

The data of 1.5 million owner apartments into a new system

Liisa KALLELA, Finland

Key words: Digitisation, electronic services, registration of ownership

SUMMARY

More than half of the people in Finland live in a privately owned apartment (owner apartment) allocated in a terraced house or apartment block that is governed by a housing company. There are approximately 90,000 housing companies and more than 1.5 million owner apartments in the whole of Finland.

As of the beginning of 2019, information on owner apartments and their ownership and pledging has been collected in a new residential and commercial property information system. The collection of data is an enormous task that will be completed in several stages by a variety of parties. The system's implementation and maintenance are the responsibility of the National Land Survey of Finland (NLS).

The residential and commercial property information system allows for the development of digital services and will facilitate the work of tens of thousands of people in housing companies, real estate management services, real estate agencies, financial institutions and public administration. The availability, reliability, timeliness and coverage of information will improve when the information on owners and pledging of owner apartments are available from a register maintained by the authorities, and public credibility of the information is guaranteed. Studies on further development of the system's data content have already been conducted.

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1. HOME OWNERSHIP IN FINLAND

A home often represents the most important property of a Finnish person. People have invested thousands of billions in their homes. More than half of the people in Finland live in a privately owned apartment (owner apartment) located in a terraced house or apartment block that is governed by a housing company. There are more than 1.5 million owner apartments and approximately 90,000 housing companies in the whole of Finland.

The housing company owns the residential building and often also the the real estate unit on which the building is located. If the housing company owns the real estate unit, the housing company has been registered as the owner in the national Land Information System.

A share or a group of shares in a housing company confers possession of a particular owner apartment. In most cases, the shareholder has possession of their own apartment, but the shareholder also has the right to rent out their owner apartment.

Share ownership is proven with a hard copy share certificate. When an owner apartment changes ownership, the share certificate is transferred to the new owner in connection with the conclusion of the sale. An owner apartment is often used as the collateral for a loan, in which case the hard copy share certificate will be transferred to the bank.

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Figure 1: Housing company owns five buildings (A, B, C..) consisting of 15 owner apartments (A1, A2, A3....) and two garages. A hard copy share certificate has been issued for each apartment. The buildings are located on the real estate unit no 90-26-102-5, which has been registered in the Land Information System.

Unlike in many other countries, owner apartments, their owners and pledges have not been registered in any national register. The information on owner apartments and their owners is scattered among the 90,000 housing companies. The Finnish Patent and Registration Office maintains information on housing companies, but not on their shareholders. The Tax Administration maintains information on the owners of owner apartments for taxation purposes, but the information is not public or comprehensive. No comparable information on housing companies and owner apartments is available in a centralised manner.

When a hard copy share certificate is used for housing transactions and use it as the collateral for a loan, the share certificate must be moved from one place to another. This causes inconvenience, expenses and delays in housing transactions. The use of the hard copy share certificates has hampered development of the electronic services.

2. LAUNCHING THE PROJECT

In 2017, one project was started to create a register for information on owner apartments and ownership that would enhance the availability, reliability, timeliness and coverage of the

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information. The project will enable electronic services, such as the electronic trading of owner apartments, collateral management and lifecycle management of housing companies. The goal is to gather the different pieces of information and different services into one consistent service that is easy for customers to use. Once in use, the system will facilitate the work of tens of thousands of people in housing companies, real estate management services, real estate agencies, financial institutions and public administration.

When the target state has been reached, after a transition period, the registration of ownership and pledges, as well as the trading of owner apartments, will be based on electronic ownership and pledging entries, the public credibility of which is guaranteed. The prerequisites for this is that the owned and managed objects (owner apartments) are identified, entering them into the system and replacing the hard copy share certificates with electronic entries.

The residential and commercial property information system is regulated by an act that entered into force in the beginning of 2019, Act on the Residential and Commercial Property Information System (1328/2018). At the first stage, basic information on housing companies and owner apartments, as well as information on the ownership, pledging and restrictions on owner apartments, will be added into the system. The plan is to expand the system’s data content at a later point in time. The system complements the Land Information System maintained by of the National Land Survey of Finland NLS, which is a register of real estate units, their ownership and pledging.

