

Ministry of the Environment administrative branch, social housing

1) Interest subsidy loans for social housing

Clear and comprehensive description of how the respective services are organized in your Member State

<p>Explanation of what kind of services in the respective sector have been defined as SGEI in your Member State. Please list the contents of the services entrusted as SGEI as clearly as possible.</p>	<p>Interest subsidies can be paid for a loan through State resources if the loan has been granted for the construction, acquisition or renovation of social rented dwellings, right-of-occupancy dwellings or part-ownership dwellings. There is always a deficiency guarantee in connection with these interest subsidy loans. The purpose of the subsidies is to provide high-quality and reasonably priced housing for individuals who are unable to find suitable housing on the market due to their low levels of income and limited means.</p> <p>To guarantee that state aid will only be allocated for the benefit of residents, interest subsidy loans are only granted to non-profit housing corporations, municipalities and other public corporations with a public service obligation as well as companies reporting directly to them. All undertakings and other corporations may apply to the Housing Finance and Development Centre of Finland (ARA) for non-profit status, and objective, proportional and non-discriminatory criteria for the designation have been laid down in the law. But a commercial company can also establish a subsidiary with non-profit status to fulfil the public service obligation and receive state aid accordingly. In this way, the interest subsidy system combines a strictly controlled approach to the allocation of aid with the opportunity for all operators in the sector to receive aid. The number of corporations granted non-profit status is not restricted and at the moment stands at about 500.</p>
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	<p>The law requires that a non-profit corporation must be one involved in the construction of rented or right-of-occupancy dwellings and the provision of such to residents chosen with reference to social criteria, with the objective of obtaining good and safe living conditions for residents at reasonable cost. A non-profit corporation may not take risks other than those associated with its line of business, as mentioned above, and may not organise its structure in such a way that jeopardises its responsibility for rented and right-of-occupancy buildings that encounter financial difficulties. A corporation may not enter as income for its owner anything other than a reasonable yield calculated for the assets invested in the corporation by the owner. In other respects, accrued assets must be used for the corporation and residents.</p> <p>In addition, the restrictions on use and assignment laid down in the law apply to all housing projects granted interest subsidies. The residents may only be charged a cost price rent that does not exceed the amount that is needed to cover the expenses incurred in financing the dwellings and adjacent premises and in sound property management. Accommodation is allocated to the households in greatest need: the resident selection criteria are the need for housing on the part of the applicant households, and their wealth and income, so that those applicants in most urgent need of housing, with the most limited means and the lowest income are given priority. The assignment of property and the assignment price are also restricted under the law.</p>
<p>Explanation of the (typical) forms of entrustment. If standardized templates for entrustments are used for a certain sector, please attach them.</p>	<p>The Finnish Act on the Interest Subsidy for Rental Housing Loans and Right-of-Occupancy Housing Loans (604/2001) provides for the general conditions for granting interest subsidy loans and the content of the public service obligation to borrowers. The authority that</p>

	<p>decides on the acceptance of a loan as an interest subsidy loan, ARA (Housing Finance and Development Centre of Finland), makes a decision in writing on all the interest subsidy loans it approves for the borrower, which contains details of the public service obligation imposed on the beneficiary and the compensation paid for it with the relevant terms and conditions. Detailed provisions on the preconditions for granting and paying the subsidies and the parameters used in the calculation, control and review of the amounts paid are laid down in legislation and official acts.</p>
<p>Explanation of the (typical) duration of the entrustment and the range of durations of the entrustments. Please also specify the proportion of entrustments that are longer than 10 years.</p>	<p>Restrictions on the use and assignment of housing for which interest subsidy loans have been granted remain in effect for 30-40 years, depending on the purpose of the loan. The non-profit obligations on the borrower corporation remain in effect as long as the corporation owns property subject to restrictions. Thus, the public service obligation on the borrower is 30-40 years long, depending on the project. A period of entrustment lasting in excess of 10 years as referred to in recital 12 of the Commission's SGEI Decision is justified, due to the need for a significant investment, for example in the area of social housing.</p>
<p>Explanation whether (typically) exclusive or special rights are assigned to the undertakings.</p>	<p>None are assigned</p>
<p>Explanation of the (typical) compensation mechanism as regards the respective services, including the aid instrument (direct subsidy, guarantee, etc.) used and whether a methodology based on cost allocation or the net avoided cost methodology is used.</p>	<p>ARA selects the housing projects eligible for interest subsidy loans on the basis of the applications submitted to it and approves a loan as an interest subsidy loan only if the applicant and the housing project meet the requirements for granting interest subsidies laid down in the law. A condition for agreeing an interest subsidy loan is that ARA approves the project</p>

