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Addressing Money Laundering in the United States Real Estate Sector

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Addressing Money Laundering in the United States Real Estate Sector

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BA in Public Policy Capstone

November 18, 2022

Executive Summary

The United States faces threats to economic stability and legal integrity from money laundering practices in the real estate market. Legislative loopholes, complicit enablers, and aging technological systems used by government agencies allow individuals to flow ill-gotten wealth into the United States with little effort. As a result of these factors, local economies suffer job loss, once-inhabited properties lie empty in decay, and trust in government weakens. Illegal wealth is transformed into protected assets in the form of property and can be stored to later fund terrorism organizations or influence the American people. Approximately \$2.3 billion was laundered through real estate in the last five years alone.¹ To address this issue, I identified policy alternatives using criteria of security, technological capability, and lasting effectiveness. I also prioritize solutions that are more likely to produce long-lasting results over temporary fixes. Possible alternatives to stopping money-laundering in real estate include the following:

- Expansion of existing anti-money laundering frameworks by requiring third party entities, such as real estate agents and third-party payment services, to follow anti-money laundering laws. This policy is favored by Congress and is included in the 2023 National Security Authorization Act as the ENABLERS Act Amendment.
- Establishment of a national and permanent version of the Department of Treasury's Geographic Targeting Order (GTO) system. These orders require reporting of identification information for all-cash purchases above \$300 thousand. Currently GTOs are limited to specific localities and last six months.
- Diffusion of New York State's anti-money laundering laws to all states to fill in legislative gaps and allow states to address nuanced challenges.
- Improve federal technology and data storage systems.
- Increase awareness of money laundering practices by informing local governments of how bad actors commit crimes and the implications of these efforts.

Recommendations

The Department of Treasury must adopt new technology to meet data collection demands stemming from existing anti-money laundering laws. The Department must also strengthen its personnel capacity to monitor these data. By prioritizing this initiative, the Department of Treasury addresses compliance concerns and paves the way for new legislative requirements. The Department of Treasury must adopt the expansion of anti-money laundering regulations to third party entities to close channels that money launderers use and prevent enablers from helping would-be fraudsters. The Department of Treasury must incentivize states to adopt anti-money laundering laws and software to close gaps unique to states. This initiative should be run by each state's real estate commission or equivalent agency to remove administrative burden from the federal government. To address unique challenges, the Department of Treasury should create an anti-money laundering taskforce of multidisciplinary experts to send to states.

¹ Kumar, L., & de Bel, K. (2021, August). Acres of Money Laundering: Why U.S. Real Estate is a Kleptocrat's Dream. Global Financial Integrity. Retrieved October 25, 2022, from <https://gfin integrity.org/report/acres-of-money-laundering-why-u-s-real-estate-is-a-kleptocrats-dream/>

Purpose and Overview

The purpose of this memorandum is to analyze existing factors that contribute to money-laundering efforts in the United States real estate market and to provide policy alternatives that effectively combat future illicit schemes. Money laundering has existed for decades but only recently became a salient topic. In June 2021 the Biden Administration labeled corruption a core United States national security interest. President Biden's prioritization to combat corruption comes just before the leaking of the Pandora Papers. In October 2021, millions of documents leaked and exposed how wealthy individuals from around the planet hide their money. This leak uncovered many cases in the United States and brings to light the severity of corruption and how individuals have hidden their money for decades. Global Financial Integrity, a Washington D.C. based NGO focused on illicit finance, estimated that, from 2015-2020, \$2.3 Billion was laundered through the United States real estate sector.² With new information on tactics money launders use, and foreign nations spreading influence through financing, the United States must act.

This memorandum offers policy alternatives. By assessing previous legislation, analyzing current conditions that allow financial crimes to persist, and understanding the impacts money-laundering has on local economies it is recommended the United States take a holistic approach to combating fraud through modernization, diffusion of state policies, legislative expansion, and awareness building.

