

UNIFORM COMMERCIAL CODE (EXCERPT)
Act 174 of 1962

ARTICLE 9
SECURED TRANSACTIONS

PART 1
GENERAL PROVISIONS

SUBPART 1.
SHORT TITLE, DEFINITIONS, AND GENERAL CONCEPTS

440.9101 Uniform commercial code—secured transactions; short title.

Sec. 9101. This article shall be known and may be cited as “uniform commercial code—secured transactions”.

History: 1962, Act 174, Eff. Jan. 1, 1964.

440.9102 Definitions and index of definitions.

Sec. 9102. (1) As used in this article:

(a) "Accession" means goods that are physically united with other goods in such a manner that the identity of the original goods is not lost.

(b) "Account", except as used in "account for", means a right to payment of a monetary obligation, whether or not earned by performance, for property that has been or is to be sold, leased, licensed, assigned, or otherwise disposed of, for services rendered or to be rendered, for a policy of insurance issued or to be issued, for a secondary obligation incurred or to be incurred, for energy provided or to be provided, for the use or hire of a vessel under a charter or other contract, arising out of the use of a credit or charge card or information contained on or for use with the card, or as winnings in a lottery or other game of chance operated or sponsored by a state, governmental unit of a state, or person licensed or authorized to operate the game by a state or governmental unit of a state. The term includes health-care-insurance receivables. The term does not include rights to payment evidenced by chattel paper or an instrument, commercial tort claims, deposit accounts, investment property, letter-of-credit rights or letters of credit, or rights to payment for money or funds advanced or sold, other than rights arising out of the use of a credit or charge card or information contained on or for use with the card.

(c) "Account debtor" means a person obligated on an account, chattel paper, or general intangible. The term does not include persons obligated to pay a negotiable instrument, even if the instrument constitutes part of chattel paper.

(d) "Accounting", except as used in "accounting for", means a record that meets all of the following requirements:

(i) Authenticated by a secured party.

(ii) Indicating the aggregate unpaid secured obligations as of a date not more than 35 days earlier or 35 days later than the date of the record.

(iii) Identifying the components of the obligations in reasonable detail.

(e) "Agricultural lien" means an interest, other than a security interest, in farm products that meets all of the following requirements:

(i) The interest secures payment or performance of an obligation for 1 or more of the following:

(A) Goods or services furnished in connection with a debtor's farming operation.

(B) Rent on real property leased by a debtor in connection with its farming operation.

(ii) The interest is created by statute in favor of a person that did 1 or more of the following:

(A) In the ordinary course of its business furnished goods or services to a debtor in connection with a debtor's farming operation.

(B) Leased real property to a debtor in connection with the debtor's farming operation.

(iii) The effectiveness of the interest does not depend on the person's possession of the personal property.

(f) "As-extracted collateral" means 1 or more of the following:

(i) Oil, gas, or other minerals that are subject to a security interest that is created by a debtor having an interest in the minerals before extraction and attaches to the minerals as extracted.

(ii) Accounts arising out of the sale at the wellhead or minehead of oil, gas, or other minerals in which the debtor had an interest before extraction.

(g) "Authenticate" means 1 of the following:

(i) To sign.

(ii) To execute or otherwise adopt a symbol, or encrypt or similarly process a record in whole or in part, with the present intent of the authenticating person to identify the person and adopt or accept a record.

(h) "Bank" means an organization that is engaged in the business of banking. The term includes savings banks, savings and loan associations, credit unions, and trust companies.

(i) "Cash proceeds" means proceeds that are money, checks, deposit accounts, or the like.

(j) "Certificate of title" means a certificate of title with respect to which a statute provides for the security interest in question to be indicated on the certificate as a condition or result of the security interest's obtaining priority over the rights of a lien creditor with respect to the collateral.

(k) "Chattel paper" means a record or records that evidence both a monetary obligation and a security interest in specific goods, a security interest in specific goods and software used in the goods, a security interest in specific goods and license of software used in the goods, a lease of specific goods, or a lease of specific goods and license of software used in the goods. As used in this subdivision, "monetary obligation" means a monetary obligation secured by the goods or owed under a lease of the goods and includes a monetary obligation with respect to software used in the goods. The term does not include charters or other contracts involving the use or hire of a vessel, or records that evidence a right to payment arising out of the use of a credit or charge card or information contained on or for use with the card. If a transaction is evidenced by records that include an instrument or series of instruments, the group of records taken together constitutes chattel paper.

(l) "Collateral" means the property subject to a security interest or agricultural lien. The term includes 1 or more of the following:

(i) Proceeds to which a security interest attaches.

(ii) Accounts, chattel paper, payment intangibles, and promissory notes that have been sold.

(iii) Goods that are the subject of a consignment.

(m) "Commercial tort claim" means a claim arising in tort with respect to which 1 of the following applies:

(i) The claimant is an organization.

(ii) The claimant is an individual and the claim arose in the course of the claimant's business or profession and does not include damages arising out of personal injury to or the death of an individual.

(n) "Commodity account" means an account maintained by a commodity intermediary in which a commodity contract is carried for a commodity customer.

(o) "Commodity contract" means a commodity futures contract, an option on a commodity futures contract, a commodity option, or another contract if the contract or option is 1 of the following:

(i) Traded on or subject to the rules of a board of trade that has been designated as a contract market for such a contract pursuant to federal commodities laws.

(ii) Traded on a foreign commodity board of trade, exchange, or market, and is carried on the books of a commodity intermediary for a commodity customer.

(p) "Commodity customer" means a person for which a commodity intermediary carries a commodity contract on its books.

(q) "Commodity intermediary" means 1 of the following:

(i) A person that is registered as a futures commission merchant under federal commodities law.

(ii) A person that in the ordinary course of its business provides clearance or settlement services for a board of trade that has been designated as a contract market pursuant to federal commodities law.

(r) "Communicate" means 1 or more of the following:

(i) To send a written or other tangible record.

(ii) To transmit a record by any means agreed upon by the persons sending and receiving the record.

(iii) In the case of transmission of a record to or by a filing office, to transmit a record by any means prescribed by filing-office rule.

(s) "Consignee" means a merchant to which goods are delivered in a consignment.

(t) "Consignment" means a transaction, regardless of its form, in which a person delivers goods to a merchant for the purpose of sale and that meets all of the following:

(i) The merchant deals in goods of that kind under a name other than the name of the person making delivery, is not an auctioneer, and is not generally known by its creditors to be substantially engaged in selling the goods of others.

(ii) With respect to each delivery, the aggregate value of the goods is \$1,000.00 or more at the time of delivery.

(iii) The goods are not consumer goods immediately before delivery.

(iv) The transaction does not create a security interest that secures an obligation.

(u) "Consignor" means a person that delivers goods to a consignee in a consignment.

(v) "Consumer debtor" means a debtor in a consumer transaction.

(w) "Consumer goods" means goods that are used or bought for use primarily for personal, family, or household purposes.

(x) "Consumer-goods transaction" means a consumer transaction in which an individual incurs an obligation primarily for personal, family, or household purposes and a security interest in consumer goods secures the obligation.

(y) "Consumer obligor" means an obligor who is an individual and who incurred the obligation as part of a transaction entered into primarily for personal, family, or household purposes.

(z) "Consumer transaction" means a transaction in which an individual incurs an obligation primarily for personal, family, or household purposes, a security interest secures the obligation, and the collateral is held or acquired primarily for personal, family, or household purposes. The term includes consumer-goods transactions.

(aa) "Continuation statement" means an amendment of a financing statement which identifies, by its file number, the initial financing statement to which it relates and indicates that it is a continuation statement for, or that it is filed to continue the effectiveness of, the identified financing statement.

(bb) "Debtor" means 1 of the following:

(i) A person having an interest, other than a security interest or other lien, in the collateral, whether or not the person is an obligor.

(ii) A seller of accounts, chattel paper, payment intangibles, or promissory notes.

(iii) A consignee.

