

DANMARKS NATIONALBANK

27 FEBRUARY 2018

BANKING AND MORTGAGE LENDING, INTERESTS, JANUARY 2018

Small price gap between mortgages with fixed and variable rates

The average price gap – the difference in interest rate incl. administration fees – between Danish private customers' new mortgages with respectively fixed or variable interest rate was in January 2018 1.64 percentage points.

For the new *fixed interest rate* mortgages, the average interest rate incl. administration fees was 2.76 per cent, of which administration fees account for 0.76 percentage point. In comparison, the average interest rate incl. administration fees on new mort-

gages with *variable interest rates* was 1.12 per cent, as interest and administration fees represent 0.07 and 1.05 percentage points respectively.

The difference in interest rates and administration fees corresponds to private lenders, who received a loan in January, having additional monthly expenses of kr. 1,400 per million borrowed on a fixed rate loan compared to lenders with a variable rate loan. The price gap reflects that lenders with a fixed interest rate mortgage are familiar with the interest profile covering the entire loan period and have a conversion right securing that the mortgage can always be repaid at par.

The additional expenses of fixed rate mortgages are small in a historic perspective, and together with the low interest rate they have contributed to an increasing demand for fixed rate loans. Consequently, this has improved private lenders' ability to withstand potential increases in interest rates.

The average interest rate and administration fee reflect the current market conditions as well as the composition and characteristics of the loans issued to the Danish private customers regarding loan to value, interest rate fixation, instalment profile, etc.

[CLICK HERE FOR FURTHER INFORMATION](#)

