How Money Laundering Through Real Estate Has Priced Out the Average American

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Across the United States, and particularly in states like Montana, the dream of homeownership is slipping further out of reach for the average American. As the U.S. Treasury's Financial Crimes Enforcement Network (FinCEN) rolls out its nationwide rule on all cash real estate purchases involving legal entities, Montana homeowners and prospective buyers are watching closely. Home values in the state have surged dramatically—raising the stakes for transparency and fairness in the housing market. Nationally, the median home value climbed to $412,300 in 2024, a 40% increase from $295,000 in 2020, according to Zillow. Meanwhile, household incomes have not kept pace, growing only 22% over the same period, per U.S. Bureau of Economic Analysis data. One often-overlooked driver of this affordability crisis is money laundering through real estate, where illicit actors exploit all-cash transactions and anonymous legal entities to inflate property markets. This article explores how these practices have exacerbated the housing crisis, particularly in Montana, and what FinCEN's new regulations, effective December 1, 2025, mean for the future.

Montana's Housing Boom and Affordability Gap

Over just four years, Montana's typical home value has leapt 66%, according to the Montana Department of Revenue. The median value statewide was about $378,000 at the start of 2024—up from around $228,000 in 2020. In Gallatin County (Bozeman area), the median value jumped to around $685,000, a 77% increase over that same period. In Flathead County (Kalispell area), the median home value is about $578,000. By contrast, personal incomes in Montana grew more modestly over the same interval—roughly 26% according to U.S. Bureau of Economic Analysis data. That disparity means many Montanans are increasingly priced out of homeownership.

Montana currently ranks among the most unaffordable states in the nation in terms of the ratio between home prices and household income. Montana's price to income ratio is about 6.4, whereas the national average is about 4.6. Consider a household earning $80,000 annually. With stable interest rates, lenders typically allow about 30% of gross income toward housing (about $2,000 per month). At a 6.5% mortgage rate and 20% down, this allows for roughly a $350,000 home purchase. Now add just $1,000 per year each in property taxes and insurance ($2,000 total). That's about $167 extra per month. The family's housing budget drops to $1,833 per month—shrinking the maximum purchase price they can afford to around $320,000. In other words, even modest increases in taxes and insurance can lower affordability by tens of thousands of dollars in purchase price. For many Montana families, that can mean the difference between buying in Billings or being priced out entirely.

The Mechanics of Money Laundering in Real Estate

Money laundering involves disguising the origins of illegally obtained funds to make them appear legitimate. Real estate is an attractive vehicle due to its high value and stability. According to FinCEN, nonfinanced (all-cash) transactions involving legal entities or trusts

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are particularly vulnerable. These transactions allow illicit actors—such as drug traffickers or corrupt officials—to purchase properties anonymously, integrating dirty money into the legitimate economy.

The process typically involves:

1. Acquisition Through Shell Companies: Criminals use legal entities, like LLCs or trusts, to obscure their identity.
2. All-Cash Purchases: Avoiding mortgages from banks with anti-money laundering (AML) and Suspicious Activity Report (SAR) requirements evades scrutiny.
3. Integration into the Market: Properties are held, rented, or sold, "cleaning" the funds.

The K&L Gates report notes that such transactions have historically allowed criminals to exploit the U.S. residential real estate market, posing "significant threats to national security and economic integrity." A 2016 FinCEN investigation highlighted luxury markets like Miami and New York as hotspots, but rural areas like Montana are increasingly targeted.

How Money Laundering Inflates Home Prices

Money laundering through real estate inflates prices in several ways:

1. Increased Demand for High-Value Properties: Illicit buyers target desirable markets like Bozeman and Kalispell, using all-cash offers to outbid locals. This drives up values, with Gallatin County's median home price hitting $685,000, a 77% increase since 2020.
2. Distorted Market Dynamics: All-cash purchases, 28% of U.S. home sales in 2023 per Realtor.com, bypass financing constraints, sidelining average buyers who rely on mortgages. In Montana, this squeezes out families limited by the $320,000-$350,000 affordability range.
3. Speculative Investment: Properties bought for laundering are often held vacant or flipped, reducing inventory. In tight markets like Montana, this exacerbates shortages, pushing prices higher.

FinCEN estimates billions in illicit funds flow through U.S. real estate annually, with resort areas like Montana particularly vulnerable due to tourism and second-home demand.

FinCEN's New Rule: A Step Toward Transparency

Given this backdrop of rapidly rising house values and the affordability squeeze, the new FinCEN rule—requiring reporting for all cash purchases by entities/trusts—could make a difference locally. Effective December 1, 2025, the rule (89 Fed. Reg. 70258, published August 29, 2024) mandates that "reporting persons" (e.g., closing agents) submit details to FinCEN about:

- Buyer, seller, and property information.
- Payment methods and fund sources.
- Legal entities or trusts involved.

The rule applies to nonfinanced transfers of residential properties (single-family homes, condos, or land for one- to four-family occupancy) to entities or trusts, with exemptions for transfers tied to easements, death, divorce, or bankruptcy. A "cascade" system assigns reporting duties, prioritizing closing agents but allowing flexibility.

The Realtor.com article notes this targets anonymity, potentially deterring illicit actors. However, legislative efforts, like Senate Joint Resolution 15 and House Joint Resolution 55 (February 2025), and a lawsuit (*Flowers Title Companies LLC v. Bessent*) aim to block the rule, citing burdens on legitimate transactions.

Will the Rule Help Affordability?

Montana's housing market is among the fastest growing in the U.S., but that growth has come with steep costs for affordability. FinCEN's new rule, while imperfect, may help pull back some of the opacity in real estate transactions that can inflate prices and make homeownership harder to attain. By reducing speculative demand, it could stabilize prices in areas like Bozeman and Kalispell, where out-of-state cash purchases are significant. However, its scope is limited to entity-based transactions, and enforcement faces challenges from legislative and legal opposition.

Broader Solutions to the Crisis

To fully address affordability, additional measures are needed:

Strengthen FinCEN Enforcement: Expand reporting to all high-value cash purchases and create a public database for transparency, deterring illicit demand.

Zoning Reforms: Incentivize states to ease zoning for denser housing, increasing supply to counter the inventory squeeze noted in Montana.

Private Market Innovation: Encourage proptech platforms to adopt blockchain for transparent transactions, rewarding verified buyers with lower fees. REITs focused on affordable housing could also boost supply.

Conclusion

Montana's housing market exemplifies the broader U.S. crisis, where money laundering through anonymous all-cash purchases has inflated prices, pricing out locals with a 6.4 price-to-income ratio. For many in Billings and across Montana, any tool that improves transparency—and thereby fairness—can make a real difference. FinCEN's rule is a step toward curbing illicit funds, but broader legislative and market-driven solutions are essential to restore affordability and make the American Dream attainable again.