

IMPORTANT NOTICE

FinCEN Geographic Targeting Order

Financial Crimes Enforcement Network

On July 16, 2016, the Financial Crimes Enforcement Network (“FinCEN”), a bureau of the United States Department of Treasury, issued a Geographical Targeting Order (“GTO”) requiring title insurers, their subsidiaries and agents, to report certain information in connection with the purchase of 1-4 unit residential real properties in a Covered Transaction. A “Covered Transaction” is an all-cash transaction in which the property is being purchased by a limited liability company, corporation, partnership or a similar legal or business entity and the purchase price is \$300,000.00 or more for properties in the **Counties of San Diego, Los Angeles, San Francisco, San Mateo or Santa Clara, California.**

If a property is being purchased in a Covered Transaction that meets these criteria, the proposed insured purchaser must provide all information necessary for our Company to complete IRS 8300. The required information must include, the names, the addresses, social security numbers and copies of the driver’s licenses, passports or other similar identification for the party representing purchaser at closing and for all “Beneficial Owners” of the purchaser. All “Beneficial Owner” are all natural persons who directly own 25% or more of the equity interests of the purchasing entity.

A Covered Transaction cannot be closed, and this issuing agent and/or its underwriter cannot insure property purchased in a Covered Transaction until this information is received and reviewed by our Company. Transactions that are exempt from reporting under the FinCEN GTO are those in which the purchase price is less than \$300,000.00 or the purchaser is a natural person or a trustee of a trust. The GTO has been in effect for transactions that have closed after July 16, 2016. Since February 23, 2017 there have been subsequent renewals implemented by FinCEN and the Geographical Targeting Order (GTO) and continues to be effective in additional periods of time.

WHAT ARE COVERED TRANSACTIONS?

While the GTO is more comprehensive than this summary, basic criteria for a Covered Transaction are the following:

- the property being purchased is 1-4 unit residential property;
- the property is located in any of the designated counties of California
- the sales price meets the designated threshold amount; \$300,000
- the purchaser is a legal entity (i.e., a corporation, LLC, partnership or similar business entity); and
- the property is purchased without a bank loan or similar form of external financing;

WHAT DOES THIS MEAN FOR OUR BUSINESS PARTNERS?

While the GTO remains in effect, Preliminary Reports and Title Insurance Commitments issued in connection with potentially Covered Transactions will contain a new Schedule “B” Requirement stating:

This transaction may be subject to a Federal Regulation. Information necessary to comply with the Federal Regulation must be provided prior to the closing. This transaction will not be insured until this information is submitted, reviewed, and found to be complete.

To satisfy this Requirement, our Company may need to obtain additional information from other parties involved in the transaction. If we cannot obtain the necessary information, we will be unable to close the transaction or issue a title insurance policy.

Since the inception of the Geographical Targeting Order (GTO) many other Counties have been included as a Covered Transaction. If you happen to be involved in a transaction that is considered a Covered Transaction under the FinCEN GTO, reach out to your California Title Company Representative for guidance and assistance.



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