The Impact of the Single Currency on Mortgage Institutions

by Annik Lambert

INTRODUCTION

The European Mortgage Federation represents the interests of a wide variety of institutions. It groups both public and private credit institutions, mortgage banks, savings banks, building societies, Bausparkassen and insurance companies. Together its members provide more than 85% of outstanding mortgage credit in Europe.

By the end of 1995, outstanding mortgage loans had risen to ECU 2.5 trillion (US$3.3 trillion),[1] i.e., more than doubling over the past 10 years. In volume, this would be equivalent to more than 1/3 of the total GDP of the European Union. (See Figure 1.)

The introduction of the single currency represents a major step towards further European integration. It is the most decisive development of the last 10 years. Accordingly, this paper seeks to set out preliminary considerations of some of the likely key issues of economic and monetary union facing mortgage lenders in Europe.

However, due to the wide differences between national housing markets and housing finance systems, the problems and challenges facing mortgage lenders are likely to be very different from one country to another.

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Therefore, to understand the impact of the single currency on the housing sector, it is necessary to examine the main features of the housing markets as well as the different housing finance systems in Europe.

HOUSING MARKETS IN THE EUROPEAN UNION

Property law and housing policy are regulated at the national level. Today, wide differences remain between the housing markets of the different member states regarding:

- Outstanding residential mortgage debt as a percentage of GDP
- Owner-occupation levels[2] (See Figure 2)
- Average values of loans (the highest average value was in the Netherlands at ECU 74,000 (US$97,000) compared with the lowest value in Greece at ECU 12,800 (US$17,000)[3]
- Costs associated with the purchase of a dwelling[4]
- House prices

Interestingly, the level of owner-occupation is not well correlated with the per capita GDP of the countries. Germany, for instance, has one of the highest GDP's per capita in Europe, but virtually the lowest level of owner-occupation; whereas Spain, Ireland and Greece have among the highest levels of owner-occupation in Europe.[5]

HOUSING FINANCE SYSTEMS IN EUROPE

Until the 1980s, housing finance systems were generally able to evolve and to develop their own national characteristics.The basic purpose of a housing finance system is to channel funds between people who wish to save and people who wish to borrow in order to purchase a house which they cannot afford to buy outright.

Redistribution between savers and borrowers can take place directly, without an intermediary, most commonly between generations of the same family. For instance, in Italy, until the 1990s, direct lending between family members was said to be the dominant form of mortgage finance. However, direct lending between individuals is unlikely to be a very efficient method of matching individual saver's funds to individual homebuyer's needs.

Broadly speaking, three main types of intermediation systems are identified: the mortgage bank system, the deposit-taking system and the contractual system.[6]

The Mortgage Bank System

The mortgage bank system (i.e., mortgage

Figure 1. Residential Mortgage Debt as a Percentage of GDP in 1995

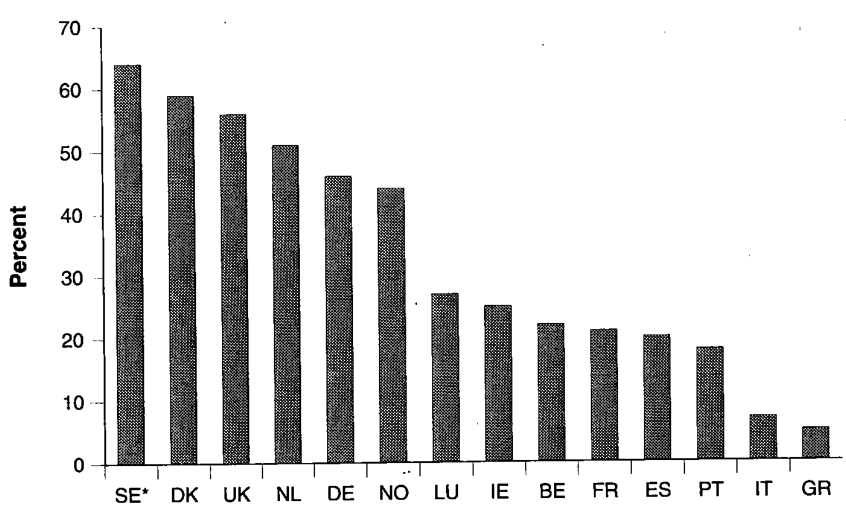
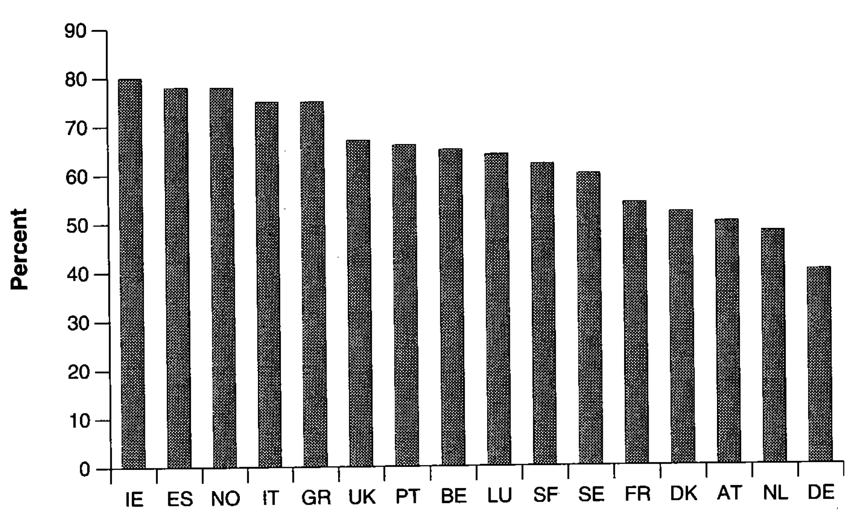


