§ 2435. Loans to municipalities. 1. The agency may purchase, and contract to purchase, municipal bonds from municipalities at such price or prices, upon such terms and conditions and in such manner, not inconsistent with the provisions of the local finance law, as the agency shall deem advisable; provided, however, that the average interest rate payable on all municipal bonds (taken as a group) purchased with the proceeds of an issue of bonds shall equal or exceed the interest rate on such issue of bonds. The agency shall not purchase the municipal bonds of any municipality if (i) the aggregate principal amount thereof, together with the aggregate principal balances of the municipal bonds of such municipality then outstanding and held by the agency, exceed an amount equal to ten percent of the aggregate principal amount of the statutory authorization at the time for the issuance of bonds and notes, as provided in section twenty-four hundred thirty-eight of this title, and (ii) the aggregate principal amount thereof exceeds an amount equal to fifty percent of the aggregate principal amount of all municipal bonds proposed to be so purchased at the time; provided, however, that this sentence shall not apply to local ARRA bonds or local public safety communications bonds.

2. The agency shall require as a condition of purchase of municipal bonds from municipalities that each such municipality shall agree (i) to pledge its full faith and credit for the payment of the principal of and interest on such municipal bonds, (ii) to make annual appropriations for amounts required for the payment of such principal and interest, and (iii) if at any time the municipality fails to make the required appropriation to pay such principal and interest, or fails to make the payment of the required principal and interest, the provisions of section twenty-four hundred thirty-six and/or twenty-four hundred thirty-six-b of this title shall take effect. All municipalities selling municipal bonds to the agency are hereby authorized to make and carry out the agreements with the agency required in this subdivision.

3. In connection with the sale or proposed sale of municipal bonds to the agency, any municipality may, notwithstanding the provisions of any general or special law to the contrary, pay (i) such fixed or annual charges as may be prescribed from time to time by the agency for or with

respect to the purchase by the agency of the municipal bonds of such municipality, and (ii) all charges or expenses necessary for the conversion or reconversion of any of its municipal bonds from or into coupon form or registered form as may be required by the agency in connection with any sale or other disposition of such municipal bonds.