

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,
HICKERNELL, DELOZIER AND CALTAGIRONE, FEBRUARY 29, 2012

AS REPORTED FROM COMMITTEE ON JUDICIARY, HOUSE OF
REPRESENTATIVES, AS AMENDED, JUNE 19, 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.

1 The General Assembly of the Commonwealth of Pennsylvania
2 hereby enacts as follows:

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

8 § 9102. Definitions and index of definitions.

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

12 * * *

13 "Authenticate." To:

14 (i) sign; or

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

21 * * *

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

1 result of the security interest's obtaining priority over the
2 rights of a lien creditor with respect to the collateral.

3 * * *

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

7 * * *

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

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

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

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

26 * * *

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

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

8 * * *

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

12 § 9105. Control of electronic chattel paper.

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

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

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

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

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

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

1 (5) each copy of the authoritative copy and any copy of
2 a copy is readily identifiable as a copy which is not the
3 authoritative copy; and

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

7 § 9307. Location of debtor.

8 * * *

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

15 * * *

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

21 * * *

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

24 (a) Perfection of security interest.--Except as otherwise
25 provided in this section and section 9309 (relating to security
26 interest perfected upon attachment), a security interest is
27 perfected if it has attached and all of the applicable
28 requirements for perfection in sections 9310 (relating to when
29 filing required to perfect security interest or agricultural
30 lien; security interests and agricultural liens to which filing

1 provisions do not apply) through 9316 (relating to [continued
2 perfection of security interest following] effect of change in
3 governing law) have been satisfied. A security interest is
4 perfected when it attaches if the applicable requirements are
5 satisfied before the security interest attaches.

6 * * *

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

11 * * *

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

15 * * *

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

19 * * *

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

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

26 * * *

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

1 condition or result of perfection; or

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

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

22 * * *

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

25 * * *

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

1 [continued perfection of security interest following] effect of
2 change in governing law).

3 * * *

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

6 § 9316. [Continued perfection of security interest following]
7 Effect of change in governing law.

8 * * *

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

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

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

30 (i) Effect of change in governing law on financing statement

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

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

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

27 Section 4. Sections 9317(b) and (d), 9320(c), 9326, 9406(e),
28 9408(b) and 9502(c) of Title 13 are amended to read:

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

1 * * *

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

10 * * *

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

19 * * *

20 § 9320. Buyer of goods.

21 * * *

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

29 * * *

30 § 9326. Priority of security interests created by new debtor.

1 (a) Subordination of security interest created by new
2 debtor.--Subject to subsection (b), a security interest that is
3 created by a new debtor [which is] in collateral in which the
4 new debtor has or acquires rights and is perfected solely by a
5 filed financing statement which [is effective solely under
6 section 9508 (relating to effectiveness of financing statement
7 if new debtor becomes bound by security agreement) in collateral
8 in which a new debtor has or acquires rights] would be
9 ineffective to perfect the security interest but for the
10 application of section 9316(i)(1) (relating to effect of change
11 in governing law) or 9508 (relating to effectiveness of
12 financing statement if new debtor becomes bound by security
13 agreement) is subordinate to a security interest in the same
14 collateral which is perfected other than by such a filed
15 financing statement [which is effective solely under section
16 9508].

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

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

1 ineffective.

2 * * *

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

11 * * *

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

15 * * *

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

26 * * *

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

30 * * *

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

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

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

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

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

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

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

24 * * *

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

28 § 9503. Name of debtor and secured party.

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

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

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

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

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

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

1 only if the financing statement:

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

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

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

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

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

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

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

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

30 (ii) if there is no driver's license, the

1 identification card.

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

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

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

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

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

19 * * *

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

23 * * *

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

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

1 the one that was issued most recently is the one to which
2 subsection (a)(4) refers.

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

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

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

12 Section 6. Sections 9507(c), 9515(f) and 9516(b)(3)(ii)
13 introductory paragraph and (iii) and (5)(ii) and (iii) of Title
14 13 are amended to read:

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

17 * * *

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

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

28 (2) the financing statement is not effective to perfect
29 a security interest in collateral acquired by the debtor more
30 than four months after the [change] filed financing statement

1 becomes seriously misleading, unless an amendment to the
2 financing statement which renders the financing statement not
3 seriously misleading is filed within four months after the
4 [change] financing statement became seriously misleading.

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

7 * * *

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

12 * * *

13 § 9516. What constitutes filing; effectiveness of filing.

