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'We'll Tokenize the House': Mortgages Are Coming to Ethereum This Summer



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Leigh Cuen

May 9, 2019 at 17:00 UTC

On Thursday the fintech startup Fluidity will announce plans for the first ethereum-powered mortgages in California and New York, CoinDesk has learned.

Fluidity execs say the offering is slated for this summer, once all the licensing paperwork is finalized.

"We'll tokenize the house, which will effectively take the collateral that is the equity of the house," said Fluidity chief architect Todd Lippiatt. "You're pledging the house and you get an advanced rate back in terms of dollars."

Fluidity formed in early 2019 when the ConsenSys decentralized exchange (DEX) merged with the FINRA-registered broker-dealer Propellr. Fluidity co-founder Sam Tabar told CoinDesk that although ethereum mogul and ConsenSys founder Joe Lubin is still a major shareholder in AirSwap, now a Fluidity subsidiary, the newborn parent company has a distinct set of shareholders – including veteran crypto investors like Brock Pierce, Bill Tai and Lubin's former college roommate, Mike Novogratz.

Fluidity's upcoming mortgages will use smart contracts and cryptocurrency for back-end management. Lippiatt told CoinDesk his startup is currently exploring partnerships with ethereum-centric lending platforms, such as MakerDAO's dollar-pegged DAI loans.

Although the ethereum-backed stablecoin is still struggling to achieve stability and liquidity in broader markets, Lippiatt said mortgages from any such prospective partnership would merely involve a "mitigatable" risk. This is, in part, because neither the borrower nor the property seller will directly touch cryptocurrency.

"We will deal with the inner workings of the decentralized system," he said. "The borrowers pay back in dollars and we will also be managing the risk profile of the underlying securities."

In short, borrowers will need to submit online credit checks and personal information just like any other online loan platform. Fluidity processes the information and creates a smart contract with a tokenized representation of the mortgage. Lippiatt said these loans could then be packaged together and resold as securities through an exchange like AirSwap.

In his view, underbanked and low-income borrowers who are able to make repayments represent a prime opportunity for such loans.

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Bitcoin BTC	\$6,789.79 +8.12% (+510.05)
Ethereum ETH	\$189.20 +9.88% (+17.01)
Litecoin LTC	\$87.70 +15.44% (+11.73)
XRP XRP	\$0.3203 +4.2556% (+0.0130)
Bitcoin Cash BCH	\$324.69 +10.98% (+32.13)



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“The whole portfolio will be a composition of a bunch of different loans,” he said. “We’re looking at methodologies by which we can deploy [underwriting] more algorithmically.”

DeFi smart contracts will provide theoretically auditable records, plus Lippiatt said Fluidity plans to offer cheaper rates than banks. Still, the process itself offers the borrower a quasi-traditional mortgage. It’s the issuer and subsequent traders who gain the most functionality from this blockchain system.

In conclusion, Lippiatt added:

“Our methodology provides better pricing that is determined solely by the intrinsic credit of the transaction, as opposed to external factors like domestic central bank governance policies and political trade winds.”

The company plans to make the announcement later today at its second [Fluidity Summit](#) in Brooklyn. The one-day conference sold 900 tickets this year, 120 more than in 2018, according to event staff.

AirSwap co-founder Michael Oved and investor Mike Novogratz image via AirSwap

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Startups Mortgages Fluidity



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Yogita Khatri

May 10, 2019 at 13:00 UTC • Updated May 10, 2019 at 13:56 UTC

Figure Technologies, a fintech startup founded by former SoFi CEO Mike Cagney, has closed a \$1 billion “uncommitted” line of credit on a blockchain.

Investment bank Jefferies and WSFS Financial Corporation, the parent of WSFS Bank, are the project’s participants, Figure [announced](#) Thursday.

As part of the deal, Jefferies may periodically lend to Figure under a variable funding note, which is secured by Figure’s home equity lines. WSFS Financial is acting as trustee for Jefferies.