(cc) "Deposit account" means a demand, time, savings, passbook, or similar account maintained with a bank. The term does not include investment property or accounts evidenced by an instrument.

(dd) "Document" means a document of title or a receipt of the type described in section 7201(2).

(ee) "Electronic chattel paper" means chattel paper evidenced by a record or records consisting of information stored in an electronic medium.

(ff) "Encumbrance" means a right, other than an ownership interest, in real property. The term includes mortgages and other liens on real property.

(gg) "Equipment" means goods other than inventory, farm products, or consumer goods.

(hh) "Farm products" means goods, other than standing timber, with respect to which the debtor is engaged in a farming operation and which are 1 of the following:

(i) Crops grown, growing, or to be grown, including crops produced on trees, vines, and bushes, and aquatic goods produced in aquacultural operations.

(ii) Livestock, born or unborn, including aquatic goods produced in aquacultural operations.

(iii) Supplies used or produced in a farming operation.

(iv) Products of crops or livestock in their unmanufactured states.

(ii) "Farming operation" means raising, cultivating, propagating, fattening, grazing, or any other farming, livestock, or aquacultural operation.

(jj) "File number" means the number assigned to an initial financing statement pursuant to section 9519(1).

(kk) "Filing office" means an office designated in section 9501 as the place to file a financing statement.

(ll) "Filing-office rule" means a rule adopted pursuant to section 9526.

(mm) "Financing statement" means a record or records composed of an initial financing statement and any filed record relating to the initial financing statement.

(nn) "Fixture filing" means the filing of a financing statement covering goods that are or are to become fixtures and satisfying section 9502(1) and (2). The term includes the filing of a financing statement covering goods of a transmitting utility which are or are to become fixtures.

(oo) "Fixtures" means goods that have become so related to particular real property that an interest in them arises under real property law.

(pp) "General intangible" means any personal property, including things in action, other than accounts, chattel paper, commercial tort claims, deposit accounts, documents, goods, instruments, investment property, letter-of-credit rights, letters of credit, money, and oil, gas, or other minerals before extraction. The term includes payment intangibles and software.

(qq) "Good faith" means honesty in fact and the observance of reasonable commercial standards of fair dealing.

(rr) "Goods" means all things that are movable when a security interest attaches. The term includes fixtures, standing timber that is to be cut and removed under a conveyance or contract for sale, the unborn young of animals, crops grown, growing, or to be grown, even if the crops are produced on trees, vines, or bushes, and manufactured homes. The term also includes a computer program embedded in goods and any supporting information provided in connection with a transaction relating to the program if the program is associated with the goods in such a manner that it customarily is considered part of the goods, or by becoming

the owner of the goods, a person acquires a right to use the program in connection with the goods. The term does not include a computer program embedded in goods that consist solely of the medium in which the program is embedded. The term also does not include accounts, chattel paper, commercial tort claims, deposit accounts, documents, general intangibles, instruments, investment property, letter-of-credit rights, letters of credit, money, or oil, gas, or other minerals before extraction.

(ss) "Governmental unit" means a subdivision, agency, department, county, parish, municipality, or other unit of the government of the United States, a state, or a foreign country. The term includes an organization having a separate corporate existence if the organization is eligible to issue debt on which interest is exempt from income taxation under the laws of the United States.

(tt) "Health-care-insurance receivable" means an interest in or claim under a policy of insurance which is a right to payment of a monetary obligation for health-care goods or services provided.

(uu) "Instrument" means a negotiable instrument or any other writing that evidences a right to the payment of a monetary obligation, is not itself a security agreement or lease, and is of a type that in ordinary course of business is transferred by delivery with any necessary indorsement or assignment. The term does not include investment property, letters of credit, or writings that evidence a right to payment arising out of the use of a credit or charge card or information contained on or for use with the card.

(vv) "Inventory" means goods, other than farm products, that meet 1 of the following:

(i) Are leased by a person as lessor.

(ii) Are held by a person for sale or lease or to be furnished under a contract of service.

(iii) Are furnished by a person under a contract of service.

(iv) Consist of raw materials, work in process, or materials used or consumed in a business.

(ww) "Investment property" means a security, whether certificated or uncertificated, security entitlement, securities account, commodity contract, or commodity account.

(xx) "Jurisdiction of organization", with respect to a registered organization, means the jurisdiction under whose law the organization is organized.

(yy) "Letter-of-credit right" means a right to payment or performance under a letter of credit, whether or not the beneficiary has demanded or is at the time entitled to demand payment or performance. The term does not include the right of a beneficiary to demand payment or performance under a letter of credit.

(zz) "Lien creditor" means 1 or more of the following:

(i) A creditor that has acquired a lien on the property involved by attachment, levy, or the like.

(ii) An assignee for benefit of creditors from the time of assignment.

(iii) A trustee in bankruptcy from the date of the filing of the petition.

(iv) A receiver in equity from the time of appointment.

(aaa) "Manufactured home" means a structure, transportable in 1 or more sections, which, in the traveling mode, is 8 body feet or more in width or 40 body feet or more in length, or when erected on site, is 320 or more square feet, and which is built on a permanent chassis and designed to be used as a dwelling with or without a permanent foundation when connected to the required utilities, and includes the plumbing, heating, air-conditioning, and electrical systems contained therein. The term includes any structure that meets all of the requirements of this paragraph except the size requirements and with respect to which the manufacturer voluntarily files a certification required by the secretary of the department of housing and urban development and complies with the standards established under title 42 of the United States Code.

(bbb) "Manufactured-home transaction" means a secured transaction that creates a purchase-money security interest in a manufactured home, other than a manufactured home held as inventory, or in which a manufactured home, other than a manufactured home held as inventory, is the primary collateral.

(ccc) "Mortgage" means a consensual interest in real property, including fixtures, which secures payment or performance of an obligation.

(ddd) "New debtor" means a person that becomes bound as debtor under section 9203(4) by a security agreement previously entered into by another person.

(eee) "New value" means money, money's worth in property, services, or new credit, or release by a transferee of an interest in property previously transferred to the transferee. The term does not include an obligation substituted for another obligation.

(fff) "Noncash proceeds" means proceeds other than cash proceeds.

(ggg) "Obligor" means a person that, with respect to an obligation secured by a security interest in or an agricultural lien on the collateral, owes payment or other performance of the obligation, has provided property other than the collateral to secure payment or other performance of the obligation, or is otherwise accountable in whole or in part for payment or other performance of the obligation. The term does not include issuers or nominated persons under a letter of credit.

(hhh) "Original debtor" means, except as used in section 9310(3), a person that, as debtor, entered into a

security agreement to which a new debtor has become bound under section 9203(4).

(iii) "Payment intangible" means a general intangible under which the account debtor's principal obligation is a monetary obligation.

(jjj) "Person related to", with respect to an individual, means 1 or more of the following:

(i) The spouse of the individual.

(ii) A brother, brother-in-law, sister, or sister-in-law of the individual.

(iii) An ancestor or lineal descendant of the individual or the individual's spouse.

(iv) Any other relative, by blood or marriage, of the individual or the individual's spouse who shares the same home with the individual.

(kkk) "Person related to", with respect to an organization, means 1 or more of the following:

(i) A person directly or indirectly controlling, controlled by, or under common control with the organization.

(ii) An officer or director of, or a person performing similar functions with respect to, the organization.

(iii) An officer or director of, or a person performing similar functions with respect to, a person described in subparagraph (i).

(iv) The spouse of an individual described in subparagraph (i), (ii), or (iii).

(v) An individual who is related by blood or marriage to an individual described in subparagraph (i), (ii), (iii), or (iv) and shares the same home with the individual.

(lll) "Proceeds" means, except as used in section 9609(2), 1 or more of the following property:

(i) Whatever is acquired upon the sale, lease, license, exchange, or other disposition of collateral.

(ii) Whatever is collected on, or distributed on account of, collateral.

(iii) Rights arising out of collateral.

