

DANMARKS NATIONALBANK

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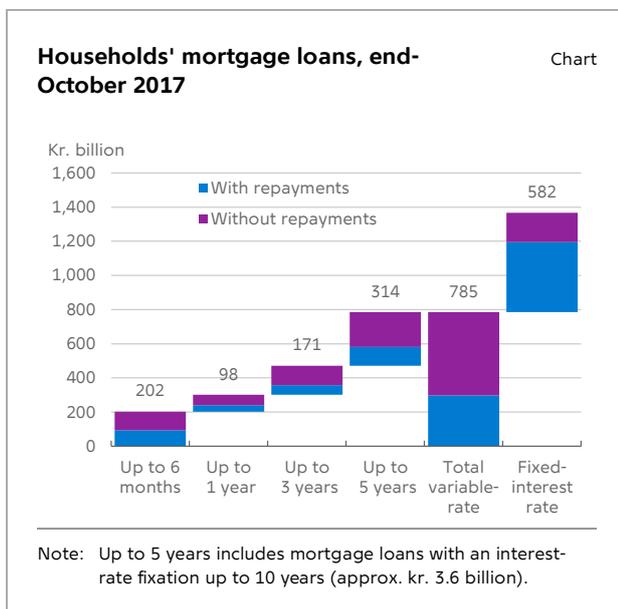
BANKING AND MORTGAGE LENDING, BALANCES, OCTOBER 2017

Households continue to move away from F1 and F2 mortgage type loans

Danish households continue to choose mortgage loans with a fixed interest rate instead of variable-rate loans. Over the last three years, the outstanding amount of variable-rate mortgage loans has been reduced by 7 per cent. The decrease is mainly driven by a reduction in loans with an interest-rate fixation over 6 months and up to and including 3 years (e.g. F1 and F2 loans). However, the outstanding amounts of variable-rate loans with either very short or longer interest-rate fixation have increased. The reduction in variable-rate loans contrasts with the increase in fixed-rate loans, which have increased by a third over the same three-year period.

In addition to the changes in the composition of mortgage loans' interest-rate fixation, the proportion of loans with repayments has increased – both in the case of fixed-rate and variable-rate loans. However, fixed interest-rate loans still contain the highest proportion of loans with repayments (70 per cent) compared to variable-rate loans where only 38 per cent of the outstanding amount is with repayments. The changes are generally induced by the low interest rates combined with the mortgage banks' fee structure.

Lastly, the government's new guidelines on mortgage loans, which come into effect at the end of this year, introduce certain restrictions on the types of loan that borrowers with high debt can choose from. Thus, if a household requests a loan worth more than four times their total income and the loan-to-value at the same time exceeds 60 per cent, then specific limitations are imposed. In this case, variable-rate loans with an interest-rate fixation below 5 years (with or without repayments) cannot be granted. Neither can variable-rate loans with a longer interest-rate fixation if they are without repayments. Recent information on mortgage loans issued in 2017 shows that the impending restrictions on borrowers' loan-to-income ratio may potentially affect the choice of loan in the case of one in four new mortgage loans.



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