

DECREE ON STATE-SUBSIDIZED HOUSING LOANS (ARAVA DECREE)

December 30, 1993

By submission of the Minister assigned to deal with matters coming under the purview of the Ministry of the Environment, the following is enacted on the basis of the Act on State-subsidized Housing Loans (ARAVA Loans)(1189/93)¹ and sections 12, 18 and 25 of the Act on the Use, Assignment and Redemption of State-subsidized (ARAVA) Rental Dwellings and Buildings (1190/93):

Chapter 1. Applying for an ARAVA loan

Section 1. Filing an application for an ARAVA loan or an ARAVA object.

The local authority shall decide on the annual application dates in accordance with instructions issued by the Housing Fund of Finland.

Applications for ARAVA loans and for approval of housing company buildings as eligible for ARAVA loans shall be filed with the local authority.

Section 2. Deadline for applications.

Applications for apartment loans and rental dwelling loans shall be filed within one year or, for special reasons, within two years of the date when the building was approved for use. The same deadline shall apply to one-family house loans when the object of the loan is under construction or has been recently completed, and no ARAVA loan has been granted for building it.

1. Translator's note: The Act on State-Subsidized Housing Loans (ARAVA Loans) is referred to in the following as the ARAVA Act.

Applications to convert a corporation's renovation loan into an apartment renovation loan shall be filed during the first two loan years.

Applications for a loan to purchase a one-family house, a loan to purchase housing company shares, a loan to purchase a rental building or a loan to purchase a rental dwelling shall be filed within six months or, for special reasons, within one year after a transfer agreement has been made. If the applicant for a loan to purchase a rental building or a loan to purchase a rental dwelling 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 shares or housing has taken legal effect.

Section 3. *Transfer of loans.*

Applications for the transfer of an ARAVA loan shall be filed with a local authority. The local authority shall forward applications concerning the transfer of a loan granted by the Housing Fund of Finland to the State Treasury.

A statement to the effect that the assignee or the new owner assumes liability for the loan shall be appended to the application, together with other documents required by the authority transferring the loan. The local authority shall immediately notify the State Treasury of the transfer of a loan and of the amount and level of annual payments after the transfer.

Section 4. *Rural business authority opinion.*

The opinion of the rural business authority for the local authority in which the house is located shall be attached to any application concerning a one-family house loan, a loan to purchase a one-family house or a loan to renovate a one-family house, if:

- 1) the loan concerned is for a farm or area that comprises more than five hectares of farmland and fulfils the conditions laid down in section 13 of the Rural Business Act (1295/90), and its owner or holder engages in independent

crop cultivation or forestry;

2) a loan or aid has been granted for purchase of or investment in the farm or area under the Rural Business Act, the Reindeer Farming Act (161/90), the Indigenous Livelihoods Act (610/84) or the Skolt Act (611/84); or

3) the owner or holder earns more than half of his taxable income from special agriculture as defined in the Rural Business Act, from the operation of a small enterprise or from fishing or reindeer farming as an ancillary occupation to agriculture.

Section 5. *Residential buildings, building complexes, one-family houses and rental buildings.*

In applications for ARAVA loans, the following definitions shall apply:

1) a building and related facilities directly serving the purpose of housing is a *residential building* if the total net floor area of the housing units and related facilities is at least 75 per cent of the total net floor area, unless the authority granting the loan accepts a lower percentage for some special reason;

2) a *building complex* is an entity consisting of two or more residential buildings erected under an integrated area development plan;

3) a *one-family house* is a residential building comprising one or, for special reasons, two housing units, intended primarily as the residence of the owner's household; and

4) a *rental building* is a residential building containing apartments intended to be used as rental dwellings immediately following approval of the building for use.

The net floor area of housing units in a building complex is calculated in proportion to the total net floor area of the whole complex.

A renovation loan can be granted for a rental building in one of the dwellings of which the owner resides.

Section 6. *Loan value.*

In order to calculate the amount of an ARAVA loan, the loan value of the object of the loan shall be determined. The amount of the loan shall be determined on the basis of the loan value and of regulations issued by the Council of State under the ARAVA Act (1189/93).

The loan value of the object of a one-family house loan, a loan to purchase housing company shares, a construction-time loan, a rental building loan or a rental dwelling loan shall include the approved construction costs as well as any reasonable costs involved in plot acquisition and the installation or upgrading of municipal infrastructure.

