

Unofficial translation
Ministry of the Environment

No. 204

ACT

ON STATE GUARANTEES FOR OWNER-OCCUPIED HOUSING LOANS

March 28, 1996

Section 1

Scope of application

The State shall be liable for owner-occupied housing loans granted to private individuals by a credit institution, insurance company or pension institution, as laid down in this Act.

Section 2

Owner-occupied housing loan

For the purposes of this Act, an owner-occupied housing loan means a housing loan obtained by a borrower or a part of such loan corresponding to no more than 85 per cent of the purchase price of the dwelling, if the total amount of the loan exceeds said percentage.

A housing loan which fulfils the criteria laid down in this Act may also be considered an owner-occupied housing loan even if the State was not originally liable for it in any way if such loan is used to finance the purchase of a dwelling as a replacement in conjunction with a change of residence. The proportion of the sum of the old loan and any new loan to be considered an owner-occupied housing loan shall not exceed 85 per cent of the purchase price of the replacement dwelling.

If a housing loan or part thereof has been granted as an interest-subsidy loan pursuant to the Act on Interest Subsidy for Loans Granted for Home Purchase (639/1982), the percentage prescribed in paragraphs 1 and 2 is increased by five percentage points. (13.5.2005/289)

If the total amount of the housing loan exceeds that of the owner-occupied housing loan, the loan instalments shall primarily cover the owner-occupied housing loan. An entry to this effect shall be included in the loan agreement.

Section 2 a (31.3.2006/235)
Maximum loan period

The loan period for an owner-occupied housing loan shall be no more than 25 years from withdrawal of the loan or the first instalment thereof. If the debtor takes out a new loan in lieu of the owner-occupied housing loan, the maximum loan period shall nevertheless be calculated from the withdrawal of the original loan or its first instalment.

Without prejudice to the provisions of paragraph 1, the lender can extend the loan period up to 27 years later during the loan period upon the debtor's request if the debtor's ability to service the loan is substantially impaired on account of illness, unemployment or some other similar reason.

Section 3
Dwelling

For the purposes of this Act, a dwelling means at least half of the shares or interest conferring possession of an apartment, or at least half of a one-family house. To be eligible for a loan under this Act, the dwelling must be located in Finland.

Section 4
State guarantees

State guarantees shall apply to owner-occupied housing loans granted to private individuals and intended for:

1) the construction or purchase of a one-family house; or 2) the purchase of shares or an interest conferring possession of an apartment.

The State shall be liable for an owner-occupied housing loan only if the borrower has declared to the lender that he so wishes.

Section 5 (27.7.2001/701)
Amount of state guarantee

The state guarantee shall not exceed 20 per cent of the loan principal outstanding at any time. The state guarantee shall also cover the interest on this portion of the principal and any penalty interest. However, the state is liable for the principal of owner-occupied housing loans relating to the same dwelling up to EUR 50,000. (26.6.2009/484)

If the housing loan or part thereof has been granted as an interest-subsidy loan pursuant to the Act on Interest Subsidy for Loans Granted for Home Purchase, the

percentage prescribed in paragraph 1 shall be increased by five percentage points.
(13.5.2005/289)

Section 6

General conditions for receiving a State guarantee

A condition for receiving a State guarantee is that the dwelling is being purchased chiefly as the primary residence of the borrower or the borrower's family.

Section 7

Content of the State guarantee

The State shall be liable to the lender for any irrecoverable losses on the principal of an owner-occupied housing loan up to the maximum amount laid down in section 5 if such losses are due to the debtor's insolvency, to the extent that the funds accumulated from the collateral securing the loan are insufficient to cover the unpaid instalments and interest. The State shall also be liable to the lender for any interest or penalty interest on the portion of the principal for which it is liable.

Section 8

Collateral for owner-occupied housing loans

The primary collateral for an owner-occupied housing loan granted under this Act shall consist of the shares or interest conferring possession of the dwelling to be financed or a mortgage on the property to be financed or other real collateral providing equivalent security. The collateral shall cover the owner-occupied housing loan with higher priority than the borrower's other liabilities, if any.

Section 9

Assignment of the dwelling

If a dwelling acquired with an owner-occupied housing loan granted under this Act is assigned or transferred to a new owner on any grounds other than marital right or right of inheritance, the State guarantee shall expire at the time of assignment. Notwithstanding, if within a reasonable time after the assignment the borrower purchases a dwelling, using the loan to finance the purchase, the State guarantee shall remain in force. The proportion of the sum of the old loan and any new loan to be considered an owner-occupied housing loan shall not exceed 85 per cent of the purchase price of the replacement dwelling.

If the housing loan or part thereof has been granted as an interest-subsidy loan pursuant to the Act on Interest Subsidy for Loans Granted for Home Purchase, the percentage prescribed in paragraph 1 shall be increased by five percentage points.
(13.5.2005/289)

The State Treasury shall be notified of the assignment of a dwelling and the purchase or other acquisition of a dwelling as a replacement.

