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moreAn Indian law-governed agreement establishing terms for an unsecured loan from a company to its director, compliant with Companies Act 2013.find out moreAn Indian-law compliant loan application form for capturing applicant details and loan requirements, adhering to RBI guidelines and banking regulations.find out moreAn Indian-law compliant document acknowledging the receipt of a personal loan, detailing loan terms and parties involved.find out moreAn Indian law-governed agreement for short-term, salary-based loans, incorporating RBI guidelines and temporary vehicle loans between parties, adhering to Indian motor vehicle and contract laws.find out moreAn Indian law-governed agreement establishing loan terms between lender and borrower, backed by a guarantor's commitment to secure the loan repayment.find out moreAn Indian law-governed agreement establishing terms for investment financing, including loan details, security arrangements, and party obligations under Indian banking and 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financial obligations and enforcement rights.find out moreAn Indian law-compliant loan agreement between a company director (as lender) and their company (as borrower), including regulatory compliance and transaction terms.find out moreAn Indian law-governed agreement establishing a flexible credit facility between a lender and borrower, with specified drawdown and repayment terms.find out moreAn Indian law-governed agreement establishing terms for cross-border lending between international lenders and Indian borrowers, including loan terms, security, and regulatory compliance requirements.find out moreAn Indian law-governed agreement while maintaining legal enforceability.find out moreAn Indian law-governed agreement establishing terms for vehicle purchase through installment payments, defining financial obligations and ownership conditions.find out moreAn Indian law-governed agreement creating a security interest over a vehicle in favor of a lender against a loan amount.find out 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between a bank and borrower establishing loan terms, security arrangements, and parties' rights and obligations under Indian banking regulations.find out moreAn Indian law-governed preliminary document outlining key terms and conditions of a proposed bank loan facility, serving as the basis for detailed loan documentation.find out moreAn Indian law-governed Option Contract for Car Loan establishing option rights and subsequent vehicle financing terms under Indian banking and consumer protection regulations.find out moreAn Indian law-governed agreement for property purchase with bank financing, establishing terms between seller, purchaser, and lending bank.find out moreA Loan Agreement, also known as a term loan, demand loan, or loan contract, is a legal document that details a financial agreement between two parties, one of which is the lender and the other the borrower.This contract outlines the loan amount, any interest rates, the repayment schedule, and payment dates. A written contract provides both the borrower and the lender with a clear overview of the loans conditions.A secured loan is one that is provided and backed by collateral to be utilised if the borrower is unable to make payments. Collateral is often a tangible item that may be seized and/or sold by the lender to pay off the loans outstanding balance. A vehicle, a house, stocks, or bonds can all be used as collateral.If the contract does not include a collateral provision, the lender will have to go to court to confiscate any of the borrowers assets. The lender may still have to go to court to take the collateral with a provision in place, but the procedure is usually faster.An unsecured loan is one that is made without the use of collateral. When lending money to friends or family members, these types of loans are more usual.Unsecured loans may have higher interest rates to compensate the lender for the risks of lending money without collateral.Banks must follow the Reserve Bank of India's instructions on charging interest rates.It should include all relevant terms and conditions. Among other things, the following clauses must be mentioned in a loan agreement: A Loan Agreement is a written promise from a lender to loan money to someone in exchange for the borrower's promise to repay the money lent as described by the Agreement.The Loan Agreement serves as written evidence of the amount of debt and the terms under which it will be repaid.The Loan Agreement can be used to record the terms and conditions of a loan made between individual persons or companies who are Indian citizens.What are the different types of Loan Agreements?The loan agreement can be mainly divided into two types:Loan agreement without interest: The loan agreement without interest means that the borrower needs to repay the amount borrowed without any interest. This type of agreement is often used in situations when the loan is provided to family or friends.Loan agreement with interest: On the other hand, a simple interest loan agreement requires the borrower to pay a fixed interest on the initial borrowed amount. Under this agreement, the interest won't compound, which means interest won't be calculated on the outstanding interest amount.Is it mandatory to have a Loan Agreement?Yes, it's better to have a written loan agreement in all cases. Written all major clauses will help the lender and the borrower establish their relationship and seek legal protection in case of a dispute.What does the "Collateral" or "Security of Loan" mean?A collateral or security for a loan refers to the immovable or movable property attached to the loan as security. In case, the borrower fails to repay the loan amount, the Lender can attach and sell the collateral to recover the outstanding loan amount.The sale of the collateral could be done through public auction or other means.Following are some of the collateral or security of a loan:Land and