

DANMARKS NATIONALBANK

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More mortgage loans are financed by 2 per cent bonds

Fixed rate, convertible mortgage bonds have gained ground over the recent years and the low interest rate level has made bonds with at low coupon rate more popular.

This is the case especially for 30-year bonds with a coupon of 2 per cent, which were introduced in the beginning of 2015. In January 2018 the outstanding amount was kr. 344 billion – just about half of the total volume of 30-year bonds.

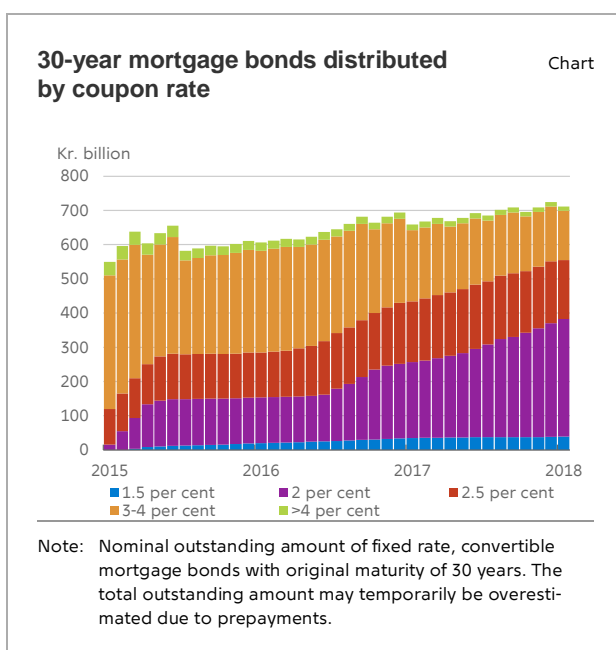
On the other hand, 30-year bonds with a coupon of 3 per cent or more have decreased as a result of prepayments and conversion of mortgage loans. In particular, bonds with coupons of 3-4 per cent have been reduced.

Bonds with a coupon higher than 4 per cent already had a limited outstanding amount at the beginning of 2015. A small number of mortgages are still financed by these bonds, as converting them is not worthwhile, mainly due to their limited size or short remaining maturity.

Fixed rate bonds with maturities of 10, 15, and 20 years have grown in step with 30-year bonds and continue to constitute about one fourth of all fixed rate bonds.

When considering the shorter fixed rate mortgage bonds, the prevalent maturity is 20 years. In this case, the growth has been driven by bonds with a coupon of 1.5 per cent, which were also introduced in 2015.

The increased popularity of fixed interest rate bonds reflects the demand for fixed rate mortgages, which ensure the lender against increases in yields.



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