

FinCEN Real Estate Reporting Rule 3/1/26

What the new Federal rule means for residential real estate transactions



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What is the Residential Real Estate Reporting Rule?

- FinCEN's Residential Real Estate Reporting Rule (being called the RRE Rule) is a federal anti-money laundering regulation that applies to certain **non-financed transfers of residential real estate to legal entities or trusts**.
- And when a transaction is reportable, then a Real Estate Report must be submitted to FinCEN that identifies:
 - **The reporting person**
 - **The Beneficial ownership of the entity/trust**
 - **The Property**
 - **The Funding/Transaction Details**
- The rule is effective **March 1, 2026**

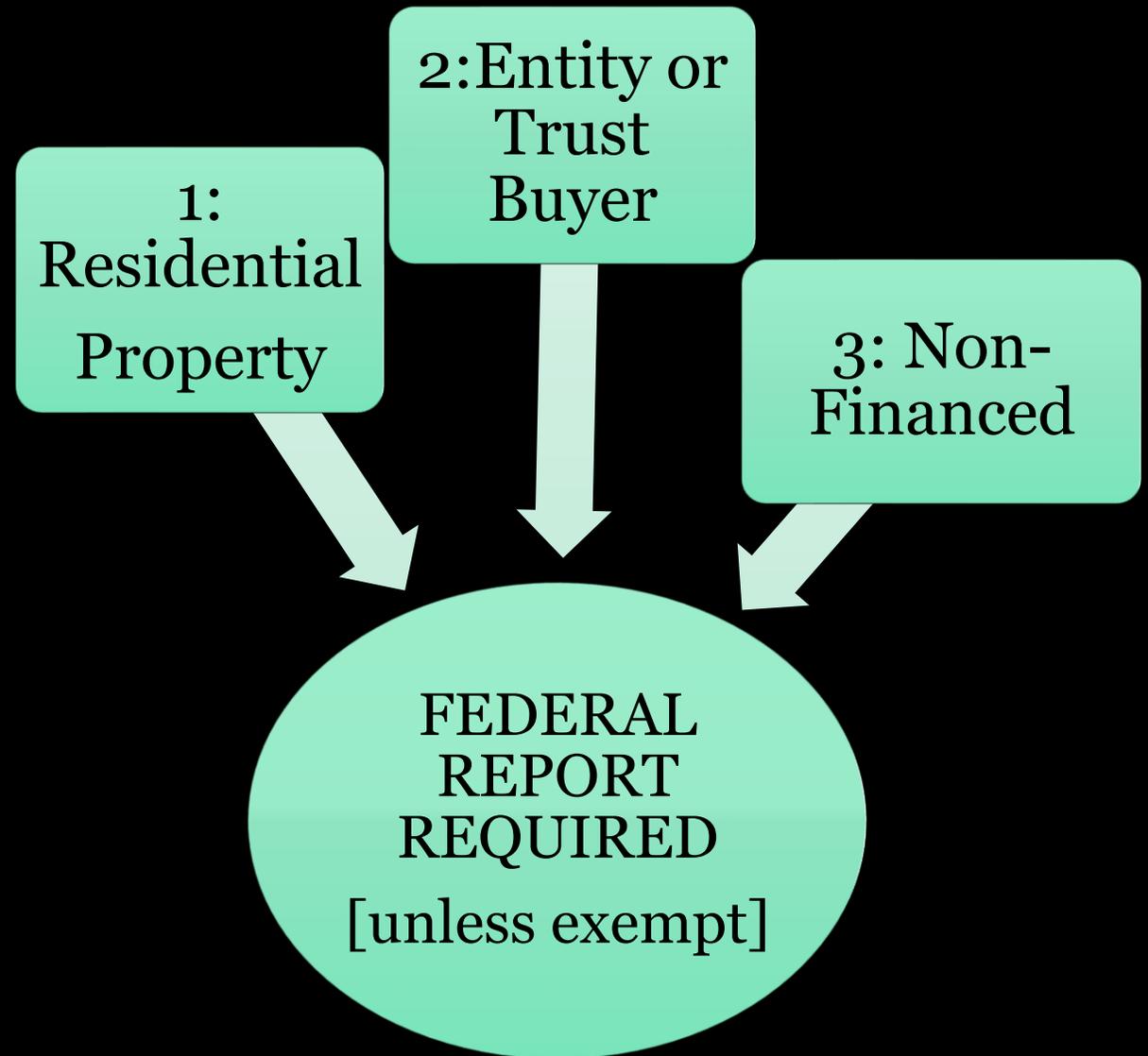
Why the RRE Rule was created?

