

NB: Unofficial translation

Act on Interest Subsidy for Rental Housing Loans and Right of Occupancy Housing Loans/June 29, 2001/604

[Section 1](#)

Scope of application

Interest subsidy can be paid out of state funds for loans (*interest-subsidy loan*) granted by a lending institution, insurance company, pension institution or local authority (*lender*) for new building construction, acquisition and renovation of a rental dwelling and right of occupancy housing as referred to in the Act on Right of Occupancy Housing ([650/1990, Section 1](#)). 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 other legislation or if the borrower has been granted a loan for the same purpose by the Housing Fund of Finland or from other state funds.

If the interest-subsidy loan is for a rental dwelling or rental building as intended in the Act on Subsidies for Improving the Housing Conditions of Special Groups ([1281/2004](#)), interest subsidy can also be paid on that part of the loan which is needed to realise the project that is related to facilities in a residential building directly supporting housing or necessary for producing services. ([December 30, 2004/1282](#))

[Section 2 \(December 30, 2004/1282\)](#)

Definitions

For the purposes of this Act:

- 1) *a residential building* shall mean a house and facilities directly supporting housing, if the net floor area of dwellings and facilities directly supporting housing constitutes at least 75 per cent of the total net floor area, unless the government agency approving the loan for interest subsidy allows for a smaller proportion for special reasons;
- 2) *new construction* shall mean construction of one or more residential buildings and the acquisition of a plot possibly ancillary thereto;
- 3) *acquisition* shall mean the purchase of one or more dwellings or other facilities for residential use from existing building stock and the acquisition of a plot possibly ancillary thereto;
- 4) *renovation* shall refer to measures aimed at enhancing the original amenity standard or other quality of a dwelling or a 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 converting or enlarging existing facilities, primarily into housing or related facilities.

[Section 3](#)

Authorisation to approve interest subsidy loans

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

The Council of State can confirm the regional and other use criteria for the approval authorisation of the loans. Approval authorisations 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 areas and municipalities.

[Section 4](#)

General conditions for approval as an interest-subsidy loan

Approval of an interest-subsidy loan requires that the granting of an interest subsidy must be considered on grounds of social appropriateness and financial need. The Council of State can issue more detailed regulations to be observed in approving an interest-subsidy loan.

Contracts for an interest-subsidy housing loan can only be awarded on the basis of competitive bidding.

Dwellings for which an interest-subsidy loan is granted shall be appropriate in terms of habitability, the living environment should be functional, the cost of a new building, purchase or renovation and of upkeep as well as living standards 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 special reasons.

A contracting entity under the Public Procurement Act ([1505/1992](#)) shall also comply with that Act and the regulations issued by virtue thereof.

A renovation loan can only be approved as an interest-subsidy loan if a condition survey and a long-term maintenance plan have been drawn up for the project.

The Ministry of the Environment is entitled to issue rules and regulations by virtue of the provisions of this section.

[Section 5](#)

Interest-subsidy loan recipients

A loan can be approved as an interest-subsidy loan if the recipient of the loan is:

1) a local authority or other public corporation;

Subparagraph 2 has been repealed by the Act [August 13, 2004/736](#).

3) a corporation meeting the provisions of Section 24 and designated by the Housing Fund of Finland by virtue of this; or

4) a limited-liability company or housing company in which one or several of the corporations referred to in subparagraphs 1-3 have direct control pursuant to Section 5, paragraph 1, subparagraph 1 of the Accountancy Act ([1336/1997](#))

[\(August 18, 2006/717\)](#)

[Section 6](#)

General conditions for an interest-subsidy loan

The interest charged by the lender on an interest-subsidy loan shall not exceed the interest generally applied to loans with similar risk and terms in each case.

More detailed regulations on the general terms and conditions of an interest-subsidy loan can be issued by Government Decree.

[Section 7](#)

Interest subsidy

Regulations on the amount and payment period of the interest subsidy will be issued by Government decree.

The State Treasury shall pay the interest subsidy to the lender or a corporation authorised by the lender. The State Treasury may issue more detailed instructions on the application procedure.

[Section 8](#)

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 4 are met when the loan is approved.

The Housing Fund may give more detailed instructions on the application procedure.

Chapter 2

Interest subsidy for rental housing loans

[Section 9](#)

Interest-subsidy loans for rental dwellings

A loan can be approved as an interest-subsidy loan for rental housing when the loan is granted:

1) to construct a new rental building (*rental building interest-subsidy loan*);

- 2) to purchase a rental building (*interest-subsidy loan for rental building acquisition*);
- 3) to purchase shares entitling the holder to the possession of a dwelling used as a rental dwelling, in a housing company building under construction or newly constructed and approved to qualify for a rental interest-subsidy loan (*interest-subsidy loan for rental dwelling*);
- 4) to purchase shares entitling the holder to the possession of a dwelling used as a rental dwelling from an existing housing company building (*interest-subsidy loan to purchase a rental dwelling*); or
- 5) to renovate a rental building or a residential apartment used as a rental dwelling (*interest-subsidy loan to renovate rental housing*).

An acquisition loan for a rental building or a rental dwelling can be approved as an interest-subsidy loan if:

- 1) purchase of the rental building or dwelling is more affordable than constructing a comparable new building or dwelling; and
- 2) construction of housing in the area concerned is not justified taking into account the long-term housing need unless the lender is a local authority or a company owned de facto by a local authority.

