

No. 867

ACT

ON INTEREST SUBSIDY FOR RENTAL HOUSING LOANS

December 19, 1980

Section 1

Interest subsidy can be paid out of State funds for loans granted by a deposit bank, credit institution, insurance company, pension institution or local authority for the purchase, construction or renovation of a rental dwelling. In this Act such loans are called interest-subsidy loans. (17.12.1993/1203)

This Act does not concern the acquisition, construction or renovation of a rental dwelling related to agriculture or to fishing, reindeer husbandry or other economic activity ancillary to agriculture or forestry.

The provisions of this Act concerning a loan granted by a credit institution also apply to a loan granted by a deposit bank, insurance company or pension institution. (17.12.1993/1203)

Section 2 (18.1.1985/62)

An interest-subsidy loan for the construction of rental housing or, unless otherwise provided by paragraph 2, for the purchase of such housing can be granted to:

- 1) a local authority or joint municipal board; (17.12.1993/1203)
- 2) a corporation referred to in subparagraph 3 of paragraph 1, section 15, of the Act (1189/93) on State-subsidized Housing Loans (ARAVA Loans), engaged in renting housing on social grounds; (17.12.1993/1203)
- 3) a corporation engaged in insurance operations;
- 4) a parish;
- 5) a limited liability company owned de jure and de facto by a corporation referred to in subparagraphs 1-4 above;
- 6) a corporation maintaining housing for special groups of the population; and

7) any other corporation, when it is considered appropriate on social grounds. (20.12.1991/1657)

If a rental dwelling is purchased for use as rental housing by anyone other than a homeless person, refugee, Romany or person belonging to a similar special population group, an interest-subsidy loan can be granted only if:

1) construction of housing in the area in question is not justified taking into account the long-term housing need unless the borrower is a local authority or a company owned de facto by a local authority; and

2) purchase of the dwelling is more affordable than building a comparable new dwelling. (17.12.1993/1203)

An interest-subsidy loan for renovation of rental housing can also be granted to a corporation engaged in the renting of housing other than that referred to in paragraph 1. (17.12.1993/1203)

Section 3 (18.1.1985/62)

Subsidized housing shall be appropriate in terms of habitability, the living environment functional, and the cost of a new building, purchase or renovation, and of upkeep and living reasonable. Contracts for construction and renovation shall be awarded on the basis of competitive bidding unless the Housing Fund of Finland grants an exception for a special reason. The Ministry of the Environment has the right to issue regulations and instructions concerning the provisions of this paragraph. (17.12.1993/1203)

Approval of an interest-subsidy loan also requires that granting of an interest subsidy must be considered appropriate on social grounds, taking into account the population groups for the satisfaction of whose housing needs the rental housing was intended.

Section 4 (17.12.1993/1203)

The amount of the interest subsidy loan shall be at most 90 per cent of the approved purchase, construction or renovation costs of the rental dwelling. Reasonable costs entailed in the purchase of the plot can also be approved as building costs. The Council of State can issue more detailed regulations on the proportion of the loan.

Section 5 (18.1.1985/62)

The interest collected by the lender on an interest-subsidy loan shall not exceed the interest normally charged on loans granted for similar purposes.

(Paragraph 2 repealed April 23, 1993.)

Section 6 (17.12.1993/1203)

Loans can be approved as interest-subsidy loans within the authorization limits confirmed in the State budget.

The Council of State can confirm the regional and other criteria for use for the approval authorization of the loans. Approval authorizations can be applied to projects recommended by a local authority if the general conditions are met.

In accordance with this Act, an interest subsidy shall be allocated according to the need for housing in different areas and municipalities.

Section 7 (17.12.1993/1203)

The interest subsidy shall be paid for a maximum of 20 loan years.

The Council of State will issue more detailed provisions on the amount and payment period for interest subsidies, on the minimum loan period and the general terms and conditions for interest-subsidy loans.

Section 8

The Housing Fund of Finland shall decide whether to approve the loan as an interest-subsidy loan. The Housing Fund shall ascertain that the general conditions laid down in section 3 are met when the loan is approved. (17.12.1993/1203)

The State Treasury shall pay the interest subsidy to the lender. (18.1.1985/62)

Section 9 (23.12.1992/1483)

The State shall be liable to the credit institution for any irrecoverable losses of the principal and interest on an interest-subsidy loan due to the insolvency of the debtor, to the extent that the funds accrued from the collateral secur-

ing the loan are insufficient to cover the principal and interest outstanding on the loan. The State shall be liable for the principal and interest outstanding and penalty interest on these items during the limitation period referred to in section 10 of this Act until the credit institution has received payment for its claims. (17.12.1993/1203)

Compensation for loss need not be paid or the amount can be reduced if this Act or the provisions and regulations issued under it have not been observed in managing the interest-subsidy loan.