14 * * *

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

19 * * *

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

23 * * *

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

26 * * *

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

1 previously provided in the financing statement to which
2 the record relates, the record does not identify the
3 debtor's [last name] surname.

4 * * *

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

10 * * *

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

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

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

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

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

21 * * *

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

25 SECTION 7. IN SECTION 9518 OF TITLE 13, SUBSECTION (A) AND ←
26 SUBSECTION (B) HEADING, INTRODUCTORY PARAGRAPH AND (2) ARE
27 AMENDED, SUBSECTIONS ARE ADDED, SUBSECTION (C) IS RELETTERED AND
28 AMENDED AND SUBSECTION (D) IS RELETTERED AND PARAGRAPHS (1)(I),
29 (II) INTRODUCTORY PARAGRAPH, (III), (V) INTRODUCTORY PARAGRAPH
30 AND (A), (VI) AND (2) ARE AMENDED TO READ:

1 § 9518. Claim concerning inaccurate or wrongfully filed record.

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

7 (b) [Sufficiency] Contents of [correction] statement under
8 subsection (a).--[A correction] An information statement under
9 subsection (a) must:

10 * * *

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

13 * * *

14 (c) Statement by secured party of record.--A person may file
15 in the filing office an information statement with respect to a
16 record filed there if the person is a secured party of record
17 with respect to the financing statement to which the record
18 relates and believes that the person that filed the record was
19 not entitled to do so under section 9509(d) (relating to persons
20 entitled to file a record).

21 (d) Contents of statement under subsection (c).--An
22 information statement under subsection (c) must:

23 (1) identify the record to which it relates by the file
24 number assigned to the initial financing statement to which
25 the record relates;

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

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

30 [(c)] (e) Record not affected by [correction] INFORMATION



1 statement.--Except as provided in subsection [(d)] (f), the
2 filing of [a correction] AN INFORMATION statement does not
3 affect the effectiveness of an initial financing statement or
4 other filed record.



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

6 (1) The Department of State may conduct an
7 administrative hearing to determine if an initial financing
8 statement was fraudulently filed in accordance with the
9 following:

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

20 * * *



21 (II) IF THE DEPARTMENT DETERMINES THAT THE INITIAL
22 FINANCING STATEMENT WAS FRAUDULENTLY FILED AND NO TIMELY
23 APPEAL OF THE DETERMINATION WAS FILED, THE DEPARTMENT
24 SHALL FILE [A CORRECTION] AN INFORMATION STATEMENT WITH
25 RESPECT TO THE INITIAL FINANCING STATEMENT INDEXED THERE.
26 IN ADDITION TO COMPLYING WITH THE REQUIREMENTS OF
27 SUBSECTION (B), THE [CORRECTION] INFORMATION STATEMENT
28 FILED BY THE DEPARTMENT UNDER THIS PARAGRAPH SHALL STATE
29 ALL OF THE FOLLOWING:



30 * * *

1 (III) [A CORRECTION] AN INFORMATION STATEMENT FILED
2 BY THE DEPARTMENT IN ACCORDANCE WITH PARAGRAPH (II)
3 CREATES A REBUTTABLE PRESUMPTION THAT THE INITIAL
4 FINANCING STATEMENT FOUND TO BE FRAUDULENTLY FILED IS
5 INEFFECTIVE.

6 * * *

7 (V) IF THE DEPARTMENT DETERMINES THAT THE INITIAL
8 FINANCING STATEMENT WAS FRAUDULENTLY FILED AND THE
9 DETERMINATION IS APPEALED TO COMMONWEALTH COURT, THE
10 DEPARTMENT SHALL FILE [A CORRECTION] AN INFORMATION
11 STATEMENT WITH RESPECT TO THE INITIAL FINANCING STATEMENT
12 INDEXED THERE ONLY UPON AFFIRMATION BY THE COURT OF ITS
13 DETERMINATION. IN ADDITION TO COMPLYING WITH THE
14 REQUIREMENTS OF SUBSECTION (B), THE [CORRECTION]
15 INFORMATION STATEMENT SHALL STATE ALL OF THE FOLLOWING:

16 (A) THE [CORRECTION] INFORMATION STATEMENT WAS
17 FILED BY THE DEPARTMENT UNDER THIS SUBSECTION;

18 * * *

19 (VI) IF THE DEPARTMENT FILES [A CORRECTION] AN
20 INFORMATION STATEMENT WITH RESPECT TO THE INITIAL
21 FINANCING STATEMENT INDEXED THERE UNDER THIS SUBSECTION,
22 IT SHALL REFER THE MATTER FOR CRIMINAL PROSECUTION TO THE
23 OFFICE OF ATTORNEY GENERAL PURSUANT TO 18 PA.C.S. § 4911
24 (RELATING TO TAMPERING WITH PUBLIC RECORDS OR
25 INFORMATION).

