

FLAG



FARMERS' LEGAL
ACTION GROUP,
INCORPORATED

Terms Used in Minnesota Farm Law

© 2006 Farmers' Legal Action Group, Inc.

360 North Robert Street, Suite 500

St. Paul, MN 55101-1109

Phone: 651-223-5400

Farmers in Minnesota call Toll free: 1-877-860-4349

Fax: 651-223-5335

Email: lawyers@flaginc.org

Website: www.flaginc.org

Understanding legal terms can be challenging, especially for people who have learned English as a second language. In Minnesota, many Hmong farmers have English as a second language. This list of terms is intended to serve as a resource for farmers seeking to understand their legal rights and responsibilities. Farmers may encounter these terms when considering sources of money to finance a small farm business, a contract for animal production, or a farmers' market agreement. However, the short definitions of terms in this list are no substitute for talking to an attorney. For advice about your specific situation, speak to an attorney in your area.

Arbitration - A process in which a person who is not involved in a dispute makes a decision after hearing from both sides. This decision is usually binding on the parties. It generally may not be appealed to a courtroom judge.

Assignment - An assignment exists when one party transfers its interest in a right or property to another party.

Balloon Payment - The final payment on a loan which is generally much larger than the other payments up to that point.

Bankruptcy - A legal process that allows debtors to address debts that they are unable to pay. Debtors may discharge or reduce the amount of some debts. Bankruptcy may temporarily stop creditor actions such as foreclosure.

Business Plan - A document that describes the goals of a business. The business plan outlines how the goals will be achieved. The business plan sets forth where the resources needed to achieve the goals will be obtained.

Cash Flow - An accounting of how much cash is coming into the farm as income, and how much cash is going out as expenses. A farm is said to "cash flow" if it will have enough income to pay its farm operating and family living expenses.

Chapter 12 - A type of bankruptcy for family farmers and family fisherman to allow them to restructure farm debts and keep farming.

Collateral - Debtor's property identified in an agreement that is pledged to the creditor if the debtor does not repay the debt. Lenders often require collateral before they will make a loan.

Contract - A written or verbal agreement between two or more parties that is enforceable by law.

Co-signer - A person who signs the loan documents along with the borrower. By signing the loan, the co-signer becomes equally responsible for the debt, and may be required to pay if the borrower does not.

Credit - Provision of money, land, equipment, or other property in exchange for the promise of repayment in the future. Interest is often charged.

Credit History - A record of how a person has borrowed and repaid debt.

Debt - An amount of money that one person owes to another person or to a lender.

Default - Failure to meet the terms of a loan agreement. This may involve failure to pay, or failure to meet another term of the agreement.

Disbursement - The money given to a borrower as a result of a loan. Fees may be taken by the lender before loan funds are disbursed.

Farm Service Agency (FSA) - An agency within the United States Department of Agriculture (USDA) that administers farm loan programs.

Foreclosure - A legal process to take away a person's ownership interest in real estate that has been pledged as collateral for a debt. In Minnesota, a lender must generally participate in mediation before beginning foreclosure proceedings after a farmer defaults on a loan.

Gross Income - All of the income of a business, before expenses have been paid.

Installment - One of a series of payments for a loan due on a regular basis, such as yearly or monthly.

Interest - An amount that a borrower pays a lender for the use of funds. Interest is generally charged as an interest rate expressed as a percentage of the amount still owed. A fixed interest rate stays the same over the course of a loan. A variable interest rate may increase or decrease over the course of a loan. A variable rate is also called an adjustable rate.

Lease - A contract between the owner (lessor) and the tenant (lessee) stating the terms under which the tenant may occupy or use real estate or equipment. Terms usually include a specific period of time and a predetermined rent.

Lender - A bank, savings and loan association, credit union, commercial finance company, or government agency (such as FSA) that makes loans.

Lien - The legal interest of a lender in a borrower's property to secure repayment of a debt. Liens arise by operation of law, sometimes without the debtor's consent or knowledge.

Maturity - The date the final installment of a loan is due.

Mediation - A process in which a person who is not involved in a dispute attempts to help two or more parties to reach an agreement. Reaching an agreement is not required, as long as the parties act in good faith.

Mortgage - A legal document that uses real estate as collateral to secure payment of a debt. This agreement gives a lender the right to foreclose on the real estate if the borrower fails to make a loan payment or otherwise defaults on the loan.

Net Income - All of the income of a business, after expenses have been paid.