

Security Bond by a Surety

A surety bond is a contract between three parties—the principal (you), the surety (us) and the obligee (the entity requiring the bond)—in which the surety financially guarantees to an obligee that the principal will act in accordance with the terms established by the bond.

The bond binds principal to repay the loan , in case of default the entity can recover the money for surety.

DRAFT OF SECURITY BOND BY A SURETY

By this Bond Mr..... residing at hereinafter referred to as the 'Surety' acknowledges himself to be bound to Mr. B hereinafter referred to as the 'Creditor' in the sum of Rs..... lent and advanced by the Creditor to Mr. C residing at ... the Debtor, with interest thereon at the rate of Rs... percent per annum from the date hereof till payment.

Whereas the Creditor has lent and advanced to Mr. C the Debtor above named a sum of Rs... repayable by him with interest thereon at the rate of Rs... per cent per annum.

And Whereas the said amount has been advanced against the surety giving a guarantee for repayment of the said amount by the said Debtor and against the said guarantee being secured by a mortgage of the property of the Surety described in the Schedule hereunder written and which the Surety has at the request of the Debtor agreed to do.

Now This Deed Witnesseth that in pursuance of there request made by the Debtor to the Surety the Surety doth hereby guarantor and covenants with the Creditor that in default of payment of the amount of Rs... with interest as aforesaid by the Debtor to the Creditor within the lime stipulated by him in the separate writing executed by the Debtor-for evidencing the said Debt, in favour of the Creditor, the surety shall pay to the Creditor the said amount of Rs... or any part thereof remaining unpaid with Interest at the rate of ... aforesaid till payment on demand made to the Creditor in writing

And This Deed Further Witnesseth that pursuant to the said agreement, the Surety as a security for payment of the said amount by the Surety, doth hereby grant and transfer by way of mortgage the said property described in the Schedule hereunder written TO HAVE and TO HOLD the same unto the Creditor subject to the covenant for redemption hereinafter contained And it is agreed and declared that in the event of the Surety being required to pay the said amount on default by the Debtor and on the surety so paying the said amount or any part thereof due and payable to the Creditor the Creditor shall release and recovery the said property to the Surety but at the costs of the Surety And it is further agreed that in the event of the Surety becoming liable and failing to pay the said amount or any part thereof as aforesaid, the Creditor will be entitled to sell the said property through a Court of law and to appropriate or apply the net sale proceeds thereof towards payment of the amount to the Creditor by the Surety and/ or the Debtor including costs of the suit and sale proceedings and to pay the balance if any to the Surety. And the Surety covenants with the Creditor that he has full right to mortgage the said property as aforesaid. And the condition of the Bond is that it will be void if the Debtor pays the said amount to the Creditor with interest as aforesaid, within the time stipulated otherwise, and failing which this Bond will remain in full force and effect.

The Schedule Above Referred To

Signed and delivered by the

Withinnamed Surety Mr. A

WITNESSES;

1

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