Problem Definition

In 2021, Congress passed the Anti-Money Laundering Act (AMLA 2020) as a part of the National Defense Authorization Act. While the bill made financial crimes more difficult to commit on American soil, real estate fraud, one of the root causes of corruption, has yet to be addressed. Money laundering in the real estate market has brought Acts of illicit finance and corruption have long sought to discredit financial institutions and erode the public trust in government. Loopholes in legislation, provisions to laws, and lack of regulatory requirements have enabled criminals to seize American property without repercussion. If current conditions persist more American tax dollars will be given to bad actors, and local economies will be furthered stunted from growth.

Money laundering practices have existed in the United States since the early 20th century from organized crime leaders but legislation to combat these criminals 'strategies has only existed for the last 50 years. The Bank Secrecy Act (BSA) of 1970 required banks to cooperate with the federal government to investigate individuals suspected on money laundering. The BSA

Definition: According to the U.S. Department of Treasury, **money laundering** generally refers to financial transactions in which criminals, including terrorist organizations, attempt to disguise the proceeds, sources, or nature of their illicit activities. Money laundering facilitates a broad range of serious underlying criminal offenses and ultimately threatens the integrity of the financial system.

² It is likely that the real total amount of fraud is higher. Given the nature of fraud, it is difficult to calculate a true total. New Report Finds U.S. Real Estate Sector a Safe Haven for Money Laundering «Global Financial Integrity. (2021, August 9). Global Financial Integrity. <https://gfin integrity.org/press-release/new-report-finds-u-s-real-estate-sector-a-safe-haven-for-money-laundering/>

established requirements for recordkeeping and reporting by private individuals, banks, and other financial institutions. It was designed to help identify the source, amount, and flow of currency into and out of the United States.³ The BSA served as a foundation for additional including provisions in the Patriot Act of 2001.

Title III of the Patriot Act included many new efforts to combat money laundering including the following:

- criminalized financing terrorism organizations under BSA framework
- heavily expanded requirements to report and investigate suspected criminal activity by financial institutions;
- and prohibited banks from interacting with foreign shell companies.⁴

Despite the numerous anti-corruption provisions the Patriot Act created, a loophole within the act exists and continues to be exploited to this day. The Secretary of the Treasury is allowed to issue financial regulation exemptions to financial institutions.⁵ This loophole was first exploited in 2002 when the George W. Bush Administration announced that industries such as luxury good vendors, private hedge fund managers, and real estate agencies would be exempt from the Patriot Act's anti-money laundering (AML) laws. These industries were not required to set up anti-money laundering systems and did not have to reveal owners of anonymous shell companies.⁶ Most of these temporary exemptions are still in place today.

The use of anonymous shell companies has enabled individuals to seize property without running the risk of being identified. Shell companies when combined with relaxed state privacy laws, have created channels for illicit finance to occur without detection from law enforcement for decades. Until recently, individuals could legally register shell companies without linking personal information to the company. Assets could then be transferred from foreign accounts to these new entities, severing any identifiable connection and "cleaning" any potentially illicit money in the process. Figure 1. shows the process in which criminals can convert fraudulent cash into "clean" American assets. The AML Act requires new corporations to provide identification information for the company's owner, and in turn bans the use anonymous shell companies. This requirement provides identification data to law enforcement and national security officials to combat corruption although challenges exist in implementation.

Definition: The United States' Government Accountability Office defines **shell companies** as legally created business entities that employ no-one, have no physical presence other than an address and produce little to no economic value.

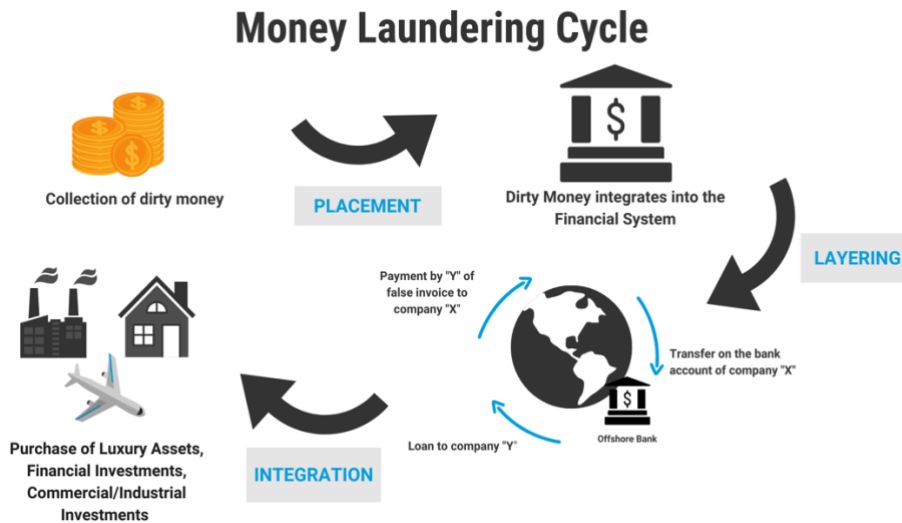
³ History of Anti-Money Laundering Laws | FinCEN.gov. (n.d.). Retrieved November 4, 2022, from <https://www.fincen.gov/history-anti-money-laundering-laws>

