

REVIEW

Michał Głuszak

PhD, Cracow University of Economics, Faculty of Economics and International Relations, Department of Economics for Real Estate and Investment Process, Poland, gluszakm@uek.krakow.pl



ANDERSON M.,
ARROYO AMAYUELAS, E. (EDS.)

The Impact of the Mortgage Credit Directive in Europe. Contrasting Views From Member States

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The global financial and economic crisis of 2008 had a profound impact on real estate markets and mortgage industry worldwide. Despite all negative outcomes, discussed in the literature, one positive consequence was growing apprehension and knowledge about linkages between financial markets, institutions, and real estate markets. The latter can be critical in addressing these complex interdependences by rational policymaking in the turbulent global economy. Lessons learned from the crisis can foster the development of the more resistant real estate market sector. In fact, as Nobel-winning economist R. Shiller¹ claims: “had there been a well-developed real estate market before the financial crisis of 2008, it would plausibly have reduced the severity of the crisis, because it would have allowed, even encouraged, people to hedge their real estate risk”. The book edited by Miriam Anderson and Esther Arroyo Amayuelas addresses the problem from legal and institutional perspective. The book was co-funded by the Erasmus+ Programme of the European Union and presents a comprehensive review of the dynamics of mortgage credit regulation in twelve European countries. Although not fully representative to EU, the geographic scope of the sample covered in the book is impressive and allows the reader to learn about the different responses to mortgage and housing crisis.

The book focuses on the Mortgage Credit Directive (Directive 2014/17), a somewhat late response of European legislation to the financial crisis in European Union Member States. Major objectives of the Directive 2014/17 were to induce stability in the financial sector and to increase consumer protection. The main objectives of the book are twofold. For one, the book examines whether transposition of European legislation in different countries was in line with the two goals of the Directive. Secondly, the authors analyzed whether the changes introduced had a significant impact on the institutional framework in respective countries. To achieve this, the book was divided into three parts.

¹ Shiller, R. J. (2014). Speculative Asset Prices. *American Economic Review*, 104(6), 1486-1517.



In the first introductory part, Esther Arroyo Amayuelas discusses common EU regulations of mortgage credits regarding transparency, right of withdrawal, early repayment, property valuation, and foreign currency loans. These policy-related topics are accompanied by the examination of a mortgage credit from the legal and financial perspective, written by Peter Sparkes. The introduction ends with a case study of Spanish property and mortgage market, by Miriam Anderson and Hector Simon Moreno. The latter chapter is a bridge between general discussion and in-depth analysis of mortgage credit regulatory framework evolution in selected European countries that can be found in the second part of the book.

In the second part, different authors provide an overview of the implementation of Directive 2014/17 in several European countries. Each of the national reports is covered by a separate chapter and written by different authors who share their expert knowledge on the regulatory framework of the mortgage industry. The list covered within the book includes mostly mature economies of Western and Southern Europe (including England, France, German, Spain, Italy, Belgium and the Netherlands), with a sole representative of Central and Eastern European (CEE) – the case of Poland. The latter report, written by prof. Magdalena Habdas can be particularly interesting for Polish readers, especially when comparing domestic market with the situation in other European countries. The author discusses housing market situation in Poland (82% homeownership rate, low affordability, and relatively weak private rental market). The report discusses problematic lending practices in Poland: (1) granting loans with relatively high Loan-to-Value (LTV) ratios (34% of loans having LTV of 100% and higher); (2) unfair and abusive mortgage credit clauses used by banks; as well as controversies around foreign currency loans (mostly CHF). In this context, the chapter examines the difficulties in the transposition of Directive 2014/17, as well as some challenges that have not been addressed to date.

The last part of the book is written by J.M. Milo focuses on the comparative review of the impact of the Mortgage Credit Directive in sep-

arate EU countries. Although considerably short, this part suggests that there were considerable differences in the implementation of the Directive 2014/17 in the Member States, partially due to heterogeneity of national mortgage markets, and their initial regulations. The author notes that there is no single European market for financing residential property, thus harmonization process was not easy. The author suggests that, based on a comparative overview of the implementation of Directive 2014/17, more mandatory guidelines could have been provided for some of the jurisdictions, potentially in the form of a more rigorous and explicit legislation at the European level.

To conclude the book provides a broad yet comprehensive overview of the changes in the regulation of mortgage industry in several European countries due to the implementation of the Mortgage Credit Directive in Europe. It can serve as a valuable source of knowledge and inspiration for professionals, researchers, and students interested in the linkages between law and economics of mortgage and property markets. Lessons learned and discussed in the book can be used when shaping lending legislation at national level, and coping with property bubbles in the nearest future.