

NB: Unofficial translation

Government decree on Interest Subsidy for Rental Housing Loans and Right of Occupancy Housing Loans July 19, 2001/666

In accordance with the Government decision issued on the submission of the Ministry of the Environment, the following is enacted by virtue of the Act on Interest Subsidy for Rental Housing Loans and Right of Occupancy Housing Loans [\(604/2001\)](#) passed on June 29, 2001:

[Section 1](#)

Scope of application

The provisions of this Decree on the loan terms of an interest-subsidy loan granted for the construction, purchase or renovation of a rental dwelling or right of occupancy building referred to in Section 1 of the Act on Interest Subsidy for Rental Housing Loans and Right of Occupancy Housing Loans [\(604/2001\)](#) shall apply.

[Section 2 \(December 4, 2008/794\)](#)

Application procedure and opinions

The local authority shall decide on the annual application periods for interest-subsidy loans in accordance with the instructions issued by the Housing Finance and Development Centre of Finland. Applications shall be submitted to the competent authority of the municipality where the object of the interest-subsidy loan is located. By mutual agreement between municipalities, however, an application may also be submitted to the competent authority of another municipality. A local authority shall forward the application with opinions to the Housing Finance and Development Centre. It shall become apparent from the opinion whether the local authority favours the granting of the application.

The Housing Finance and Development Centre and the State Treasury may approve formulae for the applications or declarations referred to in the Act on Interest Subsidy for Rental Housing Loans and Right of Occupancy Housing Loans and in this Decree. In that respect, regulations may be issued on the evidence to be filed in connection with the application or declaration.

[Section 3](#)

Special provision on conditions for approval

The condition for approval of a loan granted for the construction or renovation of a rental dwelling or right of occupancy building as an interest-subsidy loan is that the Housing Finance and Development Centre has approved the construction plans and costs, or renovation plans and costs for the project. The Housing Finance and Development Centre may issue permission to start work before the plans and costs have been approved. If work has been commenced without permission,

the loan can only be approved as an interest-subsidy loan for special reasons. ([December 4, 2008/794](#))

Approval of a loan granted for the purchase of a rental dwelling or a right of occupancy building as an interest-subsidy loan shall be applied for within six months or, for special reasons, within one year after a transfer agreement has been made. If the applicant is a local authority or a joint municipal board, the application period shall begin when the transfer agreement has been made and the official decision on the purchase of the dwelling or building has taken legal effect.

Section 4 ([April 15, 2004/271](#))

Loan-to-value rates

The loan-to-value rates of interest-subsidy loans for rental housing shall be lowered from the rates according to Section 10 of the Act on Interest Subsidy for Rental Housing Loans and Right of Occupancy Housing Loans ([604/2001](#)) as follows:

- 1) no more than 90 per cent of the approved construction or acquisition costs when an interest-subsidy loan for rental housing, an interest-subsidy loan to purchase a rental building, an interest-subsidy loan for a rental dwelling or an interest-subsidy loan to purchase a rental dwelling for an object on an owned plot is approved;
- 2) no more than 85 per cent of the approved construction or acquisition costs when an interest-subsidy loan for rental housing, an interest-subsidy loan to purchase a rental building, an interest-subsidy loan for a rental dwelling or an interest-subsidy loan to purchase a rental dwelling for an object comprising partial-ownership dwellings referred to in the Act on Partial Ownership Housing financed by an interest-subsidy loan for rental housing ([232/2002](#)) is approved;
- 3) no more than 85 per cent of the approved construction or acquisition costs when an interest-subsidy loan to construct or purchase a right of occupancy building is approved; and
- 4) no more than 80 per cent or, for special reasons if the cost of housing would otherwise be inordinately high, no more than 95 per cent of the approved renovation costs when an interest-subsidy loan to renovate a rental dwelling or a right of occupancy building is approved.

Section 5 ([December 4, 2008/794](#))

Approval as a renovation interest-subsidy loan

A renovation loan can be approved as an interest-subsidy loan if 15 years have passed since the completion or extensive renovation of the building. If less than 20 years have passed since the completion or extensive renovation of the building, however, the renovation loan can be approved as an interest-subsidy loan only if the renovation is necessary to eliminate health hazards or if it is required to prevent further damage.

Section 6 ([December 4, 2008/794](#))

Section 6 has been repealed by Decree [December 4, 2008/794](#).

Section 7

Loan terms for an interest-subsidy loan

There may be a maximum of two yearly due dates for amortisations of an interest-subsidy loan. The loan interest is paid on these due dates.

The maximum loan period for an interest-subsidy loan is 45 years.

Section 8 ([April 15, 2004/271](#))

Interest subsidy

The debtor's own remaining basic liability for the interest on the interest-subsidy loan is 3.4 per cent. If the loan is for a right of occupancy building, however, the debtor's own basic liability is 3.5 per cent of the interest on the interest-subsidy loan.

