

# DANMARKS NATIONALBANK

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## BANKING AND MORTGAGE LENDING, INTERESTS, DECEMBER 2018

# Large municipal differences in instalments

Household mortgage loan instalments averaged kr. 23,500 per borrowed million in 2018. The average figure covers large municipal differences in instalments. The differences have grown in recent years.

The instalments per million are largest in the Municipality of Lolland. In Lolland, instalments are on average more than twice the size in the Municipality of Gentofte, where the instalments are lowest. The instalments are kr. 36,800 and kr. 15,300, respectively.

The difference between the two municipalities has increased by kr. 4,900 in 2018, because the borrowers

in Gentofte are paying kr. 1,500 less, and because the borrowers in Lolland are paying kr. 3,400 more.

The primary explanation for the difference in size of the instalments is a large difference in the extent of loans with instalments between the municipalities. For example, loans with instalments amount to 73 per cent in Lolland, while the corresponding figure in Gentofte is 35 per cent.

Another explanation is the difference in the number of years until the loan is to be repaid. The instalments typically constitute a larger share of the total mortgage payments, the closer you get to the expiry date. For example, loans with instalments in Lolland are on average three years closer to expiry than in Gentofte.

A third factor of significance for the size of instalments is the interest rate development. For example, a decrease in interest rates allows the borrower to increase the instalments without increasing the total mortgage payments. Loans with variable interest rate and instalments amount to 29 and 18 per cent in Lolland and Gentofte, respectively.

Overall, in 2018, instalments on mortgage loans in owner-occupied homes and holiday homes were kr. 36.5 billion – a billion more than the year before. The instalments help to reduce the borrowers' loan-to-value ratio and thus increase borrowers' resilience to financial headwinds.

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