

The Danish mortgage system

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Commercial banks



Specialised mortgage banks



Total lending: 1/3 of lending

2/3 of lending

Lending housing purposes: 10%

90%

Financing of housing

Individuals

80% mortgage loan
15% bank loan
5% equity

Private rental housing

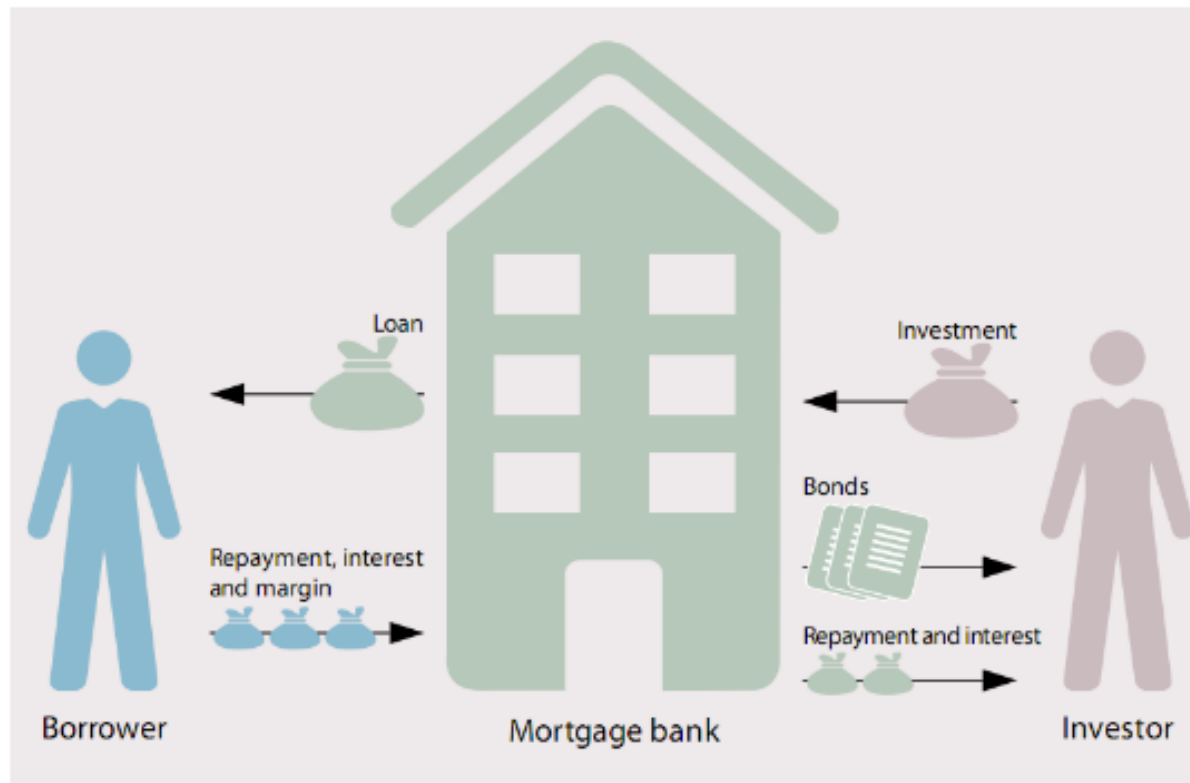
80% mortgage loan

Social housing

91% mortgage loan*
7% municipality
2% equity

Guarantee from 60%
from the state

The fundamental of the Danish mortgage system: The balance principle



Two customer groups: Borrowers and investors

Key characteristics

- Transparency
 - Disbursement
 - Early repayment
- Low margins (LTV and product dependent)
- Only credit risk, no interest risk
- Loans are held until maturity
- Valuation of properties
- Rating
- Liquid bonds
- Backed up by detailed legislation

Challenges

- Large to have liquid bonds
- Only one funding tool
- Supplementary capital or OC requirement from CRA
- Refinancing risk – huge auctions