Residential and commercial property information system



Figure 2: At the first stage, basic information on housing companies and owner apartments will be maintained in the residential and commercial property information system. Housing companies and the Finnish Patent and Registration Office will be responsible for the maintenance of this information. Information on ownership, pledging and restrictions will be registered upon application or notification, and NLS will be responsible for the registration.

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3. IMPLEMENTATION OF THE SYSTEM

The National Land Survey of Finland carries the responsibility for the implementation of the residential and commercial property information system. The implementation phase was preceded by an extensive architecture specification project.

NLS built the system as in-house developed software, using Java and modern web development tools. Significant changes were also made in the operations and data systems of the Finnish Patent and Registration Office, as well as the Tax Administration's systems.

Commissioning of the residential and commercial property information system will also require changes in the operations of housing companies, financial institutions, real-estate agencies and several authorities. The stakeholders will have to reform their data systems due to the changes.

4. TRANSFER OF HOUSING COMPANIES TO THE RESIDENTIAL AND COMMERCIAL PROPERTY INFORMATION SYSTEM

The residential and commercial property information system will be commissioned in stages. The first information to be entered into the system was on new housing companies, i.e. ones established after 1 January 2019. The transfer of old companies (established prior to 1 January 2019) into the system has been possible since May 2019.

4.1. New companies

As of the beginning of 2019, housing companies have been established in electronic format. A company is established in the service of the Finnish Patent and Registration Office, and information on the company, its owner apartments and its founding shareholders is transferred directly to the residential and commercial property information system. Approximately 1,400 new housing companies are established in every year. Combined, they include some 23,000 owner apartments.

Share certificates are no longer printed for the owner apartments: instead, data from the residential and commercial property information system indicates the owners of the owner apartments. Pledges and restrictions can be registered for owner apartments that have undergone this electronic registration of ownership.

4.2. Old companies

The transfer of old housing companies into the residential and commercial property information system will take place in two stages: the objects, i.e. housing companies and owner apartments, will be transferred first. When this has been done, applications for registration of ownership and pledges for the housing company's owner apartments can be submitted to NLS.

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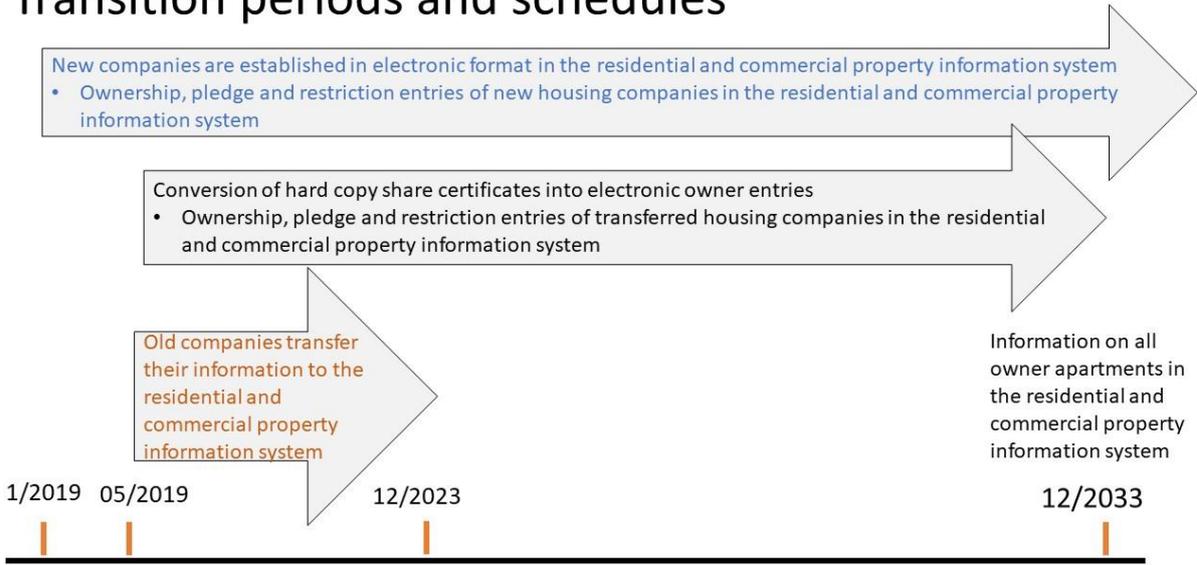
Housing companies have always been obligated to maintain information on themselves, their owner apartments and their owners. All housing companies must transfer this data to the residential and commercial property information system between 2019 and 2023.

