LOAN AGREEMENT

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Few people sail through life without borrowing. With few exceptions, almost everyone takes a loan to buy a car, finance a home purchase, pay for a university education or cover a medical emergency. Loans are nearly ubiquitous and so are the agreements that guarantee their repayment.

When a bank arranges to lend money to a customer for any reason, the lender and borrower agree to specific terms. These terms include the amount of the loan, how much time the borrower has to repay the money, the payment amount required on the debt, and the interest rate and other costs charged for the loan. This is the loan agreement. It spells out all the details of the loan.

Loan agreements are binding contracts between two or more parties to formalize a loan process. Due to the needs of modern society, many types of loan agreements have arisen. You can use money from a loan agreement, for whatever you wish, for example it could be: business loans (such as capital loans for startup businesses), real estate loans (such as a down payment on a home or real estate purchase), purchases (such as furniture, electronics, vehicle, boat) and etc.

Each type of loan agreement and its conditions for repayment are governed by state guidelines designed to prevent illegal or excessive interest rate on repayment.

Loan agreements typically include value of collateral involved, guarantees, interest rate terms and the duration over which it must be repaid. Default terms should be clearly detailed to avoid confusion or potential legal court action. In case of default, terms of collection of the outstanding debt should clearly specify the costs involved in collecting the debt.

The main purpose of a loan contract is to define what the parties involved are agreeing to, what responsibilities each party has and for how long the agreement will last. Terms of the loan contract which govern the performance obligations required by both parties, will differ depending upon the loan type.

Most loan contracts define clearly how the proceeds will be used. Borrowing money is a huge financial commitment, which is why a formal process is in place to produce positive results on both sides!A loan agreement is proof that the money involved was a loan, not a gift.

A loan agreement protects both sides if the matter goes to a court. It allows the court to determine whether the conditions and terms are being met.

Many borrowers in their first experience securing a loan for a new home, automobile or credit card are unfamiliar with loan interest rates and how they are determined. The interest rate depends on the type of loan or even the borrower's credit score.

You can pay the loan in different ways. It can be:

- fixed date (e.g. May 30);
- notice to repay loan agreement (e.g. The lender issues a notice to repay for 7 days. The borrower must pay within that time frame).

Consequently, there are four important steps that are worthy of attention when concluding a loan agreement.

- Step 1 – Loan Amount, Borrower and Lender.

The most important characteristic of any loan is the amount of money being borrowed, therefore the first thing you want to write on your document is the amount, which can be located on the first line.

Step 2 – Payment.Not all loans are structured the same, some lenders prefer payments every week, every month, or some other type of preferred time schedule.

- Step 3 – Interest.

The interest charged on a loan is regulated by the State in which it originates and by the bank.

- Step 4 – Signing.

A loan will not be legally binding without signatures from both the Borrower and Lender.

To draw the conclusion, one can say that in the conditions of the formation of the banking system of Ukraine and the development of credit relations, – the role of a loan agreement, which is the main legal form of relations on the provision, use and return of money, is steadily increasing. However, this is all a logical phenomenon, which is conditioned by modern realities of society.

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