

# GAO Highlights

Highlights of [GAO-20-546](#), a report to congressional requesters

## Why GAO Did This Study

Bad actors seeking to launder money can use legal entities, such as shell companies, to buy real estate without a loan. Doing so potentially can conceal the identities of bad actors and avoid banks' anti-money laundering programs. To better understand this risk and help law enforcement investigate money laundering, FinCEN issued its real estate GTO. Although GTOs are limited to 180 days, they may be renewed if FinCEN finds reasonable grounds for doing so.

Because of concerns about the potential for bad actors to exploit regulatory gaps to launder money through the U.S. real estate market, GAO was asked to review FinCEN's real estate GTO. This report examines, among other things, the GTO's issuance and renewal, oversight, outreach, and evaluation.

GAO reviewed FinCEN's records, orders, and policies and procedures; laws and regulations; and studies and other related materials. GAO also interviewed FinCEN, federal law enforcement agencies, and other stakeholders.

## What GAO Recommends

GAO recommends that FinCEN provide additional direction for self-initiated GTOs, including how to plan for oversight, outreach, and evaluation. FinCEN concurred with GAO's recommendation.

View [GAO-20-546](#). For more information, contact Michael E. Clements, 202-512-8678, [ClementsM@gao.gov](mailto:ClementsM@gao.gov).

July 2020

# ANTI-MONEY LAUNDERING

## FinCEN Should Enhance Procedures for Implementing and Evaluating Geographic Targeting Orders

### What GAO Found

To combat money laundering, the Financial Crimes Enforcement Network (FinCEN) issued a geographic targeting order (GTO) in 2016 that required title insurers to report information on certain all-cash purchases of residential real estate by legal entities in specified areas. According to FinCEN analysis, the use of legal entities to purchase high-value real estate, particularly in certain U.S. cities, was prone to abuse. FinCEN determined that imposing the real estate GTO reporting requirements on title insurers would cover a large number of transactions without unnecessary complexity. FinCEN renewed the real estate GTO multiple times—finding it has yielded information useful to law enforcement investigations—and periodically expanded the types of monetary instruments and geographic areas included and decreased the price reporting threshold (see fig.).

**Issuance and Renewals of the Real Estate Geographic Targeting Order (GTO)**

	GTO 1 Mar. 2016 to Aug. 2016	GTO 2 Aug. 2016 to Feb. 2017	GTO 3 Feb. 2017 to Aug. 2017	GTO 4 Sept. 2017 to Mar. 2018	GTO 5 Mar. 2018 to Sept. 2018	GTO 6 Nov. 2018 to May 2019	GTO 7, 8, and 9 May 2019 to Nov. 2020
<b>Purchase price reporting threshold</b>	≥\$3M - ≥\$1M (varied by area)	\$500K - \$3M (varied by area)	\$500K - \$3M (varied by area)	\$500K - \$3M (varied by area)	\$500K - \$3M (varied by area)	≥\$300K (all areas)	≥\$300K (all areas)
<b>Types of monetary instruments covered</b>	 Currency Money order Checks: -Cashier's -Personal -Traveler's	 Checks: -Personal -Business		 Funds transfer		 Virtual currency	
<b>Geographic areas covered (residential real property purchases)</b>							

Source: GAO analysis of the Financial Crimes Enforcement Network's real estate geographic targeting orders. | GAO-20-546

Unlike prior GTOs, which FinCEN officials said they issued at the request of and with the involvement of law enforcement agencies, FinCEN issued the real estate GTO on its own initiative. Thus, FinCEN had to take the lead in implementing and evaluating the GTO but lacked detailed documented procedures to help direct the GTO's implementation and evaluation—contributing to oversight, outreach, and evaluation weaknesses. For example, FinCEN did not begin examining its first title insurer for compliance until more than 3 years after issuing the GTO and did not assess whether insurers were filing all required reports. Similarly, while FinCEN initially coordinated with some law enforcement agencies, it did not implement a systematic approach for outreach to all potentially relevant law enforcement agencies until more than 2 years after issuing the GTO. FinCEN also has not yet completed an evaluation of the GTO to determine whether it should address money laundering risks in residential real estate through a regulatory tool more permanent than the GTO, such as a rulemaking. Strengthening its procedures for self-initiated GTOs should help FinCEN more effectively and efficiently implement and manage them as an anti-money laundering tool.