

# DANMARKS NATIONALBANK

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## BANKING AND MORTGAGE LENDING, INTERESTS

# Record low interest rate of 0.84 per cent

Almost two-thirds of Danes' mortgage loans got new interest rates in 2019.<sup>1</sup> The many loans with new interest rates resulted in a decrease in the average interest rate (excluding administration fee) on Danes' mortgage loans during the year from 1.20 per cent to record low 0.84 per cent. The lower interest rate corresponds to an average annual saving before tax of kr. 3,600 per million borrowed.

### Loans disbursed for kr. 520 billion

The primary explanation for the significant fall in Danes' average interest rates is that the fixed-rate loans were replaced by similar loans with lower interest rates. The fall in long-term market rates and the resulting conversion wave contributed to that

the mortgage banks disbursed loans of all time high kr. 520 billion over the past year to the Danes.

Another explanation for the decline is that at the beginning of 2019, the Danes had variable-rate loans for more than kr. 400 billion, which was to be interest rate fixed in the coming year.

### Fixed rate loans are young

The large replacement in the Danish mortgage loans has meant that a large proportion of the loans - especially those with fixed interest rates - are relatively young. Thus, more than half of the Danes' total fixed-rate loans were disbursed in 2019, while a further one-fifth is from 2017-18.

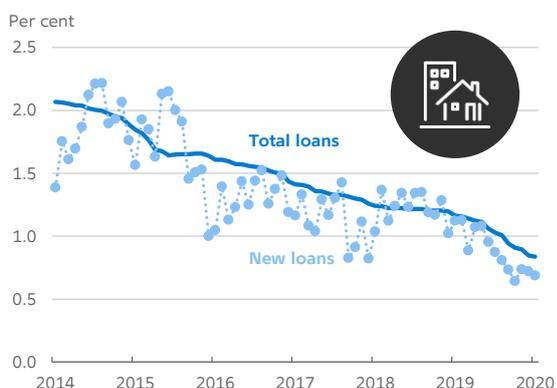
### Fewer conversions in 2020

The conversion of mortgage loans has continued into 2020, although not at the same pace as in 2019. Most of the Danes' loans with conversion potential have already been exploited at the current interest rate level.

Not all high-interest-rate mortgages are converted. Conversion of loans involves a number of costs for the borrower, which is why it is not necessarily advantageous to convert a loan to obtain a lower interest rate.<sup>1</sup>

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### Significant decline in Danes' average mortgage rates in 2019



Note: Effective interest rate excl. administration fee on loans in Danish kroner from mortgage credit institutions to Danish employees, pensioners etc.

<sup>1</sup> The volume of loans with new interest rates comprises actively renegotiated loans (loans disbursed in connection with conversions, restructuring, supplementary borrowing and brand new loans) and loans that have been interest rate fixed in 2019. At the start of 2019, Danish private customers had variable-rate loans for more than kr. 400 billion. The actual volume of private customers' loans, which have been interest rate fixed in 2019, will differ slightly as a result of changes in outstanding loans during the year.