Figure 2. Owner Occupation Level



bond system) redistributes private sector savings into the housing finance system using institutional investors, such as insurance companies and pension funds, or through a stock exchange. This system has existed since the 18th century [Editor's note: See the article by T. Gjede, P. 31 in this issue].

Loans are funded through the issue of mortgage bonds on capital markets, usually at a fixed rate of interest. There is a high degree of matching of maturities between the mortgage bank assets and liabilities. As funds are collected through wholesale markets, mortgage banks are therefore not dependent on extensive branch networks. The mortgage bank system is strongly established in countries such as Germany, Denmark, Sweden and Austria. Mortgage bonds account for approximately 30% of mortgage funding in Europe.[7]

Mortgage bonds are completely different from mortgage backed securities, as the mortgage bonds issued by mortgage banks remain on the balance sheet of the institution. The issuing of mortgage bonds has nothing to do with balance sheet management.

Deposit-taking System

In a deposit-taking system, lenders fund mortgage loans through the issuance of deposits. Lenders can be either specialized depository institutions, like building societies, or commercial banks. This system is based on the variability of interest rates as opposed to fixed interest rates systems [Editor's note: See the article by A. Coles, p.17 in this issue].

This system is traditionally the dominant form of intermediation in countries such as the United Kingdom, Ireland, France, Portugal and Spain. But it operates side by side with the mortgage bank system in many countries, including Germany and Austria.

The system's successful operation depends on the use of variable rate loans, since retail deposits are generally relatively liquid and lenders may need to raise interest rates to attract new funds to maintain a balance between assets and liabilities.

Savings banks are the most common institutions to operate this system, although building societies have been dominant in the UK and Ireland, and commercial banks have entered the market in recent years.

Contractual Savings or "Bausparkassen" System

The contractual savings system is a system whereby potential buyers contract to save a certain amount for a certain period, usually at low rates of interest. In principle, these systems are closed. The borrower will qualify for a loan also at below-market rates. But since these systems must be funded by new savers, there may be a delay before a loan can be financed. This system is mainly operated in Germany and Austria by the "Bausparkassen" and benefits from favorable tax treatment to make it more attractive.[8] [Editor's note: See the article by A. Zehnder, p.13, in this issue.]

In many countries there will be a mix of lenders offering mortgage loans. For instance, in Germany, the three systems coexist and complement one another. (See Figure 3.)

Comment

The three kinds of traditional housing finance systems used in Europe presented above often operate side by side. However, the United States form of housing finance using mortgage-backed securities has not until recently really spread in continental Europe.

The reasons for this are numerous and can be summarized as follows:

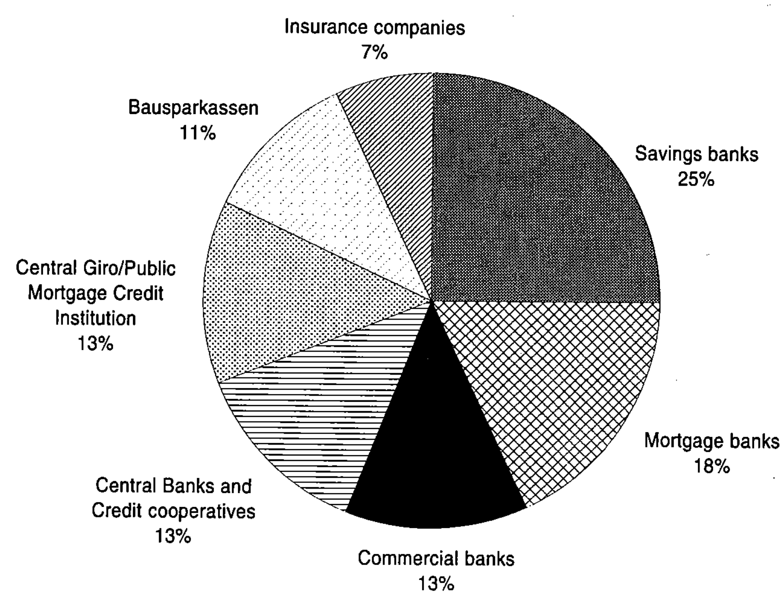
1. The Roman legal systems of European countries do not fit with the common law concepts such as special vehicle companies used for the issue of mortgage-backed securities.

