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One in four mortgage loans comes with negative rates

At the end of 2020, 26 per cent of Danes' mortgage loans secured on real estate had negative interest rates, equivalent to about 400,000 loans. Even if interest rates are negative, borrowers continue to pay administration fees to the mortgage credit institution. The average fee is 0.81 per cent p.a., corresponding to kr. 8,076 per borrowed million.¹ So, if the fee is included, only few loans have negative interest rates.

Almost exclusively variable-rate loans

The Danes' mortgage debt with negative interest rates consists almost exclusively of variable-rate loans. The few fixed-rate loans with negative interest

rates excluding the fee are typically special cases, such as very short duration loans. More than half of the variable-rate loans had negative interest rates at the end of 2020. For these loans, the interest rate typically changes several times during the loan's duration, meaning that interest expenses are known only for a limited period.

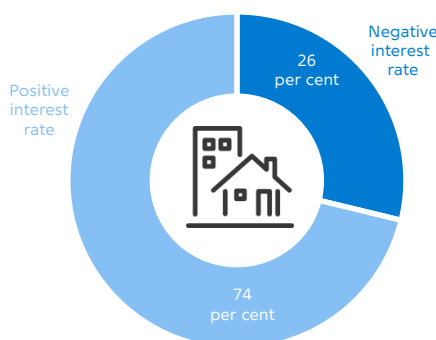
Increases in interest rates may affect the picture

The past few months have seen interest rates increase, which may affect the distribution of loans with positive and negative interest rates. Increases in interest rates can affect loans that will soon have a new interest rate. However, many loans will continue to experience a decrease in interest rates since the starting point at the last interest fixation was an even higher interest rate. For example, an F5 loan, which is about to have a new interest rate in the first half of 2021, will have a lower interest rate than before as the interest rate 5 years ago was significantly higher than it is today.

Also a fourth of the debt has a negative interest rate

If you look at the value of the Danes' mortgage loans instead of the number of loans, the pattern is the same. 26.1 per cent of the Danes' total mortgage debt has a negative effective interest rate excluding the fee. This corresponds to kr. 455 billion, of which kr. 453 billion are variable-rate loans.

26 per cent of the Danes' mortgage loans have negative interest rates excluding fee payments



Note: Distribution of the number of mortgage loans to Danish households secured on real estate.

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¹ Average annual administration fee on mortgage loans to Danish employees, pensioners, etc.