reporting cascade.117 Some commenters recommended that title and escrow companies and agents, real estate agents and brokers, real estate attorneys, and other real estate professionals be the reporting persons in any potential regulation, to ensure that a broad swath of real estate professionals are included and to prevent reporting loopholes.118 One commenter suggested that title insurance companies that are already affiliated with heavily regulated financial institutions, such as banks, should not be required to report; FinCEN is not proposing this path because it is unclear who would decide this or how it would be determined.119 Another commenter stated that FinCEN should place any compliance obligations on the seller, but FinCEN believes this would place too much burden on individuals who are not real estate professionals.120 Two commenters suggested requiring only title insurance companies to report in the residential context, and only secondarily requiring escrow agents to report if title insurance is not purchased.121 Rather than to include or exclude any particular persons involved in real estate settlements and closings based on the titles they hold, FinCEN decided to design a reporting cascade based on the functions performed in a closing or settlement. This functional approach will ensure that the professional closest to the proposed information to be reported is most often the reporting person, thereby increasing efficiency and lessening overall burden. FinCEN notes that, as a result of this functional approach, specific real estate professionals such as real estate agents, brokers, and attorneys are not directly subject to obligations in the reporting cascade. They acquire reporting obligations only if they perform the specified functions.

Several commenters on the 2021 ANPRM argued against inclusion of attorneys, claiming that attorney-client privilege should prevent attorneys involved in real estate closings and settlements from reporting information, including beneficial ownership information.122 In this proposed rule, FinCEN would require reporting by attorneys only when they perform certain functions—functions that generally may be performed by non-attorneys. Although some jurisdictions in the United States require a licensed attorney to perform certain closing or settlement functions, FinCEN believes that the functions described in the cascade may generally be performed by both attorneys and non-attorneys. Indeed, FinCEN believes that the same reporting obligations should apply to


attorneys and non‐attorneys alike when they perform the same functions in reportable transfers of residential real property. Furthermore, FinCEN expects that reporting of factual information about a real estate transfer would not implicate attorney‐client privilege, in most cases. Also, the proposed rule provides that potential reporting persons, including attorneys, may enter into designation agreements with other real estate professionals described in the cascade, thereby passing the reporting obligation to another professional.

E. Information To Be Reported

1. Description of Information

The proposed rule requires reporting persons to report and maintain records of certain information regarding reportable transfers. This includes certain information about any reporting persons, transferee entities, transferee trusts, signing individuals, transferees, the residential real property, and reportable payments. To a large degree, this information is similar to the transctional information required to be reported through traditional SARs. FinCEN emphasizes that Real Estate Reports, like SARs, would be housed in FinCEN’s secure BSA Portal and would not be accessible to the general public; FinCEN imposes strict limits on the use and re‐dissemination of the data it provides to its law enforcement and other agency partners.

The following discussion addresses in more detail some of the types of information the rule proposes to collect.

1. Name and address: The proposed rule would collect the name and address of the principal place of business for reporting persons, transferee entities and transferee trusts, and transferees that are entities. For legal entities that are trustees of transferor trusts, the proposed rule would collect the place of trust administration. It would collect the name and a residential address for each individual who signed documents on behalf of the transferee (signing individuals), all beneficial owners of a transferee entity or transferee trust, signing individuals, transferees, the residential real property, and reportable payments. To a large degree, this information is similar to the transctional information required to be reported through traditional SARs. FinCEN emphasizes that Real Estate Reports, like SARs, would be housed in FinCEN’s secure BSA Portal and would not be accessible to the general public; FinCEN imposes strict limits on the use and re‐dissemination of the data it provides to its law enforcement and other agency partners.

2. Citizenship: The proposed rule would collect citizenship information for all beneficial owners of a transferee entity or transferee trust. FinCEN proposes to collect this information to better analyze the volume of illicit funds entering the United States via entities or trusts beneficially owned by non‐U.S. persons. FinCEN cannot do this type of broad‐brush collection of citizenship information. For instance, traditional SARs already collect this type of information and FinCEN was able to analyze SARs in aggregate to identify Russian investment in the U.S. economy, including the real estate sector, after the invasion of Ukraine.123

3. Unique identifying number: The proposed rule would collect a unique identifying number for each person (whether an individual or entity) whose name and address are required to be reported. For any individual for whom a unique identifying number would be collected, a unique identifying number can be an IRS Taxpayer Identification Number (TIN) or, if they do not have one, a foreign equivalent or a foreign passport number. For an entity, a unique identifying number can be an IRS TIN or, if the entity does not have one, a foreign equivalent or a foreign registration number. FinCEN chose to include the collection of TINs, such as Social Security Numbers (SSNs) or Employer Identification Numbers (EINs), for transferee entities, transferee trusts, beneficial owners of transferee entities and trusts, as well as for certain individuals signing documents on behalf of the transferee entity or trust during the residential real estate transfer, for a number of reasons. Reporting TINs provides law enforcement with the most efficient means to identify potential individuals involved in illicit activity and connect those persons to other transactions during investigations. Unlike names, addresses, and dates of birth, which can be common across multiple individuals, TINs are unique to a given individual, entity, or trust. Consequently, collections of TINs would cut down on flagging of individuals, entities, and trusts that are not the intended subject of an investigation, which will allow law enforcement to more efficiently pursue leads, conduct investigations, and identify illicitly acquired assets. FinCEN’s consultations with law enforcement have confirmed that law enforcement views access to TIN information as extremely helpful for streamlining investigative work. Law enforcement officials also indicated to FinCEN that it is relatively easy for illicit actors to create a false identity using a combination of name, address, and date of birth, and often do so, thereby impeding an investigation from the outset. However, law enforcement noted that obtaining a false TIN was orders of magnitude more difficult and that collection of such information was therefore crucial to their investigations. Moreover, TINs are routinely collected in other BSA reports, including SARs.124 Accordingly, the proposed rule would collect TINs for certain persons involved in covered residential real estate transfers.

4. Representative capacity of signing individual: For any signing individual, the proposed rule would collect a description of the capacity in which the individual is authorized to act as the signing individual for the transferee entity or transferee trust, such as whether the signing individual is a legal representative. Additionally, if the signing individual is acting in that capacity as an employee, agent, or partner, the proposed rule would collect the name of the employer, principal, or partnership.

5. Information concerning payments: The proposed rule would collect the total consideration paid by all transferees regarding the residential real property, as well as the total amount paid by the transferee entity or trust, the method of each payment made by the transferee entity or transferee trust, the accounts and financial institutions used for each such payment, and, if the payor is anyone other than the transferee entity or transferee trust, the name of the payor on the payment form. With respect to the reporting of payments made by the transferee entity or transferee trust, the proposed rule seeks only to capture transactions where the greatest risk for money laundering is present—the movement of funds from accounts held or controlled by the transferee—and therefore exempts payments made from escrow or trust

accounts held by the reporting person. Accordingly, the rule would require the reporting of payments made from other escrow or trust accounts, payments made into any escrow or trust accounts (to prevent illicit actors from trying to circumvent the reporting requirement), and payments sent directly from the transferee to the transferor. For example, if the payment path is (1) from the transferee’s bank account to a trust account, (2) from that trust account to an escrow account held by the reporting person, and then (3) from that escrow account to the transferor, the reporting person would need to provide the payment details of the first leg of the payment path. FinCEN notes that the reporting requirement would include the reporting of payments that the reporting person may consider as being paid outside of closing, such as a payment made between a buyer and seller through bank accounts located outside of the United States. FinCEN proposes to collect payment information because financial information is key to ensuring that the reports meet the threshold for being highly valuable to law enforcement. The payment information behind real estate transfers conducted in a manner that has been identified as high risk for money laundering would help support law enforcement investigations, as it can help connect beneficial owners to suspicious activity or funding sources. The collection of this information may also serve as a deterrent to those thinking about attempting to launder money through the U.S. residential real estate sector.

6. Information concerning the residential real property: The proposed rule would require the address of the relevant property, if applicable, and a legal description, such as the section, lot, and block. This information would be reported for each property involved in the transfer. For example, if a four-unit town home is transferred to a transferee entity, all four addresses would be reported.

Commenters on the 2021 ANPRM had diverse views on what information could or should be collected under any potential regulation. Most commenters who thought that information should be collected were in favor of collecting transferee side information, including beneficial ownership information. However, other commenters said that only basic information that is already collected in the course of a closing about the transferee should be collected, and that requiring real estate professionals to collect beneficial ownership information would be too burdensome. FinCEN recognizes that while most of the information that would be collected under this proposed rule is provided to the most frequent reporters in the normal course of a closing, beneficial ownership information is not. FinCEN addressed concerns about the burden of collecting beneficial ownership information in this proposed rule by making sure that reporting persons collect this information through a form, which is then certified by the transferee as being accurate, as will be discussed further below.

Some commenters advocated for the collection of transferee information as well. FinCEN opted to collect only minimal transferee information, as the primary party of interest to law enforcement is the new owner of property that has been transferred in a manner that presents money laundering concerns.

Commenters also mentioned collecting certain funds payment information, identifying PEPs involved in the transfer, beneficial ownership verification, information about the property being transferred, and any representatives of the transferee in the transfer. Elements of each of these are included in the proposed rule, except for PEP identification and beneficial owner verification, which FinCEN believes would require reporting persons to undertake independent research that would represent a dramatically increased burden, compared to collecting information from the transferee.

2. Collection of Information

FinCEN expects that the reporting person will have access to some, but not all, of the reportable information in the normal course of business. In particular, the reporting person may not have on-hand the identifying information for the beneficial owners of the transferee entity or trust. The proposed rule therefore includes guidelines for how the reporting person should collect this information.

The reporting person may collect the information directly from a transferee or a representative of the transferee, so long as the person certifies that the...
information is correct to the best of their knowledge. The certification may be collected using a form that may be provided by FinCEN, similar to the one provided with respect to the CDD Rule, which requires certain financial institutions collect beneficial ownership information from legal entity customers, or the reporting person may incorporate a certification into a document of their own design, including existing closing documents used by the reporting person.133

FinCEN could have proposed that reporting persons must personally conduct extensive research to verify beneficial ownership and other information provided to them, but is proposing the use of a certification due to its comparative lesser burden on filers. The use of certifications will also ensure uniform information collection standards are met across reportable transfers. Any certification form signed in the course of a transfer must be retained by the reporting person for five years. Although the reporting person may rely on the information collected from other parties as described above, the reporting person may not report information that the reporting person knows, suspects, or has reason to suspect is inaccurate or incomplete. As an alternative, FinCEN considered requiring reporting persons to undertake the verification of the information to be reported. However, FinCEN is instead proposing the use of a written certification form because this approach would present a lower burden on reporting persons when compared with a scenario in which they would independently verify information through their own research. Allowing parties to the transfer and their representatives to provide information directly, while attesting to its accuracy, will reduce time and resources expended by reporting persons while ensuring that the most accurate information is provided to law enforcement and that compliance can be monitored more effectively. The proposed rule would also allow the flexibility of a reporting person collecting the information by any other means, so long as the transferee’s representative (whether a signing individual or other type of representative) attests to its accuracy.

F. Filing Procedures

A reporting person must electronically file a Real Estate Report with FinCEN, following the reporting form’s instructions, no later than 30 calendar days after the date on which the transferee entity or transferee trust receives the ownership interest in the residential real property. This is to ensure that reporting of time sensitive information about residential real estate closings and settlements is not unduly delayed.

G. Records Retention

Reporting persons must maintain a copy of any Real Estate Report they have filed and any certifications as to the identities of the beneficial owner(s) of a transferee entity or transferee trust for five years from the date of filing and keep them available at all times for inspection as authorized by law.

All parties to a designation must similarly retain a copy of the agreement for five years from the date of signing and keep it available at all times for inspection as authorized by law.

H. Exemptions

The proposed rule would exempt reporting persons and Federal, State, local, or Tribal government authorities from the confidentiality provision in 31 U.S.C. 5318(g)(2) prohibiting the disclosure to any person involved in the transaction that the transaction has been reported.134 As noted above, FinCEN recognizes that financial institutions who file SARs are subject to restrictions prohibiting the disclosure of the existence of the SAR to any of its subjects. However, this would not be feasible with the proposed Real Estate Report, as reporting persons would need to collect information directly from the subjects of the Report. Moreover, all parties to a non-financed residential real estate transfer that is subject to the proposed rule would already be aware that a report would be filed, given that such filing is non-discretionary, rendering confidentiality unnecessary.

Furthermore, persons involved in real estate closings and settlements are exempt from the requirement to maintain an AML program requirement.135 For the reasons discussed earlier, that exemption will continue to apply to persons involved in real estate closings and settlements under the proposed rule. However, the exemption does not apply to reporting persons who are financial institutions otherwise required to establish an AML/CFT program under FinCEN’s regulations.

V. Final Rule Effective Date

FinCEN is proposing an effective date of one year from the date the final rule is issued. A one-year effective date is intended to provide real estate professionals with sufficient time to review and prepare for implementation of the rule. FinCEN solicits comment on the proposed effective date for this rule.

VI. Request for Comment

FinCEN seeks comments on the questions listed below, but invites any other relevant comments as well. FinCEN encourages commenters to reference specific question numbers to facilitate FinCEN’s review of comments.

1. What would the cost and hour burden of filing reports as detailed by this NPRM be for your profession? Please quantify, if possible, the anticipated burden this proposed rule would represent for the designated reporting persons.

2. What percentage of residential real property transfers involve transfers to the types of entities described in the regulation as “transferee entities” and “transferee trusts”? What are the benefits and drawbacks to having a cascading hierarchy of reporting persons, as proposed?

3. Will real estate professionals know or be able to discover the other real estate professionals performing functions in the closing process as laid out by the reporting cascade?

4. Please provide feedback on the order of the proposed cascading reporting hierarchy. Does it include those real estate professionals who are most able to obtain and report the required information? Should any person involved in real estate closings and settlements present in the proposed cascade be removed? Added? Why?

5. Are there potential loopholes in the proposed cascading reporting order? If so, how might they be overcome? For example, would specifically adding real estate agents and brokers close any reporting gaps?

6. How likely are potential reporting persons to enter into designation agreements? Are there any particular challenges associated with entering into such an agreement? With documenting that such an agreement has been made?

7. What are typical costs to close a residential real estate deal? What percentage of the sale price do these costs typically represent?

8. What sort of due diligence is normally conducted, before or at closing for residential properties, regarding (i) the parties to a transfer; (ii) the source of funds for any transfer; and (iii) other key aspects of the transfer?

9. What sort of existing recordkeeping or reporting requirements, unrelated to BSA

133 See 31 CFR 1010.230.
134 31 U.S.C. 5318(a)(7) (which allows the Secretary to prescribe appropriate exemptions).
135 31 CFR 1010.205(b)(1)(v).
compliance, exist for non-financed residential real estate transfers? If any, what information must be recorded or reported, to whom, and for how long? What entity provides oversight?

11. Should FinCEN limit the scope of any final rule to only non-financed transfers? What are the benefits and drawbacks to doing so?

12. What adjustments, if any, should be made to the proposed definition of a reportable transfer?

13. Should the rule except transfers that involve a qualified extension of credit to “all” transferees or to “any” transferee?

14. What percentage of residential real estate transfers are non-financed?

15. What adjustments, if any, should be made to the proposed definition of “residential real property”? Is the description of such property as “designed principally for occupancy by one to four families” a clear industry standard?

16. Are the beneficial owners of transferee entities or transferee trusts routinely identified by some participant in the transfer?

17. What information, if any, should be reported about transfers involving tax-exempt organizations?

18. What do persons involved in real estate closings and settlements do if they have any suspicions about a transfer of residential real property, customer, or the payments supporting the transfer?

19. What roles do attorneys play in non-financed sales and non-sale transfers of residential real estate? Are there attorney-client privilege concerns with reporting these transfers, as proposed in the rule? If so, what is the basis for these concerns?

20. Please describe the purpose of the use of an escrow account, trust account, or lawyers’ trust account in a real estate transfer. Do these accounts present money laundering concerns? Is the use of these accounts sufficiently captured in the proposed rule? Are there attorney-client privilege concerns around the use of lawyer’s trust accounts, and if so, what is the basis for these concerns?

21. How are opinion letters used in the real estate closing and settlement process? Are there attorney-client privilege concerns around the use of opinion letters? If so, what is the basis for those concerns?

22. Are there other attorney-client privilege concerns, such as around attorneys acting as settlement agents, drafters of deeds, or reporting any of the required information? What is the basis for those concerns?

23. How do factors related to parties to the transfer, the payments related to the transfer, and the property itself bear on money laundering risk assessment? What kinds of transfers and customers are highest and lowest risk? How are those risks mitigated and what are the associated costs of that mitigation?

24. Is it possible to estimate the extent to which residential real property values are affected by money laundering through real estate?

25. Please provide comments on the proposed definition of transferee entity.

26. Please provide comments on the proposed definition of transferee trust.

27. Please provide comments on the proposed definition of beneficial owners of transferee entities.

28. Please provide comments on the proposed definition of beneficial owners of transferee trusts.

29. Please provide comments on any other definition in the proposed rule.

30. Please provide comments on the proposed coverage of transfers of residential real estate to transferee entities and transferee trusts, including the benefits and drawbacks to covering each.