other immovable property (e.g. house, apartment etc)Movable property (e.g. vehicles)Pledge over shares and other movable assets (e.g. art, jewellery etc.)What does a "guarantor" mean?A guarantor is someone who promises to pay the borrowed amount if the borrower defaults, ensuring the lender's security and the repayment of the loan.What is not allowed in a Loan Agreement?The loan agreement must not include any clauses with unfair terms, excessively high interest rates, or conditions that could negatively impact the legal rights of the borrower.This includes clauses that restrict the borrower from repaying the loan amount before the due date,allow the lender to change the terms without the borrower's consent, orpermit the appointment of an arbitrator to resolve the dispute solely by one party.What are the prerequisites of a Loan Agreement?If a person/entity in the business of making loans, they would need to be registered as a moneylender or with the Reserve Bank of India as a banking company or a non-banking financial company. This Loan Agreement can be used by both the registered and unregistered lenders.Who can enter into a Loan Agreement?Any individual or legal entity can enter a Loan Agreement.An individual should be an Indian citizen above 18 years old, who is legally recognized as a member of the Republic of India. This status is primarily obtained by birth, descent, registration, or naturalization.An entity can also become a part to the loan agreement, if it is incorporated or registered in India.Loans by a foreign lender to an Indian borrower are covered under different rules and regulations. This document is not adapted for a loan by a foreign lender to an Indian company/individual.What can be the duration of a Loan Agreement?The duration of a Loan Agreement can vary significantly based on the type of loan and the lender's policies. It can range from a few days for overdrafts to many years for home loans.What has to be done once the Loan Agreement is ready?The Loan Agreement will be legally binding when it has been printed on non-judicial stamp paper or e-stamp paper, and signed by each party. The value of the stamp paper would depend on the state in which it is executed. Each state in India has provisions in respect of the amount of stamp duty payable on such agreements.Each Party should sign and return a copy of the Loan Agreement. Where a company is a party to this agreement, they should ensure that the Loan Agreement is signed by an authorized signatory, which is usually a director as authorized by a board resolution of the company.Where the Lender has requested that the borrower provide a guarantor, such guarantor should also carefully read the entire Loan Agreement and its guarantee obligations, and sign where indicated.Each Party should keep a signed copy of the Loan Agreement. To do this, two different copies can be signed (or three if there is a guarantor as well), or if only one copy is signed, it can be photocopied and then distributed between the parties.Which documents should be attached to a Loan Agreement?The following documents shall be attached to a Loan Agreement:Proof of identity of the parties involved in the Loan Agreement such as Aadhaar, GST certificate, etc.Income proof of the borrower including salary slips, income tax statements, bank statements, etc.Collateral documents (if applicable) like property papers, vehicle registration certificates, etc.Is it necessary to register the Loan Agreement?No, as a general rule loan agreement does not need registration. However, if the parties use collateral to secure the return of a debt by a borrower, the other rules apply.If a collateral is in the form of a mortgage, in that case, it should be registered at the office of the Sub-registrar where the collateral property is located or where any of the parties to the agreement resides. The registration should be performed within a period of four months from the date of execution.If collateral is in a form of a movable property, in that case, the registration is not mandatory. However, in case if the collateral is a car, it can be registered with the concerned RTO (Regional Transport Office) to secure the loan.For other types of movable properties, the loan can be secured by registering with the Central Registry of Securitization Asset Reconstruction and Security Interest of India (CERSAI).In case of a charge being created by a company over property or instruments such as its shares, the filing must be made with the Registrar of Companies, regarding the creation of the charge.What are the different types of interests used in a Loan Agreement?The interest on a loan can be calculated using various methods, such as simple interest and compound interest. Simple interest is calculated based on the initial principal amount and the interest rate. Compound interest takes into account the accumulated interest from previous periods as well.Additionally, there are different formulas for calculating interest based on the frequency of compounding, such as annually, semi-annually, quarterly, or monthly. Each method has its own implications for the total amount repaid over the life of the loan.What must a Loan Agreement contain?The Loan Agreement must include the following clauses:Parties involved: the name and details of the lender, borrower, guarantor, etc.Loan amount: the total sum of money borrowed.Interest rate (if any): The type of interest such as simple interest or compound interest and rate of interest.Repayment schedule: defines the frequency and amount of loan repayments.Late payment charges: penalties or charges on delayed payment by the borrower.Prepayment clause: conditions of paying off the loan early by the borrower.Collateral details: description of any collateral pledged for the loan.Which laws are applicable to a Loan Agreement?This agreement is subject to the broad principles of the Indian Contract Act, 1872.The Companies Act, 2013 regulates the giving of loans, guarantees, or security by companies to their directors (whether directly or indirectly).Banks