Given that the companies vary widely in type and size, the data can be saved in a variety of ways. Small housing companies can save the data via a web-service provided by NLS. Larger companies usually have professional real estate managers who use ERP-systems for the purpose of the housing company’s administration. For such companies, there are interfaces through which the real estate manager can transfer the data directly from their system to the residential and commercial property information system.

Once a housing company has transferred its data to the system, the company is no longer obligated to maintain information on the owners of their owner apartments. A new owner will be automatically added into the system when the ownership is registered.

Once a housing company has transmitted the company data to the residential and commercial property information system, all shareholders must separately apply for the registration of their ownership and deliver their hard copy share certificates to NLS for annulment. When the owner of an owner apartment changes for the first time after the transfer of the housing company data, an application for registration of ownership must be submitted within two months of the transaction. In other cases, the transition period is long: registration of ownership must be applied for within 10 years of the housing company having submitted the data to NLS. The workload will be huge, as the 1.5 million owner apartments have more than 2 million owners.

Transition periods and schedules



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Figure 3: There are many stages in the process of transferring information to the residential and commercial property information system, and the transition periods are long.

5. MAINTENANCE OF THE REGISTER

The owners of less than 10 per cent of owner apartments change over the course of one year. This can happen because the apartment is sold, for example. The new owner must apply for registration of their ownership in the residential and commercial property information system. If an apartment is transferred to a new owner as inheritance, for instance, the registration of ownership may require an extensive investigation on the part of both the new owner and NLS.

The first registration of ownership will be based on the hard copy of share certificate. The original certificate must be submitted to NLS. If the share certificate has been held by a bank as collateral for a loan, a digital pledge note will be registered for the owner apartment in the same connection.



Figure 4: Each hard copy share certificate must be submitted to NLS for annulment in connection with the first registration of ownership.

Once the ownership has been registered, the right of ownership to an owner apartment will be indicated by a register entry instead of a hard copy share certificate. The owner no longer has to retain the share certificate, which eliminates the risk of getting the paper share certificate misplaced or destroyed.

Once an owner apartment has the electronic registration of ownership, the new owner must apply for registration of their ownership when an apartment has been sold, for example. In such a case, the registration of the new owner will be based on the consent of the owner specified in the residential and commercial property information system, which is usually the seller.

Once an owner apartment has the electronic registration of ownership, the pledgee (usually a bank) must apply for registration of the pledge in the residential and commercial property

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information system. Several pledges can be registered for an owner apartment, and a pledge can also be registered for the ownership of the part of the shares of an owner apartment. A maximum amount in euros for the pledge liability can also be registered. This will make it easier to use an owner apartment as the collateral for several loans. Furthermore, all pledges of an owner apartment can be viewed in the system. The registration of a pledge requires the consent of the apartment's owner.

There may be a variety of restrictions on an owner apartment that influence the owner's right to use the apartment or transfer it. Such restrictions include registration of distraint or bankruptcy. Restrictions will be entered into the residential and commercial property information system based on an application from an authority or the party whose rights the restriction protects.

The number of registrations will be significant: it has been estimated that after the transition period, some 100,000 owners, 150,000 pledges and 30,000 restrictions will be registered each year. In addition, the removal of pledges and restrictions must be registered, and share certificates must be annulled in connection with the first owner registration.

Special attention has been paid to electronic services: the opportunity to use online services was already taken into account when planning legislation. In the future, an application can be submitted and its progress can be monitored via the online service or through the interface. An online service to issue the consent required for the registration of ownership and pledging is also being planned.

