

DANMARKS NATIONALBANK

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BANKING AND MORTGAGE LENDING, BALANCES, FEBRUARY 2021

Large geographical difference in interest-only

For the first time in several years, there was a significant increase in Danes' mortgage debt without instalments in 2020. However, the propagation of interest-only is very different from municipality to municipality: For example, at the end of the year, the share of the total interest-only mortgage debt was just 18 per cent in Lolland Municipality against as much as 69 per cent in Gentofte Municipality. Mortgage debt without instalments is most widespread in and around large towns and in North Zealand, while the southern and western municipalities, in particular, have a lesser degree of mortgage debt without instalments.

At the national level, mortgage debt without instalments amounted to kr. 787 billion at the end of Feb-

ruary 2021. This corresponds to just under half of the Danes' mortgage debt.

Interest-only increases in and around Copenhagen, North Zealand and Aarhus

During 2020, the share of mortgage debt without instalments increased in 37 municipalities. In the 28 municipalities in and around Copenhagen and in North Zealand everyone except Frederikssund experienced an increase in the share of mortgage debt without instalments. The same goes for Aarhus, Odder and Skanderborg. By comparison, of the 67 remaining municipalities, there has been an increase in 7 municipalities.

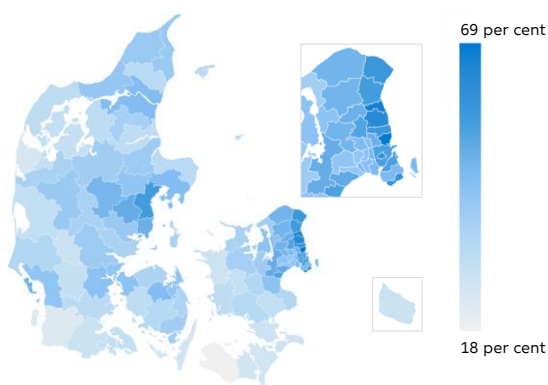
Fixed-rate interest-only loans are gaining ground

The increase in mortgage debt without instalments is driven by an increase in fixed-rate mortgage debt. The share of fixed-rate mortgage debt without instalments increased in all municipalities. In total, this corresponds to an increase of just over kr. 51 billion or 2.5 percentage points at the national level.

Not necessarily free choice about the type of loan

Borrowers taking out a new mortgage loan do not necessarily have a free choice about the type of loan. Among other things, restrictions are introduced on the choice of loan type for households that are assessed to have particularly high loan-to-value and loan-to-income ratios. This means that households with particularly high debt can take out only fixed-rate mortgage loans with and without instalments as well as variable-rate F5 loans with instalments.

The share of mortgage debt without instalments is largest in and around the large towns and cities



Note: Share of mortgage debt without instalments secured on real estate for Danish households, end 2020. Mortgage debt without instalments is calculated as mortgage debt, where no instalments are currently being paid.

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