are required to comply with directions issued by the Reserve Bank of India regarding interest rates that can be charged by them.If the Loan Agreement is between an Indian citizen and a foreign person the rules and regulations of the Foreign Exchange Management Act, 1999 will apply. How to modify the template? You fill out a form. The document is created before your eyes as you respond to the questions. At the end, you receive it in Word and PDF formats. You can modify it and reuse it. Share copy and redistribute the material in any medium or format for any purpose, even commercially. Adapt remix, transform, and build upon the material for any purpose, even commercially. The licensor cannot revoke these freedoms as long as you follow the license terms. Attribution You must give appropriate credit , provide a link to the license, and indicate if changes were made . You may do so in any reasonable manner, but not in any way that suggests the licensor endorses you or your use. ShareAlike If you remix, transform, or build upon the material, you must distribute your contributions under the same license as the original. No additional restrictions You may not apply legal terms or technological measures that legally restrict others from doing anything the license permits. You do not have to comply with the license for elements of the material in the public domain or where your use is permitted by an applicable exception or limitation . No warranties are given. The license may not give you all of the permissions necessary for your intended use. For example, other rights such as publicity, privacy, or moral rights may limit how you use the material. Legal Notice for Recovery of Money Free Legal Document - Banking / Finance View Document Note: Your initial answers are saved automatically when you preview your document. This screen can be used to save additional copies of your answers. Check to hide this tip in the future. 0%(1)0% found this document useful (1 vote)15K viewsThis document is a friendly loan agreement between two parties. It outlines the terms of a loan for [amount] from the lender to the borrower. Key details include - The loan is for [amount]AI-enhanced title and descriptionSaveSave friendly-loan-agreement.docx For Later0%0% found this document useful, undefinedEffortlessly create and finalize your Joint Venture Agreement in minutes, along with the convenience of eSignatures for a smooth document completion process by Create Document Downloads Word Template 714 KB PDF Template 118 KB Open in Google Docs Online This template is specifically prepared for use in the United States. For region-specific versions of this document, please use our free online wizard. License Our license means that all our legal documents and templates are 100% free to use, even commercially.Read license summary. Found this useful?Share it! Legal document by: Licensed Attorney Article by: Experienced Paralegal Attorney Drafted Before lending money to a business, a friend, or another entity, you should always have an agreement outlining every aspect of the transaction. Defining loan terms is a crucial part of the process. Without a loan agreement, the lender may not recover their money, or the borrower may end up with terms they did not sign up for. The document contains basic information such as names and addresses. It also addresses crucial matters, including the amount of money involved, how interest rates are applied, dispute resolution, applicable laws, the consequences of default, and much more. The type of loan you offer determines the contents of your contract. A unique aspect of your agreement can be that you require collateral where another lender does not. We have designed a customizable template with these differences in mind. A few tweaks are necessary to personalize it to your needs. This article takes you through the writing process. Lets first understand how a loan agreement works. If you plan to give someone money you want them to pay back, you must set the ground rules. While you could have a verbal agreement, written documents are best. They preserve evidence of the transaction and important dates, such as when you loaned the money and when the borrower must return it. An alternative might be a promissory note, but these do not include consequences of non-payment, and the lenders are not required to sign. Loan agreements become legally binding when you and the borrower have consented to the terms by signing the contract. They provide a reference point to ensure each party honors its obligations. The following section discusses what you should include in a regular loan agreement form. Drafting a loan agreement can be simple if you have all the facts ready. The following is the information you need to draft the contract. Dates are essential in all business contracts, but especially in loan agreements. Start by writing the date the contract becomes active. You will also mention the date the borrower receives the money and when you expect the final payment. You must have each partys full name. Designate one space for the lenders name, whether an individual or a company, and another for the borrower. Correct names are crucial, so you should always double-check to prevent mix-ups. Borrowers need to know the loan terms. They should be clear enough to avoid misinterpretations. Loan amount: State the money you agree to lend clearly (in words and numbers). Mention any facility fees you will deduct from the amount the borrower receives or add to the amount they owe.Interest rates: Explain to the borrower how you calculate the interest. State the rate, such as 10% of the principal per annum, and when its applied. Also, tell the lender whether you use a fixed or variable interest application method.Repayment plan: Explain how often and how much the borrower should pay at each installment. Depending on the loan terms, they may be required to pay the full amount at once or make weekly or monthly installments. State if payments are applied first to the interest or the principal