- The US Treasury recognizes that money laundering through real estate threatens economic and national security.
- Illicit actors frequently use legal entities, trusts or all-cash (non-financed) transactions to hide their identity and launder money through residential properties, bypassing traditional bank security policies.
- Roughly 20-30% of US residential transactions are non-financed/cash – making them high risk for money laundering
- FinCEN is the Financial Crimes Enforcement Network of the US Department of Treasury



OVERVIEW:

Real Estate Rule requires certain professionals involved in real estate closings and settlements to file a “**Real Estate Report**” with FinCEN on any “reportable transfer,” which is defined as a “*non-financed transfer to a transferee entity or transferee trust of an ownership interest in residential real property*”



Residential Real Property



For purposes of the rule, “residential real property” includes:

- Real property containing a structure designed principally for occupancy by one to four families.
- Land on which the transferee intends to build a structure designed principally for occupancy by one to four families.
- A unit designed principally for occupancy by one to four families within a larger structure.
- Land with agricultural or other uses if it contains a residential home
- Mixed-use properties with a residential component.

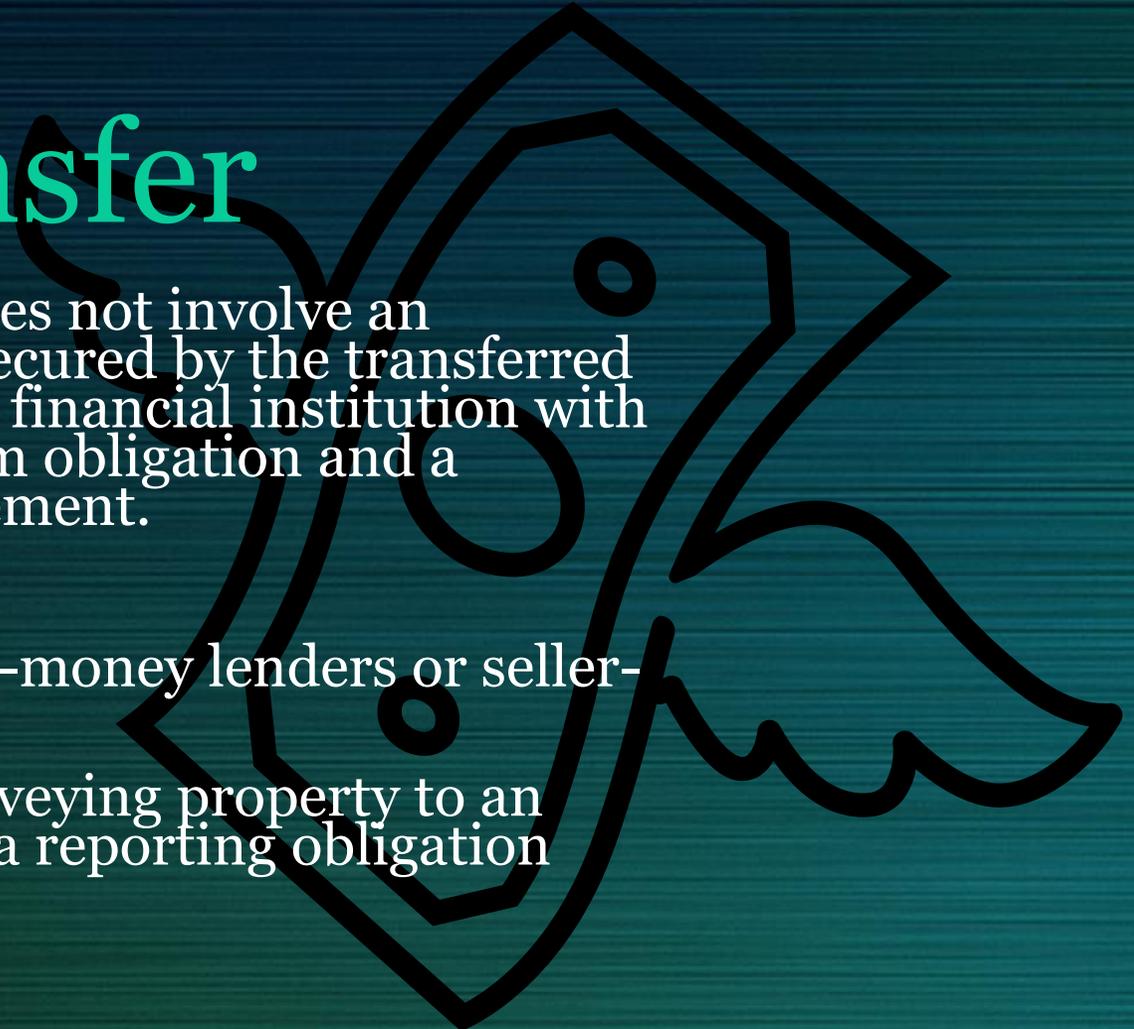
Transferee/Buyer Entity or Trust

- **ENTITIES:** corporations, partnerships, limited liability companies, estates, associations and other similar entities, both domestic and foreign [note certain exemptions]
- **TRUST:** any legal arrangement created when a settlor or grantor places assets under control of a trustee for the benefit of one or more beneficiaries or for a specific purpose [note certain exemptions].
- **Any Ownership Interest:** Even if Entity or Trust will own just a fractional or minority interest.

