



## “Bitcoin accepted”. What does it really mean?

By Mark Barrett and Karen Daily

For most of its ten year history, the digital currency Bitcoin has been almost exclusively the choice of technology nerds and cybercriminals. Toward the end of 2017 that changed when a Miami condominium reportedly sold for 17.7 Bitcoin. It wasn't the first real estate settlement to feature the cryptocurrency but sellers in previous transactions in California, Texas and New York, had converted their Bitcoin into U.S. dollars during the proceedings. The Miami transaction appears to be the first real estate transaction to close where cryptocurrency was actually exchanged between the buyer and seller.

So the question: “Can I buy a house with bitcoin?” has been answered and the answer is *yes – as long as you can find a Seller willing to accept the digital currency*. But there are three significant factors that need to be considered when handling a Bitcoin transaction.

Before discussing those considerations, let's address this important question first: What is Bitcoin? Bitcoin is an unregulated digital currency. It is completely decentralized, and uses peer-to-peer technology to facilitate payments. Depending on the size of the transaction, the payment can be instant or take several minutes. Individuals using bitcoins to buy or sell must have a public and private key. The public key is available to the world, while the private key is used to authorize the Bitcoin transaction.

Here are three considerations that you as a Realtor® need to be aware of when working with a buyer who wants to purchase property using bitcoins.

### 1. Overcoming objections from either party to the concept of Bitcoin.

Since the concept of Bitcoin seems new to most people, there may be some sellers and listing agents who cannot grasp the concept. They may think that there is a scam being perpetrated upon them, when in fact, that is not the case. As a buyer's agent, you should be fully prepared to counter these objections at the start. The key factor to keep in mind is that a Bitcoin transaction in most instances will be treated as a cash transaction. You should disclose to the other side that your client will be paying with digital currency. This may mean tweaking the standard contract to show that payment will be made with bitcoins.

You may also want to add language in the form of either an addendum or in a specified location (i.e. paragraph 43 on NVAR contract) to identify the particulars. You should ensure that your client is using a reputable bitcoin service provider, i.e. Bitfinex, Coinbase, Bitpay, or some other reputable currency exchange and storage platform. The reason is that there are other entities who need to be paid in a real estate settlement – i.e. the existing mortgage company, property tax authority, Broker commissions, homeowner's associations, etc. Those entities do not yet accept payment via Bitcoin. Finally, you should ensure that your buyer has some means available to provide a proof of funds letter to satisfy the seller that the buyer has sufficient bitcoins to purchase the property. For example, [www.auraelifestyle.com](http://www.auraelifestyle.com) is a London bank that will provide a proof of funds letter for a buyer using bitcoins.

### 2. Understanding that Bitcoin is a volatile currency

Because Bitcoin is not printed, distributed, or controlled by a central authority, its value fluctuates wildly and that makes it difficult for parties to agree on a set valuation. For now, those Bitcoin sales seemingly showing up everywhere are almost certainly Bitcoin converted into cash used to buy the property. As previously mentioned, other entities, i.e. government taxing authorities, mortgage companies, brokerages, and so on, are currently unable to accept bitcoins as a form of payment. And unfortunately, those entities must be paid at settlement. A key practice point for a buyer's agent is to ensure that your buyer is aware that even if the seller accepts Bitcoin there will be parties to the transaction who must be paid using a traditional currency including the existing mortgage holder.

### 3. Being aware of scams

In part because of its beginnings, bitcoins can attract unsavory characters. If you are a buyer's agent accepting Bitcoin transactions, it may be prudent to establish a system that will allow you to verify the representations made by buyers claiming to have the ability to purchase property using bitcoins or any other form of cryptocurrency. In addition, although less likely at this point due to law enforcement developing a means of identifying suspected criminals via the public registry or blockchain, there is the possibility of money laundering issues if you are a seller's agent, it is wise to educate yourself on Bitcoin transactions and understand the points raised in this article to ensure you are in a position to represent your client adequately and guide them through what to expect, and what is currently possible.

### Conclusion

At EKKO Title we recognize the future of the industry and are already capable of accepting Bitcoin and other digital currencies. We are here to assist you and your clients. Please call your local EKKO Title office for further details regarding your specific transaction.

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