⁴ Anti-Money Laundering: FinCEN Should Enhance Procedures for Implementing and Evaluating Geographic Targeting Orders. (2020, October 6). U.S. GAO. Retrieved September 16, 2022, from <https://www.gao.gov/products/gao-20-546>

⁵ Michel, C. (2021). American kleptocracy: how the U.S. created the world's greatest money laundering scheme in history (p. 99). St. Martin's Press, An Imprint of St. Martin's Publishing Group.

⁶ Federal Register / Vol. 68, No. 69 / Thursday, April 10, 2003 / Proposed Rules

Figure 1: The Money Laundering Process



Source: United Nations Office on Drugs and Crime

Legislative loopholes and lack of oversight has allowed money launderers to seize American property without disruption. Properties that were bought fraudulently ranged from beach houses in Miami, Florida, suburban neighborhoods outside of Boston, Massachusetts, and steel mills in small midwestern towns. Across the United States, criminals are seizing property and leaving the buildings to sit empty. Many of those seeking to clean their ill-gotten assets choose struggling cities and towns who are desperate for new investors.

In the nation's Midwest, Ihor Kolomoisky, a Ukrainian oligarch currently under United States sanctions for corruption, used the real estate market to plant illicit funds and protect his assets. Kolomoisky and his associates created Optima International, a grouping of shell companies to buy the properties with ease. One example of such purchase is in Ashland, Kentucky, who in 2012 sold their Kentucky Electric Steel mill to Optima Specialty Steels, a shell company used by Kolomoisky, for \$112.5 million.⁷ The mill closed without prior announcement six years later in 2018, putting 113 employees out of a job instantly. At the time of closure, Kentucky Electric Steel listed nearly \$172 million dollars in debt and an additional \$87.5 million to be due.⁸ In addition to revenue from production lost, the city of Ashland lost payroll tax revenue from the terminated jobs. At the time of closure, Ashland was facing lost tax revenue due to the closure of another large plant, AK Steel, that employed over 900 workers.