	<p>construction plan and the costs before work starts. When implementing a subsidised project, the beneficiary must observe all the legal provisions on competition and public procurement. New construction and renovation must be put out to tender, and contracts for interest subsidy loans may only be awarded through competitive tendering. The interest subsidies are paid by the State Treasury.</p> <p>Depending on the project being financed, the amount for an interest subsidy loan is 80-95 % of the construction, procurement or renovation costs approved for the project. There is always an excess amount for interest on the loan payable by the borrower. In 2012 and 2013 this was 1.0-3.5 %, depending on the project. That part of the interest over the excess amount is paid to the credit institution granting the loan in the form of an interest subsidy. The amount of the interest subsidy paid gradually declines to zero over a period of 23 years. The interest charged on the loan to the borrower may not exceed the interest generally applied to loans with similar risk and terms. Interest subsidies are used entirely for the benefit of the resident and the owner receives no profit on them. A corporation may not enter as income for its owner anything other than a reasonable yield calculated for the assets invested in the corporation by the owner.</p> <p>In 2013, ARA was also able to provide start-up grants connected with interest subsidy loans on a fixed-term basis. These grants could only be provided for dwellings funded with interest subsidy loans and thus all provisions and restrictions on interest subsidy lending, beneficiaries and projects receiving loans apply to them. The aim of the start-up grants has been to boost the production of ordinary rented and right-of-occupancy</p>
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	<p> dwellings in the Helsinki area in recent years, to compensate for construction costs that are higher there than in the rest of Finland and to promote the renovation of old apartment blocks. The grant was EUR 10,000 per dwelling. </p> <p> A state guarantee (guaranteed loan) was also in place in 2012 and 2013 for the construction of rented dwellings as a form of aid to supplement the interest subsidy loan. In the largest growth regions in Finland, the shortage of reasonably priced housing is a chronic problem. The supply of rental housing cannot meet the demand, which means higher rents, makes the position of low-income and middle-income employees in the service sector in the housing market particularly problematic, and prevents employees from moving to areas where the demand for labour is highest. Guaranteed loans are an attempt to address this problem. So, ultimately, the aim of these guaranteed loans is also to secure housing for people in a vulnerable position. Thus they, too, can be considered social housing even though the accommodation is not associated with all the same restrictions on use and assignment as that funded by means of interest subsidy loans. A guaranteed loan takes the form of a deficiency guarantee and it applies to loans used for the construction of new rented dwellings. Unlike with the ordinary interest subsidy, with guaranteed loans, the borrower is only required to be sufficiently able to repay the loan and attend to its rental housing business. Dwellings must be used as rented units for the duration of the guarantee period (at least 20 years). The provisions on the obligation of borrowers to subject their contracts and financing to competitive tendering and observe public </p>
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	<p>procurement legislation also apply to guaranteed loans. Furthermore, the terms and conditions of the loan, the interest and the other loan-related costs charged by the lender must be reasonable when compared with the terms and conditions, interest and the costs of loans generally granted for similar purposes. The state guarantees are only in effect on the condition that the lender administers the guaranteed loan and its collateral in accordance with the law and good banking and recovery practice. Only a small number of guaranteed loans we approved in the period 20-12-2013.</p>
<p>Explanation of the (typical) arrangements for avoiding and repaying any overcompensation.</p>	<p>The interest subsidy system is so constructed that state aid is channelled entirely for the benefit of residents in the form of cheaper rents. This is mainly achieved through three complementary mechanisms: ensuring that subsidies are the right amount, reference to the legal provisions on non-profit status and the restrictions on the use and assignment of the dwellings in question. ARA supervises the process by means of price-quality control to ensure that the dwellings are correctly located in terms of regional development and demand, that they are of high quality and that prices are correctly estimated. Price-quality control and other areas of legislation are important factors in ensuring that housing costs stay at reasonable levels and that residential areas become diverse and attractive.</p> <p>Interest subsidy legislation and the terms and conditions of the decisions made by public authorities prevent the overpayment of subsidies. ARA, the State Treasury and the municipalities (local authorities) ensure that the beneficiaries observe the requirements and restrictions laid down in the law. Activities in violation of the</p>

	provisions may lead to the termination of the subsidy payments, excessive or unjustified subsidies may be recovered with interest and the borrower may have to pay a penalty. All data on subsidised projects is kept for 50 years. Checks have shown that the subsidies paid and the relevant activities have mostly been in accordance with the law and the official decisions taken, with a few exceptions.
Amount of aid granted	
Total amount of aid granted. This includes all aid paid in your territory, including aid paid by regional and local authorities.	See Annex 1: Amount of aid granted in the period 2012-2013
Other quantitative information	See Annex 1: Amount of aid granted in the period 2012-2013

