



Payoff Letter

by Practical Law Finance

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This is a standard form of payoff letter. A payoff letter is typically requested by a borrower from its lender in connection with the repayment of the borrower's outstanding loans to the lender under a loan agreement and termination of the loan agreement and related security and guaranties. This standard document has integrated notes with important explanations and drafting and negotiating tips.

DRAFTING NOTE: READ THIS BEFORE USING DOCUMENT

Lenders typically use their own forms of payoff letter (see Practice Note, Security and Guaranties: Release ([6-381-2932](#))). This is an example of a payoff letter used in a syndicated loan transaction. This payoff letter (including the defined terms such as Lenders, Administrative Agent, Collateral Agent, Collateral, Commitments, Base Rate, Loans, Loan Documents and Loan Agreement) should be tailored to conform with the loan agreement. For standard definitions, see Standard Clause, Loan Agreement: Standard Definitions ([4-383-8339](#)).

A payoff letter is typically requested by a borrower from its lender in connection with the borrower's repayment of its outstanding loans to the lender under a loan agreement and termination of the loan agreement. The letter specifies the terms and conditions on which the lender will terminate the loan agreement, including the amount required to repay the outstanding loans. On satisfaction of these conditions, the lender agrees to release all of the collateral and guaranties securing the borrower's obligations under the loan agreement (see Practice Note, Security and Guaranties: Release ([6-381-2932](#))).

security interest in the collateral securing the Borrower's obligations under the Loan Agreement (the "**Release Conditions**").

The sum of the aggregate outstanding principal balance, accrued interest, commitment fees, and any other fees due to the Lenders and all other payment obligations (including legal fees and expenses) under the Loan Agreement, as of the Termination Date, will be [AMOUNT] (the "**Payoff Amount**").

A detailed breakdown of the Payoff Amount is as follows:

Principal:	\$
Interest (to Termination Date):	\$
Fees:	\$
Legal Fees:	\$
PAYOFF AMOUNT (for Termination Date):	\$

DRAFTING NOTE: PAYOFF AMOUNT

The borrower should carefully check the detailed breakdown of the payoff amount by the agent to make sure it is correct.

PAYOFF LETTER

[BORROWER'S NAME AND ADDRESS]

[DATE]

Re: [NAME OF LOAN AGREEMENT], dated as of [DATE] (as amended, supplemented or otherwise modified from time to time, the "**Loan Agreement**"), by and among [BORROWER'S NAME], a [STATE OF INCORPORATION OR FORMATION] [TYPE OF ENTITY] (the "**Borrower**"), the Lenders party thereto and [AGENT'S NAME], as Administrative Agent [and Collateral Agent] (the "**Agent**"). Capitalized terms used and not defined in this letter shall have the respective meanings given them in the Loan Agreement.

Ladies and Gentlemen:

The Borrower hereby notifies the Agent, in its capacity as Administrative Agent [and Collateral Agent] under the Loan Agreement, and the Lenders that, pursuant to the Loan Agreement, the Borrower intends to terminate the Commitments under the Loan Agreement and repay all outstanding indebtedness and other obligations owing from the Borrower to the Lenders under the Loan Agreement (the "**Obligations**") on [DATE] (the "**Termination Date**").

The Agent has been requested to provide this letter setting forth the conditions upon which the Agent and the Lenders will release the

The Release Conditions are as follows:

1. The Borrower shall pay or cause to be paid to the Agent, at the Borrower's cost and expense, on or before the Termination Date by federal funds wire transfer the Payoff Amount (in immediately available funds) to:

[AGENT'S NAME AND AGENT'S ADDRESS]	ABA No.: [ABA NUMBER]
For credit to: [BORROWER'S NAME AND ACCOUNT NUMBER]	Re.: []

2. The Agent shall have received an original of this letter duly executed by the parties hereto.

3. [INSERT ANY OTHER CONDITION TO RELEASE].

DRAFTING NOTE: RELEASE CONDITIONS

Other conditions to release can include:

- Confirmation of consummation of a related transaction (for example, a merger or acquisition).

- Deposit of funds as security for an outstanding letter of credit or for costs and expenses. For more information about termination of a loan agreement with continuing letters of credit, see Standard Document, Payoff Letter (Continuing Letters of Credit ([4-508-2282](#))).

For each day after the Termination Date, to the extent no additional borrowings are made by the Borrower pursuant to the Loan Agreement and assuming that there has been no change in the Base Rate, additional interest and fees shall accrue and be payable by the Borrower to the Agent in an amount equal to [AMOUNT] or such other amount as the Agent shall advise if the Base Rate has changed (the “**Per Diem Amount**”) until the Obligations are paid in full. The Payoff Amount must be received, in immediately available funds, by 4:00 p.m. (Eastern Time) on the Termination Date (or any subsequent date thereafter) in order for the Borrower to avoid having to pay the Per Diem Amount.

DRAFTING NOTE: PER DIEM AMOUNT

By including a per diem amount in the letter, the parties will not have to execute another payoff letter if the termination date is delayed.

The reference to Base Rate should also include any other floating interest rate reference rate in the loan agreement which may impact the amount of interest the borrower pays on the loans (for example, LIBOR).

