

# DANMARKS NATIONALBANK

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BANKING AND MORTGAGE LENDING, BALANCES, MAY 2019

## Fixed rate loans has the lead in 24 municipalities

Over the last year, there has been a doubling of the number of municipalities, where the homeowners' mortgage loans with a fixed interest rate excess variable-rate loans. The number has thus increased from 12 to 24 municipalities

Although variable rate loans are still the most common in 74 of the 98 Danish municipalities, in all municipalities there is a clear movement towards fixed interest rates. In several of the municipalities, fixed interest rates are even close to taking the lead. Continuing this movement, fixed-rate loans can be expected to dominate in a much larger number of municipalities in a year's time.

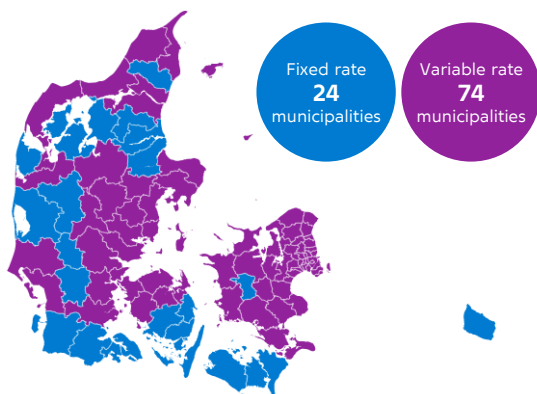
The trend towards fixed-rate loans is not surprising given the fact that long-term mortgage rates have been declining over a longer period. The falling interest rates have made it even more attractive for the borrowers to fix the interest rate throughout the term of the loan. That even though there is still an additional cost of choosing fixed-rate.

The additional cost of choosing fixed-rate mortgages reflects that you know your interest expenses throughout the term of the loan and have a conversion right which ensures that the loan can always be redeemed at a maximum price of 100. The choice of fixed-rate also provides a saving in the administration fee, and you do not have costs for price cutting in connection with refinancing.

At national level mortgage lending with variable interest rates has been reduced by 1.5 per cent in the past year, among other things as a result of large instalment payments. On the other hand, fixed-rate loans have increased by 9.6 per cent and now amount to 43.9 per cent of the total mortgage lending with security in the Danes' owner-occupied and holiday homes. The trend towards fixed interest rates helps to make Danish borrowers' private finances more robust to financial headwinds and uncertainty in the financial markets.

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**Fixed interest rates take up more, but variable interest rates still fill the most**



Note: Nominal value of outstanding loans from mortgage-credit institutes to Danish households, owner-occupied and holiday homes, end of May 2019.