Lines of credit [have](#) a maximum loan amount that can be borrowed as needed, paid back, and borrowed again. Figure’s financing facility is custodied on its own blockchain platform called Provenance, according to the announcement.

The platform can support “the entire end-to-end financing of loans, from origination to funding to servicing to financing,” said Cagney, adding:

“It paves the way for the first securitization on chain, which will demonstrate the massive cost savings, risk reduction and liquidity benefits blockchain delivers.”

Brian McGrath, head of the securitized markets group at Jefferies, commented on using the [blockchain](#):

“We’ve gained full transparency into the underlying assets, real-time access to loan performance and the process of accepting collateral has less friction than off chain.”

If the prospective securitization deal closes, it will become the first asset-backed security transaction with loans originated on a blockchain platform, said WSFS’ senior vice president and director of corporate trust, Kristin Moore.

Figure Technologies is backed by notable investors, having raised [\\$65 million](#) in a Series B round from Morgan Creek and others earlier this year. The firm’s current total equity funding stands at over \$120 million.

Founded last year, Figure launched its home equity loan product in October and it utilizes the Provenance blockchain. The firm claims to provide loan approval in “as little as five minutes” and funding within five days.

[U.S. dollars](#) image via Shutterstock

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Loans Jefferies Figure Technologies mortgage



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What's Holding Back Bitcoin in Venezuela? This Group Is Investigating



Leigh Cuen   
🕒 May 10, 2019 at 13:00 UTC

Open Money Initiative (OMI) co-founder and Venezuelan expat Alejandro Machado wants to help his homeland while remaining realistic about bitcoin.

The truth is, Venezuelans haven't abandoned the inflation-riddled bolivar as quickly as he expected, namely because it is so difficult to use digital currencies inside Venezuela's borders.

"No one wants [the bolivar] but people need it to survive," Machado said.

Now his San Francisco-based nonprofit OMI is teaming up with crypto industry incumbents, like the peer-to-peer exchange LocalBitcoins, to explore ideas for making cryptocurrency more useful for people in distressed economic climates like [Venezuela](#).

"Access to products is the number one thing," Machado said of the needs of everyday Venezuelans. "Do I have enough to eat this week or do I need to reinvent the ways that I access food?"

So far, better-off Venezeulans have mainly [used bitcoin](#) for remittances, freelance earnings from abroad and savings. Meanwhile, users of other cryptocurrencies, like [dash](#), often rely on local ambassadors for fiat liquidity.

In order to gain more insight into diverse demographics, OMI co-founder Jamaal Montasser hired Venezuelan recruiters to gather more than 40 participants for studies exploring how people use money in times of political and social upheaval.

One such refugee, currently living in Colombia, told OMI the Venezuelan national guard would beat him if he didn't sell coffee for the government-sanctioned price in bolivars. Another Venezuelan, who now crosses the Colombian border regularly to find work, smuggles back American dollars in her underwear and hair.



Venezuelan migrant in Colombia shows how she hid money in her hair when crossing the border, via Open Money Initiative

In such circumstances, a digital currency would seem ideal. But OMI's research found such users have habits and circumstances that current bitcoin wallets don't account for.

"The things that people wanted to buy, they couldn't buy with bitcoin," OMI co-founder Jill Carlson told CoinDesk. "You could find merchants willing to accept bitcoin for more high-end goods, but not for more basic or staple goods. You can't go buy bread with bitcoin in Caracas."

Montasser said in many Venezuelan stores that do accept cryptocurrency there might only be one particular person who knows how to operate digital wallets. So shoppers need to sync up with that person's schedule. Indeed, mobile wallets are one of the underlying challenges for bitcoin users in Venezuela because it is common for Venezuelans to pool their money and even share one bitcoin wallet with family or friends.

