

family loan agreement template free download



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Free Loan Agreement.

Use our Loan Agreement to detail the terms of a loan.

Updated November 16, 2020.

A Loan Agreement is a legal contract between a lender and borrower outlining the terms of a loan. Using a loan agreement template, the lender

and borrower can agree on the loan amount, interest, and repayment schedule.

A lender can use a Loan Agreement in court to enforce repayment if the borrower does not uphold their end of the agreement.

What Is a Loan Agreement? Who Needs a Loan Agreement? When To Use a Loan Agreement Form Consequences of Not Having a Loan Agreement Free Loan Agreement Template (PDF & Word Download)

1. What Is a Loan Agreement?

A loan agreement is a written contract between two parties — a lender and a borrower — that can be enforced in court if one party does not hold up his or her end of the bargain.

The borrower agrees that the money being borrowed will be repaid to the lender at a future date and possibly with interest. In exchange, the lender cannot change his or her mind and decide to not lend the borrower the money, especially if the borrower relies on the lender's promise and makes a purchase with the expectation that he or she will receive money soon.

A simple loan agreement in writing will identify the following basic elements:

Borrower : (aka. the "buyer" or "payer") who is receiving the money and will repay it back Lender : (aka. the "issuer", "maker", "payee", or "seller") who is giving the money and will get the money back Principal Amount : the sum of money being borrowed Interest : additional money owed, usually a percentage, based on the amount borrowed Maturity Date : when the money should be repaid to avoid being in default.

Further, the parties should consider these two additional questions:

1. How will the money be repaid?

The loan agreement should clearly detail how the money will be paid back and what happens if the borrower is unable to repay.

There are generally four types of repayment options:

Installment Payments Installments with Final Balloon Payment Due on Specific Date ("Lump Sum") Due on Demand ("Payable on Demand")
Specific due date Specific due date Specific due date No specific due date Payments for principal and interest are made at regular intervals
Payments for interest only are made at regular intervals, principal amount due on maturity date Entire amount owed, including interest, is paid all at once
Entire amount owed is due whenever the lender wants his or her money back Example: \$1,500 monthly payment actually consists of \$500 towards the outstanding principal and \$1,000 towards the interest with \$1,500 due on the maturity date Example: \$500 monthly payment is applied only towards interest and full \$10,000 loan amount is due on the maturity date Example: \$10,000 loan for a friend's small business is due on a specific date Example: \$10,000 loan for a friend's small business is due at any time or whenever financially feasible.

2. What other details should be included?

The contract may also include these additional provisions:

Acceleration : whether the lender can move up the date of repayment, and make the borrower repay the loan immediately.

Possible Events of Acceleration.

if the borrower becomes bankrupt if the borrower fails to make payments if the borrower passes away (i.e. death) or dissolves if the borrower wants to pay off the note early if the borrower sells off a large or material portion of their assets.

As a reference, people often refer to this document by other names:

Business Loan Agreement Loan Contract Personal Loan Promise to Pay Secured/Unsecured Note Term Loan.

Personal Loan Agreement Sample.

The loan agreement sample below details an agreement between a borrower and a lender. The lender agrees to give the borrower a loan, who agrees to pay back the loan according to the conditions specified.

The Difference Between a Loan Agreement, Promissory Note, and IOU.

In general, a loan agreement is more formal and less flexible than a promissory note or IOU. This agreement is typically used for more complex payment arrangements, and often gives the lender more protections such as borrower representations and warranties and borrower covenants. In addition, a lender can usually accelerate the loan if an event of default occurs, meaning if the borrower misses a payment or goes bankrupt, the lender can make the entire amount of the loan plus any interest due and payable immediately.

Here is a simple chart explaining the difference between an IOU, a promissory note, and a loan agreement.

