

## **Regulator renews order targeting shell companies buying South Florida real estate**

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*By Ashley Portero*

The U.S. Department of Treasury's Financial Crimes Enforcement Network (FinCEN) renewed its Geographic Targeting Orders (GTOs) for South Florida.

The region is one of 12 metropolitan areas undergoing a crackdown on real estate-related money laundering.

The order requires title insurance companies to identify individuals behind shell companies that facilitate all-cash purchases of residential real estate. It applies to transactions above \$300,000.

That has a significant impact on the region, which has one of the nation's largest supplies of \$1 million condos. Wealth migration is fueling the Miami market, according to the Miami Association of Realtors, which reports Miami-area luxury home sales increased almost 12% in the third quarter of 2019.

The order, in effect Nov. 12 to May 9, 2020, does not require reporting for purchases made by legal entities that are U.S.-based publicly-traded companies.

[Andrew Ittleman](#), partner at Miami law firm Fuerst Ittleman David and Joseph, said South Florida's proximity to Latin America and thriving real estate market makes it a hot-spot for money laundering. He noted

several [Venezuelans in government positions](#) have been prosecuted for moving funds out of Venezuela and laundering them through South Florida real estate as the country descended into economic crisis.

"When you're in Miami you can't help but admire the beautiful buildings in our skyline," Ittleman said. "But when you understand where some of the money has come from, the FinCEN efforts make more sense."

FinCEN initially issued a GTO for Miami in 2015 — the only city in the nation targeted at that time.

The newest order includes Miami-Dade, Broward and Palm Beach counties, as well as Boston, Chicago, Dallas-Fort Worth, Honolulu, Las Vegas, Los Angeles, New York City, San Antonio, San Diego, San Francisco and Seattle.

"Back then, FinCEN determined that ill-gotten money, proceeds of crime of one variety or another, was making it into Miami's legitimate stream of commerce through real-estate purchases," Ittleman said. "The GTO allowed FinCEN to get more information about real estate transactions in real time, and it was so effective that it was spread out to other U.S. jurisdictions."

Ittleman said he expects the U.S. Treasury Department will eventually need to formalize the GTOs by writing regulations, rather than renewing temporary orders every six months. But those regulations would likely face steep opposition from real estate developers and investors, he said.

"It would take a lot to put regulations in place," he said. "in the end, the title insurance industry would need to champion it and it doesn't look like that will happen anytime soon."