

DANMARKS NATIONALBANK

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BANKING AND MORTGAGE LENDING, INTERESTS, JANUARY 2021

The Danes' mortgage loan expenses fall

The Danes' annual mortgage loan expenses still fall and have now reached on average kr. 15,532 per borrowed million. Kr. 7,450 of this amount is interest payments to the bond investors, and kr. 8,082 is administration fees to the mortgage credit institution.

The Danes' total mortgage loan expenses have for a number of years been reduced as the average effective interest rate including fees has fallen. Over the last 12 months, the Danes interest and fee expenses on mortgage debt have totalled kr. 27.7 billion. This is kr. 2.2 billion less than the preceding 12 months.

Fixed or variable interest rate has great importance

The Danes' mortgage debt expenses have on average fallen, both for loans with fixed and variable interest rate. The interest rate on fixed-rate debt is, however, still higher than on variable-rate debt. The higher interest rate reflects that borrowers know their interest expenses for the entire duration of the loan and have a right to remortgage, which ensures that the loan can always be repaid at the maximum price of 100.

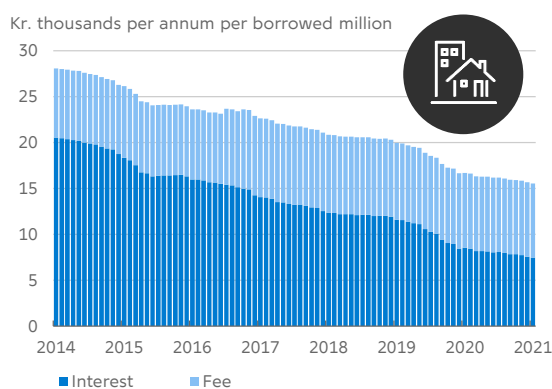
For new fixed-rate mortgage loans disbursed over the last 12 months, the average effective interest rate excluding fees was 1.02 per cent, while the interest rate on the new loans with variable interest rate was on average -0.18 per cent.

Administration fees also play a role

The Danes' mortgage loan expenses are also affected to a large extent by fees, where the interest rate type, potential instalment-free period and the loan-to-value ratio play a role.

As a starting point, the fee on fixed-rate loans is lower than on a corresponding variable-rate loan. If the loan is without instalments, the fee is also higher. E.g. the average fee on new fixed-rate mortgage loans with instalments, disbursed over the last 12 months, is 0.67 per cent, while it is 0.89 per cent for new fixed-rate loans without instalments. Finally, a higher loan-to-value ratio also implies a higher fee. The fee can vary by up to 2.5 percentage points depending on the loan-to-value ratio and the loan type.

The Danes' expenses per borrowed million have on average fallen



Note: Average annual interest and fee payments per borrowed million before taxes and potential partial refund of fees (e.g. "kundekroner") to the mortgage credit institutions' lending to Danish employees, pensioners, etc.

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