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The Residential Real Estate Reporting Rule: A Major Shift in Real Estate Compliance

A major regulatory change is coming to the U.S. real estate market, and professionals in the legal, financial, and real estate sectors need to prepare now. **Beginning December 1, 2025**, the **Residential Real Estate (RRE) Reporting Rule**, issued by the U.S. Treasury Department's **Financial Crimes Enforcement Network (FinCEN)**, will take effect – introducing a nationwide obligation to report certain real estate transactions that previously may have evaded scrutiny.

The RRE Rule is part of FinCEN's broader mission to combat illicit financial activity under the Bank Secrecy Act. Specifically, the rule targets **non-financed transfers of residential real estate** to **entities and trusts** – transactions that may otherwise bypass traditional anti-money laundering (AML) safeguards because they do not involve institutional financing. Historically, FinCEN has used Geographic Targeting Orders (GTOs) to collect information in certain high-risk markets, but the RRE Rule now replaces that patchwork with a **comprehensive, nationwide system**.

Who Needs to Report – and What Must Be Reported

Under the new rule, if a transaction is determined to be "reportable," a **Reporting Person** must be identified. This person will be responsible for gathering extensive data about the transaction, including:

- The identities of the **Transferee Entity or Trust** and its **beneficial owners**
- The **Transferor** (seller)
- The **residential property** being transferred, including legal description and address
- The **total consideration** and breakdown of payments
- The identity of persons signing documents on behalf of the transferee

If parties to the transaction fail to reach a **Designation Agreement** specifying who will act as the Reporting Person, the obligation defaults to a **cascade of responsibility**, potentially placing reporting duties on closing agents, preparers of settlement statements, or even title insurers.

Violations of the rule can result in **civil penalties and criminal liability**. Compounding the risk, Reporting Persons and those involved in Designation Agreements must **retain documentation for five years after** the closing. This includes certificates and memos substantiating how beneficial ownership was determined and how the reporting obligations were fulfilled.

New Obligations, New Questions

The RRE Rule presents both logistical and legal challenges. Who determines if a transaction is reportable? What qualifies as a "non-financed" transfer? How do real estate professionals verify exemption status? What happens when a trust is involved? These are just some of the complex issues that will arise under this rule.

To guide professionals through these challenges, **ALI CLE** is offering the live webcast [Residential Real Estate Reporting Rule: What You Need to Know](), on Wednesday, July 23, noon – 1 pm ET that will provide a **deep dive into the mechanics of the RRE Rule**, outlining how to determine reporting obligations, manage documentation, and avoid costly missteps.