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LINE OF CREDIT AGREEMENT

Date of Agreement: [Effective Date]
Credit Limit: [$Credit Limit]
Maturity Date: [Maturity Date]

INTRODUCTORY CLAUSE

This **Line of Credit Agreement** ("Agreement") is entered into as of **[Effective Date]**, by and between:

- **[Lender's Full Legal Name]**, with a principal place of business at **[Lender's Address]**, hereinafter referred to as the **"Lender"**; and
- **[Borrower's Full Legal Name]**, residing at **[Borrower's Address]**, hereinafter referred to as the **"Borrower"**.

WHEREAS, the Lender agrees to provide the Borrower with a **revolving line of credit**, allowing the Borrower to make multiple withdrawals, repayments, and re-borrowings, subject to the terms and conditions set forth in this Agreement;

WHEREAS, the Borrower desires to obtain such a line of credit for **[Specify Purpose: Business Operations, Working Capital, Personal Use, etc.]** and agrees to abide by the repayment and interest obligations as specified herein;

NOW, THEREFORE, in consideration of the mutual promises contained herein and for other valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

CLAUSE 1 – LINE OF CREDIT TERMS AND CONDITIONS

This section outlines the amount available under the line of credit, borrowing procedures, and repayment obligations.

1.1 Credit Limit

(a) The Lender agrees to extend a **revolving line of credit** (the "Credit Facility") to the Borrower in the maximum principal amount of **[$Credit Limit]** (the "Credit Limit").
(b) The Borrower may request advances up to the **Credit Limit**, provided that the total outstanding balance does not exceed the Credit Limit at any time.
(c) The Lender ☐ **may OR** ☐ **may not** review and adjust the Credit Limit periodically based on the Borrower's creditworthiness and repayment history.

1.2 Revolving Credit Structure

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(a) The Borrower **may draw funds, repay, and re-borrow** amounts under this Credit Facility, provided they do not exceed the Credit Limit.
(b) Each withdrawal made under this Credit Facility (a "Drawdown") shall be treated as a loan advance subject to the terms of this Agreement.

1.3 Drawdown Requests

(a) The Borrower may request a drawdown in increments of **[$Minimum Drawdown Amount]**, provided that the total borrowed amount does not exceed the Credit Limit.
(b) Drawdown requests must be submitted in **writing OR electronically**, specifying the requested amount and intended use.
(c) The Lender ☐ **shall OR** ☐ **shall not** have the discretion to approve or deny drawdown requests based on the Borrower's credit standing and repayment behavior.

1.4 Interest Rate

(a) The Borrower shall pay interest on the outstanding balance at a rate of ☐ **Fixed [X]% per annum OR** ☐ **Variable based on [Benchmark Rate] plus [X]%**.
(b) Interest shall be calculated on a **[Daily/Monthly]** basis and applied to the outstanding principal balance.
(c) Interest ☐ **shall OR** ☐ **shall not** be compounded.

1.5 Repayment Terms

(a) The Borrower agrees to make **minimum monthly payments** of **[$Minimum Payment or % of Outstanding Balance]**, which shall include both principal and interest.
(b) Payments shall be due on the **[Payment Due Date]** of each month.
(c) Additional principal payments may be made at any time ☐ **without penalty OR** ☐ **with a prepayment fee of [$Amount or %]**.

1.6 Term of the Credit Facility

(a) The term of this Line of Credit shall expire on **[Maturity Date]**, unless extended or renewed by mutual agreement.
(b) Upon expiration, any outstanding balance, including principal and accrued interest, shall be due in full.

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CLAUSE 2 – LOAN SECURITY AND COLLATERAL

This section outlines whether the line of credit is secured or unsecured and specifies the Borrower's obligations concerning collateral, if applicable.

2.1 Security for the Credit Facility

(a) The Line of Credit shall be ☐ **Secured OR** ☐ **Unsecured**.
(b) If secured, the Borrower agrees to pledge the following collateral as security for repayment of the Credit Facility:

Collateral Description	Estimated Value ($)	Location/Registration Details
[Asset Name]	[$Amount]	[Description]
[Asset Name]	[$Amount]	[Description]

(c) The Borrower affirms that they have full ownership rights to the collateral and that it is **free from any existing liens or encumbrances**, except those disclosed in this Agreement.

2.2 Perfection of Security Interest *(If Applicable)*

(a) The Lender shall have the right to **file a lien, UCC-1 Financing Statement, or mortgage** on the collateral to secure its interest.
(b) The Borrower agrees to **execute all necessary documents** to perfect the Lender's security interest.
(c) The collateral shall remain in the Borrower's possession ☐ **unless default occurs OR** ☐ **until the Line of Credit is fully repaid**.