- 2) Grants aimed at improving the housing conditions of special needs groups (interest subsidy loan referred to in section 1 is always a precondition)

Clear and comprehensive description of how the respective services are organized in your Member State	
Explanation of what kind of services in the respective sector have been defined as SGEI in your Member State. Please list the contents of the services entrusted as SGEI as clearly as possible.	Grants aimed at improving the housing conditions of special needs groups may be provided for the construction, acquisition and renovation of interest-subsidised rented dwellings for which interest subsidy grants have been awarded and intended for persons in such groups. The following categories are considered special needs groups: the homeless, the disabled, elderly persons with memory disorders or in poor health, people with mental health problems, people with intoxicant problems, students and young people in

	<p>need of special support. The purpose of the special needs grants is to make it easier for the most vulnerable people to acquire accommodation that meets their needs. The grants are used for compensating the special investment costs that are incurred in the need for common and service facilities in accommodation for special needs groups and for other special solutions regarding space, facilities and equipment. The grant is only for accommodation and housing and is not awarded, even partially, for care and nursing services for residents in sheltered housing, for example.</p> <p>A condition of receiving a grant is that an interest subsidy loan has been granted for the same project (section 1). Thus, all the legal provisions on interest subsidy lending, its beneficiaries and recipient projects, such as those to do with non-profit status, the criteria for selecting residents, and the principle of cost price rents also apply to special needs projects in receipt of grant. There is also a 20-year special use restriction attached to projects receiving a grant, during which time the accommodation must be used specifically for the special needs groups referred to in the decision to award the grant.</p>
<p>Explanation of the (typical) forms of entrustment. If standardized templates for entrustments are used for a certain sector, please attach them.</p>	<p>The Finnish Act on Subsidies for Improving the Housing Conditions of Special Groups (1281/2004) and Act on the Interest Subsidy for Rental Housing Loans and Right-of-Occupancy Housing Loans (604/2001) provide for the general conditions for awarding grants and the content of the public service obligation to beneficiaries. In addition, there are provisions on the general requirements for awarding grants in the Act on Discretionary Government Transfers (688/2001). Detailed provisions on the preconditions for granting and paying the subsidies and the parameters used in the calculation, control and review of the</p>

	<p>amounts paid are laid down in these Acts. The authority that decides on the award of grants, ARA (Housing Finance and Development Centre of Finland), makes a decision in writing on all the grants it approves for the borrower, which contains details of the public service obligation imposed on the beneficiary and the compensation paid for it, with the relevant terms and conditions.</p>
<p>Explanation of the (typical) duration of the entrustment and the range of durations of the entrustments. Please also specify the proportion of entrustments that are longer than 10 years.</p>	<p>See section 1</p>
<p>Explanation whether (typically) exclusive or special rights are assigned to the undertakings.</p>	<p>None are assigned</p>
<p>Explanation of the (typical) compensation mechanism as regards the respective services, including the aid instrument (direct subsidy, guarantee, etc.) used and whether a methodology based on cost allocation or the net avoided cost methodology is used.</p>	<p>The grant is awarded and paid by ARA (Housing Finance and Development Centre of Finland). A condition for awarding the grants is that the rented accommodation is suitable for use by special needs groups and that the relevant individuals have a long-term need for accommodation in their area. ARA selects the housing projects eligible for grants on the basis of the applications submitted to it and only approves grants if the applicant and the housing project meet the requirements for awarding grants laid down in the law. A condition for agreeing an interest subsidy loan is that ARA approves the project construction plan and the costs before work starts. When implementing a subsidised project, the beneficiary must comply with the legislation on competition and public</p>

	<p>procurement. ARA adopts the same price-quality control process in the award of grants as it does in the granting of interest subsidy loans. The size of the grant is always agreed on a case-by-case basis to reflect the additional cost incurred in delivering the solutions for facilities, space and equipment for special needs groups that differ from normal requirements for residential buildings. The maximum amounts for the grants (10 %, 25 %, 40 % or 50 % of the ARA-approved construction, procurement or renovation costs) are graded in accordance with the needs of the target group. The largest grant (50 %) is intended for the construction of dwelling arrangements for the long-term homeless suffering from intoxicant, mental health or other similar problems and for the disabled requiring exceptional or expensive facilities or equipment. Grants are only awarded at the maximum rate permitted under the law if the estimated housing costs cannot be reduced to a reasonable level in any other way.</p>
Explanation of the (typical) arrangements for avoiding and repaying any overcompensation.	See section 1
Amount of aid granted	
Total amount of aid granted. This includes all aid paid in your territory, <u>including aid paid by regional and local authorities.</u>	See Annex 1: Amount of aid granted in the period 2012-2013
Other quantitative information	See Annex 1: Amount of aid granted in the period 2012-2013

