

DANMARKS NATIONALBANK

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BANKING AND MORTGAGE LENDING, INTERESTS, AUGUST 2018

Ten years of fall in interest rates on mortgage loans

Interest rates on Danish mortgage loans have fallen since 2008. From an average interest rate including administration fee of close to 6 per cent in 2008 to under 2.2 per cent in August 2018. This is the lowest level since the beginning of the statistics in 2003.

Both mortgage and bank loans account for the fall in the average interest rate. Interest rates on both types of loans have fallen almost equally since 2008.

Interest rates on new mortgage loans from banks have continued to decline in recent months. This is due, among other things, to increased competition.

The interest rate on new mortgage loans from mortgage banks has been more stable.

A change in the average interest rate on mortgage loans is not only affected by interest rate changes on the underlying loans but also depends on the loan portfolio.

Since bank loans represent a smaller proportion of the total mortgage loans, bank lending rates have less effect on the average interest rate.

In recent years, households have had a tendency to choose longer binding of interest rates. This will typically yield a higher average interest rate.

Loans with instalments are also getting more popular. Since loans with instalments have lower administration fees, a shift towards loans with instalments will yield a lower average interest rate including administration fees.

Since 2008, the interest rate differential between outstanding loans and new loans has decreased. In 2018, the interest rate on new loans was about the same as the interest rate on outstanding loans.

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