

DANMARKS NATIONALBANK

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SECURITIES, APRIL 2022

Fewer mortgage bonds with low interest rates

From January to April, there has been a reduction in the value of 30-year fixed-rate mortgages with low interest rates as a result of a significant rise in the market interest rates, which has given borrowers an opportunity to cut a part of their outstanding debt by converting to a new mortgage loan with a higher interest rate. Thus, the value of 30-year fixed-rate mortgage bonds with an interest rate of 1.5 percent or less has fallen by kr. 95 billion. The value of bonds with a higher interest rate has increased by kr. 79 billion, corresponding to a net decrease in the total value of 30-year bonds of kr. 16 billion.

It is, in particular, bonds with an interest rate of 1 per cent that have seen a decrease in favour of

bonds with an interest rate of 2.5 percent and above. The sale of bonds with an interest rate of 2 and 2.5 per cent opened in February, while the sale of bonds with an interest rate of up to 3.5 per cent opened in April. Thus, in principle, it was possible to issue mortgage bonds within seven different interest rates ranging from 0.5 per cent to 3.5 per cent.

No sign of ownership concentration

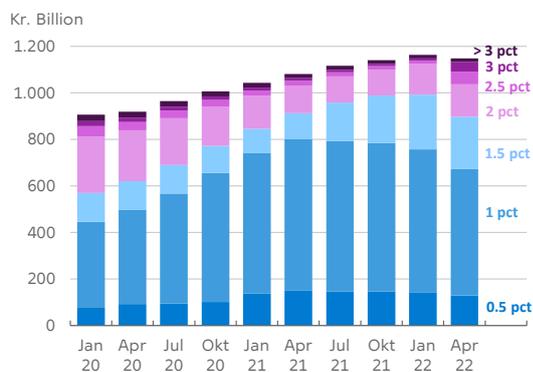
The significant increase in interest rates has taken place over a short period of time. This may entail a risk that certain bonds will only be sold in a limited amount to a concentrated group of owners before the bond is overtaken by interest rate developments and replaced by a new bond with a higher interest rate.¹ Thus, borrowers may risk having to pay a higher price in the event of repurchasing of the mortgage bond in the market in the future.

For the newly opened bond series, however, there are currently no signs of a high ownership concentration where individual investors own more than half of the issue.

Several bond series have been open for sale for a few months and consist of only a small circulating volume. This includes some series with interest rates of 2.5 and 3 per cent, where the outstanding amount is less than kr. 1 billion.

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30-year mortgage bonds with a low interest rate are losing ground



Note: Outstanding volume of Danish fixed rate callable mortgage bonds with an initial maturity of 30 years. Find chart data here ([link](#)).

¹ For more information on markets and ownership concentration, please see Danmarks Nationalbank quarterly overview ([link](#)).