§ 508. State loans. 1. The commissioner may, in the name of the state, make or contract to make loans to a municipality to assist such municipality to establish and carry out one or more programs of urban renewal. No such loan shall be made where the municipality has contracted with the federal government for a capital grant prior to the thirtieth of April, nineteen hundred fifty-nine; provided, however, that such a loan may be made with respect to that part of any program which has been added, or with respect to which the federal capital grant has been increased, pursuant to a contract or contract amendment entered into with the federal government after such date. All such loan contracts shall be subject to approval by the state comptroller, and by the attorney general as to form. Any such loan shall be in such amount, not exceeding one-half of the local grants-in-aid which the municipality has agreed to make under the provisions of the contract for federal aid, as the commissioner, in his discretion, may deem necessary to assist the municipality in discharging its obligations in connection with the urban renewal program for which the loan shall be made. No municipality shall receive any such loan until (a) the urban renewal plan has been approved by the governing body, (b) the program set forth in such plan has been certified as eligible for federal assistance by the housing and home finance agency of the federal government, and (c) the governing body and the comptroller of the municipality, or in a municipality having no comptroller, the chief financial officer of such municipality, have attached their separate approvals to the loan contract. The commissioner may make temporary advances to such municipality in anticipation of any such loan, and no such temporary advance shall be deemed to constitute part of such loan unless such temporary advance has been made out of the proceeds of definitive urban renewal bonds sold by the state pursuant to section sixty of the state finance law.

2. Loans shall be made at the rate of interest paid or to be paid by the state for the funds loaned to the municipality, plus a proportionate share of the actual direct cost of the borrowing as certified by the state comptroller. Each such loan shall be repaid in equal annual installments over or within a period not to exceed twenty-five years. Each installment shall equal the amount payable by the state for moneys borrowed for the loan and shall be paid by the municipality not later

than five days before each such payment by the state is required.

3. Should the municipality fail to make payment of interest or principal upon any due date, the state comptroller may deduct and retain from any moneys otherwise payable by the state to such municipality, the amount of such interest and principal and credit such municipality with the amount of such deduction.

4. All or any part of the sum which the commissioner has contracted to lend to the municipality may, with the consent of the commissioner, be borrowed by the municipality from sources other than the state under such terms and conditions as the commissioner shall approve, but such borrowing shall not constitute a waiver or surrender of the rights of the municipality under its loan contract made with the commissioner.