[\(December 11, 2002/1106\)](#)

Upon purchase of a rental building in which at least 30 per cent of dwellings are allotted as rental dwellings for persons belonging to special groups in accordance with a plan approved by the Housing Fund of Finland, the conditions of paragraph 2 are not applied to the approval of the acquisition loan as an interest-subsidy loan. In such a case, only a loan by a municipal authority or a joint municipal board or a loan granted to a joint-stock company or a housing company in which the local authority or joint municipal board has direct control pursuant to Section 1, paragraph 1, subparagraph 1 of the Accountancy Act can be accepted as an interest-subsidy loan. A loan can be granted to a borrower other than provided for in Section 5 of the present Act if the purpose of its operation is to improve the living conditions of persons belonging to special groups by providing housing to them. [\(August 18, 2006/717\)](#)

When a rental dwelling is purchased to serve as a dwelling of a person belonging to a special group the conditions set out in paragraph 2 for approving the acquisition loan as an interest-subsidy loan are not applied. [\(December 30, 2004/1282\)](#)

[Section 10](#)

~~Amount of interest-subsidy loans for rental dwelling~~

The amount of an interest-subsidy loan for rental dwelling shall be at most 95 per cent of the approved construction, purchase or renovation costs of the rental dwelling. Reasonable costs entailed in the purchase of the plot and installing municipal engineering can also be approved as construction costs. Reasonable costs entailed in drawing up a condition survey and a long-term maintenance plan can also be approved as renovation costs. [\(April 2, 2004/236\)](#)

An interest-subsidy loan for rental renovation housing can also be the maximum loan in euros determined for a rental building, rental dwelling or per net square metre.

More detailed provisions on the loan-to-value rate and the maximum amount of loans and the price acceptable for plots can be issued by Government decree.

Section 11 ([31.1.2003/84](#))

Residential use _____

A dwelling for the construction, purchase or renovation of which the interest-subsidy loan has been granted shall be used as a rental dwelling.

The apartment can also be used as a residence without the lease referred to in the Act on Residential Leases ([481/1995](#)) in the case of persons requiring special care and attention.

Paragraph 3 has been repealed by the Act [August 18, 2006/717](#).

Paragraph 4 has been repealed by the Act [August 18, 2006/717](#).

Section 11 a ([August 18, 2006/717](#)) _____

Selection of tenants _____

The purpose of tenant selection is that interest-subsidy rental apartments are assigned to households having the most acute need for a rental dwelling, whilst striving for a varied community structure in the building and a socially balanced neighbourhood.

Section 11 b ([August 18, 2006/717](#))

Criteria for ~~tenant selection and placing~~ in an order of priority

Social appropriateness and financial need shall be the grounds upon which residents are chosen for interest-subsidy rental dwellings. The urgency of the applicant household's housing need, their financial means and level of income shall be taken into account in tenant selection (*criteria for tenant selection*).

Priority is given to homeless applicants and other applicants in urgent need of housing, as well as applicant households with the least means and lowest income.

In tenant selection for interest-subsidy rental dwellings de facto controlled by a local authority or a joint municipal board, a resident of the municipality where the apartment is located may be given priority among applicants being in the same overall position in terms of urgency of housing need, income and means.

More detailed provisions concerning the criteria for tenant selection and placing in an order of priority may be issued by Government decree.

Section 11 c ([August 18, 2006/717](#))

Exceptions to ~~tenant selection criteria~~ and order of priority

Tenant selection criteria may be departed from for social or health reasons or in order to promote appropriate use of interest-subsidy rental dwellings. Such an exception must be well-grounded in terms of social reasons, the position of applicants, or the upkeep of the house, in view of the aims of tenant selection. Departing from the tenant selection criteria shall not substantially hinder applicants prioritised pursuant to Section 11 b, paragraph 2 above, from obtaining a dwelling. More detailed regulations on exceptions to tenant selection criteria can be issued by Government decree.

In isolated cases, the priority determined in Section 11 b, paragraph 2 may be departed from, provided that this is well-grounded in view of the special conditions of the applicant household, the rental housing situation in the locality, or the community structure in the rental building or the neighbourhood.

Section 11 d ([August 18, 2006/717](#))

Supervision of tenant selection _____

The local authority supervises compliance with the tenant selection criteria. The local authority is empowered to request the borrower to provide any information necessary to carry out such supervision.

The Ministry of the Environment may issue more detailed regulations on the procedures of tenant selection and supervision of tenant selection. The Housing Fund of Finland is responsible for the general direction of local authorities and borrowers.

Section 12 ([December 9, 2005/1020](#))

Change in the purpose of use _____

For special reasons, a local authority can grant a permit for the use of a dwelling for a purpose other than a residential one, when the permit concerns a small number of dwellings. A permit can be granted regardless of the remaining net floor area of the dwellings in the building or building complex. Before any change in the purpose of use, the local authority shall inform the Housing Fund of Finland that a permit has been granted; the Housing Fund of Finland can then order that the interest subsidy pertaining to the proportion of the interest-subsidy loan corresponding to the dwelling referred to in the permit is cancelled. The interest subsidy cannot be cancelled if residential premises are converted into shared-access facilities for residents or to some other use improving the residents' living conditions.

Section 13 ([January 31, 2003/84](#))

Rent _____

For the apartment, tenants can be charged rent which cannot exceed the amount needed, in addition to other income, to cover expenses arising from financing the rental dwellings and connected premises, and in sound real estate management. Such expenses include those arising from:

- 1) the purchase or building of real estate and dwellings, including the index adjustment for assignment compensation in accordance with Section 15, paragraph 2, subparagraph 2, if such an adjustment was included in the assignment price paid to a party other than a corporation belonging to the same group;

- 2) upkeep and maintenance of real estate, buildings and dwellings;
- 3) renovations to upgrade the real estate, buildings and dwellings to correspond to the standard requirements of the time;
- 4) preparations for the measures referred to in subparagraphs 2 or 3;
- 5) interest to be paid on the equity referred to in Section 15, paragraph 2, subparagraph 1; and
- 6) the owner's obligations under the law, not arising from the owner acting in violation of this Act or other legislation.