26 (2) NOTHING IN THIS SUBSECTION LIMITS THE RIGHTS OR
27 REMEDIES THE DEBTOR MAY HAVE WITH RESPECT TO AN INITIAL
28 FINANCING STATEMENT THAT HAS BEEN FRAUDULENTLY FILED. NOTHING
29 IN THIS SUBSECTION LIMITS THE EFFECTIVENESS OF [A] ANY
30 TERMINATION OR [CORRECTION] INFORMATION STATEMENT FILED BY A

1 DEBTOR UNDER SECTIONS 9509(D) (2) AND 9513 (RELATING TO
2 TERMINATION STATEMENT) OR THE RIGHTS OF A DEBTOR UNDER
3 SECTION 9625 (RELATING TO REMEDIES FOR SECURED PARTY'S
4 FAILURE TO COMPLY WITH DIVISION).

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

7 § 9607. Collection and enforcement by secured party.

8 * * *

9 (b) Nonjudicial enforcement of mortgage.--If necessary to
10 enable a secured party to exercise under subsection (a) (3) the
11 right of a debtor to enforce a mortgage nonjudicially, the
12 secured party may record in the office in which a record of the
13 mortgage is recorded:

14 * * *

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

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

19 * * *

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

21 CHAPTER 98

22 TRANSITION PROVISIONS FOR 2012 AMENDMENTS

23 Sec.

24 9800. Definitions.

25 9801. Effective date.

26 9802. Savings clause.

27 9803. Security interest perfected before effective date.

28 9804. Security interest unperfected before effective date.

29 9805. Effectiveness of action taken before effective date.

30 9806. When initial financing statement suffices to continue

1 effectiveness of financing statement.

2 9807. Amendment of pre-effective-date financing statement.

3 9808. Person entitled to file initial financing statement or
4 continuation statement.

5 9809. Priority.

6 § 9800. Definitions.

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

10 "2012 Revision." The amendments which:

11 (1) affect this division; and

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

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

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

15 Consolidated Statutes, revising secured transaction

16 provisions relating to definitions, to control of electronic

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

18 security interests in property subject to certain statutes,

19 regulations and treaties, to continued perfection of security

20 interest following change in governing law, to interests

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

22 agricultural lien, to priority of security interests created

23 by new debtor, to discharge of account debtor, notification

24 of assignment, identification and proof of assignment,

25 restrictions on assignment of accounts, chattel paper,

26 payment intangibles and promissory notes ineffective, to

27 restrictions on assignment of promissory notes, health-care-

28 insurance receivables and certain general intangibles

29 ineffective, to contents of financing statement, record of

30 mortgage as financing statement, time of filing financing

1 statement, to name of debtor and secured party, to effect of
2 certain events on effectiveness of financing statement, to
3 duration and effectiveness of financing statement, effect of
4 lapsed financing statement, to what constitutes filing,
5 effectiveness of filing, to claim concerning inaccurate or
6 wrongfully filed record; to collection and enforcement by
7 secured party; providing for transition provisions for 2012
8 amendments; imposing duties upon the Department of State and
9 the Department of Transportation; and making editorial
10 changes."

11 § 9801. Effective date.

12 The 2012 Revision takes effect July 1, 2013.

13 § 9802. Savings clause.

14 (a) Pre-effective-date transactions or liens.--Except as
15 otherwise provided in this part, the 2012 Revision applies to a
16 transaction or lien within its scope, even if the transaction or
17 lien was entered into or created before the 2012 Revision takes
18 effect.

19 (b) Pre-effective-date proceedings.--The 2012 Revision does
20 not affect an action, case, or proceeding commenced before the
21 2012 Revision takes effect.

22 § 9803. Security interest perfected before effective date.

23 (a) Continuing perfection; perfection requirements
24 satisfied.--A security interest that is a perfected security
25 interest immediately before the 2012 Revision takes effect is a
26 perfected security interest under this division as amended by
27 the 2012 Revision if, when the 2012 Revision takes effect, the
28 applicable requirements for attachment and perfection under this
29 division as amended by the 2012 Revision are satisfied without
30 further action.

