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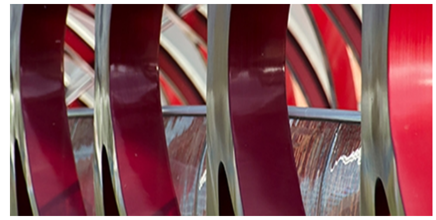

News & Types: Client Advisories

New FinCEN Reporting Requirements for Residential Real Estate Transactions - Practical Implications for Japanese Companies

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Practices: Real Estate

Effective March 1, 2026, the U.S. Department of the Treasury's Financial Crimes Enforcement Network (FinCEN) will implement new reporting requirements under its Residential Real Estate Rule. The rule is intended to enhance transparency in certain real estate transactions by requiring a designated "Reporting Person" to submit a Real Estate Report to FinCEN when a non-financed transfer of residential real property is made to a legal entity such as LLC's, corporations or trust. The Reporting Person will typically be the professional responsible for the closing or settlement process, such as a title company, settlement agent, escrow agent, or attorney. The report will include transaction details, payment information, and identifying information regarding beneficial owners and individuals exercising substantial control over the purchasing entity.

This development may be particularly relevant for Japanese corporations that acquire U.S. residential property through U.S. subsidiaries or holding entities. Transactions completed without a traditional institutional mortgage - including all-cash purchases, intercompany funding from a foreign parent company, private lender arrangements, or acquisitions funded through internal corporate reserves - may fall within the scope of the rule. These structures are common in expatriate housing arrangements and corporate investment strategies, and companies should be aware that additional ownership disclosures may be requested as part of the closing process. Importantly, the reporting framework does not imply wrongdoing and reflects a broader U.S. regulatory trend toward beneficial ownership transparency, consistent with developments such as the Corporate Transparency Act.

From a practical standpoint, companies may notice increased due diligence requests from title agents, settlement professionals, or legal counsel prior to closing. Even where the reporting obligation rests with the Reporting Person rather than the buyer, transaction timelines may be affected by the need to collect organizational charts, ownership information, and identification of controlling individuals. Early coordination between U.S.-based advisors and Japan-based headquarters may help avoid delays and ensure that required information can be provided efficiently.

Japanese businesses considering future residential real estate acquisitions in the United States are encouraged to review internal approval procedures and ownership documentation in advance of any transaction. Preparing for potential reporting obligations at an early stage can help maintain flexibility in deal timelines and minimize last-minute compliance challenges. As regulatory expectations continue to evolve, proactive planning and clear communication with advisors will remain important to navigating these developments effectively.

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