31. Are there any areas within the geographic scope of this proposed rule that have unique customs or requirements that should be taken into account?

32. Please comment on how aware real estate professionals involved in residential real estate property transfers are of other categories of real estate professionals that may be involved in a given closing or settlement.

33. What are the benefits of the rule as proposed?

34. Is the information FinCEN proposes to be reported regarding non-financed residential real estate transfers to transferee entities and transferee trusts sufficient, over- or under-inclusive? What information should be added or removed and why?

35. Should FinCEN ask for citizenship information of beneficial owners of transferee entities and transferee trusts? Why or why not?

36. Is the information FinCEN proposes to be reported regarding reporting persons sufficient, over- or under-inclusive? What information should be added or removed and why?

37. Please provide comments on the proposed collection of TINs for transferees and transferees and their beneficial owners.

38. Is the information FinCEN proposes to be reported regarding signing individuals sufficient, over- or under-inclusive? What information should be added or removed and why?

39. Is the information FinCEN proposes to be reported regarding transfers sufficient, over- or under-inclusive? What information should be added or removed and why?

40. Is the information FinCEN proposes to be reported regarding the description of the transferred property sufficient, over- or under-inclusive? What information should be added or removed and why?

41. Is the information FinCEN proposes to be reported regarding payments sufficient, over- or under-inclusive? What information should be added or removed and why? Would it be useful to reporting persons to have space on the reporting form to explain or discuss suspected or observed suspicious activity?

42. Should FinCEN require information regarding additional information about the source of funds for covered residential real estate transfers? How would or should reporting persons go about ascertaining source of funds information?

43. How should FinCEN consider real estate transfers to foreign trusts and charitable trusts? Foreign non-profits? Do these present sufficient money laundering risk that they should be covered by any final rule? Why or why not?

44. If program or other requirements were limited to purchases above a certain price threshold, how would this affect: (i) the burden of implementing such potential rules; and (ii) the utility of such potential rules for addressing money laundering issues in the real estate market?

45. What are the key benefits for a reporting person, if any, assuming issuance of the rules?

46. Please list any legislative, regulatory, judicial, corporate, or market-related developments that have transpired since FinCEN issued the 2021 ANPRM that you view as relevant to FinCEN’s current proposed issuance of AML regulations.

47. Are there particular concerns that small businesses may have regarding the implementation of this proposed rule?

48. What would be the value of covering partially non-financed residential real estate transfers? What level of financing would be sufficient to alleviate that concern?

49. FinCEN understands that for certain residential real estate transfers involving multiple investors, such as with unregistered PIVs, or large operating companies, there may be multiple financing methods involved in a single residential transfer. Please detail in the context of the proposed rule how due diligence checks on partially financed residential real estate transfers involving multiple entities
may differ from due diligence checks on fully financed residential real estate transfers multiple entities. 50. This NPRM is focused on residential real estate. Do the same considerations for type of purchaser covered and professionals required to report apply to the commercial real estate sector?

VII. Regulatory Analysis

This regulatory impact analysis (RIA) evaluates the anticipated effects of the proposed rule in terms of its expected costs and benefits to affected parties, among other economic considerations, as required by Executive Orders 12866, 13563, and 14094 (E.O. 12866 and its amendments). This RIA also includes assessments of the potential economic impact on small entities pursuant to the Regulatory Flexibility Act (RFA) and reporting and recordkeeping burdens under the Paperwork Reduction Act of 1995 (PRA), as well as analysis required under the Unfunded Mandates Reform Act of 1995 (UMRA).

As discussed in greater detail below, the proposed rule is expected to promote national security objectives and enhance compliance with international standards by improving law enforcement’s ability to identify the natural persons associated with transactions conducted in the U.S. residential real estate sector and thereby diminish the ability of corrupt and other illicit actors to launder their proceeds through real estate purchases in the United States. More specifically, the collection of the proposed streamlined SARs, Real Estate Reports, in a repository that would be readily accessible, law enforcement is expected to increase the efficiency with which resources can be utilized to identify such natural persons, or beneficial owners, when they have conducted non-financed purchases of residential real property using legal entities or trusts.

The following RIA first describes the economic analysis FinCEN undertook to inform its expectations of the proposed rule’s impact and burden. This is followed by certain pieces of additional and, in some cases, more specifically tailored analysis as required by E.O. 12866 and its amendments, the RFA, the UMRA, and the PRA, respectively. Requests for comment related to the RIA—regarding specific findings, assumptions, or expectations, or with respect to the analysis in its entirety—can be found in the final subsection and have been previewed and cross-referenced throughout the RIA.

A. Assessment of Impact

This proposed rule has been determined to be a “significant regulatory action” under Section 3(f) of Executive Order 12866 because it may raise legal or policy issues. The following assessment indicates that the proposed rule may also be considered significant under Section 3(f)(1), as the proposed rule is expected to have an annual effect on the economy of $200 million or more. Consistent with certain identified best practices in regulatory analysis, the economic analysis conducted in this section begins with a review of FinCEN’s broad economic considerations, identifying the relevant market failures (or fundamental economic problems) that demonstrate the need or otherwise animate the impetus for the policy intervention as proposed. Next, the analysis turns to details of the current regulatory requirements and the background of market practices against which the proposed rule would introduce changes and establishes baseline estimates of the number of entities and residential real property transfers, FinCEN considers expenditures these private entities or trusts that may engage in non-financed transactions, either because this data is not available to law enforcement or access is not sufficiently centralized to be meaningfully usable for purposes of market level risk-monitoring or swift investigation and prosecution. The second problem contributes to the first, making money laundering and illicit activity through residential real property more difficult to detect and prosecute, and thus more likely to occur. Although FinCEN is unable to quantify the economic benefits of the proposed rule, FinCEN expects that the proposed rule would generate benefits by mitigating these two problems. In other words, FinCEN expects that the proposed rule could make law enforcement investigations of illicit activity and money laundering in residential real estate less costly and more effective, and it would thereby generate value in the reduction of social costs associated with such activity.

a. The Problem of Money Laundering and Illicit Activity via Residential Real Property

First, and most significantly, real estate money laundering can facilitate a broad range of illicit activity, and such activity entails significant social costs. For example, crimes such as tax evasion deprive governments of funds that could otherwise be used for public services or infrastructure investment. Other crimes such as financial fraud deprive...
VICTIMS OF THEIR PROPERTY, CHILLING
LEGITIMATE INVESTMENT AND BUSINESS
ACTIVITY THAT CAN YIELD ECONOMIC
BENEFITS. CRIMES INVOLVING VARIOUS FORMS
OF CORRUPTION CAN HINDER ECONOMIC
DEVELOPMENT AND DISCOURAGE LEGITIMATE
BUSINESSES FROM OPERATING IN AFFECTED
AREAS.149 MORE GENUERLY, CERTAIN DIRECT
AND INDIRECT COSTS OF CRIME INCLUDE:150
• FUNDING THAT MUST BE PROVIDED BY
LOCAL, STATE, TRIBAL, TERRITORIAL, AND
FEDERAL GOVERNMENTS TO SUPPORT LAW
ENFORCEMENT, THE JUDICIARY, AND
CORRECTIONAL SERVICES;
• FINANCIAL LOSSES SUSTAINED BY CRIME
VICTIMS, SUCH AS LOST MONEY AND STOLEN
OR DAMAGED PROPERTY;
• PHYSICAL, PSYCHOLOGICAL, AND LONG-
TERM FINANCIAL HARM INCURRED BY CRIME
VICTIMS AND THEIR FAMILIES, LOST
PRODUCTIVITY AND WAGES, AND LOWER
QUALITY OF LIFE AS A RESULT OF
VICTIMIZATION;
• LIGHTENED FEAR OF CRIME, REDUCED
ABILITY TO STEM BLIGHT, LOSS OF COMMERCIAL
AND OTHER INVESTMENT, AND INCREASED
BURDEN ON SOCIAL SERVICE ORGANIZATIONS IN
LOCAL COMMUNITIES.151

IN ADDITION TO FACILITATING CRIME AND ITS ASSOCIATED COSTS, MONEY LAUNDERING
CREATES DISTINCT ECONOMIC PROBLEMS IN THE REAL ESTATE MARKETS IN WHICH IT
OCCURS. WHEN A MARKET IS ECONOMICALLY EFFICIENT, THE PUBLIC MAY RELY UPON THE
PRICE(S) AT WHICH TRANSACTIONS OCCUR TO CONVEY MEANINGFUL INFORMATION,152 IN
SOME CASES INCLUDING INFORMATION ABOUT BUYERS’ AND SELLERS’ VALUATIONS. SUCH
INFORMATION ENABLES PEOPLE TO MAKE OPTIMAL ALLOCATION DECISIONS—WHETHER TO
PARTICIPATE IN A GIVEN MARKET, WHAT INVESTMENTS TO MAKE, OR HOW MUCH TO
PRODUCE, FOR EXAMPLE. IN THIS SETTING, MONEY LAUNDERING CREATES PRICE
DISORTION BY ADDING NOISE TO THE PRICE SIGNAL. WHEN PRICE DISTORTION OCCURS, THE
INFORMATION NECESSARY TO MAKE OPTIMAL DECISIONS MAY BECOME DIFFICULT OR
IMPOSSIBLE TO DECIPHER FROM OBSERVABLE MARKET BEHAVIOR. MISALLOCATIONS OF
GOODS AND SERVICES THAT HARM BOTH PRODUCERS AND CONSUMERS MIGHT ORGANIZE
AND, IN THE EXTREME, MARKETS CAN BREAK DOWN. SOME EVIDENCE THAT THIS OCCURS IN
THE REAL ESTATE MARKET HAS BEEN DOCUMENTED.153

ONE WAY TO THINK ABOUT THIS NOISE IS THAT IT IS INTRODUCED IN THE RESIDENTIAL
REAL ESTATE MARKET TO CONSIDER A PROPERTY TRANSACTION BY WHICH MONEY IS
LAUNDERED AS A BUNDLED GOOD.154 THIS WOULD IMPLY THAT THE OBSERVABLE PRICE AT
WHICH THE RESIDENTIAL REAL ESTATE PROPERTY IS TRANSFERRED DOES NOT REFLECT SIMPLY THE
BUYER’S PRIVATE VALUATION OF THE PROPERTY, BUT THEIR WILLINGNESS TO PAY FOR
MONEY LAUNDERING SERVICES AS WELL. THIS BUNDLED VALUE CAN LEAD TO ECONOMIC
INEFICIENCIES IN BOTH THE NUMBER OF AND PRICE (AT WHICH THEY OCCUR). FOR
EXAMPLE, IF A RESIDENTIAL REAL ESTATE SELLER IS UNAWARE THAT THEY ARE
BEING COMPENSATED FOR BOTH THE TRANSFER OF THEIR PROPERTY FOR WHICH THEY AGREE TO
THE TRANSFER WILL BE INEFFICIENTLY LOW.155


154 For a general description and examples of money laundering as a bundled good.155 This
property transaction by which money is laundered as a bundled good.155 This
would imply that the observable price at which the residential real property is
transferred does not reflect simply the buyer’s private valuation of the
property, but their willingness to pay for money laundering services as well.
This bundled value can lead to economic inefficiencies in both the number of and
price (at which they occur). For example, if a residential real estate seller is
unaware that they are being compensated for both the transfer of their property
for which they agree to the transfer will be inefficiently low.155


152 For an example of this principle applied to capital asset pricing, see, e.g., Eugene F. Fama.
gain or exploit current sources with greater impunity. Opaque ownership in non-financed real estate transactions can be thought of in economic terms as effectively enhancing the liquidity of ill-gotten funds, thereby increasing the overall profitability of the original activity that engendered a need for money laundering.

Similar economic problems exist when beneficial ownership information and real estate transaction information is available, but search costs to obtain that information to link a bad actor to illicit activity are so high as to frustrate or prevent investigative use. To the extent those costs mean that illicit activity is not subsequently investigated or prosecuted, this allows the individual to update their perceived probability of being detected or punished for that illicit activity downward. In a model where the expected value of illicit behavior is a function of both the expected payoff and the risk (or expected severity) of punishment, the problem of high search costs increases the expected value by decreasing the perceived risk of punishment. In cases where the expected value of a certain illicit behavior increases because the anticipated risk or severity of punishment decreased, potential illicit actors may be more likely to engage in such behavior. This updated belief can also lead an individual to mistakenly update their expectations about punishment risk or severity associated with other illegal activities. When this occurs, the coincidence of money laundering and other illicit activity may subsequently rise, which in turn may exacerbate the depressive effects of the original money laundering activities on the local economy in a self-reinforcing cycle.

FinCEN assesses that a regulatory requirement to ensure consistent reporting of non-financed real estate transfers made to legal entities and trusts on a nationwide basis would reduce law enforcement search costs for such information, thereby facilitating law enforcement and national security agency efforts to combat illicit activity. In this manner the proposed policy is expected to directly address the two main problems considered and in so doing create economic value.

2. Baseline and Affected Parties

To assess the anticipated regulatory impact of the proposed rule, FinCEN took several factors about the current state of the residential real estate market into consideration. This is consistent with established best practices and certain requirements that the expected economic effects of a proposed rule be measured against the status quo as a primary counterfactual. Among other factors, FinCEN’s economic analysis of regulatory impact considered the proposed rule in the context of existing regulatory requirements, relevant distinctive features of groups likely to be affected by the rule, and pertinent elements of current residential real estate market characteristics and common practices. Each of these elements is discussed in its respective subsection below.

a. Regulatory Baseline

While there are no specific Federal rules that would directly and fully duplicate, overlap, or conflict with the proposed rule, there are nevertheless components of the proposed requirements that mirror, or are otherwise consistent with, reporting and procedural requirements of existing FinCEN rules and orders, as well as those of other agencies. To the extent that a person would have previous compliance experience with these elements of the regulatory baseline, FinCEN expects that some costs associated with the proposed rule would be lower because the incremental changes in behavior from current practices would be smaller. FinCEN reviews the most proximate components from these existing rules and orders in greater detail below.

i. Residential Real Estate GTOs

Under the Residential Real Estate GTOs, title insurance companies are required to report: “(i) The dollar


159 See Financial Action Task Force, Guidance for a Risk Based Approach: Real Estate Sector (July 22, 2022), pp. 17, 29, available at https://www.fatf-gafi.org/content/dam/fatf-gafi/guidance/RBA-Real-Estate-Sector.pdf.coredownload.pdf ("[d]isparities with rules such as structures across countries means property can often be acquired abroad by shell companies or trusts based in secrecy jurisdictions, exacerbating the risk of money laundering.” International bodies, such as the FATF, have found that “[s]uccessful AML/CFT supervision of the real estate sector must contend with the obfuscation of true ownership provided by legal entities or arrangements.

amount of the transaction; (ii) the type of transaction; (iii) information identifying a party to the transaction, such as name, address, date of birth, and tax identification number; (iv) the role of a party in the transaction (i.e., originator or beneficiary); and (v) the name, address, and contact information for the domestic financial institution or nonfinancial trade or business.\textsuperscript{165}

As discussed above,\textsuperscript{166} FinCEN recognizes that the Residential Real Estate GTOs collect beneficial ownership information on certain nonfinanced purchases of residential real property by legal entities that meet or exceed certain dollar thresholds in select geographic areas. However, the Residential Real Estate GTOs are narrow in that they are temporary, location-specific, and limited in the transactions they cover. The proposed rule is wider in scope of coverage and, if finalized, would collect additional useful and actionable information previously not available through the Residential Real Estate GTOs. As such, the proposed national reporting framework for certain residential real estate transfers, if finalized, would replace the current Residential Real Estate GTOs.

Some evidence suggests that, despite the restricted scope of reporting persons under the existing Residential Real Estate GTOs to title insurance carriers only, certain additional categories of real estate professionals may already be familiar—and have experience—with gathering the currently required reportable information. For example, FinCEN observes that in some markets presently under a Residential Real Estate GTOs, realtors and escrow agents often assist Direct Title Insurance Carriers with their reporting obligations despite not being subject to any formal reporting requirements themselves. Some may even have multiple years’ worth of guidance and informational support by the regional or national trade association of which they are a member in how best to facilitate and enable compliance with existing FinCEN requirements. For instance, in 2021, the National Association of Realtors advised that while “real estate professionals do not have any affirmative duties under the Residential Real Estate GTOs,” such entities should nevertheless expect that “a title insurance company may request information from real estate professionals to help maintain its information from real estate transactions for a broader scope of transactions that is currently not collected under the CTA.\textsuperscript{167} As such reporting does not dynamically extend to include information on the market transactions of the beneficially owned legal entity, it would not alert law enforcement officials focused on reducing money laundering that any real estate transaction has been conducted, which includes those particularly vulnerable to money laundering such as non-financed transfers of residential property.

