

How to complete a Promissory Note in Pennsylvania

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

What this form is for

A Promissory Note is used when your business borrows money and needs to document the loan terms in writing. This legally binding agreement specifies the principal amount, interest rate, repayment schedule, and what happens if you default, and lenders require it before releasing funds.

Before you start

- Loan amount (principal) and the exact date funds will be or were disbursed
- Annual interest rate you've agreed to, whether it's fixed or variable, and how interest is calculated (simple vs. compounding)
- Complete repayment schedule including payment frequency (monthly, quarterly), payment amounts, and final maturity date
- Legal names and addresses for both borrower (you or your business entity) and lender, plus your business EIN or SSN
- Collateral description if the note is secured, and details about late fees, prepayment penalties, or acceleration clauses you've negotiated

Step-by-step

1. Fill in the execution date at the top and the principal loan amount in both numbers and words to prevent alteration disputes.
2. Enter the borrower information using your legal business name exactly as it appears on your formation documents or DBA registration, not a shortened version.
3. Record lender information with full legal name and current mailing address where payments and notices should be sent.
4. Specify the interest rate as an annual percentage and state whether it follows simple or compound calculation. Pennsylvania does not cap commercial loan interest rates, but consumer loans over certain thresholds require licensing.
5. Detail the payment schedule by listing the payment amount, due date of first payment, frequency (such as the 1st of each month), and the final maturity date when the entire balance is due.
6. Indicate whether the note is secured or unsecured. If secured, attach a separate security agreement describing the collateral and reference it in this section.
7. Complete the late fee and default provisions, specifying the grace period (typically 10-15 days), late charge percentage or flat fee, and whether the lender can accelerate the full balance upon default.

8. If you negotiated prepayment rights, state whether you can pay early without penalty or if prepayment fees apply.
9. Add any required Pennsylvania-specific language regarding confession of judgment provisions if your lender requests it, though these clauses are disfavored and negotiable.
10. Sign and date in the presence of a notary if required by your lender. Keep a fully executed copy for your records and loan file.

What lenders look for

- Banks verify that payment amounts mathematically match the principal, interest rate, and term you've entered, so double-check your amortization calculation before submission or use a loan calculator to confirm accuracy.
- Underwriters red-flag vague default language or missing acceleration clauses because these weaken their collection rights, so ensure all penalty and remedy sections are complete and specific.
- Inconsistent entity names between your Promissory Note and other application documents (articles of organization, operating agreement, tax returns) trigger verification delays and questions about borrower identity.