

To Our Clients and Friends

Memorandum

May 2, 2022

FinCEN Renews and Expands Geographic Targeting Orders for Residential Real Estate Deals

On April 29, 2022, the U.S. Department of the Treasury's Financial Crimes Enforcement Network (FinCEN) [announced the 6-month renewal](#) of the existing Geographic Targeting Orders (GTOs) relating to money laundering concerns in connection with all-cash purchases of high-end residential real estate properties. It also expanded the GTOs to new real estate markets in the District of Columbia, Maryland, and Virginia area, Connecticut, Baltimore, and Hawaii. The GTOs were originally issued in [July 2016](#) and have been reissued several times, most recently in [November 2021](#). They require U.S. title insurance companies to identify and report the ultimate beneficial owners behind legal entities making certain all-cash real estate purchases.

In addition to the newly targeted real estate markets, the GTOs renewed, in identical form, the November 2021 GTOs, including the lower monetary threshold of \$300,000 and covering virtual currency as a targeted payment method. Now covering twelve states and the District of Columbia, these orders are significantly expanded in scope from the initial January 2016 GTOs that targeted only two real estate markets—New York and Miami. FinCEN has also provided a [sample GTO](#) and [Frequently Asked Questions](#) about the GTOs.

The new GTOs require U.S. title insurance companies to identify the natural persons who are the ultimate beneficial owners of limited liability companies, partnerships, and other legal entities involved in all-cash residential real estate sales in the following locations:

- The city and county of Baltimore in Maryland (\$50,000 threshold);
- The District of Columbia;
- Montgomery, Anne Arundel, Prince George's and Howard counties in Maryland;
- Arlington and Fairfax counties, and the cities of Alexandria, Falls Church, and Fairfax in Virginia;
- Fairfield county in Connecticut; and
- Hawaii, Maui, and Kauai counties in Hawaii.

The renewed GTOs require the same recordkeeping and reporting for all-cash residential real estate sales in the following locations:

- Bexar, Tarrant, and Dallas counties in Texas;

- Miami-Dade, Broward, and Palm Beach counties in Florida;
- The five boroughs of New York City;
- San Diego, Los Angeles, San Francisco, San Mateo, and Santa Clara counties in California;
- The city and county of Honolulu in Hawaii;
- Clark county in Nevada;
- King county in Washington;
- Suffolk and Middlesex counties in Massachusetts; and
- Cook county in Illinois.

With the exception of Baltimore, where the purchase price threshold is set at \$50,000, the threshold for each of the new and renewed GTOs is \$300,000. FinCEN apparently finds value in setting this threshold at a relatively low amount across the board, given that the geographical scope includes some of the most expensive real estate markets in the country. Previous versions of the GTOs had varying jurisdictional thresholds as high as \$3,000,000.

This marks the third renewal of the program under the Biden administration and the first time that the GTOs have been expanded during the Biden administration. Given that the program has been repeatedly renewed and expanded, we believe that FinCEN is likely to continue the GTO program for the foreseeable future, and may potentially expand the orders further to cover other geographic areas suspected of being high-risk for money laundering through luxury real estate or to adopt lower thresholds for certain real estate markets, as it did for Baltimore. Depending on the results of the GTOs, FinCEN may also implement [further anti-money laundering compliance requirements](#) in the real estate sector. Though there is little publicly available information showing the effects or specific results of the GTOs, FinCEN's acting director [recently testified](#) before Congress that "our law enforcement partners have consistently assessed that the GTOs produce valuable information that helps them target illicit activity." These comments, along with the continued expansion and renewal of GTOs, suggest that FinCEN clearly finds them to be a valuable part of its toolkit to combat money laundering in the real estate sector. The renewed and expanded GTOs took effect on April 30, 2022, and will be in effect for 180 days (through October 26, 2022).

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This memorandum is not intended to provide legal advice, and no legal or business decision should be based on its contents. If you have any questions about the contents of this memorandum, please call your regular Fried Frank contact or an attorney listed below:

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