2.3 Use and Maintenance of Collateral *(If Applicable)*

(a) The Borrower shall maintain the collateral in **good condition** and **shall not sell, transfer, or encumber it** without the Lender's prior written consent.
(b) The Borrower ☐ **shall OR** ☐ **shall not** be required to obtain insurance coverage for the collateral, naming the Lender as the **loss payee or lienholder**.

2.4 Seizure and Sale of Collateral Upon Default

(a) If the Borrower defaults on the Credit Facility, the Lender shall have the right to:

- **Take possession of the collateral** without further notice or legal proceedings, if permitted by law.
- **Sell or otherwise dispose of the collateral** to recover the outstanding balance.
- Apply the **proceeds from the collateral sale** toward the unpaid principal, interest, and any legal fees or costs incurred.
  (b) Any remaining deficiency after the collateral sale ☐ **shall OR** ☐ **shall not** be the Borrower's responsibility.

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2.5 Release of Collateral

(a) Upon full repayment of the Line of Credit, the Lender agrees to:

- **Release all liens, security interests, and claims** on the collateral.
- Provide the Borrower with a **Collateral Release Certificate or Lien Satisfaction Statement**.

CLAUSE 3 – FEES, CHARGES, AND LATE PENALTIES

This section outlines any fees associated with maintaining the line of credit, penalties for late payments, and other charges applicable under this Agreement.

3.1 Origination and Annual Fees

(a) The Borrower agrees to pay a ☐ **One-time Origination Fee of [$Amount or % of Credit Limit] OR** ☐ **No Origination Fee** at the time of execution of this Agreement.
(b) The Borrower ☐ **shall OR** ☐ **shall not** be required to pay an **Annual Maintenance Fee** of **[$Amount or % of Credit Limit]** to keep the line of credit active.

3.2 Transaction Fees

(a) Each drawdown under this Credit Facility ☐ **shall OR** ☐ **shall not** be subject to a **drawdown fee of [$Amount or % of Drawn Amount]**.
(b) Cash advances, wire transfers, or other special transactions may be subject to additional fees as specified in **Schedule A (Fee Schedule Addendum)**.

3.3 Late Payment Penalties

(a) If any required payment is not received within **[Number] days** after the due date, the Borrower shall be subject to a **late fee of [$Amount or %]**.
(b) The Lender ☐ **may OR** ☐ **may not** apply an increased interest rate of **[X]% per annum** on overdue amounts.
(c) If the Borrower's account remains delinquent for **[Number] days**, the Lender reserves the right to **suspend drawdowns** or **terminate the Credit Facility**.

3.4 Insufficient Funds and Returned Payment Fees

(a) If any payment is returned due to **insufficient funds (NSF) or declined transactions**, the Borrower shall be charged a **returned payment fee of [$Amount]**.
(b) The Borrower shall be responsible for any additional banking or processing charges related to failed payments.

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3.5 Early Repayment and Closure Fees

(a) The Borrower ☐ **may OR** ☐ **may not** repay the full outstanding balance at any time without penalty.
(b) If an **early closure fee** applies, the Borrower agrees to pay **[$Amount or % of Credit Limit]** if the Credit Facility is closed before **[Minimum Required Duration]**.

CLAUSE 4 – REPAYMENT AND BILLING CYCLE

This section outlines the Borrower's repayment obligations, billing cycle details, and the structure of payments under the line of credit.

4.1 Billing Statements

(a) The Lender shall issue a **monthly billing statement** to the Borrower detailing:

- The **outstanding balance**
- The **minimum payment due**
- Any **interest charges and applicable fees**
- The **due date** for the upcoming payment
  (b) The billing statement shall be delivered via ☐ **Email OR** ☐ **Postal Mail OR** ☐ **Online Portal**.

4.2 Minimum Payment Requirement

(a) The Borrower shall make a **minimum monthly payment** equal to ☐ **[$Amount] OR** ☐ **[% of the Outstanding Balance] OR** ☐ **Interest-Only Payments**.
(b) The Borrower may choose to **pay more than the minimum payment** without penalty unless otherwise specified in **Clause 3.5 (Early Repayment and Closure Fees)**.
(c) If the Borrower fails to pay at least the minimum payment by the due date, penalties as outlined in **Clause 3 (Fees, Charges, and Late Penalties)** shall apply.

4.3 Due Date and Payment Methods

(a) Payments shall be due on the **[Day] of each month** following the issuance of the billing statement.
(b) The Borrower may make payments via:

- ☐ **Bank Transfer**
- ☐ **Direct Debit**

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- ☐ **Check Payment**
- ☐ **Cash Deposit**
- ☐ **Online Payment Portal**

(c) Any changes to the payment due date must be **requested in writing** and approved by the Lender.

