

# DANMARKS NATIONALBANK

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BANKING AND MORTGAGE LENDING, INTERESTS, SEPTEMBER 2019

## The average mortgage rate is now below 1 per cent

The average effective interest rate on Danish customers' mortgage debt has been decreasing for a long time. In September, it was down another 0.07 percentage point and reached 0.93 per cent. For the first time ever it is below 1 per cent on average. Interest incl. administration fee are on average 1.76 per cent which is also a new historic low.

### Interest rate drop driven by conversion wave

The falling interest rate level in 2019 has meant that a record number of private borrowers have converted their mortgages which has naturally affected the average interest rate. However, the effect has been extraordinarily high. In the same period, the propor-

tion of fixed-rate loans has increased by almost 3 percentage points which in isolation pulls towards higher average interest rates.

### New interest to half of the loans this year

This year, the mortgage institutions have disbursed loans to the Danes for a total of kr. 371 billion with an average interest rate of 0.90 per cent. Overall, about half of the Danes' mortgage loans have got new interest rates in 2019 so far including refinanced loans and loans tied to a reference rate.

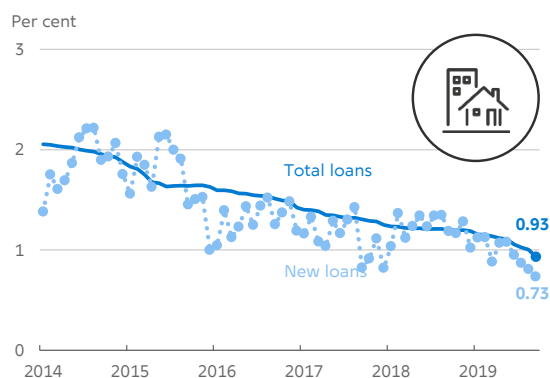
### Danes' new loans

79 per cent of the new loans are with fixed interest rate, and 61 per cent. is with instalments. 54 per cent are both with fixed interest and instalments. The large proportion of loans with fixed interest rates and instalments may be due to the fact that the borrowers want certainty about their future interest expenses and at the same time want to pay off their debt. Some borrowers may also be limited to borrowing at fixed interest rates and with instalments, as well as the administrations fees favour these loans. Fixed interest rates and instalments help to make the Danes more resilient to future interest rate increases and house price falls.

### The administration fee is slightly decreasing

The Danes' high appetite for loans with fixed interest rates and instalments has meant that the average administration fee in recent years has slightly decreased. The fee is on average 0.83 per cent. In comparison, the fee is 0.65 per cent for the new fixed rate loans with instalments disbursed in 2019.

**Danes mortgage rate excl. administration fee have now crossed 1 per cent on average**



Note: New loans consist of new and renegotiated loans in Danish kroner from mortgage banks to Danish employees, pensioners, etc.

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