1 (b) Continuing perfection: perfection requirements not
2 satisfied.--Except as otherwise provided in section 9805
3 (relating to effectiveness of action before effective date), if,
4 immediately before the 2012 Revision takes effect, a security
5 interest is a perfected security interest, but the applicable
6 requirements for perfection under this division as amended by
7 the 2012 Revision are not satisfied when the 2012 Revision takes
8 effect, the security interest remains perfected thereafter only
9 if the applicable requirements for perfection under this
10 division as amended by the 2012 Revision are satisfied within
11 one year after the 2012 Revision takes effect.

12 § 9804. Security interest unperfected before effective date.

13 A security interest that is an unperfected security interest
14 immediately before the 2012 Revision takes effect becomes a
15 perfected security interest:

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

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

22 § 9805. Effectiveness of action taken before effective date.

23 (a) Pre-effective-date filing effective.--The filing of a
24 financing statement before the 2012 Revision takes effect is
25 effective to perfect a security interest to the extent the
26 filing would satisfy the applicable requirements for perfection
27 under this division as amended by the 2012 Revision.

28 (b) When pre-effective-date filing becomes ineffective.--The
29 2012 Revision does not render ineffective an effective financing
30 statement that, before the 2012 Revision takes effect, is filed

1 and satisfies the applicable requirements for perfection under
2 the law of the jurisdiction governing perfection as provided in
3 this division as it existed before amendment by the 2012
4 Revision. However, except as otherwise provided in subsections
5 (c) and (d) and section 9806 (relating to when initial financing
6 statement suffices to continue effectiveness of financing
7 statement), the financing statement ceases to be effective:

8 (1) if the financing statement is filed in this
9 Commonwealth, at the time the financing statement would have
10 ceased to be effective had the 2012 Revision not taken
11 effect; or

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

14 (i) the time the financing statement would have
15 ceased to be effective under the law of that
16 jurisdiction; or

17 (ii) June 30, 2018.

18 (c) Continuation statement.--The filing of a continuation
19 statement after the 2012 Revision takes effect does not continue
20 the effectiveness of a financing statement filed before the 2012
21 Revision takes effect. However, upon the timely filing of a
22 continuation statement after the 2012 Revision takes effect and
23 in accordance with the law of the jurisdiction governing
24 perfection as provided in this division as amended by the 2012
25 Revision, the effectiveness of a financing statement filed in
26 the same office in that jurisdiction before the 2012 Revision
27 takes effect continues for the period provided by the law of
28 that jurisdiction.

29 (d) Application of subsection (b) (2) (ii) to transmitting
30 utility financing statement.--Subsection (b) (2) (ii) applies to a

1 financing statement that, before the 2012 Revision takes effect,
2 is filed against a transmitting utility and satisfies the
3 applicable requirements for perfection under the law of the
4 jurisdiction governing perfection as provided in this division
5 as it existed before amendment by the 2012 Revision, only to the
6 extent that this division as amended by the 2012 Revision
7 provides that the law of a jurisdiction other than the
8 jurisdiction in which the financing statement is filed governs
9 perfection of a security interest in collateral covered by the
10 financing statement.

11 (e) Application of Chapter 95.--A financing statement that
12 includes a financing statement filed before the 2012 Revision
13 takes effect and a continuation statement filed after the 2012
14 Revision takes effect is effective only to the extent that it
15 satisfies the requirements of Chapter 95 (relating to filing) as
16 amended by the 2012 Revision for an initial financing statement.
17 A financing statement that indicates that the debtor is a
18 decedent's estate indicates that the collateral is being
19 administered by a personal representative within the meaning of
20 section 9503(a) (2) (relating to name of debtor and secured
21 party) as amended by the 2012 Revision. A financing statement
22 that indicates that the debtor is a trust or is a trustee acting
23 with respect to property held in trust indicates that the
24 collateral is held in a trust within the meaning of section
25 9503(a) (3) as amended by the 2012 Revision.
26 § 9806. When initial financing statement suffices to continue
27 effectiveness of financing statement.

28 (a) Initial financing statement in lieu of continuation
29 statement.--The filing of an initial financing statement in the
30 office specified in section 9501 (relating to filing office)

1 continues the effectiveness of a financing statement filed
2 before the 2012 Revision takes effect if:

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

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

8 (3) the initial financing statement satisfies subsection
9 (c).

