

DANMARKS NATIONALBANK

2 MAY 2022

BANKING AND MORTGAGE LENDING, BALANCES, MARCH 2022

Appetite for loans with variable interest rate

In recent months, Danish homeowners have moved their preferences towards mortgage loans with variable interest rate as opposed to loans with fixed interest rate.

Danish homeowners' new loans with variable interest rate in March was kr. 33.9 billion. When deducting kr. 18.5 billion in early redemption payments, new loans amounted to kr. 15.3 billion, which is the highest level of new loans net since fall 2011. Simultaneously, fixed-rate mortgage loans decreased net by kr. 6.6 billion. A net reduction in fixed-rate mortgage debt was last seen eight years ago, not taking installments into account.

The move towards variable-rate loans at the expense of fixed-rate loans happens concurrently with interest rates on especially fixed-rate loans increasing. Seen in isolation, an increased interest rate spread has made variable-rate loans more attractive to homeowners. However, variable-rate loans come with the risk of increasing interest rates in the future when the interest rate is adjusted.

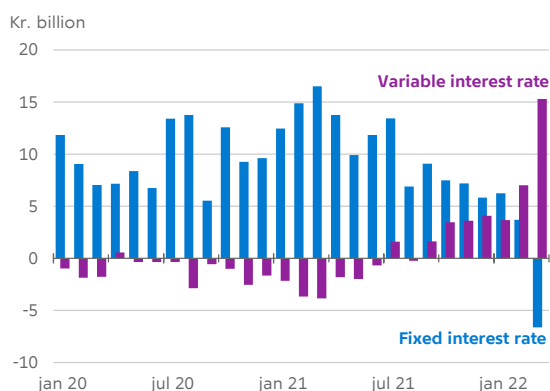
Early redemption payments of kr. 41.3 billion

Bond prices on existing fixed-rate loans have decreased as interest rates have increased. This has provided homeowners with the opportunity to cut off a chunk of their outstanding amount by refinancing their loans. The increase in net new variable-rate loans simultaneously with the reduction in net new fixed-rate loans in March shows that some homeowners have used the opportunity to refinance their loan to a variable-rate loan. This means that homeowners repay their existing fixed-rate loan before it expires and then takes up a new variable-rate loan. Early redemption of fixed-rate loans amounted to kr. 41.3 billion in March. This is on level with 2019, where we last saw a bulk of conversions. Early redemption also occurs in relation to real estate sales.

Fixed-rate mortgage debt largest

Even though growth in variable-rate loans is largest, the stock of fixed-rate mortgage debt is in total larger than the stock of variable-rate mortgage debt. In March, fixed-rate debt amounted to kr. 823 billion and variable-rate debt amounted to kr. 756 billion.

Danish homeowners take out variable-rate mortgage loans and repay fixed-rate loans



Note: Net new loans from mortgage banks to Danish homeowners are gross new loans at take-up price less early redemption payments at the redemption price. Instalments are not taken into account. Rounding off can result in small deviations in sums and totals. Find chart data here ([link](#)).

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