The loan value of the object of a loan to purchase a one-family house, housing company shares, a rental building or a rental dwelling shall include acceptable costs of acquisition.

Section 7. *Acquisition value.*

The acquisition value of the object of an ARAVA loan shall be determined in order to verify the maximum loan amount for which it qualifies, and to determine the prices in accordance with the Act on the Use, Assignment and Redemption of State-subsidized (ARAVA) Rental Dwellings and Buildings (1190/93).

The acquisition value of the object of a one-family house loan, a loan to purchase a one-family house , a rental building loan or a loan to purchase a rental dwelling shall be deemed to be the loan value plus the full amount or part of the reasonable market value of a plot of land acquired without a consideration.

The acquisition value of the object of an apartment loan, a loan to purchase housing company shares, a rental dwelling loan or a loan to purchase a rental dwelling shall be considered to be the loan value plus the full amount or part of the

reasonable market value of a plot acquired without a consideration, plus the proportion of the company's loans represented by the apartment.

The acquisition value of the object of a loan to renovate a one-family house, a corporation's renovation loan or a renovation loan for rental housing shall be considered to be the reasonable market value of the building and land plus the approved renovation costs, plus the cost of measures which do not qualify for ARAVA loans.

Section 8. *Land leases.*

If the object of an ARAVA loan is on leased land, the leasehold shall be transferable to a third party without consulting the landowner. A rental building loan, a loan to purchase a rental building or a long-term renovation loan for rental housing can be granted only if the lease agreement forbids giving notice on the lease during the loan term. (8.12.1995/1403)

As a condition for granting an apartment loan, a rental building loan, a loan to purchase a rental building, a rental dwelling loan or a long-term renovation loan for rental housing, the minimum remaining duration of the lease must be 45 years. As a condition for granting a one-family house loan, a loan to purchase a one-family house, a loan to renovate a one-family house or an apartment renovation loan, the minimum remaining duration of the lease must be 35 years. The authority approving the loan can accept a shorter lease duration for special reasons.

Chapter 2. Processing of ARAVA loan applications and withdrawal of loans

Section 9. *Loan decisions.*

Having ascertained that the general conditions laid down in section 5 of the ARAVA Act exist, the authority granting an ARAVA loan can approve the construction plan and costs as the

first part of the loan decision. Construction work can commence thereafter.

The authority granting the loan can grant permission for commencement of work before the time laid down in paragraph 1 above. If work has been commenced without permission, a loan can be granted only for special reasons.

The authority granting an ARAVA loan shall approve the financing plan, construction plan and cost of the project in its loan decision, if they have not been previously approved, and confirm the loan value and acquisition value of the loan object, and the amount of the loan.

The Housing Fund shall approve the construction and financing plan, costs, loan value and acquisition value of a housing company building to be approved as qualifying for an ARAVA loan.

The Housing Fund has the right to issue instructions regarding the procedure for processing ARAVA loans within its competence.

Section 10. Consideration of housing costs and financial standing.

In considering the general conditions laid down in the ARAVA Act, special attention shall be paid to keeping the cost of housing in the object of the loan reasonable and to ensuring that the parties implementing the project are of good financial standing and that tax is withheld and the employer fulfils his other obligations correctly.

Section 11. Money transactions.

The borrower shall apply to the State Treasury for payment of the instalments on an ARAVA loan granted by the Housing Fund. If the loan was granted by the local authority, the application shall be filed by that authority. The State Treasury shall pay the instalments into the borrower's account as soon as the conditions laid down in sections 12-14 and 17, and other conditions for withdrawing the loan, have been ful-

filled.

The instalments on an apartment loan can be paid directly to the seller of the apartment, if the borrower agrees to this. The schedule for payment of the instalments of the transaction price shall be followed as far as possible in paying out the loan instalments.

Section 12. *Effect of a building permit.*

ARAVA loans for construction cannot be withdrawn before a building permit has been granted for the object of the loan.

Section 13. *Advance on an ARAVA loan.*

When construction has begun, an advance on an ARAVA loan of no more than 10 per cent can be withdrawn.

Section 14. *Schedule for withdrawal of an ARAVA loan.*

ARAVA loans, excluding any advances, can be withdrawn in instalments in such a way that the value of the property is equivalent to the portion of the loan already withdrawn, plus the total amount of loans mortgaged and withdrawn with higher priority.

The last instalment of the loan shall not be withdrawn before construction has been completed as specified in the building permit. The amount of the last instalment shall be at least two per cent of the total loan granted, unless special reasons require otherwise.

