



Geographic Targeting Orders –

Current Criteria



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Geographic Targeting Orders (GTOs) were first issued in January 2016 for certain all-cash purchases of high-end, residential real estate in designated areas throughout the country by the Financial Crimes Enforcement Network (FinCEN). The purpose behind the orders is to assist the government in combatting money laundering schemes in connection with purchases of luxury residential real estate properties by entities, behind which purported money-launderers may try to hide.

Over the last three years, the order has been revised, with the most significant change in criteria being the lowering of the minimum purchase price. Under the current order, which is set to expire May 15, 2019 but which most people in the industry expect to be extended, reporting is required on transactions where the following conditions exist:

- A "Legal Entity" – a corporation, limited liability company, partnership or other similar business entity – purchases residential property (previously a trust was

- included in this criteria); and
- Purchase price is \$300,000 or more, and located in defined geographic areas including the City & County of Honolulu; and
- Purchase is made without a bank loan or similar form of external financing; and
- Any part of the purchase is made using currency; a cashier's, certified, personal, traveler's, or business check; a money order; or a funds transfer.

When the transaction falls within these parameters, a title insurance company issuing title insurance for the transaction is required to report and obtain a copy of the driver's license, passport, or other similar identification of individuals primarily responsible for representing the purchaser, and similar information from the Beneficial Owners of the purchasing entity. A Beneficial Owner includes each individual who directly or indirectly owns 25% or more of the equity interests of the purchaser. If the purchaser is a limited liability company, then the reporting must also include the name, address, and taxpayer identification number,

if any, of all of its members regardless of their ownership share. Title insurance companies have created forms to assist in the gathering of this information.

FinCEN emphasizes that the GTOs are not intended to stop real estate transactions. As a practical matter, however, it is important for purchasers and their agents who may be involved in transactions covered by the GTO to be aware of the reporting requirements and to proactively avoid delays by providing the organizational documents as early as possible regarding purchasing entities and their owners.

"Title Guaranty's Escrow Officers are educated and experienced in working with the GTO and are fulfilling FinCEN's requirements on a daily basis. As the neutral third party to the transaction, we have processes in place to ensure all federal requirements are met and your transaction runs smoothly." - Mike B Pietsch, President | COO