



# U.S. REAL ESTATE IS A MAGNET FOR MONEY LAUNDERING

## TREASURY MUST EXPAND, AND MAKE PERMANENT, RULES TO PREVENT IT

### SUMMARY

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In response to growing concerns about corrupt and criminal actors using U.S. real estate markets to launder illicit cash, the Financial Crimes Enforcement Network (FinCEN), a bureau of the U.S. Treasury Department, created [Geographic Targeting Orders](#) (GTOs).

The GTOs began as a six-month, renewable pilot program in 2016. The original order required title insurance agents to collect ownership information for companies that purchased residential property in the New York City and Miami metropolitan areas. The transactions covered were [limited](#) to those with the highest risk, including the purchase of luxury real estate that was paid for entirely with cash.

Since 2016, the program has been renewed 10 times,

through multiple presidential administrations, and has been expanded to now include a dozen jurisdictions.

That being said, foreign investors now account for [one third](#) of institutional investment in single-family rental homes in the United States. It is time we stop inching forward every six months to follow the movement of dirty money from a GTO-covered area to one that isn't covered.

Pushing dirty money to new cities and towns across the country harms the newly targeted areas by [driving up the cost](#) of real estate and pushing middle- and low-income households out of the community. Property that is purchased to store cash—rather than house people—hollows out communities and harms local businesses.

### EXAMPLES OF MONEY LAUNDERING THROUGH REAL ESTATE

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Oil executive Khadem al-Qubaisi, living in Dubai, [allegedly used money stolen](#) from a Malaysian development fund (1MDB) to purchase a luxury penthouse in New York City and other high-end real estate in Beverly Hills. The money was routed through anonymous shell companies in Switzerland, Luxemburg, and Singapore before coming to the United States. In 2020, after being charged with a series of financial crimes, al-Qubaisi agreed to a \$49 million settlement with the U.S. Department of Justice.



Ukrainian bank owner and oligarch Ihor Kolomoisky and his associates [allegedly embezzled billions](#) from Ukrainian-based PrivatBank, and routed that money through the bank's Cyprus branch before it made its way to the U.S. via a series of anonymous shell companies. The money was then used to purchase commercial real estate in Louisville and Dallas.



Venezuelan oil magnate Abraham Edgardo Ortega [pleaded guilty](#) for his role in laundering more than \$1 billion through a complex currency exchange scheme that involved a French company and a Russian bank. Some of the money found its way, through anonymous shell companies, to real estate in the South Florida communities of Sunny Isles Beach and Coral Gables.

[Corrupt actors](#) live well on their laundered money while continuing to steal from and impoverish their home countries, pay for private militias to [violently prop up](#) their corrupt regimes, and [build partnerships](#) with criminal or terrorist networks to further enrich themselves and their close allies.

The new, landmark [anti-money laundering law](#) passed by Congress on January 1, 2021, to collect similar ownership information does not negate the need for an expanded GTO program. Offshore entities will still be able to anonymously buy into the U.S. real estate market. We must protect the entire U.S. financial system and not leave cracks through which illicit cash is likely to flow.

## THE GTOs HAVE A PROVEN TRACK RECORD

In 2017, in announcing a renewal of the program, FinCEN [stated](#):

*“FinCEN has found that about 30 percent of the transactions covered by the GTOs involve a beneficial owner or purchaser representative that is also the subject of a previous suspicious activity report. This corroborates FinCEN’s concerns about the use of shell companies to buy luxury real estate in “all-cash” transactions.”*

And in announcing renewals in 2019, 2020 and 2021 FinCEN wrote:

*“GTOs continue to provide valuable data on the purchase of residential real estate by persons possibly involved in various illicit enterprises. Reissuing the GTOs will further assist in tracking illicit funds and other criminal or illicit activity, as well as inform FinCEN’s future regulatory efforts in this sector.”*

## EXPAND AND MAKE PERMANENT ANTI-MONEY LAUNDERING RULES FOR REAL ESTATE

- 1. Expand the coverage to the entire country.** We know illicit money will keep moving to uncovered jurisdictions. FinCEN should use the authority they have to require title insurance agents to collect this information in every U.S. city and town.
- 2. Make the rules permanent.** FinCEN, through multiple presidential administrations, has renewed the GTOs every six months since they began in 2016. They have clearly proven useful. Yet the question of whether they will be continued prior to every renewal and whether jurisdictions will be added or dollar thresholds changed, creates uncertainty for real estate market professionals and limits their ability to develop training programs and model guidance for implementation.
- 3. Eliminate the dollar thresholds for coverage.** Originally, FinCEN created minimum dollar thresholds that were specific to each covered jurisdiction. Yet as the GTO program expanded to cover new jurisdictions, these area-specific thresholds became more cumbersome and complicated than any efficiencies they might provide. In response, FinCEN then adopted one standard for all covered jurisdictions. This could change yet again if evidence in new areas proves a need for lower thresholds, further complicating implementation. Since the number of transactions is comparatively small and the type of covered transaction is already higher risk, FinCEN should help reduce the cost of implementation by now eliminating the dollar threshold entirely.
- 4. Consider adding commercial transactions.** Commercial transactions are often more complicated than residential transactions as they routinely involve multiple buyers and a variety of financing vehicles. It is precisely the complicated nature, and the lack of transparency, of these purchases that makes these transactions higher risk, and thus more worthy of being covered.