



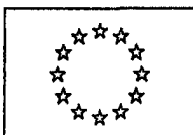
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AVIS DU COMITE DES EVALUATIONS D'IMPACT

White Paper on the Integration of EU Mortgage Credit Markets

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Brussels, 22 October 2007
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Opinion

Title **Impact Assessment on the White Paper on the Integration of
EU Mortgage Credit Markets**

(draft version of 24 September 2007)

Lead DG **DG MARKT**

1) Impact Assessment Board Opinion

(A) Context

Outstanding loans in EU mortgage credit markets represent a significant part of Europe's economy. Substantial progress has been made in constructing a Single Market for financial services. However, retail financial services integration has not yet reached its full potential. Competition in some markets is insufficient, leaving EU consumers and mortgage lenders unable to take full advantage of the benefits of the Single Market. For several years, the Commission has engaged in a comprehensive review of EU residential mortgages markets, an initiative which has to be seen against the background of the White Paper on Financial Services 2005–2010, the results of the sector inquiry into retail banking, the Green Paper on Retail Financial Services and the ongoing Single Market Review. With the present White Paper on Mortgage Credit and the accompanying IA report, the Commission presents its policy intentions for EU residential mortgages markets.

(B) Positive aspects

The IA report presents a rigorous and comprehensive problem analysis. The underlying problem drivers are clearly identified and the impacts of possible policy measures have been assessed with a particular stakeholder focus. Intensive consultation has taken place over the last few years.

(C) Main recommendations for improvements

The recommendations below are listed in order of descending importance. Some more technical comments have been transmitted to the author DG.

General recommendations: While the IA report is overall of good quality there remains a potential for improvement, particularly with respect to the assessment of

several types of aggregated effects (e.g. consumer welfare implications, cross-border activity, differences in tax treatment) and the comparison of options.

(1) The IA report should strengthen the analysis on the overall consumer welfare implications of an integrated EU mortgage credit market. The advantages and disadvantages for various groups of consumers resulting from distributional effects should be better identified while paying particular attention to the situation of the most vulnerable groups of the consumers ('sub-prime borrowers'). Also possible impacts of enlargement and the role of the vulnerability of consumers to exchange rate risks should get more attention. Given the current public awareness of the US housing market crisis the IA report should clarify whether the envisaged initiative has any impact on the financial stability of 'sub-prime markets'. From a supply-side perspective distributional impacts on the industry's geographical location and the competitiveness of small and medium sized service providers should be sufficiently addressed.

(2) The market analysis needs to be reinforced. The IA report should provide concise key information on the cross-border nature/size of the European mortgage industry, the overall role of mortgage credits for real estate financing within the different Member States and the overall organization of the industry.

(3) The cited macro-economic studies on the potential economic benefits need to be better presented and qualified. Where necessary the IA report should better explain the reasons behind the divergent study results by presenting more clearly their underlying assumptions and methodologies applied and – if deemed appropriate – assess the outcome of the studies. The potential impacts from different tax treatment and obstacles from exchange rate uncertainty outside the Euro area should be clarified.

(4) The IA report should identify more precisely the possible synergies and trade-offs between options and better substantiate why a significant positive effect can be expected from an integrated policy package.

(5) The need for adequate 'financial education' instruments should be clarified. The IA report should better articulate why no policy options for the problem area "financial literacy" are proposed and whether the envisaged separate Commission Communication on Financial Education will sufficiently address the needs of the mortgage credit market consumers. Related to this, the consumer risks of increased product diversity reducing market transparency and comparability between competing products should be examined.

(6) The analysis of the impact on administrative burden should be strengthened. The IA report should provide at least a qualitative estimate of the magnitude of the costs that Member States will face in terms of implementing legislation/recommendations, compiling data for scoreboards and house price indices.

(D) Procedure and presentation

It appears that all necessary procedural elements have been complied with.

2) IAB scrutiny process

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Author DG	DG MARKT – H – 3
External expertise used	No
Date of Board Meeting	17 October 2007
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