[\(August 13, 2004/736\)](#)

Higher amortisations of an interest-subsidy loan or other loan taken out to replace it than what is provided by Government decree may not be collected from tenants through rents for dwellings. If a tenant of a partial-ownership dwelling as provided for in the Act on Partial Ownership Housing financed by an interest-subsidy loan for rental housing ([232/2002](#)) purchases additional shares entitling the holder to the possession of a dwelling, the rent shall be reduced by an amount corresponding to the rent pertaining to the proportion of the interest-subsidy loan corresponding to the additional shares, which would have been payable by the owner of the additional shares had the interest-subsidy loan not been amortised.

Rents of rental buildings and dwellings owned by the same owner and financed by loans pursuant to this Act or the Act on State-Subsidised Housing Loans (ARAVA Loans) ([1189/1993](#)) may be equalised.

The relevant local authority shall supervise the implementation of principles concerning the maximum amount of rent. The local authority is empowered to request the borrower to provide any information necessary for supervision. The Housing Fund of Finland is responsible for the general direction of local authorities and recipients of interest-subsidy loans in matters referred to in this paragraph and paragraphs 1 to 3.

More detailed regulations on the interest on equity invested by the owner may be issued by Government decree. The Ministry of the Environment may issue more detailed regulations concerning the determination of rent in accordance with paragraphs 1 to 4, rent equalisation and supervision. The Housing Fund of Finland may issue instructions on the determination of rent, rent equalisation and supervision.

Otherwise, the provisions of the Act on Residential Leases shall apply to the rent of rental dwellings.

[Section 14](#)

~~Assignment~~

An interest-subsidy rental dwelling or shares entitling the holder to the possession of such a dwelling or an interest-subsidy rental building or shares in an interest-subsidy rental housing company can be assigned to:

1) a local authority; or

2) an assignee designated by the Housing Fund of Finland, to which an interest-subsidy loan for rental housing could be granted.

[\(January 12, 2007/21\)](#)

In addition, property can be sold at public auction as prescribed in the bankruptcy regulations [\(31/1868\)](#) or the Execution Act [\(37/1895\)](#), or as provided in the pledging contract on a pledged share.

Assignment of any other kind shall be null and void.

If the property referred to in paragraph 1 is transferred to a new owner on account of the distribution of a joint object or expiry of a legal person, the new owner must forthwith inform the local authority of the acquisition of the title. The local authority is entitled to redeem the property within 90 days of having been informed of the transfer of title by paying the transfer price in accordance with Section 15.

The local authority shall inform the Housing Fund of Finland of any acquisitions in accordance with paragraph 1, subparagraph 1 and of assignments in accordance with paragraph 4 that come to its notice. [\(January 12, 2007/21\)](#)

The provisions of this Section do not apply to the assignment of shares entitling the holder to the possession of a dwelling to a minority shareholder as provided for the Act on interest subsidy for partial-ownership housing financed by an interest-subsidy loan for rental housing or, if the shares entitling the holder to the possession of the dwelling do not have a minority shareholder, a private person meeting the criteria laid down by Government decree. [\(March 28, 2002/233\)](#)

Section 14 a [\(January 12, 2007/21\)](#)

Obligation to ~~request an opinion from~~ and to inform the local authority

When necessary, the Housing Fund of Finland may, prior to making a decision pursuant to Section 14, consult the local authority of the domicile of the interest-subsidy rental dwelling or building to be assigned, owned either directly or through holding of shares, or, if a share in an interest-subsidy rental housing company is assigned, the local authority of the domicile of the owner company. The precondition for consulting is that the local authority is not a party to the assignment either directly or indirectly.

After the Housing Fund of Finland has made a decision as stated in Section 14, it shall inform the local authority of the domicile of the assigned house or dwelling, or, if a share in an interest-subsidy rental housing company is assigned, the local authority of the domicile of the company, of the assignment.

[Section 15](#)

~~Assignment price~~

The maximum assignment price allowed for an interest-subsidy rental dwelling or a share entitling the holder to the possession of such a dwelling or an interest-subsidy rental building or a share in an interest-subsidy rental housing company is the assignment compensation calculated in accordance with this Section, confirmed by the Housing Fund of Finland. ([January 12, 2007/21](#))

In calculating the assignment compensation, the following shall be taken into account:

- 1) the equity invested by the owner of the interest-subsidy rental dwelling or a share entitling the owner to the possession thereof or an interest-subsidy rental building or a share in an interest-subsidy rental housing company which was needed to finance the confirmed construction, acquisition or renovation costs of a dwelling or real estate in addition to an interest-subsidy loan;
- 2) the index adjustment for equity calculated on the basis of coefficients confirmed monthly by Statistics Finland according to the change in the building cost index;
- 3) an interest-subsidy loan insofar as the loan remains the assignor's liability;
- 4) a loan taken out to finance renovation or other acceptable costs insofar as the loan remains the assignor's liability; and
- 5) an increase in equity made to finance renovation or other acceptable costs.

The permitted assignment price of a share in a rental housing company or a share entitling the holder to the possession of a dwelling is calculated from the transfer price of the whole share capital in proportion to the number of shares. ([January 12, 2007/21](#))

If the property is sold at public auction, the party on whose behalf the auction is held shall not receive from the sale more than the permitted assignment price.

The part of the sales price exceeding the permitted assignment price shall be paid to the Housing Fund of Finland. ([January 12, 2007/21](#))

Nevertheless, if the interest-subsidy loan is for a rental building with partial-ownership dwellings as provided for in the Act on Partial Ownership Housing financed by an interest-subsidy loan for rental housing, the highest permitted assignment price of shares entitling the holder to the possession of a dwelling is the purchase price or assignment and repurchase price referred to in that Act. ([March 28, 2002/233](#))

Section 15 a ([January 20, 2004/30](#))

~~Applying restrictions on assignment~~

The provisions of Sections 14 and 15 pertain to all legal acts whose actual aim are to assign an interest-subsidy dwelling or interest-subsidy building if the assignee is aware or should be aware of the actual purpose of the legal act.

