

# HOUSE BILL REPORT

## ESB 5163

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**As Passed House**

April 8, 1997

**Title:** An act relating to the expiration of filed financing statements.

**Brief Description:** Filing financing statements.

**Sponsors:** Senators Haugen and Schow.

**Brief History:**

**Committee Activity:**

Law & Justice: 3/21/97 [DP].

**Floor Activity:**

Passed House: 4/8/97, 95-0.

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### HOUSE COMMITTEE ON LAW & JUSTICE

**Majority Report:** Do pass. Signed by 13 members: Representatives Sheahan, Chairman; McDonald, Vice Chairman; Sterk, Vice Chairman; Costa, Ranking Minority Member; Constantine, Assistant Ranking Minority Member; Carrell; Cody; Kenney; Lambert; Lantz; Radcliff; Sherstad and Skinner.

**Staff:** Trudes Hutcheson (786-7384).

**Background:** Article 9 of the Uniform Commercial Code governs secured transactions. A security interest provides the creditor with a lien in the collateral and gives the creditor the legal ability, upon the debtor's default, to force sale of the asset. A security interest can also provide a creditor with a priority in the collateral above others asserting claims in the same collateral.

To obtain priority, the creditor must perfect his or her security interest. Perfecting a security interest requires the creditor to do certain things, depending upon the collateral. For most collateral, a security interest may be perfected by filing a financing statement with the Department of Licensing.

The filed financing statement is effective for five years. For the security interest to remain perfected, the creditor must file a continuation statement before the five years expire. If the creditor fails to file a continuation statement before the expiration date,

the creditor's security interest is no longer perfected and the creditor may lose priority in the collateral.

**Summary of Bill:** Immediately following a date that is four and one-half years after the filing of a financing statement, the Department of Licensing must provide notice of the five-year expiration period and of the availability of a continuation statement. Failure to provide notification does not result in liability against the state.

**Appropriation:** None.

**Fiscal Note:** Requested on March 18, 1997.

**Effective Date:** Ninety days after adjournment of session in which bill is passed.

**Testimony For:** Notifying creditors that their financing statements will expire within a certain amount of time will protect small business people and average citizens.

**Testimony Against:** None.

**Testified:** Senator Haugen, prime sponsor.