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Regulation of mortgage credit at EU level not justified by financial crisis

Brussels – During the hearing organised by the European Commission on “Responsible lending and borrowing” on 03.09.2009, the European Federation of Building Societies (EFBS) called on the Commission to view the differing impact of the financial crisis in the individual EU Member States with the necessary discrimination and not to misuse it as a pretext for uniform EU-wide regulation of private housing credit.

In its position paper on the consultation document presented by the European Commission, the EFBS emphasises that it sees no need for the “horizontal Directive” on “responsible lending” obviously being planned by the Commission, which would also cover mortgage credit that hitherto has not been regulated at EU level. The consultation process on the “White Paper on Mortgage Credit” of December 2007 already showed that harmonisation would scarcely lead to more favourable conditions for consumers or an extension of the product range, on account of not only the different financing cultures in the Member States, but also and above all the alignment of the refinancing conditions on the capital markets since the introduction of the euro, said Federation Managing Director, **Andreas J. Zehnder**. Instead of introducing new pan-European regulations on creditworthiness assessment and determining collateral value and deliberating on advice standards and credit intermediaries, the European Commission should ask instead why the financial crisis caused difficulties to home-buyers only in some Member States, but not in others. “The answer is obvious,” **Zehnder** continued. “In countries like Germany, France and Luxembourg, financing of housing construction was unaffected by turbulence because borrowers there traditionally finance with high equity rates and fixed rates of interest.”

The successful financing systems of these countries could serve as an example for States with clear problems, such as the United Kingdom and Ireland, where loans were granted at up to 120% of the value of the property even to customers with low creditworthiness (sub-prime). The EFBS recalls that even a few years ago, the European Commission, on the basis of an expert report by the consultancy firm London Economics, was inclined to expand these risky offers preferably Europe-wide. Now wishing to create new complicated EU regulations means ultimately penalising the countries where credit institutions and customers have already so far made an effort to ensure sustainable and responsible financing. There, proven lending procedures would have to be adapted at great expense to the new EU specifications. “This cannot be the solution”, **Zehnder** emphasised. Rather the governments and supervisory authorities of the Member States concerned should be called upon to adopt financing systems which have long withstood the test of time elsewhere for which responsible lending is a matter of course. However, there is no need for standardisation activities by the European Commission, which essentially take no account of national problems.