

# SENATE APPROPRIATIONS COMMITTEE FISCAL NOTE

**BILL NO.** Senate Bill 381

**PRINTER'S NO.** 314

**AMOUNT**

No Fiscal Impact

**FUND**

General Fund

**DATE INTRODUCED**

February 1, 2013

**PRIME SPONSOR**

Senator Eichelberger

**HISTORY OF BILL**

Referred to BANKING AND INSURANCE, Feb. 1, 2013  
Reported as committed, Feb. 5, 2013  
First consideration, Feb. 5, 2013  
Re-referred to APPROPRIATIONS, Feb. 13, 2013  
Re-reported as committed, April 8, 2013

**DESCRIPTION AND PURPOSE OF BILL**

Senate Bill 381 amends Titles 13 (Commercial Code), 30 (Fish) and 75 (Vehicles) of the Pennsylvania Consolidated Statutes to update the secured transactions provisions of the Uniform Commercial Code as provided by the National Conference of Commissioners on Uniform State Laws.

Amendments to Article 9 of the Uniform Commercial Code ("UCC") are effective July 1, 2013. Article 9 of the UCC was adopted in all states, and the amendments provide greater guidance as to the name of an individual debtor to be provided on a financing statement. Senate Bill 381 ensures that Pennsylvania's relevant statutes comply with the UCC amendments.

Division 9 of the Pennsylvania Commercial Code (relating to secured transactions) is amended to update the definitions of "authenticate", "certificate of title", "jurisdiction of organization", and "registered organization". The definition of "public organic record" is created.

The legislation adds language regarding the control of chattel paper such that a secured party has control of electronic chattel paper if a system employed for evidencing the transfer of interests in the chattel paper reliably establishes the secured party as the person to which the chattel paper was assigned.

# **SENATE APPROPRIATIONS COMMITTEE**

## **FISCAL NOTE**

Senate Bill 381 addresses situations where a debtor moves property subject to a security interest to another jurisdiction by providing for the continued perfection of a security interest for four months after a debtor moves to a new jurisdiction with respect to all collateral covered by a financing statement, provided that the statement would have been effective in the former jurisdiction. If a new debtor is located in another jurisdiction, the financing statement is perfected within four months after the new debtor becomes bound, if the financing statement would have been effective to perfect a security interest had the collateral been acquired by the original debtor.

The legislation provides that a record of a mortgage is effective as a financing statement if the record sufficiently provides the individual name of the debtor or the surname and first personal name of the debtor. If the debtor is a registered organization, the financing statement is effective if it states the name of the registered organization on the public organic record of the jurisdiction of organization.

If collateral is being administered by the personal representative of a decedent, the financing statement is effective only if it provides the name of the decedent as the debtor, and in a separate part of the financing statement, indicates that the collateral is being administered by a personal representative.

If collateral is being held in a trust that is not a registered organization, the financing statement is effective only if it provides as the name of the debtor one of the following: (1) the name for the trust if specified by the organic record; or, if the organic record of the trust does not specify a name, (2) the name of the settler or testator so long as there is additional information sufficient to distinguish the trust from other trusts having one or more of the same settlers or the same testator.

If the debtor is an individual who has a valid driver's license or an identification card issued by PennDOT under Title 75, the financing statement is effective if it provides that name of the individual indicated on the driver's license or ID card. In the case of an individual who does not hold a valid driver's license or ID card, the financing statement (i.e. security interest) is effective if it provides the individual name of the debtor or the surname and first personal name of the debtor.

If the debtor does not have a name, the financing statement is effective only if it provides the names of the partners, members, associates or other persons comprising the debtor in a manner that each name provided would be sufficient if the person named were the debtor.

If the name that a filed financing statement provides for a debtor becomes insufficient so that it becomes seriously misleading (e.g. change in debtor's name), the financing statement is effective to perfect a security interest in collateral acquired by the debtor only before or within four months after the financing statement becomes seriously misleading unless an amendment to the financing statement is filed within four months after it became seriously misleading.

# **SENATE APPROPRIATIONS COMMITTEE**

## **FISCAL NOTE**

Senate Bill 381 further amends Title 13 by establishing chapter 98, which adds transition provisions for 2013 amendments that conform the Commercial Code to the UCC.

The act shall take effect July 1, 2013.

### **FISCAL IMPACT:**

Senate Bill 381 will have no adverse impact on Commonwealth funds. The Department of State has indicated that the legislation will result in minimal additional workload for the Bureau of Corporations and Charitable Organizations, which receives and processes approximately 350 UCC filings per day, with approximately 33% filed online. Senate Bill 381 will require changes to the online submission process, as well as to the system used for the bulk processing of paper forms. While these changes may cost an estimated \$55,000 to \$150,000, it is presumed that these costs will be absorbed within the department's existing operating budget.

The department's existing UCC indexing system accepts the same characters and field sizes as used by PennDOT for the name on a driver's license. If the department would need to make alterations to its UCC database to accommodate future changes in characters or field length, this may require a change order with a cost to the department of approximately \$30,000 per change. However, the department did not indicate that these changes are a certainty.

There will be no fiscal impact to the Department of Transportation.