

## UCC DEFINITIONS

### **Uniform Commercial Code (UCC):**

A code of laws governing various commercial transactions. The Uniform Commercial Code has eleven substantive articles. Article 9, Secured Transactions, may be the most important of the eleven. Article 9 provides the rules governing any transaction (other than a finance lease) that couples a debt with a creditor's interest in a debtor's personal property. If the debtor defaults, the creditor may repossess and sell the property (generally called collateral) to satisfy the debt. The creditor's interest in the personal property is called a "security interest." Article 9 also covers certain kinds of sales that look like a grant of a security interest.

UCC's as referred to under Article 9 are liens placed on certain personal property (equipment, accounts receivable, etc.) that normally cannot be titled or deeded (automobiles, aircraft, boats, real estate, etc.). When filed properly, a UCC perfects the security interest of the secured party in personal property collateral.

Revised Article 9: Article 9 of the Uniform Commercial Code was recommended uniform language regarding secured transaction lien laws that was provided to all states. Although all states have adopted, not all states adopted by this date. Review RA9 Update seminar for a complete overview of the revisions, adoption dates, and how to file UCCs nationally after the revisions to Article 9.

- Account:** Any right to payment for goods sold or leased or for services rendered which is not evidenced by an instrument or chattel paper, whether or not it has been earned by performance. Accounts are often referred to as accounts receivables.
- Amendment:** A document that is filed to note some type of change to the original financing statement.
- Assignee:** The person to whom an assignment is made. They then are considered the secure party.
- Assignment:** An original creditor may assign his right in a secured transaction to another creditor.
- Attachment:** Refers to a page or pages affixed or attached to a UCC document to continue the description of collateral.
- Bulk Sales Transfers:** A transfer of a company's assets or inventory to a buyer in a sale that is not in the ordinary course of the seller's business. Article 6 of the UCC requires bulk sale buyers to provide notice to the seller's creditors (public notice or recording) and to maintain a list of seller's creditors and a schedule of property obtained in a bulk sale for six months after the bulk sale takes place.
- Central Filing Office:** Refers to a public records indexing system for liens and other related filings in a centralized office at the State jurisdictional level. The lien types appearing in the central index will vary from state to state.
- Chattel Paper:** A writing or writings (security agreement) which evidence both a monetary obligation and a security interest in or a lease of specific goods which may include personal property. When a transaction is evidenced by such a security agreement or a

lease and by an instrument or a series of instruments, the group of writings taken together constitutes a chattel paper.

- Chattel Mortgage:** A lien against property that is granted to secure an obligation, specifically in this case as it relates to chattel paper or such security agreement.
- Collateral:** The property subject to a security interest i.e., accounts, goods, fixtures, etc.
- Consumer Goods:** Goods that are used or bought for use primarily for personal, family, or household purposes.
- Continuation:** Usually done with a UCC-3 form-continues an original financing statement for another effective period. The effective period is five years in most states.
- Contract Rights:** Rights to funds pursuant to a contract when funds are not yet earned as there has been no performance or there is no instrument or chattel paper.
- Debtor:** The party who owes payment or performance of a secured obligation.
- Deed of Trust:** A deed conveying title to real property to a trustee as security until the grantor repays a promissory note. This document resembles a mortgage.
- Effective:** A state of being in force and enforceable which is the effect of an UCC document between parties being employed under law, using a specific form and other criteria applied, to establish a relative right or rights to a security interest. If the filing requirements of Article 9 of the Uniform Commercial Code are met as adopted by the state of jurisdiction, a UCC filing is effective for a five-year period unless properly terminated prior to its lapse. A UCC filing can be continued under law to extend the effectiveness period for subsequent five-year periods
- Equipment:** Goods used or bought for use primarily in business (including farming or profession) or by a debtor who is a nonprofit organization or a government subdivision or agency or if the goods are not included in the definitions of inventory, farm products or consumer goods.
- Exhibit:** (Same definition as Schedule; usually referenced as Exhibit A, etc.)
- Farm Products:** Goods that are crops, livestock, or supplies used or produced in farming operations or if they are products of crops or livestock in their unmanufactured states (such as ginned cotton, wool-clip, maple syrup, milk and eggs), and if they are in the possession of a debtor engaged in raising, fattening, grazing or other farming operations. If goods are farm products, they are neither equipment nor inventory.
- File:** To arrange in order for reference and preservation. Usually arranged in sequential order.
- Financing Statements:** The document filed at the state and/or local jurisdiction, which states the names and addresses of the debtor and the secured party and a description of the collateral. When filed, a financing statement perfects the security interest of the secured party.
- Fixtures:** Goods, which start out as personal property, are integrated into or affixed to realty and thereafter, lose their character as personal property and become part of realty.