The borrower shall present a certificate issued by the building supervision authority or otherwise reliably indicate the current construction phase. No certificate shall be required, however, when a local authority applies for funds for paying out a loan granted by it.

If requested by the State Treasury or the authority that granted the loan, the borrower shall furnish an assurance or evidence to the effect that tax has been withheld correctly from wages paid for construction work and that the employer

has fulfilled his other obligations correctly. If the construction work is contracted out, the borrower shall require an assurance or evidence from the principal contractor and, if necessary, from other contractors. If no satisfactory assurance or evidence is furnished, the payment of loan instalments can be suspended.

An ARAVA loan granted for the purchase of a house or apartment can be withdrawn after the loan decision has been issued, unless section 17 requires otherwise.

Section 15. Notification for the purpose of making or altering a restrictive entry.

The authority granting an ARAVA loan for rental housing shall immediately notify the mortgage authority in the jurisdiction of which the property is located, and the board of the housing company, of the loan, so that a restrictive entry as referred to in the ARAVA Act or the Act on the Use, Assignment and Redemption of State-subsidized (ARAVA) Rental Dwellings can be made. The notification for altering an entry shall be made by the State Treasury or, in the event that the loan was granted by a local authority, by said local authority.

The board of the housing company or the superintendent shall draw up and sign a certificate stating that the entries in the share certificates and share register referred to in the notification have been made, and submit the certificate to the authority paying out the loan.

Section 16. Transfer of a restrictive entry.

If a property, or that part thereof in which a residential building for which an ARAVA loan has been granted is located, is subdivided to form a new property or part of another property or the object of a mortgage under a lease agreement, the restrictive entry shall be transferred to the property on which the building is located.

Transfer of the entry can be requested by the property owner or the leaseholder, or by the borrower.

Section 17. *A restrictive entry as a prerequisite for withdrawing an ARAVA loan.*

An ARAVA loan for rental housing, excluding advances, cannot be withdrawn before verification of the making of restrictive entries has been presented. Verification of a loan to purchase a rental building or a loan to purchase a rental dwelling shall, however, be presented before the last loan instalment is withdrawn.

For ARAVA loans granted by the Housing Fund, the State Treasury, and for loans granted by a local authority, the local authority can decide, for special reasons, to authorize withdrawal of the loan except for the final instalment, even if the verification required under paragraph 1 has not been presented.

Section 18. *Cancellation of a restrictive entry.*

A restrictive entry shall be cancelled when it has been established that the restrictions have ceased to apply. The owner of the property or the holder of the lease thereon or, in the case of an entry in a share certificate or the share register, the owner of the shares conferring possession of a residential apartment, shall have the right to request cancellation of a restrictive entry.

Chapter 3. Terms for ARAVA loans for owner-occupied housing collected in annual payments

Section 19. (13.1.1995/47) *Reference interest rate for ARAVA loans.*

The interest included in the annual payment shall be computed on the basis of an interest rate corresponding to the three-year average interest on *markka*-denominated government bond issues (*reference rate for ARAVA loans*).

The State Treasury shall confirm the interest rate referred to in paragraph 1, rounded to the nearest one hundredth of a

percentage point, annually for the 36-month period ending July 31 for the next annual payment period, commencing the following March 1. (8.12.1995/1403)

Section 20. *Determining the first annual payment on ARAVA loans for owner-occupied housing.*

The first annual payment on one-family house loans and apartment loans shall be calculated as of the March 1 following the date on which the building was approved for use. The local authority shall notify the State Treasury that the building has been approved for use within two weeks of approval being given. If, however, the loan was not granted until after the building had been approved for use, the first annual payment shall be calculated as of the March 1 following the decision to grant the loan.

The first payment on loans to purchase a one-family house and loans to purchase housing company shares shall be calculated as of March 1 following withdrawal of the first loan instalment.

Section 21.(13.1.1995/47) *Interest charged on ARAVA loans for owner-occupied housing.*

A fixed annual interest shall be charged on ARAVA loans for owner-occupied housing until the date as of which the first annual payment is calculated in compliance with section 20. Until further notice, the rate of said fixed interest shall be 60 per cent of the reference interest rate for ARAVA loans specified in section 19; notwithstanding, the minimum rate shall be 3.15 per cent.

