Capitalizing Defined Terms

Should consumer contracts use initial capitals for definitions?

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Summary

It's common for drafters to give initial capitals to defined terms in consumer and business-to-business contracts, but this adds strangeness by offending the usual norms of grammar and punctuation. Also, some non-defined terms will inevitably take initial capitals too, for example because they happen to start sentences or are proper nouns; so readers who are paying attention may wonder whether these terms are defined or not.

The legislation of most (possibly, all) English-speaking countries and the EU does not use initial capitals for defined terms, showing that the practice is far from universal or mandatory in documents that have legal force.

There's no rule of contract law requiring defined terms to be capped up, and various alternatives have been tried. Bold type has sometimes been used but when there are numerous defined terms and if 'we' and 'you' are also defined and capped up, the frequent use of bold tends to dazzle the reader. Another approach is simply to leave defined terms in lower case and unhighlighted, though to reduce confusion drafters will then want to avoid using them in undefined senses.

This article gives several examples of contracts where defined terms have been left unhighlighted without any apparent ill-effects. It suggests that for consumer contracts, in particular, this is the most user-friendly and least outlandish approach.

Introduction

To lawyers, they're a familiar sight and utterly normal. Scattered through most agreements for loans, mortgages and services are words and phrases with initial capitals. They don't usually start sentences, though they could, and they're not proper nouns or document titles, though they could be. Instead, they occur in unexpected places, eg 'the Borrower must pay the Bank or its Representative a Recurring Charge on the Appointed Day'.

So, what are these capped-up show-offs, looking so smug in their shift-key superiority? They are, of course, terms that are specially defined in the agreement. They've acquired their extra glory because lawyers think they should be highlighted and that this is the best – or, at least, the conventional – way to do it. But is this widespread practice a good idea, particularly in consumer contracts?

Much has been written about definitions and their uses and abuses[1,2], but rather less about whether they should take initial capitals. It matters, because capitals in unexpected places look strange to lay people, who are the usual readers of legal documents like consumer

contracts. As a plain-language editor, I want to reduce strangeness. So I savage long sentences, unusual constructions, the excessive use of passive-voice verbs, and words likely to be unfamiliar to most readers. And when Lawyers – or Authors aping lawyers – capitalize Nouns (they're usually nouns) that don't normally take Them, I'm keen to downgrade them to Lower Case as they look inconsistent (or the product of a dishevelled Mind).

Agreements often tell readers at the outset that defined terms will take initial capitals. A typical formula may say: 'In this document we use some words that have special meanings. We list them here and give them initial capitals wherever they appear in the document.' However, the agreement may then use initial capitals ('initial caps') for several non-defined things too, such as the first word of every sentence; names of countries and streets; nouns in headings; section titles; and the titles of documents mentioned in the text. This all sows doubt among careful or combative readers, who may wonder (to grossly paraphrase Macbeth in that Scottish play): 'Is this capitalized term I see before me defined, or is it not?'

Modern agreements often define the main parties using 'we' and 'you'. To give these words initial caps looks particularly horrible, especially when they're used hundreds of times in the document[3], which is likely if the active voice predominates (as it normally should). So even lawyers who use initial caps for definitions will generally put 'we' and 'you' in lower case. This exception tends to be explained in the text, which adds to the reader's burden – yet another legal oddity to learn about and then immediately discard as verbal frass.

Alternatives to initial capitals

Rather than initial caps for defined terms, **bold type** is sometimes used. But when there are many defined terms and they're often used, the bold type will dominate and dazzle – especially when 'we' and 'you' are also boldfaced[4]. Certain UK trade associations used to recommend this boldface style and you'll still see it in some consumer contracts for insurance. As it's so clearly repulsive, I normally refuse to give our accreditation mark, the Clear English Standard (see www.clearest.co.uk), to any documents that adopt this style, hoping to persuade authors to drop it. Using bold for defined terms also means it can't sensibly be used for other things, such as subheadings at the same type size, because alert readers will wonder whether these are defined too.

Using **italics** for defined terms is probably unfeasible nowadays. OK, italics are not as obtrusive as boldface but are widely thought to be less legible for people with visual impairments and those reading on screen. Moreover, the italics available in sans-serif fonts are often merely slanted versions of the roman type and don't look different enough from it; they tend to be typographically unappealing, too, compared to some of the attractive italics available in serif fonts.

The use of **small capitals** ('small caps') for definitions has been advocated in a well-regarded writing guide by Mark Adler and Daphne Perry[5], who say:

> 'If it is necessary to highlight defined terms we suggest SMALL CAPS, as clear but relatively unobtrusive and still allowing an initial (full size) capital when the ordinary

> rules demand it. Or, in text to be read on screen, add a distinctively formatted hypertext link to the definition.'