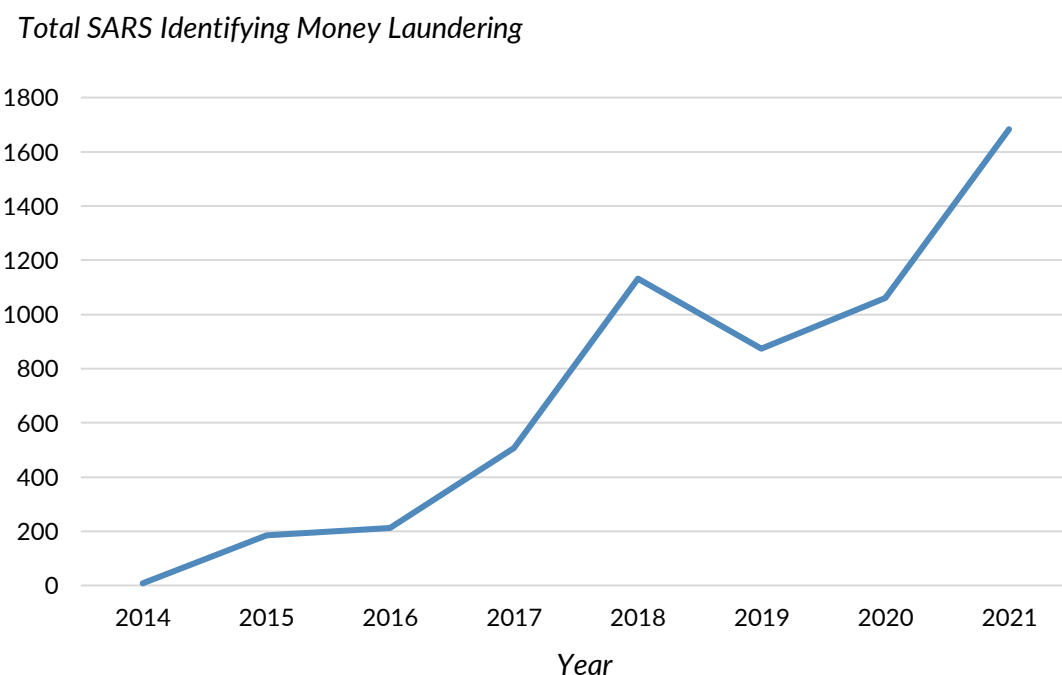
⁷ Optima Specialty Steel, Inc. to Acquire Kentucky Electric Steel. (2012, November 19). [Www.businesswire.com. https://www.businesswire.com/news/home/20121119006738/en/Optima-Specialty-Steel-Inc.-to-Acquire-Kentucky-Electric-Steel](https://www.businesswire.com/news/home/20121119006738/en/Optima-Specialty-Steel-Inc.-to-Acquire-Kentucky-Electric-Steel)

⁸ https://www.dailyindependent.com/news/kes-to-shut-down-permanently/article_e299d072-f589-11e7-8a3e-ab5b224c8b8d.html

The city of Harvard, Illinois experienced a similar fate. In the late 1990's, the telecom company Motorola planned to build a facility in Harvard that would employ 5,000 workers, a massive opportunity for a town with a population of under 10,000. The town constructed a 1.5 million square-foot, 32-acre campus only for Motorola to cancel the deal. In 2008, Optima purchased the campus for \$16.75 million bringing hope back to the community.⁹ Wishful plans for job creation never emerged and the building sat decaying with no future. At one point, Optima stopped paying taxes that the community's school district relied on. The city faced more tribulation when Optima sold the campus. The new buyer, a Canadian investor under indictment purchased the property with security fraud, further perpetuating money laundering practices until the United States Federal Marshall obtained the property and sold it at auction. The campus still lies empty today.¹⁰ Other stories exist in surrounding states and are examples of how fraudulent activity impacts small town communities. While Kolomoisky is now sanctioned by the United States government, his impact on local communities is still felt today.

While the true amount of money laundering is unknown, associated metrics recorded by the Department of Treasury suggest that money laundering activity is increasing. Figure 2 displays the increase in money laundering reports identified by Treasury's Suspicious Activity Reports. This increase in reporting signifies the need for government action to deter money launders and their activities.

Figure 2: Money Laundering Reports Over Time



Source: United States Department of Treasury FinCEN SARS database

⁹ A Ukrainian Oligarch Bought a Midwestern Factory and Let it Rot. What Was Really Going On? (2021, October 17). POLITICO. <https://www.politico.com/news/magazine/2021/10/17/ukrainian-oligarch-midwestern-factory-town-dirty-money-american-heartland-michel-kleptocracy-515948>

¹⁰ Background based on interview with Harvard, Illinois official

The Biden administration has made battling corruption a core United States national security interest and Congress has a variety of policy alternatives to address this salient issue.¹¹ Addressing the loopholes in legislative frameworks, expanding regulatory requirements, and targeting individual criminals are options that all three branches of government can pursue to deter bad actors from targeting American property.

