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The Corporate Transparency Act's Impact on Real Estate

9/30/2024

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Practices: Real Estate

The Corporate Transparency Act (“CTA”), enacted in 2021 by Congress, took effect on January 1, 2024. The CTA requires domestic and foreign entities that are formed or registered to do business in the United States, characterized as “reporting companies,” to report and disclose company and certain ownership interest information to the U.S. Department of Treasury’s Financial Crimes Enforcement Network (“FinCEN”) unless an exemption applies. The purpose of the CTA is to combat financial crimes such as terrorism, wire fraud, and money laundering.

The CTA’s overall impact on real estate transactions is still developing, but there are some easily identifiable considerations that one must take into account when either purchasing or selling real property. For example, some buyers of real estate form “single-asset entities” for the sole purpose of acquiring the real property and to maintain anonymity. The CTA may diminish anonymity between the United States government and other financial institutions should the buyer be characterized as a “reporting entity.” Generally, the public will not be able to access the information disclosed pursuant to the CTA.

Another consideration is that the CTA creates a concern for lenders, which affects both the buyer and seller in a real estate transaction. Namely, the buyer (i.e., borrower) should comply with the CTA to ensure the loan underwriting process is completed in a timely manner. If not, the particular transaction’s due diligence period may need to be extended, causing further delay and an increase in costs for both parties. It is possible that lenders may require the borrower’s compliance with the CTA prior to committing to grant a loan.

Notwithstanding the above, there are numerous exemptions from the CTA’s beneficial ownership reporting requirements. Should there be any questions regarding the CTA’s reporting requirements or exemption therefrom, it is important to consult with a Masuda Funai attorney.

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