amount. Provide the bank account or another method you agreed to for the borrower to deposit the repayments. Explain possible penalties if the borrower does not meet a repayment deadline. A typical penalty is to apply a late fee, which can be a dollar amount or a percentage of the money owed. Although you do not hope for defaults, it is good to anticipate the possibility. Explain what happens if the borrower takes too long to make payments or becomes insolvent and the account defaults. State and describe an item the borrower has placed as security should they fail to repay the loan. Collaterals may not be applicable if you are providing unsecured loans. You may allow a borrower to prepay a loan before its due. Let the borrower know if any prepayment penalties or benefits apply. Both parties should represent their declarations and any warranties they give. For example, the borrower may declare how they plan to use the borrowed money, and the lender can guarantee that they have the legal capacity to provide the loan and do not require third-party approvals. Some borrower actions may supersede repayment plans and require them to pay everything they owe immediately. For example, suppose the borrower defaults on other financial obligations or sells a significant portion of their assets without informing the lender. In that case, the loan terms may require the outstanding amount to be instantly due. Mention the laws that govern your agreement. These are typically your state laws. State if dispute resolution will start with mediation before moving to arbitration under your states Arbitration laws. This clause states that if one contract provision is invalid, it will not affect the remaining provisions. The rest of the agreement remains in place. Finally, each party should sign and date the contract to validate it. Feel free to add or remove any provisions in this loan agreement template to suit your needs. Drafting a loan agreement may require time and preparation, but it is worth the effort for the peace of mind and protection it provides. Collecting every piece of information you need beforehand simplifies the process. Article by Dena Standley Senior Writer | Experienced Paralegal | 39 Articles Dena Standley, an experienced paralegal based in Houston, TX, has over a decade of experience working with trial lawyers and law firms. She is passionate about making legal processes more accessible and helping clients understand and navigate the legal system with confidence.

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holder agrees to subordinate their security interest to another.find out moreAn Indian-law governed promissory note formalizing loan agreements between family members, establishing legally binding terms while preserving familial relationships.find out moreAn Indian law-governed agreement establishing terms for vendor financing, including loan details, security arrangements, and party obligations.find out moreAn Indian law-governed agreement establishing terms for employer-provided computer equipment loans to employees, including repayment and usage conditions.find out moreAn Indian law-governed agreement formally recognizing a debt obligation between parties, including repayment terms and interest calculations.find out moreAn Indian law-governed loan agreement featuring smaller periodic payments with a large final balloon payment, structured under Indian banking and contract laws.find out moreAn Indian law-governed agreement establishing terms and conditions for an inter-company loan, including loan amount, interest, repayment terms, and parties' obligations.find out moreAn Indian law-governed agreement establishing rights and relationships between multiple lenders in a financing arrangement, compliant with Indian banking regulations, find out moreAn Indian law-governed master agreement establishing framework terms for ongoing business relationships and future specific transactions.find out moreAn Indian law-governed agreement establishing terms for third-party funding of legal proceedings, including funding commitments, returns, and control mechanisms.find out moreAn India-governed agreement establishing credit facility terms between lender and borrower, compliant with Indian banking regulations and enforcement mechanisms.find out moreAn Indian law-governed agreement establishing a subordinated loan facility where the lender's claims are contractually subordinate to senior debt obligations.find out moreA legally binding financial instrument under Indian law containing an unconditional written promise to pay a specified sum of money to a designated person.find out moreAn Indian law-governed agreement combining employment terms with loan provisions, establishing both work requirements and loan repayment terms between employer and employee.find out moreA formal letter document under Indian law that establishes terms and conditions for borrowing money from a friend, maintaining legal validity while preserving the personal nature of the transaction.find out moreAn Indian law-governed agreement facilitating peer-to-peer lending transactions, compliant with RBI regulations and the Indian Contract Act.find out moreAn Indian law-governed agreement establishing terms for a loan with interest, including loan amount, interest rates, repayment schedule, and enforcement provisions.find out moreAn Indian law-compliant formal document that outlines and confirms loan repayment terms and schedule between a borrower and lender.find out moreAn Indian law-governed agreement for the transfer of land ownership from seller to purchaser, incorporating all statutory requirements and local regulations.find out moreAn Indian law-governed agreement documenting a borrower's formal promise to repay a loan with specified terms and conditions.find out moreAn Indian law-governed agreement that transfers loan rights and obligations from one lender to another while maintaining the original loan terms.find out moreAn Indian law-governed agreement establishing the priority ranking between different