§ 1815. Special purpose funds. 1. The following shall constitute special purpose funds of the authority and shall, except as provided in paragraph (g) of subdivision two of this section, be kept separate and apart from all other funds of the authority: (a) the proceeds of sale of special purpose bonds and notes, (b) any moneys made available by the state for the purposes of this subtitle only, (c) any moneys made available to the authority for the purposes of this subtitle only from any other source or sources, including, without limitation, any federal agency, (d) any moneys received by the authority as payments on account of loans and loan guarantees made by the authority pursuant to this subtitle and any moneys now on hand or hereafter received by the authority as payments on account of mortgage loans heretofore made by the authority pursuant to subtitle three, (e) any fees, charges or other moneys received by the authority in respect of projects assisted by the authority pursuant to this subtitle or on account of applications therefor, (f) any income or interest earned by, or increment to, any special purpose funds due to the investment thereof, and (g) the proceeds of the sale of general purpose bonds or notes heretofore issued; provided, however, amounts received by the authority in respect of loan guarantees, issued or to be issued, shall be kept separate and apart from all other funds of the authority in a special purpose loan guarantee insurance fund as provided in subdivision three of this section.

2. Subject to the terms of any agreement with special purpose bondholders and noteholders, special purpose funds may be used by the authority only (a) to make mortgage loans to local development corporations for costs of projects and loans for machinery and equipment as provided in section eighteen hundred fourteen hereof to improve employment opportunities in any area of the state, (b) to pay the expenses of the authority referred to in clause (i) of subdivision one of section eighteen hundred twenty-eight of this title, (c) to repay advances from the state for use as special purpose funds in accordance with any provision of law or repayment agreement between the authority and the director of the budget, (d) to pay the principal and redemption price of or interest on special purpose bonds or notes, (e) to purchase special purpose bonds or notes, (f) to pay the principal and redemption

price of or interest on any general purpose bonds or notes heretofore issued, (g) to make deposits in the special purpose loan guarantee insurance fund created by paragraph a of subdivision three of this section, or (h) in connection with projects financed with special purpose funds to exercise any of the powers conferred in this title.

3. Special purpose loan guarantee insurance fund.

a. There is hereby created a special purpose loan guarantee insurance fund for special purpose funds in respect of loan guarantees which shall be kept separate and apart from all other funds of the authority.

b. The authority is hereby directed and authorized to charge the following expenses against the special purpose loan guarantee insurance fund:

(i) any expenses which are clearly attributable, in the opinion of the authority, to the exercise of any of the authority's powers in respect of loan guarantees issued or reasonably expected to be issued;

(ii) any payments and all expenses attendant thereto which are required to be paid by the authority because of a default in the payment or in the other terms of a loan guaranteed by the authority;

(iii) all expenses and payments for the protection of the authority's interests in connection with defaulted or delinquent loans guaranteed by the authority, or in property possessed in consequences thereof;

(iv) all amounts required in the opinion of the authority to be set aside to provide a reasonable reserve for losses expected to be incurred by the authority as a result of defaults or expected defaults in the terms and payment of loans guaranteed by the authority;

(v) all amounts required to repay advances from the state for use as special purpose funds in respect of loan guarantees in accordance with any provision of law or repayment agreement between the authority and the director of the budget;

(vi) all amounts required to pay the principal and redemption price of or interest on special purpose bonds and notes specially issued for the purpose of providing funds to the special purpose loan guarantee insurance fund; and

(vii) all amounts required to purchase special purpose bonds or notes

issued for the purpose of providing funds to the special purpose loan guarantee insurance fund.

c. The following shall constitute special purpose funds in respect of a loan guarantee:

(i) the proceeds of the issuance and sale of special purpose bonds and notes issued for the purpose of providing funds to the special purpose loan guarantee insurance fund;

(ii) any moneys made available by the state for the purposes of providing funds to the special purpose loan guarantee insurance fund and any other moneys made available for the purpose of providing funds to the special purpose loan guarantee insurance fund from any other source or sources, including, without limitation, any federal agency;

(iii) any moneys received in respect of loan guarantees including amounts received as loan guarantee insurance premiums or fees, or assets or property of any kind or nature received by the authority as a result of a default or delinquency with respect to loans guaranteed by the authority including the proceeds from the sale, disposal, lease or rental of real or personal property which the authority may receive in respect of a loan guarantee;

(iv) any moneys deposited in the special purpose loan guarantee insurance fund pursuant to paragraph (g) of subdivision two of this section.