

# DANMARKS NATIONALBANK

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## Fewer mortgage bonds are refinanced

During 2018, mortgage bonds totaling kr. 613 billion have been refinanced. The need for refinancing is expected to be lower in 2019, when mortgage bonds totaling kr. 539 billion mature. Adjustable-rate mortgage bonds represent kr. 371 billion, while the remaining bonds are floaters.

In comparison, mortgage bonds totaling kr. 1.047 billion were refinanced in 2013. The decline is attributable to a shift towards mortgage bonds with longer maturity, implying they are refinanced less often.

When mortgage bonds are refinanced, the underlying loan gets a new interest rate. The new interest

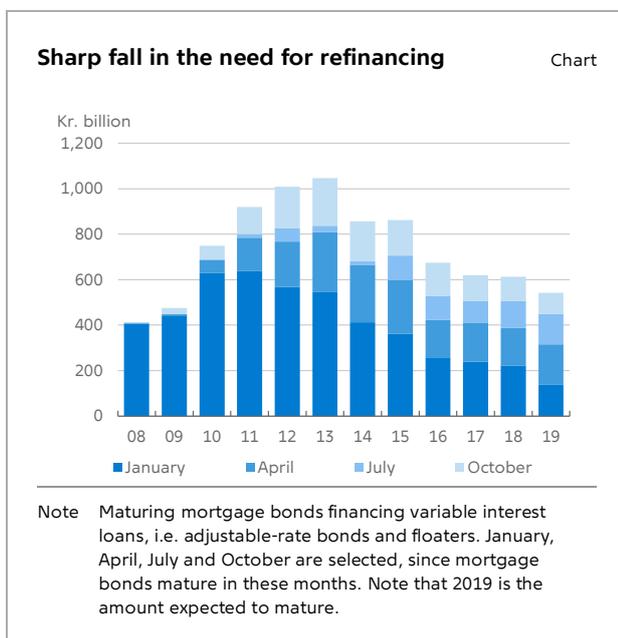
rate depends on the general interest rate level and investors' required return to bonds from the specific mortgage bank.

For mortgages financed with floaters, interest rates are adjusted quarterly or semi-annually, which is more frequent than refinancing of the bonds. Typically, the maturity of floaters is three to five years. The additional interest paid by borrowers on top of the reference rate can change when the underlying bonds are refinanced.

Borrowers with fixed rate mortgages do not risk interest rate increases but pay a higher interest rate than usual.

In addition to the declining need for refinancing, the refinancing is more evenly distributed over the four quarters. In 2008 and 2009, almost all mortgage bonds were refinanced in January. Since then, the distribution has changed considerably and in 2019 only 25 per cent of the bonds are expected to be refinanced in January. This implies that a smaller amount is refinanced each quarter which reduces the risk of the auctions.

Danmarks Nationalbank's statistics on banking and mortgage lending show that around 30 per cent of Danish house owners get a new interest rate on their mortgage loan in 2019. For companies, the figure is 45 per cent. The primary reason for this difference is that loans financed with floaters are more popular among companies.



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