creditors and regulating the subordination of certain debt obligations to others.find out moreAn Indian law-governed agreement establishing terms for loan facilitation services between facilitators and financial institutions, compliant with RBI regulations.find out moreAn agreement under Indian law governing the sale of participation interests in loans between financial institutions, establishing rights, obligations, and risk-sharing arrangements.find out moreAn Indian law-governed agreement establishing terms for an unsecured loan from a company to its director, compliant with Companies Act 2013.find out moreAn Indian-law compliant loan application form for capturing applicant details and loan requirements, adhering to RBI guidelines and banking regulations.find out moreAn Indian-law compliant document acknowledging the receipt of a personal loan, detailing loan terms and parties involved.find out moreAn Indian law-governed agreement for short-term, salary-based loans, incorporating RBI guidelines and temporary vehicle loans between parties, adhering to Indian motor vehicle and contract laws.find out moreAn Indian law-governed agreement establishing loan terms between lender and borrower, backed by a guarantor's commitment to secure the loan repayment.find out moreAn Indian law-governed agreement establishing terms for investment financing, including loan details, security arrangements, and party obligations under Indian banking and contract regulations.find out moreAn Indian law-governed agreement setting out terms and conditions for lending facilities, including amount, interest, repayment, and security arrangements.find out moreAn Indian law-compliant agreement governing employer-provided cash advances to employees, including terms for provision and repayment.find out moreAn Indian law-governed document that establishes and formalizes lending arrangements between parties, detailing loan terms, conditions, and obligations.find out moreAn Indian law-governed agreement establishing terms for temporary device loans between parties, including usage conditions, maintenance requirements, and return terms.find out moreAn Indian law-governed agreement that formally documents the cancellation of a loan obligation between lender and borrower, including terms, conditions, and mutual releases.find out moreAn Indian law-governed agreement establishing loan terms and creating a mortgage security over property, detailing financial obligations and enforcement rights.find out moreAn Indian law-compliant loan agreement between a company director (as lender) and their company (as borrower), including regulatory compliance and transaction terms.find out moreAn Indian law-governed agreement establishing a flexible credit facility between a lender and borrower, with specified drawdown and repayment terms.find out moreAn Indian law-governed agreement establishing terms for cross-border lending between international lenders and Indian borrowers, including loan terms, security, and regulatory compliance requirements.find out moreAn Indian law-governed agreement while maintaining legal enforceability.find out moreAn Indian law-governed agreement establishing terms for vehicle purchase through installment payments, defining financial obligations and ownership conditions.find out moreAn Indian law-governed agreement creating a security interest over a vehicle in favor of a lender against a loan amount.find out moreAn Indian law-governed agreement providing temporary financing until permanent funding is secured, incorporating local regulatory requirements and banking practices.find out moreAn Indian law-governed agreement between a bank and borrower establishing loan terms, security arrangements, and parties' rights and obligations under an agreement establishing loan terms and borrower undertakings, detailing financial obligations and security arrangements.find out moreAn Indian law-governed agreement between borrower, lender, and builder/seller establishing terms and obligations in a home loan transaction.find out moreAn Indian law-governed agreement establishing terms and conditions for institutional securities lending transactions, compliant with SEBI and RBI regulations.find out moreAn Indian law-governed agreement establishing terms for a personal loan secured by or repaid through rental payments or income.find out moreAn Indian law-governed financial instrument combining a promise to pay with a personal guarantee, providing enhanced security for lenders through dual commitment from borrower and guarantor.find out moreAn Indian law-governed agreement combining property sale and mortgage arrangements, detailing property transfer and loan security terms.find out moreAn Indian law-governed agreement creating a security interest in property as collateral for a loan, detailing terms between lender and borrower.find out moreAn Indian law-governed agreement where a guarantor commits to taking responsibility for a borrower's loan obligations to a lender in case of default.find out moreAn Indian law-governed agreement that reinstates a defaulted loan and establishes revised terms between lender and borrower.find out moreAn Indian law-governed agreement establishing terms and conditions for loan notes, including lending amount, interest rates, and repayment terms.find out moreAn Indian law-governed agreement documenting loan terms, conditions, and security arrangements between lender and borrower, compliant with Indian banking regulations and RBI guidelines.find out moreAn Indian law-governed agreement establishing indemnity obligations to protect lenders against specified losses or liabilities in loan arrangements.find out moreAn Indian law-governed agreement that documents the conversion of a loan into equity shares, specifying consor terms and ensuring regulatory compliance.find out moreAn Indian law-governed agreement establishing a lender's commitment to provide a loan facility under specified terms and conditions, subject to Indian banking regulations and RBI guidelines.find out moreAn Indian