

Nykredit

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Higher administration margins and new price structure of mortgage loans

The economic climate and declining property prices have increased housing loan losses. Also, the statutory capital that Nykredit and Totalkredit have to provide as security for customer loans has become more expensive. This means that the costs of granting mortgage loans have risen.

For the first time in many years, Nykredit and Totalkredit therefore adjust the administration margins on mortgage loans to retail customers. The administration margin on existing loans will increase by 0.1 percentage point on 1 July 2010. For a loan of DKK 1m, this is equivalent to DKK 85 a month before tax and about DKK 60 a month after tax.

At the same time, we introduce a new and differentiated price structure for new mortgage loans under which the administration margins on floating-rate loans and interest-only loans will be slightly higher than on fixed-rate loans.

- We consider it reasonable that the price structure should more accurately reflect the risks and costs of the individual loan types, says Peter Engberg Jensen, Nykredit's Group Chief Executive.
- The total price increase of existing and new loans will cover part of the additional costs of granting mortgage loans. Also, we have intensified our general focus on reducing group costs, says Peter Engberg Jensen.

The administration margin on new fixed-rate repayment loans will rise by an average of 0.125 percentage point, depending on LTV ratio. Another 0.025 percentage point will be added to the administration margin on floating-rate loans in case of maximum mortgaging, and 0.025 percentage point will also be added to the administration margin on interest-only loans.

In future, mortgage loans of more than DKK 3m will be considered on a case-by-case basis, and the administration margin may deviate by up to 0.15% from the list price, depending on risk assessment.

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