

# Promissory Note

- 🔊 This is about as good as an IOU can get. If you loan anyone money, you want to use this sample Promissory Note agreement.
- 🔊 Even if you were to reverse it so you can be the borrower, this note is very fair and will enable a comfortable relationship with your lender – who could be your parents, a friend, or a large supplier.
- 🔊 The first part of the Memorandum should be completed and distributed to the Borrower along with a copy of the Promissory Note.

Date: **[Month Day, Year]**

To:  **Name of Lender]**

From: **[Owner/Founder]**  
**[Company]**

Subject: **Promissory Note**

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Attached to this memorandum is a “Promissory Note.”

I believe that it embodies everything we discussed.

Please read the agreement carefully.

You should send your [period of payments, e.g., monthly / quarterly] payments of \$[amount of payment to [name and address of Lender].

If you have any questions regarding your loan, please contact us at the address above or call us at [phone number].

If something should happen and you can not pay on time, please call us immediately at [hotline number].

Your first payment is due [Month Day, Year that first payment is due] and [monthly / quarterly] thereafter.

Please sign and return it to me asap.

Thank you very much!


# From JIAN

## NOTICE:

We wish we could provide an agreement that was tailored *exactly* to your business. While this is not always possible, we feel that we've come very close and that this document provides you with the head-start that you need to get your deal moving. Nevertheless, we must make this disclaimer:

- 🚫 **Do Not Use This Agreement 'As-Is.'**
- 🚫 **This Agreement Is Not Legal Advice.**
- 🚫 **Read it Thoroughly and Make All Appropriate Changes to Fit Your Requirements.**
- 🚫 **You Should Have this Agreement Reviewed and Approved by a Qualified Attorney at Law Before Using It.**
- 🚫 **JIAN Accepts No Liability for the Effectiveness of This Document For Your Purposes.**

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We're building a network of  business experts who are eager to help you when you need it. They can review your work, make suggestions, handle unique situations and introduce you to influential people. On our website you can search by expertise and location, then e-mail or jump straight to their website. Although they are professionals and charge for their services, most offer an initial consultation free of charge. They're in your area and you can contact them directly.


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Things change, laws change, the world changes... new ideas come along all the time. When you register, you can access our website to get updates and changes... like new and improved spreadsheets and documents. They can be downloaded directly to your computer.

- Please visit our website under [Updates](#).
- Remember to bookmark our website: [www.JIAN.com](http://www.JIAN.com)

## Editing Your Sample Contract

Since this entire agreement is formatted in Word, you can edit it like any other Word document. You can jump from variable to variable by clicking the above  green arrows (JIAN Menu) which will take you forward / backward and highlight the entire sample text identified within the “[ ]” brackets – simply edit / type-over with your information.

To make sure you have filled in all the variables, use Word's 'FIND' function to locate any “[ ]” which may contain an unedited variable.

- Click the  icon in the JIAN menu above to turn the expert comments on/off.
- Upon completion, delete any unnecessary blank lines that remain.
- You may format this document any way you like.
- Delete this page.

# Promissory Note

- 🔊 This is a standard introductory paragraph that lists the parties to this Agreement and the date it is being entered into.
- 🔊 You can easily edit the text below to suit your exact relationship.

Effective Date                      **[Date]**

Agreement is by and between    **[Lender Legal Name]** (“[Lender’s abbreviated name]”),  
a    [State], [Corporation / Partnership / Sole Proprietorship / Individual]  
located at                                [Lender’s Address],

AND    **[Company Legal Name]**, (“[Company]”),  
a    [State], [Corporation / Partnership / Sole Proprietorship / Individual],  
located at                                [Address]  
    [City], [State] [Zip Code]

## Summary

[Lender] and [Borrower] agree that [Borrower] will borrow money from [Lender] according to the following terms and conditions:

### 1. Definitions

As used in this Agreement:

- 1.1. “I, me, mine and my” mean each and all of those who sign this Promissory Note, “Borrower”
- 1.2. “You, your, and yours” mean “Lender”

### 2. Terms of Repayment

🔊 Section 2 describes how much and when the Borrower will pay to the Lender.

🔊 Section 2.1 describes the total payment that equals the amount the Borrower will have paid when all payments are complete as scheduled. Enter the total payments: This equals the amount borrowed, the total finance charge plus filing fee for security interest (if any) and property insurance (if any).