Section 10

Responsibilities of the lender

The validity of a State guarantee shall be contingent upon the lender's handling the owner-occupied housing loan and its collateral in accordance with this Act and the provisions and regulations issued thereunder and with good banking practice.

The lender shall attend to the State's interests if the assets serving as collateral for an owner-occupied housing loan are liquidated.

If the total amount of a housing loan exceeds that of an owner-occupied housing loan as defined in section 2, the proceeds from the sale of the collateral assets shall be used primarily to cover the owner-occupied housing loan's share of the total loan. An entry to this effect shall be included in the loan agreement.

Section 11

Payment of compensation

The State Treasury shall pay the lender the compensation referred to in this Act from State funds when the final loss has been established after the debtor and any guarantor have been declared insolvent and the collateral assets have been sold.

The lender shall remit to the State the portion corresponding to the State guarantee of any unpaid instalments or interest collected from the borrower after payment of compensation.

Payment of compensation for loss may be withheld or the amount of compensation reduced by decision of the Housing Fund of Finland if this Act, provisions or regulations issued thereunder or good banking practice have not been observed in granting or managing a housing loan or in managing its collateral, and the interests of the State have been harmed by such action.

Section 12

Right of recovery

The State Treasury shall have the right to recover from the borrower any compensation paid to the lender under the State guarantee plus penalty interest on this claim from the time when compensation was paid at the rate of interest referred to in section 4, paragraph 3, of the Interest Act (633/82). An entry to this effect shall be included in the loan agreement.

Section 13

Renouncing a recovery claim

The Housing Fund may decide upon application that compensation paid to the lender from State funds under a State guarantee issued in accordance with this Act shall not be recovered if the borrower cannot reasonably be considered capable of repayment in view of a permanent disability, long-term unemployment, liability for maintenance or for some other comparable reason.

Section 14

Guarantee fee

A fee of 1.5 per cent of the amount of the State guarantee granted for an owner-occupied housing loan shall be paid to the State by the borrower through the lender in conjunction with the withdrawal of the loan sum or the first instalment thereof.

The amount of the guarantee fee can be laid down by Decree.

No guarantee fee shall be collected if the loan was granted as an interest-subsidy loan under the Act on Interest Subsidy for Loans Granted for the Purchase of a Home (639/82) or the Act on Interest Subsidy for Owner-occupied Housing Loans (1204/93).

The guarantee fees shall be entered as income by the Housing Fund.

Section 15

Supervision and obligation to disclose information

In accordance with instructions issued by the State Treasury, the lender shall notify the Treasury of the loan, the loan terms and any subsequent changes thereto, and of the borrower's default and resulting action to collect payment.

The lender and borrower shall provide the Housing Fund of Finland and the State Treasury with any information which these bodies consider necessary for the supervision of State guarantees.

The Housing Fund of Finland shall supervise the operations of the lender when State guarantees have been granted under this Act.

Section 16 (5.3.1999/275)

Appeal

An applicant who is dissatisfied with a decision taken by the Housing Fund of Finland in a matter referred to in this Act or regulations issued by virtue thereof may request rectification within 14 days of having been informed of the decision. The request for rectification shall be made to the authority that took the decision. Instructions on requesting rectification shall be appended to a decision which can be appealed. The request shall be processed without delay.

A decision on a request for rectification can be appealed as provided in the Administrative Judicial Procedure Act (586/1996).

Section 17

Supplementary provisions

More detailed provisions on the implementation of this Act shall be issued by decree as necessary.

Section 18

Maximum amount of State guarantees

The State guarantees granted under this Act shall not exceed a maximum amount confirmed in the State budget.

The distribution of the maximum amount of State guarantees between lenders shall be confirmed by the Ministry of the Environment on the basis of the Housing Fund of Finland's proposal.

Section 19

Entry into force

This Act comes into force on April 1, 1996.

The provisions of this Act shall also apply to any loan taken out before its entry into force which fulfils the conditions laid down in this Act if such loan was granted and the dwelling was purchased or construction thereof began on or after January 1, 1996. This Act shall apply to old loans as referred to in section 2, paragraph 2, even if they were granted before January 1, 1996. The eligibility of such loans for a State guarantee shall be contingent upon the borrower's paying the guarantee fee in accordance with section 14, unless the loan is of the type referred to in section 14, paragraph 3.

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

Entry into force of amended provisions:

5.3.1999/275:

This Act comes into force on April 1, 1999.

For decisions made prior to the entry into force of this Act, the provisions valid upon the entry into force of this Act shall apply.

27.7.2001/701:

This Act comes into force on January 1, 2002.

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

13.5.2005/289:

This Act comes into force on June 1, 2005.

However, for loans withdrawn before June 1, 2005, the provisions valid upon the entry into force of this Act shall apply.

31.3.2006/235:

This Act comes into force on May 1, 2006.

The Act shall apply to owner-occupied housing loans withdrawn on the date of entry into force of the Act and thereafter.

26.6.2009/484:

This Act comes into force on July 1, 2009.

However, for loans withdrawn before July 1, 2009, the provisions valid upon the entry into force of this Act shall apply.