

# DANMARKS NATIONALBANK

25. JULY 2019

BANKING AND MORTGAGE LENDING, BALANCES, JUNE 2019

## Increased instalments, but reduced repayment rate

Instalments on Danes' mortgage loan were kr. 18.8 billion in the first half of the year. This is kr. 118 million more than the previous six months, and 2019 will thus be another record year. The figure corresponds to an annual repayment rate of 2.31 per cent. Compared to the previous six month, the repayment rate has declined by 0.01 percentage points, despite the fact that the instalments amount has increased.

### Lower repayment rate due to many new loans

Paradoxically, it is the Danes' increased appetite for mortgage loans with instalments, in particular the fixed-rate type, which has led to the lower repay-

ment rate. The explanation is the large extent of new loans with fixed interest and instalments, where the instalments at the beginning of the loan's life constitute a limited share. A large amount of new 30-year loans will extend the average remaining maturity of the Danes' mortgage loans and put a downward pressure on the average repayment rate. The repayment rate will, however, automatically increase again as the loans grow older.

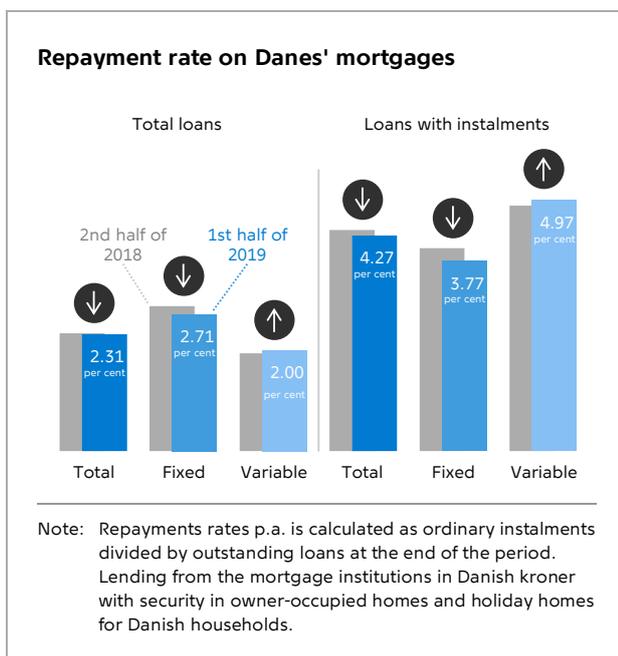
### Conversions increase instalments and repayment rate

On the other hand, the ongoing conversion wave of fixed-rate loans with instalments to corresponding loans with lower coupon rates, contributes to an increase in the repayment rate. The lower interest rate reduces the mortgage payment and the repayment profile becomes smoother.

### Lower rates increase instalments on variable loans

For variable rate loans with instalments, the annual repayment rate has increased from 4.86 to 4.97 per cent. The interest rate decline in the first half of the year has created the basis for the Danes to cut more of the debt without necessarily increasing the mortgage payment.

Although there has been instalments of kr. 18.8 billion Danish mortgage loans have increased by kr. 24 billion since the beginning of the year to kr. 1,625 billion. Of this amount, 54 per cent is currently with instalments.



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