

# How to complete a Promissory Note in New York

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

## What this form is for

A Promissory Note is used when your small business borrows money and needs to document the loan terms in a legally enforceable agreement. This form creates a binding promise to repay a specific principal amount, with interest, by a defined deadline, and it protects both you as the borrower and your lender if disputes arise.

## Before you start

- Loan principal amount and the exact date funds will be or were transferred
- Annual interest rate agreed upon (simple or compounding) and whether it complies with New York usury limits
- Repayment schedule specifics: monthly payment amount, due date each month, final maturity date
- Late fee structure and grace period, if any
- Collateral description if the note is secured, and whether a separate security agreement exists

## Step-by-step

1. Fill in the date of the note and the principal loan amount in both numerals and words to prevent alteration.
2. Identify the borrower by full legal business name and address, and the lender by full legal name and address. If your business is an LLC or corporation, use the exact registered name.
3. Specify the interest rate as an annual percentage and clarify whether interest is simple or compounded (monthly, quarterly, annually). Confirm the rate does not exceed New York's civil usury cap of 16 percent for most commercial loans.
4. Detail the repayment terms: total number of payments, amount of each installment, due date (such as the first of each month), and the final maturity date when any remaining balance is due in full.
5. Define late fees and grace periods. New York courts enforce reasonable late charges, typically 4 to 5 percent of the overdue payment or a flat dollar amount after a grace period of 10 to 15 days.
6. Describe events of default beyond missed payments, such as bankruptcy filing or breach of loan covenants, and outline the lender's remedies including acceleration of the full balance.
7. Include a prepayment clause stating whether you can pay off the loan early without penalty. Many lenders allow this, which can save interest costs.
8. Add governing law and jurisdiction language specifying that New York law applies and designating the county for any legal action.

9. Sign and date the note. If your business is an entity, sign with your title (e.g., Member, President). The lender does not typically sign a promissory note, only the borrower.

## What lenders look for

- Banks verify that interest rates and late fees comply with New York state limits to avoid unenforceability. Excessive rates can void the entire interest obligation.
- Underwriters check for consistency between the promissory note and other loan documents like security agreements or personal guarantees. Conflicting terms raise red flags and delay approval.
- Missing or incorrect borrower signatures, especially lacking official titles for entity borrowers, are the most common rejection reasons.