law-governed loan agreement between married spouses, establishing terms for inter-spousal lending with tax and legal compliance provisions.find out moreAn Indian law-governed formal letter documenting the terms and conditions for borrowing money from a company, typically used in employer-employee lending arrangements.find out moreAn Indian law-governed agreement establishing terms and conditions for financial facilities between lender and borrower, including loan terms, security, and regulatory compliance requirements.find out moreA formal letter under Indian law requesting a loan and establishing basic borrowing terms between parties, serving as an official record of the borrower's intent and commitment to repay.find out moreAn Indian law-governed agreement where a lender temporarily refrains from enforcing their rights against a defaulting commercial borrower, subject to specific conditions and RBI guidelines.find out moreAn Indian law-compliant agreement documenting debt acknowledgment and establishing structured repayment terms between creditor and debtor.find out moreAn Indian law-governed agreement establishing terms and conditions for a credit facility between lender and borrower, including loan terms, security arrangements, and regulatory compliance requirements.find out moreAn Indian law-governed agreement combining loan terms with real estate mortgage security, establishing lending conditions and property rights transfer.find out moreAn Indian law-governed agreement between a loan broker and client establishing terms for commercial loan broking services, including scope, fees, and compliance requirements.find out moreAn Indian law-governed agreement structuring car payment terms between friends, combining vehicle sale and financing elements while maintaining legal enforceability.find out moreAn Indian law-governed agreement establishing terms for vehicle purchase through installment payments, defining financial obligations and ownership conditions.find out moreAn Indian law-governed agreement creating a security interest over a vehicle in favor of a lender against a loan amount.find out moreAn Indian law-governed agreement providing temporary financing until permanent funding is secured, incorporating local regulatory requirements and banking practices.find out moreAn Indian law-governed agreement between a bank and borrower establishing loan terms, security arrangements, and parties' rights and obligations under Indian banking regulations.find out moreAn Indian law-governed preliminary document outlining key terms and conditions of a proposed bank loan facility, serving as the basis for detailed loan documentation.find out moreAn Indian law-governed Option Contract for Car Loan establishing option rights and subsequent vehicle financing terms under Indian banking and consumer protection regulations.find out moreAn Indian law-governed agreement for property purchase with bank financing, establishing terms between seller, purchaser, and lending bank.find out moreA Loan Agreement, also known as a term loan, demand loan, or loan contract, is a legal document that details a financial agreement between two parties, one of which is the lender and the other the borrower.This contract outlines the loan amount, any interest rates, the repayment schedule, and payment dates. A written contract provides both the borrower and the lender with a clear overview of the loans conditions.A secured loan is one that is provided and backed by collateral to be utilised if the borrower is unable to make payments. Collateral is often a tangible item that may be seized and/or sold by the lender to pay off the loans outstanding balance. A vehicle, a house, stocks, or bonds can all be used as collateral.If the contract does not include a collateral provision, the lender will have to go to court to confiscate any of the borrowers assets. The lender may still have to go to court to take the collateral with a provision in place, but the procedure is usually faster.An unsecured loan is one that is made without the use of collateral. When lending money to friends or family members, these types of loans are more usual.Unsecured loans may have higher interest rates to compensate the lender for the risks of lending money without collateral.Banks must follow the Reserve Bank of India's instructions on charging interest rates.It should include all relevant terms and conditions. Among other things, the following clauses must be mentioned in a loan agreement: A Loan Agreement is a written promise from a lender to loan money to someone in exchange for the borrower's promise to repay the money lent as described by the Agreement.The Loan Agreement serves as written evidence of the amount of debt and the terms under which it will be repaid.The Loan Agreement can be used to record the terms and conditions of a loan made between individual persons or companies who are Indian citizens.What are the different types of Loan Agreements?The loan agreement can be mainly divided into two types:Loan agreement without interest: The loan agreement without interest means that the borrower needs to repay the amount borrowed without any interest. This type of agreement is often used in situations when the loan is provided to family or friends.Loan agreement with interest: On the other hand, a simple interest loan agreement requires the borrower to pay a fixed interest on the initial borrowed amount. Under this agreement, the interest won't compound, which means interest won't be calculated on the outstanding interest amount.Is it mandatory to have a Loan Agreement?Yes, it's better to have a written loan agreement in all cases. Written all major clauses will help the lender and the borrower establish their relationship and seek legal protection in case of a dispute.What does the "Collateral" or "Security of Loan" mean?A collateral or security for a loan refers to the immovable or movable property attached to the loan as security. In case, the borrower fails to repay the loan amount, the Lender can attach and sell the