Their final point may lead to differences between on-screen and printed versions (if both exist), though this problem could be prevented by ensuring that all definitions are stated somewhere in both.

Small caps may have similar legibility drawbacks to italics for people with visual impairments, though I doubt this has been researched. Like italics and boldface, small caps may lose their formatting when text is copied between programs and team members during the hurly-burly of drafting and design, which may lead to errors if the publishers are careless.

Everyone knows that swathes of all-caps text are hard to read, but using small caps for a few words isn't in the same league. As ever, 'we', 'you' and their grammatical cousins like 'our', 'us' and 'your' would be best excluded from any small-caps regime. To date, I've not seen a consumer contract that uses small caps for defined terms, but that doesn't mean it isn't feasible.

In a private email, Adler tells me he prefers all the small-caps letters to be the same size, ie without the initial large 's' in the excerpt above. In his own legal practice, he used small caps for defined terms but isn't aware of others adopting this approach.

What does Bryan Garner say?

Bryan Garner, a noted authority on clear legal drafting, shows a model 5,000-word Time Warner (US) plain-language business-to-business contract in his book Legal Writing in Plain English (2001)[6]. Apart from 'we' and 'you', the contract's eight defined terms are listed in a section at the end (readers are told at the start where to find them). Whenever they're used, the terms don't have initial capitals or any other marker.

Some lawyers feel queasy when defined terms aren't highlighted, perhaps fearing they haven't been adequately brought to the reader's attention. Garner doesn't comment on the lack of signalling but his description of the contract as a model implies tacit approval. As far as I can see, the rest of the book is silent on whether or how to signal defined terms, and Garner includes without comment several examples showing the use of initial caps for them.

In his earlier Dictionary of Modern Legal Usage (1995, p258)[7], Garner takes a nuanced view that seems to prefer initial caps for defined terms:

> 'Signaling Defined Terms in Text. Drafters' habits vary. The most common way to tell the reader that a term is defined is by using initial capitals—a practice that is not so bad if you keep definitions to a minimum. Others have experimented with boldfacing or italicizing defined terms wherever they appear in text, but this practice can lead to unsightly text. *Still others don't signal in any way that a particular word is a defined term, but most legal readers find this practice unacceptable.* Drafters who typeset their materials sometimes use running footers to tell the readers which words on a

given page are defined in the schedule at the end—a time-consuming and costly practice.' [My italics]

What does Peter Butt say?

In his magisterial book The Lawyer's Style Guide (2021)[8], Peter Butt devotes several pages to our topic. He says:

> 'Private-sector legal drafters generally highlight a defined term by capitalising the initial letter of the word—eg, *Design*. If the term comprises more than one word, they highlight the initial letter of each main word—eg, *Design of Equipment*.'

Note that the italics in that quote are merely Professor Butt's highlighting – initial caps are the only signal being discussed. Though Butt says the use of initial caps is 'hallowed by convention', he describes the technique as 'less than perfect' for two main reasons:

1. The reader may not understand the technique, perhaps assuming the initial cap is a mistake and thus missing the point.
2. The defined word may appear at the start of a sentence or at the start of a heading, where a cap is always used, so the reader may be unsure whether the word is being used in its defined sense.

Butt cites two cases where the second kind of ambiguity has led to litigation. He also mentions that if a defined term is given in lower case and is thus perhaps being used in its non-defined sense, readers may not know whether this is deliberate or a mistake.

Parliamentary drafters tend not to signal defined terms beyond putting them in quotation marks the first time they appear, so in the laws of most (if not all) English-speaking countries and the EU they occur without any other kind of signalling such as initial capitals, bold type, small caps, or italics. Butt points out that some recent Australian law uses an asterisk to precede or follow defined words wherever they appear but says 'research shows that readers find asterisks puzzling when a term comprises two or more words'.[9]

There's also the knotty question of what happens when two defined terms accidentally land next to each other, asterisks and all. Of course, the same problem may occur with all the other markers that could be used: boldface, italics, initial caps, small caps. Will readers understand what's going on (unlikely) or take pity on the poor drafter who has allowed such a muddle to occur (even more unlikely)? These pile-ups can happen when defined terms are left unsignalled but they're less obvious; any readers who do notice are left to resolve the collision of meaning as best they can.