2. Mortgage-backed securities do not benefit from the government guarantee nor from a privileged weighting for solvency ratio purposes, which puts them at a competitive disadvantage.

3. Supervisory authorities do not favor their introduction because they would lose part of their authority, not having any authority to supervise special vehicle companies.

4. Before the introduction of a single currency in Europe, some of the national markets are simply too small to allow sufficient liquidity in the market.

Figure 3. Outstanding Mortgage Loan Shares in Germany



DEREGULATION IN THE 1980S

While the three different housing finance systems were developed, each tended to be tightly regulated by national authorities until the 1980s because of the danger of mismatching in long-term finance and because many governments wanted to favor access to homeownership at the lowest possible cost. There were restrictions on the activities of institutions, such as balance sheet restrictions (UK), restrictions of specific mortgage instruments to specific institutions (France, Denmark) or regulations of the terms of mortgage contracts (Belgium). (See detail of restrictions.[9])

During the 1980s, a number of pressures have caused the national mortgage markets to become more exposed. Among the most important changes was the liberalization of capital movements within the European Union since 1990.[10] The UK example illustrates how the removal of exchange controls can have a huge impact on mortgage markets.

The completion of the internal market and the Second Directive on the Co-ordination of Banking Legislation also had considerable impact on mortgage lenders.[11]

The Second Banking Directive has in particular modernized banking regulations of the southern European countries such as Italy and Spain. The mutual recognition principle and the single passport have opened up European markets, allowing any European bank duly authorized in its own country the possibility of practicing its activities in the other member states.

In a survey carried out in 1994 among its members, the Federation found that many member states have taken advantage of the translation of this directive into national law to deregulate their mortgage markets and to abolish the remaining restrictions on mortgage lending.[12]

But the mortgage market deregulation did not occur everywhere. Some countries, such as Germany and France, seem to have been more resistant to change. For instance, in France elements of deregulation occurred that allowed commercial banks to enter the mortgage market after 1987; but restrictions on interest rates remained, which removed a vital mechanism for the big credit expansions that occurred elsewhere.[13] (See Figure 4.)

Despite the pressures of deregulation, the member states retain marked differences in their housing finance systems and the mortgage loans which are offered, such as:

Interest rates: In the mortgage bank countries, mortgages will predominantly be at fixed rates of interest, whereas in deposit-taking countries, variable rates are much more common.[14]

Repayment periods will vary from one country to another, the shortest being available in higher inflation countries.

Loan-to-value ratios, i.e., the size of down-payment required by the lender in relation to the amount of the loan, can vary greatly from 60% to 100% and therefore favor or limit access to owner occupation.

Furthermore, other external elements will influence the price of the mortgage loan such as:

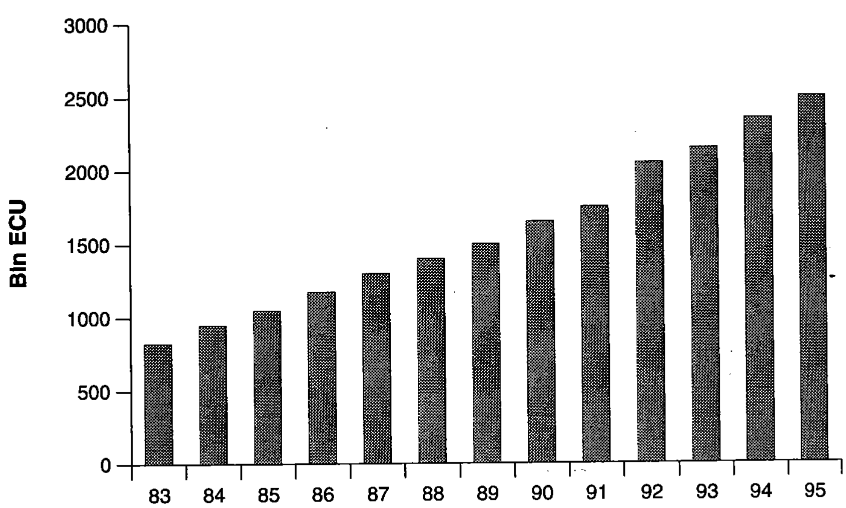
- State support of owner occupation through tax relief or subsidies vary throughout the European Union.[15]
- Transaction costs. The cost that the borrower will have to pay in addition to his mortgage loan (i.e., valuation of the property, notary fees, estate agency, transaction tax, registration fees) also vary between the different member states. (See Figure 5.)