"There's certainly some type of case to be made for family banking tools," Montasser said. "What we saw in the field was people need systems and products and tools to help elevate trust with the people that they already interact with."

This supports what Human Rights Foundation (HRF) chief strategy officer Alex Gladstein told CoinDesk about research he is conducting with bitcoin users in Iran, India, and Nigeria.

"Both with remittances and commerce, people are using bitcoin as a bridge between two different monies," Gladstein said of users that leverage bitcoin to access fiat when they need it.

Agnostic research

HRF is one of several organizations that support OMI so far. Others include the Zcash Foundation, IDEO, Cosmos, Tezos, Stellar and GiveCrypto.

To be clear, these organizations, and independent backer Zooko Wilcox of the Electronic Coin Company, all donate to the nonprofit OMI for independent research and insights beyond cryptocurrency.

"It is nice to have an autonomous organization, especially when it comes to showing up somewhere without an agenda," Gladstein said of getting a better understanding of how people are using money.

Wilcox agreed, saying protocol-agnostic insights are crucial for crypto companies because it's still unclear if or how cryptocurrencies could be useful in distressed markets like Venezuela.

"It's really important to connect the technological ideas, the product ideas, even the economic theories that we come up with to real people's lives," he said.

As such, the OMI team said they are now sharing their research with companies seeking specific product and feature ideas that suit the needs of economically distressed and politically censored populations.

"It looks like in this case, with bitcoin in particular, the LocalBitcoins platform became a vital way for Venezuelans to access the global economy," Gladstein said.

According to OMI's first research report, LocalBitcoins is the primary on-ramp Venezuelans access, precisely because it is flexible for people to adapt their social networks to a P2P format, with more than

37 billion bolivars – or \$7.1 million – worth of transactions in the first week of May, according to [Coin.Dance](#).

Speaking to the broader significance of this work, Gladstein concluded:

“We at the Human Rights Foundation have noticed how closely tied financial freedom and financial access is to other types of civil liberties.”

Venezuelan migrant Joaquín in his crypto-accepting cafe image via OMI

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Latin America LocalBitcoins Venezuela Bitcoin zcash Crypto Wallets



Christine Kim

May 10, 2019 at 10:15 UTC • Updated May 10, 2019 at 12:10 UTC

After four months, the ethereum-based stablecoin DAI looks to be maintaining a steady dollar valuation.

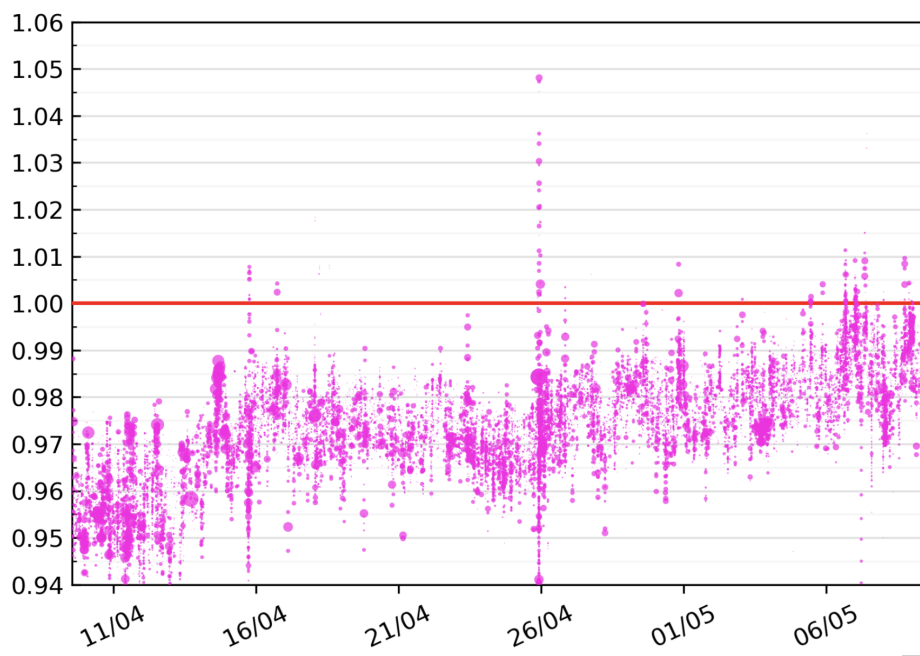
Since January, the theoretically USD-pegged token has fallen below dollar valuation, trading hands at or above \$1 only sporadically. However, for the past few days, DAI across four different cryptocurrency exchanges has been exchanging above the dollar level and is [worth](#) exactly \$1 at press time.