What some UK companies have done

In 2023, many UK companies found themselves bound by a new 'consumer duty' to make their contracts clearer by the 31 July deadline. Compliance staff, keen to apply the full spirit of the duty, swept away heaps of legalistic rhubarb as they did so. Some of them sent me their draft consumer contracts for an editorial check-up, and it was clear that using initial caps for defined terms was a convention they'd eagerly ditched.

They and their legal advisers who adopted this no-signal approach apparently felt it would improve customer comprehension. Some of them commissioned testing on how far the new drafts were understood and acceptable to customers. As far as I know, since these contracts went live, few readers have marched in the streets or written to the Law Society demanding that initial caps or other definitional signals be restored. Probably, not many have noticed they've gone missing.

Here are some of the 'no-signal' contracts I looked at in 2023, to all of which I was happy for my company to give the Clear English Standard[10]:
• Skipton Building Society: 11,300-word mortgage conditions (England & Wales) There's no definition section; defined words are explained as they occur – often in explainer panels – and they don't have initial capitals or any other signal.
• Santander Bank: 10,000-word mortgage conditions – a similar approach to Skipton's.
• Specialist Motor Finance: a hire purchase agreement (4,700 words). Several of the defined terms occur in text that's legally prescribed, and they don't have any signalling.
• The RAC's Breakdown Cover UK policy booklet (9,600 words) lists and defines ten terms in an early section but doesn't give them any signals when they appear later. The definitions page, headed 'Making sense of your policy', begins: 'We want our terms and conditions to be clear and easy to understand. To help with this, we use certain words in a specific way. We show the meaning of these words below.'

You'll see from the wordcounts that all these new contracts are rather long, much longer than most people will want to tackle unless stranded on a desert island with no other reading material. As is common, customers are urged to read and make sure they've understood the documents, an exhortation rarely heeded in normal life. However, consumer contracts are mainly works of reference that are consulted only if things go wrong. Thus, a good access structure (contents list, heading system, explainer panels) is crucial so that people can find what they need when they need it, if they ever do.

As an example of good practice, I show at Appendix A two pages from a UK car insurance policy issued in 2023 by Ageas, which uses the no-signal approach to defined terms.

Consumer contracts that use initial caps for defined terms remain common. As Garner says above, this can be OK if there aren't many definitions. A plain-language standard-form construction contract of this kind (for renovations and small projects in Malaysia) is described in the Clarity Journal 85, available from the Clarity International website. The article's author, Naseem Ameer Ali, gives the link to the contract as: https://mro.massey.ac.nz/handle/10179/11488

What Siegel & Gale did in the 1970s

In scrapping initial caps for definitions, all the UK consumer contracts I mention above have echoed a style shown in 1975 by Siegel & Gale in a consumer loan note[11] that the firm wrote and designed for Citibank in New York. This little document – whose primary authors were Duncan MacDonald, Alan Siegel and Carl Felsenfeld – changed everything. It showed how plain English and clear typography could transform the dog's breakfast of long sentences,

legalese and hideous layout that almost everyone had hitherto accepted as normal and inevitable. The new-style document was simple to follow and easy on the eye, hence its legendary status in the modern plain-language movement. As the before-and after versions are hard to track down, I've shown them in appendix B. (See also Peter M Tiersma, Legal Language, appendix E (U. Chicago Press 1999).)

In the original old-style Citibank text, the defined terms Bank, Borrower, Collateral, Code, Employer, and Obligations take initial caps. In the revised version, one defined term, 'finance charge', takes boldface (but lower case) wherever it appears, perhaps for regulatory reasons. None of the other defined terms, of which there are far fewer than in the original, gets any marker at all. Perhaps the only odd thing about the revised version is that much of the type is printed in green on buff paper – still legible but perhaps not optimally so.

Siegel & Gale used the loan note's success to win document redesign contracts from the US Inland Revenue Service and the Food Stamps welfare programme in the late 1970s. Extracts I've seen from the company's revision of a consumer insurance contract, the St Paul's 'Family Security Umbrella Policy'[12], suggest that none of its defined terms took initial caps, by contrast with the original.

The new St Paul's contract was also renamed the 'Personal Liability Catastrophe Policy', helpfully indicating that far more than the family's umbrellas were being insured. Among the policy's other innovations are novelistic examples of entertaining and horrific incidents that the insurer would and wouldn't cover, which must at least have encouraged readers to browse awhile. To distinguish these discursive passages from the legal text itself, they were typeset in continuous italics, which nowadays would be almost taboo on legibility grounds.

An early plain-language home-contents insurance policy I helped write and edit for Provincial Building Society in the UK in 1980 also used a no-signal style for defined terms, and the sky didn't fall in.

