

# Citizens' summary

## New EU law on loans for buying homes

### WHAT'S THE ISSUE?

- Taking out a mortgage to buy a home or a loan secured by your home is a major financial commitment. One cause of the recent financial crisis was that some banks chose to lend money to consumers who could not afford to repay it.
- For various reasons, many borrowers are finding it increasingly difficult to repay their mortgages – leading to growing numbers of defaults and even repossessions and evictions.
- An EU-wide market for mortgage credit would promote competition and better protect consumers, but it has been slow to appear.
- The European Commission has proposed a series of measures (or "[directive](#)") to:
  - help borrowers make **informed choices**
  - give banks and other lenders a sound framework for doing business – **throughout the EU**, not just in the country where they are based.

### WHAT EXACTLY WOULD CHANGE?

#### All mortgage lenders would be required to:

- meet standards for **clarity and correctness** in their advertising and marketing materials
- provide standard information on the characteristics of the loans, so that borrowers can **understand the terms**, make meaningful comparisons and **shop around**
- provide adequate explanations on the loans available and their **associated risks**
- **refuse credit** if the borrowers cannot demonstrate their ability to repay the loan
- **register** with national authorities and **submit to supervisory controls**.

#### Borrowers would:

- be required to provide **complete and accurate information** on their financial situation
- have the right to **repay a loan early**, subject to certain conditions set by national governments.

### WHO WILL BENEFIT AND HOW?

- **People taking out a mortgage to buy a house or apartment** – increased consumer protection, greater choice, lower risk of default and repossession.
- **European businesses** – reduced costs of doing business and more business opportunities, including in other EU countries.

#### **WHEN IS THE PROPOSAL LIKELY TO COME INTO EFFECT?**

- The Commission submitted the proposed directive to the EU Parliament and Council in March 2011.
- Once Parliament and Council adopt it, EU member countries must implement national measures to achieve the results stipulated by the directive.

[More on mortgage credit for residential properties](#)