Furthermore, the scope of entities that are the focus of the real estate rule is broader than the CTA, as certain entities such as most types of trusts are not covered by the CTA. Because legal trusts generally do not have an obligation to report beneficial ownership under the CTA, their incremental burden of compliance with the proposed Real Estate Report requirements may be moderately higher insofar as the activities of collecting, presenting, or certifying beneficial ownership information are less likely to have already been performed for other purposes.

iii. CDD Rule

The CDD Rule’s beneficial ownership requirement addressed a regulatory weakness that enabled persons looking to hide ill-gotten proceeds to potentially access the financial system anonymously. Among other things, covered financial institutions were required to identify and verify the identity of beneficial owners of legal entity customers, subject to certain exclusions and exemptions; beneficial ownership and identification therefore became a component of AML requirements.

FinCEN is also aware that financial institutions subject to the CDD Rule are required to collect some beneficial ownership information from legal entities that establish new accounts. However, those entities do not necessarily also own real estate and financial institutions are not required to file a report of that beneficial ownership information with FinCEN. In addition, the proposed rule covers non-financed transfers of residential real estate that do not involve financial institutions covered by the CDD Rule. The rule would also collect additional information relevant to the real estate transfers that is currently not collected under the CDD Rule.

iv. Other

In the course of current residential real estate transactions, some parties that under the proposed rule might be deemed “transferors” already prepare and report portions of the proposed requisite information to other regulators. For example, the IRS collects taxpayer information through Form 1099–S on seller-side proceeds from reportable real estate transfers for a broader scope of reportable real estate transactions than the proposed rule.\textsuperscript{168} This information, however, is generally unavailable for one of the primary purposes intended by FinCEN’s proposed rule, as there are significant statutory limitations on the ability of the IRS to share such

\textsuperscript{165} 85 FR 84104 (Dec. 23, 2020).

\textsuperscript{166} See discussion of Residential Real Estate GTOs, supra Section II.H.3; see also Section III.A.


\textsuperscript{168} See supra Section III.B, which provides a full discussion on the differences between the information collected for the CTA and the information collected under the proposed rule, both in terms of the depth of the information collected and the context in which it is collected.
information with federal law enforcement or other federal agencies.\footnote{26 U.S.C. 6101 (covering confidentiality and disclosure of returns and return information).} In addition to these statutory limitations on IRS disclosure of taxpayer information, details about the buyer’s beneficial ownership (the focus of the proposed rule) largely fall outside the scope of transaction information reported on the Form 1099–S.

However, IRS Form 1099–S is nonetheless relevant to the proposed rule’s regulatory baseline, given the process by which the filing may be prepared and submitted to the IRS. Similar to what is proposed for the Real Estate Report, the person responsible for filing the form IRS Form 1099–S can either be determined through a cascade of the various parties who may be involved in the closing or settlement process, or, alternatively, certain categories of the involved parties may enter into a written agreement at or before closing to designate who must file Form 1099–S for the transaction. The agreement must identify the designated person responsible for filing the form, but it is not necessary that all parties to the transaction, or that more than one party even, enter into the agreement.\footnote{IRS, Instructions for Form 1099–S, available at \url{https://www.irs.gov/instructions/i1099s}; agencies.} The agreement must: (1) identify by name and address the person designated as responsible for filing; (2) include the names and addresses of each person entering into the agreement; (3) be signed and dated by all persons entering into the agreement; (4) include the names and addresses of the transferor and transferee; and (5) include the address and any other information necessary to identify the property.\footnote{See generally 26 U.S.C. 6101 (covering confidentiality and disclosure of returns and return information).} The proposed rule’s designation agreement requires, and is limited to, the same five components that may be included in a designation agreement accompanying Form 1099–S. Therefore, the exercise of designation as well as the collection of information and signatures it involves, as contemplated by the proposed rule, may already occur in connection with certain transfers of residential real property and in these cases be leveraged at minimal additional expense.

b. Baseline of Affected Parties

1. Transferees

According to a recent study\footnote{See Section VII.A.2.b.i.} that analyzed Zillow data covering 2,777 U.S. counties and over 39 million residential housing market transactions from 2015 to 2019, the proportion of average county-month non-financed residential real estate transactions by legal entities was approximately 11 percent during the five-year period analyzed. When the sample is divided into counties that, by 2019, were under Residential Real Estate GTOs versus those that were never under GTOs, the proportions of average county-month non-financed sales to total purchases are approximately 13.6 percent and 11.2 percent, respectively.

Legal entities that purchase residential real estate vary by size and complexity of beneficial ownership structure. FinCEN analysis of the 2018 RHFS data found that micro investors or small business landlords who owned 1–2 units owned 66 percent of all single family and multifamily structures with 2–4 units. Conversely, investors in the residential rental market who owned at least 1000 properties owned only 2 percent of single-family homes and multi-family structures.

2. Legal Trusts

The proposed rule would extend the scope of reportable transactions to include non-financed purchases of residential real property by legal trusts when such a trust falls within the definition of “transferee trust” and is not exempted.\footnote{See, e.g., Cristian Baddriza and Tarun Ramadorai, “Home away from home? Foreign demand and London house prices,” Journal of Financial Economics 130 (3) (2018), pp. 532–555, available at \url{https://doi.org/10.1016/j.jfineco.2018.07.010}; see also Caillen S. Garback and Benjamin I. Keys, “Global Capital and Local Assets: House Prices, Quantities, and Elasticities,” Technical Report, National Bureau of Economic Research (2020), available at \url{https://www.nber.org/papers/w27370}.} Historically, residential real property purchases by transferee trusts have not been covered under the current Residential Real Estate GTOs and the entities themselves are typically\footnote{FinCEN notes that while most trusts are not originally registered in the United States, where neither requirement currently exists. Because domestic trusts are created and administered under state law, and states have broad authority in how they choose to regulate trusts, there is variation in both the proportion of potential transferee trusts that are currently required to register as trusts in their respective states as well as the amount of information a given legal trust is required to report to its state about the nature of its assets or its structural complexity. Thus, limited comparable information may be available at a nationwide level besides what is reported for federal tax purposes and what is available is unlikely to represent the full population of potentially affected parties that would meet the proposed definition of transferee trust if undertaking the non-financed purchase of residential real property.} not subject to beneficial ownership reporting requirements under the CTA. Therefore, FinCEN expects that legal trusts would be more homogenously newly affected by the proposed rule than legal entities, discussed above, as a cohort of affected parties.\footnote{176 See Section VII.A.2.b.i.1.} Establishing a baseline population of potentially affected transferee trusts based on the existing population of legal trusts is challenging for several reasons. These reasons include the general lack of comprehensive and aggregated data on the number,\footnote{FinCEN notes that while the U.S. Census Bureau does produce annual statistics on the population of certain trusts (NAICS 525—Funds, Trusts, and Other Financial Vehicles), the population of certain trusts (NAICS 525—Funds, Trusts, and Other Financial Vehicles) is likely to be affected by the proposed rule and thus their population size is not informative for this analysis.} value, usage, and holdings of trusts formed in the United States, which in turn is a result of heterogeneous registration and reporting requirements, including instances where neither requirement currently exists. Because domestic trusts are created and administered under state law, and states have broad authority in how they choose to regulate trusts, there is variation in both the proportion of potential transferee trusts that are currently required to register as trusts in their respective states as well as the amount of information a given legal trust is required to report to its state about the nature of its assets or its structural complexity. Thus, limited comparable information may be available at a nationwide level besides what is reported for federal tax purposes and what is available is unlikely to represent the full population of potentially affected parties that would meet the proposed definition of transferee trust if undertaking the non-financed purchase of residential real property.

International heterogeneity in registration and reporting requirements for foreign legal trusts creates similar difficulties in assessing the population of potentially affected parties that are not originally registered in the United States. Further complicating this assessment is the exogeneity and unpredictability of changes to foreign tax and other financial policies, which studies in other, related contexts have shown, generally affect foreign demand for real estate.\footnote{See, e.g., Cristian Baddriza and Tarun Ramadorai, “Home away from home? Foreign demand and London house prices,” Journal of Financial Economics 130 (3) (2018), pp. 532–555, available at \url{https://doi.org/10.1016/j.jfineco.2018.07.010}; see also Caillen S. Garback and Benjamin I. Keys, “Global Capital and Local Assets: House Prices, Quantities, and Elasticities,” Technical Report, National Bureau of Economic Research (2020), available at \url{https://www.nber.org/papers/w27370}.} While it is difficult to know exactly how many existing legal trusts there are, and within that population, how many...
own residential real estate (as a potential indicator of what proportion of new trusts might have a view to purchase residential real property), there is nevertheless a consistency in the limited existing empirical evidence that would support a conjecture that proportionally few of the expected reportable transactions would be likely to involve a transferee trust. A recent study of U.S. single-property residential transactions that occurred between 2015 and 2019 identified a trust as the buyer in 3.3 percent of observed transfers. FinCEN also conducted additional analysis of publicly available data that might help to quantify the proportion of trust ownership in residential real estate. Based on the Department of Housing and Urban Development and Census Bureau’s Rental Housing Finance Survey (RHFS), identifiable trusts accounted for approximately 2.5 percent of rental housing ownership and approximately 8.2 percent of non-natural person ownership of rental housing.179

To the extent that trusts’ current residential real property holdings are linear in the number of housing units and current holdings is a reliable proxy for future purchasing activity, FinCEN does not expect the proportion of non-financed residential real property transfers in which the transferee is a non-excepted legal trust to exceed 5 percent of potentially affected transactions. No further refinements to this upper-bound-like estimate, based on the number of existing trusts that may be affected, would be feasible without a number of additional assumptions about market behavior that FinCEN declines to impose in the absence of better/more data. The public is invited to provide such data if available.

3. Excepted Transferees

Exceptions to the general definitions of transferee entities and transferee trusts apply to certain highly regulated entities and trusts that are subject to BSA program requirements or to other significant regulatory reporting requirements.

For example, PIVs that are investment companies and registered with the SEC under section 8 of the Investment Company Act of 1940 would be excepted, while unregistered PIVs engaging in reportable transfers would not. Unregistered PIVs would instead be required to provide the transaction’s reporting person with the proposed specified information, particularly including the required information regarding their beneficial owners. FinCEN analysis of costs below assumes that any such unregistered PIV stood up for a reportable transfer would generally have, or have low-cost access to, the proposed information necessary for filing the proposed Real Estate Reports. FinCEN expects that a PIV that is not registered with the SEC—which can have at maximum four investors whose ownership percent is or exceeds 25 percent (the threshold for the ownership prong of the beneficial ownership test for entities)—would likely either (1) be an extension of that large investor, or (2) have a general partner who actively solicited known large investors. In either case, the unregistered PIV is likely to have most of the beneficial ownership information that would be required to complete the proposed Real Estate Report and access to the beneficial owner(s) to request the additional components of required information not already at hand. Operating companies subject to the Securities Exchange Act of 1934’s current and periodic reporting requirements, including certain special purpose acquisition companies (SPACs) and issuers of penny-stock, would also be excepted transferees under the proposed rule. FinCEN notes that the percent ownership threshold for beneficial ownership for SEC regulatory purposes is considerably lower than as defined in the CTA and related Exchange Act beneficial ownership-related disclosure obligations usually apply to more control persons at such a registered operating company.180 Additionally, disclosures about the acquisition of real estate, including material non-financed purchases of residential property, are already required in certain periodic reports filed with the SEC.181 Therefore, an incremental informational benefit from not excepting SEC-registered operating companies as transferees for the purposes of the proposed Real Estate Report would not likely exist or, at best, be very low while the costs to operating companies of reporting and compliance with an additional federal regulatory agency are expected to be comparatively high.

ii. Reporting Entities

Because the proposed reporting cascade is ordered by function performed, or service provided, rather than by defined occupations or categories of service providers,182 attribution of work to the capacity in which a person is primarily employed is necessarily imprecise.183 To account for the need to map from services provided to entities providing such services as a prerequisite to estimating the number of potentially affected parties, FinCEN acknowledges, but abstracts from, the common observation that title agents and settlement agents are “often the same entity that performs two separate functions in a real estate transaction,” and that “the terms title agent and settlement agent are often used interchangeably.”184 For purposes of the remaining RIA, FinCEN groups potential reporting persons by features of their primary occupation and treats them as functionally distinct members of the cascade.185 In total, FinCEN estimates there may be up to approximately 172,753 reporting persons and 642,508 employees of those persons that could be affected by the proposed rule. Of this total, the distribution of potential reporting persons as identified by primary occupation186 is settlement agents (3.6 percent of potential reporting persons, 9.8 percent of the potentially affected labor force), title insurance companies (0.5 percent, 6.6 percent), real estate escrow agencies (10.9 percent, 10.5

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180 See description of reporting cascade, supra Section IV.D.1; see also proposed 31 CFR 1031.320(c)(1).

181 FinCEN notes that the capacity in which a person is primarily employed may not always be in the capacity of their primary occupation. However, as analysis here relies on the U.S. Census Bureau’s annual Statistics of U.S. Business Survey, which is organized by NAICS code, the following nominal primary occupations (NAICS codes) are used for grouping and counting purposes: Title Abstract and Settlement Offices (541191), Direct Title Insurance Carriers (524127), Other Activities Related to Real Estate (531390), Offices of Lawyers (541110), and Offices of Real Estate Agents and Brokers (531210).

182 See discussion of SEC-registered operating companies, supra Section IV.B.1.a.

183 Insofar as the various compliance burdens estimated below could be improved by either changes to the methodologies or the sources of data incorporated, FinCEN is soliciting public input.


185 FinCEN’s RIA assumes that the first three functions identified in the proposed waterfall (being listed as the closing or settlement agent or preparing the closing or settlement statement, and filing the deed or other instrument) would be performed, if at all, by a single person, such that there are five distinct members of the cascade.

186 FinCEN notes that the capacity in which a reporting person facilitates a residential real property transfer may not always be in the capacity of their primary occupation. However, as analysis here relies on the U.S. Census Bureau’s annual Statistics of U.S. Business Survey, which is organized by NAICS code, the following nominal primary occupations (NAICS codes) are used for grouping and counting purposes: Title Abstract and Settlement Offices (541191), Direct Title Insurance Carriers (524127), Other Activities Related to Real Estate (531390), Offices of Lawyers (541110), and Offices of Real Estate Agents and Brokers (531210).
percent), attorneys 187 (9.3 percent, 16.7 percent), and other real estate professionals 188 (75.5 percent, 56.4 percent). For purposes of cost estimates throughout the remaining analysis, FinCEN computed the following fully loaded average hourly wages by the respective primary occupation categories: settlement agents, $70.33; title insurers, $70.46; real estate escrow agencies, $84.15; attorneys, $88.89; and other real estate professionals, $84.15.

c. Market Baseline

i. Reportable Transfers

The scope of residential real estate transactions that would be affected by the proposed rule is jointly defined by the (1) the nature of the property transferred, (2) the nature of the consideration proffered, and (3) the legal organization of the party to whom the property is transferred. 189 For purposes of identification, the defining attribute for the nature of the property is that it is demonstrably intended to become, the residence of one to four families, including cooperatives and unimproved land. 190 Additionally, the property must be located in the United States as defined in the BSA implementing regulations, including U.S. territories. 191 Transfers that would be deemed reportable exclude all transactions where the transferees receive any extension of credit from a financial institution subject to AML/SAR reporting program requirements that is secured by the residential real property being transferred. Reportable transfers would also generally exclude transfers associated with an easement, death, divorce, or bankruptcy and transfers for which there is no reporting person. Because certain transfer characteristics that would cause a transfer to be excluded are not consistently identified across sources of transfer data, FinCEN estimates of the number below may generally be considered an upper bound of the expected affected transactions.

FinCEN considered several different sources of information and a mosaic of piecewise informative statistics to inform its estimate of the reportable transaction baseline. When considering existing home sales, FinCEN reviewed the National Association of Realtors Confidence Index Survey data on all-cash residential home sales between October 2008 and April 2021. In this data, the upper bound of all-cash transactions for existing home sales over this period was 35 percent, 192 which totaled to 7,500,000. 193 FinCEN also used data from the U.S. Census Bureau to review the number of new home sales between 1988–2022. FinCEN utilized peak and trough values for new home sales and percent of cash transactions— as a proxy for non-financed transactions—from the historical range provided by the Census Bureau. 194 In analysis of this data, FinCEN observed that the upper bound number of all-cash transactions for new home sales was 9.6 percent, 195 which totaled to 1,283,000 for the analysis. 196 Considering yet another source, FinCEN reviewed Redfin data covering a period between 2000 to 2022 on investor purchases of existing homes to consider as a proxy for legal entity and trust purchases. 197 This data would suggest an upper bound of approximately 20 percent. 198 However, Redfin investor purchase data is unlikely to capture all the legal entity and trust purchases that are covered under the proposed rule, is likely to include purchases by entities that would be exempt from the proposed rule, and only covers the purchase of existing residential real estate (i.e., non-new developments). FinCEN additionally made attempts to factor in the rule’s inclusion of U.S. territories by including the number of new and existing home sales in Puerto Rico in 2022 in the final estimate of total potentially reportable transfers. 199 In 2022, FinCEN identified 9,962 existing home sales and 953 new home sales in Puerto Rico. Added to the previous totals, this brought the total number of estimated existing and new home sales in the United States to 7,509,962 and 1,283,953, respectively.

