

Agents Are Dabbling in Cryptocurrency for Transactions; Should You?

Digital money is growing in acceptance, but it's still got a ways to go before transactions using it are common in real estate.

An increasing number of agents say they've done transactions in cryptocurrency, though their number is still low.

What is cryptocurrency? It's digital money, and it's supposed to be secure because it uses cryptography to scramble identifying information so that it's nearly impossible to track purchases and the transfer of money. That can also serve to cloak the identity of the person "spending" it. Bitcoin might be the most commonly known, but there are dozens of other types of cryptocurrency.

The National Association of REALTORS® hasn't issued guidance on its use, according to Finley P. Maxson, senior counsel at NAR's Legal Affairs in Chicago. "I've heard that in some states, cryptocurrency can't be used for real property transactions, but that wouldn't apply to the payment of commissions."

In other words, there's still a lot of uncharted territory when it comes to whether and how you can use cryptocurrency in real estate and practically how it works. Here, a few agents—some who've jumped in with both feet and others who've only sampled cryptocurrency transactions—offer some basics.

The foundation is being built

Nick Spanos claims to be leading the

way on the use of cryptocurrency in real estate. "Shortly after we launched the first physical bitcoin trading floor in 2013, it became an obvious move for my Manhattan brokerage, Bapple, to become the first to accept bitcoin in a real estate transaction and even to denominate properties and rents in cryptocurrency," says the founder and CEO of Bapple Realty and founder of Bitcoin Center NYC and Blockchain Technologies Corp. "Many buyers, renters, sellers, and landlords have followed suit, and we see persistent growth."

Spanos says that in July, Bapple implemented a smart contract on ethereum's blockchain to automate the splitting of real estate commissions. "When the renter paid the commission in ethereum to Bapple's wallet, both agents and the broker automatically received their share as set forth in the smart contract," he says.

Open, but skeptical

More cautious is Danny Hertzberg, an agent at The Jills at Coldwell Banker Residential Real Estate in Miami Beach. He says he believes in the future of blockchain technology, particularly related to the real estate industry, and that he owns cryptocurrencies.



“Having said that, for the majority of my clients, I do advise against attempting to buy or sell in crypto...at least for now,” he states, adding that the main cryptocurrency sellers and buyers ask him about is bitcoin, with ethereum a distant second. “I’ve been approached by several buyers and sellers regarding cryptocurrency. They see the headlines of bitcoin or other crypto-related sales and want to know if they should consider it. I typically explain the complexities of a crypto transaction as well as the risk related to the volatility of such currencies.

“I haven’t closed a transaction in cryptocurrency but have worked with buyers who hold large amounts of cryptocurrencies and initially intended to purchase in crypto,” says Hertzberg. “We’ve discussed their options

of exchanging to U.S. dollars and making a cash offer. In the end, they made cash offers and likely liquidated the needed amount through one of the exchanges. We’ve found that the majority of sellers don’t want to take on the risk, nor do they want to navigate the complicated process of actually closing in cryptocurrencies.”

In fact, Hertzberg says the majority of sellers won’t accept cryptocurrencies. “There are only a very small number of sellers who’ll actually sell their properties for cryptocurrencies, and the chances of matching up with the criteria of a buyer who wants to purchase in cryptocurrency are very slim at this moment,” he says.

That may be because they have someone like Hertzberg asking them questions to truly test

whether such transactions are good for them. “My first question to sellers is whether they currently own cryptocurrency and if they’re willing to incur the additional expenses of hiring a specialized attorney to draft the necessary documentation,” he explains. “I also explain that almost all the so-called ‘crypto transactions’ actually close in U.S. dollars and that the taxes, fees, commissions, and so on will all be due in U.S. dollars.

Two more agents who are open to the concept are Karen Sharpe and Drew Bell, a husband and wife team at Nourmand & Associates in Los Angeles. “We started to lightly invest in crypto right around the same time we met a client who wanted to purchase a home with his crypto investment. He was looking to diversify his portfolio and invest in something less volatile. Ethereum turned him into a crypto-millionaire, and he wanted to convert a portion of his digital assets into a real estate purchase.”

However, the volatility factor intervened. “The highs and lows of the crypto market can happen within the blink of an eye,” says Sharpe. “What if we had an accepted offer and the crypto market crashed or experienced a high within the escrow period? This can cause many issues to arise. So the thought was to either sell his crypto currency and pay for the house in cash, or find a lender that would use his crypto portfolio as collateral.