In conclusion, one should always keep in mind that in Europe, although it is expected that the introduction of a single currency will affect mortgage lenders, you still have to work with 11 different languages (for the moment), a multitude of different cultures and different legal systems. This explains the difficulties which are all too often encountered when crossing borders.

IMPACT OF THE SINGLE CURRENCY ON MORTGAGE INSTITUTIONS

Although it is generally considered that mortgage lending will continue to be fragmented along national lines, it is expected that the single currency will induce structural changes in the mortgage markets. These changes will affect both the funding and lending operations of mortgage lenders.

Figure 4. Change in Outstanding Mortgage Debt in the European Union



Particular attention will also have to be paid to legal problems relating to the continuity of contracts.[16] The major areas that will impact mortgage lenders include:

- Change in industry structures
- Funding activities, from both the issuer's and the investor's points of view
- Lending operations and consumer concerns
- The continuity of contracts

Structural Changes

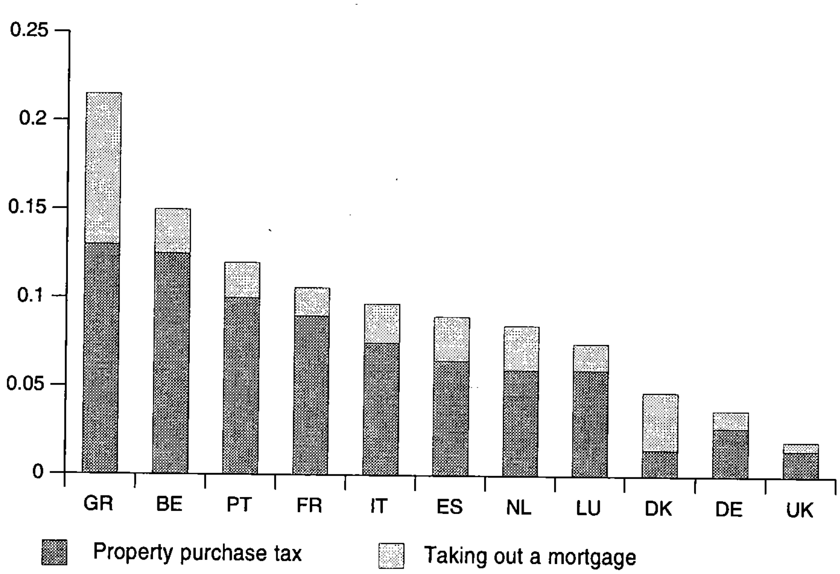
It was noted above that there are significant differences in national housing market structures as well as in the range of institutions supplying mortgage credit in the EU. Therefore, the currency conversion will further provoke change in the structure of mortgage markets. This change will vary from one country to another as well as from one institution to another.[17] Some institutions may see benefits from being part of a larger institution and merge, while advantages may still remain for "niche" mortgage credit institutions.

Evidence of structural change, principally as a result of deregulation, is already manifest in a number of member states. A further wave of change is to be expected as a consequence of the single currency, although the effect is likely to be counter-balanced by the fact that mortgage credit will continue to remain a fundamentally local business.

In the long term, the climate of low inflation and low interest rates may favor fixed-interest-rate mortgage loans of longer duration.

However, this depends on the stability of the economic conditions under EMU. If there is volatility, specialized mortgage lenders in particular, such as mortgage banks which rely solely on long-term funding through the issue of mortgage bonds, could be severely handicapped because of their need to operate in a stable economic and low-inflation environment.

Figure 5. Major Costs of Purchasing a Dwelling in Europe



Furthermore, in a high-inflation environment, all other mortgage lenders would only be able to offer long-term loans with high interest rates. This would have a negative impact on investment and the attraction of long-term funding.

Lending activity is likely to be characterized by increased competition, and developments on the funding market are likely to lead to new innovative products for borrowers.

Funding Activities

The impact of EMU on different funding methods will depend on the economic conditions which prevail before and after the currency conversion.

As mortgage credit institutions obtain their funding in a variety of ways, there will be no uniform impact of EMU and the single currency on their funding activities.

However, long-term funding instruments, such as mortgage bonds and mortgage-backed securities, are likely to be more affected than deposit-taking.

From the issuer's point of view. In principle, the completion of EMU signifies that issuers will have the choice between different markets in which to offer their mortgage bonds and that the rules regarding access to markets will no longer have effect.[18] The choice between one market and another will be based on the criteria of cost and the ease of access to capital markets.

