# FAMILY LOAN AGREEMENT

## 1. 1. Parties and Relationship

This Family Loan Agreement (the "Agreement") is made on [EFFECTIVE DATE] between [LENDER NAME], residing at [LENDER ADDRESS] (the "Lender"), and [BORROWER NAME], residing at [BORROWER ADDRESS] (the "Borrower"). The Parties are related as [RELATIONSHIP, e.g., parent and child, siblings, grandparent and grandchild]. Each Party confirms being of legal age and entering into this Agreement voluntarily, without pressure from the other or from any other family member. Contact details for notices are [LENDER PHONE AND EMAIL] and [BORROWER PHONE AND EMAIL].

## 2. 2. Loan Amount and Character of the Transaction

The Lender is lending the Borrower [LOAN AMOUNT] (the "Loan"), to be delivered on [FUNDING DATE] by [TRANSFER METHOD]. The Parties expressly agree that this transaction is a loan that must be repaid and is not a gift, an advance on an inheritance, a capital contribution, or an investment, unless and until it is converted under Section 10. The Borrower intends to use the Loan for [LOAN PURPOSE, e.g., down payment on a residence, tuition, medical costs, starting a business], and repayment does not depend on the outcome of that purpose. Both Parties will retain records of the transfer, and the Borrower will acknowledge receipt in writing on the funding date.

## 3. 3. Interest and Tax Treatment

Interest accrues on the unpaid balance at [INTEREST RATE] percent per year, simple interest, from [INTEREST START DATE]. If the Parties intend no interest, enter "0" above. The Parties acknowledge that the Internal Revenue Service applies imputed interest rules to below-market loans above certain thresholds, that the applicable federal rate published monthly is the usual reference point for setting a family loan rate, and that interest actually received is taxable income to the Lender. Each Party is responsible for its own tax reporting and will consult its own adviser; nothing in this Agreement is tax advice. In no event will interest exceed the maximum rate permitted in the State of [GOVERNING STATE].

## 4. 4. Repayment Schedule

The Borrower will repay the Loan in [NUMBER OF PAYMENTS] [FREQUENCY, e.g., monthly] payments of [PAYMENT AMOUNT], beginning on [FIRST PAYMENT DATE] and continuing on the [DAY OF MONTH] of each period until the balance is paid in full, with the final payment due on [FINAL PAYMENT DATE]. Payments will be made by [PAYMENT METHOD] so that a record exists of each transfer; the Parties will avoid cash payments unless a signed receipt is issued. Each payment applies first to accrued interest and then to principal. The Lender will maintain a simple ledger of payments received and will share it with the Borrower on request at least [LEDGER FREQUENCY, e.g., twice] per year.

## 5. 5. Deferred Start and Prepayment

Optional deferral: no payment is due until [DEFERRAL END DATE], for example until the Borrower completes a degree, starts employment, or closes on a property, after which the schedule in Section 4 begins. Interest [DOES OR DOES NOT] accrue during the deferral period. The Borrower may prepay all or part of the Loan at any time without penalty, and interest is charged only through the date the payment is received. A partial prepayment reduces principal and does not change the remaining scheduled payments unless the Parties agree in writing to recalculate them. The Lender will provide a written payoff figure within [PAYOFF QUOTE PERIOD, e.g., seven days] of a request.

### 6. 6. Hardship and Renegotiation

The Parties recognize that circumstances change. If the Borrower experiences a documented hardship such as job loss, serious illness, disability, or another major financial disruption, the Borrower will notify the Lender in writing within [HARDSHIP NOTICE PERIOD, e.g., 15 days] and the Parties will discuss the situation in good faith within [DISCUSSION PERIOD, e.g., 21 days]. The Parties may agree in writing to defer payments for up to [MAXIMUM DEFERRAL, e.g., six months], to reduce the payment amount and extend the term, or to pause interest accrual for a stated period. Any accommodation must be recorded in writing and signed by both Parties, and it applies only to the period stated. A hardship accommodation does not forgive any part of the balance unless the Agreement is amended to say so.

### 7. 7. Late Payments and Default

A payment is late if it is not received within [GRACE PERIOD, e.g., 15 days] after its due date. Given the family relationship, no late fee applies unless one is stated here: [LATE FEE, e.g., none]. If a payment is more than [DEFAULT TRIGGER, e.g., 60 days] overdue and the Borrower has not requested a hardship accommodation, the Lender may send a written notice of default. If the default is not cured within [CURE PERIOD, e.g., 30 days] after that notice, the Lender may declare the entire balance due and pursue collection, including in small claims court where the amount qualifies. The Parties agree to attempt a direct conversation and, if needed, mediation with a neutral third party before any lawsuit is filed.