2.1. To repay my loan, I promise to pay you \$[1.000.00] ([One Thousand] Dollars) [total payments in figures, e.g., \$1,000]. This is the amount I will have paid when I have made all payments as scheduled.

🔊 Section 2.2 defines the exact amount of the payments; the address where the payments should be sent; the total number of installments to be paid on this loan; the exact dollar amounts of the payments; the date the first payment is due; and the frequency of the payments, which is usually monthly.

2.2. I'll pay this sum to you or the party you designate at [full address where payments should be sent] in [total number of installments to be paid on this loan] uninterrupted installments of [Dollars (amount of each installment, e.g., One Hundred) (\$amount of each installment in figures, e.g., \$100) each. The first payment is due [Month Day, Year that first payment due], and [frequency of payments, e.g., monthly /

quarterly / weekly] thereafter.

- Section 2.3 itemizes what the payments include, including the (a) amount of the loan before finance or other charges; (b) property insurance (see Section 7, below; if provided by Lender, enter amount needed for coverage for the term of this loan); (c) filing fees, (d) amount financed (equal to (a) + (b) + (c) below); (e) the finance charge (total interest on the amount financed); (f) the total of payments (equal to (d) + (e) below); and (g), the annual percentage rate.

2.3. Here is the breakdown of my payments:

<b>(a) Amount of loan</b>		<b>\$000</b>
(b) Property insurance provided by Lender		\$000
(c) Filing fees		\$000
<b>(d) Amount financed</b>		<b>\$000</b>
	<i>(Amount of credit provided to me or on my behalf) ((a) + (b) + (c))</i>	
(e) Finance charge		\$000
	<i>(the dollar amount the credit will cost me)</i>	
(f) Total of Payments ((d) + (e))		\$000
<b>(g) Annual percentage rate</b>		<b>0.0%</b>
	<i>(the cost of my credit at a yearly rate)</i>	

- Section 3 describes where the money that is being borrowed goes, for example, to the Borrower; to the Borrower's account; prepaid finance charges.

- 3(d) sets forth sums paid to third parties on behalf of Borrower. The first line of 3(d) is the total of all of the sums paid to all third parties. The second line of 3(d) shows the amount paid to each individual third party. If there are more than third party, copy the last line of 3(d) and repeat as necessary.

### 3. Itemization of the Amount Financed of \$ [x]

*(enter amount from 2(d) above).*

(a) Amount given directly to Borrower		\$000
(b) Amount paid on Borrower's account		\$000
(c) Prepaid finance charge		\$000
(d) Total amount paid to others on Borrower's behalf		\$000
	To [name of third party], Amount	\$000

- Section 4 states that the Borrower may prepay the balance of money due without being penalized.

### 4. Prepayment of Whole Note

If I pay off this loan early, I will not have to pay a penalty. Even though I need not pay more than the fixed installments, I have the right to pay the whole outstanding amount of this note at any time. If I do, or if this loan is refinanced, that is, replaced by a new note, you will refund the unearned finance charge. However, you can charge a minimum finance charge of \$10.

### 5. Late Charge

- Section 5 provides for late charges. The rules for how much you can charge when a Borrower is late varies from state to state. The amounts shown as examples are fairly standard, but your state may allow you to charge more, and, in some cases, it may require you to charge less.

- The maximum total late charges for all installments is the maximum that the Borrower can be required to pay as the result of failing to meet more than one payment. This starts running again after the payment is made.

If I fall more than [the period of time allowed when a payment is not made before a late charge will be imposed, e.g., 10 days] behind in paying an installment, I promise to pay a late charge of [x % (the late charge percentage on the overdue installment amount, e.g., 5%) of the overdue installment, but no more

than \$[x] (the maximum single late charge, e.g., \$). However, the total of late charges on all installments can not be more than [x % (the maximum total late charges as a percentage of the total payments due, e.g., 2%) of the total payments or \$[maximum total late charge in dollars, e.g., \$25], whichever is less.

## 6. Security

- ☞ The Lender may wish to use certain property of the Borrower to protect the Lender's interest. Get something for security! You may be loaning money to a very nice person... if they cannot / will not pay you back, you may hate them for a long time! Get something... a picture of a dear relative, a video camera, artwork, tools, golf clubs, etc. -- something they will want back! (Think like a pawn broker – make sure it is worth far more than the amount that you are loaning.) I'm not kidding. If they can/will really repay you, they can come up with something for collateral. Be sure that you have it in your possession and keep it in a secure and safe place – you may want/need to sell it in order to collect your debt.
- ☞ If the property involved is a motor vehicle, it will need to be more fully described in a Security Agreement attached to this Agreement as Exhibit A. Use the examples given depending on the nature of the property involved.

