

SunSentinel

January 14, 2016

Cash buyers' names sought

Treasury requests identities in luxury home transactions

BY PAUL OWERS
Staff writer

Federal authorities announced a plan Wednesday to fight money laundering in the real estate industry by tracking the identities of buyers who pay cash for high-end homes in Miami-Dade County and New York City.

The Treasury Department said it will temporarily require title insurance companies to reveal the actual owners behind holding companies that acquire homes priced at \$1 million or more in Miami-Dade and \$3 million or more in New York.

The information will go to law enforcement officials and be included in a national database. The names won't be made public.

"We are seeking to understand the risk that corrupt foreign officials, or transnational criminals, may be using premium U.S. real estate to secretly invest millions in dirty money," said Jennifer Shasky Calvery, director of the Treasury's Financial

Crimes Enforcement Network, in a statement. "Over the years, our rules have evolved to make the standard mortgage market more transparent and less hospitable to fraud and money laundering. But cash purchases present a more complex gap that we seek to address."

The agency said the new rules "would mitigate the key vulnerability associated with these transactions — the ability for individuals to disguise their involvement in the purchase."

The order begins March 1 and expires Aug. 27. Steve Hudak, a spokesman for FinCEN, said it does not apply to deals in Broward or Palm Beach counties, though the agency has not ruled out expanding the enforcement.

William G. Hardin, director of the Hollo School of Real Estate at Florida International University, said the Treasury likely included Miami-Dade County because of the large number of foreign buyers there. Of more than 44,000 Florida properties purchased by international

buyers in the year ending in June 2015, more than a third were in Miami-Dade, according to a Florida Realtors trade group survey.

Buyers can remain anonymous by structuring deals through LLC entities. While such transactions invite suspicion, taxes and estate planning are two valid reasons why residents who live outside the United States don't want to buy homes in their names, Hardin said.

"What (authorities) are really doing is signaling that they want greater transparency in the market — and here's one easy way to do that," Hardin said. "What they are asking for is not very rigorous."

The Miami Herald reported that an untraceable Delaware shell company recently bought a \$47 million Key Biscayne mansion, and an unidentified trust paid \$19.5 million for a Miami Beach home. Public records don't show mortgages on either deal, the paper said.

Bob Howell, a Plantation real estate lawyer and title insurer, said industry professionals already are trained to be aware of suspicious real estate transactions. He said that until en-

forcement begins, nobody can be sure of its effect on the luxury home buying industry. But he doesn't expect it to be a serious issue.

"The information is going to the government — it's not like they're going to announce it to the world," said Liz Caldwell, a real estate agent for Premier Estate Properties in Fort Lauderdale.

Joe Hernandez, chair of the real estate group for the Weiss Serota Helfman Cole & Bierman law firm in Coral Gables, said the reporting burden is a mild concern for title insurers. But he doubts his clients — foreign and domestic business executives — will pull back on purchases because of the new requirement.

"I don't think this is going to have any kind of chilling effect on the market," Hernandez said. "The only ones who should be concerned are buyers who get their funds from nefarious sources, and to my knowledge, I don't deal with anyone like that."

The Associated Press and The Miami Herald contributed to this report.

Peowers@tribpub.com,
561-243-6529 or Twitter
@paulowers