

How to complete a Promissory Note

Promise to repay a loan with interest, due date, and default terms.

What this form is for

A Promissory Note is used when a business borrows money and needs to document the repayment obligation in writing. Lenders require this legally binding contract before disbursing funds, whether the lender is a bank, private investor, or another business.

Before you start

- Loan principal amount (the exact dollar figure you are borrowing)
- Annual interest rate agreed upon with the lender
- Repayment schedule details: payment frequency (monthly, quarterly, etc.), payment amount, and final maturity date
- Lender's full legal name and address, plus your business's legal entity name and EIN
- Collateral description if the note is secured (equipment, real estate, inventory, accounts receivable)
- Your governing state selection, as state law controls enforceability, usury limits, and default remedies

Step-by-step

1. Select your governing state at the top of the form. This determines which state's laws apply if there is ever a dispute or default.
2. Fill in the date the note is being executed and the city and state where you are signing it.
3. Enter the borrower information: your business's full legal name as registered with your Secretary of State, principal business address, and entity type.
4. Enter the lender information: full legal name, address, and contact details exactly as the lender provides them.
5. Record the principal amount in both numerals and written words to prevent alteration or ambiguity.
6. Specify the interest rate as an annual percentage rate. Confirm this rate does not exceed your state's usury ceiling.
7. Detail the repayment terms: start date of payments, payment amount, frequency, number of payments, and final due date when any remaining balance is due in full.
8. If the loan is secured, describe the collateral in the security clause using specific identifiers like serial numbers, addresses, or account descriptions.
9. Complete the default and acceleration clause section, noting late fees, grace periods, and the lender's right to demand full payment if you miss payments.

10. Review prepayment terms to confirm whether you can pay off the loan early without penalty, which preserves flexibility if your cash flow improves.

What lenders look for

- Banks verify that interest rates and payment schedules match what appears in your loan application and business plan financial projections. Any mismatch raises red flags about document authenticity or your understanding of the obligation.
- Underwriters reject notes with vague maturity dates like "on demand" or missing payment schedules because they cannot assess debt service coverage ratios or calculate your monthly obligations.
- Avoid blank signature lines or missing notarization if your state or lender requires it. Incomplete execution makes the note unenforceable and can void your loan approval.