

DANMARKS NATIONALBANK

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BANKING AND MORTGAGE LENDING, INTERESTS, APRIL 2020

Danes' now pay less in interest than fees

Since March, Danes' interest payments have been below the administration fees on their mortgage loans. This is mainly due to the fact that the average interest rate has been reduced significantly over a longer period. The drop of the interest rates has meant that interest expenses have more than halved since 2014.

The halving has occurred, although the Danes have increased their mortgage loans by kr. 260 billion since 2014, and although there is a significant larger proportion of loans with fixed interest rates. Total interest and administration fee payments on mortgages in April were kr. 2.27 billion.

The interest rate is now 0.80 per cent on average
The average interest rate on the Danes' mortgage

loans has long been decreasing. The decrease accelerated in 2019, especially as a record number of borrowers took advantage of the low level of interest rates to convert their fixed-rate mortgage loans into a lower-interest rate loan. The average interest rate is now down to 0.80 per cent.

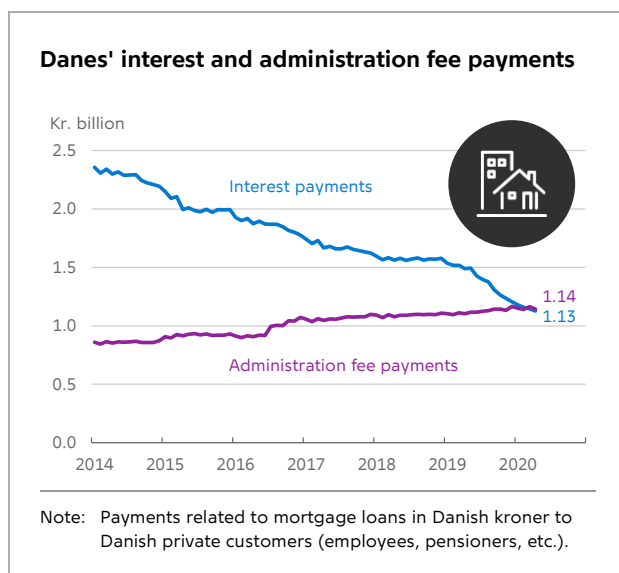
The average administration fee is decreasing too

The incentive to choose loans with a fixed interest rate and/or installments can be found partly in the low interest rate level and partly in the mortgage lending sector's differentiated fees and changed guidelines on housing loans. Fixed rate loans now represent 48.5 per cent of the Danes' mortgage loans, while instalments are paid on 55.3 per cent of the loans. The increasing proportion of loans with fixed interest rates and installments respectively has led to the average administration fee, with a few exceptions, falling slightly since 2016, where the most recent major change in administration fees took place. In April, the average administration fee was 0.81 per cent.

More robust to economic adversity

Loans with both fixed interest and installments now represent more than one-third of the Danes' total mortgage loans – recently estimated at kr. 1,581 billion. However, despite a significant reduction, almost a third of mortgage loans are still variable-rate loans without installments.

Fixed interest rates and installments help to make Danish borrowers more resilient to future interest rate increases and house price falls.



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