collateral to recover the outstanding loan amount.The sale of the collateral could be done through public auction or other means.Following are some of the collateral or security of a loan:Land and other immovable property (e.g. house, apartment etc)Movable property (e.g. vehicles)Pledge over shares and other movable assets (e.g. art, jewellery etc.)What does a "guarantor" mean?A guarantor is someone who promises to pay the borrowed amount if the borrower defaults, ensuring the lender's security and the repayment of the loan.What is not allowed in a Loan Agreement?The loan agreement must not include any clauses with unfair terms, excessively high interest rates, or conditions that could negatively impact the legal rights of the borrower.This includes clauses that restrict the borrower from repaying the loan amount before the due date,allow the lender to change the terms without the borrower's consent, orpermit the appointment of an arbitrator to resolve the dispute solely by one party.What are the prerequisites of a Loan Agreement?If a person/entity in the business of making loans, they would need to be registered as a moneylender or with the Reserve Bank of India as a banking company or a non-banking financial company. This Loan Agreement can be used by both the registered and unregistered lenders.Who can enter into a Loan Agreement?Any individual or legal entity can enter a Loan Agreement.An individual should be an Indian citizen above 18 years old, who is legally recognized as a member of the Republic of India. This status is primarily obtained by birth, descent, registration, or naturalization.An entity can also become a part to the loan agreement, if it is incorporated or registered in India.Loans by a foreign lender to an Indian borrower are covered under different rules and regulations. This document is not adapted for a loan by a foreign lender to an Indian company/individual.What can be the duration of a Loan Agreement?The duration of a Loan Agreement can vary significantly based on the type of loan and the lender's policies. It can range from a few days for overdrafts to many years for home loans.What has to be done once the Loan Agreement is ready?The Loan Agreement will be legally binding when it has been printed on non-judicial stamp paper or e-stamp paper, and signed by each party. The value of the stamp paper would depend on the state in which it is executed. Each state in India has provisions in respect of the amount of stamp duty payable on such agreements.Each Party should sign and return a copy of the Loan Agreement. Where a company is a party to this agreement, they should ensure that the Loan Agreement is signed by an authorized signatory, which is usually a director as authorized by a board resolution of the company.Where the Lender has requested that the borrower provide a guarantor, such guarantor should also carefully read the entire Loan Agreement and its guarantee obligations, and sign where indicated.Each Party should keep a signed copy of the Loan Agreement. To do this, two different copies can be signed (or three if there is a guarantor as well), or if only one copy is signed, it can be photocopied and then distributed between the parties.Which documents should be attached to a Loan Agreement?The following documents shall be attached to a Loan Agreement:Proof of identity of the parties involved in the Loan Agreement such as Aadhaar, GST certificate, etc.Income proof of the borrower including salary slips, income tax statements, bank statements, etc.Collateral documents (if applicable) like property papers, vehicle registration certificates, etc.Is it necessary to register the Loan Agreement?No, as a general rule loan agreement does not need registration. However, if the parties use collateral to secure the return of a debt by a borrower, the other rules apply.If a collateral is in the form of a mortgage, in that case, it should be registered at the office of the Sub-registrar where the collateral property is located or where any of the parties to the agreement resides. The registration should be performed within a period of four months from the date of execution.If collateral is in a form of a movable property, in that case, the registration is not mandatory. However, in case if the collateral is a car, it can be registered with the concerned RTO (Regional Transport Office) to secure the loan.For other types of movable properties, the loan can be secured by registering with the Central Registry of Securitization Asset Reconstruction and Security Interest of India (CERSAI).In case of a charge being created by a company over property or instruments such as its shares, the filing must be made with the Registrar of Companies, regarding the creation of the charge.What are the different types of interests used in a Loan Agreement?The interest on a loan can be calculated using various methods, such as simple interest and compound interest. Simple interest is calculated based on the initial principal amount and the interest rate. Compound interest takes into account the accumulated interest from previous periods as well.Additionally, there are different formulas for calculating interest based on the frequency of compounding, such as annually, semi-annually, quarterly, or monthly. Each method has its own implications for the total amount repaid over the life of the loan.What must a Loan Agreement contain?The Loan Agreement must include the following clauses:Parties involved: the name and details of the lender, borrower, guarantor, etc.Loan amount: the total sum of money borrowed.Interest rate (if any): The type of interest such as simple interest or compound interest and rate of interest.Repayment schedule: defines the frequency and amount of loan repayments.Late payment charges: penalties or charges on delayed payment by the borrower.Prepayment clause: conditions of paying off the loan early by the borrower.Collateral details: description of any collateral pledged for the loan.Which laws are applicable to a Loan Agreement?This agreement is subject to