

ERES Industry Seminar:

A real EU market for Mortgage Credit: The Commission's White Paper



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• Agenda



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The White Paper on Mortgage Credit

- I. The case for action
- II. The deficits of European mortgage markets
- III. The objectives of Commission's action
- IV. Potential Policy mix
 - Legislation
 - Recommendation
 - Further research
- V. Conclusion: clearance for take-off ?



White Paper on Mortgage Credit: the case for action

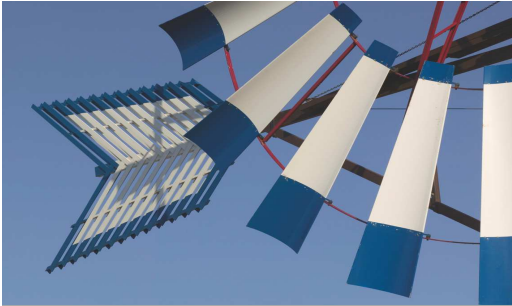
- Published on 18 December 2007
- Addresses the single market for residential mortgage business
- EU case for action
 - Residential mortgage markets are not integrated (cross border business below 1%)
 - Potential economic benefits from market integration is estimates at 0,7% of EU GDP and 0,5% of private consumption over the next ten years (Study from London Economics, August 2005)



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The view of the European Commission on the deficits of European mortgage markets

- Low cross border business
- Low product diversity
- Low consumer confidence
- Low customer mobility



Objectives

- Facilitating the cross-border supply and funding of mortgage credit
 - through local presence, direct distribution, local intermediaries
- Increasing product diversity
 - Expanding product range and borrowers served
 - introducing new and innovative products
- Improving consumer confidence
 - Clear, correct, complete and comparable information
 - Responsible lending, good advice
- Facilitating consumer mobility
 - Price transparency
 - Facilitated change of mortgage lenders



Achieving the objectives (1)

- Assessing the need for legislation in the following areas:
 - Pre-contractual information
 - Responsible lending
 - Annual Percentage Rate of Charge APRC
 - Early repayment

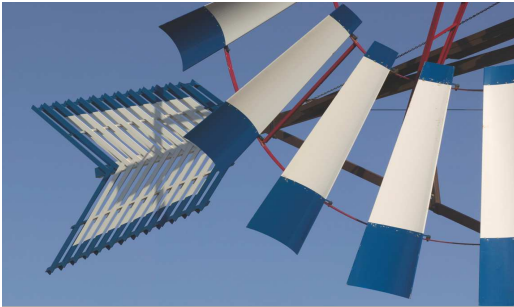
vs

- Product diversity
- Increased cost for consumers
- Compatibility with national traditions and finance techniques
- European Code of Conduct on Home Loans
- The Commission announces
 - further analyses and consultation with stakeholders
 - Rigorous impact assessment of each single measure



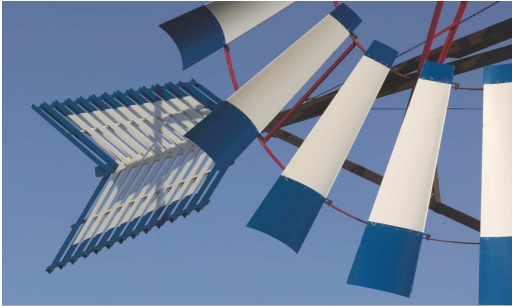
Achieving the objectives (2)

- Publication of scoreboards
 - Cost and duration of land registration and foreclosure procedures
- Commission's Recommendation
 - Efficiency of foreclosure procedures
 - Adherence to EULIS
 - Reliability of land registers (hidden charges etc.)
 - Facilitation of the use of foreign valuation reports, promotion of the development and use of reliable valuation standards



Achieving the objectives (3)

- Further research
 - Mortgage Funding / Securitisation
 - Regulation for non-credit institutions
 - Treatment of equity release mortgages
 - Investigation of tying and other unfair practices
 - Interest rate restrictions
- External studies
 - Credit intermediaries
 - Consumer testing of the Code of Conduct
 - Impact assessment of regulation in the area of information requirements, responsible lending, APRC and early repayment



Clearance for take-off ?

- Is there a cross border business case ?
- Would regulation be appropriate to clear-off ?
- Are national mortgage markets inefficient ?
- Is there room for further interest rate decreases ?
- How to achieve product diversity ?
- How to achieve consumer protection ?
- What about cost ?
- Are there lessons to be learnt from the sub prime crisis ?



The Business case:

Commercial Mortgage Lending of vdp member institutions in bn € in 2006

Domestic lending	117,4
Cross border lending	91,8
TOTAL	209,3

Share of cross border commercial mortgage lending: 44%