

# DANMARKS NATIONALBANK

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BANKING AND MORTGAGE LENDING, INTERESTS, APRIL 2019

## Danes choose loans with low administration fees

The average administration fee on the Danes' mortgage loans is decreasing because the Danes choose more secure loan types for their financing – especially fixed-rate loans and loans with instalments. The administration fee is now, on average, 0.87 per cent, which corresponds to a monthly payment before tax of kr. 723 per kr. million borrowed.

For the 15th month in a row, the administration fee on the Danes' new loans is lower than on the total loans. This is without precedent and emphasises the Danes' stronger preferences for less risky loans. In April, 3 out of 4 new mortgage loans had fixed inter-

est rates, and 2 out of 3 were with instalments.

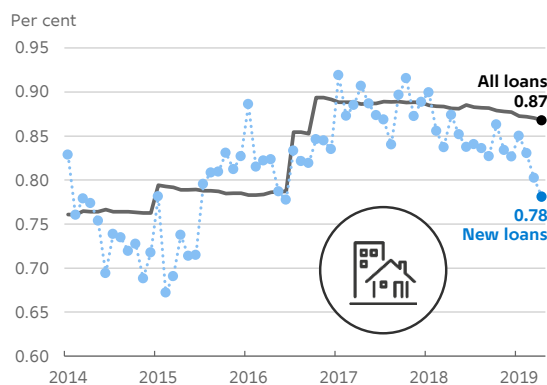
The administration fee on a new mortgage loan can vary by more than 2 percentage points within the same mortgage bank, based on the current prices. The variation in the administration fees reflects, inter alia, mortgage banks' assessment of their risk associated with the specific loan type.

The new loan, which had the lowest fee in April, was thus not surprisingly a fixed-rate loan with instalment and a loan-to-value ratio not over 40 per cent. The loan with the highest fee was a supplementary loan without instalments with a loan-to-value ratio in the highest range (60-80 per cent) and with a short fixed-interest term of 3 years.

Since 1 July 2017, mortgage banks have been obliged to notify increases in the fees six months in advance. The changes must be justified. On the other hand, a reduction in the fees should not be notified or justified. The most recent increase in the contribution rates was from Nykredit and became effective on 1 July 2018. In addition, the fees for new borrowers were adjusted in connection with BRFkredit's integration with Jyske Bank and the name change to Jyske Realkredit on 18 August 2018.

Thus, although the average administration fee has decreased, the Danish private customers' administration fee payments in April were record high by kr. 1.1 billion. This increase is, however, due to the fact that mortgage lending has increased.

**The administration fee on the Danes' new loans reflects preferences for secure loans**



Anm.: New loans cover new and actively renegotiated loans in Danish kroner from mortgage credit institutions to Danish employees, pensioners, etc.

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