
THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 2159 Session of
2012

INTRODUCED BY GRELL, AUMENT, BAKER, BARBIN, BEAR, BRENNAN,
BUXTON, CAUSER, CREIGHTON, CUTLER, DENLINGER, EVERETT, GEIST,
GIBBONS, GINGRICH, GROVE, HARPER, HARRIS, HELM, HESS,
HORNAMAN, HUTCHINSON, M. K. KELLER, MANN, MARSHALL, PETRI,
REED, SAINATO, SAYLOR, SONNEY, WATSON, MILLER, SCHRODER AND
HICKERNELL, FEBRUARY 29, 2012

REFERRED TO COMMITTEE ON JUDICIARY, FEBRUARY 29, 2012

AN ACT

1 Amending Titles 13 (Commercial Code), 30 (Fish) and 75
2 (Vehicles) of the Pennsylvania Consolidated Statutes,
3 revising secured transaction provisions relating to
4 definitions, to control of electronic chattel paper, to
5 location of debtor, to perfection of security interests in
6 property subject to certain statutes, regulations and
7 treaties, to continued perfection of security interest
8 following change in governing law, to interests which take
9 priority over or take free of security interest or
10 agricultural lien, to priority of security interests created
11 by new debtor, to discharge of account debtor, notification
12 of assignment, identification and proof of assignment,
13 restrictions on assignment of accounts, chattel paper,
14 payment intangibles and promissory notes ineffective, to
15 restrictions on assignment of promissory notes, health-care-
16 insurance receivables and certain general intangibles
17 ineffective, to contents of financing statement, record of
18 mortgage as financing statement, time of filing financing
19 statement, to name of debtor and secured party, to effect of
20 certain events on effectiveness of financing statement, to
21 duration and effectiveness of financing statement, effect of
22 lapsed financing statement, to what constitutes filing,
23 effectiveness of filing, to claim concerning inaccurate or
24 wrongfully filed record and to collection and enforcement by
25 secured party; providing for transition provisions for 2012
26 amendments; imposing duties upon the Department of State and
27 the Department of Transportation; and making editorial
28 changes.

29 The General Assembly of the Commonwealth of Pennsylvania

1 hereby enacts as follows:

2 Section 1. The definitions of "authenticate," "certificate
3 of title," "jurisdiction of organization" and "registered
4 organization" in section 9102(a) of Title 13 of the Pennsylvania
5 Consolidated Statutes are amended and the subsection is amended
6 by adding a definition to read:

7 § 9102. Definitions and index of definitions.

8 (a) Division 9 definitions.--The following words and phrases
9 when used in this division shall have the meanings given to them
10 in this subsection:

11 * * *

12 "Authenticate." To:

13 (i) sign; or

14 (ii) [execute or otherwise adopt a symbol, or
15 encrypt or similarly process a record in whole or in
16 part,] with [the] present intent [of the authenticating
17 person to identify the person and] to adopt or accept a
18 record, attach to or logically associate with the record
19 an electrical sound, symbol or process.

20 * * *

21 "Certificate of title." A certificate of title with respect
22 to which a statute provides for the security interest in
23 question to be indicated on the certificate as a condition or
24 result of the security interest's obtaining priority over the
25 rights of a lien creditor with respect to the collateral. The
26 term includes another record maintained as an alternative to a
27 certificate of title by the governmental unit that issues
28 certificates of title if a statute permits the security interest
29 in question to be indicated on the record as a condition or
30 result of the security interest's obtaining priority over the

1 rights of a lien creditor with respect to the collateral.

2 * * *

3 "Jurisdiction of organization." With respect to a registered
4 organization, the jurisdiction under whose law the organization
5 is formed or organized.

6 * * *

7 "Public organic record." A record that is available to the
8 public for inspection and is:

9 (1) a record consisting of the record initially filed
10 with or issued by a state or the United States to form or
11 organize an organization and any record filed with or issued
12 by the state or the United States which amends or restates
13 the initial record;

14 (2) an organic record of a business trust consisting of
15 the record initially filed with a state and any record filed
16 with the state which amends or restates the initial record,
17 if a statute of the state governing business trusts requires
18 that the record be filed with the state; or

19 (3) a record consisting of legislation enacted by the
20 legislature of a state or the Congress of the United States
21 which forms or organizes an organization, any record amending
22 the legislation, and any record filed with or issued by the
23 state or the United States which amends or restates the name
24 of the organization.

25 * * *

26 "Registered organization." An organization formed or
27 organized solely under the law of a single state or the United
28 States [and as to which the state or the United States must
29 maintain a public record showing the organization to have been
30 organized.] by the filing of a public organic record, with the

1 issuance of a public organic record by, or the enactment of
2 legislation by the state or the United States. The term includes
3 a business trust that is formed or organized under the law of a
4 single state if a statute of the state governing business trusts
5 requires that a business trust's organic record be filed with
6 the state.

7 * * *

8 Section 2. Sections 9105, 9307(f)(2), 9308(a), 9310(b)(10),
9 9311(a)(2) and (3) and (b) and 9313(b) of Title 13 are amended
10 to read:

11 § 9105. Control of electronic chattel paper.

12 (a) General rule; control of electronic chattel paper.--A
13 secured party has control of electronic chattel paper if a
14 system employed for evidencing the transfer of interests in the
15 chattel paper reliably establishes the secured party as the
16 person to which the chattel paper was assigned.