Traditional banks versus mortgage banks

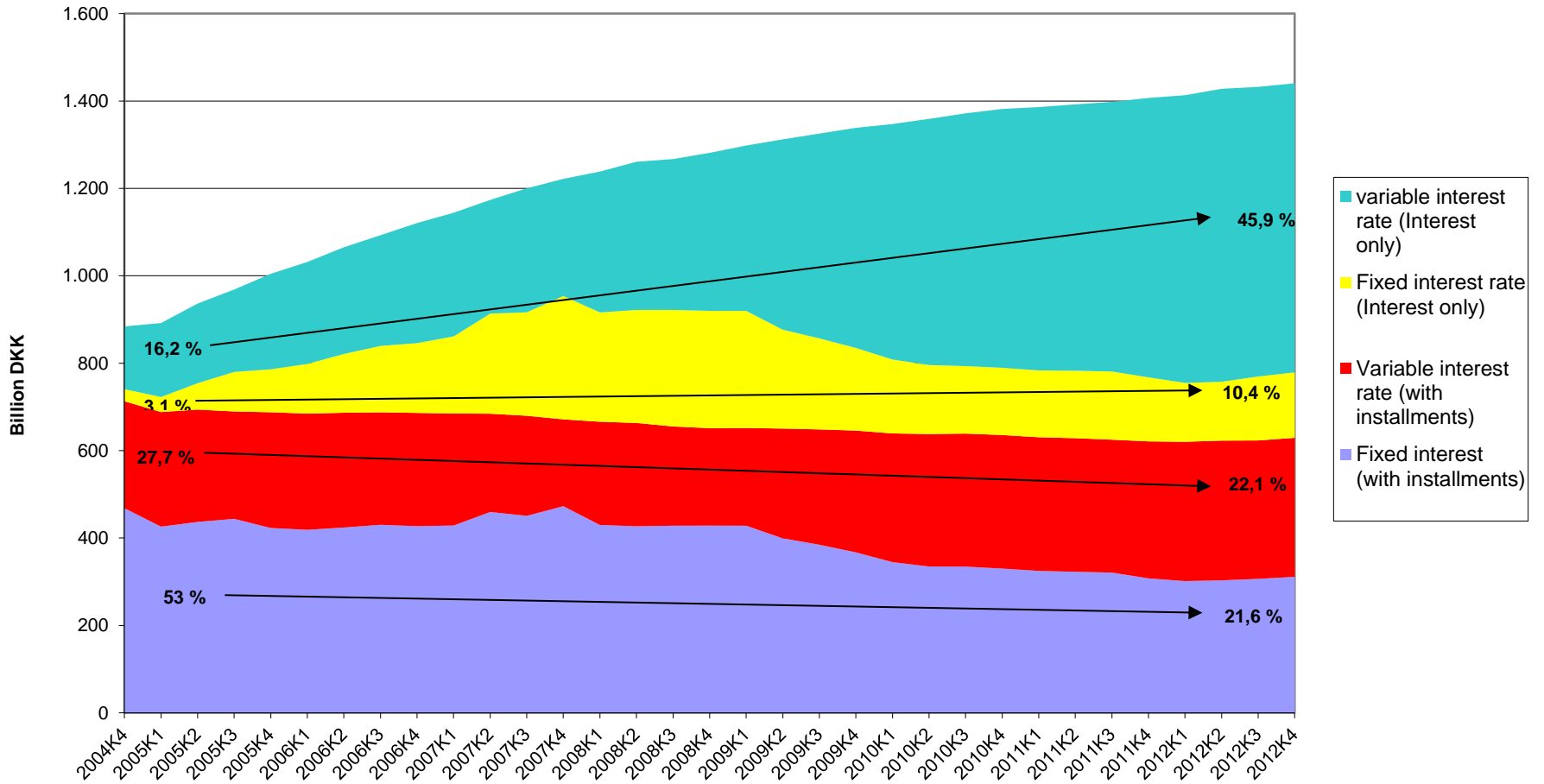
Advantages traditional banks

- Funding flexibility
- Cover pool flexibility
 - Remove loans from cover pool
 - Risk management
- One loan

Advantages mortgage banks

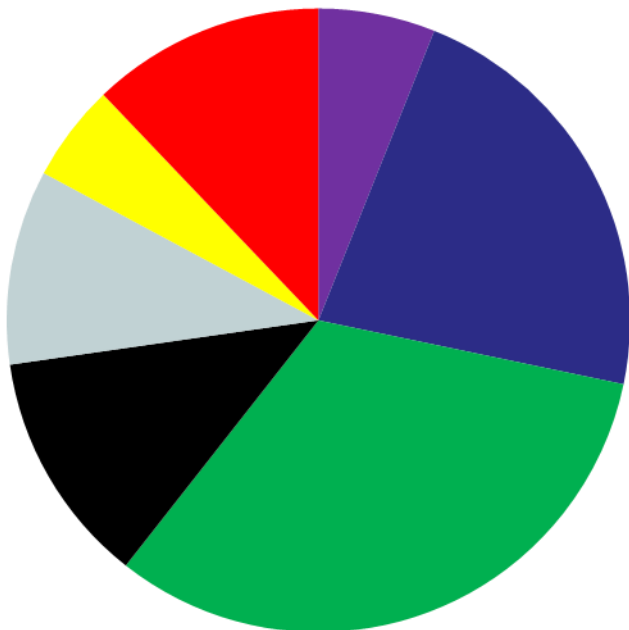
- Transparency for borrowers
- Typical lower margins
- Fixed interest rate up to 30 years
- Stable funding

Home owners allocation of debt on types of loans

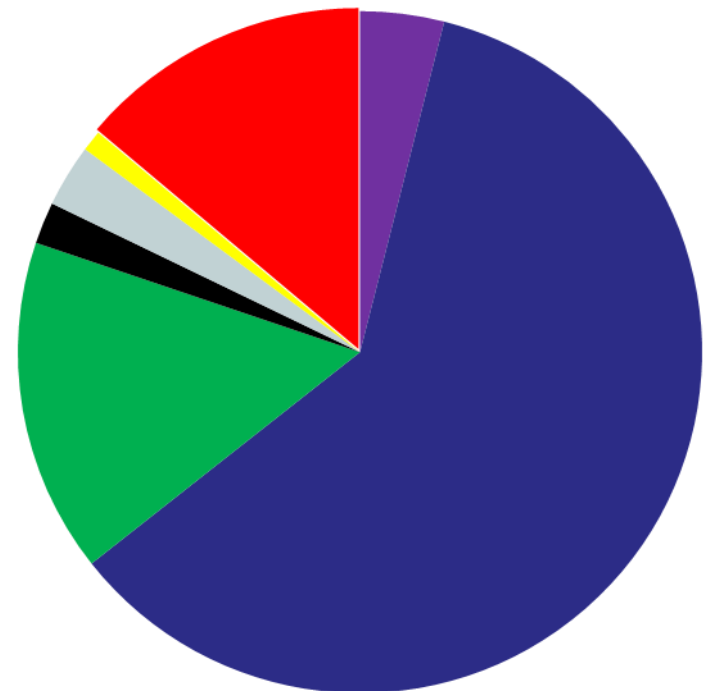


Investor distribution

Primo 2000



Ult. 2012



- Non financial corp.
- Financial inst.
- Insurance and pension
- Public sector
- Households
- Others
- Foreign inv.