My preferences

The no-signal style for defined terms still seems to me the best route for consumer and micro-enterprise contracts. It can work well for the simpler kinds of business-to-business contract too, though the defined terms (which should be as few as possible) should be clearly listed and not used in undefined senses (which is easily checked using Word's search tools).

The greatest benefit of the no-signal style is that it avoids strangeness in documents that are already pretty strange to most lay people, compared to their everyday reading. Who knew the meaning of 'excess', 'underwriting', 'uninsured perils', 'indemnity basis', and 'Acts of God' before they read their first insurance policy? For regulations and legislation, too, I feel that the advantages of the no-signal style outweigh the disadvantages, though I've experimented with other approaches, notably in Lucid Law (2000)[13].

My second preference would be to use asterisks for defined terms, but they are obtrusive when numerous terms are defined. My third preference would be small caps, provided

authors are careful to maintain the small-caps formatting when copying text among colleagues and from one design program to another. In both cases, when users wish to cite extracts from the document, they should also retain the signalling and consider whether they should explain what it means.

Comprehension testing may help show what users of different kinds of document prefer and find helpful as regards the signalling of defined terms. Perhaps this could be an interesting research project for someone.

References

1. Peter Butt & Richard Castle, **Modern Legal Drafting** 118–128 and 142–4 (CUP 2001).
2. Michèle M Asprey, **Plain Language for Lawyers** 111–121 (Federation Press 1996).
3. Martin Cutts, **Clear As Mud** (International Travel Insurance Journal 30–31, 2010, www.itij.co.uk; or download from www.clearest.co.uk under Publications>Articles)
4. *Id.* at 3.
5. Mark Adler & Daphne Perry, **Clarity for Lawyers** 107–113 (Law Society 2017).
6. Bryan A Garner, **Legal Writing in Plain English** 196–206 (Univ. of Chicago Press 2001).
7. Bryan A Garner, **A Dictionary of Modern Legal Usage** 258 (OUP 1995).
8. Peter Butt, **The Lawyer's Style Guide** 229–233 (Hart 2021).
9. *Id.* at 8, p230.
10. www.clearest.co.uk under Editing > Document accreditation.
11. Siegel & Gale, **Simple is Smart** (undated brochure c. 1980, New York).
12. Siegel & Gale, **Good Form: The Art of Document Design at Siegel & Gale** reprinted from Print Magazine, Jan/Feb 1981. There's also a useful summary about the Citibank loan note in Joseph Kimble's **Writing for Dollars, Writing to Please** (Carolina Academic Press, 2023)
13. Martin Cutts, **Lucid Law** (Plain Language Commission 2000; download: www.clearest.co.uk).

* Plain Language Commission is the trading name of Clearest.Co.UK Ltd, an independent editing and training business. We are not connected to the UK Government.

Appendix A

Making sense of your policy

We've tried to make this document easy to understand and navigate. But there may still be a handful of words and phrases that you may not be familiar with. Some words also have a technical meaning – so while they may sound straightforward, they have a specific meaning when we mention them in your policy.

Wherever possible, we've defined key words and phrases at the point where we mention them – but there are a few that come up regularly, so it's worth familiarising yourself with these before you read on.

Certificate of motor insurance – This is a document that you'll be sent after you've bought your policy. It shows which car is covered, who is allowed to drive your car, and what your car can be used for. It also shows the start and end dates of your cover.

Policy schedule – This is a document that you will have been sent when you set up your policy. It contains all the specific details of your policy, such as the level of cover you have, the maximum claim limits, excesses and the dates when the policy starts and ends. It will also include the details of your car along with details of the people who are insured to drive it. We will issue you a new schedule each time you renew your policy or if your policy is changed.

Your car – When we use the term 'your car' we mean any car that's covered under this policy. This includes any equipment in your car (such as sat navs, accessories, spare parts), fitted as standard by your car manufacturer or an approved dealer. We will also cover child seats.

We, our, us – If we use the words 'we', 'our' or 'us' – then we're talking about Ageas Insurance Limited.

You or your – Where we use the words 'you' or 'your' – we're talking about the policyholder named on the policy schedule.

Finally this policy is between you and us; it is not our intention that the Contracts (Rights of Third Parties) Act 1999 gives anyone else the right to enforce this policy. English Law will apply to this policy unless you live in Scotland, Northern Ireland, Isle of Man or the Channel Islands, in which case the law where you live will apply. We will communicate with you in English.

Endorsements

Endorsements are additional terms that apply to your individual policy. You'll find details of them on your policy schedule, which will have been sent to you when you took out your policy.

So, for example, if you have an additional security device fitted to your car, we may agree to lower your premium, but we'll also add some extra terms to your policy.

