



Parliament outlines rules to limit risks for home buyers

Plenary sessions [10-09-2013 - 12:42]

Home buyers would be better informed about the costs and risks of taking on a mortgage, partly shielded against market swings that inflate their repayments and better protected if they default on the loan, under new rules provisionally approved by Parliament on Tuesday. But before finalising these rules, MEPs wish to fine-tune them to ensure that they are properly enforced across the EU.

The legislation will cover mortgages on residential property, residential property including an office space and building land. Some of its requirements would be adapted to reflect differences among EU member states' national mortgage and property markets, but the information for buyers would have to be presented in a consistent format across the EU.

Before the contract is signed

Anyone signing up for a mortgage in the EU should receive comparable information about the products available, and understand the total cost and long-run financial consequences of taking out the loan. Credit terms offered to borrowers would have to match their current financial situation and take account of their prospects and possible downturns.

Moreover, buyers would have to be given a mandatory 7-day reflection before signing the loan, or a 7-day right of withdrawal thereafter.

While it lasts

MEPs inserted more flexible rules, including a borrower's right to repay the loan early, subject to possible conditions to be decided by EU member states, and a lender's right to fair compensation for such early repayment. However, obliging borrowers to pay penalties for early repayment would be prohibited.

Under the new rules for loans denominated in a foreign currency, the borrower should be warned before signing the contract that the instalments payable could increase. Alternatively, the borrower could be allowed to change the currency, on certain conditions and at the exchange rate stated in the loan contract.

Protection against default

MEPs added a new rule stipulating that the return of collateral such as the property itself will suffice to repay the loan, provided that the lender and borrower expressly agree to this in the contract.

Where a borrower defaults on a loan, the legislation should include requirements to sell the property for the "best effort" price and to facilitate the remaining debt repayments, so as to protect consumers and prevent their becoming over-indebted for long periods, say MEPs.

Press release

Next steps

MEPs adopted the final wording of the text, but before approving the rules overall, Parliament wants EU member states to undertake to ensure that they are properly enforced on their territory, i.e. throughout the EU.

Procedure: Co-decision (Ordinary Legislative Procedure), 1st reading

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