ALERTS | 03.03.2026

FinCEN's Residential Real Estate Rule

By Matthew D. Mortensen and Aris Margosian

Starting March 1, 2026, certain buyers of residential real estate in the U.S. will need to take into account new Federal regulations that are officially referred to as the "Residential Real Estate Rule" or herein the "RRE Rule." The RRE Rule was issued by the Financial Crimes Enforcement Network ("FinCEN") of the U.S. Treasury. It will impose beneficial ownership reporting requirements (similar to those previously contemplated under the Corporate Transparency Act) beginning March 1, 2026.

As with the Corporate Transparency Act, the RRE Rule is part of FinCEN's effort to combat money laundering and the concealment of beneficial ownership through legal structures. FinCEN requires a filing when residential real estate is transferred to certain entities or trusts. The RRE Rule is an expansion of, and builds upon, FinCEN's "Geographic Targeting Orders," which have been in place in selected metropolitan areas since 2016. Unlike the Geographic Targeting Orders, however, the RRE Rule does not have any dollar thresholds or geographic limitations within the U.S., and so it will have far greater application. This alert summarizes the RRE Rule in general terms. Please contact counsel if you need advice with respect to any specific transfer or transaction.

Overview

The RRE Rule beneficial ownership disclosure requirements apply when all four of the following conditions are met:

1. The real estate being transferred is "residential real estate[1];"
2. The transfer is not financed by a financial institution[2];
3. The transferee qualifies as a "transferee entity" or "transferee trust;" (described below) *and*
4. No exception (listed below) applies.

A transfer meeting these criteria is defined in the RRE Rule as a "Reportable Transfer." The beneficial ownership information of both the transferee and transferor is required to be submitted to FinCEN in connection with every Reportable Transfer. Transfers that are financed do not require reporting, because the mortgage lender is already subject to Anti-Money Laundering requirements.

What are Transferee Entities and Transferee Trusts?

In general, the RRE Rule may require a filing when real estate is transferred to an entity or to a trust. A transferee entity includes corporations, limited liability companies, partnerships, associations, estates, and statutory trusts. There are sixteen statutory exceptions to the definition of transferee entity. A transferee trust is any legal arrangement created when a grantor or settlor places assets under the control of a trustee for the benefit of one or more beneficiaries or for a specified person. There are four exceptions to the definition of transferee entity.[3]

What are the Exceptions to Reportable Transfers Generally?

A transfer is not a Reportable Transfer if it falls into any one of the following exceptions (see table below – note *[4] in Exception 1):

© 2026 Choate, Hall & Stewart LLP | Two International Place, Suite 3000 | Boston, MA 02110 | 617-248-5000

Exception	Summary
1	Transfer for no consideration made by an individual, either alone or with their spouse, to a trust of which that individual, that individual's spouse, or both, are the settlors or grantors*
2	Transfer resulting from death of an individual, whether pursuant to the terms of a will, the terms of a trust, the operation of law, or by contractual provision
3	Transfer incidental to divorce or dissolution of a marriage or civil union
4	Transfer that is a grant, transfer, or revocation of an easement only
5	Transfers to a bankruptcy estate
6	Transfer conducted under court supervision
7	Transfer to a qualified intermediary for a §1031 exchange
8	Transfers with no reporting person

Who Is Required to File?

The individual or business required to file is the "reporting person." FinCEN identifies the reporting person using the following seven level reporting cascade (the reporting person highest on the list is required to file, unless the parties have entered into a designation agreement).

Level	Reporting Party
1	The closing or settlement agent on the closing or settlement statement
2	The person that prepares the closing or settlement statement
3	The person that files the deed
4	The person that underwrites the title insurance policy for the transferee
5	The person that disburses the greatest amount of funds in connection with the transfer
6	The person that provides an evaluation of the status of title
7	The person that prepares the deed

The regulations state that if none of the above functions are performed in connection with the transfer, then no reporting is required under the RRE Rule, but this provision has not been clarified.

Reporting Requirements

The RRE Rule requires that the following disclosures be submitted by the reporting person in a Reportable Transfer:

1. The property being transferred;
2. Each legal entity or trust receiving the property;
3. Each beneficial owner of the legal entity or trust (including taxpayer identification information);
4. Each signing individual;
5. Each individual, entity, or trust transferring the property (including taxpayer identification information); *and*
6. Any payments made for the property.

Examples

The following is a short, non-exhaustive list of transfers that would be Reportable Transfers requiring a filing:

1. An all-cash acquisition of a single-family residence by a limited liability company or other entity.
2. An estate planning transfer for no consideration of a four-unit condominium from an individual to a trust established by a non-spouse family member of that individual (e.g., child, parent, or grandparent).
3. An all-cash acquisition of vacant, residentially zoned land, by a corporation or other entity.

Conclusion

FinCEN's RRE Rule requirements will apply to certain residential real estate transfers beginning March 1, 2026. The RRE Rule has the potential to affect both arms-length transfers of residential real estate, and also certain estate planning transfers. Please contact your lawyers at Choate if you have questions. Choate's real estate group regularly represent owners, developers, and investors with respect to their real property interests.

1. Residential real estate is real estate located in the United States that meets **any** of the following conditions: (1) it contains a structure designed principally for occupancy by one to four families, (2) it is land on which the transferee intends to build a structure designed for occupancy by one to four families, (3) it is a unit designed principally for occupancy by one to four families within a structure, or (4) it is shares in a cooperative housing corporation. ⌧
2. A non-financed transfer is a transfer that does not involve an extension of credit that is **both**: (1) secured by the transferred property, and (2) extended by a financial institution subject to Anti-Money Laundering program requirements and Suspicious Activity Report filing obligations (in many cases, a bank or other financial institution). ⌧
3. For a complete list of the exceptions to the definitions of transferee entity and transferee trust, please see 31 CFR 1031.320(n) ⌧
4. Note, importantly, that this exception does not include transfers from a trust settled by one spouse to a trust settled by another spouse, or from one trust settled by an individual to another trust settled by that same individual, so those transfers may still be subject to the rule. ⌧

Paul C. Laudano
Practice Chair, Real Estate

Cameron Casey
Practice Co-Chair, Choate Wealth

Sarah Hunt Broughel
Partner

Gregg B. Cosimi
Partner

© 2026 Choate, Hall & Stewart LLP | Two International Place, Suite 3000 | Boston, MA 02110 | 617-248-5000

Adam M. Zaiger
Partner

Matt Mortensen
Principal

Brian J. King
Of Counsel

Justin Rhuda
Senior Associate

Aris Margosian
Associate