These terms are your endorsement. In this example, your endorsement may say that we won't cover you if your car was stolen and you didn't have the security device switched on at the time.

• Here and on the next page are parts of the Ageas car insurance policy (UK, 2023), which adopts a no-signalling approach to defined terms. Type size reduced by 23%. Copyright: Ageas Insurance Ltd

Step by step guide to making a claim continued

If your car isn't being repaired

If we don't repair your car, we'll assess its market value.

We calculate the market value by looking at what the cost would be to replace your car with one of a similar age, type and mileage. We will also take into account the condition of your car just before the incident.

If there is any outstanding loan, lease or contract hire agreement on your car, we will pay the finance, leasing or contract company. Should our settlement be less than the amount you owe, then the loan, leasing or contract company may contact you for the shortfall.

Once we've paid the claim, your car will belong to us. If you have a private registration plate, please let us know.

If you bought your car new and it is a year or less old and the mileage at the time of purchase was under 250 miles – we will arrange to get you a new one of the same make, model and specification if you want us to. If the same car is not available, we will ask you to supply your purchase invoice and give you the amount you paid for your car when you bought it. We will do this if the repair costs are more than 60% of replacing with a new identical one.

Acting on your behalf

If someone takes legal action against you, or anyone else named on this policy after an accident, you need to let us know. We may carry out the defence on your behalf, including representing you in court.

You may also need to let us take legal action against other people involved in an accident on your behalf. We can do this in the name of anyone claiming on this policy.

What is an excess and how does it work?

This is the amount that you'll have to pay towards any claim you make. For example, if we agree to settle your claim for £1,000 and you have an excess of £100 on your policy – we would pay you £900.

If we are repairing the car, you may have to pay the £100 excess directly to the garage.

There are different excesses for different parts of your policy – and you'll find the details of these in your policy schedule. You also need to remember that sometimes more than one excess will apply, and we will add them together. For example, if the policy has an accidental damage excess of £100 and a young driver excess of £150, a young driver making an accidental damage claim would have to pay £250.

Just to be clear, you only pay an excess when you are claiming for loss or damage to your car.

Appendix B

FBK 008 REV. 9-74

FIRST NATIONAL CITY BANK
PERSONAL FINANCE DEPARTMENT - NEW YORK
APPLICATION NUMBER _____

ANNUAL PERCENTAGE RATE _____ %

$ _____
TOTAL OF PAYMENTS (4) + (7)

PROCEEDS TO BORROWER	(1)	$ _____
PROPERTY INS. PREMIUM	(2)	$ _____
FILING FEE	(3)	$ _____
AMOUNT FINANCED (1) + (2) + (3)	(4)	$ _____
PREPAID FINANCE CHARGE	(5)	$ _____
GROUP CREDIT LIFE INS. PREMIUM	(6)	$ _____
FINANCE CHARGE (5) + (6)	(7)	$ _____

FOR VALUE RECEIVED, the undersigned (jointly and severally) hereby promise(s) to pay to FIRST NATIONAL CITY BANK (the "Bank") at its office at 399 Park Avenue, New York, New York 10022 (i) THE SUM OF