6. INFORMATION SERVICES

One of the most important objectives with the residential and commercial property information system is improved access to information. In future, the system will be a nationwide databank of the basic information of housing companies, owner apartments, their owners, pledges and restrictions.

The information will be available in the form of printouts, via the online service and via the interface services. With the interface services, active information users (such as banks or real estate agents) can retrieve up-to-date information from the residential and commercial property information system directly into their own systems. NLS will provide the information service interfaces, but private sector service providers will be responsible for services offered to the end users, such as banks.

The information in the residential and commercial property information system includes personal data. Hence, personal data protection has been taken into account when planning and developing the information service. As a general rule, personal data will only be provided for a purpose specified by law.

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7. COVERINS THE COSTS

When planning the residential and commercial property information system, it was decided that the maintenance and support of the system must not cause any additional expenses to the state after the development period. System maintenance will be covered with the application and information service fees.

A fee for the registration of ownership, a pledge or a restriction will be charged in connection with each registration. An event-based fee for the use of the information system will also be charged. However, the information service will be provided free of charge for specific parties, such as authorities.

The data transfer will not cost housing companies anything, and the companies will be able to obtain the information they need for administrative purposes from the system free of charge. This is to make housing companies more willing to start using the system.

8. FURTHER DEVELOPMENT

In addition to the ownership, pledging and restriction information, the system commissioned in 2019 only covers the basic information of housing companies and owner apartments. The data content should be expanded to ensure that the system will better serve its users.

According to a survey conducted in 2019, the need for further development is greatest in relation to the technical and the financial information of owner apartments, such as repair history, planned repairs and repairs on which a decision has been made. This information is necessary in connection with housing transactions, collateral for a loan, monitoring of the housing market, creation of statistics and calculation of a variety of indices, for example. More studies on the development of the system will be conducted in 2021.

9. SUMMARY

The residential and commercial property information system was commissioned according to plan in the beginning of 2019. The number of new housing companies established in 2019 that were transferred into the system complied with the preliminary estimate, and the registration process for the ownership, pledges and restrictions of the owner apartments in these companies into the system has already become well established.

The transfer of old housing companies (established prior to 1 January 2019) into the system is a lengthy process that will require cooperation between a variety of parties. The growth of the data content on these companies in the system will be moderate in the next few years.

The commissioning of the residential and commercial property information system influenced the activities of many stakeholders. In addition to housing companies, the system requires major operational and system changes from banks, real estate agents and several authorities, for instance.

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The fact that the system will be commissioned in stages has made the work of the stakeholders and NLS easier. The application volumes have remained low, which has allowed all the parties involved to adapt their operations to the changed situation. Development of the system and commissioning of the services will continue in 2021 and 2022.

On the other hand, maintenance of a system based on two different operating methods (the hard copy share certificates and the electronic entries) is considered cumbersome and expensive. A variety of operating methods will be used during the transition period, which will cause some confusion and questions. A study on making the registration process more fluent has already been started. The adding of information into the register can be promoted by means of active communication, versatile services and cooperation with the different parties involved.

In addition to the development of the information system, a successful transition to the new system has required extensive cooperation with the stakeholders and communication about the change. The cooperation with the stakeholders has continued throughout the project period, and development of the services together with the stakeholders will continue. The reform being considered necessary and all the parties being committed to the project and actively involved in the development process are of the utmost importance.

REFERENCES

Legislation

Act on the Residential and Commercial Property Information System (1328/2018) - available in English at the following address:

<https://www.finlex.fi/en/laki/kaannokset/2018/en20181328.pdf>

BIOGRAPHICAL NOTES

Master of Science in Engineering Liisa Kallela works at the National Land Survey of Finland as Chief Specialist. Working experience in the National Land Survey of Finland in different positions since 1991 including customer service development, development and implementation of information systems and project management. Kallela graduated from Technical University in Helsinki 1990.

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Web site: <https://www.maanmittauslaitos.fi/en>

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