17 (b) Specific facts giving control.--A system satisfies
18 subsection (a) if the record or records comprising the chattel
19 paper are created, stored and assigned in such a manner that:

20 (1) a single authoritative copy of the record or records
21 exists which is unique, identifiable and, except as otherwise
22 provided in paragraphs (4), (5) and (6), unalterable;

23 (2) the authoritative copy identifies the secured party
24 as the assignee of the record or records;

25 (3) the authoritative copy is communicated to and
26 maintained by the secured party or its designated custodian;

27 (4) copies or [revisions] amendments which add or change
28 an identified assignee of the authoritative copy can be made
29 only with the [participation] consent of the secured party;

30 (5) each copy of the authoritative copy and any copy of

1 a copy is readily identifiable as a copy which is not the
2 authoritative copy; and

3 (6) any [revision] amendment of the authoritative copy
4 is readily identifiable as [an] authorized or unauthorized
5 [revision].

6 § 9307. Location of debtor.

7 * * *

8 (f) Location of registered organization organized under
9 Federal law; bank branches and agencies.--Except as otherwise
10 provided in subsection (i), a registered organization which is
11 organized under the law of the United States and a branch or
12 agency of a bank which is not organized under the law of the
13 United States or a state are located:

14 * * *

15 (2) in the state which the registered organization,
16 branch or agency designates, if the law of the United States
17 authorizes the registered organization, branch or agency to
18 designate its state of location, including by designating its
19 main office, home office or other comparable office; or

20 * * *

21 § 9308. When security interest or agricultural lien is
22 perfected; continuity of perfection.

23 (a) Perfection of security interest.--Except as otherwise
24 provided in this section and section 9309 (relating to security
25 interest perfected upon attachment), a security interest is
26 perfected if it has attached and all of the applicable
27 requirements for perfection in sections 9310 (relating to when
28 filing required to perfect security interest or agricultural
29 lien; security interests and agricultural liens to which filing
30 provisions do not apply) through 9316 (relating to [continued

1 perfection of security interest following] effect of change in
2 governing law) have been satisfied. A security interest is
3 perfected when it attaches if the applicable requirements are
4 satisfied before the security interest attaches.

5 * * *

6 § 9310. When filing required to perfect security interest or
7 agricultural lien; security interests and
8 agricultural liens to which filing provisions do not
9 apply.

10 * * *

11 (b) Exceptions: filing not necessary.--The filing of a
12 financing statement is not necessary to perfect a security
13 interest:

14 * * *

15 (10) which is perfected under section 9316 (relating to
16 [continued perfection of security interest following] effect
17 of change in governing law).

18 * * *

19 § 9311. Perfection of security interests in property subject to
20 certain statutes, regulations and treaties.

21 (a) Security interest subject to other law.--Except as
22 otherwise provided in subsection (d), the filing of a financing
23 statement is not necessary or effective to perfect a security
24 interest in property subject to:

25 * * *

26 (2) a [certificate-of-title] statute of this
27 Commonwealth or regulations promulgated thereunder, to the
28 extent such statute or regulations provide for a security
29 interest to be indicated on [the] certificate of title as a
30 condition or result of perfection; or

1 (3) a [certificate-of-title] statute of another
2 jurisdiction which provides for a security interest to be
3 indicated on [the] a certificate of title as a condition or
4 result of the security interest's obtaining priority over the
5 rights of a lien creditor with respect to the property.

6 (b) Compliance with other law.--Compliance with the
7 requirements of a statute, regulation or treaty described in
8 subsection (a) for obtaining priority over the rights of a lien
9 creditor is equivalent to the filing of a financing statement
10 under this division. Except as otherwise provided in subsection
11 (d) and sections 9313 (relating to when possession by or
12 delivery to secured party perfects security interest without
13 filing) and 9316(d) and (e) (relating to [continued perfection
14 of security interest following] effect of change in governing
15 law) for goods covered by a certificate of title, a security
16 interest in property subject to a statute, regulation or treaty
17 described in subsection (a) may be perfected only by compliance
18 with those requirements, and a security interest so perfected
19 remains perfected notwithstanding a change in the use or
20 transfer of possession of the collateral.

21 * * *

22 § 9313. When possession by or delivery to secured party
23 perfects security interest without filing.

24 * * *

25 (b) Goods covered by certificate of title.--With respect to
26 goods covered by a certificate of title issued by the
27 Commonwealth, a secured party may perfect a security interest in
28 the goods by taking possession of the goods only in the
29 circumstances described in section 9316(d) (relating to
30 [continued perfection of security interest following] effect of

1 change in governing law).

2 * * *

3 Section 3. Section 9316 heading of Title 13 is amended and
4 the section is amended by adding subsections to read:

5 § 9316. [Continued perfection of security interest following]

6 Effect of change in governing law.

7 * * *

8 (h) Effect on filed financing statement of change in
9 governing law.--The following rules apply to collateral to which
10 a security interest attaches within four months after the debtor
11 changes its location to another jurisdiction:

12 (1) A financing statement filed before the change
13 pursuant to the law of the jurisdiction designated in section
14 9301(a) or 9305(c) is effective to perfect a security
15 interest in the collateral if the financing statement would
16 have been effective to perfect a security interest in the
17 collateral had the debtor not changed its location.