_____ ($ _____) (TOTAL OF PAYMENTS) ( ) IN _____ EQUAL CONSECUTIVE MONTHLY INSTALMENTS OF $ _____ EACH ON THE SAME DAY OF EACH MONTH, COMMENCING _____ DAYS FROM THE DATE THE LOAN IS MADE; OR ( ) IN _____ EQUAL CONSECUTIVE WEEKLY INSTALMENTS OF $ _____ EACH ON THE SAME DAY OF EACH WEEK, COMMENCING NOT EARLIER THAN 5 DAYS NOR LATER THAN 45 DAYS FROM THE DATE THE LOAN IS MADE; OR ( ) IN _____ EQUAL CONSECUTIVE BI-WEEKLY INSTALMENTS OF $ _____ EACH, COMMENCING NOT EARLIER THAN 10 DAYS NOR LATER THAN 45 DAYS FROM THE DATE THE LOAN IS MADE, AND ON THE SAME DAY OF EACH SECOND WEEK THEREAFTER; OR ( ) IN _____ EQUAL CONSECUTIVE SEMI-MONTHLY INSTALMENTS OF $ _____ EACH, COMMENCING NOT EARLIER THAN 10 DAYS NOR LATER THAN 45 DAYS FROM THE DATE THE LOAN IS MADE, AND ON THE SAME DAY OF EACH SEMI-MONTHLY PERIOD THEREAFTER, (ii) A FINE COMPUTED AT THE RATE OF 5¢ PER $1 ON ANY INSTALMENT WHICH HAS BECOME DUE AND REMAINED UNPAID FOR A PERIOD IN EXCESS OF 10 DAYS, PROVIDED (A) IF THE PROCEEDS TO THE BORROWER ARE $10,000 OR LESS, NO SUCH FINE SHALL EXCEED $5 AND THE AGGREGATE OF ALL SUCH FINES SHALL NOT EXCEED THE LESSER OF 2% OF THE AMOUNT OF THIS NOTE OR $25, OR (B) IF THE ANNUAL PERCENTAGE RATE STATED ABOVE IS 7.50% OR LESS, THE LIMITATIONS PROVIDED IN (A) SHALL NOT APPLY AND NO SUCH FINE SHALL EXCEED $25 AND THE AGGREGATE OF ALL SUCH FINES SHALL NOT EXCEED 2% OF THE AMOUNT OF THIS NOTE, AND SUCH FINE(S) SHALL BE DEEMED LIQUIDATED DAMAGES OCCASIONED BY THE LATE PAYMENT(S); (iii) IN THE EVENT OF THIS NOTE MATURING, SUBJECT TO AN ALLOWANCE FOR UNEARNED INTEREST ATTRIBUTABLE TO THE MATURED AMOUNT, INTEREST AT A RATE EQUAL TO 1% PER MONTH AND (iv) IF THIS NOTE IS REFERRED TO AN ATTORNEY FOR COLLECTION, A SUM EQUAL TO ALL COSTS AND EXPENSES THEREOF, INCLUDING AN ATTORNEY'S FEE EQUAL TO 15% OF THE AMOUNT OWING ON THIS NOTE AT THE TIME OF SUCH REFERENCE, FOR NECESSARY COURT COSTS. THE ACCEPTANCE BY THE BANK OF ANY PAYMENT(S) EVEN IF MARKED PAYMENT IN FULL OR SIMILAR WORDING, OR IF MADE AFTER ANY DEFAULT HEREUNDER, SHALL NOT OPERATE TO EXTEND THE TIME OF PAYMENT OF OR TO WAIVE ANY AMOUNT(S) THEN REMAINING UNPAID OR CONSTITUTE A WAIVER OF ANY RIGHTS OF THE BANK HEREUNDER.

P.L. NO. AND DATE LOAN MADE

IN THE EVENT THIS NOTE IS PREPAID IN FULL OR REFINANCED, THE BORROWER SHALL RECEIVE A REFUND OF THE UNEARNED PORTION OF THE PREPAID FINANCE CHARGE COMPUTED IN ACCORDANCE WITH THE RULE OF 78 (THE "SUM OF THE DIGITS" METHOD), PROVIDED THAT THE BANK MAY RETAIN A MINIMUM FINANCE CHARGE OF $10, WHETHER OR NOT EARNED, AND, EXCEPT IN THE CASE OF A REFINANCING, NO REFUND SHALL BE MADE IF IT AMOUNTS TO LESS THAN $1. IN ADDITION, UPON ANY SUCH PREPAYMENT OR REFINANCING, THE BORROWER SHALL RECEIVE A REFUND OF THE CHARGE, IF ANY, FOR GROUP CREDIT LIFE INSURANCE INCLUDED IN THE LOAN EQUAL TO THE UNEARNED PORTION OF THE PREMIUM PAID OR PAYABLE BY THE HOLDER OF THE OBLIGATION (COMPUTED IN ACCORDANCE WITH THE RULE OF 78), PROVIDED THAT NO REFUND SHALL BE MADE OF AMOUNTS LESS THAN $1.