To account for quit claims to LLCs with zero consideration—i.e., real estate transfers that would not be captured in Census or home sales data—FinCEN reviewed various county deed databases to estimate the annual number of quit claims to LLCs for zero-dollar consideration in the United States. FinCEN reviewed deed data from the following U.S. County databases: Cook County, Illinois; Cuyahoga County, Ohio; Monroe County, Ohio; Anderson County, Texas; Dallas County, Texas; Arapahoe County, Colorado; Rount County, Colorado; Berrien County, Michigan; Roscommon County, Texas; Garland County, Arkansas. Counties were selected based upon the ability to: (i) search for quit claim deeds, (ii) search for deeds with zero-dollar consideration, (iii) conduct a keyword search that included “LLC” in the title of the grantee, and (iv) search within the 2022 calendar year. FinCEN notes that its attempt to create a representative sample was likely limited by its search requirements and the limitations of county databases in terms of searchability. This analysis was conducted across 10 counties in 6 states and the results are included below in Table 1. 200

187 The estimate of potentially affected attorneys is calculated as ten percent of the total SUSB population of Offices of Lawyers. This estimate is based on the average from FinCEN analysis of U.S. legal bar association membership, performed primarily at the state level, identifying the proportion of (state) bar members that are members of the organization’s (state’s) real estate bar association. FinCEN considers this proxy more likely to overestimate than underestimate the number of potentially affected attorneys because, while not all members of a real estate bar association actively facilitate real estate transfers each year, it was considered less likely that an attorney would, in a given year, facilitate real estate transfers in a way that would make them a candidate reporting person for purposes of the proposed rule when such an attorney had not previously indicated an interest in real estate specific practice (by electing to join a real estate bar).

188 NAICS Code 531210 (Offices of Real Estate Agents and Brokers).

189 See discussion of affected transferees, supra Section VII.A.2.h.i.

190 See discussion, supra Section IV.A; see also proposed 31 CFR 1010.320(b).

191 31 CFR 1010.100(h).


195 Id.

196Id.


198 There was a paucity of publicly available information regarding the legal entity and trust components of overall non-financed residential real estate transfers. The Redfin estimate, supra note 198, was limited to investor purchases of existing homes only, and therefore still contains gaps. Nonetheless, the Redfin estimate was the most recently available data and provided the highest bound estimate on the role of non-natural persons in residential real estate transfers based on publicly available data.


200 Counties were selected based on the ability to search for the above criteria via each county’s online database.
As a result, the total number of estimated quit claims to LLCs covered by the rule is approximately 110,389. While these sources do not provide a complete picture of the potential number of reportable transfers in the United States, they are useful in providing an approximate range for estimation and highlight the fact that the potential range of transfers each year is dependent on multiple potential factors and conditions. Overall, the sources FinCEN reviewed suggest that hundreds of thousands of transfers may be covered under the proposed rule. FinCEN also estimates that annually anywhere between 5.23 million—6.98 million existing homes that have been purchased would be exempt from the purview of the rule. Similarly, among new home sales, FinCEN estimates that annually a range of between 305 thousand—1.26 million transactions will be exempt (See Table 2 below).

### Table 1: Deed Analysis

<table>
<thead>
<tr>
<th>State</th>
<th>County</th>
<th>Quit Claims to LLCs with No Consideration</th>
<th>Total Deeds</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Illinois</td>
<td>Cook</td>
<td>3,069</td>
<td>139,428</td>
<td>2.20%</td>
</tr>
<tr>
<td>Ohio</td>
<td>Cuyahoga</td>
<td>1,676</td>
<td>57,492</td>
<td>2.92%</td>
</tr>
<tr>
<td>Texas</td>
<td>Dallas</td>
<td>185</td>
<td>123,689</td>
<td>0.15%</td>
</tr>
<tr>
<td>Colorado</td>
<td>Arapahoe</td>
<td>141</td>
<td>80,397</td>
<td>0.18%</td>
</tr>
<tr>
<td>Michigan</td>
<td>Berrien</td>
<td>96</td>
<td>7,762</td>
<td>1.24%</td>
</tr>
<tr>
<td>Ohio</td>
<td>Monroe</td>
<td>142</td>
<td>1,036</td>
<td>13.71%</td>
</tr>
<tr>
<td>Texas</td>
<td>Anderson</td>
<td>2</td>
<td>4,709</td>
<td>0.04%</td>
</tr>
<tr>
<td>Michigan</td>
<td>Roscommon</td>
<td>29</td>
<td>3,206</td>
<td>0.90%</td>
</tr>
<tr>
<td>Colorado</td>
<td>Routt</td>
<td>12</td>
<td>4,722</td>
<td>0.25%</td>
</tr>
<tr>
<td>Arkansas</td>
<td>Garland</td>
<td>6</td>
<td>9,220</td>
<td>0.07%</td>
</tr>
<tr>
<td><strong>Totals:</strong></td>
<td></td>
<td><strong>5,358</strong></td>
<td><strong>431,661</strong></td>
<td><strong>1.24%</strong></td>
</tr>
</tbody>
</table>

### Table 2: Transactions Exempted

<table>
<thead>
<tr>
<th>Category</th>
<th>Exemption Estimates</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td><strong>Lower Bound</strong></td>
</tr>
<tr>
<td>Existing Home Sales exempted</td>
<td>5,230,313</td>
</tr>
<tr>
<td>New Home Sales exempted</td>
<td>305,848</td>
</tr>
</tbody>
</table>
FinCEN acknowledges the conditionality that likely exists between variables used in its analysis, but notes the limitations associated with publicly available data on non-financed, residential real estate purchases by legal entities and trusts. In the exercise above, FinCEN had to rely on independent estimates of specific characteristics (i.e., non-financed, legal entity) to estimate the potential number of covered transactions and exempted transactions.

On the basis of available data, studies, and qualitative evidence, and in the absence of large, unforeseeable shocks to the U.S. residential housing market, FinCEN analysis suggests that the number of potentially reportable transfers would be between approximately 800,000 and 850,000 annually.

ii. Current Market Characteristics

FinCEN took certain potentially informative aspects of the current market for residential real property into consideration when forming its expectations about the anticipated economic impact of the proposed rule. Among other things, FinCEN considered trends in the observable rate of turnover in the stock of existing homes. Additionally, FinCEN reviewed recent studies and data from the academic literature estimating housing supply elasticities on previously developed versus newly developed land.

FinCEN also considered recent survey results of the residential real estate holdings of high-net-worth individuals and the proportion of survey respondents who self-reported the intent to purchase additional residential real estate in the coming year.

Further, FinCEN reviewed studies of trends in the financing and certain distributional characteristics of shared equity housing, which includes cooperatives that could be affected by the proposed rule.

iii. Current Market Practices

1. Settlement and Closing

FinCEN assessed the role of various persons in the real estate settlement and closing process to determine a quantifiable estimate of each profession or industry’s overall participation in that process. Accordingly, FinCEN conducted research based on publicly available sources to assess the general participation rate of the different types of reporting persons in the proposed rule’s cascade. As part of its analysis, FinCEN noted a recent blog post citing data from the ALTA that 80 percent of homeowners purchase title insurance when buying a home. To better understand the distribution of the other types of persons providing residential real property transfer services to the transactions that would be affected by the proposed rules, FinCEN utilized county deed database records to approximate a randomly selected and representative sample of residential real estate transfers across the United States. FinCEN made efforts to collect deed data that reflected a representative, nation-wide sample, both in terms of the number and geographic dispersion of deeds, but acknowledge selection was nevertheless constrained in part by the feasibility to search by deed type, among other factors.

To the extent that the same analysis would yield substantively different results if performed over a larger sample (with either more geographic locations, more observations per location, or both), the public is invited to share such data or the results of analysis based on such data.

The final analysis included 100 deeds, of which 97 involved at least one of the following potential reporting persons: (i) Title Abstract and Settlement Offices, (ii) Direct Title Insurance Carriers, or (iii) Offices of Lawyers. A candidate reporting person was deemed to be involved with the creation of the deed if either (i) a company or firm performing one of these functions was included on the deed or (ii) an individual performing or employed by a company or firm performing one of these functions was included on the deed. FinCEN assessed the distribution of alternative entities identified on the remaining deeds, categorizing by reporting person type.

Based on this qualitative analysis, FinCEN tentatively anticipates that approximately three percent of reportable transaction might have a reporting person other than a settlement agent, title insurer, or attorney.

2. Records Search

Currently, law enforcement searches a variety of state and commercial databases (that may or may not include beneficial ownership information), individual county record offices, and/or use subpoena authority to trace the suspected use of criminal proceeds in the non-financed purchase of residential real estate. Even after a significant investment of resources, the identities of the beneficial owners may not be readily ascertainable. This fragmented and limited approach can slow down and decrease the overall efficacy of investigations into money laundering through real estate. This was one reason that FinCEN introduced the Residential Real Estate GTOs, which law enforcement has reported have significantly expanded their ability to investigate this money laundering typology. At the same time, the Residential Real Estate GTOs had certain restrictions that limited its usefulness nationwide. The proposed rule builds on and is intended to replace the Residential Real Estate GTOs framework and creates reporting and recording requirements for specific residential real estate transfers that would apply nationwide.

3. Description of Proposed Requirements

a. Transactions

The proposed rule does not require residential real estate transfers to be reported if the transfer involves: (i) an extension of credit to the transferee that is secured by the transferred residential real property and is extended by a financial institution that has both an obligation to maintain an AML program and an obligation to report suspicious transactions under this chapter; (ii) a grant, transfer, or revocation of an easement; (iii) a transfer resulting from the death of an owner of residential real property; (iv) a transfer incident to divorce or dissolution of a marriage; (v) a transfer to a bankruptcy estate; or (vi) a transfer that does not involve a reporting person.

b. Reporting Persons

The proposed rule would require a reporting person, as determined by either the reporting cascade or as pursuant to a designation agreement, to complete and electronically file a


202 In total, FinCEN evaluated ten deeds from eleven different U.S. counties in 2022 (removing deeds that were deemed to be out of scope). The 11 counties selected for the purposes of this analysis included: Garland County, Arkansas; Routt County, Colorado; Sarasota County, Florida; Polk County, Georgia; Montgomery County, Maryland; Berrien County, Michigan; Middlesex County, New Jersey; Cuyahoga County, Ohio; Indiana County, Pennsylvania; Greenwood County, South Carolina; and Dallas County, Texas.

203 The process of searching deeds across different U.S. counties is challenging from a data perspective. For example, FinCEN’s research found that, in some counties, deeds could only be searched in-person. FinCEN was therefore unable to include these counties in the potential sample. Furthermore, certain other deeds were deemed not relevant for the scope of the rule and hence were excluded.

204 See discussion of designation agreement, supra Section IV.D.3.
Real Estate Report containing certain information about the beneficial ownership of the legal entity(ies) or trust(s) involved in the non-financed exchange of residential real property. To facilitate the reporting person’s completion of the required report, the transferee engaged in the non-financed property transfer would need to provide a certified copy of their beneficial ownership information via a form or other attestation to the completeness and accuracy of the reported information.

c. Required Information

The proposed rule would require certain professionals or businesses to report to FinCEN information about the transferor and the transferee behind the residential real estate transfer. This would include information on the legal entity or trust, its beneficial owners, and payment information. The collected information would be maintained by FinCEN in an existing database accessible to authorized users.

3. Expected Economic Effects

This section describes the main economic effects FinCEN anticipates the various affected parties identified above may experience. Because the primary value of the proposed rule would be in the extent to which it is able to address or ameliorate the economic problems discussed under the RIA’s broad economic considerations, the remainder of this section focuses primarily on the estimates of reasonably anticipated, quantifiable costs to affected parties.

FinCEN aggregate cost estimates suggest that first year costs will be between approximately $267.3 million and $476.2 million and that the current dollar value of the aggregate costs in subsequent years will be between approximately $245.0 million and $453.9 million annually. FinCEN also invites public comment on these estimates.

a. Costs to Entities in the Reporting Cascade

i. Training

FinCEN recognizes that the proposed rule would impose certain costs on businesses positioned to provide services to non-financed residential real property transfers even in the absence of direct participation in a specific covered transaction, including the costs of preparing informational material and training personnel about the proposed rule generally as well as certain firm-specific policies and procedures related to reporting, complying, and documenting compliance.

To estimate expected training costs, FinCEN adopted a parsimonious model similar, in certain respects, to the methodology used by FinCEN when publishing the RIA for the 2016 CDD Rule (CDD Rule RIA). Taking into consideration, however, that, unlike reporting entities under the CDD rule, only one group of the proposed rule’s affected reporting persons has pre-existing experience with other FinCEN reporting and compliance requirements, the estimates of anticipated training time here are revised upward from the CDD Rule RIA to 75 minutes for initial training and 30 minutes for annual refresher training. FinCEN’s method of estimation assumes that an employee who has received initial training once will then subsequently take the annual refresher training each following year. This assumption contemplates that more than half of the original training would not be firm-specific and remains useful to the employee regardless of whether they remain with their initial employer or change jobs within the same industry. As in the CDD Rule RIA high estimate model, FinCEN estimates that two-thirds of untrained employees receive the initial (lengthier) training each year. However, because the initial training is assumed to provide transferrable human capital in this setting, turnover is not relevant to the assignment to initial training in periods following Year 1. Thus, in the revised model, FinCEN calculates annual training costs as the combination of the expected costs of providing two-thirds of the previously untrained workforce per industry with initial (lengthier) training and all previously trained employees with the refresher (shorter) training. Time costs are proxied by an industry-specific fully loaded average wage rate per industry.

Table 3 below presents the corresponding per person estimated training costs by primary occupation without adjustment for wage growth.

<table>
<thead>
<tr>
<th>Primary Business Categories</th>
<th>Estimated Per Person Training Costs</th>
<th>Initial Training</th>
<th>Refresher (Year 2+)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Fully Loaded Hourly Wage</td>
<td>Time (hours)</td>
<td>Total</td>
</tr>
<tr>
<td>Title Abstract and Settlement Offices</td>
<td>$70.33</td>
<td>1.25</td>
<td>$87.91</td>
</tr>
<tr>
<td>Direct Title Insurance Carriers</td>
<td>$84.15</td>
<td>1.25</td>
<td>$105.18</td>
</tr>
<tr>
<td>Other Activities Related to Real Estate</td>
<td>$70.46</td>
<td>1.25</td>
<td>$88.07</td>
</tr>
<tr>
<td>Offices of Lawyers</td>
<td>$88.89</td>
<td>1.25</td>
<td>$111.11</td>
</tr>
<tr>
<td>Offices of Real Estate Agents and Brokers</td>
<td>$70.46</td>
<td>1.25</td>
<td>$88.07</td>
</tr>
</tbody>
</table>

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207 See Section VII.A.1.
208 See Section VII.A.2.b.
210 As previously grouped by NAICS code, see supra Section VII.A.2.b.d.

205 See description of required transferee beneficial ownership information, supra Section IV.E.6.
To model industry-specific hiring inflows in periods following Year 1, FinCEN converted the Bureau of Labor Statistics (BLS) projected 10-year cumulative employment growth rates for 2022–2032 [211] for the NAICS code mostly closely associated with a given industry available. Additionally, inflation data from the Federal Reserve Bank of St. Louis was utilized to estimate annual wage growth given the opportunity cost of training is assumed to be equivalent to the wage of employees. [212] Utilizing these inputs, and summing costs across all industries expected to be affected, FinCEN estimates that the aggregate initial year training costs would be approximately $44.3 million dollars and the undiscounted aggregate training costs in each of the subsequent years would range between approximately $20.2 and $27.3 million.

ii. Reporting

The total costs associated with reporting a given non-financed property transaction will likely vary with the specific facts and circumstances of the transfer. For instance, the cost of the time needed to prepare and file a report could differ depending on which party in the cascade is the reporting person because parties receive different compensating wages. The costs associated with the time to determine who is the reporting person will also vary by the number of potential parties who may assume the role and thus might be parties to a designation agreement.

FinCEN estimates an average per-party cost to determine the reporting person of 30 (15) minutes for the party that assumes the role if a designation agreement is (not) required and 15 minutes each for all non-reporting parties (assuming each tier in the cascade corresponds to one reporting person). Therefore, the range of potential time costs associate with the time to determine the reporting person is expected to be between 15 to 90 minutes. [213] Recently, FinCEN received updated information from parties.

FinCEN anticipates average per-transaction reporting costs associated with a preparing and filing a report are less than half the average time expended per report in practice. Based on this feedback, the filing time burden FinCEN anticipates for the proposed rule accordingly incorporates a 45-minute estimate for the collection and reporting of the subset of Real Estate Report required information that is similar to information in reports filed under the Residential Real Estate GTOs, although FinCEN recognizes that certain transactions may require significantly more time. [214] Mindful of these outliers, FinCEN estimates an average 2 hour per reportable transaction time cost to collect and review transferee and transaction-specific reportable information and related documents, and an average 30 minute additional time cost to reporting.

Table 4 below presents FinCEN’s estimates of the various potential per-party per-transaction reporting costs associated with a preparing and filing the proposed Real Estate Report.

