

NEWS

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by Kai Sedgwick

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Americans Are Taking Out Mortgages to Buy Bitcoin



People are taking out mortgages to buy bitcoin, says securities regulator Joseph Borg. Coupled with accounts of credit cards and equity loans being used to obtain bitcoin, it raises the possibility of risk-taking investors being left deeply indebted or potentially even homeless.

Also read: [Bitcoin Is a New Haven From Hyperinflation for Rich Latin Americans](#)

Betting It All On Bitcoin

Most people have heard of “that Reddit guy” who took out equity on his house to buy bitcoin earlier this year. His daring investment, made when bitcoin was trading at around \$3,000 a coin, has paid off so far. But if Joseph Borg is correct, such cases are no longer isolated, and the higher bitcoin climbs, the greater the risk credit-takers face.

Speaking on CNBC on Monday, the veteran securities regulator [said](#):

We've seen mortgages being taken out to buy bitcoin...People do credit cards, equity lines. This is not something a guy who's making \$100,000 a year, who's got a mortgage and two kids in college ought to be invested in.

As president of the North American Securities Administrators Association and director of the Alabama Securities Commission, Borg has a wealth of experience to call upon. Even the most ardent of bitcoin believers would concede that families probably shouldn't be betting everything they have on bitcoin.

Using Cheap Credit to Buy Expensive Bitcoin

Mortgages and equity aren't the only means by which people have been scrambling to free up funds for bitcoin: major sites such as Coinbase accept credit card payments. So long as bitcoin keeps rising, buyers can pay off their monthly credit card debt with their profits. A major correction, however, would leave investors indebted and liable to defaulting on their loans.



"You're on this mania curve. At some point in time there's got to be a leveling off," said Borg on CNBC's Power Lunch. Bitcoin has proven extremely resilient this year, shaking off negative news such as a Chinese cryptocurrency exchange crackdown without much fuss. It is not inconceivable, however, that a major global event, such as legislation emanating from the U.S. or South Korea, could send the price of bitcoin plummeting.

Newcomers to bitcoin have yet to experience a bear market. While bitcoin's volatility is much gentler than it was in its earliest days, the cryptocurrency is still prone to swings, and like any asset is perfectly capable of heading south. Homeowners who mortgage their property and profit handsomely from bitcoin's rise will feel rightfully vindicated. Not everyone can be a winner however.



"They said 'Just hodl'."

When bitcoin was first born, many of its earliest adopters saw the peer-to-peer currency as a “bank killer”. It would be ironic if the digital currency’s rise – and subsequent fall – was to take a bite out of the banks due to a credit craze fueled by bitcoin.

Do you think people should be taking out credit to buy bitcoin? Let us know in the comments section below.

Images courtesy of Shutterstock.

TAGS IN THIS STORY

Betting, cnbc, Correction, debt, Economy, Equity, families, Family, gamble, mortgage, N-Finance

Bitcoin is a decentralized digital currency that enables near-instant, low-cost payments to anyone, anywhere in the world. Bitcoin uses peer-to-peer technology to operate with no central authority: transaction management and money issuance are carried out collectively by the network. Read all about it at [wiki.Bitcoin.com](https://www.wiki.bitcoin.com).



Kai Sedgwick

Kai's been manipulating words for a living since 2009 and bought his first bitcoin at \$12. It's long gone. He specializes in writing about darknet markets, onchain privacy, and counter-surveillance in the digital age.



Precious Metals, Cryptocurrencies, Stock Markets Falter Following Powell’s Rate Hike Statements



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