Section 16 ([November 27, 2009/946](#))

~~Restrictive entry~~

Any restrictions on the use and assignment of an interest-subsidy rental dwelling or a share entitling the holder to the possession of such a dwelling or an interest-subsidy rental building or an interest-subsidy rental housing company and the date of cessation of the restrictions shall be entered in the land and mortgage registers, on share certificates and in the share register. A note of the redemption and prohibition of restraint of the shares shall be entered in connection with the restrictive entries on a redeemable object in accordance with Section 18 a below.

Section 17

~~Restriction period for use and assignment~~ [\(December 8, 2006/1131\)](#)

The restrictions relating to the assignment of an interest-subsidy rental dwelling or a share entitling the holder to the possession of such a dwelling or an interest-subsidy rental building or an interest-subsidy rental housing company and to the use of an interest-subsidy dwelling shall cease when 45 years have passed from the approval of the loan as an interest-subsidy loan. If the loan has been approved on September 1, 2004 or thereafter, the restrictions on use and assignment shall, however, cease when 40 years have passed from the approval of the loan as an interest-subsidy loan. If an interest-subsidy loan for renovation of a rental dwelling has been approved as an interest-subsidy loan on January 1, 2007 or thereafter, the restrictions on use and assignment shall, however, cease when 30 years have passed from the approval of the loan as an interest-subsidy loan. [\(December 8, 2006/1131\)](#)

The restrictions under Section 13 for determining the rent shall cease when the interest-subsidy loan is repaid in accordance with the terms of amortisation laid out by Government decree. If the interest-subsidy loan is repaid prematurely, the restrictions on determining the rent shall cease when 30 years have passed from the approval of the loan as an interest-subsidy loan. [\(December 8, 2006/1131\)](#)

If the object of an interest-subsidy loan for rental dwellings is a partial-ownership dwelling as provided for in the Act on Partial Ownership Housing financed by an interest-subsidy loan for rental housing, the restriction period for use and assignment shall, however, cease when the shares entitling the holder to the possession of the dwelling are redeemed in accordance with the terms laid out in said Act and the partial-ownership agreement. [\(March 28, 2002/233\)](#)

If the building comprises or has comprised partial-ownership dwellings as provided for in the Act on Partial Ownership Housing financed by an interest-subsidy loan for rental housing, the dwelling is released from restrictions regardless of the provisions of paragraph 1 if there is no one to redeem the dwelling in accordance with said Act and the majority shareholder informs the Housing Fund of Finland to this effect. [\(March 28, 2002/233\)](#)

Section 18 [\(December 8, 2006/1131\)](#)

~~Exemption from restrictions~~

Upon application, the Housing Fund of Finland may grant, on terms set by the Fund, a total or partial exemption from the restrictions under this Act if it enhances the functionality of the housing market in the area or prevents dwellings from standing empty and financial losses incurred as a result, or for any other special reason. The condition for this is that the portion of the interest-subsidy loan represented by the dwelling or house to be released from restrictions is repaid or the

lender exempts the state from the guarantee liability according to Section 28 relating to the portion represented by them.

When the portion of an interest-subsidy loan represented by the dwelling or building financed with the loan is repaid or the lender exempts the state from the guarantee liability according to Section 28 relating to the portion represented by them, the Housing Fund of Finland may grant upon application an exemption from the restrictions relating to said interest-subsidy loan, provided that:

- 1) the restriction period of 45 years laid down in Section 17 is applied to a project financed by an interest-subsidy loan for rental dwellings and at least 40 years have passed from the approval of the loan as an interest-subsidy loan;
- 2) a project financed by an interest-subsidy loan to renovate rental dwellings has been granted a subsidy in accordance with the Act on Subsidies for Improving the Housing Conditions of Special Groups, the loan has been approved as an interest-subsidy loan on January 1, 2007 or thereafter and at least 20 years have passed from the approval of the loan as an interest-subsidy loan; or
- 3) an interest-subsidy loan to renovate rental dwellings, not entailing a subsidy as laid down in subparagraph 2, has been approved as an interest-subsidy loan on January 1, 2007 or thereafter and at least ten years have passed from the approval of the loan as an interest-subsidy loan.

Section 18 a ([November 27, 2009/946](#))

Redeemable rental dwelling _____

Upon application of the owner, the Housing Finance and Development Centre of Finland may approve a housing company project financed by an interest-subsidy loan for a rental building or a rental dwelling to be redeemed when it approves the loan as an interest-subsidy loan. It is not, however, possible to redeem a project for which a subsidy under the Act on subsidies for improving the housing conditions of special groups or under the Act on Slot Machine Grants ([1056/2001](#)) has been granted. No subsidies to construct a project to be redeemed will be granted from state funds.

Section 18 b ([November 27, 2009/946](#))

Redemption _____

Without prejudice to what is provided in Sections 14, 14 a, 15 and 15 a, a tenant pursuant to Section 18 a being in possession of a redeemable rental dwelling under a lease can redeem the shares in a housing company entitling the holder to the possession of the dwelling at a time he or she selects for as long as the dwelling is subject to the restrictions on use and assignment under this Act. A redeemed dwelling is released from the restrictions on use and assignment under this Act. Redemption is possible if two years have passed since the building's completion.

Section 18 c ([November 27, 2009/946](#))

Redemption price _____

The Housing Finance and Development Centre shall determine the redemption price of shares to be redeemed. The redemption price comprises the basic price and an index adjustment added to it, plus any value of improvements, less reductions, as well as the owner's compensation. The redemption

price must be high enough to at least cover the proportion of the remaining interest-subsidy loan representing the shares to be redeemed.