4.4 Application of Payments

Payments shall be applied in the following order:

1. Any **outstanding fees** (e.g., late fees, transaction fees)
2. **Accrued interest**
3. **Principal balance**

4.5 Automatic Payment Option *(If Applicable)*

(a) The Borrower ☐ **may OR** ☐ **may not** enroll in **automatic payments**, where the minimum payment amount or full balance is deducted from a linked account.
(b) If enrolled, the Borrower must ensure **sufficient funds** are available on the deduction date to avoid penalties.

CLAUSE 5 – TERM, RENEWAL, AND SUSPENSION OF CREDIT LINE

This section outlines the duration of the line of credit, conditions for renewal, and circumstances under which the Lender may suspend or terminate the Borrower's access to the credit facility.

5.1 Term of the Credit Facility

(a) The term of this Line of Credit shall commence on **[Effective Date]** and shall remain available until **[Maturity Date]**, unless otherwise extended or terminated as per this Agreement.
(b) At the end of the term, the Borrower shall:

- Repay any outstanding balance, including accrued interest and fees, by the Maturity Date.
- Request an extension or renewal, subject to the Lender's approval.

5.2 Renewal of the Credit Facility

(a) The Lender ☐ **may OR** ☐ **may not** offer an automatic renewal of the Credit Facility.
(b) If renewal is offered, the Borrower must:

- Submit a **renewal application** at least **[Number] days** before the Maturity Date.
- Provide updated financial statements or other required documentation.
- Accept any new terms, conditions, or revised credit limits.

(c) If the Credit Facility is renewed, all outstanding balances shall be carried over, and interest shall continue to accrue as per the new agreement.

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5.3 Suspension or Termination of Credit Line

The Lender reserves the right to **suspend, reduce, or terminate** the Borrower's access to the Credit Facility under the following conditions:

(a) **Breach of Agreement** – The Borrower violates any material term of this Agreement.
(b) **Missed Payments** – The Borrower fails to make payments for **[Number] consecutive months** or accumulates excessive late fees.
(c) **Change in Creditworthiness** – The Borrower experiences a significant **decline in credit score**, insolvency, or financial instability.
(d) **Fraud or Misrepresentation** – The Borrower provides false or misleading information on their application or in financial statements.
(e) **Regulatory or Legal Requirements** – Changes in banking laws or regulations necessitate the termination of the Credit Facility.

5.4 Notice of Suspension or Termination

(a) The Lender shall provide **[Number] days' written notice** before suspending or terminating the Credit Facility, except in cases of fraud, legal violations, or imminent default.
(b) Upon termination, the Borrower must repay the full outstanding balance, including accrued interest and fees, by the final due date specified in the notice.

CLAUSE 6 – DEFAULT AND REMEDIES

This section outlines the conditions under which the Borrower will be considered in default and the remedies available to the Lender in such an event.

6.1 Events of Default

The Borrower shall be considered in **default** under this Agreement if any of the following occurs:

(a) **Failure to Pay** – The Borrower fails to make any required payment within **[Number] days** after the due date.
(b) **Exceeding Credit Limit** – The Borrower's outstanding balance exceeds the **Credit Limit** and is not repaid upon request.
(c) **Breach of Agreement** – The Borrower violates any material term or condition of this Agreement.
(d) **False Representations** – The Borrower provides false, misleading, or inaccurate information in connection with the Credit Facility.
(e) **Insolvency or Bankruptcy** – The Borrower files for bankruptcy, becomes insolvent, or is unable to meet financial obligations.
(f) **Fraud or Misuse** – The Borrower engages in fraudulent activities or uses the credit for unauthorized or illegal purposes.

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(g) **Failure to Maintain Collateral** *(If Applicable)* – The Borrower damages, transfers, or sells pledged collateral without the Lender's consent.

6.2 Remedies of the Lender

If an event of default occurs, the Lender shall have the right to take one or more of the following actions:

(a) **Acceleration of Debt** – The Lender may demand **immediate repayment** of the full outstanding balance, including accrued interest and fees.
(b) **Suspension of Credit Line** – The Lender may suspend or terminate the Borrower's ability to request further drawdowns.
(c) **Late Fees and Default Interest** – The Borrower shall pay a **late fee of [$Amount or %]**, and the Lender may impose a **default interest rate of [X]% per annum** on the unpaid balance.
(d) **Legal Action** – The Lender may initiate a lawsuit to recover outstanding amounts, including principal, interest, penalties, and legal costs.
(e) **Seizure of Collateral** *(If Secured Loan)* – The Lender may take possession of the collateral and sell it to recover unpaid amounts.
(f) **Credit Reporting** – The default may be reported to **credit bureaus**, negatively impacting the Borrower's credit rating.

