

Look Before You Sign ... the Pitfalls of Personal Guaranties

Although limited liability protections normally insulate business owners from personal liability for their business's debts, lenders routinely require a small business owner to sign a personal guaranty as a condition for a commercial loan to the business entity, points out **Thomas C. Wolff**, writing for **Ward and Smith**.

This requirement essentially circumvents the statutory protection against personal liability, he writes.

"Any potential guarantor should read a proposed guaranty agreement carefully and understand each contractual provision. Often the terms can be negotiated, even if a business entity is a startup and has limited assets and income," writes Wolff.

In the article, he discusses continuing guaranties, unlimited and limited guaranties, joint and several liability, the obligation of contribution, guaranty of payment vs. guaranty of collection, the lender's right to set-off, and the death of a guarantor.

Read the article.