Policy Background

The Bank Secrecy Act, passed in 1970, created the first reforms in addressing money laundering and holding financial institutions responsible for allowing these practices. The BSA required banks to file “currency transaction reports” for any transaction over \$10,000 in a single day. These currency transaction reports required the recording of identification information of suspicious individuals and a paper trail of records be kept about transaction. Despite new regulations around recording activity, financial institutions were not barred from interacting with suspicious customers. The 1986 Money Laundering Control Act made money laundering a federal crime and expanded BSA requirements by barring financial institutions from processing transactions involving funds from crimes. It also granted the federal government ability to seize assets without criminal charge for violations of BSA standards. Other legislation throughout the 1980’s and 1990’s strengthened the BSA framework including the Annunzio-Wylie Anti-Money Laundering Act of 1992 which created Suspicious Activity Reports (SARS).¹² These reports are filed by financial institutions and sent to the Department of Treasury’s Financial Crimes Enforcement Network (FinCEN).

In the aftermath of 9/11, the United States passed substantial anti-money laundering legislation that expanded AML legislation to all financial institutions and banned anonymous shell companies. However, a loophole in a failsafe procedure allowing the Secretary of the Treasury to grant temporary AML exemptions to any sector of the United States allowed money laundering to continue. Sectors granted exemptions are not required to have internal AML procedures. They are not required to identify where money is sourced from or who is connected to the funds. Treasury also allowed anonymous shell companies to exist. Although legislation and programs combating money laundering continue to emerge, these temporary exemptions prevent AML progress from occurring in specific sectors like real estate.

FinCEN’s purpose is to enforce regulations established by the BSA. It manages the collection, storage, and protection of regulatory data, assists law enforcement with investigations, and coordinates with the foreign financial intelligence unit to aid in international anti-money laundering efforts.

In January of 2016, as a response to growing public interest and increased pressure from media sources, the Department of Treasury launched the first set of geographic targeting orders

¹¹ The White House. (2021, June 3). Memorandum on Establishing the Fight Against Corruption as a Core United States National Security Interest. The White House. <https://www.whitehouse.gov/briefing-room/presidential-actions/2021/06/03/memorandum-on-establishing-the-fight-against-corruption-as-a-core-united-states-national-security-interest/>

¹² History of Anti-Money Laundering Laws | FinCEN.gov. (n.d.-b). Retrieved November 4, 2022, from <https://www.fincen.gov/history-anti-money-laundering-laws>

(GTOs).¹³ GTOs require title insurance companies to collect and report information on all-cash residential real estate purchases above \$300,000 in certain localities. Identification information is collected on individuals that own 25 percent or greater of the company purchasing the residential property. These orders, historically only requested by law enforcement, are requested by the Director of the Department of Treasury Financial Crimes Enforcement Network (FinCEN) if they conclude that additional recordkeeping is necessary to uphold BSA requirements. GTOs are only required to cover certain localities including major metropolitan areas and last no more than six months. The current set of GTOs are effective October 27, 2022. They are set to expire April 4, 2023.¹⁴

GTOs are similar to the currency reporting requirements established under the BSA but also have distinct differences. Both methods of reporting use the same filing form. Currency reporting requires documentation of any business transaction that receives more than \$10,000 in cash or coin from, or on behalf of, one person in a single day. GTOs differ as the cash threshold for reporting varies by locality.¹⁵ Additionally, currency transaction reports are collected by the IRS while GTO reports are delivered to FinCEN.

The Anti-Money Laundering Act of 2020, passed by Congress in 2021, increased penalization for BSA violations, expanded whistleblower rewards, established a new database managed by FinCEN, and expanded authority to subpoena foreign banks.¹⁶ The AMLA 2020 established a beneficial ownership information database that requires self-identifying information of corporation's owners to be documented. This database closes a long existing loophole and allows law enforcement to access information to aid in money laundering investigations. The AMLA also requires FinCEN to develop ways to streamline SARS reporting and requires the currency transaction reporting to be tied to inflation. Despite the AMLA 2020 having additional provisions to stop money laundering there is no regulation for the real estate sector. However, there does exist multiple pathways to addressing this gap that are currently within the anti-money laundering landscape.

Policy Alternatives

Closing the gaps within BSA framework

While the BSA made laundering money through financial institutions significantly harder, it did not close all of the channels that people use to hide ill-gotten wealth. Money laundering in real estate is still achieved through complicit real estate agents, trust services, and law firms. These channels for corruption, referred to by some as “enablers”, create loopholes in the law, and allow individuals to work around existing framework. In January 2016, a report published by Global Witness, an international NGO that addresses corruption, human rights abuse, and fraud, conducted a study

¹³ 31 U.S.C. § 5326(a); 31 C.F.R. § 1010.370.

