



What is a Finnish Housing Company?

March 2024

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- In short: Housing company is a way of organizing living in an apartment building or a row house
- Legally a housing company (in Finnish: asunto-osakeyhtiö) is a common legal entity type in Finland regulated by domestic legislation *Limited Liability Housing Companies Act* (LLHCA)
- Main idea of a housing company is to own and to possess a residential building and the land beneath the building
 - The land can also be leased from an external landowner (usually municipality or city)
- Ownership in privately owned housing companies is usually spread to several private households



Management of a Housing Company



- Housing Company holds a General Meeting yearly, where
 - a Board is elected by the owners of the housing company to operate and maintain the building
 - decisions are made on renovations of the building
 - decisions are made on finances, including monthly maintenance fees



- Income of a Housing Company
 - maintenance fees payable by the owners
 - rental income from apartments and/or other utilities in the building (applies to some housing companies)

- Expenses of a Housing Company
 - heating and maintenance
 - renovations of the building



Owners of a Housing Company



- Buying shares in a housing company give the buyer the *right to live* in and use a specific apartment
- Owner of the shares is *responsible*
 - for the interior of the apartment
 - for paying housing company maintenance fees and debt installments of the company
- Owner of the shares is *entitled*
 - to participate in housing company management
- Maintenance fees and housing company debt are typically allocated according to the floor area of the apartment or number of shares
- Should an individual owner become insolvent
 - the Housing Company has a right to overtake the apartment and rent it out
 - other owners have an obligation to cover possible losses to the company



Lending Perspective



Key credit risk factors

Location of the building
Number of apartments and owners = size of the company
Condition of the building
Financials of the housing company



Exposure is secured

Collateral: the residential building and the land it stands on



Repayment capability of the company

Legally binding shareholder maintenance fees and loan payments
Typically, well diversified set of cash flows from several households



Housing Company loans are legally considered corporate loans

Bank may raise the margin of the loan unilaterally
Bank may demand more collateral



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Information in this presentation only describes the characteristics of a typical Finnish housing company with private persons as owners. Exceptions and deviations do occur in individual housing companies.