

# DANMARKS NATIONALBANK

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## BANKING AND MORTGAGE LENDING, INTERESTS

# Decreased repayment rates in 2019

The repayment rates for Danish non-financial corporations (NFC's) and households decreased 0.21 and 0.13 percentage points respectively compared to 2018. This translates to an annual saving of kr. 2,104 and kr. 1,282 respectively per borrowed million.

The yearly repayment rate was, on average, 5.00 percent for NFC's and 4.39 percent for households in 2019. The repayment rate is defined as the sum of the interest rate, administration fee rate and installment rate on the outstanding mortgage debt.

NFC's and households had a total mortgage debt of 807 and kr. 1,971 billion respectively by the end of

2019. The total repayments on this debt amounted to 38 and kr. 84 billion respectively.

### Different loan types

The average interest rate incl. fees for NFC's is lower than that for households. This is partly due to the fact that floating-rate loans account for 66 percent of mortgage loans to the NFC's while it is 57 percent for households. At the same time, NFC's are, to a larger extent, able to negotiate their administration fees compared to households.

### The loan type affects the repayments

Interest payments have fallen as a result of the fall in the long-term market rates, and households have therefore converted fixed-rate mortgages into new fixed-rate mortgages with a lower interest rate. This effect has been greater than the effect of converting loans from floating to fixed-term rates, where interest rates typically are higher, but where administration fees are lower.

During the recent years households have chosen mortgage loans with repayments at the expense of interest-only mortgages. This has contributed to larger repayments and a lower average interest rate incl. fees, as loans with repayments have lower fees, just as is the case with longer maturity loans.

NFC's, on the other hand, have increasingly taken floating rate mortgages with repayments and floating rate interest-only in addition to some fixed-rate interest only mortgages.

### Decreasing interest rates and fees are offset by increasing installment rates



Note: Average installment rates, interest rates and administration fees for a given year. Households cover employees etc. in addition to sole proprietors and unincorporated partnerships.

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