Until further notice, the annual interest charged on ARAVA loans for owner-occupied housing from March 1 to the following March 1 (annual payment period) shall be determined by deducting the following percentages from the interest calculated on the basis of the reference rate specified in section 19:

Annual payment period	Percentage deducted
1-5	45
6-10	35
11-15	25
16-20	0

The minimum interest rate charged, however, shall always be 3.15 per cent.

Section 22. (13.1.1995/47) *Annual payments on ARAVA loans for owner-occupied housing.*

Annual payments on ARAVA loans for owner-occupied housing shall include the interest calculated as prescribed in section 21, plus the following amortization instalment on the original principal:

Annual payment period	Amortization (per cent)
1	0.75
2	1.00
3	1.25
4	1.50
5	1.75
6	2.00
7	2.50
8	3.00
9	3.50
10	4.00
11	4.50
12	5.00
13	5.75
14	6.50
15	7.25
16	7.75
17	8.75
18	10.00
19	11.00
20	12.25

(Sections 23 and 24 repealed January 13, 1995.)

Section 25. *Deferred collection of amortization instalments of ARAVA loans for owner-occupied housing.*

In order to mitigate financial difficulties beyond the borrower's control, the local authority may decide, upon the borrower's application, to defer collection of an amortization instalment. Any deferred instalments shall be paid by the end of the 25th loan year. (13.1.1995/47)

The borrower shall file an application for deferral with the local authority no later than three months before the date on which the instalment of the annual payment falls due. If special cause exists, an application can be processed and a decision issued even if the application was not filed during the prescribed period.

Deferral can be granted for only one amortization instalment at a time. No more than six amortization instalments on a single loan can be deferred. (13.1.1995/47)

(Section 26 repealed January 13, 1995.)

Chapter 4. Terms of ARAVA loans for owner-occupied housing repaid other than in annual payments

Section 27. *Amortizations and interest on renovation loans granted to a private individual.*

Repayment of a loan to renovate a one-family house or of an apartment renovation loan shall begin in the first new calendar year after three years have passed following withdrawal of the first loan instalment. The loans shall be amortized as follows:

Year	Amortization (as a percentage of the principal)
1	0
2	0
3	0
4	2
5	2
6	3
7	3
8	3
9	4
10	4
11	4
12	4
13	4
14	6
15	6
16	7
17	7
18	13
19	14
20	14

Until further notice, the rate of annual interest payable on the loan shall be 6 per cent.

Section 28. Deferred collection of amortizations and interest on a renovation loan granted to a private individual.

In order to mitigate financial difficulties beyond the borrower's control, the local authority may decide, upon the borrower's application, to defer collection of amortizations and interest payments for a maximum of five years. Amortizations and interest payments can be deferred for collection in later loan years or, at the latest, the years immediately following the last loan year. Any deferred instalments shall be remitted by the end of the maximum loan period laid down in section 11, paragraph 2, of the ARAVA Act.

Deferral shall be subject to the following conditions:

1) verification is presented that the borrower is in need of assistance; and

2) deferral is possible within the limits of the maximum amounts confirmed in the State budget.

Applications for deferral shall be filed with the local authority at the latest three months before the amortization and interest payments to which the application refers fall due. For special reasons, an application may be processed and the matter decided even if the application was not filed during the prescribed period.

The State Treasury shall see to it that the maximum amounts confirmed in the State budget are not exceeded. To ascertain this, the State Treasury may, if necessary, announce that, before taking a decision on deferral, the local authority must request the State Treasury's opinion on whether grant of deferral is possible within the confirmed maximum amounts.

Section 29. Amortization and interest payments on construction-time loans.

Any part of a construction-time loan for which liability has not been assigned to the shareholders in the form of apartment loans or rental dwelling loans shall be repaid as a lump sum.

Until further notice, the annual interest on construction-time loans shall be 8 per cent.

Section 30. Amortization and interest payments on a corporation's renovation loans.

The amortizations on a corporation's renovation loan shall be calculated as a percentage of the original principal, as follows:

Year	Amortization
1	1
2	2.5
3	2.5
4	6
5	8
6	10
7	13
8	16
9	19
10	22

Until further notice, the annual interest on a corporation's renovation loan shall be 3 per cent for the first two years and 8.25 per cent for the following years.

Chapter 5. Terms for ARAVA loans for rental housing

Section 31. Fixed interest on ARAVA loans for rental housing.

A fixed annual interest payment shall be remitted on the principal withdrawn on all ARAVA loans for rental housing, except short-term renovation loans, until the date as of which the first annual payment must be calculated is fixed. The fixed interest rate shall be equivalent to the percentage which the first annual payment represents of the loan total.