An interest-subsidy loan granted for building shall be secured by a mortgage approved by the Housing Fund of Finland and having higher priority than other loans or by other collateral providing at least equivalent security and approved by the Housing Fund of Finland, unless the borrower is a local authority or a joint municipal board. (17.12.1993/1203)

The condition for State liability is that the credit institution sees to the interest-subsidy loan and its collateral in accordance with this Act and the provisions and regulations issued thereunder and observes sound banking practice. The credit institution shall also notify the State Treasury of any delays in payment by the borrower in accordance with the regulations issued by the State Treasury while the State liability is valid.

Section 9a (23.12.1992/1483)

The credit institution granting an interest-subsidy loan referred to in section 9 above shall attend to the State's interest and observe the regulations issued by the State Treasury when property serving as collateral for an interest-subsidy loan is converted to cash in a foreclosure auction or bankruptcy proceeding. A composition or comparable arrangement or the voluntary conversion to cash of property serving as collateral for an interest-subsidy loan in a manner jeopardizing repayment of the loan may be made only with the consent of the State Treasury.

The State Treasury shall pay the compensation referred to in section 9 to the credit institution out of State funds when the final loss has been determined after the insolvency of the debtor and any guarantor has been established and the property serving as collateral has been sold. If the credit institution collects any outstanding amortizations or interest payments from the borrower after payment of compensation,

the credit institution shall render them to the State Treasury.

The State Treasury can collect the compensation paid to the credit institution from the borrower, charging the annual interest rate referred to in section 4, paragraph 3 of the Interest Act. An entry to this effect must be made in the promissory note. (3.3.1995/300)

Section 10 (17.12.1993/1203)

A dwelling for the purchase, building or renovation of which an interest-subsidy loan has been granted, must be used as rental housing. This obligation ends 10 years after the first instalment of the interest-subsidy loan has been withdrawn (*limitation period*), if the payment period for the interest subsidy is a maximum of 10 years under the Council of State decision referred to in section 7. Otherwise, this obligation ends 20 years after the date mentioned.

The Council of State may issue more detailed regulations if necessary concerning the criteria for selection of residents for a dwelling to which a 20-year limitation period applies.

Section 11 (20.7.1992/661)

If an interest subsidy loan is repaid or housing is assigned or transferred to an owner other than that referred to in section 2, paragraph 1, subparagraphs 1-6, payment of interest subsidy shall cease as of the date on which the loan is repaid or the housing assigned. Interest subsidy can be paid after assignment of the housing only if the new owner assumes liability for the interest-subsidy loan.

Section 12 (18.1.1985/62)

If the recipient of an interest-subsidy loan has used the loan for a purpose other than that laid down in this Act, has used the dwelling contrary to the provisions of section 10, has provided essentially false information in applying for approval of an interest-subsidy loan or has concealed information materially affecting approval of the loan, the State Treasury can suspend payment of the interest subsidy. In the cases referred to above, or if the housing unit or the shares conferring possession thereof are assigned for a consideration to anyone other than the owner as referred to in section 2, paragraph 1, subparagraphs 1-6, before expiry of the limitation period, the State Treasury can oblige the borrower to repay to the State any interest subsidy which the State

has paid on the loan either entirely or in part. (17.12.1993/1203)

The borrower shall pay annual interest on compensation for interest repayable from the due date of each instalment in accordance with the interest rate referred to in section 4, paragraph 3, of the Interest Act. If the refund or interest is not paid by the deadline, annual penalty interest in accordance with the interest rate mentioned must be paid on the amount due as of the date due. (3.3.1995/300)

Section 13 (17.12.1993/1203)

The Housing Fund of Finland, the State Treasury, the local authority and the credit institution must see to it that the loan is used for the purpose set forth when the loan was approved as an interest-subsidy loan. The local authority must also see to it that the limitations on use and criteria for selection of residents referred to in section 10 are observed.

The credit institution and the recipient of the interest-subsidy loan shall provide the Housing Fund of Finland, the State Treasury or the relevant municipal authority with the information needed to determine whether the interest-subsidy loan has been used for the approved purpose and in accordance with the provisions issued in or under this Act, and whether the terms of the loan have otherwise been observed.

(Section 14 repealed December 17, 1993.)

Section 15 (17.12.1993/1203)

A decision by the State Treasury in accordance with section 12 may be appealed to the provincial administrative court, in the manner provided in the Administrative Appeals Act (154/50). A decision made by the Housing Fund of Finland or the provincial administrative court shall not be appealed.

Section 16

More detailed provisions on the enforcement of this Act will be issued by decree if necessary.

Section 17

This Act comes into force on January 1, 1981.