If an interest-subsidy loan approved for construction or renovation is drawn before the building or renovation is completed and the annual interest on the loan exceeds the amount of the debtor's own basic liability, the excess is paid entirely in interest subsidy during the 12 months from withdrawal of the first instalment of the interest-subsidy loan (*construction time*).

If the annual interest charged for an interest-subsidy loan approved for constructing a rental dwelling after construction time or for a loan to purchase a rental dwelling exceeds the amount of the debtor's own basic liability, a percentage according to the table below is paid in annual interest subsidy for the excess:

| loan year | interest subsidy for interest exceeding the debtor's own basic liability |
|-----------|--|
| 1 | 95% |
| 2 | 93% |
| 3 | 91% |
| 4 | 89% |
| 5 | 87% |
| 6 | 84% |
| 7 | 82% |
| 8 | 80% |
| 9 | 78% |
| 10 | 76% |
| 11 | 74% |
| 12 | 72% |
| 13 | 68% |
| 14 | 64% |
| 15 | 60% |

| | |
|----|-----|
| 16 | 56% |
| 17 | 52% |
| 18 | 48% |
| 19 | 40% |
| 20 | 32% |
| 21 | 24% |
| 22 | 16% |
| 23 | 8% |

If the annual interest charged on an interest-subsidy loan approved for constructing a right of occupancy building after the construction period, or the annual interest on the purchase loan for a right of occupancy building, exceeds the amount of the debtor's own basic liability, 95 per cent of the excess is paid in interest subsidy during the first loan year. The percentage of the interest exceeding the debtor's own basic liability to be paid in interest subsidy will thereafter diminish by four percentage points annually during the first ten loan years. Thereafter it will diminish by six percentage points annually.

If the annual interest charged on an interest-subsidy loan approved for renovating a rental dwelling or a right of occupancy building after the construction period exceeds the amount of the debtor's own basic liability, 95 per cent of the excess is paid in interest subsidy during the first year. The percentage of the interest exceeding the debtor's own basic liability to be paid in interest subsidy will thereafter diminish by six percentage points annually.

If the construction or acquisition loan is for a rental building comprising partial-ownership dwellings as provided for in the Act on Partial Ownership Housing financed by an interest-subsidy loan for rental housing, however, 90 per cent of the interest exceeding the debtor's own basic liability is paid in interest subsidy during the first year after the construction time. The percentage will thereafter diminish by six percentage points annually.

Section 9 [\(April 15, 2004/271\)](#)

Interest-subsidy loan with fixed amortisations

An interest-subsidy loan approved for the construction and acquisition of a rental dwelling shall be amortised after the construction time during each five-year period in total at least as follows:

| years | amortisation on the original loan principal |
|-------|---|
| 1–5 | 1.7% |
| 6–10 | 3.3% |
| 11–15 | 5.3% |
| 16–20 | 7.5% |
| 21–25 | 9.9% |

| | |
|-------|-------|
| 26–30 | 15.0% |
| 31–35 | 23.3% |
| 36–40 | 34.0% |

An interest-subsidy loan approved for the construction and acquisition of a right of occupancy building shall be amortised after the construction time during each five-year period in total as follows:

| years | amortisation on the original loan principal |
|-------|---|
| 1–5 | 3.0% |
| 6–10 | 5.0% |
| 11–15 | 7.0% |
| 16–20 | 10.5% |
| 21–25 | 17.5% |
| 26–30 | 28.5% |
| 31–35 | 28.5% |

An interest-subsidy loan approved for the renovation of a rental dwelling shall be amortised after the construction time during each five-year period in total at least as follows:

| years | amortisation on the original loan principal |
|-------|---|
| 1–5 | 2.5% |
| 6–10 | 5.5% |
| 11–15 | 9.0% |
| 16–20 | 16.0% |
| 21–25 | 27.5% |
| 26–30 | 39.5% |

If the loan has been approved as an interest-subsidy loan to renovate a right of occupancy building, it shall be amortised after the construction time during each five-year period in total as follows:

| years | amortisation on the original loan principal |
|-------|---|
| 1–5 | 8.5% |
| 6–10 | 11.5% |
| 11–15 | 16.5% |
| 16–20 | 25.0% |
| 21–25 | 38.5% |

By way of derogation from the provisions of paragraph 1, if the loan has been approved for the construction or acquisition of a rental building comprising partial-ownership dwellings as provided for in the Act on Partial Ownership Housing financed by an interest-subsidy loan for rental housing, the loan shall be amortised after the construction time in total at least as follows:

| years | Amortisation per cent on the original loan principal from where the additional and final shares redeemed by the minority shareholders have been deducted |
|-------|--|
| 1–5 | 3.5% |
| 6–10 | 4.0% |
| 11–15 | 5.5% |
| 16–20 | 8.5% |
| 21–25 | 14.0% |
| 26–30 | 22.0% |
| 31–35 | 32.5% |
| 36–40 | 10.0% |

The debtor and the lender can agree that the interest-subsidy loan is amortised more than provided for in the present section above if the interest paid on the interest-subsidy loan is very low, or for some comparable reason, if the cost of housing does not increase unreasonably.