Section 32. Determining the first annual payment on ARAVA loans for rental housing.

The first annual payment on an ARAVA loan for rental housing shall be calculated as of the March 1 following the date on which the building was approved for use. The borrower shall notify the State Treasury of the approval for use within two weeks.

The first annual payment on a loan to purchase a rental building, a rental dwelling loan or a loan to purchase a rental dwelling shall be calculated as of the March 1 following withdrawal of the first loan instalment.

The first annual payment on a long-term renovation loan for rental housing shall be computed as of the first March 1 falling once six months have passed from the date on which the decision to grant a loan was taken.

For special reasons, the authority granting the loan may, upon the borrower's application, order that the first annual payment of a loan referred to in section 2 or 3 shall be calculated as of a date one year later than that prescribed in the relevant section. The borrower shall file an application to this effect with the authority no later than three months before the date as of which calculation of the first annual payment was ordered. For special reasons, an application can be processed and the matter decided even if the application was not made within the prescribed period.

Section 33. Amount of the first annual payment on an ARAVA loan for rental housing.

The first annual payment on an ARAVA loan for rental housing collected in annual payments shall be 4 per cent of the loan total. Notwithstanding, the first annual payment on a loan granted for the construction or purchase of a right-of-occupancy building shall be 4.2 per cent of the loan total.
(8.12.1995/1403)

The first annual payment on a combined loan shall be determined by adding to the annual payment determined for a long-

term renovation loan for rental housing the estimated total capital costs of the combined loans over the period for which the first annual payment was to be computed.

The maximum loan term of ARAVA loans for rental housing is 45 years.

Section 34. *Reducing the annual payment on ARAVA loans for rental housing.*

If the average rent of a rental building or the rent of a rental dwelling, on the basis of the first annual payment, would exceed the maximum housing expenses referred to in section 7 of the Housing Allowance Act, reduced by 10 per cent, the first annual payment of a rental building loan or rental dwelling loan can be reduced, on the borrower's application, by no more than 0.3 percentage points. Reductions on loans granted by the Housing Fund are decided by the State Treasury and reductions granted by a local authority are decided by that authority. The application shall be filed before the date as of which the first annual payment is determined.

The first annual payment of a renovation loan for rental housing can be reduced, subject to the conditions laid down in paragraph 1, by no more than 1.25 percentage points or, if the loan was granted for the renovation of a building of historical or architectural value or for the conversion of a building previously primarily in use other than residential, by no more than 2 percentage points.

The State Treasury may reduce the annual payment, on the borrower's application, at a later time during the loan period on the grounds specified in paragraph 1 if particularly weighty reasons for a reduction exist. The maximum reduction shall be that needed to attain the aforementioned level of housing expenses. A reduction can be granted if the owner of the building has merged the rental buildings he owns into a single company or several sufficiently large companies, equalizing the rent for the buildings or undertaking other action to help moderate rents.

Section 35. *Annual adjustment of annual payments on ARAVA*

loans for rental housing.

The State Treasury adjusts the annual payments on ARAVA loans on March 1 of each calendar year.

Adjustments of annual payments on rental building loans, loans to purchase a rental building, rental dwelling loans and loans to purchase a rental dwelling are calculated as a percentage. The adjustments correspond to the change in the consumer price index plus one percentage point; however, the maximum change in the consumer price index that may be taken into account is 10 per cent. In order to moderate living costs or equalize them in rental buildings of different ages, the Council of State may order annual payment adjustments larger or smaller than those laid down above.

Adjustments of annual payments on long-term renovation loans for rental housing are calculated as a *markka* sum. Such adjustments must be, at a minimum, equivalent to the average adjustments referred to in paragraph 2; however, adjustments for older buildings may be higher. Different adjustment amounts may be ordered for different parts of the country.

Section 36. Reducing annual payments on rental building loans on account of redemption.

If a residential apartment in a rental building is redeemed for use as an owner-occupied apartment under the Act on the Use, Assignment and Redemption of State-subsidized (ARAVA) Rental Dwellings and Buildings, the State Treasury shall reduce the annual payment on the company's rental building loan by an amount corresponding to the redeemed apartment's share of the company's annual loan payment.

Section 37. Interest on ARAVA loans for rental buildings in the annual payment system.

