



European Banking Industry Committee

European Banking Federation (EBF) • European Savings Banks Group (ESBG) • European Association of Cooperative Banks (EACB)
European Mortgage Federation (EMF) • European Federation of Building Societies (EFBS)
European Federation of Finance House Associations (Eurofinas)/European Federation of Leasing Company Associations (Leaseurope)
European Association of Public Banks (EAPB)

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EBiC Note on the European Parliament's (ECON) draft Own Initiative Report on the Commission's Green Paper on Mortgage Credit

1. Introduction

The European Banking Industry Committee (EBiC) welcomes the European Parliament's decision to prepare an own initiative report on the Commission's Green Paper on Mortgage Credit to inform the Commission of its opinion in this respect early on in the process. This approach takes into account the importance of the European mortgage credit markets which represent a large and rapidly growing sector in the EU economy.

EBiC is pleased to note that – generally speaking – the Rapporteur's draft report in the Economic and Monetary Affairs Committee of the European Parliament (ECON) takes a realistic view on the Green Paper on mortgage credit in the EU. The industry supports the Rapporteur's general approach, in particular with respect to the obstacles that need to be addressed first i.e. those which deter lenders from going cross-border and the objectives of the current Commission initiative i.e. improvement of the range of products, increase of availability of and access to mortgage credit and integration of mortgage funding markets.

EBiC is also strongly supportive of the Rapporteur's approach that any specific proposals must be preceded by a thorough economic and social impact assessment. Only if there is a direct benefit for both consumers and lenders would such policy actions at EU level be justified. EBiC has consistently called for impact assessments to be carried out and re-emphasised this request in its Position dated 25 November 2005 as well. In this respect, EBiC shares the view of the Rapporteur that regulatory intervention is not the only option available to foster a truly integrated mortgage credit market.

2. Funding

EBiC welcomes the fact that the Rapporteur considers funding a priority. It is closely following discussions in the Mortgage Funding Expert Group.

With respect to the issue of non-deposit taking lenders, it is EBiC's position that adherence to the principle "same business, same risks, same rules" is essential to avoid competitive disadvantage. It agrees on the principle of pluralism in the banking sector provided that there is the same level playing field for all kinds of institutions and that there is no distortion of competition. EU legislation should not favour one type of business model or corporate structure or one type of product over another. As such, new providers of mortgage credits also have to fully comply with relevant EU financial services regulation, especially prudential rules, insofar as mortgage lending is concerned.

3. Retail

With respect to consumer protection issues EBIC supports the opinion expressed in the draft ECON Report that the Annual Percentage Rate of Charge (APRC) has to be calculated on a narrow basis. Indeed, as already outlined in its Position dated 25 November 2005 EBIC believes that for an APRC to be truly a means of comparison it is necessary to only include those costs levied by the lender for the loan for his benefit. As regards information on external costs to be given by lenders, it has to be borne in mind that this information is only partly available for lenders and consequently it is impossible for them to inform the borrower about all external costs. External costs known by the lender are included in the Code of Conduct on Home Loans' European Standardised Information Sheet (ESIS).

With respect to early repayment EBIC would like to re-emphasise its Position that the right of early repayment should be discussed in the context of specific refinancing conditions available for the lender and taking account of the type of interest rate (fixed or variable) of a given product. Early repayment should be agreed by the contractual parties – equally in all Member States – in a consensual manner. It would be a matter of choice and not a legal right. Standardising this right would interfere with the product design of mortgages and impair their diversity. In those Member States where early repayment is a legal right, it should be possible for a consumer to waive this right on the condition that he is well informed about the effects of that waiver and its consequences.

EBIC supports the Rapporteur's approach towards the internet as a marketing tool for mortgage credit which will be increasingly important in the future.

4. Legal and operational barriers

EBIC considers that the position taken by the Rapporteur with respect to cross-border access to credit databases as well as land/mortgage registers is in line with its own Position dated 25 November 2005. It would like to emphasise however that the call on the Commission to promote the development of client credit databases to a consistent format in all Member States is not to be understood as a call for standardisation.

Furthermore, it is pleased to note that the Rapporteur is in favour of a continued EU funding of the EULIS project. Equally, it would like to express its satisfaction that the idea of a scoreboard for the length and cost of forced sales procedures is supported by the Rapporteur.

Finally, EBIC agrees with the Rapporteur that valuation is a key issue. However, it is against one single European valuation standard. Instead, EBIC would support guidelines for best practice in valuation in appropriate areas specifically definitions of values, qualifications of valuers and reporting. For national valuation methodologies EBIC strongly recommends mutual recognition.