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"EMF Clarifies Misleading Reports on Impact of the Mortgage Credit Directive"

Brussels, 18 September 2013 – For immediate release

The European Mortgage Federation (EMF) acknowledges last week's agreement by the European Parliament (EP) Plenary on the draft Mortgage Credit Directive (MCD) and looks forward to final adoption by the EP and Council. On the whole, the EMF welcomes the future Directive as clarification of practices which have been in existence in Member States for decades.

However, the EMF would like to set the record straight with respect to the misleading reporting that has since emerged, both in Member States and in Brussels, in relation to the provision stating that "Member States shall not prevent the parties to a credit agreement from expressly agreeing that return or transfer to the creditor of the security or proceeds from the sale of the security is sufficient to repay the credit". Contrary to what is being implied in some reports, this provision does not, in any way, introduce a new regime that would allow borrowers to terminate their contract by "handing back the keys". What this provision does do is confirm the existing principle of contractual freedom that allows parties to a contract - i.e. lenders and borrowers, to bilaterally agree specific contractual terms, where not otherwise stipulated by law.

It is worth recalling that borrowers' ability to "hand back the keys" (non-recourse loans) was at the core of the US subprime crisis, and there is no place for such a regime in an EU system where creditworthiness assessment has always been the basis for loan-granting procedures. The introduction of such a regime in the EU would negate the fundamental role of long-established legal principles regarding the role of the collateral, which underpins the mortgage lending business, and could therefore endanger its future.

> "*The European mortgage industry would like to reiterate that mortgage lenders in the EU are committed to not only helping people own their homes but to remain in them, and that foreclosure is, and will remain, a last resort in the event of financial difficulty, after all other solutions have been exhausted*".
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> Annik Lambert, EMF Secretary General

The EMF firmly believes that it is in the interest of all stakeholders - borrowers, lenders and governments alike, that the provisions of the future MCD are accurately presented and reported to the public at large.

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Notes to the Editor:

- Established in 1967, the **European Mortgage Federation** (EMF) is the voice of the European mortgage industry, representing the interests of mortgage lenders and covered bonds issuers at European level. The EMF provides data and information on European mortgage markets and its members grant more than 75% of residential and non-residential mortgage loans in Europe (worth over €6.5 trillion at the end of 2011). As of September 2013, the EMF has 26 members across 16 EU Member States as well as a number of observer members in the EU and the Russian Federation.
- In 2004 the EMF founded the **European Covered Bond Council** (ECBC), which is a platform that brings together covered bond market participants including covered bond issuers, analysts, investment bankers, rating agencies and a wide range of interested stakeholders. As of September 2013, the ECBC has 100 members across 25 active covered bond jurisdictions and many different market segments. ECBC members represent over 95% of covered bonds outstanding (worth over €2.8 trillion at the end of 2012).
- In 2012, the EMF established the **Covered Bond Label Foundation** (CBLF), which highlights the quality of labelled assets. As of September 2013, 84 labels have been granted to over 4000 covered bonds from 70 issuers in 14 countries for a total face value of covered bonds which amounts to over €1.4 trillion (approximately 55% of the global outstanding and 58% of the EU covered bond market).
- For the latest updates from the EMF & ECBC, follow us on Twitter and LinkedIn.