¹⁴ FinCEN Renews and Expands Real Estate Geographic Targeting Orders | FinCEN.gov. (2022, October 26).

<https://www.fincen.gov/news/news-releases/fincen-renews-and-expands-real-estate-geographic-targeting-orders-0>

¹⁵ In April of 2022, FinCEN lowered the capital threshold for all localities to \$300,000 with the exception of the city and county of Baltimore, Maryland which has a threshold of \$50,000.

¹⁶ Key Provisions of the Anti-Money Laundering Act of 2020 | Insights | Holland & Knight. (n.d.). Retrieved November 4, 2022, from <https://www.hklaw.com/en/insights/publications/2021/01/key-provisions-of-the-anti-money-laundering-act-of-2020>

on how law firms help individuals buy property and launder money into states. Employees of Global Witness posed as suspicious individuals trying to launder money into the United States and approached 13 New York City lawyers. Twelve of the thirteen lawyers explicitly told the undercover employees how to launder money into America, and some offered to use the law firm's bank accounts to prevent detection.¹⁷ One of the lawyers that gave suggestions was James Silkenat, who at the time served as President of the American Bar Association.

Many leaders in Congress favor expansion of BSA requirements. The Enhancing New Authorities for Business Laundering and Enabling Risks to Security (ENABLERS) Act amends the existing BSA framework to include other entities not currently under regulatory requirements. The Act, originally introduced by Representative Tom Malinowski, has received bipartisan support with co-sponsors from both parties pushing for the bill to become law. In July 2022, the bill was adopted into the 2023 National Defense Authorization Act (NDAA). The Act would expand regulation to four new legal entities including:

- corporate or other legal entity arrangement, association, or formation services;
- trust services;
- third party payment services;
- legal or accounting services that facilitate previously mentioned groups;

These groups would be required to report due diligence to FinCEN including the formation of a new business, exchange of foreign currency, pooling of resources in association with the formation of a new business, or advising a suspicious actor with respect to money. Under the Act, FinCEN has flexibility in implementation of programs and strategies. FinCEN is also required to conduct random audits and produce a report six months after the end of the calendar year about the progress of such audits.¹⁸

Expanding Geographic Targeting Orders

An alternative to combat money laundering in real estate is permanent establishment and national expansion of GTOs. This is the current policy alternative favored by Senators Marco Rubio, Ron Wyden, and Sheldon Whitehouse. House Bill 6147 requires FinCEN to report to Congress on GTO data and the feasibility of implementing national and permanent GTOs.¹⁹

Modeling of New York State Requirements

On January 1, 2017, New York's Department of Financial Services (NYFDS) imposed multiple transaction monitoring and reporting requirements that expanded existing BSA framework. The expansions, referred to as the DFS Final Rule²⁰, implements transaction monitoring for potential BSA violations, and a filtering program that catches prohibited international transactions. Financial institutions also submit annual confirmation to confirm compliance. The Final Rule's rigorous data

¹⁷ Global Witness. (January 2016). *Undercover in New York*. Retrieved October 7, 2022, from <https://www.globalwitness.org/shadyinc/>

¹⁸ 2023 National Defense Authorization Act, H.R. 7900, 117th Cong. (2022)

¹⁹ H.B. 6147 115th Cong. (2018)

²⁰ New York State Department of Financial Services. (2016, June 30). DFS issues Final Anti-Terrorism Transaction Monitoring and Filtering Program Regulation [Press release]. https://www.dfs.ny.gov/reports_and_publications/press_releases/pr1606301

collection requirements are in response to what the department cites as a lack of robust governance, oversight, and accountability at senior levels of these institutions has contributed to these shortcomings.²¹ New requirements imposed include identification of all relevant data sources, validation of the integrity, accuracy, and quality of data, data extraction to ensure accurate transfer of information, and compliance with additional federal and state law. New York state's Final Rule illustrates the action states can take to support federal policy. By having separate requirements that are supported on a state level, governmental agencies cooperate in stopping money laundering and remove administrative burden from the federal government.