### 8. 8. Security

Select one. Unsecured: this Loan is unsecured and relies on the personal commitment of the Borrower. Secured: the Borrower pledges [COLLATERAL DESCRIPTION, including serial or VIN number or property address] as security for the Loan and will sign any document needed to record the interest of the Lender. If the Loan is being used toward the purchase of real estate, the Parties will decide whether the Lender records a mortgage or deed of trust, and the Borrower acknowledges that a mortgage lender may require disclosure of this Loan and may treat it as a debt rather than a gift when qualifying the Borrower. If a gift letter is required by any mortgage lender, the Parties will not sign one that contradicts this Agreement.

### 9. 9. Effect on the Estate of the Lender

Select one and initial it. (a) Forgiveness on death: if the Lender dies before the Loan is repaid, the remaining balance is forgiven and the estate of the Lender will not pursue it. (b) Offset against inheritance: the unpaid balance will be treated as an advance against any share of the estate of the Lender that the Borrower would otherwise receive, and will reduce that share accordingly. (c) Collectible by the estate: the unpaid balance remains a debt owed to the estate of the Lender and is payable to the estate on the same terms as this Agreement. The Lender will make sure that any will, trust, or estate plan is consistent with the option selected here, since a conflict between this Agreement and an estate document can create a dispute among heirs. If the Borrower dies before repayment, the balance becomes a claim against the estate of the Borrower unless the Lender waives it in writing.

### 10. 10. Conversion to a Gift

The Lender may, at its sole discretion, forgive all or part of the outstanding balance at any time by signing a written statement identifying the amount forgiven and the date. Forgiveness is effective only in writing, and no verbal statement, holiday remark, or pattern of not collecting operates as forgiveness of any amount. The Parties acknowledge that forgiven debt may be treated as a gift for federal gift tax purposes and may need to be reported by the Lender if it exceeds the annual exclusion amount, and that forgiven amounts can have income tax consequences in some circumstances. Each Party will consult its own tax adviser before any forgiveness is made.

## 11. 11. Confidentiality Within the Family

The Parties agree to keep the existence and terms of this Loan private, except that either Party may share it with a spouse, an attorney, an accountant, a lender underwriting a mortgage, or a court where disclosure is required. Neither Party will discuss the Loan with other family members in a way intended to create pressure or embarrassment. If the Loan must be disclosed as part of an estate, divorce, or bankruptcy proceeding, the disclosing Party will notify the other in advance where practical. This provision does not prevent either Party from enforcing the Agreement.

## 12. 12. Governing Law and General Provisions

This Agreement is governed by the laws of the State of [GOVERNING STATE], and any action to enforce it will be brought in the courts located in [VENUE COUNTY AND STATE]. This Agreement is the complete understanding between the Parties about this Loan and replaces any earlier conversation or message about the same money. Any change must be in writing and signed by both Parties. If any provision is unenforceable, the rest of the Agreement remains in effect. This Agreement binds the heirs, personal representatives, and permitted assigns of both Parties, subject to Section 9. It may be signed in counterparts, and electronic signatures have the same effect as originals.

## 13. 13. Signatures

Each Party has read this Agreement, understands it, and signs it freely and without pressure. LENDER: [LENDER NAME]. Signature: ______________________. Date: [DATE]. BORROWER: [BORROWER NAME]. Signature: ______________________. Date: [DATE]. Estate option selected in Section 9: [A / B / C]. Lender initials: ______. Borrower initials: ______. WITNESS OR NOTARY (recommended for family loans): Signature: ______________________. Printed Name: [WITNESS NAME]. Date: [DATE].

## 14. Disclaimer

This template is provided for general informational purposes only and is not legal or tax advice. Family loans raise issues this document cannot resolve on its own, including imputed interest under federal tax rules, gift tax reporting on forgiven balances, mortgage underwriting treatment of borrowed down payments, and the interaction between an unpaid balance and an estate plan. Review and adapt this template for your own situation and consult a licensed attorney and a tax adviser before relying on it. Use of this template does not create an attorney-client relationship with ScanContract.