Non-Financed Transfer

A transfer is considered “non-financed” if it does not involve an extension of credit to transferee(s) that (1) is secured by the transferred residential real property and (2) extended by a financial institution with both an anti-money laundering (AML) program obligation and a Suspicious Activity Report (SAR) filing requirement.

- Cash purchases
- Purchases financed by private lenders, hard-money lenders or seller-financing
- A \$0 transfer, such as a quitclaim deed, conveying property to an entity or trust for no consideration triggers a reporting obligation [note exemption may apply]



Exemptions that Avoid Reporting

- **Easements** (where no property transferred)
- Transfer due to **Death** (ie: will, trust, Inheritance)
- Transfers incident to **Divorce**/dissolution settlement
- Transfers to a **Bankruptcy** Estate
- **Court Ordered** or supervised transfer
- Transfer for **no-money by an individual (alone or with spouse) to a Trust** of which that individual (alone or with spouse) are both Grantor(s)/Settlor(s) 1031 Exchange to a **Qualified Intermediary**
- Buyer is a **government authority**
- Transfers in which there is **No Reporting Person** involved – ie: no closing attorney, preparer of settlement statement, person who records, title insurance company, disbursement agent or preparer of deed.

If Reporting Required, BUYER and SELLER must complete forms &/or report certain details to Close:

SELLER

- Information about Person completing report:
Name, Contact Info & Relationship to Seller
- If Seller is an Entity or Trust, then also:
 - (1) Type of Entity/Trust, and if exempt.
 - (2) The legal name and address of Entity/Trust
 - (3) Legal name(s), address(es), date(s) of birth, and ID/Passport details for *every* beneficial owner of the Entity or Trust

BUYER

- Information about Person completing report:
Name, Contact Info & Relationship to Buyer
- If Buyer is an Entity or Trust, then also:
 - (1) Type of Entity of Trust, and if exempt.
 - (2) The legal name and address of Entity/Trust
 - (3) Legal name(s), address(es), date(s) of birth, and ID/passport details for *every* beneficial owner of the Entity or Trust
 - (4) Payment and funding details, including: (a) Purchase Price, (b) Funding Type(s) / Source(s) of Funds and (c) Name/Contact information for all parties involved in Funding

WHERE DO WE GO FROM HERE

- Effective for all residential transactions as of **3/1/26**
 - The RRE Rule was already postponed from 1/1/26 to March
 - There are currently **TWO** federal lawsuits challenging this RRE Rule, **BUT** barring a major court injunction or administrative relief, it is not forecasted to be delayed further.
 - Litigation is ongoing, so later ruling(s) could change/limit application of the RRE Rule or even strike it down.
- **INFORM** Clients of this RRE Rule & Requirements!
- If your Buyer is a Trust/Entity, **confirm method of funding/\$\$\$ for the purchase ASAP**
- **Inform Closing attorney immediately if funding changes** (ie: from conventional loan to cash, etc).
- This **WILL** increase requirements for closing and **WILL increase closing costs for applicable Buyers**. This will vary by attorney and may change depending on ease or difficulty in our market.

USE OUR REPORTING TEST

If you can answer **YES** to these:

Is the property residential?

(1-4 family units, condos, dual-use properties, shares in cooperative housing), or vacant land intended for home construction, located anywhere in the US (50 states) BC, Puerto Rico, US territories, or Native American Lands

Is ANY buyer (or transferee) a legal entity or trust?

Note: This includes any type of entity such as LLCs, corporations, partnerships, estates, associations, statutory trusts, or trusts managed by trustees.

Is the property being purchased WITHOUT FINANCING?

from a lender with a regulated AML program (like a bank or credit union)

Note: Select yes for hard money loans or seller financing because these are NOT typically regulated lenders

And these exemptions **DO NOT** apply:

Do ANY of these other exemptions apply to your transactions:

1. Transfer is due to a death (will, trust, inheritance)
2. Divorce/dissolution settlement
3. No-cost transfer to seller's or spouse's own trust
4. Transfer to bankruptcy estate
5. Court-ordered or supervised transfer
6. Easement (no property transfer)
7. 1031 exchange to Qualified Intermediary
8. Buyer is exempt regulated entity or it's subsidiary
9. Buyer is a government authority
10. Trust is a securities reporting issuer or has a public company trustee
11. No reporting person involved in transfer

Then you **MUST FILE** a FinCEN report.



Non-Compliance leads to civil & criminal penalties ...so it WILL be requirement for Closing BUT it's not a Contract requirement (or not yet)?

- We will request information necessary to report as soon as we know if may apply, so do not delay or it may cause closing issues.
- We can draft an addenda to make it a closing contingency
- States are creating specific addenda for this RRE Rule, and NC is reporting it will be included in the July contract updates.



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