

Yuanbao offers users to mortgage bitcoins



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Some Chinese exchanges have found out a new model in their mission to add innovative platform services.

They now offer fiat currency-based P2P loans using bitcoins and some other digital assets as the collateral.

Such services are often aimed at large Bitcoin-holders who want to use their holding's value without really selling it.

There are some exchanges that allow users to mortgage other assets like car registration, litecoin and even their telephone numbers.

The Chinese services do not actually loan digital currencies such as bitcoin-related peer-to-peer lending platforms, unlike BTCJam in other countries. Instead, customers borrow and lend only fiat currency.

Yuanbao. com is one such service. It is operated by a partnership between developers ' yuanbao' altcoin and BTCTrade exchanges. The website gives loans in Chinese yuan to borrowers who are prepared to keep their bitcoin, yuanbao coins or litecoin as collateral with the exchange.

Then the borrowers can loan CNY worth up to 60% of the digital assets kept as collateral.

The borrowers can also set the terms of the loan like timeframe, within 15 days to 1 year, and the interest rate, which is often within 10% to 30%. This loan proposal is later posted on the site for lenders to consider.

When a lender thinks the conditions for a particular loan is suitable to his needs, he decides how much he will lend. Therefore, borrowers might have to borrow from multiple lenders.

By using such assets as mortgage, the borrowers are taking a certain amount of risk. In case one fails to pay back his loan on the decided time, or the digital asset's market value depreciates to a certain point, the assets will be transferred to the lenders in order to cover for their loss.

Robin Guo, spokesperson at Yuanbao. com, said that lenders from different backgrounds can be seen in the website. They are drawn by the lucrative return rates and the additional security provided for lenders by this digital asset mortgage.

Usually, the borrowers come from various digital currency communities. If they give sufficient digital assets to back their loan up, they are not questioned much.

Guo said that the borrowers could be mining pool owners, mining equipment producers, or traders.

Anyone who owns digital assets and does not want to sell them can become borrowers. Those who are unhappy with the current market price also choose to be borrowers sometimes.

The website is not charging extra fees on the loans for the initial period as a promotional activity to attract more users. However, it takes a 0.5% fee to withdraw fiat currency to a payment service provider or bank.

In the short time, the service has become very popular. At least 2.5 million CNY has been loaned since its launch on 12 September 2014.

Many other such loan services have been launched in the country recently. The popular ones are Dangpu and 8R.com.

Dangpu was set up by 'big three' exchange Huobi while 8R.com formed after a partnership between Shenzhen BaRong Internet Financial Services Co Ltd. and exchange CHBTC.