FinCEN modernization efforts

Many federal agencies use aging legacy information technology (IT) systems that do not meet the technical needs required to operate efficiently. A 2021 report issued by the Government Accountability Office (GAO) highlighted ten agencies in critical need of IT modernizations. The Department of Treasury is among this cohort.²² While the report highlighted the Internal Revenue Service, it directs attention to the need for IT modernization within the entire Department. The Department of Treasury's use of legacy systems slows progress and increases risk for cybersecurity breaches. GAO's recommendation of IT modernization benefits FinCEN as entire systems would be upgraded. The BSA requires FinCEN to maintain a government-wide data access network for information collected by the Department of Treasury and BSA related information.²³ While the AMLA 2020 establishes measures to improve current processes in reporting but does not address modernization.

Discussion

Money laundering in real estate is a threat to the security, economy, and integrity of the United States. Policy solutions to combat money laundering must be address these concerns and have long lasting impacts. Temporary solutions such as the exemptions in the Patriot Act prove that to be damaging and allow easy exploitation. Technical capabilities and capacity are also vital to lasting solutions, as regulatory requirements are based off data analytics.

Despite current Congressional support, expansion of GTOs is not a feasible solution that would efficiently capture suspicious activity. FinCEN has renewed and expanded GTO requirements for businesses but continues to fall short of establishing a holistic knowledge base of all suspicious real estate purchases in the United States. Counties subject to GTOs do not capture the entire money laundering landscape as commercial properties are excluded from regulation. GTOs also only apply to luxury real estate properties. Regulatory requirements from the orders require buyer-side information to be document. Due to this protocol, illicit supply-side transactions such as undervaluation and overvaluation are not counted. Additionally, only cash transactions are reported, rendering all other forms of purchase including digital or wire transfers to be safe from suspicion.

²¹ New York State Department of Financial Services. (2015, January 1). Governor Cuomo Announces Anti-Terrorism Regulation Requiring Senior Financial Executives to Certify Effectiveness of Anti-Money Laundering Systems [Press release]. https://www.dfs.ny.gov/reports_and_publications/press_releases/pr1512011

²² GAO-21-524T

²³FinCEN's IT Modernization Efforts | FinCEN.gov. (n.d.). Retrieved November 4, 2022, from <https://www.fincen.gov/fincens-it-modernization-efforts>

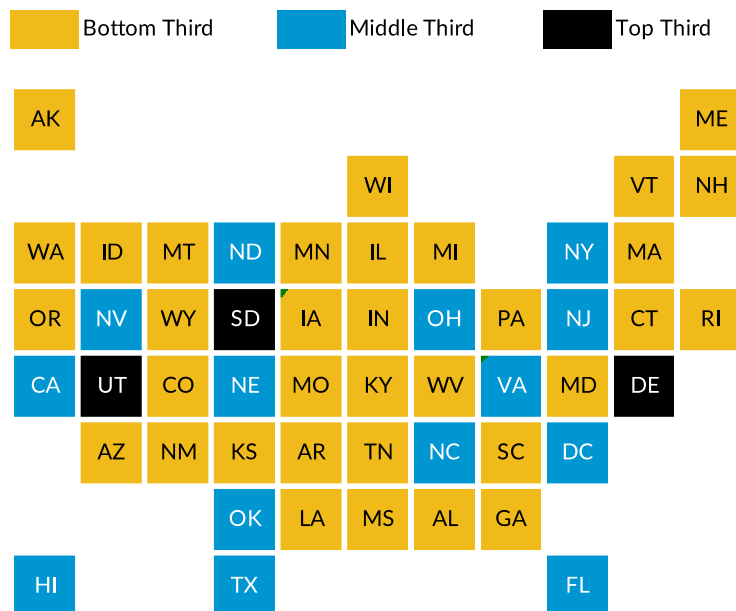
Due to the nature of FinCEN's work, up-to-date data and IT systems are essential for success within the department. Many BSA expansions call for enhanced data collection methods by FinCEN including those created by the AMLA 2020. Having strong, secure, and new IT systems allows easier access of data for law enforcement to use and access when stopping money launderers. Modernization efforts also provide lasting results. As data storage moves to cloud computing, the need for constant updates becomes obsolete. Moving to cloud storage will save the Department of Treasury, and taxpayers, money in the long run if the switch is made now. To adequately address previous requirements, and pave the way for new regulations, FinCEN requires up-to-date technology.