Interest shall be charged on rental building loans, loans to purchase a rental building, rental dwelling loans and loans to purchase a rental dwelling under an annual payment scheme extending from March 1 to March 1. Until further notice, the rate of said interest shall correspond to the annual adjust-

ment of the annual payment laid down in section 35, paragraph 2, plus 3.1 percentage points. Notwithstanding, the interest rate on ARAVA loans for building or purchasing a right-of-occupancy building shall correspond, until further notice, to the annual payment adjustment plus 3.5 percentage points. (8.12.1995/1403)

Until further notice, the interest charged on long-term renovation loans for rental housing shall be the real change in the consumer price index plus 4 percentage points. If, however, the object of the loan is a building of historical or architectural value or if the loan was granted for the conversion of a building previously used primarily for purposes other than residential into a residential building, the rate of interest shall, until further notice, be the change in the consumer price index plus 2 percentage points.

Section 38. *Interest on combined loans.*

Until further notice, the rate of interest charged on combined loans shall be based on real change in the consumer price index, as follows:

Loan year of oldest loan in the combined loan	Percentage points to be added to change in consumer price index
1-12	0
13-15	+2.0
16-	+4.0

If, however, the object of the loan is a building of historical or architectural value or the loan was granted for the conversion into a residential building of a building previously used primarily for purposes other than residential, the rate of interest shall, until further notice, be the change in the consumer price index plus 2 percentage points.

Section 38a. (8.12.1995/1403) *Maximum interest charged on ARAVA loans for rental housing.*

By way of derogation from the provisions of sections 37 and 38 above on interest, the maximum interest payment collected on an ARAVA loan for rental housing shall not exceed the equivalent of the annual payment on the loan.

Section 39. *Amortization and interest on short-term renovation loans for rental housing.*

The amortizations on short-term renovation loans for rental housing are calculated on the original loan principal as follows:

Year	Amortization
1	1
2	2.5
3	2.5
4	6
5	8
6	10
7	13
8	16
9	19
10	22

Until further notice, the interest charged on a short-term renovation loan shall be 3 per cent in the first two years and 6 per cent in each subsequent year.

Chapter 6. Redemption

Section 40. *Redemption procedure.*

A tenant intending to redeem the shares conferring possession of an apartment rented by him (*redeemer*), shall notify the

local authority and the owner of the shares of the redemption in writing.

When making the notification, the redeemer shall pay the local authority the redemption price laid down in section 12, paragraph 3, of the Act on the Use, Assignment and Redemption of State-subsidized (ARAVA) Rental Dwellings and Buildings.

Section 41. *Deferred payment.*

The local authority may grant the redeemer a deferral for remittance of his portion of the loan, and for the redemption price insofar as it exceeds the compensation for assignment payable to the owner of the shares. The deferral shall extend, at most, to the date when the loan to purchase housing company shares, granted for the purpose of redemption, can be withdrawn.

Section 42. *Local authority's lien.*

The local authority shall have a lien on the shares to be redeemed as security for remittance of the redemption price, loan portion and collection charges until the redemption price and that portion of the loan calculated for the shares have been paid in full.

Section 43. *Assignment of title.*

When a redeemer has made a redemption notification and paid the redemption price and the loan or portion of the loan calculated for the shares insofar as no deferral has been granted for their remittance, title to the redeemed shares shall pass to the redeemer.

The local authority shall draw up a deed of conveyance stating that the shares have been assigned by the assignor to the redeemer and, unless the pledgee's rights require otherwise, turn the share certificates over to the redeemer immediately.

Section 44. *Remittance of payments by the local authority.*

The local authority shall remit to the assignor of redeemed

shares the compensation for assignment referred to in section 10 of the Act on the Use, Assignment and Redemption of State-subsidized (ARAVA) Rental Dwellings and Buildings. The local authority shall likewise forthwith remit to the State Treasury the difference between the redemption price remitted to the local authority and the compensation for assignment, and the percentage of the loan calculated for the redeemed shares, insofar as the remittance is not set off by means of a loan granted for redemption purposes.

Chapter 7. Special provisions concerning repayment of ARAVA loans

Section 45. *Due dates.*

The instalments on annual payments of ARAVA loans, and amortizations and interest payments, shall fall due at six-month intervals, on the last day of February and August.

Section 46. *Computing changes in the consumer price index.*

The basis on which the adjustment of annual payments on ARAVA loans and the interest included in annual payments are computed shall be the change in the consumer price index during the twelve-month period ending on July 31 of the calendar year preceding the determination or adjustment of the annual payment, as confirmed by Statistics Finland.