18 (2) If a security interest perfected by a financing
19 statement that is effective under paragraph (1) becomes
20 perfected under the law of the other jurisdiction before the
21 earlier of the time the financing statement would have become
22 ineffective under the law of the jurisdiction designated in
23 section 9301(a) or 9305(c) or the expiration of the four-
24 month period, it remains perfected thereafter. If the
25 security interest does not become perfected under the law of
26 the other jurisdiction before the earlier time or event, it
27 becomes unperfected and is deemed never to have been
28 perfected as against a purchaser of the collateral for value.

29 (i) Effect of change in governing law on financing statement
30 filed against original debtor.--If a financing statement naming

1 an original debtor is filed pursuant to the law of the
2 jurisdiction designated in section 9301(a) or 9305(c) and the
3 new debtor is located in another jurisdiction, the following
4 rules apply:

5 (1) The financing statement is effective to perfect a
6 security interest in collateral acquired by the new debtor
7 before, and within four months after, the new debtor becomes
8 bound under section 9203(d) (relating to attachment and
9 enforceability of security interest; proceeds; supporting
10 obligations; formal requisites), if the financing statement
11 would have been effective to perfect a security interest in
12 the collateral had the collateral been acquired by the
13 original debtor.

14 (2) A security interest perfected by the financing
15 statement and which becomes perfected under the law of the
16 other jurisdiction before the earlier of the time the
17 financing statement would have become ineffective under the
18 law of the jurisdiction designated in section 9301(a) or
19 9305(c) or the expiration of the four-month period remains
20 perfected thereafter. A security interest that is perfected
21 by the financing statement but which does not become
22 perfected under the law of the other jurisdiction before the
23 earlier time or event becomes unperfected and is deemed never
24 to have been perfected as against a purchaser of the
25 collateral for value.

26 Section 4. Sections 9317(b) and (d), 9320(c), 9326, 9406(e),
27 9408(b) and 9502(c) of Title 13 are amended to read:

28 § 9317. Interests which take priority over or take free of
29 security interest or agricultural lien.

30 * * *

1 (b) Buyers that receive delivery.--Except as otherwise
2 provided in subsection (e), a buyer, other than a secured party,
3 of tangible chattel paper, tangible documents, goods,
4 instruments or a [security certificate] certificated security
5 takes free of a security interest or agricultural lien if the
6 buyer gives value and receives delivery of the collateral
7 without knowledge of the security interest or agricultural lien
8 and before it is perfected.

9 * * *

10 (d) Licensees and buyers of certain collateral.--A licensee
11 of a general intangible or a buyer, other than a secured party,
12 of [accounts, electronic chattel paper, electronic documents,
13 general intangibles or investment property] collateral other
14 than tangible chattel paper, tangible documents, goods,
15 instruments or a certificated security takes free of a security
16 interest if the licensee or buyer gives value without knowledge
17 of the security interest and before it is perfected.

18 * * *

19 § 9320. Buyer of goods.

20 * * *

21 (c) Effectiveness of filing for subsection (b).--To the
22 extent that it affects the priority of a security interest over
23 a buyer of goods under subsection (b), the period of
24 effectiveness of a filing made in the jurisdiction in which the
25 seller is located is governed by section 9316(a) and (b)
26 (relating to [continued perfection of security interest
27 following] effect of change in governing law).

28 * * *

29 § 9326. Priority of security interests created by new debtor.

30 (a) Subordination of security interest created by new

1 debtor.--Subject to subsection (b), a security interest that is
2 created by a new debtor [which is] in collateral in which the
3 new debtor has or acquires rights and is perfected solely by a
4 filed financing statement which [is effective solely under
5 section 9508 (relating to effectiveness of financing statement
6 if new debtor becomes bound by security agreement) in collateral
7 in which a new debtor has or acquires rights] would be
8 ineffective to perfect the security interest but for the
9 application of section 9316(i)(1) (relating to effect of change
10 in governing law) or 9508 (relating to effectiveness of
11 financing statement if new debtor becomes bound by security
12 agreement) is subordinate to a security interest in the same
13 collateral which is perfected other than by such a filed
14 financing statement [which is effective solely under section
15 9508].

16 (b) Priority under other provisions; multiple original
17 debtors.--The other provisions of this chapter determine the
18 priority among conflicting security interests in the same
19 collateral perfected by filed financing statements [which are
20 effective solely under section 9508] described in subsection
21 (a). However, if the security agreements to which a new debtor
22 became bound as debtor were not entered into by the same
23 original debtor, the conflicting security interests rank
24 according to priority in time of the new debtor's having become
25 bound.

26 § 9406. Discharge of account debtor; notification of
27 assignment; identification and proof of assignment;
28 restrictions on assignment of accounts, chattel
29 paper, payment intangibles and promissory notes
30 ineffective.

1 * * *

2 (e) Inapplicability of subsection (d) to certain sales.--
3 Subsection (d) does not apply to the sale of a payment
4 intangible or promissory note, other than a sale pursuant to a
5 disposition under section 9610 (relating to disposition of
6 collateral after default) or an acceptance of collateral under
7 section 9620 (relating to acceptance of collateral in full or
8 partial satisfaction of obligation; compulsory disposition of
9 collateral).

10 * * *

11 § 9408. Restrictions on assignment of promissory notes, health-
12 care-insurance receivables and certain general
13 intangibles ineffective.