(iv) To the extent of the value of collateral, claims arising out of the loss, nonconformity, or interference with the use of, defects or infringement of rights in, or damage to, the collateral.

(v) To the extent of the value of collateral and to the extent payable to the debtor or the secured party, insurance payable by reason of the loss or nonconformity of, defects or infringement of rights in, or damage to, the collateral.

(mmm) "Promissory note" means an instrument that evidences a promise to pay a monetary obligation, does not evidence an order to pay, and does not contain an acknowledgment by a bank that the bank has received for deposit a sum of money or funds.

(nnn) "Proposal" means a record authenticated by a secured party which includes the terms on which the secured party is willing to accept collateral in full or partial satisfaction of the obligation it secures pursuant to sections 9620, 9621, and 9622.

(ooo) "Pursuant to commitment", with respect to an advance made or other value given by a secured party, means pursuant to the secured party's obligation, whether or not a subsequent event of default or other event not within the secured party's control has relieved or may relieve the secured party from its obligation.

(ppp) "Record", except as used in "for record", "of record", "record or legal title", and "record owner", means information that is inscribed on a tangible medium or which is stored in an electronic or other medium and is retrievable in perceivable form.

(qqq) "Registered organization" means an organization organized solely under the law of a single state or the United States and as to which the state or the United States must maintain a public record showing the organization to have been organized.

(rrr) "Secondary obligor" means an obligor to the extent that the obligor's obligation is secondary or the obligor has a right of recourse with respect to an obligation secured by collateral against the debtor, another obligor, or property of either.

(sss) "Secured party" means 1 or more of the following:

(i) A person in whose favor a security interest is created or provided for under a security agreement, whether or not any obligation to be secured is outstanding.

(ii) A person that holds an agricultural lien.

(iii) A consignor.

(iv) A person to which accounts, chattel paper, payment intangibles, or promissory notes have been sold.

(v) A trustee, indenture trustee, agent, collateral agent, or other representative in whose favor a security interest or agricultural lien is created or provided for.

(vi) A person that holds a security interest arising under section 2401, 2505, 2711(3), 2A508(5), 4210, or 5118.

(ttt) "Security agreement" means an agreement that creates or provides for a security interest.

(uuu) "Send", in connection with a record or notification, means 1 of the following:

(i) To deposit in the mail, deliver for transmission, or transmit by any other usual means of

communication, with postage or cost of transmission provided for, addressed to any address reasonable under the circumstances.

(ii) To cause the record or notification to be received within the time that it would have been received if properly sent under subparagraph (i).

(vvv) "Software" means a computer program and any supporting information provided in connection with a transaction relating to the program. The term does not include a computer program that is included in the definition of goods.

(www) "State" means a state of the United States, the District of Columbia, Puerto Rico, the United States Virgin Islands, or any territory or insular possession subject to the jurisdiction of the United States.

(xxx) "Supporting obligation" means a letter-of-credit right or secondary obligation that supports the payment or performance of an account, chattel paper, a document, a general intangible, an instrument, or investment property.

(yyy) "Tangible chattel paper" means chattel paper evidenced by a record or records consisting of information that is inscribed on a tangible medium.

(zzz) "Termination statement" means an amendment of a financing statement that identifies, by its file number, the initial financing statement to which it relates and indicates either that it is a termination statement or that the identified financing statement is no longer effective.

(aaaa) "Transmitting utility" means a person primarily engaged in the business of 1 of the following:

(i) Operating a railroad, subway, street railway, or trolley bus.

(ii) Transmitting communications electrically, electromagnetically, or by light.

(iii) Transmitting goods by pipeline or sewer.

(iv) Transmitting or producing and transmitting electricity, steam, gas, or water.

(2) The following definitions in other articles apply to this article:

"Applicant"	Section 5102
"Beneficiary"	Section 5102
"Broker"	Section 8102
"Certificated security"	Section 8102
"Check"	Section 3104
"Clearing corporation"	Section 8102
"Contract for sale"	Section 2106
"Customer"	Section 4104
"Entitlement holder"	Section 8102
"Financial asset"	Section 8102
"Holder in due course"	Section 3302
"Issuer" (with respect to a letter of credit or letter-of-credit right)	Section 5102
"Issuer" (with respect to a security)	Section 8201
"Lease"	Section 2A103
"Lease agreement"	Section 2A103
"Lease contract"	Section 2A103
"Leasehold interest"	Section 2A103
"Lessee"	Section 2A103
"Lessee in ordinary course of business"	Section 2A103
"Lessor"	Section 2A103
"Lessor's residual interest"	Section 2A103
"Letter of credit"	Section 5102
"Merchant"	Section 2104
"Negotiable instrument"	Section 3104
"Nominated person"	Section 5102
"Note"	Section 3104
"Proceeds of a letter of credit"	Section 5114
"Prove"	Section 3103
"Sale"	Section 2106
"Securities account"	Section 8501
"Securities intermediary"	Section 8102
"Security"	Section 8102
"Security certificate"	Section 8102
"Security entitlement"	Section 8102
"Uncertificated security"	Section 8102.

(3) Article 1 contains general definitions and principles of construction and interpretation applicable

throughout this article.

History: 1962, Act 174, Eff. Jan. 1, 1964;—Am. 1978, Act 369, Eff. Jan. 1, 1979;—Am. 2000, Act 348, Eff. July 1, 2001.

440.9103 Purchase-money security interest; application of payments; burden of establishing.

Sec. 9103. (1) As used in this section:

(a) “Purchase-money collateral” means goods or software that secures a purchase-money obligation incurred with respect to that collateral.

(b) “Purchase-money obligation” means an obligation of an obligor incurred as all or part of the price of the collateral or for value given to enable the debtor to acquire rights in or the use of the collateral if the value is in fact so used.

(2) A security interest in goods is a purchase-money security interest to the following extent, as applicable:

(a) To the extent that the goods are purchase-money collateral with respect to that security interest.

(b) If the security interest is in inventory that is or was purchase-money collateral, also to the extent that the security interest secures a purchase-money obligation incurred with respect to other inventory in which the secured party holds or held a purchase-money security interest.

(c) Also to the extent that the security interest secures a purchase-money obligation incurred with respect to software in which the secured party holds or held a purchase-money security interest.

(3) A security interest in software is a purchase-money security interest to the extent that the security interest also secures a purchase-money obligation incurred with respect to goods in which the secured party holds or held a purchase-money security interest if the debtor acquired its interest in the software in an integrated transaction in which it acquired an interest in the goods, and the debtor acquired its interest in the software for the principal purpose of using the software in the goods.

(4) The security interest of a consignor in goods that are the subject of a consignment is a purchase-money security interest in inventory.

(5) In a transaction other than a consumer-goods transaction, if the extent to which a security interest is a purchase-money security interest depends on the application of a payment to a particular obligation, the payment must be applied in 1 of the following, as applicable:

(a) In accordance with any reasonable method of application to which the parties agree.

(b) In the absence of the parties' agreement to a reasonable method, in accordance with any intention of the obligor manifested at or before the time of payment.

(c) In the absence of an agreement to a reasonable method and a timely manifestation of the obligor's intention, in the following order:

(i) To obligations that are not secured.

(ii) If more than 1 obligation is secured, to obligations secured by purchase-money security interests in the order in which those obligations were incurred.

(6) In a transaction other than a consumer-goods transaction, a purchase-money security interest does not lose its status as such, even if the purchase-money collateral also secures an obligation that is not a purchase-money obligation, collateral that is not purchase-money collateral also secures the purchase-money obligation, or the purchase-money obligation has been renewed, refinanced, consolidated, or restructured.

(7) In a transaction other than a consumer-goods transaction, a secured party claiming a purchase-money security interest has the burden of establishing the extent to which the security interest is a purchase-money security interest.

(8) The limitation of the rules in subsections (5), (6), and (7) to transactions other than consumer-goods transactions is intended to leave to the court the determination of the proper rules in consumer-goods transactions. The court may not infer from that limitation the nature of the proper rule in consumer-goods transactions and may continue to apply established approaches.

