

DANMARKS NATIONALBANK

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SECURITIES, JANUARY 2019

Closed for new 30-year 2 per cent mortgages

In the beginning of January, fall in interest rate led to a price of 30-year 2 per cent mortgage bonds with repayments over 100. Consequently, the mortgage credit institutions closed for admission of new 30-year loans with 2 per cent interest rate and repayments. In January 2019, the outstanding amount of the underlying bonds was thus unchanged at kr. 312 billion.

The bonds behind the 1.5 per cent loan with repayments were introduced at the beginning of 2015, but so far the price has not been high enough for a wider use of the loan. The outstanding amount for the open bonds series behind the 1.5 per cent loan with repayments and maturity in 2050 increased by kr. 2 billion in January to kr. 9 billion. The total out-

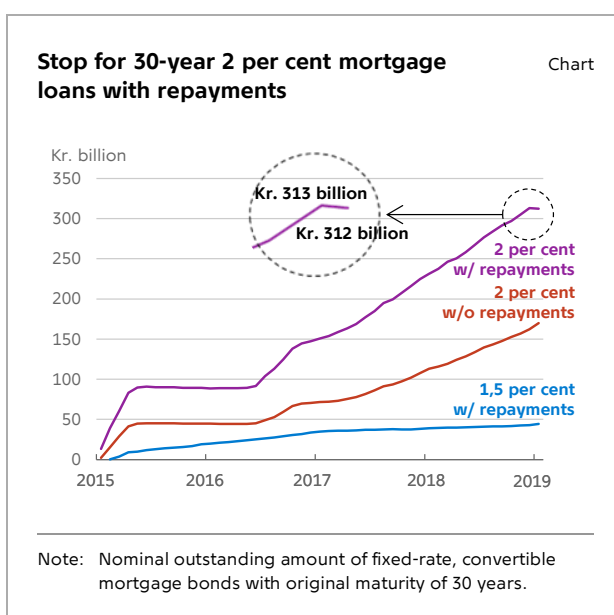
standing in 1.5 per cent 30-year mortgage bonds is kr. 44 billion. However, this is a relatively modest share of the total fixed-rate mortgage market of kr. 771 billion.

A small outstanding amount increases the risk of high ownership concentration which might lead to a lock-in effect. For example, this could mean that the price of the bond does not fall as much as it otherwise would have when the interest rate rises. Hereby the borrower risks getting a lower price gain on early repayment of loans.

The ownership distribution of the bonds behind the fixed-rate 1.5 per cent mortgage loan with repayments is distributed on many investors. It turns out that single investors have a maximum ownership between 11 and 33 per cent of these bond issues with maturity in 2050.¹

In mid-February, the price of 30-year 2 per cent bonds with possibility of interest-only payments passed 100. The mortgage credit institutions have therefore opened a completely new 1.5 per cent loan with possibility of interest-only payments. This means that borrowers who want a 30-year fixed-rate mortgage loan currently only have the option of borrowing a 1.5 per cent loan.

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¹ Statistics for the ownership concentration are available at Danmarks Nationalbank's StatBank under securities.