	Loan	Promissory Note	IOU
promise to repay	yes	yes	no
steps for repayment	yes	yes	no
timeline to repay	yes	yes	no
legally binding	yes	yes	no
signature of borrower	yes	yes	no
signature of lender	yes	yes	no
repay in installments	yes	yes	no
consequences of defaulting (i.e. right to foreclosure)	yes	yes	no

For more detailed information view our article on the differences between the three most common loan forms and choose which one is right for you.

2. Who Needs a Loan Agreement?

While loans can occur between family members – called a family loan agreement – this form can also be used between two organizations or entities conducting a business relationship.

Here is a table detailing common borrowers and lenders who might need this agreement:

3. When To Use a Loan Agreement Form

Relying only on a verbal promise is often a recipe for one person getting the short end of the stick. If the payback terms are complicated, a written agreement allows both parties to clearly spell out any installment payment terms and the exact amount of interest owed. If one party does not fulfill his or her side of the bargain, having this agreement in writing has the added benefit of memorializing both parties' understanding of the consequences involved.

If a disagreement arises later, a simple agreement serves as evidence to a neutral third party like a judge who can help enforce the contract.

Here are some situations where you may need a Loan Agreement:

Starting a business and need a capital loan Purchasing land or a home with a real estate loan Investing in a higher education or repaying a student loan Buying a new car or boat for personal reasons An employee loans from their employer Helping a friend or family out with a personal loan.

For personal loans, it can be even more important to use a loan contract. To the IRS, money exchanged between family members can look like either gifts or loans for tax purposes.

4. Consequences of Not Having a Loan Agreement.

A simple loan agreement details how much was borrowed, as well as whether interest is due and what should happen if the money is not repaid.

Here is a chart of some of the preventable suffering a loan agreement could prevent:

5. Free Loan Agreement Template (PDF & Word Download)

Our loan agreement template addresses the following details:

Who: The borrower and the lender, or the person taking money and the person giving money What: The amount of money or "principal" that is being borrowed, and whether interest or a percentage of the principal is also owed When: The date or timetable that the principal and any interest should be repaid back to the lender.

Loan Agreement.

State of _____.

This Loan Agreement (this "Agreement"), is made as of this _____ day of _____, 20____ (the "Effective Date") by and among/between: Borrower(s): _____, located at _____

_____ [Address] ("Borrower"), and Lender(s):

_____, located at _____

_____ [Address] ("Lender"). The parties agree as follows:

Loan Amount. Lender agrees to loan Borrower the principal sum of \$ _____ (the "Loan"),

together with interest on the outstanding principal amount of the Loan (the "Principal Balance"), and in accordance with the terms set forth below.

Repayment of Loan. (Check one)

Single Payment. The Loan together with accrued and unpaid interest and all other charges, costs and expenses, is due and payable (Check one) on demand of the Lender on or before _____, 20____.

Regular Payments. The Loan together with accrued and unpaid interest and all other charges, costs and expenses, is due and payable on or before _____, 20____. All payments under this Agreement are applied first to accrued interest and then to the Principal Balance. The Loan shall be payable in installments equal to \$ _____. The first payment is due on _____, 20____ and due thereafter in _____ [Number of payments] equal consecutive: (Check one)

Monthly installments. Each successive payment is due on the _____ day of the month.

Quarterly installments. Each successive payment is due on the _____ day of the quarter.

Semi-annual installments. Each successive payment is due on the _____ day of the half-year.

Annual installments. Each successive payment is due on the _____ day of the year.

Security. (Check one)

The loan is secured by collateral. Borrower agrees that until the Loan together with interest is paid in full, the Loan will be secured by _____, and Borrower hereby grants to Lender a security interest in and to such property.

The loan is NOT secured by collateral.

Guaranty. (Check one)

There is a guarantor. _____ located at _____ ("Guarantor") promises to unconditionally guarantee to Lender, the full payment and performance by Borrower of all duties and obligations arising under this Agreement. Guarantor agrees that this guaranty shall remain in full force and effect and be binding on Guarantor until this Agreement is satisfied.

There is NO guarantor.