From the investor's point of view. With the elimination of exchange rate risks, the difference in interest rates will depend on credit risks and liquidity. Over the past two years, many issuers have therefore made great efforts to improve liquidity and transparency in the market.[19]

Mortgage banks which fund solely through the issue of long-term mortgage bonds are likely to be more affected than other mortgage lenders. Mortgage banks in certain member states are already facing some difficulties as investors increasingly prefer shorter term mortgage bonds (i.e., five years rather than 10 years) due to the possible economic uncertainties relating to the single currency.[20]

For hard currency mortgage bonds such as the German mortgage bonds (Pfandbriefe), the introduction of a single currency will abolish one of the strongest assets of this mortgage bonds market, i.e., the D-Mark. German mortgage bonds will have to compete directly not only with Bund bonds but with Belgian and French government bonds denominated in the new European currency as well. As a result, the attractive spread between mortgage bonds and Bund bonds will lose its unique character.[21]

While the effects of European monetary union are difficult to assess, the ongoing consolidation of public finances is likely to lend support to the mortgage bond markets. A decline in government bonds issued will automatically focus investors' attention on other fixed-income instruments, such as mortgage bonds.

As a consequence of greater competition in accessing capital markets, there will be demands for greater harmonization in the field of instruments used to fund mortgage credit, i.e., mortgage bonds and mortgage-backed securities (MBS). Considering the tightness of certain national markets, MBS have had little opportunity to develop in Europe so far. The Commission's pending proposal concerning uniform treatment of MBS from a prudential point of view will have a considerable impact on the future development of these securities and perhaps an emerging secondary market in Europe. Credit rating of credit institutions is expected to become increasingly important.

It is also expected that savings funds will become more mobile due to the possibility for pension funds to invest abroad. Pension funds play an important role in the funding of mortgage credit.

However, failure to harmonize withholding tax rates (taxes on interest revenues) across the EU will undoubtedly lead to large flows of monies across the EU and could represent a strong distortion to a harmonized single currency area continent.[22 23]

The change in funding conditions may also have a significant impact on the type of mortgage credit products offered. However paradoxically, it should not necessarily be assumed that mortgage loans will become cheaper for borrowers. Tighter competition on the funding markets could lead to higher yielding instruments for investors and subsequently higher priced mortgages for borrowers.

Lending Operations and Consumers' Concerns

A single currency does not necessarily imply the existence of a single market (obstacles to cross-border mortgage operations). The introduction of the single currency is a significant step in the creation of the single mortgage market, as it will remove the exchange-rate risk which has been an important factor impeding cross-border mortgage credit. Consumers will be able to compare mortgage costs more easily on a cross-border basis. They will be encouraged to conclude contracts with institutions from other participating member states.

It will, however, be necessary to warn consumers that even with a single currency, significant differences still exist in the structure of national mortgage markets. This will make it difficult to compare mortgage loans.

These differences concern, for example, the type and structure of interest rates, different rules for the tax deductibility of interest payments or insurance premiums connected to mortgage contracts, different rights and obligations under mortgage and civil laws, different repayment possibilities, different housing policies, property laws and forced sale procedures.

The European Mortgage Federation publishes a yearly survey on remaining obstacles to cross-border mortgage operations. Differences in national laws relating to taxation are among the most frequent and the most difficult obstacles to overcome, and they will continue to jeopardize the creation of a European mortgage market.[24 25]

As the Commission notes in its 1994 report on the completion of the internal market, recent progress in this area has been disappointing. Little or no progress was made in key areas such as taxation.[26]

The European Court of Justice, however, will be able to achieve some progress, for instance, where member states retain the condition of nationality to procure certain advantages, such as the obtaining of housing subsidies or the deductibility of certain costs for tax purposes.[27 28]

Finally, for non-participating countries, it will be important to warn consumers against the danger of currency-indexed loans. In recent years, mortgage loans in foreign currencies (ECU) have been offered at much lower interest rates than those in local currency. But the fall in value against the ECU since 1992 means that debtors now have to pay more than they expected in local currency. The exchange rate loss can be much greater than the gain for lower interest rates when the debtor has no income in ECU and has to convert local currency to make payment.[29 30]

Continuity of contracts. There are a number of issues regarding the continuity of contracts raised by the introduction of the single currency. They include:

- The legal status of the single currency
- Contracts governed by the laws of either an EU member state or by EEC law
- Contracts negotiated with another party in a third (non-EU) country
- Revision of indexes

The question of continuity of contracts is particularly important for mortgage credit institutions. Mortgage credit consists of long-term loans, often up to 30 years in duration. Consequently, a high proportion of loans now on the books of mortgage credit institutions, as well as new loans entered into between now and the currency conversion, will cross over from denomination in national currencies to denomination in the single currency.

