

YEUr PIIGSty Tidbit

EU Mortgage Credit Directive



What is it?

The Mortgage Credit Directive (MCD) proposes to create a more integrated pan-European market for mortgages which gives borrowers more choice, stronger ability to compare mortgage products and greater protection while making cross-border mortgage lending much easier for banks.

The Directive aims to tackle an inward-looking, inefficient and fragmented home loan system in the EU – a market currently worth close to 50% of European GDP or €6.5tn. Mortgage credit accounts for approximately 2/3 of all household lending in the EU.

Why is it needed?

The MCD aims to create a single market for mortgage loans by rebalancing the system in favour of borrowers; ensuring a more transparent, thorough and consumer-focused process with common lending standards and borrower protection at its core.

One major problem highlighted by the financial crisis is that there are (still) no EU-wide rules dealing with the pan-European home loans despite the collapse of housing markets in several EU Member States and its effect on stymieing these economies. This lax system continues where mortgages remain national, limiting consumer choice and leaving borrowers at the mercy of domestic and often irresponsible lending regimes to buy a home or take out a loan using their property as collateral.

Some more key facts and figures are available [here](#) (under point 7).

What will it do?

The proposed Directive (for mortgage applicants from 2015 on) will mean:

- Strengthening and expanding the **EU cross border market** for mortgages.
- Better, more rigorous (EU-wide) standard **credit assessments** for applicants setting out in plain terms the repayments applicants will have to pay.
- A **standardised EU-wide mortgage selection** process (through the personalised easy to use European Standardised Information Sheet – more info [here](#)) allowing customers to shop around for EU providers specific to their needs.
- Lenders must give **advice throughout the application process** and **detailed explanations for rejection** of applications.
- **More pre-contractual information** must be given to applicants so they're better informed before making an application.
- Tougher **rules to ensure responsible advertising** (including on APR) and a **harmonised APR**, allowing borrowers to more easily compare products.
- **Better regulation** and **supervision** of mortgage providers.
- Clamping down on **commission based payment systems** for brokers
- Removing link between mortgage assessment and pay for advisors.
- Ensuring rights for consumers **to repay early** (but banks can still charge fees)

Timeline

For more on the EU decision making process, see [here](#)

- July 2005** European Commission publishes [green paper](#) on 'mortgage credit in the EU' followed by public consultation.
- November 2006** European Parliament publishes [report](#) in response.
- December 2007** European Commission publishes [white paper](#) on 'Integration of EU mortgage credit markets'.
- March 2011** European Commission [adopts formal proposal](#) for a Directive (so-called Mortgage Credit Directive or MCD) regulating retail mortgage credit.
- May 2012** The Danish Presidency of the Council of the EU (Council of Ministers) [achieve endorsement](#) to begin formal negotiations with the European Parliament. Parliament agrees to broaden scope of Directive.
- July 2012** Trilogues begin between the Cypriot Presidency, Commission and Parliament.
- 22 April 2013** Irish Presidency reaches [provisional agreement](#) with the European Parliament after final trilogue with European Commission. It must be endorsed by Member States before being finalised.
- 11 June 2013** European Parliament at plenary session will consider final approval of MCD.