14 * * *

15 (b) Applicability of subsection (a) to sales of certain
16 rights to payment.--Subsection (a) applies to a security
17 interest in a payment intangible or promissory note only if the
18 security interest arises out of a sale of the payment intangible
19 or promissory note, other than a sale pursuant to a disposition
20 under section 9610 (relating to disposition of collateral after
21 default) or an acceptance of collateral under section 9620
22 (relating to acceptance of collateral in full or partial
23 satisfaction of obligation; compulsory disposition of
24 collateral).

25 * * *

26 § 9502. Contents of financing statement; record of mortgage as
27 financing statement; time of filing financing
28 statement.

29 * * *

30 (c) Record of mortgage as financing statement.--A record of

1 a mortgage is effective, from the date of recording, as a
2 financing statement filed as a fixture filing or as a financing
3 statement covering as-extracted collateral or timber to be cut
4 only if all of the following apply:

5 (1) [the] The record indicates the goods or accounts
6 which it covers[;].

7 (2) [the] The goods are or are to become fixtures
8 related to the real property described in the record, or the
9 collateral is related to the real property described in the
10 record and is as-extracted collateral or timber to be cut[;].

11 (3) [the] The record satisfies the requirements for a
12 financing statement in this section [other than an
13 indication] subject to the following:

14 (i) The record need not indicate that it is to be
15 filed in the real property records[; and].

16 (ii) The record sufficiently provides the name of a
17 debtor who is an individual if it provides the individual
18 name of the debtor or the surname and first personal name
19 of the debtor, even if the debtor is an individual to
20 whom section 9503(a)(4)(relating to name of debtor and
21 secured party) applies.

22 (4) [the] The record is duly recorded.

23 * * *

24 Section 5. Section 9503(a) and (b)(2) of Title 13 are
25 amended and the section is amended by adding subsections to
26 read:

27 § 9503. Name of debtor and secured party.

28 (a) Sufficiency of debtor's name.--A financing statement
29 sufficiently provides the name of the debtor:

30 (1) [If] Except as otherwise provided in paragraph (3),

1 if the debtor is a registered organization or the collateral
2 is held in a trust that is a registered organization, only if
3 the financing statement provides the name [of the debtor
4 indicated] that is stated to be the registered organization's
5 name on the public organic record [of] most recently filed
6 with or issued or enacted by the [debtor's] registered
7 organization's jurisdiction of organization which [shows the
8 debtor to have been organized] purports to state, amend or
9 restate the registered organization's name.

10 (2) [If] Subject to subsection (f), if the [debtor is a
11 decedent's estate] collateral is being administered by the
12 personal representative of a decedent, only if the financing
13 statement provides, as the name of the debtor, the name of
14 the decedent and, in a separate part of the financing
15 statement, indicates that the [debtor is an estate]
16 collateral is being administered by a personal
17 representative.

18 (3) If the [debtor is a trust or a trustee acting with
19 respect to property held in trust, only if the financing
20 statement:

21 (i) provides the name specified for the trust in its
22 organic documents or, if no name is specified, provides
23 the name of the settlor and additional information
24 sufficient to distinguish the debtor from other trusts
25 having one or more of the same settlors; and

26 (ii) indicates, in the debtor's name or otherwise,
27 that the debtor is a trust or is a trustee acting with
28 respect to property held in trust; and] collateral is
29 held in a trust that is not a registered organization,
30 only if the financing statement:

1 (A) provides, as the name of the debtor:

2 (I) if the organic record of the trust
3 specifies a name for the trust, the name
4 specified; or

5 (II) if the organic record of the trust does
6 not specify a name for the trust, the name of the
7 settlor or testator; and

8 (B) in a separate part of the financing
9 statement:

10 (I) if the name is provided under clause
11 (A) (I), indicates that the collateral is held in
12 a trust; or

13 (II) if the name is provided under clause
14 (A) (II), provides additional information
15 sufficient to distinguish the trust from other
16 trusts having one or more of the same settlors or
17 the same testator and indicates that the
18 collateral is held in a trust, unless the
19 additional information so indicates.

20 (4) Subject to subsection (g), if the debtor is an
21 individual to whom the Department of Transportation has
22 issued a driver's license which has not expired under 75
23 Pa.C.S. § 1510(a) (relating to issuance and content of
24 driver's license) or an identification card under 75 Pa.C.S.
25 § 1510(b), only if the financing statement provides the name
26 of the individual which is indicated on:

27 (i) except as set forth in subparagraph (ii), the
28 driver's license; or

29 (ii) if there is no driver's license, the
30 identification card.

1 (5) If the debtor is an individual to whom paragraph (4)
2 does not apply, only if the financing statement provides the
3 individual name of the debtor or the surname and first
4 personal name of the debtor.

5 [(4)] (6) In other cases:

6 (i) if the debtor has a name, only if [it] the
7 financing statement provides the [individual or]
8 organizational name of the debtor; and

9 (ii) if the debtor does not have a name, only if
10 [it] the financing statement provides the names of the
11 partners, members, associates or other persons comprising
12 the debtor, in a manner that each name provided would be
13 sufficient if the person named were the debtor.

14 (b) Additional debtor-related information.--A financing
15 statement which provides the name of the debtor in accordance
16 with subsection (a) is not rendered ineffective by the absence
17 of:

18 * * *

19 (2) unless required under subsection [(a)(4)(ii)] (a)(6)
20 (ii), names of partners, members, associates or other persons
21 comprising the debtor.