MakerDAO is currently the most popular decentralized finance application in the crypto space, according to site [DeFi Pulse](#). There is an estimated 87 million DAI presently in circulation, according to blockchain analytics site [Alethio](#), and an estimated \$300 million worth of ether locked in the MakerDAO system that supports the token's value.

As of now, there are still a number of bids occurring below \$1, as recorded by data scientist Alex Svanevik. Specifically, roughly \$600,000 in [DAI](#) tokens are still trading on leading cryptocurrency exchange Coinbase between the \$0.98 and \$1.00 range.

However, as Svanevik notes, this is a measurable increase from trades as low as \$0.95 which have taken place on Coinbase in the last two months.

"So now that DAI has recovered to [about] \$0.99, this is by many considered 'close enough' to the \$1 peg," Svanevik told CoinDesk.



Source: www.dai.stablecoin.science

To this, David Hoffman – COO of cryptocurrency real estate platform RealTPlatform – reaffirmed in a community call Tuesday that discussions over the DAI dollar peg could soon be moving into “a new phase.”

“The last three months has been how do we get DAI back to a dollar and now it’s looking like DAI is strongly above 99 cents,” Hoffman said during the call. “That brings into relevancy a bunch of new questions like how close to a dollar should we have? What is an acceptable bound to be around a dollar...How long do we want DAI to be around 99 cents to a dollar before we claim that the peg is fixed?”

A healthy peg

Utrobin also highlighted on Tuesday that the present supply of DAI has contracted from an all-time high of 96 million DAI in circulation. This supply contraction, according to Utrobin, is a result of consecutive fee increases over the past four months that has slowly but surely caused the DAI peg to get “healthier.”

Svanevik added that, in his view, increased demand for the DAI along with supply retraction through fee hikes has helped the stablecoin achieve a healthier state.

There have been eight consecutive fee hikes in the past four months to programmatic lending protocol MakerDAO which issues DAI tokens in exchange for native ethereum cryptocurrency, ether. Loans to create DAI initially accrued interest at 0.5 percent.

Now, that interest – also called the Stability Fee – for all current DAI loans has increased 39 fold to sit at 19.5 percent. Since the first Stability Fee increase back in February, over 30 million DAI has been burned, according to data from [Alethio](#).

Today, Vishesh Choudhry of the MakerDAO Foundation’s Risk Team reaffirmed on a governance and risk call that “the most clear and measurable impact of the Stability Fee increases” has been contracting DAI supply. However, the impact such supply contractions have had on DAI price Choudhry was less certifiable.

On the other hand, Svanevik suspects that both the recent controversy surrounding dollar stablecoin [Tether](#) and the attractive DAI interest rates on cryptocurrency lending platforms such as Compound have caused a higher influx of demand for DAI.

Whether or not the current upward trend for DAI price will last beyond a few short days remains to be seen. “I think it will be a week or two before we can say that the peg is restored with any certainty,” Richard Brown, head of community for the project, wrote in the MakerDAO chatroom Tuesday.

Looking ahead to the potential need for further fee increases, Brown asked today during the call:

“How do we know when the peg is stable? What kind of deviation over time do we deem is acceptable?”

[Dollar](#) image via Shutterstock

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MakerDAO stablecoin DAI



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