Whenever the payment of a debts is guaranteed or secured by personal property owned or held by the debtor, the transaction is secured.

- **Secured party**: any creditor who has security interest in debtor’s collateral.
- **DEBTOR**: party who owes money
- **Security interest**: is the interest in the collateral that secures the payment or performances of obligation.
- **Security agreement**: agreement that creates or provides sec/int
- **Collateral**: the subject of the security interest
- **Financing statement**: form to give public notice to 3rd parties of secured party’s sec/int

**Requirements for sec/int:**
- Must be written agreement that is signed by the debtor, unless creditor has possession of the collateral
- Value: secured party must give direct loan or commitment to sell goods on credit to debtor
- Debtor must have right in collateral: ownership or right to obtain specified collateral.

**Perfection of security interest**: legal process by which secured parties protect themselves against the claims of third parties who may wish to have their debts satisfied out of same collateral. Whether the secured party’s sec/int is perfected or unperfectd can have serious consequences for the secured party.

- **Filing financial statement with the office of the appropriate gov officials**
  - the most popular way of perfecting.
  - Gives public notice to 3rd parties of secure party’s security interest.
  - Must be filed under the name of debtor
  - It is effective after 4 months of name change
  - Must describe the collateral
  - Consumer goods be filed at the state or local government official