

DANMARKS NATIONALBANK

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BANKING AND MORTGAGE LENDING, BALANCES, DECEMBER 2021

Interest-only mortgage increased in 2021

Danish homeowners increased their mortgage debt without instalments by kr. 63 billion in 2021 corresponding to 8.1 per cent. That is the largest annual increase since 2009. The development has been supported by new interest-only mortgage products and increasing prices on real estate. The increase means that kr. 843 billion (46.7 per cent) of Danish homeowners' total mortgage debt was without instalments at the end of 2021.

The increase in the interest-only mortgage debt is driven by a considerable increase in fixed-rate debt equal to kr. 75 billion. Oppositely, variable-rate mortgage debt without instalments was reduced by kr. 12 billion during the year. At the end of 2021, 41.5 per cent of Danish homeowners' interest-only mortgage debt was fixed-rate.

Instalments grew despite more interest-only debt...

Even though homeowners' mortgage debt without instalments has grown, homeowners' total ordinary instalments grew by kr. 672 million in 2021. Total instalments thus reached kr. 42 billion in 2021 and have never been higher.

...But lower instalments per borrowed million

Comparing homeowners' instalment payments with their total mortgage debt, they paid, on average, ordinary instalments of kr. 23,244 per borrowed million in 2021. That is kr. 688 less than in 2020. The decrease in the average instalments is due to the total mortgage debt increasing relatively more than instalment payments. This is a result of the increased mortgage debt without instalments along with overall unchanged homeowners' average instalments on debt with instalments in 2021 compared to 2020.

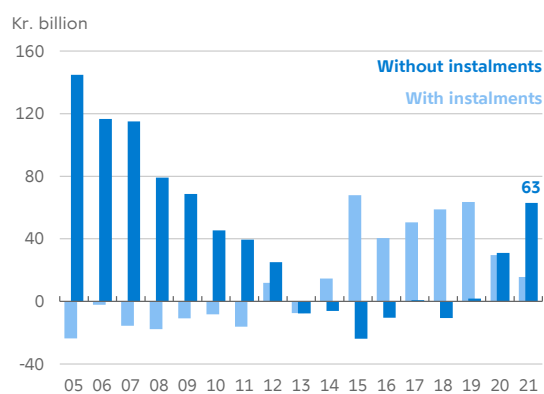
Remaining maturity affects instalments

The remaining maturity of the debt has an effect on how large the instalment payments are on the part of the debt that is repaid. This is because mortgage debt is typically annuity loans, where instalment payments make up a smaller part of the payment at the beginning of the loan's life.

The interest rate also has an effect on the size of the instalments. A lower rate on an annuity loan will, in isolation, mean that the instalment profile is flatter, i.e. the instalments increase in the short term and decrease in the long term.

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Largest increase in the Danes' mortgage debt without instalments since 2009



Note: Change in outstanding mortgage debt in all currencies for Danish households with security in real estate at the end of the year. Market value until October 2013 and nominal value afterwards. Find chart data here ([link](#)).