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[212] See Federal Reserve Bank of St. Louis, 10-Year Breakeven Inflation Rate (as of July 18, 2023), available at https://fred.stlouisfed.org/series/T10YIE.

[213] This upper bound estimate is based on an assumption that, at maximum, five distinct functional roles could be concurrently provided to a reportable transfer. See supra note 186.

[214] At present, FinCEN is unable to assess the extent to which the underlying distribution of completion times exhibits skew or the extent to which current timing outliers may more accurately represent the associated burden unique to newly affected transactions. FinCEN is therefore requesting additional data via public comments in the event that such data exists and would materially alter the related expected burden estimates below.
Based on the range of expected reportable transactions and the wages associated with different persons in the potential reporting cascade, FinCEN anticipates that the proposed rule’s reporting costs may be between approximately $158.2 million \(^{215}\) and $314.2 million.\(^{216}\)

Because FinCEN expects reporting persons to be able to rely on technology previously purchased and already deployed in the ordinary course of business (namely, computers and access to the internet) to comply with the proposed reporting requirements, no line item of incremental expected IT costs has been ascribed to reporting.

### iii. Recordkeeping

The proposed rule would impose recordkeeping requirements on reporting persons as well as, in certain cases, members of a given reportable transaction’s cascade that are not the reporting person. The primary variation in expected recordkeeping costs would flow from the conditions under which the reporting person has assumed their role. Additional variation in costs may result from differences in the dollar value assigned to the reporting person’s time costs as a function of their primary occupation.\(^{217}\)

If the reporting person assumes the role as a function of their position in the proposed reporting cascade, this would imply that no meaningfully distinct person involved in the transfer provided the preceding service(s). In this case, the reporting person’s recordkeeping requirements would be limited to the retention of compliance documents (such as the transferee’s certification of beneficial ownership information) for a period of five years in a manner that preserves ready availability for inspection as authorized by law.\(^{218}\) Recordkeeping costs would therefore include those associated with creating and/or collecting the necessary documents, storing the records in an accessible format, and securely disposing of the records after the required retention period has elapsed. FinCEN anticipates that over the full recordkeeping lifecycle, each reportable transaction would, on average, require one hour of the reporting person’s time, as well as a record processing and maintenance cost of ten cents. Because FinCEN expects that records will primarily be produced and recorded electronically and estimates its own processing and maintenance costs at ten cents per record, it has applied the same expected cost per reportable transaction to reporting persons.\(^{219}\) On aggregate, this would result in recordkeeping costs between approximately $56.3 million and $75.6 million associated with one year’s reportable transactions.

If the reporting person has instead assumed the role as the result of a designation agreement, the proposed rule would impose additional recordkeeping requirements on both the reporting person and at least one other member of the proposed reporting cascade. This is because the existence of a designation agreement implies the existence of one or more distinct alternative parties to the reportable transaction that provided a preceding service or services as described in the proposed cascade. While the proposed rule only stipulates that “the person who would otherwise be the reporting person but for the agreement” would also be anticipated to incur recordkeeping costs, FinCEN expects the minimum number of additional parties required to retain a readily accessible copy of the designation.

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**Table 4: Transaction Reporting Costs**

<table>
<thead>
<tr>
<th>Primary Business Categories</th>
<th>Non-Reporting Party</th>
<th>Reporting Party</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Designation-Related</td>
<td>Designation-Related</td>
</tr>
<tr>
<td></td>
<td>Fully Loaded Hourly Wage</td>
<td>Time (hours)</td>
</tr>
<tr>
<td>Title Abstract and Settlement Offices</td>
<td>$70.33</td>
<td>0.25</td>
</tr>
<tr>
<td>Direct Title Insurance Carriers</td>
<td>$84.15</td>
<td>0.25</td>
</tr>
<tr>
<td>Other Activities Related to Real Estate</td>
<td>$70.46</td>
<td>0.25</td>
</tr>
<tr>
<td>Offices of Lawyers</td>
<td>$88.89</td>
<td>0.25</td>
</tr>
<tr>
<td>Offices of Real Estate Agents and Brokers</td>
<td>$70.46</td>
<td>0.25</td>
</tr>
</tbody>
</table>

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\(^{215}\) This estimate assumes the lowest number of cascade participants (five [see note 186], each compensated at .25 times their respective average wage rate), the highest number of estimated annual transfers ($50,000), reported by the entity with the highest estimated wage rate ($89.48/hr.).

\(^{216}\) This estimate assumes the maximum number of cascade participants (five [see note 186], each compensated at .25 times their respective average wage rate), the highest number of estimated annual transfers ($650,000), reported by the entity with the highest estimated wage rate ($70.33/hr.).

\(^{217}\) See discussion of reporting entity hourly wage rates, supra Section VII.A.2.b.ii.

\(^{218}\) See discussion of recordkeeping requirements, supra Section IV.G; see also proposed amendment 31 CFR 1031.320(f).

\(^{219}\) This is based on the assumption that reporting persons may face comparable market rates for the same technological services. However, FinCEN invites the public to provide additional data on the market rates faced by potentially affected parties.
agreement for a five-year period would, in practice, depend on the number of alternative reporting parties servicing the transaction in a capacity that precedes the designated reporting person’s in the proposed cascade, as it would otherwise be difficult to demonstrate the prerequisite sequence of conditions were met to establish the “but for” of the proposed requirement. Conservatively assuming that each service in the proposed cascade is provided by a separate party, this would impose an incremental recordkeeping cost on at least two parties per transaction and at most five. Because FinCEN estimates of reporting costs already assign the costs of preparing a designation agreement to the reporting person (when a transaction includes a designation agreement), the incremental recordkeeping costs it estimates here pertain solely to the electronic dissemination, signing, and storage of the agreement. This is assigned an average time cost of five minutes per signing party to read and sign the designation agreement, as well as a ten-cent record processing and maintenance cost per transaction. Thus, designation agreement-specific recordkeeping costs are expected to include a time cost of 10–50 minutes (assuming one signing party per tier of the cascade) and $0.20–$0.50 per reportable transaction that involves a designation. This corresponds to expected annual aggregate costs ranging from approximately $9.5 million to $28.6 million. FinCEN notes that it assumes that rational parties to a reportable transaction would not enter into a designation agreement if the expected cost of doing so, including compliance with the proposed recordkeeping requirements, were not elsewhere compensated in the form of efficiency gains or other offsetting cost savings associated with other components of compliance with the proposed rule, such as training or reporting costs. As such, the estimates provided here should only be taken to reflect a pro forma accounting cost.

Table 5 presents FinCEN’s estimates of the various potential per-party per-transaction costs associated with the proposed Real Estate Report recordkeeping requirements.

<table>
<thead>
<tr>
<th>Estimated Per Transaction Recordkeeping Costs</th>
<th>Non-Reporting Party</th>
<th>Reporting Party</th>
</tr>
</thead>
<tbody>
<tr>
<td>Primary Business Categories</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fully Loaded Hourly Wage</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Time (minutes)</td>
<td>Total*</td>
<td>Time (minutes)</td>
</tr>
<tr>
<td>Title Abstract and Settlement Offices</td>
<td>$70.33</td>
<td>$5.96</td>
</tr>
<tr>
<td>Direct Title Insurance Carriers</td>
<td>$84.15</td>
<td>$7.11</td>
</tr>
<tr>
<td>Other Activities Related to Real Estate</td>
<td>$70.46</td>
<td>$5.97</td>
</tr>
<tr>
<td>Offices of Lawyers</td>
<td>$88.89</td>
<td>$7.51</td>
</tr>
<tr>
<td>Offices of Real Estate Agents and Brokers</td>
<td>$70.46</td>
<td>$5.97</td>
</tr>
</tbody>
</table>

* Total Recordkeeping cost estimates include both labor (wages) and technology costs ($0.10)

b. Government Costs

To implement the proposed rule, FinCEN expects to incur certain operating costs that would include approximately $8.5 million in the first year and approximately $7 million each year thereafter. These estimates include anticipated novel expenses related to technological implementation, stakeholder outreach and informational support, compliance monitoring, and potential enforcement activities as well as certain incremental increases to pre-existing administrative and logistic expenses.

While such operating costs are not typically considered part of the general economic cost of a proposed rule, FinCEN acknowledges that this treatment implicitly assumes that resources commensurate with the novel operating costs exist. If this assumption does not hold, then operating costs development, operations, and maintenance of system infrastructure, including design, deployment, and support, such as a help desk. It includes an anticipated processing cost of $0.10 per submitted Real Estate Report.
associated with a rule may impose certain economic costs on the public in the form of opportunity costs from the agency’s forgone alternative activities and those activities’ attendant benefits. Putting that into the context of this proposed rule, and benchmarking against FinCEN’s actual appropriated budget for fiscal year 2022 ($161 million), the corresponding opportunity cost would resemble forgoing approximately five percent of current activities annually.

4. Economic Consideration of Policy Alternatives

a. Proposed Requirements Without the Option To Designate

Instead of the rule as proposed, FinCEN could have required the reporting person to be determined strictly by the reporting cascade without an option to designate. Given the expectation that rational parties to a transaction would prefer to assign tasks to the party for whom it is least costly to complete, this alternative could only have been as cost effective as the proposed approach (which includes the option to designate) in the event that the reporting cascade would otherwise always assign requirements to the party with the lowest associated compliance costs. In all other cases, the alternative would be more costly. FinCEN therefore declined to propose a standalone reporting cascade.

b. Traditional SAR and AML Program Requirements

Instead of the proposed streamlined reporting requirement, FinCEN could have proposed to impose the full traditional SAR and AML program requirements on the various real estate professionals included in the proposed reporting cascade. While this would almost certainly lead to the production of significantly more reports, and hence, potentially more transaction-related information available to law enforcement, the costs accompanying this alternative would be commensurately more significant and would likely disproportionately burden small businesses. Such weighting of costs towards smaller entities could increase transaction costs associated with residential real property transactions both directly via program-related operational costs and indirectly via the potential anticompetitive effects of program costs.

c. Alternative Certification Requirements

Instead of allowing the transferee legal entity or trust to certify to the reporting person that the beneficial ownership information they have provided is accurate to the best of their knowledge, FinCEN could have required the reporting person to certify the transferee’s beneficial ownership information. This alternative would likely be accompanied by a number of increased costs, including a potential need for longer, more detailed compliance training, lengthier time necessary to collect and review documents supporting the reported transferee beneficial ownership information required, and increased recordkeeping costs. There may also be costs associated with transactions that might not occur, if for example, a reporting person is unwilling or unable to certify the transferee’s information. If certain reporting persons are better positioned to absorb the risks associated with certifying transferee beneficial ownership information, this could also have an anticompetitive effect. In this scenario, it is foreseeable that smaller businesses could be at a disadvantage.

B. Executive Orders 12866, 13563, and 14094

Executive Orders 12866, 13563, and 14094 (E.O. 12866 and its amendments) direct agencies to assess the costs and benefits of available regulatory alternatives and, if regulation is necessary, to select regulatory approaches that maximize net benefits (including potential economic, environmental, and public health and safety effects; distributive impacts; and equity). E.O. 13563 emphasizes the importance of quantifying both costs and benefits, reducing costs, harmonizing rules, and promoting flexibility. E.O. 13563 also recognizes that some benefits are difficult to quantify and provides that, where appropriate and permitted by law, agencies may consider and discuss qualitatively values that are difficult or impossible to quantify.

This proposed rule has been designated a “significant regulatory action;” accordingly, it has been reviewed by the Office of Management and Budget (OMB).

C. Regulatory Flexibility Act

When an agency issues a rulemaking proposal, the RFA requires the agency either to provide an initial regulatory flexibility analysis (IRFA) with a proposed rule or certify that the proposed rule would not have a significant economic impact on a substantial number of small entities. Although this proposed rule might apply to a substantial number of small entities, it is nonetheless not expected to have a significant economic impact given that FinCEN has attempted to minimize the burden on reporting persons by streamlining the reporting requirements and providing for an option to designate the reporting person. Accordingly, FinCEN certifies that the proposed rule would not have a significant economic impact on a substantial number of small entities. The basis for doing so is discussed in further detail below.

1. Estimate of the Number of Small Entities to Whom the Proposed Rule Will Apply

As discussed above, the proposed rule would apply to a variety of individuals and employers in real estate-related businesses insofar as such persons facilitate specifically non-financed transfers of residential property. The extent to which the proposed rule would apply to a person or business is therefore contingent on the extent to which they provide one of the services enumerated in the proposed reporting cascade to a non-exempt, non-financed transfer of residential property or a transferee entity or transferee trust.

Because the rule proposes to introduce a streamlined reporting...
requirement that is transaction-specific and tailored to a relatively small subset of residential property transfers, and because only one member of the proposed reporting cascade would be required to file the proposed Real Estate Report per reportable transfer, the estimates below of the total potential number of small entities to whom the rule would apply will necessarily exceed the number of small entities that in practice will likely be affected by the rule, possibly by an order of magnitude or more. As previously explained, the proposed obligation to file a Real Estate Report follows a cascade stratified by the services provided to each non-financed residential transfer uniquely, not the primary occupation of the person providing the service. Therefore, while each tier of the proposed reporting cascade has, for purposes of estimating the broadest extent of persons to whom the rule could apply, been mapped to a primary business category, this should not be misinterpreted as an expectation that each business in each enumerated primary business category provides the specific services to the specific transactions that would trigger a compliance requirement under the proposed rule. FinCEN does not currently have comprehensive or reliable data from which to more generally parse small businesses that theoretically could, in the ordinary course of business, provide a cascade-identified service to a transfer deemed reportable from those small businesses that do so in practice, but welcomes public comments that would inform such an exercise.

The number of small entities to whom the proposed rule would apply is additionally sensitive to both how firm size is determined and the vintage of data used for the estimates. As illustrated in the footnotes to Table 6 below, while the consensus across data sources and methodological approaches is that an upper bound of potentially affected small entities includes approximately 160,800 firms (by the following primary business classifications: approximately 6,300 Title and Settlement Agents, 800 Direct Title Insurance Carriers, 18,000 persons performing Other Activities Related to Real Estate, 15,700 Offices of Lawyers, and 120,000 Offices of Real Estate Agents and Brokers), the point estimates differ non-trivially by how ‘small’ is operationally defined, and do not do so unidirectionally across methodologies and data sources. The differences between the smallest and largest estimated values per industry group can lead to small business impact analyses that differ in anticipated magnitudes of effect by over 28,900 firms collectively, meaning that an incremental change of $100 in cost per firm could vary in aggregate estimated impact on small businesses by almost $3 million. Because estimates of aggregate economic effects can thus depend to such an extent on methodological choices rather than business fundamentals, FinCEN instead considered economic effects estimated and presented at a per-firm by primary business category level of analysis as more informative.

The following table (Table 6) further illustrates the extent to which an estimate of the population of potentially affected small entities depends on how the term ‘small’ is defined, as operationalized over the most recent vintages of data available from the Census Bureau. But it can also be used to approximate potential aggregate economic effects as a function of the per-firm cost analysis below while allowing the reader greater flexibility to impose the assumptions about the extent to which various small businesses would be implicated by the proposed rule, as each deems most reasonable.

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236 See Section VII.A.2.b.1.; see also Section VII.A.2.c.i.
237 See description of services provided by cascade tier, supra Section IV.D.1.; see also explanation of mapping services to primary occupation data, supra Section VII.A.2.b.ii.
238 Measured as all persons who by virtue of primary occupation could foreseeably provide at least one service identified in the cascade.
239 For example, in FinCEN’s deed analysis (see Section VII.A.2.c.iii.1), only three of one hundred transfers that would have been reportable under the proposed rule did not involve a settlement agent, title insurer, or attorney, suggesting that in most transactions a person primarily employed in other activities related to real estate, a real estate agent or broker, and their businesses may be unlikely to become the reporting person on a reportable transfer and thereby be affected by the proposed rule. However, because that finding speaks to the proportion of transactions that involved services from categories of primary business and not the proportion of businesses that provide cascade-identified services to reportable transfers, FinCEN declines to make conclusive inferences from that study for this purpose of estimating the population of affected businesses.
240 See Section VII.F.
241 Meaning that no method of operationalizing the term ‘small’ or vintage of data consistently yields either the smallest or the largest numerical value of the population estimate.
2. Expectations of Impact

At this time, it is unclear how individual small entities or categories of small entities may choose to respond to the proposed rule, as a broad range of potentially optimal behaviors and outcomes are possible. FinCEN has carefully considered the economic impact associated with the spectrum of possible scenarios a small entity might face and summarizes its expectations of economic impacts in the paragraphs below. To preliminarily clarify why certain costs are presented on a per-firm basis while others are presented per transaction, it is important to keep the distinction in mind between the anticipated costs of compliance, like training, that are independent of participation in reporting activity and those that are transaction-based, or conditional, on participation in a reportable transfer, like reporting and recordkeeping. Further, and within transaction-based costs, there are costs incurred by the reporting person that are independent of a designation agreement, costs incurred by the reporting person only when a designation agreement exists, and costs incurred by non-reporting persons when a designation agreement exists.243

The table below (Table 7) presents FinCEN estimates of the average annual payroll costs per employee at each of the types of small entities to whom the proposed rule would apply. This data provides a benchmark against which the anticipated costs of the proposed rule can be compared. FinCEN believes that an assessment of economic impact relative to individual payroll expenses is more appropriate for the purposes of this exercise because an analysis alternatively based on business receipts would need to rely upon the most recent SUSB that includes revenue data. That survey is approximately seven years old and predates the impacts of the COVID–19 pandemic on the residential real estate market, the market which is the specific domain to which the proposed rule would apply. Payroll data is available for more recent vintages of the survey and is therefore more likely to reflect the number, distribution, and labor costs of the businesses to whom the proposed rule would apply. Furthermore, because estimated costs have been presented at a per-employee and per-transaction level throughout the RIA, FinCEN expects that the individual business reading the analysis, and best apprised of its own annual revenues, should have the requisite pieces of information necessary to individually assess the potential impact relative to its own unique facts and circumstances.