22 * * *

23 (f) Name of decedent.--The name of the decedent indicated on
24 the order appointing the personal representative of the decedent
25 issued by the court having jurisdiction over the collateral is
26 sufficient as the name of the decedent under subsection (a)(2).

27 (g) Multiple driver's licenses.--If the department has
28 issued to an individual more than one driver's license or
29 identification card of a kind described in subsection (a)(4),
30 the one that was issued most recently is the one to which

1 subsection (a)(4) refers.

2 (h) Definition.--As used in this section, the term "name of
3 the settlor or testator" means:

4 (1) if the settlor is a registered organization, the
5 name that is stated to be the settlor's name on the public
6 organic record most recently filed with or issued or enacted
7 by the settlor's jurisdiction of organization which purports
8 to state, amend or restate the settlor's name; or

9 (2) in other cases, the name of the settlor or testator
10 indicated in the trust's organic record.

11 Section 6. Sections 9507(c), 9515(f) and 9516(b)(3)(ii)
12 introductory paragraph and (iii) and (5)(ii) and (iii) of Title
13 13 are amended to read:

14 § 9507. Effect of certain events on effectiveness of financing
15 statement.

16 * * *

17 (c) Change in debtor's name.--If [a debtor so changes its]
18 the name that a filed financing statement provides for a debtor
19 becomes insufficient as the name of the debtor under section
20 9503(a) (relating to name of a debtor and secured party) so that
21 the financing statement becomes seriously misleading under
22 section 9506:

23 (1) the financing statement is effective to perfect a
24 security interest in collateral acquired by the debtor
25 before, or within four months after, the [change] filed
26 financing statement becomes seriously misleading; and

27 (2) the financing statement is not effective to perfect
28 a security interest in collateral acquired by the debtor more
29 than four months after the [change] filed financing statement
30 becomes seriously misleading, unless an amendment to the

1 financing statement which renders the financing statement not
2 seriously misleading is filed within four months after the
3 [change] financing statement became seriously misleading.

4 § 9515. Duration and effectiveness of financing statement;
5 effect of lapsed financing statement.

6 * * *

7 (f) Transmitting utility financing statement.--If a debtor
8 is a transmitting utility and a filed initial financing
9 statement so indicates, the financing statement is effective
10 until a termination statement is filed.

11 * * *

12 § 9516. What constitutes filing; effectiveness of filing.

13 * * *

14 (b) Refusal to accept record; filing does not occur.--Filing
15 does not occur with respect to a record which a filing office
16 refuses to accept because one of the following paragraphs
17 applies:

18 * * *

19 (3) The filing office is unable to index the record
20 because of a reason stated in one of the following
21 subparagraphs:

22 * * *

23 (ii) In the case of an amendment or [correction]
24 information statement, the record:

25 * * *

26 (iii) In the case of an initial financing statement
27 which provides the name of a debtor identified as an
28 individual or an amendment which provides a name of a
29 debtor identified as an individual which was not
30 previously provided in the financing statement to which

1 the record relates, the record does not identify the
2 debtor's [last name] surname.

3 * * *

4 (5) In the case of an initial financing statement or an
5 amendment which provides a name of a debtor which was not
6 previously provided in the financing statement to which the
7 amendment relates, the record does not do [one or more] both
8 of the following:

9 * * *

10 (ii) Indicate whether the name provided as the name
11 of the debtor is the name of an individual or an
12 organization.

13 [(iii) If the financing statement indicates that the
14 debtor is an organization, provide:

15 (A) a type of organization for the debtor;

16 (B) a jurisdiction of organization for the
17 debtor; or

18 (C) an organizational identification number for
19 the debtor or indicate that the debtor has none.]

20 * * *

21 Section 7. Section 9518(a), (b) (2), (c) and (d) (1) (i) of
22 Title 13 are amended and the section is amended by adding
23 subsections to read:

24 § 9518. Claim concerning inaccurate or wrongfully filed record.

25 (a) [Correction statement] Statement with respect to record
26 indexed under person's name.--A person may file in the filing
27 office [a correction] an information statement with respect to a
28 record indexed there under the person's name if the person
29 believes that the record is inaccurate or was wrongfully filed.

30 (b) [Sufficiency] Contents of [correction] statement under

1 subsection (a).--[A correction] An information statement under
2 subsection (a) must:

3 * * *

4 (2) indicate that it is [a correction] an information
5 statement; and

6 * * *

7 (c) Statement by secured party of record.--A person may file
8 in the filing office an information statement with respect to a
9 record filed there if the person is a secured party of record
10 with respect to the financing statement to which the record
11 relates and believes that the person that filed the record was
12 not entitled to do so under section 9509(d) (relating to persons
13 entitled to file a record).

14 (d) Contents of statement under subsection (c).--An
15 information statement under subsection (c) must:

16 (1) identify the record to which it relates by the file
17 number assigned to the initial financing statement to which
18 the record relates;

19 (2) indicate that it is an information statement; and

20 (3) provide the basis for the person's belief that the
21 person that filed the record was not entitled to do so under
22 section 9509(d).

23 [(c)] (e) Record not affected by correction statement.--
24 Except as provided in subsection [(d)] (f), the filing of a
25 correction statement does not affect the effectiveness of an
26 initial financing statement or other filed record.