History: 1962, Act 174, Eff. Jan. 1, 1964;—Am. 1964, Act 250, Eff. Aug. 28, 1964;—Am. 1978, Act 369, Eff. Jan. 1, 1979;—Am. 1987, Act 16, Imd. Eff. Apr. 24, 1987;—Am. 1998, Act 278, Imd. Eff. July 27, 1998;—Am. 1998, Act 488, Imd. Eff. Jan. 4, 1999;—Am. 2000, Act 348, Eff. July 1, 2001.

440.9104 Control of deposit account.

Sec. 9104. (1) A secured party has control of a deposit account if 1 or more of the following apply:

(a) The secured party is the bank with which the deposit account is maintained.

(b) The debtor, secured party, and bank have agreed in an authenticated record that the bank will comply with instructions originated by the secured party directing disposition of the funds in the deposit account without further consent by the debtor.

(c) The secured party becomes the bank's customer with respect to the deposit account.

(2) A secured party that has satisfied subsection (1) has control, even if the debtor retains the right to direct

the disposition of funds from the deposit account.

History: 1962, Act 174, Eff. Jan. 1, 1964;—Am. 1978, Act 369, Eff. Jan. 1, 1979;—Am. 1998, Act 488, Imd. Eff. Jan. 4, 1999;—Am. 2000, Act 348, Eff. July 1, 2001.

440.9105 Control of electronic chattel paper.

Sec. 9105. A secured party has control of electronic chattel paper if the record or records comprising the chattel paper are created, stored, and assigned in such a manner that all of the following apply:

(a) A single authoritative copy of the record or records exists which is unique, identifiable, and, except as otherwise provided in subdivisions (d), (e), and (f), unalterable.

(b) The authoritative copy identifies the secured party as the assignee of the record or records.

(c) The authoritative copy is communicated to and maintained by the secured party or its designated custodian.

(d) Copies or revisions that add or change an identified assignee of the authoritative copy can be made only with the participation of the secured party.

(e) Each copy of the authoritative copy and any copy of a copy is readily identifiable as a copy that is not the authoritative copy.

(f) Any revision of the authoritative copy is readily identifiable as an authorized or unauthorized revision.

History: 1962, Act 174, Eff. Jan. 1, 1964;—Am. 1978, Act 369, Eff. Jan. 1, 1979;—Am. 1987, Act 16, Imd. Eff. Apr. 24, 1987;—Am. 1988, Act 130, Eff. Sept. 1, 1988;—Am. 1998, Act 278, Imd. Eff. July 27, 1998;—Am. 1998, Act 488, Imd. Eff. Jan. 4, 1999;—Am. 2000, Act 348, Eff. July 1, 2001.

440.9106 Control of investment property.

Sec. 9106. (1) A person has control of a certificated security, uncertificated security, or security entitlement as provided in section 8106.

(2) A secured party has control of a commodity contract if either of the following is met:

(a) The secured party is the commodity intermediary with which the commodity contract is carried.

(b) The commodity customer, secured party, and commodity intermediary have agreed that the commodity intermediary will apply any value distributed on account of the commodity contract as directed by the secured party without further consent by the commodity customer.

(3) A secured party having control of all security entitlements or commodity contracts carried in a securities account or commodity account has control over the securities account or commodity account.

History: 1962, Act 174, Eff. Jan. 1, 1964;—Am. 1978, Act 369, Eff. Jan. 1, 1979;—Am. 1998, Act 278, Imd. Eff. July 27, 1998;—Am. 1998, Act 488, Imd. Eff. Jan. 4, 1999;—Am. 2000, Act 348, Eff. July 1, 2001.

440.9107 Control of letter-of-credit right.

Sec. 9107. A secured party has control of a letter-of-credit right to the extent of any right to payment or performance by the issuer or any nominated person if the issuer or nominated person has consented to an assignment of proceeds of the letter of credit under section 5114(3) or otherwise applicable law or practice.

History: 1962, Act 174, Eff. Jan. 1, 1964;—Am. 2000, Act 348, Eff. July 1, 2001.

440.9108 Sufficiency of description.

Sec. 9108. (1) Except as otherwise provided in subsections (3), (4), and (5), a description of personal or real property is sufficient, whether or not it is specific, if it reasonably identifies what is described.

(2) Except as otherwise provided in subsection (4), a description of collateral reasonably identifies the collateral if it identifies the collateral by 1 or more of the following:

(a) Specific listing.

(b) Category.

(c) Except as otherwise provided in subsection (5), a type of collateral defined in the uniform commercial code.

(d) Quantity.

(e) Computational or allocational formula or procedure.

(f) Except as otherwise provided in subsection (3), any other method, if the identity of the collateral is objectively determinable.

(3) A description of collateral as “all the debtor's assets” or “all the debtor's personal property” or using words of similar import does not reasonably identify the collateral.

(4) Except as otherwise provided in subsection (5), a description of a security entitlement, securities account, or commodity account is sufficient if it describes 1 or more of the following:

(a) The collateral by the term security entitlement, securities account, or commodity account, or as investment property.

- (b) The underlying financial asset or commodity contract.
- (5) A description only by type of collateral defined in the uniform commercial code is an insufficient description of either of the following:
 - (a) A commercial tort claim.
 - (b) In a consumer transaction, consumer goods, a security entitlement, a securities account, or a commodity account.

History: 1962, Act 174, Eff. Jan. 1, 1964;—Am. 2000, Act 348, Eff. July 1, 2001.

SUBPART 2. APPLICABILITY OF ARTICLE

440.9109 Scope.

Sec. 9109. (1) Except as otherwise provided in subsections (3) and (4), this article applies to all of the following:

(a) A transaction, regardless of its form, that creates a security interest in personal property or fixtures by contract.

(b) An agricultural lien.

(c) A sale of accounts, chattel paper, payment intangibles, or promissory notes.

(d) A consignment.

(e) A security interest arising under section 2401, 2505, 2711(3), or 2A508(5), as provided in section 9110.

(f) A security interest arising under section 4210 or 5118.

(2) The application of this article to a security interest in a secured obligation is not affected by the fact that the obligation is itself secured by a transaction or interest to which this article does not apply.

(3) This article does not apply to the extent that 1 or more of the following apply:

(a) A statute, regulation, or treaty of the United States preempts this article.

(b) Another statute of this state expressly governs the creation, perfection, priority, or enforcement of a security interest created by this state or a governmental unit of this state.

(c) A statute of another state, a foreign country, or a governmental unit of another state or foreign country, other than a statute generally applicable to security interests, expressly governs creation, perfection, priority, or enforcement of a security interest created by that state, country, or governmental unit.

(d) The rights of a transferee beneficiary or nominated person under a letter of credit are independent and superior under section 5114.

(4) This article does not apply to any of the following:

(a) A landlord's lien, other than an agricultural lien.

(b) A lien, other than an agricultural lien, given by statute or other rule of law for services or materials, but section 9333 applies with respect to priority of the lien.

(c) An assignment of a claim for wages, salary, or other compensation of an employee.

(d) A sale of accounts, chattel paper, payment intangibles, or promissory notes as part of a sale of the business out of which they arose.

(e) An assignment of accounts, chattel paper, payment intangibles, or promissory notes that is for the purpose of collection only.

(f) An assignment of a right to payment under a contract to an assignee that is also obligated to perform under the contract.

(g) An assignment of a single account, payment intangible, or promissory note to an assignee in full or partial satisfaction of a preexisting indebtedness.

(h) A transfer of an interest in or an assignment of a claim under a policy of insurance, other than an assignment by or to a health-care provider of a health-care-insurance receivable and any subsequent assignment of the right to payment, but sections 9315 and 9322 apply with respect to proceeds and priorities in proceeds.

(i) An assignment of a right represented by a judgment, other than a judgment taken on a right to payment that was collateral.

