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Insights

Important New Federal Reporting Requirement for Certain Residential Real Estate Transactions — Effective March 1, 2026

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The Financial Crimes Enforcement Network (FinCEN) has finalized a new residential real estate reporting rule under 31 CFR 1031.320 (the "Rule"), which takes effect March 1, 2026. This regulatory change will affect clients engaged in residential real estate transactions and, in particular, those involving non-financed transfers to entities or trusts.

Why This Matters

FinCEN's Residential Real Estate Reporting Rule is part of a broader federal effort to increase transparency in the U.S. real estate market and combat money laundering and other illicit finance activities. The Rule requires the filing of a new "Real Estate Report" for certain residential property transfers that meet specific criteria.

What Is a Reportable Transfer?

A reportable transfer occurs when all of the following are true:

- The property involved is residential real property (e.g., one- to four-family homes, townhouses, condominiums, co-ops, or land intended for residential construction);
- The transfer is non-financed, meaning it does not involve credit secured by the property from a financial institution subject to anti-money-laundering ("AML") program and Suspicious Activity Report ("SAR") filing obligations; and
- The transferee is (a) a corporation, partnership, limited liability company, estate, association, or similar entity or (b) a trust.

Transactions with no cash consideration (including gifts or quitclaim transfers) may also be reportable if these conditions are met.

Mixed-use properties are also covered by the Rule. A transfer of a residential unit located above a commercial space would likewise be reportable.

Exempt Transfers

Certain transactions are not reportable, even if the above criteria are met. Exempt transfers include:

- Grants, transfers, or revocations of easements;

- Transfers resulting from the death of an individual (whether by will, trust, operation of law, or contractual provision);
- Transfers incident to divorce or dissolution of a marriage or civil union.
- Transfers to a bankruptcy estate;
- Transfers supervised by a U.S. court;
- Transfers for no consideration made by an individual, either alone or with their spouse, to a trust of which that individual, that individual's spouse, or both are the grantor(s) or settlor(s);
- Transfers to a qualified intermediary for purposes of a 1031 exchange; and
- Transfers for which there is no reporting person involved.

Certain regulated entities such as banks, credit unions, securities reporting issuers, public utilities, and insurance companies are exempt as set forth in the Rule.

Certain types of trusts are also exempt from the Rule, including statutory trusts and trusts where the trustee is a securities reporting issuer.

Reporting the Transaction

The Rule establishes a “reporting cascade” among real estate professionals involved in the closing or settlement of a transaction. A Real Estate Report must be filed with FinCEN by the first applicable reporting person in the cascade, beginning with the closing or settlement agent and extending to title insurance underwriter and deed preparers. Parties in the reporting cascade may enter into a designation agreement to assign reporting responsibility.

The Real Estate Report lists over 100 data points to be reported, including the residential real property being transferred, identifying information for the reporting person, the transferee entity or trust, and the beneficial owners of the transferee entity or trust (including names, dates of birth, addresses, and taxpayer identification numbers), and financial details of the transfer including total consideration paid and bank names and account numbers.

The Real Estate Report must be submitted electronically through the BSA E-Filing System by the later of (i) the final day of the month following the month when the closing occurred, or (ii) 30 calendar days after the date of closing.

Penalties for Non-Compliance

Failure to comply with the Rule can result in significant civil and criminal penalties, including civil fines per violation and higher amounts for patterns of negligence, and criminal fines and imprisonment for willful violations.

What You Should Do Now

Although reporting begins on **March 1, 2026**, effective compliance requires early planning. Steps to consider include:

- Reviewing pending and future real estate transactions to determine whether the Rule may apply;
- Identifying who in your transaction chain could become the reporting person;
- Gathering required beneficial ownership information early; and
- Contacting your lawyer to establish compliance procedures tailored to your situation.

If you have questions about how this new reporting rule may affect your real estate transactions, please contact **Stephanie J. Truchan** or **Michael R. Schumann** for guidance.

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