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US Senators Challenge Crypto Mortgage Directive by FHFA

July 28, 2025

– Categories: *Crypto*



A group of prominent US Democratic Senators has issued a formal warning over a recent directive from the Federal Housing Finance Agency (FHFA) that could allow mortgage lenders to factor in cryptocurrency assets when evaluating borrower risk. The policy, introduced by FHFA Director William Pulte, marks a significant shift in how digital assets may be treated in housing finance.

In a letter dated July 25, US Senators Jeff Merkley, Elizabeth Warren, Bernie Sanders, Chris Van Hollen, and Mazie Hirono voiced strong concerns that integrating unconverted crypto

assets into mortgage loan assessments could create financial vulnerabilities. They cautioned that such a move could expose both consumers and the broader housing market to heightened volatility and liquidity risks.

The Senators wrote: “To the extent that historical volatility and liquidity persist even as the market matures, a borrower using crypto faces an increased risk that they may not be able to exit a crypto position and convert to cash at a price that would allow them to buffer against risk of mortgage default.”

They also cited security concerns related to cyber theft, scams, and asset loss. “Crypto is also subject to heightened risks of loss due to scams, cyber hacks, or physical theft, which could leave homeowners vulnerable to losing their crypto assets with little hope of recovery,” the letter said.

The new FHFA directive, issued on June 25, asks Fannie Mae and Freddie Mac to prepare plans that treat cryptocurrency as an asset class for reserve requirements in single-family mortgage applications without requiring conversion into US dollars.

While proponents of the policy, including former Binance CEO Changpeng Zhao, have welcomed the move as a step toward broader crypto integration in financial systems, critics argue that it may endanger the stability of the mortgage and housing sectors.

“This is great to see,” Zhao posted on social media platform X, referring specifically to Bitcoin’s potential treatment as a qualifying asset in loan applications.

However, the Senators concluded that “expanding underwriting criteria to include the consideration of unconverted cryptocurrency assets could pose risks to the stability of the housing market and the financial system.”

As global regulators debate the role of crypto in traditional finance, Australian policymakers and financial institutions are closely monitoring developments abroad. The FHFA’s evolving stance could influence similar discussions within Australia’s lending and regulatory landscape, especially as crypto continues to gain mainstream interest.