(j) A right of recoupment of set-off, but section 9340 applies with respect to the effectiveness of rights of recoupment or set-off against deposit accounts and section 9404 applies with respect to defenses or claims of an account debtor.

(k) The creation or transfer of an interest in or lien on real property, including a lease or rents thereunder, except to the extent that provision is made for 1 or more of the following:

(i) Liens on real property in sections 9203 and 9308.

(ii) Fixtures in section 9334.

- (iii) Fixture filings in sections 9501, 9502, 9512, 9516, and 9519.
- (iv) Security agreements covering personal and real property in section 9604.
- (l) The creation of or transfer of an interest in or lien on a land contract mortgage governed by sections 6 through 11 of 1879 PA 237, MCL 565.356 to 565.361.
- (m) A transfer by a governmental unit or governmental subdivision or agency.
- (n) An assignment of a claim arising in tort, other than a commercial tort claim, but sections 9315 and 9322 apply with respect to proceeds and priorities in proceeds.
- (o) An assignment of a deposit account in a consumer transaction, but sections 9315 and 9322 apply with respect to proceeds and priorities in proceeds.

History: 1962, Act 174, Eff. Jan. 1, 1964;—Am. 2000, Act 348, Eff. July 1, 2001.

440.9110 Security interests arising under article 2 or 2A.

Sec. 9110. A security interest arising under section 2401, 2505, 2711(3), or 2A508(5) is subject to this article. However, until the debtor obtains possession of the goods, all of the following apply:

- (a) The security interest is enforceable, even if section 9203(2)(c) has not been satisfied.
- (b) Filing is not required to perfect the security interest.
- (c) The rights of the secured party after default by the debtor are governed by article 2 or 2A.
- (d) The security interest has priority over a conflicting security interest created by the debtor.

History: 1962, Act 174, Eff. Jan. 1, 1964;—Am. 2000, Act 348, Eff. July 1, 2001.

440.9111 Repealed. 1998, Act 489, Imd. Eff. Jan. 4, 1999.

Compiler's note: The repealed section pertained to creation of security interest as bulk transfer.

440.9112-440.9116 Repealed. 2000, Act 348, Eff. July 1, 2001.

Compiler's note: The repealed sections pertained to collateral not owned by debtor, security interests arising under article on sales, consignment, attachment or perfection, and buyer obligations.

PART 2

EFFECTIVENESS OF SECURITY AGREEMENT; ATTACHMENT OF SECURITY INTEREST; RIGHTS OF PARTIES TO SECURITY AGREEMENT

SUBPART 1.

EFFECTIVENESS AND ATTACHMENT

440.9201 General effectiveness of security agreement.

Sec. 9201. (1) Except as otherwise provided in this act, a security agreement is effective according to its terms between the parties, against purchasers of the collateral, and against creditors.

(2) A transaction subject to this article is subject to any applicable rule of law that establishes a different rule for consumers and to each of the following, as applicable:

- (a) The regulatory loan act of 1963, 1939 PA 21, MCL 493.1 to 493.26.
- (b) 1939 PA 305, MCL 566.301 to 566.302.
- (c) The motor vehicle sales finance act, 1950 (Ex Sess) PA 27, MCL 492.101 to 492.141.
- (d) The mobile home commission act, 1987 PA 96, MCL 125.2301 to 125.2349.
- (e) The Michigan vehicle code, 1949 PA 300, MCL 257.1 to 257.923.
- (f) 1978 PA 387, MCL 257.931 to 257.937.
- (g) 1986 PA 87, MCL 257.1401 to 257.1410.
- (h) The grain dealers act, 1939 PA 141, MCL 285.61 to 285.82a.
- (i) The Michigan family farm development act, 1982 PA 220, MCL 285.251 to 285.279.
- (j) The natural resources and environmental protection act, 1994 PA 451, MCL 324.101 to 324.90106.
- (k) 1982 PA 459, MCL 325.851 to 325.858.
- (l) 1970 PA 90, MCL 442.311 to 442.315.
- (m) 1971 PA 227, MCL 445.111 to 445.117.
- (n) The retail installment sales act, 1966 PA 224, MCL 445.851 to 445.873.
- (o) The Michigan consumer protection act, 1976 PA 331, MCL 445.901 to 445.922.
- (p) The home improvement finance act, 1965 PA 332, MCL 445.1101 to 445.1431.
- (q) 1941 PA 238, MCL 566.1.
- (r) The garage keeper's lien act, 1915 PA 312, MCL 570.301 to 570.309.
- (s) 1939 PA 3, MCL 460.1 to 460.10cc.
- (t) 1981 PA 155, MCL 445.611 to 445.620c.

(u) The special tools lien act.

(3) In case of conflict between this article and a rule of law, statute, or regulation described in subsection (2), the rule of law, statute, or regulation controls. Failure to comply with a statute or regulation described in subsection (2) has only the effect the statute or regulation specifies.

(4) This article does not validate any rate, charge, agreement, or practice that violates a rule of law, statute, or regulation described in subsection (2), or extend the application of the rule of law, statute, or regulation to a transaction not otherwise subject to it.

History: 1962, Act 174, Eff. Jan. 1, 1964;—Am. 2000, Act 348, Eff. July 1, 2001;—Am. 2002, Act 18, Imd. Eff. Mar. 1, 2002;—Am. 2002, Act 480, Imd. Eff. June 27, 2002.

440.9202 Title to collateral immaterial.

Sec. 9202. Except as otherwise provided with respect to consignments or sales of accounts, chattel paper, payment intangibles, or promissory notes, the provisions of this article with regard to rights and obligations apply whether title to collateral is in the secured party or the debtor.

History: 1962, Act 174, Eff. Jan. 1, 1964;—Am. 2000, Act 348, Eff. July 1, 2001.

440.9203 Attachment and enforceability of security interest; proceeds; supporting obligations; formal requisites.

Sec. 9203. (1) A security interest attaches to collateral when it becomes enforceable against the debtor with respect to the collateral, unless an agreement expressly postpones the time of attachment.

(2) Except as otherwise provided in subsections (3) through (9), a security interest is enforceable against the debtor and third parties with respect to the collateral only if all of the following are met:

(a) Value has been given.

(b) The debtor has rights in the collateral or the power to transfer rights in the collateral to a secured party.

(c) One or more of the following conditions are met:

(i) The debtor has authenticated a security agreement that provides a description of the collateral and, if the security interest covers timber to be cut, a description of the land concerned.

(ii) The collateral is not a certificated security and is in the possession of the secured party under section 9313 pursuant to the debtor's security agreement.

(iii) The collateral is a certificated security in registered form and the security certificate has been delivered to the secured party under section 8301 pursuant to the debtor's security agreement.

(iv) The collateral is deposit accounts, electronic chattel paper, investment property, or letter-of-credit rights, and the secured party has control under section 9104, 9105, 9106, or 9107 pursuant to the debtor's security agreement.

(3) Subsection (2) is subject to section 4210 on the security interest of a collecting bank, section 5118 on the security interest of a letter-of-credit issuer or nominated person, section 9110 on a security interest arising under article 2 or 2A, and section 9206 on security interests in investment property.

(4) A person becomes bound as debtor by a security agreement entered into by another person if, by operation of law other than this article or by contract, either of the following occurs:

(a) The security agreement becomes effective to create a security interest in the person's property.

(b) The person becomes generally obligated for the obligations of the other person, including the obligation secured under the security agreement, and acquires or succeeds to all or substantially all of the assets of the other person.

(5) If a new debtor becomes bound as debtor by a security agreement entered into by another person, the agreement satisfies subsection (2)(c) with respect to existing or after-acquired property of the new debtor to the extent the property is described in the agreement, and another agreement is not necessary to make a security interest in the property enforceable.

(6) The attachment of a security interest in collateral gives the secured party the rights to proceeds provided by section 9315 and is also attachment of a security interest in a supporting obligation for the collateral.

(7) The attachment of a security interest in a right to payment or performance secured by a security interest or other lien on personal or real property is also attachment of a security interest in the security interest, mortgage, or other lien.