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

13 (1) if the initial financing statement is filed before
14 the 2012 Revision takes effect, for the period provided in
15 section 9515(a) through (e) and (g) (relating to duration and
16 effectiveness of financing statement; effect of lapsed
17 financing statement) with respect to an initial financing
18 statement; and

19 (2) if the initial financing statement is filed after
20 the 2012 Revision takes effect, for the period provided in
21 section 9515(f) as amended by the 2012 Revision with respect
22 to an initial financing statement.

23 (c) Requirements for initial financing statement under
24 subsection (a).--To be effective for purposes of subsection (a),
25 an initial financing statement must:

26 (1) satisfy the requirements of Chapter 95 (relating to
27 filing) as amended by the 2012 Revision for an initial
28 financing statement;

29 (2) identify the pre-effective-date financing statement
30 by indicating the office in which the financing statement was

1 filed and providing the dates of filing and file numbers, if
2 any, of the financing statement and of the most recent
3 continuation statement filed with respect to the financing
4 statement; and

5 (3) indicate that the pre-effective-date financing
6 statement remains effective.

7 § 9807. Amendment of pre-effective-date financing statement.

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

9 (b) Applicable law.--After the 2012 Revision takes effect, a
10 person may add or delete collateral covered by, continue or
11 terminate the effectiveness of, or otherwise amend the
12 information provided in, a pre-effective-date financing
13 statement only in accordance with the law of the jurisdiction
14 governing perfection as provided in this division as amended by
15 the 2012 Revision. However, the effectiveness of a pre-
16 effective-date financing statement also may be terminated in
17 accordance with the law of the jurisdiction in which the
18 financing statement is filed.

19 (c) Method of amending: general rule.-- Except as otherwise
20 provided in subsection (d), if the law of this Commonwealth
21 governs perfection of a security interest, the information in a
22 pre-effective-date financing statement may be amended after the
23 2012 Revision takes effect only if:

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

27 (2) an amendment is filed in the office specified in
28 section 9501 concurrently with, or after the filing in that
29 office of, an initial financing statement that satisfies
30 section 9806(c) (relating to when initial filing statement

1 suffices to continue effectiveness of financing statement);

2 or

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

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

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

22 (f) Definition.--As used in this section, the term "pre-
23 effective-date financing statement" means a financing statement
24 filed before the 2012 Revision takes effect.

25 § 9808. Person entitled to file initial financing statement or
26 continuation statement.

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

29 (1) the secured party of record authorizes the filing;
30 and

1 (2) the filing is necessary under this part:
2 (i) to continue the effectiveness of a financing
3 statement filed before the 2012 Revision takes effect; or
4 (ii) to perfect or continue the perfection of a
5 security interest.

6 § 9809. Priority.

7 The 2012 Revision determines the priority of conflicting
8 claims to collateral. However, if the relative priorities of the
9 claims were established before the 2012 Revision takes effect,
10 this division as it existed before amendment determines
11 priority.

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

13 § 5323. Content and effect of certificate of title.

14 * * *

15 (b) Certificate as evidence and notice.--A certificate of
16 title issued by the commission is prima facie evidence of the
17 facts appearing on the certificate. Except as otherwise provided
18 in 13 Pa.C.S. §§ 9311(d) (relating to perfection of security
19 interests in property subject to certain statutes, regulations
20 and treaties), 9315(c) and (d) (relating to secured party's
21 rights on disposition of collateral and in proceeds) and 9316(d)
22 and (e) (relating to [continued perfection of security interest
23 following] effect of change in governing law), the certificate
24 shall be adequate notice to the Commonwealth, creditors,
25 subsequent lienholders and purchasers that a lien against the
26 boat exists.

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

29 § 1137. Subchapter exclusive for perfecting security interest.

30 The method provided in this subchapter for perfecting and

1 giving notice of security interests is exclusive, except as
2 otherwise provided in 13 Pa.C.S. §§ 9315 (relating to secured
3 party's rights on disposition of collateral and in proceeds) and
4 9316(d) and (e) (relating to [continued perfection of security
5 interest following] effect of change in governing law).

6 § 7712.8. Perfection of security interest in a snowmobile or
7 ATV.

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

18 * * *

19 Section 12. In order to implement the amendment of 13
20 Pa.C.S. § 9503, the Department of State and the Department of
21 Transportation shall coordinate development and maintenance of
22 electronic systems for entering and searching data.

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