If the adjustment of the annual payment or interest on the loan would be negative when calculated on the basis of the change in index referred to in paragraph 1, the annual payment shall not be adjusted and the rate of interest shall be considered to be 0 per cent.

Section 47. *Adjusting annual payments in conjunction with changes in ARAVA loan amounts.*

If the amount of an ARAVA loan is adjusted after the loan is granted, the amount of the annual payment on the loan shall be adjusted by the State Treasury in the case of loans

granted by the Housing Fund, or by the local authority in that of loans granted by said local authority. In this case, the *markka* amount of the annual payment shall be increased or reduced in the same proportion as the change in the loan amount.

If the decision is taken before the first instalment of an annual payment has been collected, the amount of said payment shall be adjusted as of the previous March 1. If this is not the case, the annual payment shall be adjusted as of the following March 1.

The authority shall immediately notify the State Treasury of any adjustment of annual payments.

Section 48. *Extraordinary payments.*

A recipient of an ARAVA loan has the right to remit a payment in excess of the statutory annual payment instalment or amortization on the loan. An extraordinary payment shall not affect the adjustment of the annual payment on an ARAVA loan for rental housing. (13.1.1995/47)

If an extraordinary amortization of a corporation's renovation loan or a short-term renovation loan for rental housing is due to repayment of that part of the loan carried by an individual dwelling, the State Treasury shall draw up for the outstanding principal a new amortization plan without shortening the original loan period.

Section 49. *Local authorities' liability for payment to the State.*

Local authorities shall repay to the Housing Fund any loans from the State corresponding to ARAVA loans on the third day following each due date. No interest shall be charged on the interest and amortization accrued in this time.

Section 50. *Penalty interest.*

In the event of default on remittance of an instalment of an annual payment, interest payment or amortization, annual

penalty interest shall be paid on the defaulting amount as of the due date, at the rate referred to in section 4, paragraph 3, of the Interest Act. (8.12.1995/1403)

For special reasons, relief from payment of penalty interest can be granted by the State Treasury for loans granted by the Housing Fund, and by the local authority for loans granted by the authority.

Section 51. *Examining a local authority's default.*

If a local authority defaults on all or part of a State loan corresponding to an ARAVA loan granted by the local authority, the State Treasury can order the local authority to provide, within a specified time, an itemized loan-by-loan account of payments by borrowers to the local authority and of the outstanding principal.

If possession of the collateral referred to in section 33, paragraph 2, of the ARAVA Act is transferred, the local authority shall make an entry in the collateral documents concerning the transfer of rights as required by the State Treasury.

Section 52. *Compulsory auction.*

If property pledged or taken in execution for an outstanding loan as referred to in the ARAVA Act is sold by auction, the property can be purchased for the State in order to safeguard State interests. The State Treasury, after consulting the Housing Fund and the National Board of Building if necessary, shall watch over the State's interest at the auction, unless the object of the auction was financed with a loan granted by a local authority.

The local authority shall notify the State Treasury of any compulsory auctions of ARAVA loan objects coming to its notice.

The State Treasury shall decide on the use of any property purchased for the State. If it decides that the State should keep the property, said property shall be placed in the

charge of the National Board of Building.

Chapter 8. Miscellaneous provisions

Section 53. *Application and notification forms and additional information.*

The Housing Fund or the State Treasury can approve the wording of the forms for applications and notifications referred to in the ARAVA Act, in the Act on the Use, Assignment and Redemption of State-subsidized Rental Dwellings and Buildings and in this Decree. Any additional information required in conjunction with filing the application or notification can be requested at the same time.

Section 54. *Insurance.*

ARAVA loan objects shall be adequately insured. No insurance is required, however, if the object is owned by a local authority or a joint municipal board.

Section 55. *Supervision of sound development and contracting practice.*

When supervising the use of ARAVA loans in compliance with the ARAVA Act, rules and regulations issued thereunder, and the loan terms, as laid down in section 36 of the ARAVA Act, the Housing Fund of Finland and other ARAVA loan authorities shall also conduct inspections to ensure that the sound development and contracting practice required in said provisions, regulations and terms are observed.

Section 56. *Local authority's notification duty with respect to ARAVA loans for which the State has become partially liable.*

Local authorities shall notify the State Treasury annually of the collection of ARAVA loans for which the State has become partially liable as referred to in section 31 of the ARAVA Act.

