

No. 1205

**ACT ON**

**INTEREST SUBSIDY FOR RIGHT-OF-OCCUPANCY HOUSING LOANS**

December 17, 1993

Section 1

*Scope of application*

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 (*lender*) for a right-of-occupancy building as referred to in section 1 of the Act on Right-of-Occupancy Housing (650/90). This Act refers to such loans as 'interest-subsidy loans'.

Under this Act, no interest subsidy is paid if the borrower is paid interest subsidy for the same purpose under some other law or if the borrower has been granted a loan for the same purpose by the Housing Fund of Finland or from other State funds. The interest subsidy can, however, be paid if the above-mentioned loan has been repaid.

Section 2

*Approval authorization for interest-subsidy loans*

Interest-subsidy loans can be approved within the authorization limits confirmed in the State budget.

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

The interest subsidy under this Act shall be allocated according to housing needs in different regions and municipalities.

Section 3

*Interest-subsidy loans*

An interest-subsidy loan can be granted:

- 1) to build a new right-of-occupancy building (*loan to build a right-of-occupancy building*)
- 2) to purchase a right-of-occupancy building (*loan to purchase a right-of-occupancy building*) or
- 3) to renovate a right-of-occupancy building (*loan to renovate a right-of-occupancy building*).

The purchase of a building shall be equated with new construction if no more than one year or, for special reasons,

two years have passed since the building supervision authority approved the building for use.

'Renovation' refers to measures aimed at:

- 1) enhancing the original amenity standard or other quality of a dwelling or residential building, or the yard area or other immediate surroundings thereof, or restoring the original standard or quality, or a standard or quality comparable to new, by means other than annual repairs; or
- 2) converting or enlarging existing facilities, primarily into housing or related facilities.

#### Section 4

##### *Interest-subsidy loan recipients*

Interest-subsidy loans can be granted:

- 1) to a local authority or other public corporation;
- 2) a corporation engaged in the renting or production and upkeep of housing on social grounds and designated by the Housing Fund of Finland in section 22, subparagraph 2, of the Act (1189/93) on State-Subsidized Housing Loans (ARAVA Act) or earlier nominated by the Council of State under section 6, paragraph 1, subparagraph 8, of the Housing Production Act; and
- 3) a limited-liability company which is de jure and de facto owned by one or more than one of the corporations referred to in subparagraphs 1 or 2.

#### Section 5

##### *General conditions for approval as an interest-subsidy loan*

Dwellings for which an interest-subsidy loan is granted 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 new 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 is entitled to issue regulations and instructions on the provisions of this section.

A loan to purchase a right-of-occupancy building can only be granted if housing construction in the area in question is not justified in view of the long-term housing need and if purchasing a building is more affordable than construction of a comparable new building.

## Section 6

### *Amount of interest-subsidy loans*

The amount of a loan to build a right-of-occupancy building shall be at most 85 per cent of the approved building costs concerned and of the reasonable cost of purchasing the lot and installing municipal engineering.

The amount of a loan to purchase a right-of-occupancy building shall be at most 85 per cent of the approved purchase price concerned.

The amount of a loan to renovate a right-of-occupancy building shall be at most 85 per cent of the approved renovation costs. The loan can also be determined as the maximum amount in marks per right-of-occupancy building or apartment or per net square metre thereof.

The Council of State can confirm the maximum cost and price acceptable for lots and the maximum amount of loans to renovate a right-of-occupancy building.

## Section 7

### *Terms of an interest-subsidy loan*

The interest charged by the lender on an interest-subsidy loan shall not exceed the interest generally applied by the lender at the time to loans granted for similar purposes.

#### Section 8

##### *Interest subsidy*

The interest subsidy shall be paid for a maximum of 20 loan years. More detailed regulations on the amount and payment period of the interest subsidy, the minimum loan period and general terms and conditions of interest-subsidy loans will be issued by the Council of State.

The State Treasury shall pay the interest subsidy to the lender or a corporation authorized by the lender.

#### Section 9

##### *Authority approving the interest-subsidy loan*

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 5 are met when the loan is approved.

#### Section 10

##### *Supplementary State guarantee*

The State shall be liable to the lender for any irrecoverable losses of the principal and interest on a loan to build a right-of-occupancy building due to the insolvency of the debtor, to the extent that the funds accruing from the collateral securing the loan are insufficient to cover the principal and interest outstanding on the loan. The State shall be liable for:

1) amortization and interest payments outstanding which have fallen due within 30 years of withdrawal of the first instalment of the interest-subsidy loan, and (27.10.1995/1206)

2) penalty interest accruing on items referred to in subparagraph 1 until the lender receives payment for its claims.

#### Section 11

##### *Restrictions related to an interest-subsidy loan*

The Act on Right-of-Occupancy Housing contains provisions on restrictions concerning any change in the use and assignment of a building financed with an interest-subsidy loan or in the shares of the company owning the right-of-occupancy building or in the corporate form of the owner. An entry concerning these restrictions shall be made in the land and mortgage registers, on the share certificates and in the share register.

#### Section 12

##### *Termination of interest subsidy*

If the interest-subsidy loan is repaid in full, payment of the interest subsidy shall cease as of the repayment date of the loan. Following the assignment of the building, the interest subsidy can be paid only if the new owner of the building is a corporation as referred to in section 4, which assumes responsibility for the interest-subsidy loan.

#### Section 13 (3.3.1995/299)

##### *Suspension of interest subsidy*

If the borrower has used the interest-subsidy loan for a purpose other than that laid down in this Act or, when applying for approval as an interest-subsidy loan, has provided essen-

tially false information or concealed information materially affecting approval of the loan, the State Treasury can suspend payment of the interest subsidy. The borrower can then be ordered to refund to the State the interest subsidy paid on the loan. The borrower shall also pay on the interest subsidy to be refunded an annual interest at the rate specified in section 4, paragraph 3, of the Interest Act. If the refund and interest are not paid ~~by~~ within the specified time, the borrower shall be further required to pay penalty interest on the sum due as of the due date at the rate referred to above.

#### Section 14

##### *Supervision*

The Housing Fund of Finland, State Treasury, local authority and lender shall see to it that use of the loan and the interest subsidy conform to this Act.

The lender and borrower shall provide the Housing Fund of Finland, State Treasury and local authority with any information needed to establish that the interest-subsidy loan has been used for the approved purpose in compliance with this Act and any rules and regulations issued under it, and that the terms of the loan have been otherwise observed.

#### Section 15

##### *Appeal*

A decision made by the State Treasury under section 13 can be appealed to the provincial administrative court in the manner provided in the Administrative Appeals Act (154/50).

(27.10.1995/1206)

A decision made by the Housing Fund of Finland or the provin-

cial administrative court shall not be appealed.

Section 16  
*More detailed provisions*

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

Section 17  
*Entry into force*

This Act comes into force on January 1, 1995.

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