

FINAL BILL REPORT

ESB 5163

FULL VETO

As Passed Legislature

Brief Description: Filing financing statements.

Sponsors: Senators Haugen and Schow.

Senate Committee on Financial Institutions, Insurance & Housing
House Committee on Law & Justice

Background: When personal property is sold under a conditional sales contract with payment to occur over time, the Uniform Commercial Code provides a method of recording the transaction as a public record to protect the rights of the seller and give notice to potential subsequent buyers of the property.

To perfect a security interest, the holder of the interest must file a prescribed financing statement with the county auditor or the Department of Licensing, depending on the type of property involved.

Financing statements filed to perfect a security interest do not last indefinitely, but expire after a period of five years from the date of filing unless a continuation statement is filed prior to the lapse. If a valid financing statement is not in effect, a subsequent purchaser of the property may obtain all rights to the property by simply paying the purchase price to the apparent owner, even though that party may still owe money to the original seller.

Sellers of property who are unfamiliar with the five-year life span of the financing statement, might fail to file a necessary continuation statement and lose their security interest.

Summary: The Department of Licensing is required to give notice to parties filing financing statements that it is only good for five years. The notice is provided four and one half years after filing.

The state is protected from lawsuits based on failure to provide the notice required in the act.

Votes on Final Passage:

Senate	48 0
House	95 0