DEMAND FOR FULL PAYMENT ON INSTALLMENT PROMISSORY NOTE & GUIDE

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1. Overview

No matter the protective measures taken, it is a simple market fact that borrowers sometimes default on loan payments. There is little a lender can do to prevent such defaults, but some steps can be taken to remedy the situation. One of the simplest and most important things a lender can do after a default is provide notice of that fact and request either an immediate remedy or the acceleration of the whole loan.

The enclosed document demands that full payment be made of the entire note. It is constructed to help you get what is rightfully yours, with a tone designed to be both professional and firm. In the end, you know your borrowers better than anyone else: you may want to alter the correspondence to best suit your personal and business needs.

2. Dos & Don’ts Checklist

☐ Review the terms of your promissory note. It should include information about the steps a lender must take after a default, and about the consequences that can or will result for the borrower. If there are specific procedures that you must follow before making demand of the full amount, make sure that you have followed them.

☐ The enclosed demand letter assumes that the borrower defaulted on an installment promissory note. Under an installment note, the borrower is obliged to make regular, equal payments until the note is paid off. If those payments aren’t made after notice is given, the lender is usually entitled to “accelerate” those periodic payments (e.g., make them all due immediately). If the note under which the borrower defaulted was not an installment note, do not use the document that follows.

☐ The letter indicates that you have provided notice to the borrower of its default. This is an important first step, and may be required by the terms of your note. If you have not provided this notice and it is not required pursuant to your arrangement, you can delete this sentence.

☐ Keep an itemized list of all of the expenses that you have incurred in demanding repayment (including any attorneys’ fees or registered mail costs). You may be entitled to recover these from the borrower when the amounts are finally collected.

☐ If a borrower just won’t pay, don’t be afraid to contact a lawyer. This may be your best recourse to get what is owed to you.

3. Demand For Full Payment on Installment Promissory Note Instructions

• Write in a deadline by which you must receive full payment. This deadline may be provided in the terms of the note itself. If the note does not have any time limits, write a date that will work for your arrangement. Generally, a week or two will provide sufficient time for the borrower to pay the amounts due.

• Consider sending your demand by registered mail. Although not strictly required, it will provide a record of your actions if court action later becomes necessary.
• If the deadline you established has passed, do not be afraid to contact a lawyer. You are entitled to receive the money that you are owed.

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DEMAND FOR FULL PAYMENT ON INSTALLMENT PROMISSORY NOTE

[Your Street Address]
[City, State, and Zip Code]
[Insert Date]

[Recipient’s Name]
[Recipient’s Company, if applicable]
[Recipient’s Address]
[Recipient’s City, State, and Zip Code]

RE: Demand for Full Payment of Installment Promissory Note

Dear ______________:

Reference is made to that certain Promissory Note dated __________, 20__, of which you are the maker, in the original principal amount of $______________ (the “Note”). I am the current holder of the Note.

On __________, 20__, we provided notice that you had defaulted in your payment under the Note. Unfortunately, we still have not received payment of the overdue amount, which is now significantly in arrears. Accordingly, in accordance with the terms of the Note, we hereby exercise our right to demand full payment of the principal amount of $______________ due __________, 20__, together with all accrued interest, fees, and charges.

Yours truly,

[Your Name]
[Your Position]