### Table 6: Proportion of Potentially Affected Small Entities by Definition of ‘Small’

<table>
<thead>
<tr>
<th>Primary Business Categories</th>
<th>NAICS Code</th>
<th>Maximum Annual Receipts for ‘Small’ Designation&lt;sup&gt;a&lt;/sup&gt;</th>
<th>Firms Deemed ‘Small’ as Defined by</th>
<th>&lt;20 Employees in 2021&lt;sup&gt;b&lt;/sup&gt;</th>
<th>&lt;500 Employees in 2021</th>
<th>Average Receipts below SBA threshold in 2017&lt;sup&gt;c&lt;/sup&gt;</th>
</tr>
</thead>
<tbody>
<tr>
<td>Title Abstract and Settlement Offices</td>
<td>541191</td>
<td>$19.5 million</td>
<td>90.89%</td>
<td>97.29%</td>
<td>99.24%</td>
<td></td>
</tr>
<tr>
<td>Direct Title Insurance Carriers</td>
<td>524127</td>
<td>$47 million</td>
<td>90.05%</td>
<td>99.87%</td>
<td>95.35%</td>
<td></td>
</tr>
<tr>
<td>Other Activities Related to Real Estate</td>
<td>531390</td>
<td>$19.5 million</td>
<td>97.00%</td>
<td>99.70%</td>
<td>99.09%</td>
<td></td>
</tr>
<tr>
<td>Offices of Lawyers</td>
<td>541110</td>
<td>$15.5 million</td>
<td>95.45%</td>
<td>99.87%</td>
<td>99.32%</td>
<td></td>
</tr>
<tr>
<td>Offices of Real Estate Agents and Brokers</td>
<td>531210</td>
<td>$15 million</td>
<td>98.85%</td>
<td>99.90%</td>
<td>99.64%</td>
<td></td>
</tr>
</tbody>
</table>

<sup>a</sup> 13 CFR 121.201.  
<sup>b</sup> These estimates correspond to the following number of firms as reported in the SUSB 2021 data (<20, <500): Title and Abstract Settlement Offices, 6,023 and 6,571, respectively; Direct Title Insurance Carriers, 796 and 865, respectively; Other Activities Related to Real Estate, 18,185 and 18,692, respectively; Offices of Lawyers, 15,308 and 16,017, respectively; and Office of Real Estate Agents and Brokers, 128,951 and 130,331, respectively.  
<sup>c</sup> Data on firm receipts is only available in years that end in two or seven; to utilize SBA receipts thresholds, 2017 survey data is the most recent usable vintage. These estimates correspond to the following number of firms as reported in the SUSB 2017 data: Title Abstract and Settlement Offices (6,782), Direct Title Insurance Carriers (738), Other Activities Related to Real Estate (15,474), Offices of Lawyers (16,262), and Offices of Real Estates Agents and Brokers (106,461).
Table 7: Average Annual Payroll Expense per Employee at Small Entity by Primary Business

<table>
<thead>
<tr>
<th>Primary Business Categories</th>
<th>NAICS Code</th>
<th>Maximum Annual Receipts for 'Small' Designation&lt;sup&gt;a&lt;/sup&gt;</th>
<th>&lt;20 Employees (2021, unadjusted)</th>
<th>&lt;500 Employees (2021, unadjusted)</th>
<th>Average Receipts below SBA threshold (2017, unadjusted)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Title Abstract and Settlement Offices</td>
<td>541191</td>
<td>$19.5 million</td>
<td>$56,759.15</td>
<td>$63,006.04</td>
<td>$57,719.33</td>
</tr>
<tr>
<td>Direct Title Insurance Carriers</td>
<td>524127</td>
<td>$47 million</td>
<td>$61,332.52</td>
<td>$77,798.41</td>
<td>$59,706.51</td>
</tr>
<tr>
<td>Other Activities Related to Real Estate</td>
<td>531390</td>
<td>$19.5 million</td>
<td>$75,867.45</td>
<td>$83,902.18</td>
<td>$94,179.03</td>
</tr>
<tr>
<td>Offices of Lawyers</td>
<td>541110</td>
<td>$15.5 million</td>
<td>$73,259.85</td>
<td>$90,790.19</td>
<td>$98,885.14</td>
</tr>
<tr>
<td>Offices of Real Estate Agents and Brokers</td>
<td>531210</td>
<td>$15 million</td>
<td>$59,335.71</td>
<td>$61,692.48</td>
<td>$61,693.20</td>
</tr>
</tbody>
</table>

<sup>a</sup>13 CFR 121.201.

a. Scenario 1: Little to No Effect

Some small entities can reasonably be expected to experience little to no economic impact from the rule. The kinds of small entities that would face this scenario include both those unaffected because they ex ante do not participate in reportable transfers and those that ensure they do not ex post.

Among other examples, this would be the case for all small entities that, in the ordinary course of business, do not provide services to the non-financed transfers of residential property to which the proposed rule pertains. FinCEN notes that, at present, there is no comprehensive data regarding the distribution of cascade-identified services used in connection with the proposed reportable transfers that is organized by firm size of the service providers and their primary business categories. It is therefore not known if, for example, the majority of parties to the proposed reportable transfers have historically obtained services from predominantly larger firms in a given industry. While some evidence on the market concentration of title insurers suggests this might be the case for their services in real estate transactions more generally, it is unclear how transferable that observation would be to non-financed transactions exclusively. In cases where a small business in one of the identified primary business categories does not participate in non-financed, non-exempt transfers of residential property to a transferee entity or transferee trust, the proposed rule would not apply, and therefore no costs associated with training, reporting, or recordkeeping would be incurred.

Alternatively, some small entities to whom the proposed rule would apply (based on the previous provision of services to transactions that would become reportable) might, in light of the reporting requirement, preemptively adopt a business policy of not providing services to non-financed residential property transfers or otherwise form arrangements to ensure they do not become the reporting person. This would allow them to similarly forgo the need to implement training programs or incur compliance costs related to reporting or recordkeeping to the same extent as those small businesses who had never previously facilitated the proposed newly reportable transfers. Admittedly, these strategies may not be entirely cost-free as certain firms may incur some costs in the form of forgone transactions. Additionally, there may also be some transaction costs to forming the kinds of alternative arrangements, external business agreements, or partnerships necessary to ensure reportable transfers remain substantially unaffected, as desired. In many cases, FinCEN contemplates that a small business may ensure

<sup>244</sup>A recent article indicated that the top ten title insurers in 2022 enjoyed an 88.4 percent market share. See American Land Title Association, ALTA Reports Full-Year, Q4 2022 Title Insurance Premium Volume (May 8, 2023), available at https://www.prnewswire.com/news-releases/alta-reports-full-year-q4-2022-title-insurance-premium-volume-301817499.html.
the Residential Real Estate GTO to the extent that such title insurers qualify as ‘small.’ \footnote{See R.H. Coase, “The Problem of Social Cost,” The Journal of Law and Economics, vol. 3 (Oct. 1960). While Coase Theorem traditionally pertains to the resolution of externality problems by private parties given an initial allocation of property rights, the principle is expected in this context to apply similarly to the assignment of the proposed reporting requirement (and related costs) between businesses servicing a reportable transfer given an original assignment of the reporting responsibility.} \footnote{See discussion of designation agreement specific recordkeeping costs, supra Section VII.A.4.a.iii.} Such entities already have expended resources to establish a compliance infrastructure, and given the similarities between the requirements under the Residential Real Estate GTOs and the requirements that would be imposed under the proposed rule, some of those costs would not to be replicated to comply with the proposed rule. Therefore, the economic impact of the proposed rule on such entities will likely be less than it would be for entities who are not currently subject to the Residential Real Estate GTOs. The category of marginally affected small entities would also include entities that are categorically unlikely to become the reporting person when participating in reportable transfers.

For example, small entities that facilitate a reportable transaction along with other members of the reporting cascade may, by the nature of the service they provide, always reside in a tier below other service-providing entities and/or because of being further removed from the details required for the proposed Real Estate Report, may be unlikely to be designated in place of higher tier cascade members. Similarly, the nature of the service they provide may make it less likely that a reportable transfer occurs in which their service is the only third-party service obtained. As such, the main costs incurred as a consequence of the proposed rule would be associated with training, \footnote{See Table 3; see generally Section VII.A.4.a.i.} which would still be necessary to ensure proper recordkeeping \footnote{See also discussion of recordkeeping costs, supra Section VII.A.4.a.iii; see also discussion of recordkeeping costs, infra Section VII.C.2.c and Table 11.} associated with designation agreements and preparedness for reporting \footnote{See Section VII.E; see also discussion of expected reporting costs, supra Section VII.A.4.a.ii;} in the rare event either is required. FinCEN notes that, as proposed, no designation agreement with a lower-tier service provider is required if a higher-tier party to a transaction files the required Real Estate Report, and entities in tiers lower than the reporting person are not required to verify or document verification that the higher-tier party filed the report. Therefore, to the extent that a marginally affected small entity of the type described here incurs reporting or recordkeeping costs, \footnote{Id. 251} it would only be in instances where the tiers above it were absent from a deal, in which case it may still have the ability to designate the reporting requirements if lower tier services are being provided by an additional party to the transaction.

For small entities whose primary costs burden will be associated with employee training, such costs would represent an increase in payroll expense of approximately 0.2 percent per trained employee (see Tables 8 and 9 below, derived from Tables 3 and 7 above). Such a change is not expected to be economically significant. FinCEN further notes that while its RIA incorporates estimates that are informed by the previous CDD model of how training is operationalized, the proposed rule itself is silent on the manner, format, and duration of training, and the proportion of a business’s workforce that needs to be trained. Therefore, to the extent that a small business may effectively train a sufficient proportion of its workforce to the necessary degree of familiarity with the proposed rule’s reporting requirements to ensure appropriate compliance at costs lower than FinCEN estimates, it is expected to do so at its discretion.
c. Scenario 3: Full Effect

The small entities that would be most affected are those that would, as a consequence of the proposed rule, incur the full reporting requirement with certainty.

This could occur because no other members of the proposed reporting cascade participate in a given reportable transfer or because, when other cascade members participate in a reportable transfer, no designation agreement reassigns the reporting requirement away from the small entity. In this

<table>
<thead>
<tr>
<th>Primary Employment</th>
<th>NAICS Code</th>
<th>Maximum Annual Receipts for ‘Small’ Designation</th>
<th>Average Payroll/Number of Employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Title Abstract and Settlement Offices</td>
<td>541191</td>
<td>$19.5 million</td>
<td>0.15%</td>
</tr>
<tr>
<td>Direct Title Insurance Carriers</td>
<td>524127</td>
<td>$47 million</td>
<td>0.17%</td>
</tr>
<tr>
<td>Other Activities Related to Real Estate</td>
<td>531390</td>
<td>$19.5 million</td>
<td>0.12%</td>
</tr>
<tr>
<td>Offices of Lawyers</td>
<td>541110</td>
<td>$15.5 million</td>
<td>0.15%</td>
</tr>
<tr>
<td>Offices of Real Estate Agents and Brokers</td>
<td>531210</td>
<td>$15 million</td>
<td>0.15%</td>
</tr>
</tbody>
</table>

*13 CFR 121.201.

### Table 9: Refresher Training Costs as a Fraction of Payroll

<table>
<thead>
<tr>
<th>Primary Employment</th>
<th>NAICS Code</th>
<th>Maximum Annual Receipts for ‘Small’ Designation</th>
<th>Average Payroll/Number of Employees</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>&lt; 20 Employees (2021, unadjusted)</td>
</tr>
<tr>
<td>Title Abstract and Settlement Offices</td>
<td>541191</td>
<td>$19.5 million</td>
<td>0.06%</td>
</tr>
<tr>
<td>Direct Title Insurance Carriers</td>
<td>524127</td>
<td>$47 million</td>
<td>0.07%</td>
</tr>
<tr>
<td>Other Activities Related to Real Estate</td>
<td>531390</td>
<td>$19.5 million</td>
<td>0.05%</td>
</tr>
<tr>
<td>Offices of Lawyers</td>
<td>541110</td>
<td>$15.5 million</td>
<td>0.06%</td>
</tr>
<tr>
<td>Offices of Real Estate Agents and Brokers</td>
<td>531210</td>
<td>$15 million</td>
<td>0.06%</td>
</tr>
</tbody>
</table>

*13 CFR 121.201.
In the event that the small entity is the reporting person because no other person described in the cascade is involved in the transfer, costs are reduced by the absence of additional time needed to determine the reporting person and the absence of time associated with the preparation, circulation, and recordkeeping associated with a designation agreement.

FinCEN notes that because the proposed rule is intended to replace the current Residential Real Estate GTOs reporting requirement, framing the expected economic impact in terms of cost increases may overstate the anticipated incremental burden of compliance, particularly for small direct title insurance carriers.

### Table 10: Reporting Costs as a Fraction of Payroll

<table>
<thead>
<tr>
<th>Per Transaction Reporting Costs as a Fraction of Individual Annual Payroll Expense</th>
<th>Average Payroll/Number of Employees ‘Small’ as Defined by</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>&lt; 20 Employees (2021, unadjusted)</td>
</tr>
<tr>
<td><strong>Primary Employment</strong></td>
<td></td>
</tr>
<tr>
<td>Non-Reporting Party</td>
<td>Designation-Related</td>
</tr>
<tr>
<td></td>
<td></td>
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<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>Reporting Party</td>
<td>Designation-Related</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
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<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Designation-Independent</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*13 CFR 121.201.
Table 11: Recordkeeping Costs as a Fraction of Payroll

<table>
<thead>
<tr>
<th>Per Transaction Total Recordkeeping Costs as a Fraction of Individual Annual Payroll Expense</th>
<th>Average Payroll/Number of Employees</th>
<th>‘Small’ as Defined by</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>&lt; 20 Employees (2021, unadjusted)</td>
<td>&lt; 500 Employees (2021, unadjusted)</td>
</tr>
<tr>
<td></td>
<td>Average Receipts below SBA threshold* (2017, unadjusted)</td>
<td></td>
</tr>
<tr>
<td>Primary Employment</td>
<td>Average Payroll/Number of Employees</td>
<td>‘Small’ as Defined by</td>
</tr>
<tr>
<td>Non-Reporting Party</td>
<td>&lt; 20 Employees (2021, unadjusted)</td>
<td>&lt; 500 Employees (2021, unadjusted)</td>
</tr>
<tr>
<td>Designation-Related</td>
<td>Average Receipts below SBA threshold* (2017, unadjusted)</td>
<td></td>
</tr>
<tr>
<td>Title Abstract and Settlement Offices</td>
<td>0.011%</td>
<td>0.009%</td>
</tr>
<tr>
<td>Direct Title Insurance Carriers</td>
<td>0.012%</td>
<td>0.009%</td>
</tr>
<tr>
<td>Other Activities Related to Real Estate</td>
<td>0.008%</td>
<td>0.007%</td>
</tr>
<tr>
<td>Offices of Lawyers</td>
<td>0.010%</td>
<td>0.008%</td>
</tr>
<tr>
<td>Offices of Real Estate Agents and Brokers</td>
<td>0.010%</td>
<td>0.010%</td>
</tr>
<tr>
<td>Reporting Party</td>
<td>&lt; 20 Employees (2021, unadjusted)</td>
<td>&lt; 500 Employees (2021, unadjusted)</td>
</tr>
<tr>
<td>Designation-Related</td>
<td>Average Receipts below SBA threshold* (2017, unadjusted)</td>
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<td>Offices of Lawyers</td>
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</tr>
<tr>
<td>Offices of Real Estate Agents and Brokers</td>
<td>0.010%</td>
<td>0.010%</td>
</tr>
<tr>
<td>Designation-Independent</td>
<td>&lt; 20 Employees (2021, unadjusted)</td>
<td>&lt; 500 Employees (2021, unadjusted)</td>
</tr>
<tr>
<td>Title Abstract and Settlement Offices</td>
<td>0.12%</td>
<td>0.11%</td>
</tr>
<tr>
<td>Direct Title Insurance Carriers</td>
<td>0.14%</td>
<td>0.11%</td>
</tr>
<tr>
<td>Other Activities Related to Real Estate</td>
<td>0.09%</td>
<td>0.08%</td>
</tr>
<tr>
<td>Offices of Lawyers</td>
<td>0.12%</td>
<td>0.10%</td>
</tr>
<tr>
<td>Offices of Real Estate Agents and Brokers</td>
<td>0.12%</td>
<td>0.11%</td>
</tr>
</tbody>
</table>

* Total Recordkeeping cost estimates include both labor (wages) and technology costs ($0.10)

While the general consensus of this analysis across the potential scenarios that a small business could find itself in, as a consequence of the proposed rule, is that the related incremental costs are not likely to be economically significant, it may also be worth nothing that an economically significant cost generally need not imply that the economic impact on a given firm or industry would also be significant. While that could be the case, the former is not a sufficient condition for the latter.

