

FAMILY LOAN AGREEMENT

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This Family Loan Agreement (this "**Agreement**") is entered into as of [EFFECTIVE DATE] (the "**Effective Date**") by and between:

[LENDER FULL LEGAL NAME], residing at [LENDER ADDRESS] (the "**Lender**"); and

[BORROWER FULL LEGAL NAME], residing at [BORROWER ADDRESS] (the "**Borrower**").

The Lender and the Borrower are each a "**Party**" and together the "**Parties**." The Parties are related as [RELATIONSHIP, e.g. parent and child].

Recitals. The Lender has agreed to lend money to the Borrower, and the Borrower has agreed to repay it on the terms below. The Parties want to put their understanding in writing — even though they are family — so that the loan is clear, the expectations are shared, and the arrangement does not strain their relationship. The Parties intend this to be a genuine loan, not a gift. In consideration of the mutual promises below, the Parties agree as follows.

1. Loan Amount and Disbursement

1.1 Principal. The Lender agrees to lend the Borrower the principal amount of [\$ LOAN AMOUNT] (the "**Loan**" or "**Principal**").

1.2 Disbursement. The Lender will disburse the Loan to the Borrower [in a single payment on [DATE] / in installments as follows: [SCHEDULE]], by [CHECK / TRANSFER / OTHER].

1.3 Purpose. The Borrower intends to use the Loan for [PURPOSE, e.g. a home down payment, tuition, a vehicle, debt consolidation]. The Loan is not conditioned on this use unless the Parties state otherwise in writing.

1.4 Not a gift. The Parties confirm the Loan is a bona fide loan that the Borrower must repay, and not a gift. The Borrower's obligation to repay is not excused by the family relationship.

2. Interest

2.1 Interest rate. The unpaid Principal bears interest at the rate of [NUMBER]% per year, [simple / compounded [PERIOD]], beginning on the Effective Date.

2.2 Interest-free option. [If the Parties choose a zero-interest loan: The Parties agree this Loan bears no interest. The Parties understand that tax rules may treat a below-market or interest-free family loan as if interest were charged (imputed interest), and should confirm the consequences with a tax advisor.]

2.3 Usury and tax limits. The interest rate will not exceed the maximum rate permitted by applicable law, and if it does, the rate is reduced to that maximum. The Parties acknowledge that tax authorities may apply minimum-interest rules to family loans, and that those rules vary; the Parties are responsible for their own tax

treatment.

3. Repayment

3.1 Repayment schedule. The Borrower will repay the Loan as follows: **[e.g. equal monthly payments of \$[AMOUNT] on the [DAY] of each month, beginning [DATE]; or a single balloon payment of the full balance on [MATURITY DATE]].**

3.2 Maturity date. All unpaid Principal and accrued interest are due and payable in full no later than **[MATURITY DATE]** (the "Maturity Date").

3.3 Application of payments. Unless the Parties agree otherwise, each payment is applied first to accrued interest and then to Principal.

3.4 Method of payment. The Borrower will make payments to the Lender by **[CHECK / TRANSFER / OTHER]** at **[ADDRESS / ACCOUNT DETAILS]**, or as the Lender later directs in writing.

3.5 Prepayment. The Borrower may prepay all or part of the Loan at any time without penalty. Prepayments are applied to the remaining balance and reduce the total interest owed.

4. Late Payments and Default

4.1 Grace period. A payment is late if not received within **[NUMBER, e.g. 10]** days after its due date.

4.2 Late charge. **[Optional: A late payment incurs a late charge of \$[AMOUNT] or [NUMBER]% of the overdue payment, whichever is [less / greater], not to exceed any maximum allowed by law.]**

4.3 Events of default. The Borrower is in default if the Borrower: (a) fails to make a payment within **[NUMBER]** days after written notice that it is overdue; (b) becomes insolvent or files for bankruptcy; or (c) materially breaches this Agreement and does not cure within **[NUMBER]** days after written notice.

4.4 Acceleration. On default, the Lender may, by written notice, declare the entire unpaid balance immediately due and payable.

4.5 Costs of collection. If the Lender must take action to collect, the Borrower will pay the Lender's reasonable costs of collection, including reasonable attorneys' fees, to the extent permitted by law.

5. Security (Optional)

5.1 Unsecured or secured. This Loan is **[unsecured / secured by the collateral described below]**.

5.2 Collateral. If secured, the Borrower grants the Lender a security interest in the following collateral until the Loan is repaid in full: **[DESCRIBE COLLATERAL, e.g. a specific vehicle by VIN]**. The Parties will sign and file any documents needed to make the security interest effective under local law.

5.3 Care of collateral. The Borrower will keep any collateral insured and in good condition and will not sell or further encumber it without the Lender's written consent while the Loan is outstanding.

6. Co-Signer or Guarantor (Optional)

6.1 Guaranty. **[If used: [GUARANTOR NAME] (the "Guarantor") unconditionally guarantees the Borrower's payment and performance under this Agreement, and the Lender may seek payment from the Guarantor if the Borrower defaults, without first exhausting remedies against the Borrower.]**

6.2 **Independent obligation.** The Guarantor's obligation is independent and continues until the Loan is repaid in full.

7. **Death, Hardship, and Forgiveness**

- 7.1 **Death of the Borrower.** If the Borrower dies before the Loan is repaid, the unpaid balance is [forgiven / treated as a claim against the Borrower's estate / handled as follows: [SPECIFY]].
- 7.2 **Hardship.** If the Borrower experiences genuine financial hardship, the Parties may agree in writing to pause or adjust payments. Any such accommodation must be in writing and signed by both Parties to be effective.
- 7.3 **Forgiveness.** The Lender may forgive all or part of the Loan at any time by signing a written statement to that effect. The Parties understand that forgiving a loan may have tax consequences and should confirm them with a tax advisor.

8. **General Provisions**

- 8.1 **Entire agreement; amendment.** This Agreement is the entire agreement between the Parties about the Loan and supersedes prior discussions. It may be amended only by a writing signed by both Parties.
- 8.2 **Governing law and venue.** This Agreement is governed by the laws of the State of [STATE], without regard to its conflict-of-laws rules. The Parties submit to the jurisdiction of the courts located in [COUNTY, STATE].
- 8.3 **No relationship effect.** Nothing in this Agreement changes the personal or family relationship of the Parties. This is a financial agreement only.
- 8.4 **Notices.** Notices must be in writing and delivered to the addresses above (or as updated in writing) and are effective on receipt.
- 8.5 **Assignment.** The Borrower may not assign this Agreement. The Lender may assign the right to receive payments on written notice to the Borrower.
- 8.6 **Severability and waiver.** If any provision is unenforceable, the rest remains in effect. The Lender's acceptance of a late or partial payment, or failure to enforce a provision, is not a waiver of the Lender's rights.
- 8.7 **Counterparts and electronic signature.** This Agreement may be signed in counterparts and by electronic signature, each of which is an original and all of which together form one agreement.

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the Effective Date.

LENDER	BORROWER
Signature: _____	Signature: _____
Printed name: [NAME]	Printed name: [NAME]
Title: N/A	Title: N/A
Date: _____	Date: _____

Guarantor (if used):

GUARANTOR

Signature: _____

Printed name: **[NAME]**

Title: N/A

Date: _____

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