In addition, a significant proportion (approximately 30%) of funding of mortgage lending comes from long-term mortgage bonds, a large proportion of which similarly will cross over from denomination in the national currency to denomination in the single currency.

Currency conversion and the question of continuity of contracts raise both legal and economic issues for mortgage credit institutions.

Neither the Commission Green Paper nor the conclusions of the Madrid Summit have tackled the question of the continuity of contracts clearly.

As stated above, this principle of continuity of contracts is particularly important for the mortgage credit sector. It is, in fact, essential at a quite fundamental level, since it alone is capable of ensuring the security of agreements through the process of substitution of the Euro for the national currencies.

At the express request of the European banking sector, the Commission consequently presented a draft regulation (which is a legal document directly applicable to member states) in which it organizes: (1) the practical aspects of the introduction of the Euro; (2) the transitional period during which the member states participating in the first wave will function with two currencies (the Euro and the national currency); and (3) the final phase which will see the disappearance of the old national currency in favor of the Euro.

In particular, it provides that: "The introduction of the Euro as the currency of the participating Member States and the replacement in legal instruments of references to the ECU by references to the Euro shall not in itself have the effect of altering any term of a legal instrument nor give a party the right unilaterally to alter or terminate a legal instrument" (draft of July 26, 1996).

In general, this draft regulation received very broad approval of the European banking sector, which until then was very worried about contracting parties invoking the change of currency to call in court for the cancellation or renegotiation of their contracts.

It feared that in certain cases, some courts would consider this substitution to constitute a change in essential components of an act or a change in the circumstances pertaining when an act was concluded, justifying renegotiation or cancellation of a contract.

Confirmation of the principle of continuity of contracts does not, however, prevent the transfer to the Euro potentially being accompanied by economic changes, such as the devaluation of certain currencies just before the final fixing of the conversion rates or changes in interest rates.

Borrowers paying higher interest could in this case come to repay their loans in advance in member states where this practice is authorized.

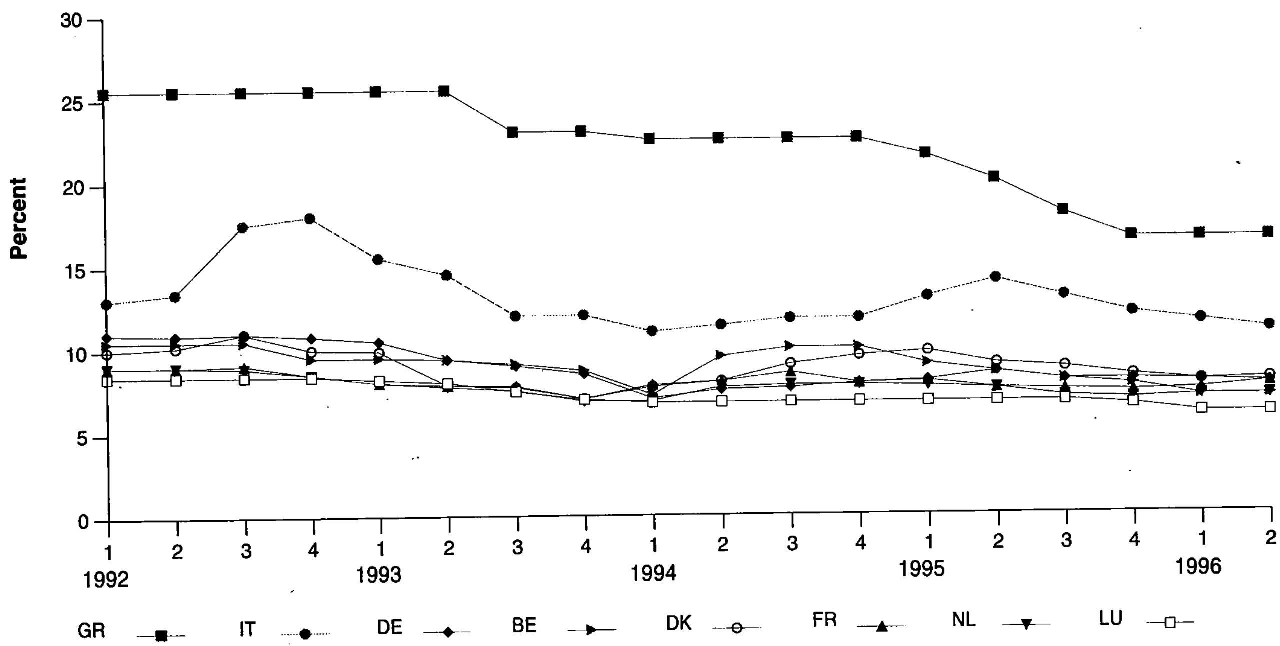
Apart from the administrative problems that a wave of early repayments may generate for a credit institution, it must also be pointed out that in some member states the terms for early repayment laid down by law in favor of the consumer do not cover the loss which this repayment causes for the lender.

