

DANMARKS NATIONALBANK

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BANKING AND MORTGAGE LENDING, INTERESTS, SEPTEMBER 2018

Danes repay more on their mortgages

Danish households are increasingly repaying on their mortgage loans. Instalments paid on loans totaled kr. 26.2 billion in the first three quarters of 2018. The comparable figure for last year was kr. 24.3 billion; hence instalments have increased by 7.8 per cent.

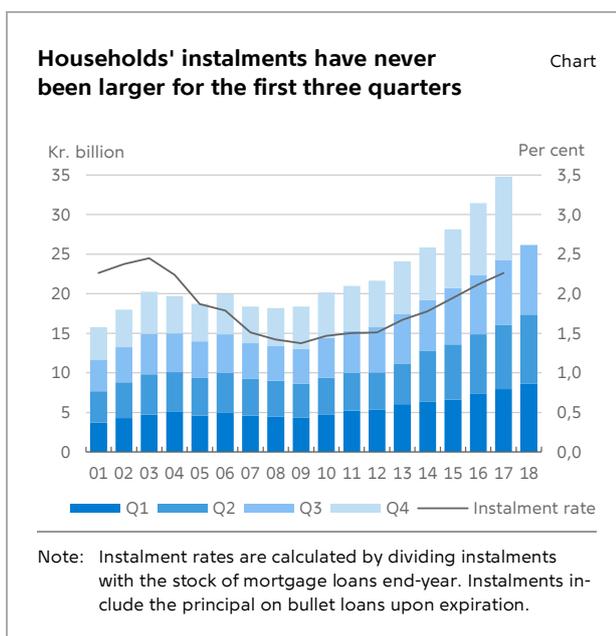
Mortgage instalments have risen steadily since 2009 and now correspond to an average household, each quarter, repaying kr. 5,600 per million borrowed. That is about the same amount as before the instalment-free loans were introduced in 2003.

The increase in instalments is primarily caused by three factors. First, the continued adjustment to low interest rates has resulted in historically low interest expenses for the average household. Households have consequently been able to increase instalments without necessarily increasing the yield payments.

Second, households' mortgage loans have, on average, matured. The majority of mortgage loans are annuity loans, i.e. the sum of repayments and interest rates expenditures is unchanged throughout the loan's term. Therefore, instalments gradually increase as the remaining mortgage debt is reduced.

Third, households' mortgage debt with instalments has increased by kr. 33 billion in 2018 to a total of 831 billion. This figure corresponds to 53 per cent of the total mortgage. The share of mortgages with instalments has grown in recent years, both due to the termination of some loans without instalments and because the mortgage lending sector has encouraged instalment loans by differentiating the administration fees. However, the new loans contribute, to a limited extent, to the total instalment due to the repayment profile of annuity loans.

The increase in instalments has reduced the growth rate of Danes' mortgage debt since 2009, since larger lending activity is required in order to maintain a constant loan balance - or to increase it.



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