

# DANMARKS NATIONALBANK

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BANKING AND MORTGAGE LENDING, INTERESTS, FEBRUARY 2022

## The interest rate on new mortgage loans has doubled

The interest rate on the Danes' new mortgage loans disbursed in February was on average 1.37 per cent (excl. administration fee). This is a doubling compared to the interest rate on the loans disbursed the year before. Most of this increase took place in the first two months of 2022 and continues into March. Although the interest rate on the new mortgage loans is higher, the average interest rate on the Danes' total mortgage loans remains very low, namely 0.76 per cent in February. The average interest rate has risen slightly since April 2021 due to the impact of the new loans (incl. conversions) and interest rate adjustments of existing loans.

Rising mortgage rates have an impact on both new and existing borrowers, but in different ways.

### The rate on new fixed-rate loans has risen the most

The interest rate on new fixed-rate loans has risen more in the past year than the interest rate on new variable-rate loans. The increased interest rate spread makes it more attractive for new borrowers to choose variable-rate loans rather than fixed-rate loans, but at the expense of greater risk.

### A sixth of the debt receives new rate before autumn

Part of the Danes' existing mortgage debt will have new interest rate before the autumn. If you look at loans where the interest rate needs to be adjusted and loans with a reference rate, 16 per cent of the total mortgage debt will have new interest rate before the autumn. This corresponds to loans of kr. 279 billion.

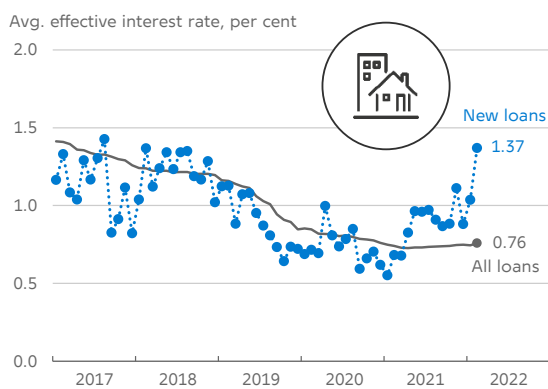
### Opportunity to reduce the outstanding debt

The rising interest rates also mean that the market value of the homeowners' total fixed-rate mortgage debt is now 10 per cent lower than the nominal value (outstanding debt). Thus, it may be advantageous for some borrowers to repay their fixed-rate loans to cut a portion of the outstanding debt and take out a new loan.

### Loan expenses are affected to a lesser extent

The rising interest rates have a smaller effect on the Danes' mortgage expenses. This is due to both the administration fees (in February almost 0.8 per cent), which are added to the bond interest rates, as well as installment payments for the part of the mortgage debt that is repaid on.

### The interest rate on new mortgage loans is higher than the average interest rate



Note: *New loans* cover new and actively renegotiated loans in Danish kroner from mortgage credit institutions to Danish employees, pensioners, etc. Find chart data here ([link](#)).

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