

REAL ESTATE

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SOUND OFF

What are your thoughts on Freddie Mac and Fannie Mae considering accepting cryptocurrency as collateral for mortgages?



A: Until recently the Federal Housing Finance Agency, which oversees Fannie Mae and Freddie Mac, was taking a “wait and see” attitude towards accepting cryptocurrency as collateral for mortgages, as crypto assets like Bitcoin and Ethereum can fluctuate in value posing collateral risk.

However, William Poulty, the recently sworn-in director of the FHFA, wants the mortgage companies to consider accepting cryptocurrency holdings in their criteria for buying mortgages from banks.

In the past, banks that made mortgages that qualify for purchase by Fannie and Freddie didn’t consider crypto holdings until they were converted to dollars. It appears this may be changing. Poulty ordered Freddy and Fannie to prepare a proposal for considering cryptocurrency as an asset for reserves when they assess risks in single family home loans. As digital assets have become more integrated into traditional finance, this is not surprising to me.

In the past, financial entities doing these types of mortgages were a niche and at higher interest rates. I do wonder what kind of interest rates will be offered by the larger banks if these changes come to pass.

If the rates are competitive, this could attract younger crypto-savvy home buyers who have significant digital wealth but lack traditional income or credit profiles.

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A: Showing a lender your reserve funds can be part of the mortgage qualification process. Imagine if you have money saved and the lender does not consider it — does this strike you as unfair? If it does, this sentiment is what cryptocurrency advocates hope to rectify by allowing cryptocurrency to perform like proof of reserve funds.

Currently, cryptocurrency holders have to liquidate their investment to show lenders they have available cash. Not having to liquidate their investment to qualify would increase the buyer pool. Those hesitant to sell their crypto investment to buy real estate would be able to participate in real estate investment.

Since Fannie Mae and Freddie Mac adhere to principles of liquidity, stability, and affordability, there would have to be discourse to determine if crypto can satisfy all those markers. If investors in the secondary mortgage market purchased notes on loans that had cryptocurrency as collateral, one would hope that information would be transparent.

Cryptocurrency volatility is generally the pressing issue on whether it can be a reliable reserve fund. Lenders would need to evaluate which cryptocurrencies are most stable and even force the sale of them if borrowers are lacking in debt-to-income or loan-to-value ratios.

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A: Freddie and Fannie considering accepting crypto as collateral is a major shift in how U.S. housing can be financed, but it’s a progressive perspective, and there will be challenges, especially with the volatility of crypto. As crypto becomes more and more mainstream, and as crypto proves itself as an asset, Freddie and Fannie are able to build guidelines around lending against crypto. This is a move that is in a way, trailblazing in the arena of real estate financing in the United States.

We have faced the dilemma of accepting crypto for the purchase of real estate and have always advised against it due to the volatility. We may be accepting \$1 million worth of Bitcoin today, but by the time the deal closes, it may be worth \$600,000, or it may be worth \$1.3 million.

With such fluctuations, the buyer may not wish to sell for crypto anymore in the event it is worth \$600,000 at closing, and the seller may not be willing to purchase if the value is \$1.3 million at closing.

Converting crypto to dollars is always what we advise, as \$1 million remains \$1 million, despite the span of time. Freddie and Fannie will need to write lending guidelines with such variations in mind, but I believe it’s a step in the right direction.

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Average long-term U.S. mortgage rate falls to 6.67%

By Matt Ott
AP BUSINESS WRITER

NEW YORK — The average rate on a 30-year U.S. mortgage fell for the fifth straight week to its lowest level since early April, an encouraging sign for potential buyers who have wrestled with rising home prices.

The long-term rate fell to 6.67% from 6.77% last week, mortgage buyer Freddie Mac said Thursday. A year ago, the rate averaged 6.95%.

Borrowing costs on 15-year fixed-rate mortgages, popular with homeowners refinancing their home loans, fell to 5.80% from 5.89% last week. A year ago, it was 6.25%, Freddie Mac said.

High mortgage rates can add hundreds of dollars a month in costs for borrowers and reduce their purchasing power. That’s helped keep the U.S. hous-

ing market in a sales slump that dates back to 2022, when mortgage rates began to climb from the rock-bottom lows they reached during the pandemic.

Last year, sales of previously occupied U.S. homes sank to their lowest level in nearly 30 years. They’ve remained sluggish so far this year, as many prospective homebuyers have been discouraged by elevated mortgage rates and home prices that have continued to climb, albeit more slowly.

High borrowing costs are also putting pressure on the new home market. Last week, the government reported that sales of new U.S. homes fell nearly 14% in May from the previous month.

Recent data suggests sales could pick up in the coming months, especially with the recent decline in mortgage rates.