Section 9 a [\(April 18, 2002/311\)](#)

Premature amortisation of an interest-subsidy loan

The terms for an interest-subsidy loan shall be such that without any cost payable to the lender, the loan can be amortised on agreed due dates for amortisation in higher amounts than the amortisation according to the amortisation plan would allow when a minority shareholder referred to in the Act on Partial Ownership Housing financed by an interest-subsidy loan for rental housing is entitled, according to the partial-ownership agreement, to redeem the remainder of the shares entitling the holder to the possession of the dwelling or to purchase an additional portion of the shares entitling the holder to the possession of the dwelling.

Section 10 [\(April 15, 2004/271\)](#)

Interest-subsidy loan based on total capital expenditure

Without prejudice to Section 9, the capital expenditure of an interest-subsidy loan for rental housing, comprising both the interest payable by the debtor and the amortisation on the interest-subsidy loan, can be 3.7 per cent of the original loan amount approved as an interest-subsidy loan during the first year after the construction time.

Without prejudice to Section 9, the capital expenditure of an interest-subsidy loan for right of occupancy housing, comprising both the interest payable by the debtor and the amortisation on the interest-subsidy loan, can be 4.1 per cent of the original loan amount approved as an interest-subsidy loan during the first year after the construction time.

If the loan is a loan approved as an interest-subsidy loan to renovate a rental dwelling, however, the capital expenditure for the first loan year is 3.9 per cent of the original loan amount.

If the loan is a loan approved as an interest-subsidy loan to renovate a right of occupancy dwelling, however, the capital expenditure for the first loan year is 5.1 per cent of the original loan amount.

If the loan is for a rental building comprising partial-ownership dwellings as provided for in the Act on Partial Ownership Housing financed by an interest-subsidy loan for rental housing, the capital expenditure for the first year of the interest-subsidy loan is 4.2 per cent of the original loan amount.

If the interest payable by the debtor is higher than what is provided for above, the first capital expenditure nevertheless equals the interest payable by the debtor.

The capital expenditure for an interest-subsidy loan approved for the construction and acquisition of a rental dwelling will thereafter increase annually by an amount corresponding to the change in the actual consumer price index.

The capital expenditure for an interest-subsidy loan approved for the renovation of a rental dwelling will, however, increase annually by an amount corresponding to the change in the actual consumer price index, plus 1.5 percentage points per annum.

The capital expenditure for a loan approved as an interest-subsidy loan for a right of occupancy building will thereafter increase annually by an amount corresponding to the actual change in the consumer price index, plus 0.6 percentage points.

If at the end of the 39th loan year it is obvious on the basis of the outstanding loan principal that the loan will not be paid back in 45 years with a capital expenditure progressing in the manner prescribed in paragraphs 7, 8 and 9, the capital expenditure may be higher during the 40th loan year and thereafter, to ensure balanced progression of the cost of housing. ([December 4, 2008/794](#))

Section 11

Exceptions to capital expenditure for a loan

The debtor and the lender can agree that the capital expenditure for a renovation loan approved as an interest-subsidy loan is higher than the capital expenditure progressing in the manner prescribed in Section 9 or 10 if the capital expenditure on the debtor's other loans is so low that the cost of housing would otherwise be lower than the cost of housing for dwellings with equal utility value in the area.

If on the basis of the capital expenditure determined in accordance with Section 9 or 10 the cost of housing would be higher than the cost of housing for dwellings with equal utility value in the area, the debtor and the lender can agree, with permission from the State Treasury, that the capital expenditure for the loan is lower than that determined in accordance with Section 9 or 10.

Section 12

Currency of an interest-subsidy loan

Only a euro-denominated loan can be approved as an interest-subsidy loan.

Section 13

Application for payment of an interest subsidy

The interest subsidy is paid from state funds to the lender in six-month periods on the due date for the interest on the basis of a calculation submitted by the lender to the State Treasury.

An application for the payment of an interest subsidy shall be filed with the State Treasury well in advance and at least 14 days before the due date. A copy of the promissory note relating to the interest-subsidy loan and of the loan servicing plan shall be appended to the first demand for payment of interest subsidy.

Section 14

Withdrawal of an interest-subsidy loan

The debtor can draw the interest-subsidy loan in proportion as the purchase price of the dwelling or building purchased with the loan shall be paid according to the transfer agreement.