To protect you if I default on this or any other debt to you, I will give you a security interest in my [golf clubs / Motor Vehicle / Stock / Bonds / Savings Account], more fully described in [x] (for motor vehicles, "the Security Agreement attached as Exhibit A"; for other property; "the receipt you gave me today") and any account or other property of mine coming into your possession. In the event that you are not fully repaid by the date calculated above as the date you would have been fully repaid according to the payment schedule (unless an alternative arrangement has been made and is in writing), you may sell any/all items placed with you as security for this loan, at any price and keep all of the proceeds as repayment of this loan.

## 7. Insurance

- ☞ Most Lenders require the Borrowers to acquire property insurance on the property they are borrowing money against so that if the property is destroyed, the Lender will get paid.
- ☞ If the insurance is obtained from the Lender, complete the last sentence. If the insurance is obtained from a party other than the Lender, delete the last sentence.

I understand I must maintain property covered by the Security Agreement for its full insurable value, but I can buy this insurance through a person of my choosing. If I get property insurance from you, I will pay \$[x] (if Lender offers such insurance, enter the cost of that insurance for the term of this Agreement).

## 8. Default

- ☞ The Borrower will be in default if he or she is late paying an installment or in the event that another person owed money tries to take any money being held as security by the Lender. Upon default, the Lender can then require payment of all money owed and can repossess any property in which the Lender has a security interest.

I'll be in default if I do not pay an installment in time, or if any other creditor tries by legal process to take any money of mine in your possession. You can then demand immediate payment of the balance of this note, minus the part of the finance charge that has not been earned. You will also have other legal rights, for instance, the right to repossess, sell and apply security to the payments under this note and any other debts I may then owe you.

## 9. Irregular Payments

- ☞ In the event the Borrower makes an irregular payment, for instance, a payment that is either late, or less or more than the regular payment, and marks it "payment in full," the Lender's acceptance of that payment does not change anything -- the Lender does not lose any of his or her rights.

You can accept late payments or partial payments, even though marked "payment in full," without losing any of your rights under this note.

## 10. Delay in Enforcement

- ☞ The Lender can wait to enforce rights under this Agreement without worrying about losing any of those rights.

You can delay enforcing any of your rights under this note without losing them.

## 11. Collection Costs

- ☞ In the event of default and if the Lender demands full payment, the Borrower must pay interest on the unpaid balance. Note that many states have a maximum percentage that you may charge. Also, if the Lender takes legal action and wins, the Borrower must pay the Lender's attorney's fees equal to a percentage of the total amount due the Lender. If the Lender loses, the Lender must pay the Borrower's attorney's fees.

If I'm in default under this note and you demand full payment, I agree to pay you interest on the unpaid balance at the rate of [x % monthly interest rate to be charged on the unpaid balance in the event of default] per month, after an allowance for the unearned finance charge. If you have to sue me, I also agree to pay your attorney's fees equal to [x] % (percent to be used to compute attorney's fees) of the total amount due you, plus court costs. However, if I defend and the court decides I am right, I understand that you will pay my reasonable attorney's fees and the court costs.

## 12. Co-Makers

- ☞ Other parties who sign this note on behalf of and in addition to the Borrower agree to be equally responsible for the money due, and the Lender does not have to keep any such persons informed as to the status of the debt.

If I'm signing this note as a Co-Maker, I agree to be equally responsible with the Borrower. You do not have to notify me that this note has not been paid. You can change the terms of payment and release any security without notifying or releasing me from responsibility on this note.

## 13. Copy Received

The Borrower acknowledges receipt of a completely filled-in copy of this note.

## Understood, Agreed & Approved

We have carefully reviewed this contract and agree to and accept all of its terms and conditions. We are executing this Agreement as of the Effective Date above.

**Lender:**

\_\_\_\_\_  
[Lender]

\_\_\_\_\_  
Date

**Borrower:**

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[Borrower]

---

Date

**Co-Maker:**

---

[Co-Maker]

---

Date

[Co-Maker's Address]