Section 57. *Loan year.*

The term 'loan year' refers to each 12-month period following withdrawal of the first ARAVA loan instalment.

Section 58. *More detailed provisions.*

More detailed provisions on the enforcement of this Decree will be issued by the Ministry of the Environment if necessary.

Chapter 9. Implementing and transitional provisions

Section 59. *Entry into force.*

This Decree comes into force on January 1, 1994.

Notwithstanding, section 11 of this Decree shall apply as of February 1, 1994.

Section 60. *Application to loans granted under the previous annual payment scheme.*

The provisions of this Decree shall also apply to loans granted in 1990 or later under the Housing Production Act (247/66), which was repealed by the ARAVA Act. Interest shall be charged on loans combined under the Housing Production Act as laid down in section 38 of this Decree.

By way of derogation from sections 19 and 26 of this Decree, the interest charged on loans granted under section 6, paragraph 1, subparagraph 5 or 6, of the Housing Production Act shall consist of a lower interest rate, as laid down in section 28b of the Housing Production Decree or specified in the terms of the promissory note.

By way of derogation from section 31 and section 37, paragraph 1, of this Decree, the interest charged on loans granted under section 6, paragraph 1, subparagraph 1, 3, 4, 7

or 8, of the Housing Production Act shall be based on a lower fixed rate, as specified in the terms of the promissory note, plus the following rate based on the year the loan was granted:

- 1) if the loan was granted in 1990 or 1991, the annual adjustment of the annual payment plus 1.5 percentage points; or
- 2) if the loan was granted in 1992, the annual adjustment of the annual payment plus 2.5 percentage points.

By way of derogation from section 35, paragraph 2, of this Decree, the annual payments on loans granted under section 6, paragraph 1, subparagraph 1, 3, 4 or 7, of the Housing Production Act shall be adjusted in 1994, as prescribed in the Council of State Decision (969/93) on reducing the adjustment of annual payments on rental building loans.

Section 61. Application to loans granted before the annual payment system took effect.

Without prejudice to what is provided in the ARAVA Act and this Decree, the interest payments and amortizations on loans referred to in section 45, paragraph 2, of the ARAVA Act shall continue to be collected in compliance with the terms of the promissory note.

Notwithstanding, the following provisions shall apply to the loans referred to above:

- 1) sections 3, 8, 15, 16, 18 and 48-58 of this Decree, irrespective of the promissory note's relevant provisions;
- 2) section 48, paragraph 2, of this Decree, in which case a new amortization plan must be drawn up whenever any extraordinary amortization is remitted as repayment of the portion of the loan carried by an individual dwelling; and
- 3) section 50, paragraph 1, of this Decree to the amount of any penalty interest collected following this Decree's entry into force, if the penalty interest would otherwise be less than that laid down in the terms of the promissory note.

The loan amortizations and interest payments referred to above shall fall due at six-month intervals, on the last day of March and September. If, however, the loan was granted before July 1, 1968, the due dates shall be the last day of June and December.

Section 62. *Deferred payment and interest rate reductions.*

The interest payments and amortizations referred to in section 46, paragraph 1, of the ARAVA Act can be deferred, subject to the conditions laid down in section 28.

Applications for interest rate reductions as referred to in section 46, paragraph 2, of the ARAVA Act shall be filed with the local authority no later than six months before the first due date of the eighth loan year. For special reasons, applications can be processed and the matter decided even if the application was not filed within the prescribed period.

Section 63. *Grant-type renovation loan.*

In the case referred to in section 47, paragraph 2, of the ARAVA Act, applications shall be filed with the local authority, which must notify the State Treasury of its decision. The decision can only apply to amortizations and interest payments falling due after the application was filed.

The local authority must ascertain at least once a year that the dwelling is used as the residence of one or more persons as referred to in section 47, paragraph 1, of the ARAVA Act.

If the borrower dies or the housing unit is not used as the residence of one or more persons as referred to in section 47, paragraph 1, of the ARAVA Act, the borrower or whosoever has possession of the estate must immediately notify the local authority of the change.

After receiving notice of the change in use, the local authority must order immediate repayment of all amortizations and interest payments that have fallen due since the change took place, unless the loan is transferred to a person

denoted in section 47, paragraph 1, of the ARAVA Act. At the same time, in compliance with the loan terms, the local authority must order remittance of the amortizations and interest payments falling due at a later date. The local authority must notify the State Treasury of its decision.