Data gathered by the European Mortgage Federation, however, show that mortgage interest rates have been consistently converging over the past three years. It seems to be quite difficult to make provisions for the future. (See Figure 6.)

The Federation therefore generally supported the European Commission's initiative, stressing in addition the need for the future regulation to apply to all member states of the Union, both participating and non-participating. Furthermore, the initiative should be adopted as soon as possible so that the various operators in the markets can make effective preparations for the introduction of the Euro.

One question remains, however: that of contracts existing at the time of the changeover to the single currency concluded with nationals of a third state (non-EU) and subject to the legislation of that third state (e.g., Japanese or American investors) requiring the repayment of mortgage bonds denominated in national currency. On this point, it was considered that even though the monetary

Figure 6. Representative Mortgage Rates



law of a sovereign state is imposed on the partners of that state, it was desirable for the Union to make political representations to its main partners in order to facilitate the transition.

Revision of indexes. In many member states, variable-rate mortgages are set against indexes which are calculated on the basis of national financial instruments.[31] New indexes will be required as a result of the introduction of the single currency, based on the existing indexes in the different member states.

The Federation considers that the markets themselves will create the new indexes, and the main problem will be how to implement them legally and contractually.

Land registration systems. Land registration systems must be capable of registering mortgages in the single currency in all member states. In addition, former registration in national currencies must still remain valid. According to a survey carried out by the Federation in 1984, it is possible to register a mortgage in ECU in only six member states.

CONCLUDING REMARKS

The section below contains several preliminary and speculative thoughts. They were presented by Prof. Maclennan at the last annual meeting of the EMF in October 1995.[32] They are based on the assumption that EMU involves a single currency and a European Central Bank with an aversion to inflation. In this context single rates of interest for particular classes of loan (defined by riskiness) will prevail throughout Europe. Borrowing and lending across national boundaries within the EU will no longer involve transaction costs or exchange risks.

A number of general advantages might emerge for homeowners (or potential owners):

- Commission economists predict that economic and monetary union, by removing exchange risk and transaction costs, will raise GNP; as a result, housing demand will increase (it is income elastic).
- A "credible" anti-inflation stance on the part of the Central Bank, operating via global

bond markets, will reduce real interest rates. This will help home buyers and other housing investors.

- With a single European interest rate, mortgage borrowers are likely to become much more aware of any local premiums being charged (say, due to inefficient national intermediation systems); with no exchange risk the consumer may seek a loan from a lower-rate non-national.

Financial institutions may also see ready advantages:

- Ease of access to capital markets: if deposit-taking systems are expensive to operate (involving local branches, etc.) then recourse may be had to European markets with wholesale funds to lend.
- Geographical diversification: where institutions spot foreign lending opportunities (say boosting mortgage borrowing and equity withdrawal in southern Europe) the single currency will facilitate market entry;
- Portfolio diversification: financial institutions could diversify portfolio risk (in the absence of exchange risk) by lending in a set of regional markets with weak real house price correlations.
- Economies of scale: bigger markets could facilitate economies of scale, further reducing mortgage margins over Central Bank base rates; a secondary mortgage market could develop, although this may to some extent be frustrated by the same range of factors that has precluded a single market in mortgage finance.

However, if a two-speed Europe is adopted, then these benefits will be contained within the single currency area. In all probability the weaker regions within that currency area will be damaged by having to co-exist with near neighbors retaining flexible currencies. At first sight, financial institutions operating within the currency area will have the advantage in reaping scale economies in the new currency-risk-free market.

For many households, their house is the single largest asset and their mortgage the single largest liability. There is a greater awareness that owner occupation, and consequently its financing through mortgage credit, have importance in economic terms.

Furthermore, although there is little evidence of convergence in European mortgage markets, there is a growing view that housing markets feed into the general economic cycles and can accentuate boom and bust patterns.

The struggle to conform to EU convergence criteria has already begun to have an impact on housing and mortgage markets. In recent years, governments' efforts to reduce public deficits have led to a decrease in direct or indirect aid to housing. As member states come under increased pressure to meet the Maastricht criteria, further decreases in aid and tax relief are likely. Conversely, lower inflation and lower long-term interest rates have already had the effect of reducing the cost of purchasing an owner-occupied dwelling in Europe.