Because a non-financed residential property transfer involving one or more potential reporting persons, unless exempt, must be reported, the parties between whom the ownership transfers may have relatively little bargaining power over the extent to which incremental costs related to the proposed rule are passed-through. Parties may have few viable alternatives to compensating the reporting person for its additional compliance-related services other than to conduct the transaction with no reporting persons involved in the transfer. This may be undesirable to the parties engaged in the transfer for a number of risk and/or convenience-related reasons that outweigh the marginal increase in transaction fees. As such, even in a

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255 See description of designation agreement time costs, supra Section VII.A.4.a.ii.
256 See description of designation agreement time and technology costs, supra Section VII.A.4.a.iii; see also Table 8.
257 Because the RFA does not statutorily define “significant” the SBA has acknowledged that what is “significant” will vary depending on the economics of the industry or sector to be regulated. The agency is in the best position to gauge the small entity impacts of its regulations. See Small Business Administration, How to Comply with the Regulatory Flexibility Act (updated Aug. 2017), page 18 available at https://advocacy.sba.gov/wp-content/uploads/2019/06/How-to-Comply-with-the-RFA.pdf. Nevertheless, it has suggested that one potentially appropriate measure of an economically significant impact is one that “exceeds 5 percent of the labor costs of the entities in the sector.” Id. at p 19. FinCEN analysis here identifies a maximum average per transaction cost of approximately 0.5 percent, which is a full order of magnitude smaller than the proposed SBA threshold.
scenario under which small entities would face the highest incremental costs.\textsuperscript{258} It may not be the case that the direct economic impact on these small entities will be significant.

3. Certification

Having considered the various possible outcomes (as grouped above by scenarios FinCEN anticipates as most likely) for small entities under the proposed reporting requirements, FinCEN certifies that the rule, if promulgated, will not have a significant economic impact on a substantial number of small entities. FinCEN invites comments from members of the public.

D. Unfunded Mandates Reform Act

Section 202 of the UMRA\textsuperscript{259} requires that an agency prepare a statement before promulgating a rule that may result in expenditure by state, local, and Tribal governments, or the private sector, in the aggregate, of $177 million or more in any one year.\textsuperscript{260} Section 202 of the UMRA also requires an agency to identify and consider a reasonable number of regulatory alternatives before promulgating a rule. FinCEN believes that the preceding assessment of impact\textsuperscript{261} satisfies the UMRA’s analytical requirements, but invites public comment on any additional factors that, if considered, would materially alter the conclusions of the RIA.

E. Paperwork Reduction Act

The new reporting requirements in this proposed rule are being submitted to OMB for review in accordance with the CRA.\textsuperscript{262} Under the CRA, an agency may not conduct or sponsor, and a proposed Real Estate Report (potentially on that implementation of a training program, filing the proposed rule would be used by federal agencies to verify compliance by persons with the provisions of the proposed rule. The collection of information is mandatory.

OMB Control Numbers: 1506–XXX.

Frequency: As required.

Description of Affected Public: Residential Real Estate Settlement Agents, Title Insurance Carriers, Escrow Service Providers, Other Real Estate Professionals.

Estimated Number of Respondents: 172,000\textsuperscript{263}

Estimated Total Annual Reporting and Recordkeeping Burden: 4,604,167 burden hours\textsuperscript{264}

Estimated Total Annual Reporting and Recordkeeping Cost: $396,610,297.74\textsuperscript{265}

General Request for Comments under the Paperwork Reduction Act: Comments submitted in response to this notice will be summarized and included in a request for OMB approval. All comments will become a matter of public record. Comments are invited on the following categories: (a) whether the collection of information is necessary for the proper performance of the functions of the agency, including whether the information shall have practical utility; (b) the accuracy of the agency’s estimate of the burden of the collection of information; (c) ways to enhance the quality, utility, and clarity of the information to be collected; (d) ways to minimize the burden of the collection of information on reporting persons, including through the use of technology; and (e) estimates of capital or start-up costs and costs of operation, maintenance, and purchase of services required to provide information.

F. Additional Requests for Comment

1. In addition, FinCEN generally invites comment on the accuracy of FinCEN’s regulatory analysis. FinCEN specifically requests comments—including data or studies—that provide additional insight on the following: What would be the short-term costs, burdens, and benefits associated with using a new reporting form to file the proposed information? The long term? What would be the costs, burdens, and benefits associated with collecting and storing the information detailed in this NPRM?

2. Would FinCEN’s proposed regulatory requirements be integrated into current compliance programs in ways that are significantly more (or less) costly than anticipated in the RIA? How much time would be needed to successfully integrate them into current systems and procedures?

3. Would reporting persons and their employers integrate implementation costs into their existing budgets in ways that substantially differ from the expectations described in the RIA? If so, how might this affect the reliability or accuracy of the estimated costs?

4. Is FinCEN correct in assuming that, in a single reportable real estate transaction, only one business would perform any of the functions described in the first three tiers of the reporting cascade? If not, please provide details about, or examples of instances where, multiple parties with functions described in the first three tiers of the cascade would participate in a single transaction. If multiple parties do participate, would this result in an impact on the burden of compliance with the rule?

5. Of the affected parties identified in this analysis, would certain nonfinancial trades services businesses incur higher costs compared to others under this proposed rule? Why?

\textsuperscript{258}For example, the full costs of newly implementing a training program, filing the proposed Real Estate Report (potentially on that implementation of a training program, filing the proposed rule would be used by federal agencies to verify compliance by persons with the provisions of the proposed rule. The collection of information is mandatory.

\textsuperscript{259}See 2 U.S.C. 1532(a).

\textsuperscript{260}The U.S. Bureau of Economic Analysis reported the annual value of the gross domestic product (GDP) deflator in 1995 (the year in which UMRA was enacted) as 71.83; and in 2002 as 127.215. See Section VII.A.4.a.ii; Section VII.A.4.a.iii.

\textsuperscript{261}See Section VII.A.4.a.ii; Section VII.A.4.a.iii.

\textsuperscript{262}This represents the upper bound estimate of reportable transfers per year as described in greater detail above in Section VII.A.2.c.1.

\textsuperscript{263}This includes the upper bound estimate of the time burden of compliance, as described in greater detail above, with the proposed reporting and recordkeeping requirements. See Section VII.A.4.a.ii; Section VII.A.4.a.iii.

\textsuperscript{264}This includes the upper bound estimate of the wage and technology costs of compliance, as described in greater detail above, with the proposed reporting and recordkeeping requirements. See Section VII.A.4.a.ii; Section VII.A.4.a.iii.
6. Please detail any aspects of the proposed rule that may cause a business to operate at a competitive disadvantage compared to any business that offers similar services but would be outside the scope of the proposed rule.

7. To what extent are the services identified in the proposed reporting cascade likely to be primarily provided by small businesses?

8. To what extent might the costs of compliance with the proposed rule dissuade certain small businesses from providing services to reportable transfers? How large is the economic value of such potentially foregone transactions to small businesses? If possible, please provide data that would enable the quantification of these costs.

9. Please detail any aspects of the proposed rule that may cause a small business to operate at a competitive disadvantage compared to other businesses that offers similar services.

10. To what extent might the parties who would be reporting persons under the proposed rule be able to pass the costs of compliance on to downstream customers/clients? Are there concerns about such an allocation of the economic burden of compliance?

11. To the extent that services in the proposed reporting cascade tiers are currently ordered such that a small business would precede a larger business, are there any economic costs to designation or significant transaction frictions that would prevent reassigning the obligation in cases where the larger business is better positioned to absorb compliance costs?

List of Subjects in 31 CFR Part 1031

Authority and Issuance

For the reasons set forth in the preamble, chapter X of title 31 of the Code of Federal Regulations is proposed to be amended by adding part 1031 to read as follows:

PART 1031—RULES FOR PERSONS INVOLVED IN REAL ESTATE CLOSINGS AND SETTLEMENTS

Subparts A–B [Reserved]

Subpart C—Reports Required To Be Made by Persons Involved In Real Estate Closings and Settlements

Sec.
1031.320 Reports of residential real property transfers.


Subparts A–B [Reserved]

Subpart C—Reports Required To Be Made by Persons Involved In Real Estate Closings and Settlements

§1031.320 Reports of residential real property transfers.

(a) General. A residential real property transfer as defined in paragraph (b) of this section ("reportable transfer") shall be reported to FinCEN by the reporting person identified in paragraph (c) of this section. The report shall include the information described in paragraphs (d) through (i) of this section. Terms not defined in paragraph (j) of this section are defined in 31 CFR 1010.100. The report required by this section shall be filed in the form and manner, and at the time, specified in paragraph (k) of this section. Records shall be retained as specified in paragraph (l) of this section and are not confidential as specified in paragraph (m) of this section.

(b) Reportable transfer. (1) Except as set forth in paragraph (b)(2) of this section, a reportable transfer is a transfer to a transferee entity or transferee trust of an ownership interest in:

(i) Real property located in the United States containing a structure designed principally for occupancy by one to four families;

(ii) Vacant or unimproved land located in the United States zoned, or for which a permit has been issued, for the construction of a structure designed principally for occupancy by one to four families; or

(iii) Shares in a cooperative housing corporation where such transfer does not involve an extension of credit to all transferees that is:

(A) Secured by the transferred residential real property; and

(B) Extended by a financial institution that has both an obligation to maintain an anti-money laundering program and an obligation to report suspicious transactions under this chapter.

(2) A reportable transfer does not include a:

(i) Grant, transfer, or revocation of an easement;

(ii) Transfer resulting from the death of an owner of residential real property;

(iii) Transfer incident to divorce or dissolution of a marriage;

(iv) Transfer to a bankruptcy estate; or

(v) Transfer for which there is no reporting person.

(c) Determination of reporting person. (1) Except as set forth in paragraphs (c)(2) and (3) of this section, the person that prepares the closing or settlement statement for the transfer, then the person that prepares the closing or settlement statement for the transfer;

(ii) If no person is described in paragraph (c)(1)(i), the person that files with the recordation office the deed or other instrument that transfers ownership of the real property to the transferee entity or transferee trust; and

(iii) If no person is described in paragraph (c)(1)(i) or (ii) of this section, the person that files with the recordation office the deed or other instrument that transfers ownership of the real property to the transferee entity or transferee trust.

(iv) If no person described in paragraph (c)(1)(i), (ii), or (iii) of this section is involved in the transfer, then the person that underwrites an owner’s title insurance policy for the transferee with respect to the transferred residential real property, such as a title insurance company;

(v) If no person described in paragraph (c)(1)(i), (ii), (iii), or (iv) of this section is involved in the transfer, then the person that disburses in any form, including from an escrow account, trust account, or lawyers’ trust account, the greatest amount of funds in connection with the residential real property transfer;

(vi) If no person described in paragraph (c)(1)(i), (ii), (iii), (iv), or (v) of this section is involved in the transfer, then the person that prepares an evaluation of the status of the title; or

(vii) If no person described in paragraph (c)(1)(i), (ii), (iii), (iv), or (v) of this section is involved in the transfer, then the person that prepares the deed or, if no deed is involved, any
other legal instrument that transfers ownership of the residential real property.

2 Employees, agents, and partners. If an employee, agent, or partner acting within the scope of such individual’s employment, agency, or partnership would be the reporting person as determined in paragraph (c)(1) of this section, then the individual’s employer, principal, or partnership is deemed to be the reporting person.

3 Designation agreement. (i) The reporting person described in paragraph (c)(1) of this section may agree with any other person described in paragraph (c)(1) to designate such other person as the reporting person with respect to the reportable transfer. The person designated by such agreement shall be the reporting person with respect to the transfer.

(ii) A designation agreement shall be in writing, and shall include:

(A) The date of the agreement;

(B) The name and address of the transferor;

(C) The name and address of the transferee entity or transferee trust;

(D) Information described in in paragraph (g) identifying transferred residential real property;

(E) The name and address of the person designated through the agreement as the reporting person with respect to the transfer; and

(F) The name and address of all other parties to the agreement.

(d) Information concerning the reporting person. The reporting person shall report:

(1) The full legal name of the reporting person;

(2) The category of reporting person, as determined in paragraph (c) of this section; and

(3) The street address that is the reporting person’s principal place of business in the United States.

(e) Information concerning the transferee—(1) Transferee entities. For each transferee entity involved in a reportable transfer, the reporting person shall report:

(i) The following information for the transferee entity:

(A) Full legal name;

(B) Trade name or “doing business as” name, if any;

(C) Complete current address consisting of:

(1) The street address that is the transferee entity’s principal place of business; and

(2) If such principal place of business is not in the United States, the street address of the primary location in the United States where the transferee entity conducts business, if any; and

(D) Unique identifying number consisting of:

(1) The Internal Revenue Service Taxpayer Identification Number (IRS TIN) of the transferee entity;

(2) If the transferee entity has not been issued an IRS TIN, a tax identification number for the transferee entity that was issued by a foreign jurisdiction and the name of such jurisdiction; or

(3) If the transferee entity has not been issued an IRS TIN or a foreign tax identification number, an entity registration number issued by a foreign jurisdiction and the name of such jurisdiction;

(ii) The following information for each beneficial owner of the transferee entity:

(A) Full legal name;

(B) Date of birth;

(C) Complete current residential street address;

(D) Citizenship; and

(E) Unique identifying number consisting of:

(1) An IRS TIN; or

(2) Where an IRS TIN has not been issued:

(i) A tax identification number issued by a foreign jurisdiction and the name of such jurisdiction; or

(ii) The unique identifying number and the issuing jurisdiction from a non-expired passport issued by a foreign government; and

(iii) The following information for each signing individual, if any:

(A) Full legal name;

(B) Date of birth;

(C) Complete current residential street address;

(D) Unique identifying number consisting of:

(1) An IRS TIN; or

(2) Where an IRS TIN has not been issued:

(i) A tax identification number issued by a foreign jurisdiction and the name of such jurisdiction; or

(3) If the transferee trust is revocable:

(ii) The following information for each trustee that is a legal entity:

(A) Full legal name;

(B) Trade name or “doing business as” name, if any;

(C) Complete current address consisting of:

(1) The street address that is the trustee’s principal place of business; and

(2) If such principal place of business is not in the United States, the street address of the primary location in the United States where the trustee conducts business, if any;

(D) Name and business address of the trust officer assigned to the transferee trust; and

(E) Unique identifying number consisting of:

(1) The IRS TIN of the trustee;

(2) In the case that a trustee has not been issued an IRS TIN, a tax identification number issued by a foreign jurisdiction and the name of such jurisdiction; or

(3) In the case that a trustee has not been issued an IRS TIN or a foreign tax identification number, an entity registration number issued by a foreign jurisdiction and the name of such jurisdiction; and

(F) For purposes of this section, an individual trustee of the transferee trust is considered to be a beneficial owner of the trust. As such, information on individual trustees must be reported in accordance with the requirements set forth in paragraph (e)(2)(iii) of this section;

(iii) The following information for each beneficial owner of the transferee trust:

(A) Full legal name;

(B) Date the trust instrument was executed;

(C) The street address that is the trust’s place of administration;

(D) Unique identifying number, if any, consisting of:

(1) IRS TIN; or

(2) Where an IRS TIN has not been issued, a tax identification number issued by a foreign jurisdiction and the name of such jurisdiction; and

(E) Whether the transferee trust is revocable;

(f) Transferee trusts. For each transferee trust in a reportable transfer, the reporting person shall report:

(i) The following information for the transferee trust:

(A) Full legal name, such as the full title of the agreement establishing the transferee trust;
(ii) The unique identifying number and the issuing jurisdiction from a non-expired passport issued by a foreign government; and

(F) The category of beneficial owner, as determined in paragraph (j)(1)(ii) of this section; and

(iv) The following information for each signing individual, if any:

(A) Full legal name;

(B) Date of birth;

(C) Complete current residential street address;

(D) Unique identifying number consisting of:

(1) An IRS TIN; or

(2) Where an IRS TIN has not been issued:

(i) A tax identification number issued by a foreign jurisdiction and the name of such jurisdiction; or

(ii) The unique identifying number and the issuing jurisdiction from a non-expired passport issued by a foreign government to the individual;

(E) Description of the capacity in which the individual is authorized to act as the signing individual; and

(F) If the signing individual is acting in that capacity as an employee, agent, or partner, the name of the individual’s employer, principal, or partnership.

