

Bitcoin Meets the Mortgage

Reshaping Housing Affordability for the Next Century

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01 INTRODUCTION

Bitcoin Meets the Mortgage.

The US residential mortgage market stands as one of the most successful housing finance systems in the world. Its core innovation, the 30-year fixed-rate mortgage, emerged from the crisis of the 1930s Great Depression. Nearly a century later, the market confronts a new structural challenge: an affordability gap driven by elevated home prices, persistently high interest rates, and insufficient housing supply.

Recent innovation is emerging. The Coinbase-Better partnership, announced March 2026, introduced the first crypto-backed conforming mortgage, allowing borrowers to pledge Bitcoin or USDC as collateral for their down payment without liquidating holdings or triggering a taxable event (the structure consists of two loans, a standard Fannie Mae mortgage on the home plus a separate crypto-collateralized loan funding the down payment; the program is in early-access phase as of June 2026). This is a meaningful step forward, particularly for borrowers with large crypto balances. However, it addresses access to down payment capital, not the structural drivers of unaffordability. Mortgage rates remain unchanged, and the product does not expand housing supply or unlock new construction finance. The core challenges, elevated rates and insufficient housing creation, require deeper structural innovation at the collateral and pricing level.

Integrating bitcoin as supplemental collateral alongside traditional real estate represents the next transformative innovation, one capable of reducing mortgage rates by an estimated 1–2 percentage points and lowering monthly payments by 10–20%, materially expanding access to homeownership and stimulating housing construction.

02 SECTION 02

What the US mortgage market has achieved.

The modern mortgage system has improved millions of lives by providing a stable pathway to homeownership, a foundation demonstrated to strengthen societal outcomes across health, wealth accumulation, and educational attainment.

In the pre-GSE era (1900–1940), the US homeownership rate ranged from approximately 44–47%, averaging near 46%, constrained by short-term, high-down-payment loan structures and fragmented local lending markets.

The post-reform trajectory is stark: homeownership reached 55% by 1950, 62% by 1960, and stands at approximately 65% today.

FIGURE 01 · US HOMEOWNERSHIP RATE, BY ERA



Key achievements include:

- The 30-year fixed-rate mortgage: predictable payments that insulate borrowers from interest-rate volatility and enable long-term household financial planning.
- The GSE infrastructure (Fannie Mae, Freddie Mac, Ginnie Mae): a mechanism that transformed illiquid loans into tradable assets, channeling global capital into US housing at scale.
- FHA/VA programs: purpose-built pathways for borrowers unable to meet high down-payment thresholds, including veterans and lower-income families.

03 SECTION 03

Brief History: The Great Depression as Inflection Point.

Prior to the 1930s, US mortgage finance remained fragmented and structurally constrained. Loans required down payments of up to 50%, carried terms of five years or less with balloon repayment risk, and were non-amortizing.

National banks operated under federal restrictions on real-estate lending. The system proved inherently fragile: when refinancing markets seized during the Depression, an estimated 40–50% of urban home mortgages were in default by early 1934.

The federal response was rapid and foundational. Between 1932 and 1938, Congress established four institutional pillars that would define modern mortgage finance:

FIGURE 02 · THE FOUR PILLARS, 1932–1938

1932 FHLB System Liquidity backstop for housing lenders.	1933 HOLC Large-scale refinance into long-term, fixed-rate, self-amortizing loans.	1934 FHA Standardized mortgage insurance and underwriting.	1938 Fannie Mae Federal secondary-market buyer for insured loans.
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Subsequent decades saw the creation of Ginnie Mae (1968), Freddie Mac (1970), and the first mortgage-backed securities (1970–71), completing the institutional infrastructure that made the 30-year fixed-rate mortgage universally available and enabling a historically unprecedented expansion of homeownership.

04 SECTION 04

The State of the Market: Mortgage Originations in Historical Context.

Mortgage origination volume has collapsed from its recent peak. In 2021, total originations reached \$4.4 trillion, the highest on record, driven by historically low rates and a surge in refinancing. By 2023, volume had fallen to \$1.50 trillion, a 66% decline. Originations recovered modestly to \$1.69 trillion in 2024, with the Mortgage Bankers Association forecasting \$2.05 trillion in 2025, still roughly half the 2021 peak.