An interest-subsidy loan for construction or renovation can be drawn in instalments corresponding to the level of completion of the construction work or in one instalment after the building is completed.

Section 15

Entry in the promissory note

The promissory note relating to the interest-subsidy loan shall include an entry regarding what has been prescribed on Sections 31 and 32 of the Act on Interest Subsidy for Rental Housing Loans and Right of Occupancy Housing Loans.

Section 16 (December 4, 2008/794)

Notification of making and amending a restrictive entry

The Housing Finance and Development Centre shall notify forthwith the mortgage authority in whose jurisdiction the property is located and the Board of a joint stock company of the expiry date of the restriction period referred to in Section 17 of the Act on Interest Subsidy for Rental Housing Loans and Right of Occupancy Housing Loans for making a restrictive entry. Notification of change of entry shall be made by the State Treasury.

Section 16 a (April 18, 2002/311)

Deletion of a restrictive entry

A restrictive entry shall be removed when it has been established that the restrictions are no longer in force. The owner of the property or the holder of the lease of the property or, for a share certificate and share register entry, the holder of the shares entitling the owner to the possession of a dwelling may request for deletion of a restrictive entry.

Section 17

Lender's notifications to the State Treasury

In situations as referred to in Section 36 of the Act on Interest Subsidy for Rental Housing Loans and Right of Occupancy Loans where a loan is repaid, the lender shall notify forthwith the State Treasury of the cessation of payment of interest subsidy. The lender shall also notify forthwith the State Treasury if an assignee of the object of the loan assumes liability for the loan.

If the manner of amortisation of an interest-subsidy loan is amended, the lender shall notify forthwith the State Treasury thereof.

Section 18 [\(December 4, 2008/794\)](#)

Land lease agreement

If the object of the interest-subsidy loan is on leased land, the leasehold shall be transferable to a third party without consulting the landowner. An interest-subsidy loan can be granted only if the lease agreement forbids giving notice on the lease during the loan term and the minimum remaining duration of the lease is 45 years. The Housing Finance and Development Centre of Finland can accept a shorter lease duration for special reasons.

[Section 19](#)

Reasonable cost of housing and consideration of financial standing

In considering the general conditions laid down in the Act on Interest Subsidy for Rental Housing Loans and Right of Occupancy Housing, special attention shall be paid to keeping the cost of housing in the object financed by the loan reasonable and to ensuring that the parties implementing the project are of good financial standing and that tax is withheld in full and the employer fulfils his or her other obligations correctly.

Upon request of the Housing Finance and Development Centre or the State Treasury, the recipient of an interest-subsidy loan shall give an affirmation or account of the fact that tax has been withheld in full on the salaries paid for the construction work and that the employer has also discharged his or her other obligations. If the construction work is contracted, the recipient of the loan shall require the main contractor, and the other contractors if necessary, to give an affirmation or account to that effect. If no acceptable affirmation or account is submitted, payment of the interest subsidy can be withheld. ([December 4, 2008/794](#))

[Section 20](#)

Insurance

The object of an interest-subsidy loan shall be sufficiently insured. However, no insurance is required if the object is owned by a local authority or a joint municipal board.

Section 21 [\(December 4, 2008/794\)](#)

Supervision of good construction and contracting practice

In supervising the use of an interest-subsidy loan in accordance with Section 39 of the Act on Interest Subsidy for Rental Housing Loans and Right of Occupancy Housing Loans, the Housing

Finance and Development Centre and the local authority shall also ensure that good construction and contracting practice is observed.

Section 22

Computing change in consumer index

The basis on which the adjustment of the amount of capital expenditure is computed shall be the change in the consumer price index during the preceding twelve-month period, which has been confirmed six months prior to the time of adjustment, as confirmed by Statistics Finland. If the adjustment of capital expenditure is negative when calculated on the basis of the change in index, the amount shall not be adjusted.

Section 23

Interest on equity

Pursuant to Section 13, paragraph 1, subparagraph 4 of the Act on Interest Subsidy for Rental Housing Loans and Right of Occupancy Loans, the interest collected from tenants in rents for dwellings shall be no more than eight per cent of the equity invested by the owner.

Section 24

Guarantee fee

The amount of the guarantee fee collected in situations referred to in Section 38 of the Act on Interest Subsidy for Rental Housing Loans and Right of Occupancy Housing Loans is one per cent of the outstanding loan principal annually.

Section 25

Entry into force

This decree comes into force on January 1, 2002.

Entry into force and application of amending Acts:

April 18, 2002/311:

This Decree comes into force on May 1, 2002.

April 15, 2004/271:

This decree comes into force on April 21, 2004. It shall be applied to loans that have been approved as interest-subsidy loans on January 1, 2004 or thereafter.

December 4, 2008/794:

This Decree comes into force on January 1, 2009.

Measures needed to enforce this Decree may be taken before it comes into effect.