The basic price is the proportion of the approved building costs of the house corresponding to the shares to be redeemed. The basic price is adjusted on the basis of coefficients confirmed monthly by Statistics Finland according to the change in the building cost index. An owner's bonus of two per cent of the basic price is added to the price. The value of the renovations made in the dwelling or house according to fair market value is also added to the price. Costs for repair, except for depreciation arising from natural wear, and the eventual portion of the company debt representing the redeemable shares, are deducted from the price.

The Housing Finance and Development Centre may, upon the owner's application, lower the redemption price, however not to a price lower than the amount of the interest-subsidy loan representing the shares.

Section 18 d ([November 27, 2009/946](#))

~~Amortisation of interest-subsidy loan in connection with redemption~~

Upon redemption of shares, an interest-subsidy loan of a housing company, in accordance with Section 18 a, shall be amortised for the portion of the loan representing the redeemed shares. The lender shall draw up a new amortisation plan for the loan, taking into account the extra amortisation in such a way that the initial loan period is not shortened.

A housing company shall not collect maintenance charges for the expenses and amortisations of an interest-subsidy loan in accordance with Section 18 a from a shareholder who has redeemed the shares. The articles of association of the housing company shall include a provision to the effect that the proportion of the company interest-subsidy loan representing the redeemable shares can be repaid to the company.

Section 18 e ([November 27, 2009/946](#))

~~Detailed provisions on redemption~~ _____

More detailed provisions on redemption procedure may be issued by Government decree.

[Section 19](#)

~~Ineffectiveness of a provision in articles of association~~

A provision in the articles of association of a housing company or a limited-liability company concerning the pre-emptive right of purchase or redemption right of a company or a shareholder or some other person shall be ineffective until the provisions of Section 14 on assignment have ceased to be valid.

Chapter 3

Interest subsidy for right of occupancy housing loans

[Section 20](#)

Interest subsidy for right-of occupancy housing loans

A loan can be approved as an interest-subsidy loan for a right of occupancy building as provided for in Section 1 of the Right of Occupancy Housing Act, if it is granted:

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

[Section 21](#)

~~Amount of interest-subsidy loans~~

The amount of an interest-subsidy loan for a right of occupancy building shall be at most 85 per cent of the approved building, purchase or renovation costs of the project. The reasonable cost of purchasing the plot and installing municipal engineering may also be accepted as building costs. Reasonable costs arising from drawing up a condition survey and long-term maintenance plan may also be accepted as renovation costs.

The interest-subsidy loan to renovate a right of occupancy building can also be determined as the maximum loan amount in euros per right of occupancy building or apartment or per net square metre thereof.

More detailed provisions on the amount of loan-to-value rate and the maximum loan amount as well as acceptable cost for the plot may be issued by Government decree.

[Section 22](#)

~~Determining a maintenance charge~~

Holders of right of occupancy may not be charged amortisations of an interest-subsidy loan or other loan taken in its stead in maintenance charges at a higher rate than is laid down by Government decree. Other regulations concerning the determination of the maintenance charge levied against a holder of a right of occupancy are provided in the Act on right of occupancy dwellings and the Act on Right of occupancy Associations. ([1072/1994](#)).

[Section 23](#)

~~Restrictions related to an interest-subsidy loan for a right of occupancy building~~

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 as well as the entries concerning these.

Chapter 4

Non-profit status

[Section 24](#)

Non-profit status

A corporation referred to in Section 5, paragraph 1, subparagraph 3 and a company in which the corporation has control in accordance with Chapter 1, Section 5, paragraph 1, subparagraph 1 of the Accountancy Act shall meet the following criteria and act in accordance therewith: ([August 18, 2006/717](#))

- 1) the field of activity of the corporation is to construct and purchase rental and right of occupancy dwellings and to rent them on social grounds and offer them for use as right of occupancy dwellings with a view to good and safe living conditions for the occupants at reasonable cost;
- 2) the corporation publicly offers the dwellings to be applied for;
- 3) the corporation does not enter as income to its owner anything but a fair profit on the funds invested by the owner in the corporation, which is at least two percentage points higher than the interest on a five-year state bond loan and the amount and grounds for the calculation of which are determined in detail by Government decree;
- 4) the corporation will only hand over dwellings released from the use and assignment restrictions under Section 11 or shares entitling the holder to the possession thereof to a tenant dwelling in the apartment or corporation whose field of activity comprises offering rental dwellings; dwellings or shares can be assigned to others than the above only unless there is no demand for rental dwellings of the type in question in the area or if there is some other valid reason to sell some of them; ([August 13, 2004/736](#))
- 5) the corporation will arrange the ownership of the dwellings so that it is possible to equalise the rents or maintenance charges, and does not arrange the structure of the corporation in such a way that carrying out the responsibility for rental or right of occupancy buildings is rendered more difficult;
- 6) the corporation will not take risks other than those relating to the activity set forth in subparagraph 1, will not give out loans to corporations other than those set forth in Section 25 and will not give a pledge on a liability other than that of a corporation set forth in Section 25, except when a loan is concerned that a company in the same group takes out and invests in purchasing or constructing rental dwellings of a corporation set forth in Section 25;

Subparagraph 7 has been repealed by Act [August 13, 2004/736](#).

- 8) the shares of the corporation are not subject to public trading.