(8) The attachment of a security interest in a securities account is also attachment of a security interest in the security entitlements carried in the securities account.

(9) The attachment of a security interest in a commodity account is also attachment of a security interest in the commodity contracts carried in the commodity account.

History: 1962, Act 174, Eff. Jan. 1, 1964;—Am. 1978, Act 369, Eff. Jan. 1, 1979;—Am. 1987, Act 16, Imd. Eff. Apr. 24, 1987;—Rendered Thursday, July 28, 2011

Am. 1998, Act 278, Imd. Eff. July 27, 1998;—Am. 1998, Act 489, Imd. Eff. Jan. 4, 1999;—Am. 2000, Act 348, Eff. July 1, 2001.

440.9204 After-acquired property; future advances.

Sec. 9204. (1) Except as otherwise provided in subsection (2), a security agreement may create or provide for a security interest in after-acquired collateral.

(2) A security interest does not attach under a term constituting an after-acquired property clause to either of the following:

(a) Consumer goods, other than an accession when given as additional security, unless the debtor acquires rights in them within 10 days after the secured party gives value.

(b) A commercial tort claim.

(3) A security agreement may provide that collateral secures, or that accounts, chattel paper, payment intangibles, or promissory notes are sold in connection with, future advances or other value, whether or not the advances or value are given pursuant to commitment.

History: 1962, Act 174, Eff. Jan. 1, 1964;—Am. 1978, Act 369, Eff. Jan. 1, 1979;—Am. 2000, Act 348, Eff. July 1, 2001.

440.9205 Use or disposition of collateral permissible.

Sec. 9205. (1) A security interest is not invalid or fraudulent against creditors solely because of either of the following:

(a) The debtor has the right or ability to do 1 or more of the following:

(i) Use, commingle, or dispose of all or part of the collateral, including returned or repossessed goods.

(ii) Collect, compromise, enforce, or otherwise deal with collateral.

(iii) Accept the return of collateral or make repossessions.

(iv) Use, commingle, or dispose of proceeds.

(b) The secured party fails to require the debtor to account for proceeds or replace collateral.

(2) This section does not relax the requirements of possession if attachment, perfection, or enforcement or a security interest depends upon possession of the collateral by the secured party.

History: 1962, Act 174, Eff. Jan. 1, 1964;—Am. 1978, Act 369, Eff. Jan. 1, 1979;—Am. 2000, Act 348, Eff. July 1, 2001.

440.9206 Security interest arising in purchase or delivery of financial asset.

Sec. 9206. (1) A security interest in favor of a securities intermediary attaches to a person's security entitlement if the person buys a financial asset through the securities intermediary in a transaction in which the person is obligated to pay the purchase price to the securities intermediary at the time of the purchase, and the securities intermediary credits the financial asset to the buyer's securities account before the buyer pays the securities intermediary.

(2) The security interest described in subsection (1) secures the person's obligation to pay for the financial asset.

(3) A security interest in favor of a person that delivers a certificated security or other financial asset represented by a writing attaches to the security or other financial asset if both of the following are met:

(a) The security or other financial asset in the ordinary course of business is transferred by delivery with any necessary indorsement or assignment, and is delivered under an agreement between persons in the business of dealing with the securities or financial assets.

(b) The agreement calls for delivery against payment.

(4) The security interest described in subsection (3) secures the obligation to make payment for the delivery.

History: 1962, Act 174, Eff. Jan. 1, 1964;—Am. 1964, Act 250, Eff. Aug. 28, 1964;—Am. 2000, Act 348, Eff. July 1, 2001.

SUBPART 2. RIGHTS AND DUTIES

440.9207 Rights and duties of secured party having possession or control of collateral.

Sec. 9207. (1) Except as otherwise provided in subsection (4), a secured party shall use reasonable care in the custody and preservation of collateral in the secured party's possession. In the case of chattel paper or an instrument, reasonable care includes taking necessary steps to preserve rights against prior parties unless otherwise agreed.

(2) Except as otherwise provided in subsection (4), if a secured party has possession of collateral all of the following apply:

(a) Reasonable expenses, including the cost of insurance and payment of taxes or other charges, incurred in the custody, preservation, use, or operation of the collateral are chargeable to the debtor and are secured by

the collateral.

(b) The risk of accidental loss or damage is on the debtor to the extent of a deficiency in any effective insurance coverage.

(c) The secured party shall keep the collateral identifiable, but fungible collateral may be commingled.

(d) The secured party may use or operate the collateral for the purpose of preserving the collateral or its value; as permitted by an order of a court having competent jurisdiction; or except in the case of consumer goods, in the manner and to the extent agreed by the debtor.

(3) Except as otherwise provided in subsection (4), a secured party having possession of collateral or control of collateral under section 9104, 9105, 9106, or 9107 may hold as additional security any proceeds, except money or funds, received from the collateral, shall apply money or funds received from the collateral to reduce the secured obligation unless remitted to the debtor, and may create a security interest in the collateral.

(4) If the secured party is a buyer of accounts, chattel paper, payment intangibles, or promissory notes or a consignor, subsections (2) and (3) do not apply, and subsection (1) does not apply unless the secured party is entitled under an agreement to charge back uncollected collateral or otherwise to full or limited recourse against the debtor or a secondary obligor based on the nonpayment or other default of an account debtor or other obligor on the collateral.

History: 1962, Act 174, Eff. Jan. 1, 1964;—Am. 2000, Act 348, Eff. July 1, 2001.

440.9208 Additional duties of secured party having control of collateral.

Sec. 9208. (1) This section applies to cases in which there is no outstanding secured obligation and the secured party is not committed to make advances, incur obligations, or otherwise give value.

(2) Within 10 days after receiving an authenticated demand by the debtor, a secured party shall do all of the following that apply to the secured party:

(a) A secured party having control of a deposit account under section 9104(1)(b) shall send to the bank with which the deposit account is maintained an authenticated statement that releases the bank from any further obligation to comply with instructions originated by the secured party.

(b) A secured party having control of a deposit account under section 9104(1)(c) shall pay the debtor the balance on deposit in the deposit account or transfer the balance on deposit into a deposit account in the debtor's name.

(c) A secured party, other than a buyer, having control of electronic chattel paper under section 9105 shall do all of the following:

(i) Communicate the authoritative copy of the electronic chattel paper to the debtor or its designated custodian.

(ii) If the debtor designates a custodian that is the designated custodian with which the authoritative copy of the electronic chattel paper is maintained for the secured party, communicate to the custodian an authenticated record releasing the designated custodian from any further obligation to comply with instructions originated by the secured party and instructing the custodian to comply with instructions originated by the debtor.

(iii) Take appropriate action to enable the debtor or its designated custodian to make copies of or revisions to the authoritative copy that add or change an identified assignee of the authoritative copy without the consent of the secured party.

(d) A secured party having control of investment property under section 8106(4)(b) or section 9106(2) shall send to the securities intermediary or commodity intermediary with which the security entitlement or commodity contract is maintained an authenticated record that releases the securities intermediary or commodity intermediary from any further obligation to comply with entitlement orders or directions originated by the secured party.

(e) A secured party having control of a letter-of-credit right under section 9107 shall send to each person having an unfulfilled obligation to pay or deliver proceeds of the letter of credit to the secured party an authenticated release from any further obligation to pay or deliver proceeds of the letter of credit to the secured party.

History: 1962, Act 174, Eff. Jan. 1, 1964;—Am. 2000, Act 348, Eff. July 1, 2001.

440.9209 Duties of secured party if account debtor has been notified of assignment.

Sec. 9209. (1) Except as otherwise provided in subsection (3), this section applies if there is no outstanding secured obligation and the secured party is not committed to make advances, incur obligations, or otherwise give value.

(2) Within 10 days after receiving an authenticated demand by the debtor, a secured party shall send to an

account debtor that has received notification of an assignment to the secured party as assignee under section 9406(1) an authenticated record that releases the account debtor from any further obligation to the secured party.

