

# DANMARKS NATIONALBANK

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## BANKING AND MORTGAGE LENDING, BALANCES, NOVEMBER 2018

# Fewer new risky mortgage loans

In recent years, the proportion of fixed-rate mortgage loans and loans with instalments have increased whereas the proportion of loans with variable interest rate and without instalments has decreased. This also applies in 2018 where the development has been further supported by new guidelines from the Danish Ministry of Industry, Business and Financial Affairs as of 1 January 2018. The new guidelines limit households in their ability to obtain certain mortgage loans if their loan-to-value and debt-to-income ratios are high.

The guidelines avert households from obtaining certain variable interest rate loans and loans without

instalments if their loan-to-value ratio is above 60 per cent and their debt is more than four times their yearly income. The loans, which the households are restricted from obtaining, are loans defined as risky by the Ministry of Industry, Business and Financial Affairs. These loans are defined as loans with interest rate fixation below 5 years and variable interest rate loans with interest rate fixation above 5 years but without instalments.<sup>1</sup>

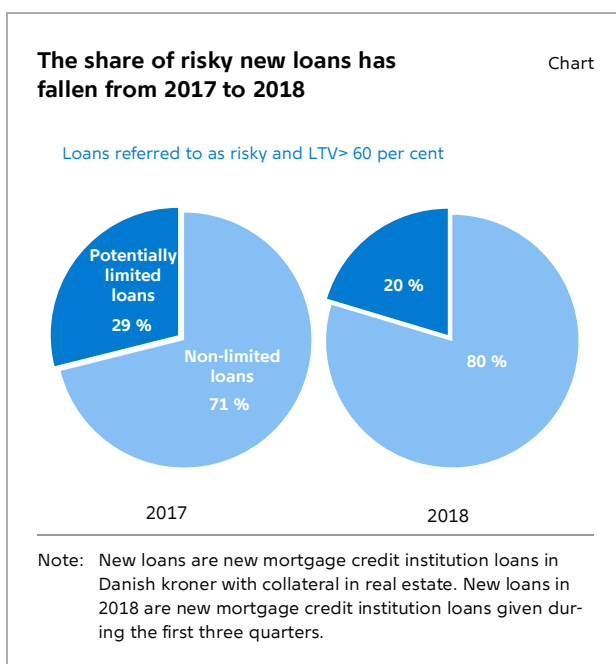
The guidelines have contributed to reducing the share of risky new loans with a loan-to-value above 60 per cent from 29 per cent in 2017 to 20 per cent in the first three quarters of 2018.

Despite the guidelines new, so-called risky loans with a loan-to-value above 60 per cent have still been issued in 2018. Thus debt-to-income has not been a limiting factor in the choice of loan types for all households.

The transition away from the risky loans is also driven by the fact that the interest rate spread between variable-rate mortgage loans and fixed-rate mortgage loans have been reduced significantly in recent years. This implicates that the additional price of fixing the interest rate throughout the duration of the loan has been reduced.

Risky loans with loan-to-value below 60 per cent make up 13 per cent of total new loans in 2018.

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<sup>1</sup> Ministry of Industry, Business and Financial Affairs, Nye retningslinjer for boliglån i husstande med høj gæld, 2017 ([link](#)).