To offset administrative burden and provide support while federal systems are upgraded, states must assist in stopping money laundering. State laws reflect nuanced responses to unique challenges states face and provide insight to approaching policy issues. New York is one of few states to expand existing BSA framework and is a leader in regulating international finance. The state's response to money-laundering crimes in financial institutions should be carried over to the real estate market and their model diffused to other states. Expansion of data verification requirements to real estate markets would increase relevant data sources for suspicious activity and deter would-be enablers of crimes in the face of rigorous regulation. Other localities at risk for money-laundering schemes such as GTO designated counties have the opportunity to model Final Rule requirements to fit the needs of their region. Creation of databases within states and counties disperse administrative burden across all levels of government instead of having federal systems bear the weight.

Money laundering in does not occur equally across each state and AML laws should reflect this landscape. Varying policies, restrictions, and privacy laws result in money launderers clustering in certain states. Figure three shows the inequities in SARs for 2022. Delaware, South Dakota, and Utah have the highest number of reports with 2,186, 1,084, and 364 SARs per 100,000 respectively. These states have relaxed tax laws with little requirements for identity reporting. State policies can adequately address these conditions, and others more effectively than federal policies that do not account for variation. State laws should vary in magnitude to reduce administrative burden but follow the same framework to avoid money launderers from taking advantage of relaxed laws in the future.

A creation of an interdisciplinary taskforce of experts by Department of Treasury to aid in this effort will address the unique challenges states encounter. This task force will be sent to states in small cohorts to craft unique recommendations on adoption of AML laws and help with establishing technical infrastructure. Each state will manage their AML network through their Department of Justice or equivalent agency. To incentive participation the Department of Treasury will offering block grants to be used toward AML efforts.

Figure 3: 2022 Suspicious Activity Reports Per 100,000 People



Source: United States Department of Treasury FinCEN SARS database, United States Census Population Center

Providing accountability to enablers of money laundering is also essential in closing the gaps in policy. Currently, the United States is the only G7 country that does not require real estate investors to follow anti-money laundering laws. By passing the ENABLERS Act, this problem is addressed, and bad actors lose another way to transfer their wealth into the United States. The ENALBERS Act provides effective, long-term solutions that bridges the exemptions created by the PATRIOT Act. By reporting enablers of money laundering, law enforcement can prosecute individuals who threaten the legal integrity of the United States and American institutions.

Recommendations

The Department of Treasury must adopt new technology to meet data collection demands stemming from existing anti-money laundering laws. The Department must also strengthen its personnel capacity to monitor these data. By prioritizing this initiative, the Department of Treasury addresses compliance concerns and paves the way for new legislative requirements. The Department of Treasury must adopt the expansion of anti-money laundering regulations to third party entities to close channels that money launderers use and prevent enablers from helping would-be fraudsters. The Department of Treasury must incentivize states to adopt anti-money laundering laws and software to close gaps unique to states. This initiative should be run by each states' real estate commission or equivalent agency to remove administrative burden from the federal government. To address unique challenges, the Department of Treasury should create an anti-money laundering taskforce of multidisciplinary experts to send to states.

Conclusion

This analysis suggests that by prioritizing the real estate sector, policymakers effectively deter bad actors and stop ill-gotten wealth from entering the United States. By adopting a holistic, intergovernmental approach local economies, institutional integrity, and public trust is protected. Would-be money launderers will continue to find ways to “clean” their wealth but closing long lasting loopholes makes their efforts more difficult. Through supporting the Department of Treasury with technical infrastructure, and relieving administrative burden, legislators take meaningful steps to offering reduce money laundering in real estate. Alternatively, if gaps remain open, United States citizens will pay the price, allowing illegal activity to continue stripping away economic prospects, and permitting illegal wealth to flow through the veins of America.

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