



RELEASE OF PROMISSORY NOTE & GUIDE

Included:

Overview

Dos and Don'ts Checklist

Release of Promissory Note Instructions

Sample Release of Promissory Note

1. Overview

The end of an agreement is as important as its beginning. Once a note has been paid off, it's time to wrap up any loose ends and release the parties from their duties. A clean break will provide peace of mind, discharge all obligations, and lead to an amicable conclusion.

A release is the definitive end of the parties' commitments under a note. If well-drafted, it can help prevent future misunderstandings and disputes. Although no document can insulate you from later lawsuits or claims, a clear release of a promissory note can strengthen your defense if such claims arise.

Note that the end of a loan arrangement is not the end of a relationship: it may open avenues of discussion with the other party that might otherwise have been closed. You can review your mutual expectations and concerns, assess the project's successes and failures, and lay the groundwork for future agreements and interactions. A thorough evaluation of each party's performance allows for a better understanding of what will be required for the release.

2. Dos & Don'ts Checklist

- Make sure both parties have performed all of their duties before signing a release: once the document is signed, the note is void. Review the note, any related loan documents, and draft a list of each party's obligations and rights. Take a moment to ensure that your interests have been satisfied.
- If the promissory note was secured by the borrower's property, make sure that any documents evidencing those liens are terminated or cancelled. For example, if the lender filed a UCC filing statement with a government authority, it must make a termination filing to release that lien.
- Allow each party to spend time reviewing both the original note and loan agreements, and the release. This will reduce the likelihood, or at least the efficacy, of a claim that a party did not understand any terms or how those might affect their rights and obligations.
- Review the terms of your promissory note and loan agreements. They may include information about the steps that must be taken to end the arrangement. If there are specific procedures that you must follow according to your agreement, make sure that you have followed them.
- The terms of your original agreements are still in effect, so make sure both parties continue to perform their obligations under that agreement until the release is completed and signed.
- Give the borrower the original promissory note, with a notation on it that says "CANCELLED" or "PAID IN FULL." Keep a copy of this note for your records.
- It's a good idea to have your release notarized. This will limit later challenges to the validity of the signature or of the release itself. If you do not want to notarize your document, delete the paragraph relating to the notary.

3. Release of Promissory Note Instructions

- Write in the identifying information about the promissory note, including the original amount and its effective date.
- If there is only one noteholder signing the release, delete all references to “we” or to more than one noteholder.
- Enter an address for each party in the blanks provided.
- Consider sending your release by registered mail. Although not strictly required, it will provide a record of your actions if any disputes later arise.

DISCLAIMER

LegalZoom is not a law firm. The information contained in the packet is general legal information and should not be construed as legal advice to be applied to any specific factual situation. The use of the materials in this packet does not create or constitute an attorney-client relationship between the user of this form and LegalZoom, its employees or any other person associated with LegalZoom. Because the law differs in each legal jurisdiction and may be interpreted or applied differently depending on your location or situation, you should not rely upon the materials provided in this packet without first consulting an attorney with respect to your specific situation.

The materials in this packet are provided "As-Is," without warranty or condition of any kind whatsoever. LegalZoom does not warrant the materials' quality, accuracy, timeliness, completeness, merchantability or fitness for use or purpose. To the maximum extent provided by law, LegalZoom, its agents and officers shall not be liable for any damages whatsoever (including compensatory, special, direct, incidental, indirect, consequential, punitive or any other damages) arising out of the use or the inability to use the materials provided in this packet.

Form Sample

RELEASE OF PROMISSORY NOTE

In consideration of the full payment of that certain Promissory Note dated _____, 20____, of which you are the maker, in the original principal amount of \$ _____ (the "Note"), we/I, the undersigned Noteholder[s] of _____ [Address], for ourselves and our personal representatives, executors, successors, and assigns, hereby remise, release, and forever discharge you, the Borrower, of _____ [Address], your successors, and assigns, from any and all manner of actions, cause and causes of action, suits, debts, sums of money, accounts, reckonings, bonds, bills, specialties, covenants, controversies, agreements, promises, trespasses, damages, judgments, executions, claims, and demands whatsoever, in law or in equity, whether known or unknown, arising out of the Note, and the execution and delivery thereof. This release relates only to the Note and not to any other contract, agreement, undertaking, understanding, or covenant.

Dated: _____

[NOTEHOLDER NAME]

By: _____

Name:

Title:

ACKNOWLEDGEMENT