“There are several new lenders that have emerged enabling the new crop of crypto-millionaires to give their portfolios liquidity without having to sell, such as Money Token and EthLend,” adds Sharp. “As an agent who

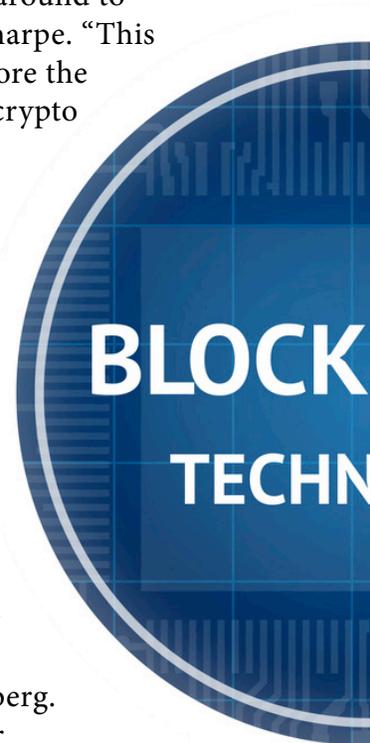
comes across the dilemma of how to make a crypto deal work, you have to be creative and think outside the box. Agents who are able to change and grow consistently with the times will prove to come out on top.”

What happened with the transaction? “Well, that brings me back around to the volatility factor,” says Sharpe. “This was all happening right before the 2018 crypto crash, aka the crypto carnage, which affected his net worth. He decided to take a break from his house search while he waits for the crypto market to fully recover.”

The future is unpredictable

“The tagline ‘crypto accepted’ is starting to pop up in real estate advertising and even on riders below for-sale signs,” notes Hertzberg. “Time will tell if it’s a clever marketing ploy or an actual emerging reality.”

According to Hertzberg, “The overwhelming majority of so-called ‘crypto deals’ are just negotiated with the cryptocurrency as the proof or source of funds and then converted to U.S. dollars for the closing. Sometimes, perhaps most times, it’s just a marketing strategy, but ultimately the buyer doesn’t purchase with any cryptocurrency. The benefit



to the sellers if a deal is negotiated and advertised in crypto is that they can attract a buyer holding a currency that's difficult to use and, as a result, may be encouraged to pursue the crypto-friendly property."

That's pretty much what happened in a recent transaction involving Jamie Klingman, ABR®, e-PRO®, MRP®, broker-owner of Boutique Realty Florida in Tampa Bay, Fla. "It worked out because the seller, whom I represented, also happened to be familiar, and there was no financing involved," she says. "There was no mortgage to pay off, either. They used an attorney for the paperwork, so there was no title company or escrow involved. It's definitely going to become more common."

The transaction was in bitcoin, and Klingman was paid by the seller in U.S. dollars. "What makes the transaction different is that there's no need for bank verification since bitcoin is all public," says Klingman. "It also changes in value daily, so you have to set a 'date' for which the value is translated back to U.S. dollars."

What made Klingman comfortable with the transaction? First, she consulted with a lawyer, who advised that as long as the listing agreement reflected the terms of

the commission to include compensation for any value exchanged, it would be upheld.

Tips before you try

If you're considering such a transaction, seriously educate yourself in the crypto market, advises Emma Prok, an agent at Climb Real Estate in San Francisco.

"I know several agents who are trying to brand themselves as 'crypto agents,' but I believe they know very little about it.

"I know this may be a cool trend right now, but this can cause a big hindrance because if you have serious crypto buyers, you need to be able to have real conversations with them about cryptocurrency," insists Prok. "Otherwise, you may lose the client and hurt your career.

"Get your ducks in a row," Prok adds. "Gather all the necessary team players needed for a successful crypto transaction. Whether it's payment processors, title companies, lenders, and so on, be ready to go."

On a practical level, Klingman says it's important to have an agreement that ensures the valuation and commission will be done in U.S. dollars.

Hertzberg agrees. He says the contract must be very specific and customized because of the volatility of cryptocurrency. "I wouldn't agree to participate in a crypto-related transaction if the buyer or seller wasn't aware of the additional cost, risk, and challenges that must be navigated to complete a successful sale or if the sale didn't comply with all applicable laws and regulations," he says.