(3) Collection of beneficial ownership information from transferees. The reporting person may collect the information described in paragraphs (e)(1)(ii) and (e)(2)(iii) of this section from the transferee or a person representing the transferee in the reportable transfer, provided the transferee or their representative certifies in writing, to the best of their knowledge, the accuracy of the information.

(f) Information concerning the transferor. For each transferor involved in a reportable transfer, the reporting person shall report:

(1) The following information for a transferor who is an individual:

(i) Full legal name;

(ii) Date of birth;

(iii) Complete current address;

(iv) Unique identifying number consisting of:

(A) An IRS TIN; or

(B) Where an IRS TIN has not been issued:

(i) A tax identification number issued by a foreign jurisdiction and the name of such jurisdiction; or

(ii) The unique identifying number and the issuing jurisdiction from a non-expired passport issued by a foreign government; and

(v) For each legal entity that is a trustee of the trust:

(A) Full legal name;

(B) Trade name or “doing business as” name, if any;

(C) Complete current address consisting of:

(1) The street address that is the legal entity’s principal place of business; and

(2) The following information for a legal entity:

(i) Full legal name;

(ii) Trade name or “doing business as” name, if any;

(iii) Complete current address consisting of:

(A) The street address that is the legal entity’s principal place of business; and

(B) If the principal place of business is not in the United States, the street address of the primary location in the United States where the legal entity conducts business, if any; and

(iv) Unique identifying number consisting of:

(1) An IRS TIN;

(2) Where an IRS TIN has not been issued:

(A) An IRS TIN; or

(B) Where an IRS TIN has not been issued:

(i) A tax identification number issued by a foreign jurisdiction and the name of such jurisdiction; or

(C) In the case that the legal entity has not been issued an IRS TIN or a foreign tax identification number, an entity registration number issued by a foreign jurisdiction and the name of such jurisdiction; and

(3) The following information for a transferor that is a trust:

(i) Full legal name, such as the full title of the agreement establishing the trust;

(ii) Date the trust instrument was executed;

(iii) Unique identifying number, if any, consisting of:

(A) IRS TIN; or

(B) Where an IRS TIN has not been issued, a tax identification number issued by a foreign jurisdiction and the name of such jurisdiction;

(iv) For each individual who is a trustee of the trust:

(A) Full legal name;

(B) Current residential street address; and

(C) Unique identifying number consisting of:

(1) An IRS TIN; or

(2) Where an IRS TIN has not been issued:

(i) A tax identification number issued by a foreign jurisdiction and the name of such jurisdiction; or

(ii) The unique identifying number and the issuing jurisdiction from a non-expired passport issued by a foreign government; and

(v) An entity registration number issued by a foreign jurisdiction and the name of such jurisdiction;

(3) The following information for a transferee trust:

(i) The unique identifying number of such transferee trust;

(ii) The name of the transferee trust;

(iii) Complete current address consisting of:

(A) The street address that is the transferee trust’s principal place of business; and

(B) If the principal place of business is not in the United States, the street address of the primary location in the United States where the transferee trust conducts business, if any; and

(C) Complete current residential street address;

(D) Unique identifying number consisting of:

(1) An IRS TIN;

(2) In the case that the legal entity has not been issued an IRS TIN, a tax identification number issued by a foreign jurisdiction and the name of such jurisdiction; or

(3) In the case that the legal entity has not been issued an IRS TIN or a foreign tax identification number, an entity registration number issued by a foreign jurisdiction and the name of such jurisdiction.

(g) Information concerning the transferor’s beneficial owners. For each transferor involved in a reportable transfer:

(1) The following information for each beneficial owner—not constituting the total consideration paid by a transferee entity or transferee trust:

(i) The amount of the payment, consisting of the total consideration paid by a transferee entity or transferee trust;

(ii) The method by which the payment was made;

(iii) If the payment was paid from an account held at a financial institution, the name of the financial institution and the account number; and

(iv) The name of the payor on any wire, check, or other type of payment if the payor is not the transferee entity or transferee trust.

(2) The reporting person shall report the total consideration paid or to be paid by all transferees regarding the reportable transfer:

(i) The following information for each beneficial owner regarding the payment:

(a) The unique identifying number of the beneficial owner;

(b) Trade name or “doing business as” name, if any;

(c) Complete current address consisting of:

(A) The street address that is the beneficial owner’s principal place of business; and

(B) If the street address of the beneficial owner’s principal place of business is not in the United States, the street address of the location in the United States where the beneficial owner conducts business, if any; and

(D) Unique identifying number consisting of:

(1) An IRS TIN;

(2) In the case that the legal entity has not been issued an IRS TIN, a tax identification number issued by a foreign jurisdiction and the name of such jurisdiction; or

(3) In the case that the legal entity has not been issued an IRS TIN or a foreign tax identification number, an entity registration number issued by a foreign jurisdiction and the name of such jurisdiction.

(h) Information concerning the transferee entity’s beneficial owners. For each transferee entity involved in a reportable transfer:

(1) The following information for each beneficial owner:

(i) The unique identifying number of the beneficial owner;

(ii) Trade name or “doing business as” name, if any;

(iii) Complete current address consisting of:

(A) The street address that is the legal entity’s principal place of business; and

(B) If the principal place of business is not in the United States, the street address of the primary location in the United States where the legal entity conducts business, if any; and

(iv) Unique identifying number consisting of:

(1) An IRS TIN;

(2) Where an IRS TIN has not been issued:

(A) An IRS TIN; or

(B) Where an IRS TIN has not been issued, a tax identification number issued by a foreign jurisdiction and the name of such jurisdiction;

(C) In the case that the legal entity has not been issued an IRS TIN or a foreign tax identification number, an entity registration number issued by a foreign jurisdiction and the name of such jurisdiction; and

(3) The following information for a legal entity that is a transferee trust:

(i) Full legal name, such as the full title of the agreement establishing the transferee trust;

(ii) Date the trust instrument was executed;

(iii) Unique identifying number, if any, consisting of:

(A) IRS TIN; or

(B) Where an IRS TIN has not been issued, a tax identification number issued by a foreign jurisdiction and the name of such jurisdiction;

(iv) For each individual who is a trustee of the trust:

(A) Full legal name;

(B) Current residential street address; and

(C) Unique identifying number consisting of:

(1) An IRS TIN; or

(2) Where an IRS TIN has not been issued:

(i) A tax identification number issued by a foreign jurisdiction and the name of such jurisdiction; or

(ii) The unique identifying number and the issuing jurisdiction from a non-expired passport issued by a foreign government; and

(v) An entity registration number issued by a foreign jurisdiction and the name of such jurisdiction;

(3) The following information for a transferee trust:

(i) The unique identifying number of such transferee trust;

(ii) The name of the transferee trust;

(iii) Complete current address consisting of:

(A) The street address that is the transferee trust’s principal place of business; and

(B) If the principal place of business is not in the United States, the street address of the primary location in the United States where the transferee trust conducts business, if any; and

(C) Complete current residential street address;

(D) Unique identifying number consisting of:

(1) An IRS TIN;

(2) In the case that the legal entity has not been issued an IRS TIN, a tax identification number issued by a foreign jurisdiction and the name of such jurisdiction; or

(3) In the case that the legal entity has not been issued an IRS TIN or a foreign tax identification number, an entity registration number issued by a foreign jurisdiction and the name of such jurisdiction.

(i) Information concerning hard money, private, and other similar loans. The reporting person shall report the following information concerning payments made regarding the reportable transfer:

(1) The amount of such payments, consisting of the total consideration paid by the transferee entity or transferee trust;

(2) The method by which the payment was made; and

(3) The name of the payor on any wire, check, or other type of payment if the payor is not the transferee entity or transferee trust.

(j) Definitions. For purposes of this section, the following terms have the following meanings.

(1) Beneficial owner—(i) Beneficial owners of transferee entities. (A) Where the transferee entity is a legal entity, the beneficial owners of the transferee entity are the individuals who would be the beneficial owners of the transferee entity on the date of closing if the transferee entity were a reporting
company under 31 CFR 1010.380(d) on the date of closing.

(B) The beneficial owners of a transferee entity that is established as a non-profit corporation or similar entity, regardless of jurisdiction of formation, are limited to individuals who exercise substantial control over the entity, as defined in 31 CFR 1010.380(d)(1) on the date of closing.

(ii) Beneficial owners of transferee trusts: The beneficial owners of a transferee trust are the individuals who fall into one or more of the following categories on the date of closing:

(A) A trustee of the transferee trust.

(B) An individual other than a trustee with the authority to dispose of transferee trust assets.

(C) A beneficiary who is the sole permissible recipient of income and principal from the transferee trust or who has the right to demand a distribution of, or withdraw, substantially all of the assets from the transferee trust.

(D) A grantor or settlor who has the right to revoke the transferee trust or otherwise withdraw the assets of the transferee trust.

(E) A beneficial owner of any legal entity that holds at least one of the positions in the transferee trust described in paragraphs (j)(1)(i)(A) through (D) of this section, except when the legal entity meets the criteria set forth in paragraphs (j)(1)(ii)(A) through (P) of this section. Beneficial ownership of any such legal entity is determined under 31 CFR 1010.380(d), utilizing the criteria for beneficial owners of a reporting company.

(F) A beneficial owner of any trust that holds at least one of the positions in the transferee trust described in paragraphs (j)(1)(ii)(A) through (D) of this section, except when the trust meets the criteria set forth in paragraphs (j)(1)(ii)(A) through (P) of this section. Beneficial ownership of any such trust is determined under this paragraph (j)(1)(ii)(F), utilizing the criteria for beneficial owners of a transferee trust.

(2) Closing or settlement agent. The term “closing or settlement agent” means any person, whether or not acting as an agent for a title agent or company, a licensed attorney, real estate broker, or real estate salesperson, who for another and with or without a commission, fee, or other valuable consideration and with or without the intention or expectation of receiving a commission, fee, or other valuable consideration, directly or indirectly, provides closing or settlement services incident to the transfer of residential real property.

(3) Closing or settlement statement. The term “closing or settlement statement” means the statement of receipts and disbursements for a transfer of residential real property.

(4) Date of closing. The term “date of closing” means the date on which the transferee entity or transferee trust receives an ownership interest in residential real property.

(5) Ownership interest. The term “ownership interest” means the rights held in residential real property that are demonstrated:

(i) Through a deed, for a reportable transfer described in paragraph (b)(1)(i) or (ii) of this section; or

(ii) Through stock, shares, membership, certificate, or other contractual agreement evidencing ownership, for a reportable transfer described in paragraph (b)(1)(iii) of this section.

(6) Recordation office. The term “recordation office” means any State, local, or Tribal office for the recording of reportable transfers as a matter of public record.

(7) Residential real property. The term “residential real property” means:

(i) Real property located in the United States containing a structure designed principally for occupancy by one to four families;

(ii) Vacant or unimproved land located in the United States zoned, or for which a permit has been issued, for the construction of a structure designed principally for occupancy by one to four families; or

(iii) Shares in a cooperative housing corporation.

(8) Signing individual. The term “signing individual” means each individual who signed documents on behalf of the transferee as part of the reportable transfer. However, it does not include any individual who signed documents as part of their employment with a financial institution that has both an obligation to maintain an anti-money laundering program and an obligation to report suspicious transactions under this chapter.

(9) Statutory trust. The term “statutory trust” means any trust created or authorized under the Uniform Statutory Trust Entity Act or as enacted by a State. For the purposes of this subpart, statutory trusts are transferee entities.

(10) Transferee entity. (i) Except as set forth in paragraph (j)(11)(ii) of this section, the term “transferee entity” means any person other than a transferee trust or an individual.

(ii) A transferee entity does not include:

(A) A securities reporting issuer defined in 31 CFR 1010.380(c)(2)(i); or

(B) A governmental authority defined in 31 CFR 1010.380(c)(2)(ii); or

(C) A bank defined in 31 CFR 1010.380(c)(2)(iii); or

(D) A credit union defined in 31 CFR 1010.380(c)(2)(iv); or

(E) A depository institution holding company defined in 31 CFR 1010.380(c)(2)(v); or

(F) A money service business defined in 31 CFR 1010.380(c)(2)(vi); or

(G) A broker or dealer in securities defined in 31 CFR 1010.380(c)(2)(vii); or

(H) A securities exchange or clearing agency defined in 31 CFR 1010.380(c)(2)(viii); or

(I) Any other Exchange Act registered entity defined in 31 CFR 1010.380(c)(2)(ix); or

(J) An insurance company defined in 31 CFR 1010.380(c)(2)(x); or

(K) A State-licensed insurance producer defined in 31 CFR 1010.380(c)(2)(xi); or

(L) A Commodity Exchange Act registered entity defined in 31 CFR 1010.380(c)(2)(xii); or

(M) A public utility defined in 31 CFR 1010.380(c)(2)(xiii); or

(N) A financial market utility defined in 31 CFR 1010.380(c)(2)(xiv); or

(O) An investment company as defined in section 3(a) of the Investment Company Act of 1940 (15 U.S.C. 80a–3(a)) that is registered with the Securities and Exchange Commission (SEC) under section 8 of the Investment Company Act (15 U.S.C. 80a–8); and

(P) Any legal entity whose ownership interests are controlled or wholly owned, directly or indirectly, by an entity described in paragraphs (j)(10)(iii)(A) through (O) of this section.

(11) Transferee trust. (i) Except as set forth in paragraph (j)(11)(ii) of this section, the term “transferee trust” means any legal arrangement created when a person (generally known as a settlor or grantor) places assets under the control of a trustee for the benefit of one or more persons (each generally known as a beneficiary) or for a specific purpose, as well as any legal arrangement similar in structure or function to the above, whether formed under the laws of the United States or a foreign jurisdiction. A trust is deemed to be a transferee trust regardless of whether residential real property is titled in the name of the trust itself or in the name of the trustee in the trustee’s capacity as the trustee of the trust.

(ii) A transferee trust does not include:

(A) A trust that is a securities reporting issuer defined in 31 CFR 1010.380(c)(2)(i); or

(B) A governmental authority defined in 31 CFR 1010.380(c)(2)(ii); or

(C) A bank defined in 31 CFR 1010.380(c)(2)(iii); or

(D) A credit union defined in 31 CFR 1010.380(c)(2)(iv); or

(E) A depository institution holding company defined in 31 CFR 1010.380(c)(2)(v); or

(F) A money service business defined in 31 CFR 1010.380(c)(2)(vi); or

(G) A broker or dealer in securities defined in 31 CFR 1010.380(c)(2)(vii); or

(H) A securities exchange or clearing agency defined in 31 CFR 1010.380(c)(2)(viii); or

(I) Any other Exchange Act registered entity defined in 31 CFR 1010.380(c)(2)(ix); or

(J) An insurance company defined in 31 CFR 1010.380(c)(2)(x); or

(K) A State-licensed insurance producer defined in 31 CFR 1010.380(c)(2)(xi); or

(L) A Commodity Exchange Act registered entity defined in 31 CFR 1010.380(c)(2)(xii); or

(M) A public utility defined in 31 CFR 1010.380(c)(2)(xiii); or

(N) A financial market utility defined in 31 CFR 1010.380(c)(2)(xiv); or

(O) An investment company as defined in section 3(a) of the Investment Company Act of 1940 (15 U.S.C. 80a–3(a)) that is registered with the Securities and Exchange Commission (SEC) under section 8 of the Investment Company Act (15 U.S.C. 80a–8); and

(P) Any legal entity whose ownership interests are controlled or wholly owned, directly or indirectly, by an entity described in paragraphs (j)(10)(iii)(A) through (O) of this section.
(B) A trust in which the trustee is a securities reporting issuer defined in 31 CFR 1010.380(c)(2)(i);
(C) A statutory trust; or
(D) An entity wholly owned by a trust described in paragraphs (j)(11)(ii)(A) through (C) of this section.

(k) Filing procedures—(1) What to file. A reportable transfer shall be reported by completing a Real Estate Report and collecting and maintaining supporting documentation as required by this section.

(2) Where to file. The Real Estate Report shall be filed electronically with FinCEN, as indicated in the instructions to the report.

(3) When to file. A reporting person is required to file a Real Estate Report no later than 30 calendar days after the date of closing.

(l) Retention of records. A reporting person shall maintain a copy of any Real Estate Report filed by the reporting person and a copy of any certification described in paragraph (e)(3) of this section. In addition, all parties to a designation agreement described in paragraph (c)(3) of this section shall maintain a copy of such designation agreement.

(m) Exemptions—(1) Confidentiality. Reporting persons, and any director, officer, employee, or agent of such persons, and Federal, State, local, or Tribal government authorities, are exempt from the confidentiality provision in 31 U.S.C. 5318(g)(2) that prohibits the disclosure to any person involved in a suspicious transaction that the transaction has been reported or any information that otherwise would reveal that the transaction has been reported.

(2) Anti-money laundering program. A reporting person under this section is exempt from the requirement to establish an anti-money laundering program, in accordance with 31 CFR 1010.205(b)(1)(v). However, as provided in 31 CFR 1010.205(c), no such exemption applies for a financial institution that is otherwise required to establish an anti-money laundering program by this chapter.

§ 1031.321 [Reserved]

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