Without prejudice to the provisions in paragraph 1, subparagraph 4 above, the shares entitling the holder to the possession of partial-ownership dwellings as provided for in the Act on partial-ownership housing financed by an interest-subsidy loan for rental housing can be assigned in accordance with the provisions of said Act and with the conditions laid down in the partial-ownership agreement. ([March 28, 2002/233](#))

Section 25

Non-profit status in a group

When the criteria under Section 24 are applied to a group, a corporation in accordance with Section 5, paragraph 1, subparagraph 3 and the following entities in the same group are dealt with as one entity:

- 1) other corporations under Section 5, paragraph 1, subparagraph 3;
- 2) corporations holding dwellings under restrictions of use and assignment as set forth in the Act on the Use, Assignment and Redemption of State-Subsidised (ARAVA) Rental Dwellings and Buildings ([1190/1993](#)), or shares entitling the user to the possession thereof;
- 3) corporations holding dwellings under the restriction period for use of 20 years as set forth in Section 10 of the Act on Interest Subsidy for Rental Housing Loans ([867/1980](#)), or shares entitling the user to the possession thereof;
- 4) corporations holding dwellings financed under the Act on Right of Occupancy Housing, as referred to in Section 6, paragraph 1, subparagraph 8 of the Housing Production Act ([247/1966](#)), Section 21 of the Act on State-Subsidised Housing Loans (ARAVA loans) or Section 3 of the Act on Interest Subsidy for Right of Occupancy Housing Loans ([1205/1993](#)) or Section 20 of this Act, or shares entitling the user to the possession thereof; provided that the dwellings or shares are subject to the restrictions of use and assignment under to the Act on Right of Occupancy Housing; and ([December 29, 2005/1212](#))
- 5) corporations holding dwellings subject to a restriction period for use pursuant to Section 17 or shares entitling the holder to the possession thereof

Section 26

Supervision of non-profit status

The Housing Fund of Finland shall ensure that a corporation pursuant to Section 5, paragraph 1, subparagraph 3 and section 25 meets the criteria under Section 24 and acts in accordance therewith.

The Housing Fund of Finland and any person authorised by the Housing Fund is entitled to obtain the information they need for supervision from the corporations under Section 5, paragraph 1, subparagraph 3 as well as Section 25, and their auditors.

A designated corporation shall inform the Housing Fund of Finland in advance of any facts that may have bearing on the criteria of Section 24 being fulfilled.

Section 27

Revoking of designation

The Housing Fund of Finland can revoke the designation of a corporation referred to in Section 5, paragraph 1, subparagraph 3 if:

- 1) the corporation or a corporation under Section 25 that is part of the same group no longer meets the criteria under Section 24 or acts contrary to them;
- 2) the corporation or a corporation under Section 25 that is part of the same group has taken measures, the purpose of which is in violation of the essence of or criteria for a non-profit status in Section 24; or
- 3) the corporation applies for annulment of designation.

Section 27 a ([August 13, 2004/736](#))

Profit entered as income to a local authority and other public corporation

A corporation pursuant to Section 5, paragraph 4 above in which a corporation pursuant to Section 5, paragraph 1 has control pursuant to Chapter 1, Section 5, paragraph 1, subparagraph 1 of the Accountancy Act shall not enter as income to its owner more than the profit in accordance with Section 24, paragraph 3 if the corporation owns: ([August 18, 2006/717](#))

- 1) dwellings under the restrictions of use and assignment pursuant to the Act on the Use, Assignment and Redemption of State-Subsidised (ARAVA) Rental Dwellings and Buildings ([1190/1993](#)) or shares entitling the holder to the possession thereof;
- 2) dwellings under the 20-year period of restriction for use pursuant to the Act on Interest Subsidy for Rental Housing Loans ([867/1980](#)), [Section 10](#) or shares entitling the holder to the possession thereof;
- 3) dwellings under Section 17 of this Act or shares entitling the holder to the possession thereof; or
- 4) dwellings financed pursuant to Act on Right-of-Occupancy Housing, as intended in Section 6, paragraph 1, subparagraph 8 of the Housing Production Act ([247/1966](#)), Section 21 of the Act on State-Subsidised Housing Loans (ARAVA loans) or Section 3 of the Act on Interest Subsidy for Right of Occupancy Housing Loans ([1205/1993](#)) or Section 20 of this Act, or shares entitling the user to the possession thereof; provided that the dwellings or shares are subject to the restrictions of use and assignment under the Act on Right of Occupancy Housing. ([December 29, 2005/1212](#))

If there are several corporations holding dwellings referred to in subparagraphs 1 to 4 above or shares entitling the holder to the possession thereof in the same group, the corporations are dealt with as one entity when the level of permitted profit to be entered as income is determined.

Section 5

Conditional state guarantee

[Section 28](#)

State liability

The state shall be liable to the lender 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 accruing from

the collateral securing the loan are insufficient to cover the amortisations and interest outstanding on the loan.

[Section 29](#)

~~Duration of state liability~~

The state liability pertains to unpaid, outstanding amortisation and interest payments which have fallen due within 45 years of the withdrawal of the interest-subsidy loan or its first instalment, and penalty interest accruing on said instalments until the lender receives payment for his or her claim.

If during the restriction period set out in Section 17 the debtor takes out a new loan, in lieu of the interest-subsidy loan, which the Housing Fund of Finland approves as an interest-subsidy loan, the duration of state liability is calculated from the date of withdrawal of the original loan or its first instalment.

Section 30 ([April 2, 2004/236](#))

~~Collateral for an interest-subsidy loan~~

The interest-subsidy loan shall have mortgage security with higher priority than other loans, approved by the Housing Fund of Finland, or other collateral approved by the Housing Fund of Finland, unless the debtor is a local authority or a joint municipal board.

[Section 31](#)

~~Responsibilities of the lender~~

The validity of state liability shall be contingent upon the lender's handling the interest-subsidy loan and its collateral in accordance with this Act and the rules and regulations issued by virtue thereof and with sound banking practice. During the validity of state liability, the lender is also obliged to inform the State Treasury of any debtor's delay in accordance with the regulations issued by the Treasury.

The lender shall attend to state interests and to comply with the regulations issued by the State Treasury when the assets serving as collateral for the interest-subsidy loan are liquidated at a compulsory auction or in bankruptcy proceedings. A composition or a comparable arrangement or voluntary liquidation of the assets serving as collateral for the interest-subsidy loan in a manner endangering the recovery of the loan may only be done with consent from the State Treasury.

