

(c) (6) Loans may not exceed an amount the Secretary shall establish by regulation and they may not be made where comparable private financing is available to the prospective borrowers. Loans over \$5,000 shall be secured by a recorded mortgage or deed of trust on the property. Loans shall be made from the fund to families of limited income owning and occupying the building to be rehabilitated, or to sponsors. Loans may be either insured or uninsured as the Department requires, and shall be at a rate of interest that is, AS LONG AS THE STATE COMPLIES WITH ANY APPLICABLE FEDERAL TREASURY REGULATIONS GOVERNING THE BORROWING OF MONEYS BY THE STATE:

(i) At least sufficient to cover:

1. All administrative and other expenses of the program;
2. Reasonably expected losses due to defaults on loans; and
3. The interest cost of moneys used to fund the program, which may be the actual interest cost of moneys borrowed by the State and appropriated to the program, or the imputed interest cost of general funds or loan repayments appropriated to the program; and

(ii) Not less than a rate that is 5 percentage points below the prevailing rate on comparable loans made by private lenders as determined by the Department, unless:

1. [the] THE Department also determines that the prevailing rate is so high that this condition is not compatible with both prudent loan underwriting standards and with the income limits established under § 257L(b)(4) of this subtitle; OR

2. THE DEPARTMENT ALSO DETERMINES THAT A RATE THAT IS MORE THAN 5 PERCENTAGE POINTS BELOW THE PREVAILING RATE IS NECESSARY TO COMPLY WITH FEDERAL TREASURY REGULATIONS GOVERNING THE BORROWING OF MONEYS BY THE STATE.

(g) (1) The program shall operate as a continuing, nonlapsing, special fund, that consists of moneys appropriated by the State to the program.

(2) The Department shall use the fund to make loans and to pay expenses of the program INCLUDING RESERVES FOR ANTICIPATED FUTURE LOSSES DIRECTLY RELATED TO THE PROGRAM, as provided in the annual budget of the State or other act appropriating moneys.

(3) The State Treasurer shall hold and the State Comptroller shall account for the fund. The fund shall be invested and reinvested in the same manner as other State funds. Any investment earnings of the fund shall be paid into the State General Treasury.