

# DANMARKS NATIONALBANK

27 SEPTEMBER 2018

## BANKING AND MORTGAGE LENDING, BALANCES, AUGUST 2018

# 30 per cent of mortgage loans are now with fixed rate and repayments

The proportion of fixed rate mortgage loans with repayments for owner-occupied housing and vacation homes reached almost 30 per cent by the end of August 2018. This is the highest share for this mortgage type since 2009.

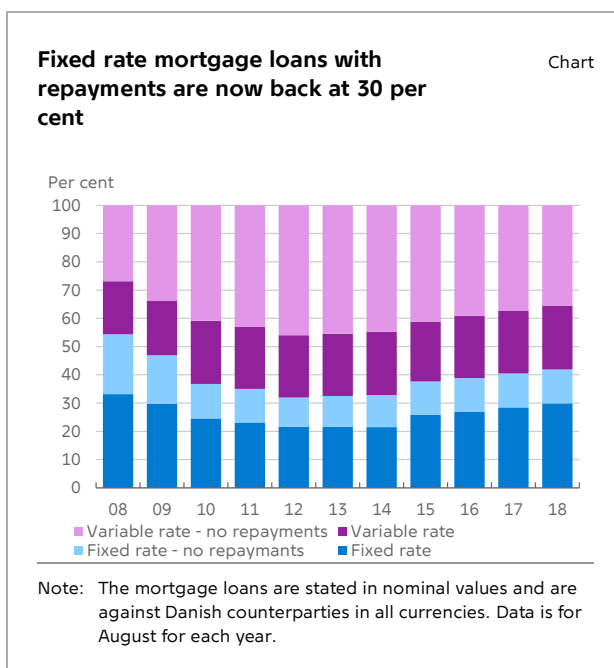
At the beginning of the financial crisis, almost half of all mortgage lending towards owner-occupied housing and vacation homes was with fixed interest. However, this share decreased rapidly towards 2014 due to variable rate mortgage loans gaining market

share. The popularity of variable rate mortgages was associated with the marked decline in the short-term mortgage bond rates. The opportunity to reduce borrowing costs led many to finance their homes and vacation homes with variable rate loans. The low interest rates helped to support the homeowners' finances in the years after 2008.

The increase in fixed rate mortgages during the recent years can be attributed to, among other things, narrowing of the spread between the short and long term mortgage rates. The long term interest rate has also decreased to a historically low level, and many homeowners have used this to lock in their interest payments using fixed rate mortgages. In addition, recent years have seen a major differentiation in administration fees that favour fixed rate mortgages with repayments.

The increasing share of fixed rate mortgages means that Danish households' interest rate sensitivity has decreased.

In August 2018, fixed rate mortgage loans with and without repayments represented kr. 478 and 192 billion, respectively. In comparison, variable rate mortgage loans with and without repayments represented kr. 361 and 568 billion, respectively.



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