AS COLLATERAL SECURITY FOR THE PAYMENT OF THE INDEBTEDNESS OF THE UNDERSIGNED HEREUNDER AND ALL OTHER INDEBTEDNESS OR LIABILITIES OF THE UNDERSIGNED TO THE BANK, WHETHER JOINT, SEVERAL, ABSOLUTE, CONTINGENT, SECURED, UNSECURED, MATURED OR UNMATURED, UNDER ANY PRESENT OR FUTURE NOTE OR CONTRACT OR AGREEMENT WITH THE BANK (ALL SUCH INDEBTEDNESS AND LIABILITIES BEING HEREINAFTER COLLECTIVELY CALLED THE "OBLIGATIONS"), THE BANK SHALL HAVE, AND IS HEREBY GRANTED, A SECURITY INTEREST AND/OR RIGHT OF SET-OFF IN AND TO (a) ALL MONIES, SECURITIES AND OTHER PROPERTY OF THE UNDERSIGNED NOW OR HEREAFTER ON DEPOSIT WITH OR OTHERWISE HELD BY OR COMING TO THE POSSESSION OR UNDER THE CONTROL OF THE BANK, WHETHER HELD FOR SAFEKEEPING, COLLECTION, TRANSMISSION OR OTHERWISE OR AS CUSTODIAN, INCLUDING THE PROCEEDS THEREOF, AND ANY AND ALL CLAIMS OF THE UNDERSIGNED AGAINST THE BANK, WHETHER NOW OR HEREAFTER EXISTING, AND (b) THE FOLLOWING DESCRIBED PERSONAL PROPERTY (ALL SUCH MONIES, SECURITIES, PROPERTY, PROCEEDS, CLAIMS AND PERSONAL PROPERTY BEING HEREINAFTER COLLECTIVELY CALLED THE "COLLATERAL"): ( ) Motor Vehicle ( ) Boat ( ) Stocks, ( ) Bonds, ( ) Savings, and/or _____
SEE CUSTOMER'S COPY OF SECURITY AGREEMENT(S) OR COLLATERAL RECEIPT(S) RELATIVE TO THIS LOAN FOR FULL DESCRIPTION.

IF THIS NOTE IS SECURED BY A MOTOR VEHICLE, BOAT OR AIRCRAFT, PROPERTY INSURANCE ON THE COLLATERAL IS REQUIRED, AND THE BORROWER MAY OBTAIN THE SAME THROUGH A PERSON OF HIS OWN CHOICE.

IF THIS NOTE IS NOT FULLY SECURED BY THE COLLATERAL SPECIFIED ABOVE, AS FURTHER SECURITY FOR THE PAYMENT OF THIS NOTE, THE BANK HAS TAKEN AN ASSIGNMENT OF 10% OF THE UNDERSIGNED BORROWER'S WAGES IN ACCORDANCE WITH THE WAGE ASSIGNMENT ATTACHED TO THIS NOTE.

In the event of default in the payment of this or any other Obligation or the performance or observance of any term or covenant contained herein or in any note or other contract or agreement evidencing or relating to any Obligation or any Collateral on the Borrower's part to be performed or observed; or the undersigned Borrower shall die; or any of the undersigned become insolvent or make an assignment for the benefit of creditors; or a petition shall be filed by or against any of the undersigned under any provision of the Bankruptcy Act; or any money, securities or property of the undersigned now or hereafter on deposit with or in the possession or under the control of the Bank shall be attached or become subject to distraint proceedings or any order or process of any court; or the Bank shall deem itself to be insecure, then and in any such event, the Bank shall have the right (at its option), without demand or notice of any kind, to declare all or any part of the Obligations to be immediately due and payable, whereupon such Obligations shall become and be immediately due and payable, and the Bank shall have the right to exercise all the rights and remedies available to a secured party upon default under the Uniform Commercial Code (the "Code") in effect in New York at the time, and such other rights and remedies as may otherwise be provided by law. Each of the undersigned agrees (for purposes of the "Code") that written notice of any proposed sale of, or of the Bank's election to retain, Collateral mailed to the undersigned Borrower (who is hereby appointed agent of each of the undersigned for such purpose) by first class mail, postage prepaid, at the address of the undersigned Borrower indicated below three business days prior to such sale or election shall be deemed reasonable notification thereof. The remedies of the Bank hereunder are cumulative and may be exercised concurrently or separately. If any provision of this paragraph shall conflict with any remedial provision contained in any security agreement or collateral receipt covering any Collateral, the provisions of such security agreement or collateral receipt shall control.

Acceptance by the Bank of payments in arrears shall not constitute a waiver of or otherwise affect any acceleration of payment hereunder or other right or remedy exercisable hereunder. No failure or delay on the part of the Bank in exercising, and no failure to file or otherwise perfect or enforce the Bank's security interest in or with respect to any Collateral, shall operate as a waiver of any right or remedy hereunder or release any of the undersigned, and the Obligations of the undersigned may be extended or waived by the Bank, any contract or other agreement evidencing or relating to any Obligation or any Collateral may be amended and any Collateral exchanged, surrendered or otherwise dealt with in accordance with any agreement relative thereto, all without affecting the liability of any of the undersigned. In any litigation (whether or not arising out of or relating to any Obligation or Collateral or other matter connected herewith) in which the Bank and any of the undersigned may be adverse parties, the Bank and each such undersigned hereby waives their respective right to demand trial by jury and, additionally, each such undersigned waives his right to interpose in any such litigation any counterclaim of any nature or description which he may have against the Bank. In addition, the Bank shall not be deemed to have obtained knowledge of any fact or notice with respect to any matter relating to this note or any Collateral unless contained in a written notice mailed, postage prepaid, or personally delivered to the Personal Finance Department of the Bank at its address set forth above. Each of the undersigned, by his signature hereto, hereby waives presentation for payment, demand, notice of non-payment, protest and notice of protest with respect to the indebtedness evidenced by this note, and each such undersigned hereby agrees that this note shall be deemed to have been made under and shall be construed in accordance with the laws of the State of New York.