3) Social housing loans granted by the State

Clear and comprehensive description of how the respective services are organized in your Member State	
Explanation of what kind of services in the respective sector have been defined as SGEI in your Member State. Please list the contents of the services entrusted as SGEI as clearly as possible.	<p>Previously, loans were granted through State resources for the construction, acquisition and renovation of rental and right-of-occupancy dwellings. These 'ARAVA' loans have ended and been replaced with interest subsidy loans (section 1). However, the loan stock and housing stock financed with loans still exist. ARAVA loans were granted to the same organisations as interest subsidy loans are now, their recipients were bound by the same provisions on non-profit status, and accommodation for which ARAVA loans had been granted by the same restrictions on use and assignment as described in section 1.</p> <p>Certain supplementary forms of aid may be associated with ARAVA lending, which were possible to award if the statutory requirements were met. Just a few of these were granted each year and were mainly for near-empty rented blocks in remote areas. Without these subsidies, the loan terms and conditions based on when the ARAVA loans were granted would be unreasonably onerous for the rental property companies and rents would become too high for the residents owing to under-occupation of the accommodation.</p>
Explanation of the (typical) forms of entrustment . If standardized templates for entrustments are used for a certain sector, please attach them.	Although ARAVA loans are no longer granted, the legislation on them is still in force on account of the loan and housing stock. The Finnish Act on State-subsidised Housing Loans (ARAVA Act) and Finnish Act on the Use, Assignment and Redemption of State-Subsidised (ARAVA) Rental Dwellings and Buildings provide for the general conditions for granting ARAVA loans and the content of

	<p>the public service obligation to borrowers. The supplementary subsidies associated with them, the conditions for granting them and the conditions of the subsidies themselves are provided in separate special laws. A decision in writing was produced for borrowers on the granting of all ARAVA loans, which contains details of the public service obligation imposed on the beneficiary and the compensation paid for it, with the relevant terms and conditions. Furthermore, a specific official decision for beneficiaries was taken on these supplementary subsidies. Detailed provisions on all the preconditions for approving and paying the supplementary subsidies and the parameters used in the calculation, control and review of the amounts paid are laid down in legislation and official acts.</p>
<p>Explanation of the (typical) duration of the entrustment and the range of durations of the entrustments. Please also specify the proportion of entrustments that are longer than 10 years.</p>	<p>See section 1</p>
<p>Explanation whether (typically) exclusive or special rights are assigned to the undertakings.</p>	<p>None are assigned</p>
<p>Explanation of the (typical) compensation mechanism as regards the respective services, including the aid instrument (direct subsidy, guarantee, etc.) used and whether a methodology based on cost allocation or the net avoided cost methodology is used.</p>	<p>ARA selected the housing projects eligible for ARAVA loans on the basis of the applications submitted to it. The loan was paid by the State treasury. The same authorities decided on the supplementary subsidies referred to on the basis of submitted applications and approved them if the applicant and the housing project met the requirements for granting the</p>

	<p>subsidy laid down in the law.</p> <p>The amount of the ARAVA loan granted could be, at most, between 80 % and 95 % of the approved construction, acquisition and renovation costs, depending on the project in question. Approximately EUR 6.9 billion of the ARAVA loan stock remained at the end of 2013. The aid element in ARAVA lending was the low interest rate compared with normal market rates. But, owing to the low rate of interest on the market, ARAVA loans did not represent any aid at all in the form of low interest rates in the period 2012-2013. The supplementary subsidies associated with ARAVA lending are for the temporary amendment to the loan terms and conditions, a partial forgiveness of the loan, and the granting of financial assistance to rental housing corporations for restructuring or demolition costs. These supplementary subsidies were for rented property that had been under-occupied for a long time as a result of an unexpectedly dramatic fall in the population.</p>
Explanation of the (typical) arrangements for avoiding and repaying any overcompensation.	See section 1
Amount of aid granted	
Total amount of aid granted. <u>This includes all aid paid in your territory, including aid paid by regional and local authorities.</u>	See Annex 1: Amount of aid granted in the period 2012-2013

Other quantitative information	See Annex 1: Amount of aid granted in the period 2012-2013
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