27 [(d)] (f) Fraudulent financing statements.--

28 (1) The Department of State may conduct an
29 administrative hearing to determine if an initial financing
30 statement was fraudulently filed in accordance with the

1 following:

2 (i) The hearing shall be conducted in accordance
3 with 2 Pa.C.S. (relating to Administrative Law and
4 Procedure). The department shall determine the initial
5 financing statement to be fraudulently filed for purposes
6 of this subsection if it determines that no rational
7 basis exists under section 9509 [(relating to persons
8 entitled to file a record)] entitling the person to file
9 the initial financing statement and it appears that the
10 person filed the initial financing statement with intent
11 to annoy, harass or harm the debtor.

12 * * *

13 Section 8. Section 9607(b)(2)(i) of Title 13 is amended to
14 read:

15 § 9607. Collection and enforcement by secured party.

16 * * *

17 (b) Nonjudicial enforcement of mortgage.--If necessary to
18 enable a secured party to exercise under subsection (a)(3) the
19 right of a debtor to enforce a mortgage nonjudicially, the
20 secured party may record in the office in which a record of the
21 mortgage is recorded:

22 * * *

23 (2) The secured party's sworn affidavit in recordable
24 form stating that:

25 (i) a default has occurred with respect to the
26 obligation secured by the mortgage; and

27 * * *

28 Section 9. Title 13 is amended by adding a chapter to read:

29 CHAPTER 98

30 TRANSITION PROVISIONS FOR 2012 AMENDMENTS

- 1 Sec.
2 9800. Definitions.
3 9801. Effective date.
4 9802. Savings clause.
5 9803. Security interest perfected before effective date.
6 9804. Security interest unperfected before effective date.
7 9805. Effectiveness of action taken before effective date.
8 9806. When initial financing statement suffices to continue
9 effectiveness of financing statement.
10 9807. Amendment of pre-effective-date financing statement.
11 9808. Person entitled to file initial financing statement or
12 continuation statement.
13 9809. Priority.

14 § 9800. Definitions.

15 The following words and phrases when used in this chapter
16 shall have the meanings given to them in this section unless the
17 context clearly indicates otherwise:

18 "2012 Revision." The amendments which:

19 (1) affect this division; and

20 (2) are made by the act of _____, 2012 (P.L. _____,

21 No. _____) entitled "An act amending Titles 13 (Commercial

22 Code), 30 (Fish) and 75 (Vehicles) of the Pennsylvania

23 Consolidated Statutes, revising secured transaction

24 provisions relating to definitions, to control of electronic

25 chattel paper, to location of debtor, to perfection of

26 security interests in property subject to certain statutes,

27 regulations and treaties, to continued perfection of security

28 interest following change in governing law, to interests

29 which take priority over or take free of security interest or

30 agricultural lien, to priority of security interests created

1 by new debtor, to discharge of account debtor, notification
2 of assignment, identification and proof of assignment,
3 restrictions on assignment of accounts, chattel paper,
4 payment intangibles and promissory notes ineffective, to
5 restrictions on assignment of promissory notes, health-care-
6 insurance receivables and certain general intangibles
7 ineffective, to contents of financing statement, record of
8 mortgage as financing statement, time of filing financing
9 statement, to name of debtor and secured party, to effect of
10 certain events on effectiveness of financing statement, to
11 duration and effectiveness of financing statement, effect of
12 lapsed financing statement, to what constitutes filing,
13 effectiveness of filing, to claim concerning inaccurate or
14 wrongfully filed record; to collection and enforcement by
15 secured party; providing for transition provisions for 2012
16 amendments; imposing duties upon the Department of State and
17 the Department of Transportation; and making editorial
18 changes."

19 § 9801. Effective date.

20 The 2012 Revision takes effect July 1, 2013.

21 § 9802. Savings clause.

22 (a) Pre-effective-date transactions or liens.--Except as
23 otherwise provided in this part, the 2012 Revision applies to a
24 transaction or lien within its scope, even if the transaction or
25 lien was entered into or created before the 2012 Revision takes
26 effect.

27 (b) Pre-effective-date proceedings.--The 2012 Revision does
28 not affect an action, case, or proceeding commenced before the
29 2012 Revision takes effect.

30 § 9803. Security interest perfected before effective date.

1 (a) Continuing perfection; perfection requirements
2 satisfied.--A security interest that is a perfected security
3 interest immediately before the 2012 Revision takes effect is a
4 perfected security interest under this division as amended by
5 the 2012 Revision if, when the 2012 Revision takes effect, the
6 applicable requirements for attachment and perfection under this
7 division as amended by the 2012 Revision are satisfied without
8 further action.

9 (b) Continuing perfection: perfection requirements not
10 satisfied.--Except as otherwise provided in section 9805
11 (relating to effectiveness of action before effective date), if,
12 immediately before the 2012 Revision takes effect, a security
13 interest is a perfected security interest, but the applicable
14 requirements for perfection under this division as amended by
15 the 2012 Revision are not satisfied when the 2012 Revision takes
16 effect, the security interest remains perfected thereafter only
17 if the applicable requirements for perfection under this
18 division as amended by the 2012 Revision are satisfied within
19 one year after the 2012 Revision takes effect.

20 § 9804. Security interest unperfected before effective date.

