

## **Stakeholders debate the future shape of EU mortgage credit policy**

The Commission's consultation on developing an EU mortgage credit market concluded on 7th December 2005, with a public Hearing bringing together a cross-section of the key stakeholders involved.

More than 250 delegates came to Brussels to debate the issues raised by the Green Paper 'Mortgage Credit in the EU' drawn up by DG Internal Market and Services. A White Paper will be published later in 2006 setting out the way forward.

### ***Discussion of key issues***

The overriding purpose of the public Hearing was to stimulate discussion amongst stakeholders on the main issues raised during the consultation process.

Keynote speaker at the event was Charlie McCreevy, Commissioner responsible for Internal Market and Services, who stressed that the focus on the EU mortgage credit market is part of the concentration on retail financial markets, signalled in the recent Commission White Paper on Financial Services Policy 2005-2010.

The 250-strong audience at the Hearing included practitioners from mortgage lending and related industries (e.g. mortgage insurance and ratings agencies), consumer representatives, Member State representatives, academics and lobbyists. There were representatives from most EU Member States and from further afield (including USA).

Having organised the Hearing to obtain input to help in developing EU-wide mortgage credit policy, the Commission was very much in listening mode. Alexander Schaub, Director General for Internal Market and Services stressed in his address the important role which mortgage credit played in the Commission's agenda. The Hearing was, he explained, part of an in-depth and wide-ranging consultation designed to answer the central question – is the Internal Market functioning well here, or is there scope for Community action to make the EU mortgage credit market more competitive and to increase choice and value for consumers?

The twenty two panellists and moderators participating in the debates, represented stakeholders from all the major lender federations, the European Consumers' Organisation, national regulators, credit reference agencies, European Notaries Association, the ECB, ratings agencies, mortgage insurers and the European Parliament. Audience participation, key at such public Hearings, demonstrated a similarly wide spread of interests and perspectives.

### ***Consumer perspective***

Health and Consumer Protection Director General Robert Madelin put the first of the day's four debates in context by describing the importance of consumer interests in the debate on an EU mortgage credit policy.

The first debate focused on mortgage borrowing, i.e. on the interests of consumers in action to integrate the EU mortgage credit market. Here we heard that building consumer confidence through appropriate consumer protection rules would motivate consumers to take advantage of a pan-European mortgage credit market, and therefore be of benefit to the industry as well.

Particular areas highlighted were consumer information on mortgage loans, greater potential to switch mortgage deals and the need for clear and complete advice. Some considered that a more flexible housing and mortgage credit market could even have the potential to facilitate a more flexible labour market.

The second debate looked at mortgage lending and focused attention on the interests of lenders in operating in a more integrated mortgage credit market. Lender access to information held in other Member States was regarded as key, particularly concerning land register, property valuation and borrower credit-worthiness data. The importance of maintaining and encouraging product variety was stressed during this discussion.

The next debate on mortgage funding turned to the interests of investors and the role of the secondary market in facilitating a more integrated EU mortgage credit market. Many considered that some standardisation in this area could promote more cross-border activity, calling for this to be driven by market participants and to take into account their view that there was no one superior mortgage funding model in the EU.

### ***Key priorities for possible intervention***

The fourth and final debate entitled 'Towards an EU Mortgage Credit Market', took a broad strategic perspective, directed at identifying key priorities in any future EU level intervention in this market. The main message that emerged in this concluding debate was that both consumer and lender confidence were required to achieve a more integrated EU mortgage credit market. That said, such integration would be lender-driven, in that consumers were more likely to take advantage of opportunities from non-domestic lenders with which they were presented, than those that they had to seek actively themselves.

Hearing Chair Elemér Terták, Director of Financial Institutions at the Internal Market and Services Directorate General, in thanking all for their contributions to the lively and informative debate, noted that a key theme throughout the day, in panellist and audience contributions, was that the consultative approach taken by the Commission in developing policy on mortgage credit was to be highly commended and should continue.

To conclude the day's proceedings, Commissioner Charlie McCreevy delivered the keynote speech, giving his preliminary conclusions on the input received from stakeholders during the consultation and indicating how the Commission would proceed with developing its policy on mortgage credit.

He assured the Hearing audience that the Commission would review carefully all input received in writing and at the Hearing, before coming to any conclusions on Commission action. All available options, not just legislative, would be explored. Careful impact assessment would be undertaken on all potential measures, to ensure that forthcoming work in this area was carefully focused and prioritised, in order to achieve maximum benefits for all stakeholders, with the minimum level of burden on business.

A White Paper would be issued in 2006, setting out the way forward. The Commissioner concluded by stressing "I can assure you today, that we will make no proposals unless I am convinced that they will have the effect of increasing competition, efficiency and choice in the EU mortgage credit market, thereby supporting our endeavours to achieve the objectives of the Lisbon agenda, and, ultimately, to increase the global competitiveness of the EU."