Financial Crimes Enforcement Network
A bureau of the U.S. Department of the Treasury

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FinCEN Report Warns of Money Laundering Methods and Trends in Residential Real Estate Industry

VIENNA, Va. – The Financial Crimes Enforcement Network (FinCEN) today released the latest in a series of reports, which are based upon analysis of suspicious activity reports (SARs) provided by the financial industry. Today's report, *Suspected Money Laundering in the Residential Real Estate Industry: An Assessment Based Upon Suspicious Activity Report Filing Analysis* identifies several transactional typologies and associated illicit activities that may be perpetrated by individuals or groups seeking to launder funds via residential property transactions.

This study confirms an increase in the number of SARs indicating suspected money laundering in the industry which tracks closely with the past expansion of the real estate market, especially in the 2004-2005 period. Previous FinCEN studies concerning *Mortgage Loan Fraud* and *Money Laundering in the Commercial Real Estate Industry* confirmed similar trends. However, in contrast to criminals seeking to profit by committing mortgage fraud, those who seek to launder money through residential real estate generally intend to make timely payments and seek to make their transactions appear as unremarkable as possible in order to disguise the source of their funds.

Laundering money through residential real estate involves turning the proceeds of crime into the use or ownership of real property assets. For example, a criminal may use illicit funds to outright purchase or to make monthly rental payments on real property. Internationally, these laundering techniques are well known and have been described in the Egmont Group publication, *FIU's* [Financial Intelligence Units] *in Action, 100 cases from the Egmont Group*, and are often referred to in various reports on methods and typologies published by the Financial Action Task Force (FATF). FinCEN's report shows that U.S. financial institutions have been able to identify some possible instances of money laundering through residential real estate. The report is intended to help raise awareness of the vulnerability and assist financial institutions to better recognize risk and thus provide better information to law enforcement in order to combat criminal activity.

Significantly, as the report describes, more than 75 percent of reported suspects had no professional relationship with the residential real estate industry and any reported collusion with various real estate or construction professionals was somewhat rare. Money launderers were found to use many techniques, including: structuring large transactions into smaller amounts in order to evade detection; using "straw buyers" to front for the true purchaser; and fraudulent documentation. In some cases, laundering money through residential real estate was found to support tax evasion, fraud and identity theft.

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The mission of the Financial Crimes Enforcement Network is to safeguard the financial system from the abuses of financial crime, including terrorist financing, money laundering, and other illicit activity. We achieve this mission by: administering the Bank Secrecy Act; supporting law enforcement, intelligence, and regulatory agencies through sharing and analysis of financial intelligence; building global cooperation with our counterpart financial intelligence units; and networking people, ideas, and information.