NOTES

[1] *European Mortgage Federation (1995), Annual Report*

[2] *European Mortgage Federation (1995), HYPOSTAT*

[3] *European Mortgage Federation (1995), Annual Report*

[4] *European Mortgage Federation* (1993), "Comparative Study of the Costs Involved with the Purchase of a Second-Hand Dwelling and a Second-Hand Commercial Building in the EC"

[5] Maclennan, D. & Stephens, M., Paper presented at European Mortgage Federation Annual Conference, "Housing Markets, Mortgage Finance and the Prospect of Monetary Union," October 1995

According to Maclennan and Stephens, homeownership has more to do with government policies relating to tax relief, private sector rent controls, promotion of social renting, the nature of the housing stock—flats or houses—the economic climate, as well as the efficiency of the housing finance system.

[6] Boléat, M. (1985), "National Housing Finance Systems," Beckenham, Croom, Helm.

[7] *European Mortgage Federation* (1993), "Mortgage Banks and the Mortgage Bond in Europe," Nomos Verlagsgesellschaft, Baden-Baden

[8] LBS (1995), "Bausparkassenfachbuch 1994/1995," Stuttgart

[9] Maclennan, D. & Stephens, M., op. cit., p. 12

[10] Directive 88/361/EEC of June 24, 1988, for the implementation of art. 67 of the Treaty

[11] Directive 89/646/EEC of December 15, 1989, O.J. No L 386 of December 30, 1989, p. 1

[12] *European Mortgage Federation (1994),* "The translation of the second directive on the co-ordination of banking legislation into national law," Brussels

[13] Maclennan, D. & Stephens, M., op.cit. p. 15

[14] *European Mortgage Federation & European Federation of Building Societies (1989),* "Variability of Interest Rates on Mortgage Loans in the EC," Brussels

[15] *European Mortgage Federation,* (January 1996), "Tax Aspects of Public Aid to Owner-

Occupied Housing" and "Public Aid of Owner-Occupied Housing in the EU"

[16] *European Mortgage Federation* (October 1995), "Memorandum on the Commission's Green Paper on the Practical Implications of the Introduction of the Single Currency"

[17] Kennedy, N.O. (1995), "The impact of economic convergence on housing and mortgage markets in the EU," Paper presented to a meeting of the European Network of Housing Research, Brussels, June 8-9, 1995

[18] Banque (1995), dossier "Monnaie Unique" —"Mutation fondamentale pour les marchés obligataires," article by Von Lowis, R., pp. 37 -39, n° 559, mai 1995

[19] *Financial Times* (1995), "Harmonising of Pfandbriefe - A Stabilising Force for European Financial Markets," June 16

[20] *EUROMONEY* (1995), "Monetary Union: a technical nightmare," November 1995) and *COMMERZBANK RESEARCH* (May 1995), "Monetary Union"

[21] WestLB (November 1995) "Marketletter"

[22] Dassesse, M., "Fiscalité européenne de l'épargne et Marché Unique: Un problème temporaire?", MCD 456, *Revue ECU*, janvier 1995

[23] *Conseil National du Crédit* (F) (1995), "Mission explorative sur les modalités de passage à la monnaie unique," par. 4.4.9, pp. 122–123

[24] Priemus, H. (1994), "Housing Markets, Housing Policies and Housing Finance in an Integrating Europe," *Housing Finance International*, June 1994, pp. 22–32

[25] *European Mortgage Federation* (1995), "The single market for mortgage credit—Memorandum on the free provision of services and freedom of establishment of mortgage credit institutions in the European Union". CEPS (1995), "The single market in banking: from 1992 to EMU," Brussels

[26] Commission of the European Communities (1995), "The single market in 1994," Report from the Commission to the Council and the European Parliament (COM(95) 238 final), pp. 50–53

[27] Judgment ECC-297/93, Finanzamt Köln-Altstadt-Roland Schumacker. Judgment ECJ 484/93, Svensson–Gustavsson–G.–D. of Luxembourg

[28] *ECHO* (1995), "De l'espoir pour les travailleurs non résidents"—Chronique de jurisprudence de M. Dassesse, 19 mai ECHO (1995) "Les Affaires Wielockx et Svensson"—Chroniques de jurisprudence de M. Dassesse, 17 novembre

[29] *The Wall Street Journal* (1995), "ECU mortgages and cheap Lira hurt holders," May 5

[30] Economic and Social Committee, "Transition towards Economic and Monetary Union," par. 3.1.7.1 p. 52 ABN-AMRO, "EMU implications for bonds," Special Report No. 09 –September 1995, (experience shows that at times of exchange rate turmoil, pressure is brought to bear on all currencies considered to be weak . . . If a currency does not participate against expectations, there may be an even greater jump downwards"

[31] *European Mortgage Federation (1989)*, "Variability of interest rates on mortgage loans in the EC," Brussels

[32] Maclennan, D. & Stephens, M., op. cit.