

It is my view that if a borrower posts bitcoin as collateral, this loan would automatically become the most senior loan. I don't have to recapitulate all of the reasons why bitcoin is so valuable to people, but I'd consider it a common fact that a person will let any other asset go before he relinquishes his bitcoin to a lender. This is something that I will certainly hope to prove as the years go by, with actuarial experience studies on these loans relative to others. The case is hardened significantly if there are also bitcoin gains that are accumulated along the way that would also be relinquished (which, after four years, will almost certainly be the case). In the absence of hard data, let's just go through it intuitively. Simply for the thought experiment, let's look at two different types of borrowers who have bitcoin to use for this purpose.

The Degen vs. the Saver

There are many people who accumulated bitcoin by reckless borrowing. They are not afraid of debt, they are not afraid to pay a high yield for it, and they have been fortunate to catch incredible leveraged gains from bitcoin's superior price performance, and have always been able to comfortably service these debts. We affectionately call them degens (short for degenerates), but there is a cohort of winners that has survived this process with a lot of bitcoin to show for it. This type of person has no issue walking away from their fiat-denominated debts if it comes to that. The bitcoin they accumulated justifies those ends to them. They view them-