Promissory Note – Installment Payments with Interest

Borrower: ________________________________

Lender: ________________________________

Borrower promises to pay to Lender the amount of $ ___________ on ________________ *[date payment is due]* at ________________________________ *[address where payments are to be sent]* at the rate of __________ % per year from the date this note was signed until the date it is due.

2. Borrower agrees that this note will be paid in installments, which include principal and interest, of not less than $ ___________ per month, due on the first day of each month, until the principal and interest are paid in full.

3. If any installment payment due under this note is not received by Lender within __days of its due date, the entire amount of unpaid principal will become immediately due and payable at the option of Lender without prior notice to Borrower.

4. If Lender prevails in a lawsuit to collect on this note, Borrower agrees to pay Lender's attorney fees in an amount the court finds to be just and reasonable.

The term Borrower refers to one or more borrowers. If there is more than one borrower, they agree to be jointly and severally liable. The term Lender refers to any person who legally holds this note, including a buyer in due course.

Borrower's signature: ________________________________

Date: ________________________________

Print name: ________________________________

Location: ________________________________ *[city or county where signed]*

Address: ____________________

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Certificate of Acknowledgment of Notary Public

State of ________________________________)

County of ______________________________)

On _____________________, before me, _______________________________, a notary public in and for said state personally appeared ___________________ ________________________, known to me (or proved to me on the basis of satisfactory evidence) to be the person whose name is subscribed to the within instrument, and acknowledged to me that he or she executed the same in his or her authorized capacity and that by his or her signature on the instrument, the person, or the entity upon behalf of which the person acted, executed the instrument.

WITNESS my hand and official seal.

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Notary Public for the State of ______________

My commission expires __________________

Explanation for Promissory Note

This is an example of a promissory note with installment payments with interest—distinguished from a note that requires payment all at once, or a note that is secured with property (a "security") that can be used to repay the debt if the borrower defaults. If you'd like to see alternative choices for promissory notes and a complete explanation of how they can be used, check out Nolo's book, 101 Law Forms for Personal Use. You can also find many examples of promissory notes on the Internet.

Charging interest makes things a little more complicated. To do this, you'll need to use an amortization calculator, many of which are available at the Nolo website. You plug in the loan amount, interest rate and number of payments and the calculator gives you the monthly payment amount.

Usually interest rates for notes range between 5 to 10%. If you want to charge a higher rate of interest, check your state law to see if the rate is legal. Many states, such as California, limit the rate of interest for these types of loans. If you charge more than the state limit, you may be committing the crime of usury and your agreement may be invalid.

The borrower(s) must sign the note for it to be valid. The signed original should be given to the lender and a copy given to the borrower. Notarization of the note is required in some, but not all states. Generally, even if your state does not require it, it's a good idea to have the promissory note notarized.