\$4.4T

PEAK ORIGINATIONS · 2021

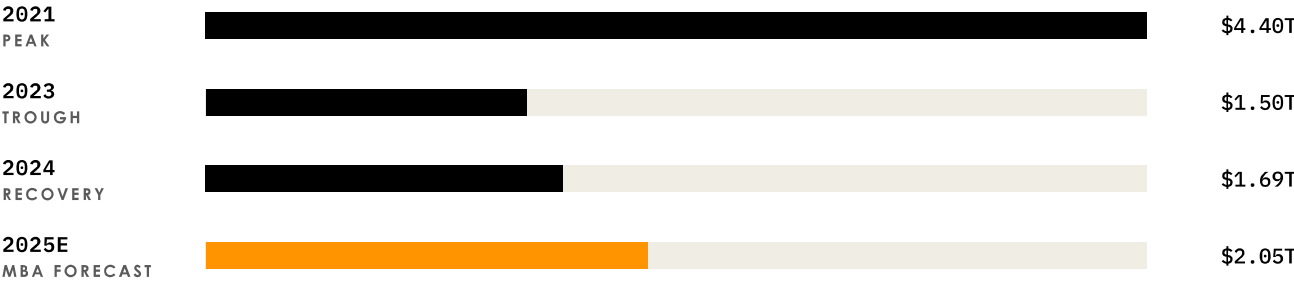
Driven by historically low rates and a surge in refinancing.

\$2.05T

FORECAST FOR 2025 (MBA)

Still roughly half the 2021 peak.

FIGURE 03 · US MORTGAGE ORIGINATION VOLUME (\$ TRILLIONS)



SOURCE: MORTGAGE BANKERS ASSOCIATION.

The contraction reflects a market structurally constrained by elevated rates. At 6.6%, the 30-year fixed rate has effectively frozen both purchase and refinance activity. Existing homeowners are locked into sub-4% mortgages with no incentive to transact, while prospective buyers face monthly payments 40–50% higher than they would have been three years ago on the same home.

The result is a market operating well below its capacity; suppressed volume, compressed affordability, and a growing cohort of would-be homeowners priced out of entry.

05 SECTION 05

The Current Challenge: Structural Unaffordability.

Despite these achievements, the system now confronts a structural unaffordability that existing instruments are insufficient to resolve:

- Home prices have outpaced income growth: the median home price-to-income ratio has reached historic highs.
- Mortgage rates remain elevated relative to the post-2008 era, materially compressing purchasing power.
- Down payment requirements persist as the single largest barrier to entry, particularly for first-time buyers and lower-income households.
- Housing supply is constrained: construction activity has not kept pace with household formation, and construction lending remains conservative and capital-intensive.

Arguably, the last meaningful structural innovation occurred nearly 90 years ago. Incremental improvements, digital origination, alternative credit scoring, have not addressed the fundamental collateral and capital constraints that underpin the affordability gap.

06 SECTION 06

The Innovation: Bitcoin as Supplemental Mortgage Collateral.

Bitcoin, pledged alongside the home itself, functions as a second layer of collateral that delivers measurable benefits to both lenders and borrowers. The objective is not to replace existing infrastructure but to extend the same logic that drove the 1930s reforms: reducing borrower cash requirements and lender risk through superior collateral structures.

Mechanism

The bitcoin collateral contribution operates through a familiar closing process. At origination, the borrower contributes either cash or bitcoin to a segregated collateral account, analogous to the escrow and reserve mechanisms that have been standard in mortgage closings for decades. This contribution is structured alongside the traditional down payment and closing costs, integrated into the same settlement workflow that borrowers and lenders already follow.

- **Dual-collateral structure.** The borrower pledges both the home and a bitcoin position at closing. The combined collateral reduces lender loss-given-default, improving the loan's risk profile and enabling more favorable pricing, rate compression of 1–2 percentage points relative to a conventional mortgage.
- **Shared appreciation.** As bitcoin appreciates, excess collateral value accrues to both parties; the lender benefits from a growing collateral cushion, while the borrower receives a lower effective interest rate or accelerated equity accumulation.
- **Interest rate reduction through collateral enhancement.** A mortgage backed by both real estate and bitcoin carries a structurally lower loan-to-value ratio. Lenders pass this reduced risk through as a lower interest rate, directly reducing monthly payments by 10–20%.
- **Down payment flexibility.** Bitcoin holdings can supplement or partially substitute traditional cash down payments, lowering the cash-at-closing barrier that excludes otherwise qualified borrowers. The contribution is made at closing through the same settlement infrastructure used for conventional funds.