the broad principles of the Indian Contract Act, 1872.The Companies Act, 2013 regulates the giving of loans, guarantees, or security by companies to their directors (whether directly or indirectly).Banks are required to comply with directions issued by the Reserve Bank of India regarding interest rates that can be charged by them.If the Loan Agreement is between an Indian citizen and a foreign person the rules and regulations of the Foreign Exchange Management Act, 1999 will apply. How to modify the template? You fill out a form. The document is created before your eyes as you respond to the questions. At the end, you receive it in Word and PDF formats. You can modify it and reuse it. Share copy and redistribute the material in any medium or format for any purpose, even commercially. Adapt remix, transform, and build upon the material for any purpose, even commercially. The licensor cannot revoke these freedoms as long as you follow the license terms. Attribution You must give appropriate credit , provide a link to the license, and indicate if changes were made . You may do so in any reasonable manner, but not in any way that suggests the licensor endorses you or your use. ShareAlike If you remix, transform, or build upon the material, you must distribute your contributions under the same license as the original. No additional restrictions You may not apply legal terms or technological measures that legally restrict others from doing anything the license permits. You do not have to comply with the license for elements of the material in the public domain or where your use is permitted by an applicable exception or limitation . No warranties are given. The license may not give you all of the permissions necessary for your intended use. For example, other rights such as publicity, privacy, or moral rights may limit how you use the material. Legal Notice for Recovery of Money Free Legal Document - Banking / Finance View Document Note: Your initial answers are saved automatically when you preview your document. This screen can be used to save additional copies of your answers. Check to hide this tip in the future. 0%(1)0% found this document useful (1 vote)15K viewsThis document is a friendly loan agreement between two parties. It outlines the terms of a loan for [amount] from the lender to the borrower. Key details include - The loan is for [amount]AI-enhanced title and descriptionSaveSave friendly-loan-agreement.docx For Later0%0% found this document useful, undefinedEffortlessly create and finalize your Joint Venture Agreement in minutes, along with the convenience of eSignatures for a smooth document completion process by Create Document Downloads Word Template 714 KB PDF Template 118 KB Open in Google Docs Online This template is specifically prepared for use in the United States. For region-specific versions of this document, please use our free online wizard. License Our license means that all our legal documents and templates are 100% free to use, even commercially.Read license summary. Found this useful?Share it! Legal document by: Licensed Attorney Article by: Experienced Paralegal Attorney Drafted Before lending money to a business, a friend, or another entity, you should always have an agreement outlining every aspect of the transaction. Defining loan terms is a crucial part of the process. Without a loan agreement, the lender may not recover their money, or the borrower may end up with terms they did not sign up for. The document contains basic information such as names and addresses. It also addresses crucial matters, including the amount of money involved, how interest rates are applied, dispute resolution, applicable laws, the consequences of default, and much more. The type of loan you offer determines the contents of your contract. A unique aspect of your agreement can be that you require collateral where another lender does not. We have designed a customizable template with these differences in mind. A few tweaks are necessary to personalize it to your needs. This article takes you through the writing process. Lets first understand how a loan agreement works. If you plan to give someone money you want them to pay back, you must set the ground rules. While you could have a verbal agreement, written documents are best. They preserve evidence of the transaction and important dates, such as when you loaned the money and when the borrower must return it. An alternative might be a promissory note, but these do not include consequences of non-payment, and the lenders are not required to sign. Loan agreements become legally binding when you and the borrower have consented to the terms by signing the contract. They provide a reference point to ensure each party honors its obligations. The following section discusses what you should include in a regular loan agreement form. Drafting a loan agreement can be simple if you have all the facts ready. The following is the information you need to draft the contract. Dates are essential in all business contracts, but especially in loan agreements. Start by writing the date the contract becomes active. You will also mention the date the borrower receives the money and when you expect the final payment. You must have each partys full name. Designate one space for the lenders name, whether an individual or a company, and another for the borrower. Correct names are crucial, so you should always double-check to prevent mix-ups. Borrowers need to know the loan terms. They should be clear enough to avoid misinterpretations. Loan amount: State the money you agree to lend clearly (in words and numbers). Mention any facility fees you will deduct from the amount the borrower receives or add to the amount they owe.Interest rates: Explain to the borrower how you calculate the interest. State the rate, such as 10% of the principal per annum, and when its applied. Also, tell the lender whether you use a fixed or variable interest application method.Repayment plan: Explain how often and how much the borrower should pay at each installment