Each of the undersigned hereby authorizes the Bank to date this note as of the day the loan evidenced hereby is made, to correct patent errors herein and, at its option, to cause the signatures of one or more co-makers to be added without notice to any prior obligor.

RECEIPT OF A COPY OF THIS NOTE, APPROPRIATELY FILLED IN, IS HEREBY ACKNOWLEDGED BY THE BORROWER

• Original Citibank loan note (US, early 1970s), showing a then-conventional style of wording and lay-out. To save space, I've omitted the signature area and a final section about attachment of earnings if the borrower doesn't repay. Type size reduced by 17%. Copyright: Citibank

Appendix B, continued

First National City Bank

Consumer Loan Note Date_____, 19____

(In this note, the words **I, me, mine** and **my** mean each and all of those who signed it. The words **you, your** and **yours** mean First National City Bank.)

Terms of Repayment To repay my loan, I promise to pay you_____Dollars ($_____). I'll pay this sum at one of your branches in_____uninterrupted_____ installments of $_____each. Payments will be due_____, starting from the date the loan is made.

Here's the breakdown of my payments:

1.	Amount of the Loan	$_____	
2.	Property Insurance Premium	$_____	
3.	Filing Fee for Security Interest	$_____	
4.	Amount Financed (1+2+3)		$_____
5.	**Finance Charge**		$_____
6.	Total of Payments (4+5)		$_____

Annual Percentage Rate_____%

Prepayment of Whole Note Even though I needn't pay more than the fixed installments, I have the right to prepay the whole outstanding amount of this note at any time. If I do, or if this loan is refinanced—that is, replaced by a new note—you will refund the unearned **finance charge,** figured by the rule of 78—a commonly used formula for figuring rebates on installment loans. However, you can charge a minimum **finance charge** of $10.

Late Charge If I fall more than 10 days behind in paying an installment, I promise to pay a late charge of 5% of the overdue installment, but no more than $5. However, the sum total of late charges on all installments can't be more than 2% of the total of payments or $25, whichever is less.

Security To protect you if I default on this or any other debt to you, I give you what is known as a security interest in my ○ Motor Vehicle and/or_____(see the Security Agreement I have given you for a full description of this property), ○ Stocks, ○ Bonds, ○ Savings Account (more fully described in the receipt you gave me today) **and** any account or other property of mine coming into your possession.

Insurance I understand I must maintain property insurance on the property covered by the Security Agreement for its full insurable value, but I can buy this insurance through a person of my own choosing.

Default I'll be in default:

1. If I don't pay an installment on time; or
2. If any other creditor tries by legal process to take any money of mine in your possession.

You can then demand immediate payment of the balance of this note, minus the part of the **finance charge** which hasn't been earned figured by the rule of 78. You will also have other legal rights, for instance, the right to repossess, sell and apply security to the payments under this note and any other debts I may then owe you.

Irregular Payments You can accept late payments or partial payments, even though marked "payment in full", without losing any of your rights under this note.

Delay in Enforcement You can delay enforcing any of your rights under this note without losing them.

Collection Costs If I'm in default under this note and you demand full payment, I agree to pay you interest on the unpaid balance at the rate of 1% per month, after an allowance for the unearned **finance charge.** If you have to sue me, I also agree to pay your attorney's fees equal to 15% of the amount due, and court costs. But if I defend and the court decides I am right, I understand that you will pay my reasonable attorney's fees and the court costs.

Comakers If I'm signing this note as a comaker, I agree to be equally responsible with the borrower. You don't have to notify me that this note hasn't been paid. You can change the terms of payment and release any security without notifying or releasing me from responsibility on this note.

Copy Received The borrower acknowledges receipt of a completely filled-in copy of this note.

	Signatures	Addresses
Borrower:	_____	_____
Comaker:	_____	_____
Comaker:	_____	_____
Comaker:	_____	_____

• Revised Citibank loan note (US, 1975) rewritten and redesigned by Siegel & Gale. For defined terms, it mainly uses a no-signalling approach. To save space, I've removed a final section about a helpline for borrowers who can't repay. Type size reduced by 18%. Copyright: Citibank