The borrower should:

- Confirm the interest rate is consistent with the loan agreement.
- Confirm that the date and time for per diem to start is adequate.
- Confirm if there is an outside date when loan must be paid before the payoff letter expires or must be reissued.
- Confirm the time when the wire transfer of the payoff amount in immediately available funds is required to be received by the lender on each date before the per diem becomes due. The borrower should request the latest possible time to remit the payoff amount before the per diem amount is triggered on that date.

Upon the occurrence of the Release Conditions, (a) the Loans shall be paid in full and all other indebtedness of the Borrower under the Loan Agreement shall be satisfied in full, (b) the Commitments under the Loan Agreement shall be terminated, and the Agent and the Lenders shall have no further obligation to make any Loans or any other obligations, duties or responsibilities in connection with the Loan Agreement and the Loan Documents, (c) all the security interests, mortgages, liens, pledges, charges and other encumbrances in favor of the Agent and the Lenders to secure the Obligations shall be automatically released with no further action on our part, (d) all guaranties supporting the Loan Agreement shall be released with no further action on our part, (e) all of the other respective obligations

of each of the Borrower, [PARENT NAME] (the “**Parent**”), or any of their subsidiaries or affiliates under the Loan Agreement and the Loan Documents shall be released with no further action on our part and (f) the Loan Agreement and related Loan Documents shall be terminated, canceled and of no further force and effect; provided that, the Borrower shall remain liable for any and all indemnification and other provisions of the Loan Agreement and the other Loan Documents which by their terms survive the payment of the Loans and the termination of the Commitments.

DRAFTING NOTE: TERMINATION AND RELEASE

- If the loan agreement contains no revolving loan commitment, then any references to termination of the commitment can be deleted.
- Indemnifications always survive termination of an agreement in case there are existing lender liabilities or if liabilities arise later.
- The borrower should ensure the release language includes the release of guaranties, if any.
- All release actions should be at the borrower’s expense.

In consideration of the payment in full of the Obligations and upon the occurrence of the Release Conditions, the Agent, on behalf of the Lenders, hereby agrees to promptly deliver to the Borrower, in each case at the expense of the Borrower, the following: [(a)] [all certificates delivered to the Agent representing stock pledged by the Borrower, the Parent, or any of their subsidiaries or affiliates in favor of the Agent under the Loan Agreement or any of the Loan Documents together with related stock powers delivered to the Agent,] [(b)] [all intercompany notes issued by the subsidiaries of the Borrower to the Borrower and pledged to and in the possession of the Agent,] [(c)] all chattel paper and other instruments or documents delivered to the Agent pursuant to the Loan Agreement or any of the Loan Documents, [(d)] Uniform Commercial Code releases and/or terminations and other terminations and intellectual property releases in form acceptable for recording, terminating all of the Lenders’ and the Agents’ liens and security interests in the Collateral, [(e)] [releases, discharges and satisfactions of all mortgages in favor of the Agent in form and substance satisfactory to the Borrower,] [(f)] all other Collateral in the actual physical possession of the Agent [and] [(g)] [reassignments of all assignments in favor of the Agent in form and substance satisfactory to the Borrower].

DRAFTING NOTE: COLLATERAL

This section should be customized to the facts of the deal by including, if possible, a complete list of all physical collateral to be returned by the agent to the borrower.

Upon the occurrence of the Release Conditions, the Agent agrees to procure, deliver or execute and deliver to the Borrower, from time to time, all further releases, termination statements, certificates, instruments and documents, each in form and substance satisfactory to the Borrower, and take any other actions, as may be reasonably

requested by the Borrower or which are required to evidence the consummation of the payoff contemplated hereby, in each case at the expense of the Borrower (including attorneys' fees and expenses).

DRAFTING NOTE: FURTHER ASSURANCES

The borrower must ensure that this further assurances language is included so that the agent is obligated to assist the borrower in arranging the release of the collateral. This becomes especially useful if some of the release actions have not been completed by the termination date of the loan agreement or if the borrower then discovers some other action must be taken by the agent to release the collateral.

Upon the occurrence of the Release Conditions, the Agent hereby authorizes the Borrower, or any other party on behalf of the Borrower, to prepare and file termination statements, intellectual property releases and other instruments and documents evidencing the consummation of the payoff contemplated hereby and the aforementioned termination and release.

DRAFTING NOTE: FILING AUTHORIZATION

This paragraph is an authorization by the agent to the borrower to prepare and file Uniform Commercial Code releases. For more information on filing authorization, see Practice Note, UCC Creation, Perfection and Priority of Security Interests: Who Authorizes the Filing of Changes to UCC Financing Statements? ([6-381-0551](#)). The authorization allowing the borrower to file releases is an efficient method of tidying up public records. The borrower should ensure any filing is completed as soon as possible after satisfaction of the release conditions.

This letter may be executed in multiple counterparts and by facsimile signature, each of which shall be deemed an original and all of which together shall constitute one instrument.

DRAFTING NOTE: COUNTERPARTS

Approving signature by counterpart means the parties do not all need to sign the same copy of the agreement. Signing by counterpart allows the parties to sign separate copies (called counterparts) of the agreement which, taken together, will constitute one agreement.

Very truly yours,

[AGENT'S NAME][, as
Administrative Agent [and
Collateral Agent]]

By _____

Name:

Title:

ACKNOWLEDGED AND CONSENTED TO BY:

[BORROWER'S NAME]

By _____

Name:

Title:

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