[Section 32](#)

~~Payment of compensation~~

The State Treasury shall pay the lender compensation in accordance with Section 28 from state funds when the irrecoverable loss has been established after the debtor and the possible guarantor have been declared insolvent and after the collateral assets have been sold. Sales of the collateral is not required, however, if the debtor is entitled to maintain the assets comprising the collateral in restructuring proceedings as referred to in the Restructuring of Enterprises Act ([47/1993](#)).

If the lender is able to collect accruing amortisations and interests from the debtor after the payment of the compensation, the lender shall remit them on to the State Treasury.

The State Treasury may also recover the compensation paid to the lender from the debtor and collect an annual interest on the paid compensation from the debtor according to the interest rate laid down in Section 4, paragraph 3 of the Interest Act ([633/1982](#)). This shall be entered in the promissory note.

Payment of the compensation for loss may be withheld or the amount of compensation reduced if this Act or the rules and regulations issued by virtue thereof or sound banking practice have not been observed in the granting or managing the loan or managing its collateral.

Chapter 6

Miscellaneous provisions

[Section 33](#)

~~Applying an index~~

The progression of the total amount of amortisations of an interest-subsidy loan and the interest falling on the debtor can be made dependent on a change in the index representing the change in prices, salaries, earnings or other costs by Government decree.

Section 34 ([April 2, 2004/236](#))

Section 34 has been repealed by Act [April 2, 2004/236](#).

[Section 35](#)

~~Demolition of an interest-subsidy house or dwelling~~

The Housing Fund of Finland can, for special reasons and on terms set by it, grant a permit upon application for demolition of a rental building or dwelling or a right of occupancy building, provided that the state is discharged from guarantee liability.

[Section 36](#)

~~Cessation of interest subsidy~~

If the interest-subsidy loan is repaid, payment of the interest subsidy shall cease starting from the day of repayment. Payment of interest shall also cease if the debtor is granted exemption from the restrictions laid down in Chapter 2 in accordance with Section 18. If a rental building or dwelling or a right of occupancy building is demolished by virtue of Section 35, payment of the interest subsidy shall cease for the part of the loan representing the building or dwelling to be demolished. After assignment of the object of the loan, an interest subsidy can only be paid if the new owner of the building is a corporation referred to in Section 5 and assumes liability for the interest-subsidy loan.

[Section 37](#)

~~Suspension of interest subsidy~~

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 the Act on Right of Occupancy Housing, has provided essentially false information in applying for approval of an interest-subsidy loan or has concealed information materially affecting approval of the interest-subsidy loan, the State Treasury can suspend payment of the interest subsidy. In the cases referred to above, or if the possession of a dwelling subject to a term of restriction of use laid down in Section 11, or shares entitling the owner to the possession thereof, is assigned for a consideration to anyone other than the owner as referred to in Section 5 or the redeemer as referred to in Section 18 b or the rental building or dwelling or right of occupancy building is demolished without permission before expiry of the restriction period, the State Treasury can oblige the debtor to repay to the Housing Fund of Finland any interest subsidy which the state has paid on the loan either entirely or in part. If the recipient of the interest-subsidy loan has used a rental dwelling contrary to the provisions of Section 11 or the rent has been determined contrary to the provisions of Section 13 and the negligence is not minor, the Housing Finance and Development Centre of Finland can suspend payment of the interest subsidy and oblige the debtor to repay the interest subsidy that the state has paid on the loan either entirely or in part to the Housing Fund of Finland. ([November 27, 2009/946](#))

The recipient of the loan shall pay annual interest on compensation for interest subsidy repayable from the due date of each instalment in accordance with the interest rate referred to in Section 3, paragraph 2 of the [Interest Act](#), plus three per cent. If the refund or interest is not paid by the deadline, an annual penalty interest in accordance with the interest rate laid down in Section 4, paragraph 3, of the [Interest Act](#) must be paid to the amount due as of the date due.

If the designation of a debtor corporation as referred to in Section 5, paragraph 1, subparagraph 3 is cancelled by virtue of Section 27, Section 15 d of the Act on State-Subsidised Housing Loans (ARAVA Loans), Section 2 d of the Act on Interest Subsidy for Rental Housing Loans or Section 4 d of the Act on Interest Subsidy for Right of Occupancy Housing Loans ([1205/1993](#)), the Housing Fund of Finland may decide that payment of the interest subsidy on rental dwelling loans or right of occupancy housing loans taken out by a corporation or a corporation under Section 25 belonging to the same group is suspended entirely or in part after six months from cancellation of the designation, unless the reason for the cancellation of the designation ceases to exist during that time.

[Section 38](#)

~~Guarantee fee~~

If payment of interest subsidy ceases by virtue of Section 36 or is suspended by virtue of Section 37 but the interest-subsidy loan is not paid back, the debtor shall pay a guarantee fee, as laid down by Government decree, on the state guarantee for the remaining loan principal.

The Housing Fund of Finland can, for special reasons and on terms set by it, decide upon application that no guarantee fee is collected.

Guarantee fees are entered as income to the Housing Fund of Finland.

Section 39 ([August 8, 2003/721](#))

Supervision_____

The Ministry of the Environment, the Housing Fund of Finland, the State Treasury and the local authority are empowered to direct and supervise compliance with this Act and the regulations issued by virtue thereof. Without prejudice to the provisions on confidentiality, the authorities are entitled access to any documents necessary to carry out the supervision. When necessary, the debtor is required to submit documents for inspection on the inspector's premises.

The lender shall see to it that the use of the loan capital and interest subsidy comply with the provisions in this Act and the regulations issued by virtue thereof.

[Section 40](#)

Detailed provisions

Detailed provisions on the enforcement of this Act will be issued by Government decree when necessary.

[Section 41](#)

Appeal —

An applicant who is dissatisfied with a decision taken by the Housing Fund of Finland, the State Treasury, the Municipal Board or a local committee or an official subject to the Board or committee 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 or to the Municipal Board or local committee, in the case of a decision by an official subject to the Board or committee. 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 pertaining to a decision made by the Housing Fund of Finland by virtue of Section 8 a cannot be appealed. Any other decision on a request for rectification can be appealed as provided in the Administrative Judicial Procedure Act ([586/1996](#)).

