

DANMARKS NATIONALBANK

30 MAY 2018

BANKING AND MORTGAGE LENDING, INTERESTS, APRIL 2018

A year and a half with unchanged administration fees

The administration fee on Danes' mortgage loans was, on average, 0.88 per cent in April 2018. It is slightly lower than when it peaked in October 2016, where the latest changes in the fees had an impact. The minor decrease since October 2016 has happened as more Danes have chosen loans with fixed interest rates and / or instalments.

The Danes' choice of loan type influences the development of the average administration fee. This is due to the fact that the administration fee on mortgage loans solely depends on the loan type and mortgage bank. The fee varies according to the characteristics of the loan, such as type of collateral,

loan-to-value, period of interest rate fixation and whether the loan is with or without instalments.

Differences in administration fees depend on how risky the specific loan type is considered to be for the mortgage bank. The lowest possible administration fee is obtained by choosing a fixed rate loan with instalments.

If, e.g., you can settle for a loan-to-value of 40 per cent and also chose a loan with a fixed interest rate and instalments, then the administration fee will be around 0.4 per cent. On the other hand, if you choose a supplementary loan with the highest possible loan-to-value, with no instalments and a very short interest rate fixation, then you will be faced with an administration fee of more than 2 per cent.

The next announced change in the administration fees will be 1 July 2018. Since 1 July 2017, increases in the administration fees shall be announced six months in advance. An announcement of an increase must be followed by a statement indicating the triggering circumstances. On the other hand, reductions in the administration fees need not to be announced or justified.

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