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Barrage fire from Brussels

EU plans to top up capital requirements interfere with confidence building process

Brussels – The Basel Committee for Banking Supervision is currently working on restoring confidence in the capital markets in order to avoid a credit crunch and to ensure that the current financial crisis is not repeated. “In this situation the European Commission cannot think of anything better than demanding hasty and excessive measures that interfere with the objective of regaining confidence”, **the Managing Director of European Federation of Building Societies, Andreas J. Zehnder, said.**

All of a sudden the European Commission already now published its most recent consultation paper on possible changes of the capital requirements for mortgage credits. Therein the Commission is suggesting introducing an EU-wide common loan-to-value ratio and stricter capital requirements from a loan to value of 50%. “This would mean”, said **Zehnder**, “that the average mortgage credit becomes significantly more expensive for European consumers. This is because credit institutions would be forced to pass on the additional charges to consumers.”

The European Commission reasons its new suggestions by stating that “the asset class at the very heart of the current crisis” would require stricter rules. **Zehnder**: “In fact the problems are not a matter of asset classes, but rather a matter of dubious financial practices, which lead to a housing bubble particularly in Ireland, Great Britain and Spain.” The European Commission would be taking a “broad brush approach”. This would be inappropriate, because the Commission’s approach does not sufficiently differentiate between stable and instable housing finance schemes. Thus, well functioning financing systems could be jeopardised by such regulatory measures.