A decision concerning the selection or approval of a tenant cannot be appealed. _____

Section 42

Entry into force

This Act comes into force on January 1, 2002.

This Act repeals the Act on Interest Subsidy for Rental Housing Loans issued on 19 December 1980 and the Act on Interest Subsidy for Right of Occupancy Housing Loans issued on December 17, 1993, including the subsequent amendments.

Section 43

Transitional provisions

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

Decisions taken before the entry into force of this Act concerning the designation of a corporation in accordance with Section 2 of the Act on Interest Subsidy for Rental Housing Loans and Section 4 of the Act on Interest Subsidy for Right of Occupancy Housing Loans remain in effect. Sections 24 to 27 and Section 37, paragraph 3 of this Act are also applied to these loan recipients. Decisions made by the Housing Fund of Finland by virtue of Section 37, paragraph 3 may be appealed as provided in Section 41 of this Act. ([April 2, 2004/236](#))

The Government decision made on December 22, 1999 on entering as income of profits made by non-profit housing corporations ([1203/1999](#)) is applied to entering as income in accordance with Section 24, paragraph 3 of this Act until the Government Decree issued by virtue of said decision enters into force.

The Government decision on the grounds for granting a state-subsidised (ARAVA) loan for owner-occupied housing, approving a loan as an interest-subsidy loan for owner-occupied housing and selecting residents ([1135/1995](#)), and the higher income limits laid down in Section 17, paragraph 2 thereof, are applied when selecting tenants for rental dwellings in accordance with this Act until the Government decree issued by virtue of Section 11 enters into force.

The provisions that were in force when this Act came into effect are applied to loans approved as interest-subsidy loans for rental housing or right of occupancy housing.

[HE 181/2000](#), YmVM 3/2001, EV 55/2001

Entry into force and application of amending Acts:

March 28, 2002/233:

This Act comes into force on April 15, 2002.

[HE 221/2001](#), YmVM 2/2002, EV 18/2002

~~December 11, 2002/1106:~~

This Act comes into force on January 1, 2003.

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

[HE 233/2002](#), YmVM 16/2002, EV 153/2002

~~January 31, 2003/84:~~

This Act comes into force on March 1, 2003.

The provisions in Section 11 and Section 37, paragraph 1 of this Act, insofar as they relate to the use of a dwelling, are also applied to a rental dwelling financed by virtue of the Act on Interest Subsidy for Rental Housing Loans ([867/1980](#)) which is subject to a period of restriction on use of 20 years.

Matters in accordance with section 37 relating to the use of a dwelling, pending with the State Treasury upon entry into force of this Act, are transferred to be handled by the Housing Fund of Finland.

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

[HE 232/2002](#), YmVM 17/2002, EV 192/2002

~~February 14, 2003/130:~~

This Act comes into force on March 1, 2003.

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

[HE 100/2002](#), YmVM 20/2002, EV 227/2002

~~August 8, 2003/721:~~

This Act comes into force on September 1, 2003.

[HE 23/2003](#), YmVM 1/2003, EV 19/2003

~~January 20, 2004/30:~~

This Act comes into force on February 1, 2004.

[HE 143/2003](#), YmVM 4/2003, EV 118/2003

~~April 2, 2004/236:~~

This Act comes into force on April 15, 2004. It shall be applied to loans approved as interest-subsidy loans for rental dwellings from January 1, 2004.

[HE 8/2004](#), YmVM 2/2004, EV 21/2004

~~August 13, 2004/736:~~

This Act comes into force on September 1, 2004.

Section 27 of this Act is applied to profit entered as income for those accounting periods which have commenced after this Act has come into effect.

Section 24 is not applied to a corporation engaged in the insurance business, or a corporation belonging to the same group with such a corporation and not owning other interest-subsidy rental dwellings than those for the construction, purchase or renovation of which an interest-subsidy loan has been granted prior to the entry into force of this Act, and such a corporation is not regarded as a corporation under Section 25.

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

[HE 79/2004](#), YmVM 10/2004, EV 77/2004

~~December 30, 2004/1282:~~

This Act comes into force on January 1, 2005.

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

[HE 170/2004](#), YmVM 18/2004, EV 194/2004

~~December 9, 2005/1020:~~

This Act comes into force on January 1, 2006.

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

[HE 136/2005](#), YmVM 13/2005, EV 132/2005

~~December 29, 2005/1212:~~

This Act enters into force on January 1, 2006.

This Act is also applied to loans referred to in Section 43, paragraph 5, to buildings and dwellings financed with such loans and to shares entitling the owner to the ownership of such buildings or dwellings.

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

[HE 98/2005](#), YmVM 16/2005, EV 177/2005

~~August 18, 2006/717:~~

This Act comes into force on September 1, 2006.

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

This Act is also applied to a rental dwelling under the Act on Interest Subsidy for Rental Dwelling Loans ([867/1980](#)) which is subject to a period of restriction on use of 20 years.

[HE 47/2006](#), YmVM 4/2006, EV 65/2006

~~December 8, 2006/1131:~~

This Act comes into force on January 1, 2007.

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

[HE 255/2006](#), YmVM 5/2006, EV 189/2006

~~January 12, 2007/21:~~

This Act comes into force on April 1, 2007.

Section 14, paragraph 1, subparagraph 2, Section 15, paragraph 1 and Section 14 of this Act are applied to applications filed after the entry into force of this Act.

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

[HE 198/2006](#), YmVM 7/2006, EV 219/2006

~~November 27, 2009/946:~~

This Act comes into force on December 1, 2009.

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

[HE 89/2009](#), YmVM 6/2009, EV 133/2009
