

Acceleration clause

An **acceleration clause** —or **acceleration covenant**— in the law of contracts, is a term that fully matures the performance due from a party upon a breach of the contract. Such clauses are most prevalent in mortgages and similar contracts to purchase real estate in installments.

Suppose, for example, the contract was for A to purchase Blackacre from B for \$100,000, to be paid in 5 monthly installments of \$20,000. If A makes the first two payments, but fails to make the third payment, an acceleration clause would require that A must immediately pay B the entire balance of \$60,000, or lose his right to purchase Blackacre (without getting a refund of his \$40,000).

A sample acceleration clause reads like this:

In the event of default in the payment of any of the said installments or said interest when due as herein provided, time being of the essence hereof, the holder of this note may, without notice or demand, declare the entire principal sum then unpaid immediately due and payable.

*Source: http://en.wikipedia.org/wiki/Acceleration_clause
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