

DANMARKS NATIONALBANK

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BANKING AND MORTGAGE LENDING, INTERESTS, JANUARY 2019

Lower mortgage interests absorb larger repayments

In 2018, Danish households paid an average interest rate of 1.20 per cent on their mortgage debt along with 0.96 per cent in administration fees. Thus households' total interest expenses incl. fees amounted to 2.16 per cent, which is the lowest level ever. Including instalments, households' had annual yield payments of 4.52 per cent in 2018.

The low interest expenses incl. fees correspond to Danish households on average saving kr. 33,700 per million of mortgage debt in 2018 compared with 2008. This represents an average saving of just over 60 per cent of the borrowing costs over a 10-year period.

The reduced interest expenses has thus provided scope for yearly instalments to increase by kr. 8,500

per million borrowed, even though the annual mortgage yield has decreased since 2008. Larger instalments reduce borrowers' loan-to-value ratio and thus make borrowers increasingly robust to financial headwinds.

In particular, the average mortgage rate has fallen since 2008. This is mainly due to the gradual adjustment to the low-interest environment along with the composition of households' loan types.

For households, mortgage loans with instalments have increased in popularity during recent years. This contributes to larger repayments along with a lower average interest rate incl. fees, since a loan with instalments generally has lower administration fees than a corresponding loan without instalments. At the same time, Danes increasingly select mortgage loans with longer interest rate fixations, which typically results in higher average interest.

Overall, Danish households' mortgage debt amounts to kr. 1,917 billion for all property types. On this debt they paid interest and administration fees totaling kr. 22.3 and kr. 18.0 billion, respectively, in 2018. The repayments reached kr. 44 billion.

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