06 SECTION 06, CONTINUED

Why This Should Attract Lender Capital

Innovation in mortgage finance must work for both sides of the balance sheet. Bitcoin-enhanced collateral structures offer lenders measurable benefits that can unlock new financing capacity:

- **Reduced loss-given-default.** Dual collateral, real estate plus a liquid, globally traded asset, lowers recovery risk. Unlike traditional second-lien or PMI structures, Bitcoin collateral is independently valued and liquidatable within hours, not months.
- **Improved loan performance.** Higher-quality collateral attracts higher-quality borrowers. Borrowers willing to pledge Bitcoin alongside their home demonstrate both financial capacity and commitment, a meaningful positive selection signal.
- **Portfolio diversification.** Lenders gain exposure to an asset class with low correlation to interest rates, credit spreads, and traditional real estate cycles, improving portfolio-level risk-adjusted returns.
- **Yield enhancement through shared appreciation.** The lender's participation in Bitcoin appreciation introduces a return component not available in conventional mortgage lending, transforming a fixed-income instrument into one with embedded upside.
- **New origination volume.** At a time when mortgage originations remain well below historical norms, Bitcoin-enhanced structures create a differentiated product that can attract borrowers currently on the sidelines, expanding the addressable market for lenders seeking growth.

Application to Construction Lending

The framework extends to construction lending, historically among the highest-risk segments of real estate finance, where diversified collateral can materially expand capacity:

- Developers and builders pledge bitcoin alongside land and project assets, improving loan-to-cost ratios and rendering more projects bankable.
- Lenders gain a liquid collateral asset in contrast to partially completed construction, which is difficult to value and illiquid.

Enhanced collateral acceptability translates directly to expanded lending capacity and, ultimately, increased housing supply, addressing the supply side of the affordability equation. For lenders, this is particularly compelling. Construction lending has historically carried elevated risk due to illiquid, hard-to-value collateral (partially completed structures) and extended timelines. Bitcoin as supplemental collateral introduces a liquid, mark-to-market asset into the capital stack, reducing lender exposure during the construction phase and improving the economics of a traditionally capital-intensive segment.

Quantifying the Affordability Impact.

During 2025 the 30-year fixed mortgage rate averaged approximately 6.6%. This rate places significant pressure on household budgets. Supplemental bitcoin collateral has the potential to reduce mortgage rates by 1–2 percentage points, translating directly into meaningful monthly savings:

FIGURE 04 · MONTHLY PAYMENT AND CASH-FLOW SAVINGS BY LOAN SIZE

LOAN AMOUNT	AT 6.6%	AT 5.6%	AT 4.6%	MONTHLY SAVINGS
\$400,000	\$2,555	\$2,296	\$2,051	\$258–\$504 (10–20%)
\$500,000	\$3,193	\$2,870	\$2,563	\$323–\$630 (10–20%)
\$600,000	\$3,832	\$3,444	\$3,076	\$387–\$756 (10–20%)



A 1–2 percentage point rate reduction on a \$400,000 mortgage yields \$258–\$504 in monthly savings, equivalent to \$3,100–\$6,049 in annual household cash flow. Over the life of a 30-year loan, the cumulative interest savings range from approximately \$93,000 to \$181,000. At the national level, applied across current origination volume, the aggregate affordability impact is substantial.

The Historical Parallel.

	1930S INNOVATION	BITCOIN INNOVATION
PROBLEM	Short-term, high-down-payment, fragile loans	High prices, high rates, insufficient supply
MECHANISM	Standardize contracts; create secondary market	Add bitcoin collateral; share appreciation
BORROWER BENEFIT	Lower down payments, predictable long-term cost	Lower rates (1–2%), 10–20% lower payments and bitcoin appreciation
LENDER BENEFIT	Tradable assets with lower default risk	Dual collateral lowering risk and bitcoin appreciation share
SUPPLY IMPACT	Federal backstop unlocked lending at scale	Better collateral unlocks more construction finance

FIGURE 05 · THE 1930S STRUCTURAL REFORM VS. THE PROPOSED DUAL-COLLATERAL FRAMEWORK.

09 SECTION 09

Conclusion: Achieving More Affordable Mortgages.

The Great Depression compelled the creation of an entirely new mortgage infrastructure that served American housing finance for nearly a century. The current affordability crisis demands a comparable structural response.

Bitcoin-backed mortgage collateral offers a concrete, quantifiable path to more affordable mortgages. Dual collateral lowers enables lenders to offer reduced interest rates with lower credit risk. At prevailing rates of 6.6%, a 1–2 percentage point reduction translates to 10–20% lower monthly payments, saving borrowers \$3,100–\$6,049 annually on a \$400,000 loan and up to \$181,000 over the life of a 30-year mortgage. Additionally, the shared appreciation aligns incentives between borrower and lender.

Importantly this innovation can be used as well to unlock the supply-side investment necessary to moderate home price appreciation over time.

The conditions for the next generational innovation in mortgage finance are present. Critically, this is a private-sector innovation; it does not require new legislation, regulatory reform, or government subsidy.

It operates within the existing mortgage framework, leveraging market-driven collateral enhancement to deliver better outcomes for borrowers and lenders alike. The opportunity is to deliver measurably more affordable mortgages and shape the market for the next 100 years.

— IMPORTANT DISCLOSURES

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