21 A security interest that is an unperfected security interest
22 immediately before the 2012 Revision takes effect becomes a
23 perfected security interest:

24 (1) without further action, when the 2012 Revision takes
25 effect if the applicable requirements for perfection under
26 this division as amended by the 2012 Revision are satisfied
27 before or at that time; or

28 (2) when the applicable requirements for perfection are
29 satisfied if the requirements are satisfied after that time.

30 § 9805. Effectiveness of action taken before effective date.

1 (a) Pre-effective-date filing effective.--The filing of a
2 financing statement before the 2012 Revision takes effect is
3 effective to perfect a security interest to the extent the
4 filing would satisfy the applicable requirements for perfection
5 under this division as amended by the 2012 Revision.

6 (b) When pre-effective-date filing becomes ineffective.--The
7 2012 Revision does not render ineffective an effective financing
8 statement that, before the 2012 Revision takes effect, is filed
9 and satisfies the applicable requirements for perfection under
10 the law of the jurisdiction governing perfection as provided in
11 this division as it existed before amendment by the 2012
12 Revision. However, except as otherwise provided in subsections
13 (c) and (d) and section 9806 (relating to when initial financing
14 statement suffices to continue effectiveness of financing
15 statement), the financing statement ceases to be effective:

16 (1) if the financing statement is filed in this
17 Commonwealth, at the time the financing statement would have
18 ceased to be effective had the 2012 Revision not taken
19 effect; or

20 (2) if the financing statement is filed in another
21 jurisdiction, at the earlier of:

22 (i) the time the financing statement would have
23 ceased to be effective under the law of that
24 jurisdiction; or

25 (ii) June 30, 2018.

26 (c) Continuation statement.--The filing of a continuation
27 statement after the 2012 Revision takes effect does not continue
28 the effectiveness of a financing statement filed before the 2012
29 Revision takes effect. However, upon the timely filing of a
30 continuation statement after the 2012 Revision takes effect and

1 in accordance with the law of the jurisdiction governing
2 perfection as provided in this division as amended by the 2012
3 Revision, the effectiveness of a financing statement filed in
4 the same office in that jurisdiction before the 2012 Revision
5 takes effect continues for the period provided by the law of
6 that jurisdiction.

7 (d) Application of subsection (b)(2)(ii) to transmitting
8 utility financing statement.--Subsection (b)(2)(ii) applies to a
9 financing statement that, before the 2012 Revision takes effect,
10 is filed against a transmitting utility and satisfies the
11 applicable requirements for perfection under the law of the
12 jurisdiction governing perfection as provided in this division
13 as it existed before amendment by the 2012 Revision, only to the
14 extent that this division as amended by the 2012 Revision
15 provides that the law of a jurisdiction other than the
16 jurisdiction in which the financing statement is filed governs
17 perfection of a security interest in collateral covered by the
18 financing statement.

19 (e) Application of Chapter 95.--A financing statement that
20 includes a financing statement filed before the 2012 Revision
21 takes effect and a continuation statement filed after the 2012
22 Revision takes effect is effective only to the extent that it
23 satisfies the requirements of Chapter 95 (relating to filing) as
24 amended by the 2012 Revision for an initial financing statement.
25 A financing statement that indicates that the debtor is a
26 decedent's estate indicates that the collateral is being
27 administered by a personal representative within the meaning of
28 section 9503(a)(2) (relating to name of debtor and secured
29 party) as amended by the 2012 Revision. A financing statement
30 that indicates that the debtor is a trust or is a trustee acting

1 with respect to property held in trust indicates that the
2 collateral is held in a trust within the meaning of section
3 9503(a) (3) as amended by the 2012 Revision.

4 § 9806. When initial financing statement suffices to continue
5 effectiveness of financing statement.

6 (a) Initial financing statement in lieu of continuation
7 statement.--The filing of an initial financing statement in the
8 office specified in section 9501 (relating to filing office)
9 continues the effectiveness of a financing statement filed
10 before the 2012 Revision takes effect if:

11 (1) the filing of an initial financing statement in that
12 office would be effective to perfect a security interest
13 under this division as amended by the 2012 Revision;

14 (2) the pre-effective-date financing statement was filed
15 in an office in another state; and

16 (3) the initial financing statement satisfies subsection
17 (c).

18 (b) Period of continued effectiveness.--The filing of an
19 initial financing statement under subsection (a) continues the
20 effectiveness of the pre-effective-date financing statement:

21 (1) if the initial financing statement is filed before
22 the 2012 Revision takes effect, for the period provided in
23 section 9515(a) through (e) and (g) (relating to duration and
24 effectiveness of financing statement; effect of lapsed
25 financing statement) with respect to an initial financing
26 statement; and

27 (2) if the initial financing statement is filed after
28 the 2012 Revision takes effect, for the period provided in
29 section 9515(f) as amended by the 2012 Revision with respect
30 to an initial financing statement.

1 (c) Requirements for initial financing statement under
2 subsection (a).--To be effective for purposes of subsection (a),
3 an initial financing statement must:

4 (1) satisfy the requirements of Chapter 95 (relating to
5 filing) as amended by the 2012 Revision for an initial
6 financing statement;

7 (2) identify the pre-effective-date financing statement
8 by indicating the office in which the financing statement was
9 filed and providing the dates of filing and file numbers, if
10 any, of the financing statement and of the most recent
11 continuation statement filed with respect to the financing
12 statement; and

13 (3) indicate that the pre-effective-date financing
14 statement remains effective.

