UCC Filing Functionality and Best Practices

State UCC databases are messy

- Ministerial oversight (per statute)
- Complicated to use
- No accountability for what is in or not in the database
- Anyone can file or release anything at any time
- Each state is different and has different processes
    - No consistency

Non-bank lenders hide behind filing services

- Usually leasing or factoring companies
    - Sometimes include “self” filings to protect assets.
- They don’t want you to know who they are
- They don’t want you to be able to find them
    - Discovery often requires legal efforts

Best Practices to mitigate risk

The purpose of a UCC filing is to specifically make a claim to who you are, who your borrower is, and what you have as collateral

- Establish consistent secured party information
    - Regional banks can have hundreds of variations for name and address
        - Consistent name
        - Consistent address
    - Impossible to manage countless secured party variations
- Don’t use P.O. Boxes for borrower or secured party.
    - Borrower and secured party should have defined addresses
- Establish consistent collateral information
    - All collateral filings throughout the bank should read the same
    - Filings should include detail
        - “All Assets” is not a collateral filing
        - Clearly define what you have as collateral
    - Filings should specifically reference the collateral taken
        - Referring to a lease agreement or loan number is not a security interest
        - Specifically define equipment and serial numbers include make and model
            - John Deere
    - Don’t include noise in the filing
        - Explaining UCC statute and how it works
        - Background information that is not relevant

        - Be clear and concise
        - Include attachments when needed
            - Purchase order
        - Don’t include vendor catalog data and pictures
    - Check your spelling!
        - Spelling issues with borrowers can result in unenforceable filings
            - Bad commas or periods
            - Misspelled names
        - Spelling issues with collateral can result in enforceability issues
            - Bad serial numbers
    - Articles or Organization and State Good Standing information do not always match.