

DANMARKS NATIONALBANK

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BANKING AND MORTGAGE LENDING, INTERESTS, AUGUST 2020

Homeowners now pay 1.61 percent on average

The interest rate including administration fees on the Danes' mortgage loans in August is on average 1.61 per cent p.a. This corresponds to an annual expense before taxes of kr. 16,100 per borrowed million. The kr. 8,100 of this is fees to the mortgage credit institution, while the remaining kr. 8,000 is interest payments to the bond investors behind the loan.

Interest rates are decreasing more slowly

The average interest rate including fees decreased remarkably along with the latest refinancing boom through 2019. The decrease is mainly due to a significant decrease in the long-term interest rates. In 2020, the interest rate including fees decreased further, but more slowly. The slowdown depends on two factors

in particular.

Firstly, the refinancing potential is lower due to stabilisation in the long-term interest rates. The interest rates on especially new fixed-rate loans increased briefly with the outbreak of the coronavirus, but have subsequently decreased back to the level before the outbreak.

Secondly, there has been a shift from variable-rate loans to a larger share of fixed-rate loans over a long period. The shift has also helped to limit the decrease in the average interest rate, because the interest rate on new fixed-rate loans is generally higher than the interest rate on variable-rate loans.

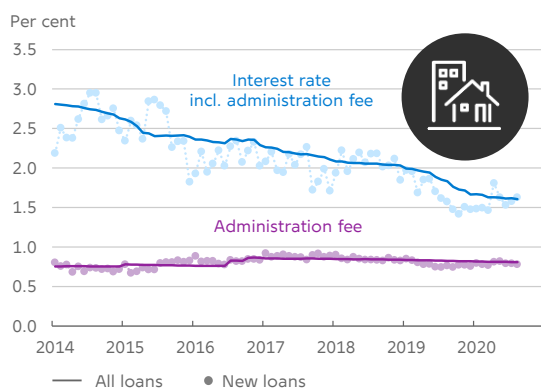
Administration fees have been slightly declining

As administration fees are generally lower on fixed-rate loans, the increasing share of fixed-rate loans has contributed to a slight decline in the average fee over a long period. However, there are factors that limit the decrease: On the one hand, there is a slowdown in the proportion of loans with instalments, and on the other hand, the fee has increased with the loan-to-value ratio, e.g. together with additional loans with the refinancing boom.

Expenditures reduced by 10 per cent

Over the past 12 months, Danes have had expenditures for interests and fees on their mortgage loans totalling kr. 28.2 billion. That is kr. 3.2 billion less than the year before, corresponding to 10 per cent. In the same period, the Danes' mortgage loans increased by kr. 64 billion.

The Danes' interest rate including fees has on average been significantly reduced in recent years



Note: Average annual effective interest rate including administration fees on the mortgage credit institutions' lending to Danish employees, pensioners, etc.

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