<b>Fixture Filings:</b>	The act or an instance of recording, in public real estate records, a security interest in personal property that is a fixture to real property or is intended to become a fixture.
<b>Federal Filing Office:</b>	Refers to a public records indexing system at the Federal jurisdictional level. There are indexes for the US District Court system that has case record information pertaining to judgments and pending litigation, both civil and criminal. And there are indexes for the US Bankruptcy Court system, which has record information pertaining specifically to bankruptcy matters.
<b>General Intangibles:</b>	Any personal property (including things in action) other than goods, accounts, chattel paper, documents, instruments and money.
<b>Good Faith:</b>	Means honesty in fact in the conduct or transaction concerned.
<b>Goods:</b>	All things which are moveable at the time the security interest attaches or which are fixtures, but does not include money, documents, instruments, accounts, chattel paper, general intangibles, or minerals or the like (including oil and gas) before extraction. "Goods" also includes standing timber which is to be cut and growing crops removed under conveyance or contract sale, unborn young animals and growing crops.
<b>Instrument:</b>	A negotiable instrument, or a security, or any other writing which evidences a right to the payment of money and is not itself a security agreement or lease and is of the type which in the ordinary course of business is transferred by delivery with any necessary endorsement or assignment.
<b>Inventory:</b>	Goods that are held by a person who holds them for sale or lease to be furnished under contracts of service. Also, raw materials, work in process, or materials used or consumed in a business. Inventory of a person is not to be classified as his equipment.
<b>Lapse:</b>	Refers to a financing statement that has been effective to its term (usually five years in most states) and not continued or terminated.
<b>Local Filing Office:</b>	3 Refers to a public records indexing system for liens and other related filings in a specified County, Parrish or Municipal jurisdictional area. The liens or documents recorded within this index are limited or restricted in comparison to a Central Filing Office in that the document(s) recorded in the index are limited to that particular geographical jurisdiction. Some jurisdictions may have multiple recording offices within a particular County, City, or Town.
<b>Maturity Date:</b>	The date the debtor and the secured party agree to complete the terms of their agreement.
<b>Multiple Debtor:</b>	Terminology referred to for a debtor when such debtor is a indebted party on a lien or filing that has more than one (1) debtor. This terminology is generally applied when performing or conducting a lien search on multiple subject names, and results are found in which the filing has two or more of the search subject names listed as debtors. The same principle applies to the term "multiple defendant".

<b>Partial Release:</b>	A document that releases part of the collateral from the original financing statement. This is usually done when part of the obligation is fulfilled.
<b>Perfection:</b>	The filing of a financing statement pursuant to the UCC creates a security interest in collateral. Hence, the security rights of the filer have been “perfected”.
<b>Real Estate:</b>	Immovable property including timber, mineral rights, growing crops and leases of immovables.
<b>Record:</b>	To commit to writing, to write, transcribe or enter in a book for the purpose of preservation.
<b>Schedule:</b>	Identification of one or more pages attached to a UCC document. Usually referenced as Schedule “A”, etc.
<b>Secured Transaction:</b>	A business arrangement by which a buyer or borrower gives collateral to the seller or lender to guarantee payment of an obligation.
<b>Security Agreement:</b>	The terms of the agreement that creates a security interest between the debtor and a secured party.
<b>Secured Party:</b>	A lender in a secured transaction.
<b>Security Interest:</b>	A lender’s right to personal property or fixtures which secures payment of performance of an obligation. The lender is deemed to have a security interest in the collateral.
<b>Subsequent:</b>	Following the first.
<b>Termination:</b>	Once an obligation is paid or fulfilled the original financing statement must be terminated by the secured party. Under RA9, debtors may file termination statements, however, they are only effective if the secured party should have filed a termination and failed to do so.
<b>Transmitting Utility:</b>	Any entity primarily engaged in the railroad, street, railway or trolley bus business, the electronics or electronics communications transmissions business, the transmission of goods by pipeline, or the transmission of electricity, steam, gas or water, or the provision of sewer service.
<b>UCC-1:</b>	The financing statement form recognized nationally under Revised Article 9 of the Uniform Commercial Code as the initial filing recorded in public records to perfect a secured party’s interest in a debtor’s personal property used as collateral or security in a transaction.
<b>UCC-3:</b>	The financing statement amendment form recognized nationally under Revised Article 9 of the Uniform Commercial Code as the filing recorded in public records to amend the information for a previously filed UCC-1. A financing statement amendment can add, delete or change the following: debtor or secured party information and collateral information. It can additionally assign or release partial or full rights in the collateral, as well as terminate the effectiveness of the UCC-1.

- UCC-5:** The financing statement correction form recognized nationally under Revised Article 9 of the Uniform Commercial Code as the filing recorded in public records to correct or provide additional information for a previously filed UCC-1.
- UCC-11:** The financing statement search request form recognized in many states under Revised Article 9 of the Uniform Commercial Code as the form required by filing offices to request a search of their records for UCC filings on a particular party. Not all states recognize this form nor do all states' filing office perform UCC searches. In such states, a service company or searchers perform the UCC searches.

This definition list is designed to be an informational summary regarding UCC related terminology. It is used by our offices to help staff communicate amongst ourselves and with our clients. This list is not intended to be a legal guide and does not include legal definitions. NRAI does not engage in nor practice legal services. Rather, we recommend thorough legal review of all statutes and requirements to ensure your issues are comprehensively considered.