Interest. The Principal Balance shall bear interest at the rate of _____% per annum, accruing daily. Notwithstanding, the total interest charged shall not exceed the maximum amount allowed by law and Borrower shall not be obligated to pay any interest in excess of such amount. Late Fee. (Check one)

There is a late Fee. If Borrower fails to make a payment due under this Agreement within _____ days after the due date, Borrower agrees to pay to Lender a late payment fee of _____% of the amount then due.

There is NO late fee.

Prepayment. (Check one)

Borrower has the right to prepay all or any part of the Loan, together with accrued and unpaid interest thereon, at any time without prepayment penalty or premium of any kind. Borrower must provide _____ days prior written notice to Lender of the prepayment and the amount of the prepayment. Discount (Check one)

If Borrower pays all of the Loan, together with accrued interest, on or before _____, 20_____, Lender will give a discount of _____% of the Principal Balance then due.

Borrower does NOT have the right to prepay all or any part of the Loan.

Acceleration. (Check one)

In the event Borrower is more than _____ days late with a payment, Lender in its sole discretion may demand that the Principal Balance and any accrued and unpaid interest be immediately due and payable in full.

In the event Borrower is late with a payment, Lender may NOT accelerate the Loan.

Remedies. Lender may enforce its rights or remedies in equity or at law, or both, whether for specific performance of any provision in this Agreement or to enforce the payment of the Loan or any other legal or equitable right or remedy. The rights and remedies of Lender now or hereafter existing at law or in equity or by statute or otherwise shall be cumulative and shall be in addition to every other such right or remedy. Costs and Expenses. Borrower shall pay to Lender all costs of collection, including reasonable attorney's fees, Lender incurs in enforcing this Agreement. Waiver. Borrower and all sureties, guarantors and endorsers hereof, waive presentment, protest and demand, notice of protest, demand and dishonor and nonpayment of this Agreement. Successors and Assigns. This Agreement will inure to the benefit of and be binding on the respective successors and permitted assigns of Lender and Borrower. Joint and Several Liability. The obligation of each Borrower shall be joint and several under this Agreement. Amendment. This Agreement may be amended or modified only by a written agreement signed by Borrower and Lender. Notices. Any notice or communication under this Loan must be in writing and sent via one of the following options: (Check all that apply)

Delivery in Person.

Overnight Courier Service.

Certified or Registered Mail (Postage Prepaid, Return Receipt Requested)

Electronic Email Transmission.

No Waiver. Lender shall not be deemed to have waived any provision of this Agreement or the exercise of any rights held under this Agreement unless such waiver is made expressly and in writing. Waiver by Lender of a breach or violation of any provision of this Agreement shall not constitute a waiver of any other subsequent breach or violation. Severability. In the event that any of the provisions of this Agreement are held to be invalid or unenforceable in whole or in part, the remaining provisions shall not be affected and shall continue to be valid and enforceable as

though the invalid or unenforceable parts had not been included in this Agreement. Assignment. Borrower shall not assign this Agreement, in whole or in part, without the written consent of Lender. Lender may assign all or any portion of this Agreement with written notice to Borrower. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of _____, not including its conflicts of law provisions. Disputes. Any dispute arising from this Agreement shall be resolved through: (Check one)

Court litigation. Disputes shall be resolved in the courts of the State of _____. (Check if applicable)

If either Party brings legal action to enforce its rights under this Agreement, the prevailing party will be entitled to recover from the other Party its expenses (including reasonable attorneys' fees and costs) incurred in connection with the action and any appeal. Binding arbitration. Binding arbitration shall be conducted in accordance with the rules of the American Arbitration Association. Mediation. Mediation, then binding arbitration. If the dispute cannot be resolved through mediation, then the dispute will be resolved through binding arbitration conducted in accordance with the rules of the American Arbitration Association.

2.1. Entire Agreement. This Agreement contains the entire understanding between the parties and supersedes and cancels all prior agreements of the parties, whether oral or written, with respect to such subject matter.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first stated above.