

# DANMARKS NATIONALBANK

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BANKING AND MORTGAGE LENDING, INTEREST RATES, MAY 2022

## Steep increase in interest rates on new mortgages

The interest rate on the Danes' new mortgage loans has increased. The average interest rate on mortgage loans disbursed in May is 1.99 per cent (excl. administration fee). The interest rate has more than doubled since the beginning of the year where new loans were disbursed at 0.88 per cent. The development reflects large interest rate increases, which have defined the first five months of 2022.

### Interest rate on fixed rate loans almost doubled

Half of new loans in May (kr. 37.7 billion) are fixed rate and disbursed at an average interest rate of 3.30 per cent. Since the beginning of the year, new loans amounting to kr. 114 billion have been

disbursed, and the interest rate on these loans has almost doubled from 1.73 per cent at the beginning of the year. This has a spillover effect on the average interest rate on the Danes' total mortgage debt, which increased from 0.75 per cent at the beginning of the year to 0.84 per cent in May.

### Variable rate loans hold down the average

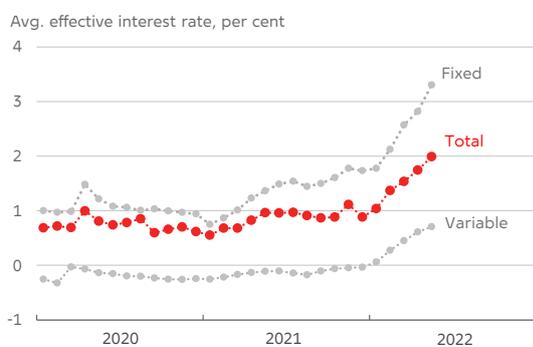
Increased demand for variable rate loans in 2022 has dampened the increase in the average interest rate on the Danes' total mortgage debt. Interest rates on variable rate loans are increasing, but the loans are taken out at a lower interest rate compared to new fixed rate loans. The average interest rate on a variable rate loan disbursed in May is 0.71 per cent.

### High interest rates also impact refinancing

High interest rates do not only affect new loans for, for example, buying a house or converting a loan. Existing variable rate loans will be refinanced eventually at an interest rate that mirrors the interest rate levels of the market at the time of refinancing. These borrowers will also be affected by interest rate increases.

The Danes have mortgage debt of kr. 224 billion that will be refinanced during the summer, corresponding to 13 per cent of the total mortgage debt. These loans are expected to receive a higher interest rate when refinanced.

### Average interest rate on Danes' new mortgage loans doubled in 2022



Note.: Average weighted effective interest rate on mortgage loans to employees, pensioners etc. in Danish kroner. New loans include new and actively renegotiated loans. Find chart data here ([link](#)).

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