6.3 Right to Cure Default *(If Applicable)*

(a) The Borrower shall have **[Number] days** from receiving a **Notice of Default** to cure the default by making the required payments or correcting the violation.
(b) If the Borrower cures the default within the allowed time, the Line of Credit shall remain active, and no further enforcement actions shall be taken.
(c) If the Borrower fails to cure the default, the Lender may proceed with **full legal enforcement** of the debt.

CLAUSE 7 – GOVERNING LAW AND DISPUTE RESOLUTION

This section establishes the legal framework under which the Line of Credit Agreement is governed and the procedures for resolving disputes.

7.1 Governing Law

(a) This Agreement shall be governed by and construed in accordance with the **laws of the State of [State]**, without regard to conflict-of-law principles.
(b) Any disputes arising under this Agreement shall be subject to the jurisdiction of the courts located in **[County, State]**, unless otherwise required by federal lending laws.

7.2 Dispute Resolution

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(a) The parties agree to resolve any disputes through **good faith negotiations** before pursuing legal action.
(b) If a dispute cannot be resolved through negotiation within **[Number] days**, the parties agree to submit the dispute to **mediation** before proceeding to litigation.
(c) If mediation fails, the dispute shall be resolved through ☐ **Binding Arbitration OR** ☐ **Court Litigation**, as governed by the rules of **[Arbitration Association Name]** (if applicable).

7.3 Attorneys' Fees and Costs

(a) If any legal action arises from this Agreement, the **prevailing party** shall be entitled to recover **reasonable attorneys' fees, court costs, and related expenses**.
(b) If arbitration is selected, each party shall bear their own arbitration costs **unless otherwise determined by the arbitrator**.

CLAUSE 8 – MISCELLANEOUS PROVISIONS AND FINAL TERMS

This section includes additional legal provisions governing this **Line of Credit Agreement**, including amendments, notices, and contract execution.

8.1 Entire Agreement

(a) This **Line of Credit Agreement**, including any **attached schedules, addenda, and amendments**, constitutes the **entire understanding** between the Lender and the Borrower regarding the credit facility.
(b) It supersedes all prior oral or written agreements, discussions, and informal arrangements between the parties concerning the Credit Facility.

8.2 Amendments and Modifications

(a) No changes, modifications, or amendments to this Agreement shall be valid unless **made in writing and signed** by both the Lender and the Borrower.
(b) Any verbal agreements or informal understandings **shall not be legally binding** unless properly documented in an addendum to this Agreement.

8.3 Severability

(a) If any provision of this Agreement is found to be **invalid, illegal, or unenforceable**, the remaining provisions shall remain in full force and effect.
(b) The parties agree to replace any unenforceable provision with a valid provision that most closely reflects the original intent of the Agreement.

8.4 Notices

(a) Any **formal notices** required under this Agreement shall be in writing and delivered by:

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- **Personal delivery**
- **Certified mail (return receipt requested)**
- **Email (if both parties agree in writing to electronic notice)**
  (b) Notices shall be deemed **effective upon receipt** or, if sent by certified mail, **three (3) business days after mailing**.
  (c) The designated contact information for notices is as follows:

LENDER:
[Lender's Name]
[Lender's Address]
[Lender's Phone Number]
[Lender's Email]

BORROWER:
[Borrower's Name]
[Borrower's Address]
[Borrower's Phone Number]
[Borrower's Email]

8.5 Assignment and Binding Effect

(a) The Borrower ☐ **may OR** ☐ **may not** assign their rights and obligations under this Agreement to another party without the prior written consent of the Lender.
(b) This Agreement shall be **binding upon and inure to the benefit** of the Lender, the Borrower, and their respective **heirs, successors, and assigns**.

8.6 Force Majeure

Neither party shall be liable for **delays or failures in performance** due to **events beyond their control**, including but not limited to:

- **Natural disasters, extreme weather, or earthquakes**
- **Government actions, legal restrictions, or changes in banking regulations**
- **Acts of war, terrorism, or pandemics**
- **Financial market disruptions or insolvency of banking institutions**

8.7 Waiver of Rights

(a) The failure of either party to enforce any provision of this Agreement **shall not be considered a waiver** of their rights under this Agreement.
(b) Any waiver must be in **writing and signed** by the waiving party.

8.8 Counterparts and Electronic Signatures

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(a) This Agreement may be executed in **multiple counterparts**, each of which shall be deemed an original, but all together shall constitute one agreement.
(b) Electronic or digital signatures shall be **legally binding** and have the same effect as handwritten signatures.

SIGNATURES

IN WITNESS WHEREOF, the parties have executed this **Line of Credit Agreement** as of the date first written above.

LENDER:

[Lender's Name]
Signature: _____
Date: _____

BORROWER:

[Borrower's Name]
Signature: _____
Date: _____

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