(3) This section does not apply to an assignment constituting the sale of an account, chattel paper, or payment intangible.

History: Add. 2000, Act 348, Eff. July 1, 2001.

440.9210 Request for accounting; request regarding list of collateral or statement of account.

Sec. 9210. (1) As used in this section:

(a) "Request" means a record of a type described in subdivision (b), (c), or (d).

(b) "Request for an accounting" means a record authenticated by a debtor requesting that the recipient provide an accounting of the unpaid obligations secured by collateral and reasonably identifying the transaction or relationship that is the subject of the request.

(c) "Request regarding a list of collateral" means a record authenticated by a debtor requesting that the recipient approve or correct a list of what the debtor believes to be the collateral securing an obligation and reasonably identifying the transaction or relationship that is the subject of the request.

(d) "Request regarding a statement of account" means a record authenticated by a debtor requesting that the recipient approve or correct a statement indicating what the debtor believes to be the aggregate amount of unpaid obligations secured by collateral as of a specified date and reasonably identifying the transaction or relationship that is the subject of the request.

(2) Subject to subsections (3), (4), (5), and (6), a secured party, other than a buyer of accounts, chattel paper, payment intangibles, or promissory notes or a consignor, shall comply with a request in the following manner within 14 days after the receipt of the request:

(a) In the case of a request for an accounting, by authenticating and sending to the debtor an accounting.

(b) In the case of a request regarding a list of collateral or a request regarding a statement of account, by authenticating and sending to the debtor an approval or correction.

(3) A secured party that claims a security interest in all of a particular type of collateral owned by the debtor may comply with a request regarding a list of collateral by sending to the debtor an authenticated record including a statement to that effect within 14 days after receipt.

(4) A person that receives a request regarding a list of collateral, claims no interest in the collateral when it receives the request, and claimed an interest in the collateral at an earlier time shall comply with the request within 14 days after receipt by sending to the debtor an authenticated record disclaiming any interest in the collateral, and if known to the recipient, providing the name and mailing address of any assignee or of successor to the recipient's interest in the collateral.

(5) A person that receives a request for an accounting or a request regarding a statement of account, claims no interest in the obligations when it receives the request, and claimed an interest in the obligations at an earlier time shall comply with the request within 14 days after receipt by sending to the debtor an authenticated record disclaiming any interest in the obligations, and if known to the recipient, providing the name and mailing address of any assignee or of successor to the recipient's interest in the obligations.

(6) A debtor is entitled without charge to 1 response to a request under this section during any 6-month period. The secured party may require payment of a charge not exceeding \$25.00 for each additional response.

History: Add. 2000, Act 348, Eff. July 1, 2001.

PART 3

PERFECT AND PRIORITY

SUBPART 1.

LAW GOVERNING PERFECTION AND PRIORITY

440.9301 Law governing perfection and priority of security interests.

Sec. 9301. Except as otherwise provided in sections 9303 through 9306, the following rules determine the law governing perfection, the effect of perfection or nonperfection, and the priority of a security interest in collateral:

(a) Except as otherwise provided in this section, while a debtor is located in a jurisdiction, the local law of that jurisdiction governs perfection, the effect of perfection or nonperfection, and the priority of a security interest in collateral.

(b) While collateral is located in a jurisdiction, the local law of that jurisdiction governs perfection, the effect of perfection or nonperfection, and the priority of a possessory security interest in that collateral.

(c) Except as otherwise provided in subdivision (d), while negotiable documents, goods, instruments, money, or tangible chattel paper is located in a jurisdiction, the local law of that jurisdiction governs perfection of a security interest in the goods by filing a fixture filing, perfection of a security interest in timber to be cut, and the effect of perfection or nonperfection and the priority of a nonpossessory security interest in the collateral.

(d) The local law of the jurisdiction in which the wellhead or minehead is located governs perfection, the effect of perfection or nonperfection, and the priority of a security interest in as-extracted collateral.

History: 1962, Act 174, Eff. Jan. 1, 1964;—Am. 1978, Act 369, Eff. Jan. 1, 1979;—Am. 1984, Act 170, Imd. Eff. June 29, 1984;—Am. 1998, Act 278, Imd. Eff. July 27, 1998;—Am. 2000, Act 348, Eff. July 1, 2001.

440.9302 Law governing perfection and priority of agricultural liens.

Sec. 9302. While farm products are located in a jurisdiction, the local law of that jurisdiction governs perfection, the effect of perfection or nonperfection, and the priority of an agricultural lien on the farm products.

History: 1962, Act 174, Eff. Jan. 1, 1964;—Am. 1964, Act 235, Eff. Aug. 28, 1964;—Am. 1976, Act 27, Imd. Eff. Mar. 4, 1976;—Am. 1978, Act 369, Eff. Jan. 1, 1979;—Am. 1978, Act 607, Eff. Jan. 6, 1979;—Am. 1987, Act 16, Imd. Eff. Apr. 24, 1987;—Am. 1996, Act 72, Imd. Eff. Feb. 26, 1996;—Am. 1998, Act 278, Imd. Eff. July 27, 1998;—Am. 2000, Act 348, Eff. July 1, 2001.

440.9303 Law governing perfection and priority of security interests in goods covered by certificate of title.

Sec. 9303. (1) This section applies to goods covered by a certificate of title, even if there is no other relationship between the jurisdiction under whose certificate of title the goods are covered and the goods or the debtor.

(2) Goods become covered by a certificate of title when a valid application for the certificate of title and the applicable fee are delivered to the appropriate authority. Goods cease to be covered by a certificate of title at the earlier of the time the certificate of title ceases to be effective under the law of the issuing jurisdiction or the time the goods become covered subsequently by a certificate of title issued by another jurisdiction.

(3) The local law of the jurisdiction under whose certificate of title the goods are covered governs perfection, the effect of perfection or nonperfection, and the priority of a security interest in goods covered by a certificate of title from the time the goods become covered by the certificate of title until the goods cease to be covered by the certificate of title.

History: 1962, Act 174, Eff. Jan. 1, 1964;—Am. 1998, Act 278, Imd. Eff. July 27, 1998;—Am. 2000, Act 348, Eff. July 1, 2001.

440.9304 Law governing perfection and priority of security interests in deposit accounts.

Sec. 9304. (1) The local law of a bank's jurisdiction governs perfection, the effect of perfection or nonperfection, and the priority of a security interest in a deposit account maintained with that bank.

(2) The following rules determine a bank's jurisdiction for purposes of this part:

(a) If an agreement between the bank and the debtor governing the deposit account expressly provides that a particular jurisdiction is the bank's jurisdiction for the purpose of this part, this article, or this act, that jurisdiction is the bank's jurisdiction.

(b) If subdivision (a) does not apply and an agreement between the bank and its customer governing the deposit account expressly provides that the agreement is governed by the law of a particular jurisdiction, that jurisdiction is the bank's jurisdiction.

(c) If neither subdivision (a) nor (b) applies and an agreement between the bank and its customer governing the deposit account expressly provides that the deposit account is maintained at an office in a particular jurisdiction, that jurisdiction is the bank's jurisdiction.

(d) If none of the preceding subdivisions apply, the bank's jurisdiction is the jurisdiction in which the office identified in an account statement as the office serving the customer's account is located.

(e) If none of the preceding subdivisions apply, the bank's jurisdiction is the jurisdiction in which the chief executive office of the bank is located.

History: 1962, Act 174, Eff. Jan. 1, 1964;—Am. 1978, Act 369, Eff. Jan. 1, 1979;—Am. 1987, Act 16, Imd. Eff. Apr. 24, 1987;—Am. 1998, Act 278, Imd. Eff. July 27, 1998;—Am. 1998, Act 488, Imd. Eff. Jan. 4, 1999;—Am. 2000, Act 348, Eff. July 1, 2001.