15 § 9807. Amendment of pre-effective-date financing statement.

16 (a) Definitions.--Refer to subsection (f).

17 (b) Applicable law.--After the 2012 Revision takes effect, a
18 person may add or delete collateral covered by, continue or
19 terminate the effectiveness of, or otherwise amend the
20 information provided in, a pre-effective-date financing
21 statement only in accordance with the law of the jurisdiction
22 governing perfection as provided in this division as amended by
23 the 2012 Revision. However, the effectiveness of a pre-
24 effective-date financing statement also may be terminated in
25 accordance with the law of the jurisdiction in which the
26 financing statement is filed.

27 (c) Method of amending: general rule.-- Except as otherwise
28 provided in subsection (d), if the law of this Commonwealth
29 governs perfection of a security interest, the information in a
30 pre-effective-date financing statement may be amended after the

1 2012 Revision takes effect only if:

2 (1) the pre-effective-date financing statement and an
3 amendment are filed in the office specified in section 9501
4 (relating to filing office);

5 (2) an amendment is filed in the office specified in
6 section 9501 concurrently with, or after the filing in that
7 office of, an initial financing statement that satisfies
8 section 9806(c) (relating to when initial filing statement
9 suffices to continue effectiveness of financing statement);

10 or

11 (3) an initial financing statement that provides the
12 information as amended and satisfies section 9806(c) is filed
13 in the office specified in section 9501.

14 (d) Method of amending: continuation.--If the law of this
15 Commonwealth governs perfection of a security interest, the
16 effectiveness of a pre-effective-date financing statement may be
17 continued only under section 9805(c) and (e) (relating to
18 effectiveness of action taken before effective date) or 9806.

19 (e) Method of amending: additional termination rule.--
20 Whether or not the law of this Commonwealth governs perfection
21 of a security interest, the effectiveness of a pre-effective-
22 date financing statement filed in this Commonwealth may be
23 terminated after the 2012 Revision takes effect by filing a
24 termination statement in the office in which the pre-effective-
25 date financing statement is filed, unless an initial financing
26 statement that satisfies section 9806(c) has been filed in the
27 office specified by the law of the jurisdiction governing
28 perfection as provided in this division as amended by the 2012
29 Revision as the office in which to file a financing statement.

30 (f) Definition.--As used in this section, the term "pre-

1 effective-date financing statement" means a financing statement
2 filed before the 2012 Revision takes effect.
3 § 9808. Person entitled to file initial financing statement or
4 continuation statement.

5 A person may file an initial financing statement or a
6 continuation statement under this part if:

7 (1) the secured party of record authorizes the filing;
8 and

9 (2) the filing is necessary under this part:

10 (i) to continue the effectiveness of a financing
11 statement filed before the 2012 Revision takes effect; or

12 (ii) to perfect or continue the perfection of a
13 security interest.

14 § 9809. Priority.

15 The 2012 Revision determines the priority of conflicting
16 claims to collateral. However, if the relative priorities of the
17 claims were established before the 2012 Revision takes effect,
18 this division as it existed before amendment determines
19 priority.

20 Section 10. Section 5323(b) of Title 30 is amended to read:

21 § 5323. Content and effect of certificate of title.

22 * * *

23 (b) Certificate as evidence and notice.--A certificate of
24 title issued by the commission is prima facie evidence of the
25 facts appearing on the certificate. Except as otherwise provided
26 in 13 Pa.C.S. §§ 9311(d) (relating to perfection of security
27 interests in property subject to certain statutes, regulations
28 and treaties), 9315(c) and (d) (relating to secured party's
29 rights on disposition of collateral and in proceeds) and 9316(d)
30 and (e) (relating to [continued perfection of security interest

1 following] effect of change in governing law), the certificate
2 shall be adequate notice to the Commonwealth, creditors,
3 subsequent lienholders and purchasers that a lien against the
4 boat exists.

5 Section 11. Sections 1137 and 7712.8(a) of Title 75 are
6 amended to read:

7 § 1137. Subchapter exclusive for perfecting security interest.

8 The method provided in this subchapter for perfecting and
9 giving notice of security interests is exclusive, except as
10 otherwise provided in 13 Pa.C.S. §§ 9315 (relating to secured
11 party's rights on disposition of collateral and in proceeds) and
12 9316(d) and (e) (relating to [continued perfection of security
13 interest following] effect of change in governing law).

14 § 7712.8. Perfection of security interest in a snowmobile or
15 ATV.

16 (a) Applicability of section.--Except as otherwise provided
17 in 13 Pa.C.S. §§ 9311(d) (relating to perfection of security
18 interests in property subject to certain statutes, regulations
19 and treaties), 9315(c) and (d) (relating to secured party's
20 rights on disposition of collateral and in proceeds) and 9316(d)
21 and (e) (relating to [continued perfection of security interest
22 following] effect of change in governing law), this section
23 provides the exclusive method of perfecting a security interest
24 in a snowmobile or ATV for which a certificate of title is
25 required under this subchapter.

26 * * *

27 Section 12. In order to implement the amendment of 13
28 Pa.C.S. § 9503, the Department of State and the Department of
29 Transportation shall coordinate development and maintenance of
30 electronic systems for entering and searching data.

1 Section 13. This act shall take effect July 1, 2013.