440.9305 Law governing perfection and priority of security interests in investment property.

Sec. 9305. (1) Except as otherwise provided in subsection (3), the following rules apply:

(a) While a security certificate is located in a jurisdiction, the local law of that jurisdiction governs

perfection, the effect of perfection or nonperfection, and the priority of a security interest in the certificated security represented thereby.

(b) The local law of the issuer's jurisdiction as specified in section 8110(4) governs perfection, the effect of perfection or nonperfection, and the priority of a security interest in an uncertificated security.

(c) The local law of the securities intermediary's jurisdiction as specified in section 8110(5) governs perfection, the effect of perfection or nonperfection, and the priority of a security interest in a security entitlement or securities account.

(d) The local law of the commodity intermediary's jurisdiction governs perfection, the effect of perfection or nonperfection, and the priority of a security interest in a commodity contract or commodity account.

(2) The following rules determine a commodity intermediary's jurisdiction for purposes of this part:

(a) If an agreement between the commodity intermediary and commodity customer governing the commodity account expressly provides that a particular jurisdiction is the commodity intermediary's jurisdiction for purposes of this part, this article, or this act, that jurisdiction is the commodity intermediary's jurisdiction.

(b) If subdivision (a) does not apply and an agreement between the commodity intermediary and commodity customer governing the commodity account expressly provides that the agreement is governed by the law of a particular jurisdiction, that jurisdiction is the commodity intermediary's jurisdiction.

(c) If neither subdivision (a) nor (b) applies and an agreement between the commodity intermediary and commodity customer governing the commodity account expressly provides that the commodity account is maintained at an office in a particular jurisdiction, that jurisdiction is the commodity intermediary's jurisdiction.

(d) If none of the preceding subdivisions apply, the commodity intermediary's jurisdiction is the jurisdiction in which the office identified in an account statement as the office serving the commodity customer's account is located.

(e) If none of the preceding subdivisions apply, the commodity intermediary's jurisdiction is the jurisdiction in which the chief executive office of the commodity intermediary is located.

(3) The local law of the jurisdiction in which the debtor is located governs perfection of a security interest in investment property by filing, automatic perfection of a security interest in investment property created by a broker or securities intermediary, and automatic perfection of a security interest in a commodity contract or commodity account created by a commodity intermediary.

History: 1962, Act 174, Eff. Jan. 1, 1964;—Am. 1978, Act 369, Eff. Jan. 1, 1979;—Am. 1987, Act 16, Imd. Eff. Apr. 24, 1987;—Am. 1998, Act 278, Imd. Eff. July 27, 1998;—Am. 1998, Act 488, Imd. Eff. Jan. 4, 1999;—Am. 2000, Act 348, Eff. July 1, 2001.

440.9306 Law governing perfection and priority of security interests in letter-of-credit rights.

Sec. 9306. (1) Subject to subsection (3), the local law of the issuer's jurisdiction or a nominated person's jurisdiction governs perfection, the effect of perfection or nonperfection, and the priority of a security interest in a letter-of-credit right if the issuer's jurisdiction or nominated person's jurisdiction is a state.

(2) For purposes of this part, an issuer's jurisdiction or nominated person's jurisdiction is the jurisdiction whose law governs the liability of the issuer or nominated person with respect to the letter-of-credit right as provided in section 5116.

(3) This section does not apply to a security interest that is perfected only under section 9308(4).

History: 1962, Act 174, Eff. Jan. 1, 1964;—Am. 1978, Act 369, Eff. Jan. 1, 1979;—Am. 1998, Act 278, Imd. Eff. July 27, 1998;—Am. 2000, Act 348, Eff. July 1, 2001.

440.9307 Location of debtor.

Sec. 9307. (1) As used in this section, "place of business" means a place where a debtor conducts its affairs.

(2) Except as otherwise provided in this section, the following rules determine a debtor's location:

(a) A debtor who is an individual is located at the individual's principal residence.

(b) A debtor that is an organization and has only 1 place of business is located at its place of business.

(c) A debtor that is an organization and has more than 1 place of business is located at its chief executive office.

(3) Subsection (2) applies only if a debtor's residence, place of business, or chief executive office, as applicable, is located in a jurisdiction whose law generally requires information concerning the existence of a nonpossessory security interest to be made generally available in a filing, recording, or registration system as a condition or result of the security interest's obtaining priority over the rights of a lien creditor with respect to the collateral. If subsection (2) does not apply, the debtor is located in the District of Columbia.

(4) A person that ceases to exist, have a residence, or have a place of business continues to be located in

the jurisdiction specified by subsections (2) and (3).

(5) A registered organization that is organized under the law of a state is located in that state.

(6) Except as otherwise provided in subsection (9), a registered organization that is organized under the law of the United States and a branch or agency of a bank that is not organized under the law of the United States or a state are located in 1 of the following:

(a) In the state that the law of the United States designates, if the law designates a state of location.

(b) In the state that the registered organization, branch, or agency designates, if the law of the United States authorizes the registered organization, branch, or agency to designate its state of location.

(c) In the District of Columbia, if neither subdivision (a) nor (b) applies.

(7) A registered organization continues to be located in the jurisdiction specified by subsection (5) or (6) notwithstanding the occurrence of 1 of the following:

(a) The suspension, revocation, forfeiture, or lapse of the registered organization's status as such in its jurisdiction of organization.

(b) The dissolution, winding up, or cancellation of the existence of the registered organization.

(8) The United States is located in the District of Columbia.

(9) A branch or agency of a bank that is not organized under the law of the United States or a state is located in the state in which the branch or agency is licensed, if all branches and agencies of the bank are licensed in only 1 state.

(10) A foreign air carrier is located at the designated office of the agent upon which service of process may be made on behalf of the carrier under section 46103 of title 49 of the United States Code, 49 U.S.C. 46103.

(11) This section applies only for purposes of this part.

History: 1962, Act 174, Eff. Jan. 1, 1964;—Am. 1978, Act 369, Eff. Jan. 1, 1979;—Am. 1984, Act 170, Eff. Apr. 1, 1985;—Am. 1985, Act 199, Eff. Jan. 1, 1986;—Am. 2000, Act 348, Eff. July 1, 2001.

SUBPART 2. PERFECTION

440.9308 When security interest or agricultural lien is perfected; continuity of perfection.

Sec. 9308. (1) Except as otherwise provided in this section and section 9309, a security interest is perfected if it has attached and all of the applicable requirements for perfection in sections 9310 through 9316 have been satisfied. A security interest is perfected when it attaches if the applicable requirements are satisfied before the security interest attaches.

(2) An agricultural lien is perfected if it has become effective and all of the applicable requirements for perfection in section 9310 have been satisfied. An agricultural lien is perfected when it becomes effective if the applicable requirements are satisfied before the agricultural lien becomes effective.

(3) A security interest or agricultural lien is perfected continuously if it is originally perfected by 1 method under this article and is later perfected by another method under this article, without an intermediate period when it was unperfected.

(4) Perfection of a security interest in collateral also perfects a security interest in a supporting obligation for the collateral.

(5) Perfection of a security interest in a right to payment or performance also perfects a security interest in a security interest, mortgage, or other lien on personal or real property securing the right.

(6) Perfection of a security interest in a securities account also perfects a security interest in the security entitlements carried in the securities account.

(7) Perfection of a security interest in a commodity account also perfects a security interest in the commodity contracts carried in the commodity account.

History: 1962, Act 174, Eff. Jan. 1, 1964;—Am. 1978, Act 369, Eff. Jan. 1, 1979;—Am. 2000, Act 348, Eff. July 1, 2001.

440.9309 Security interest perfected upon attachment.

Sec. 9309. Each of the following security interests is perfected when it attaches:

(a) A purchase-money security interest in consumer goods, except as otherwise provided in section 9311(2) with respect to consumer goods that are subject to a statute or treaty described in section 9311(1).

(b) An assignment of accounts or payment intangibles which does not by itself or in conjunction with other assignments to the same assignee transfer a significant part of the assignor's outstanding accounts or payment intangibles.

(c) A sale of a payment intangible.

(d) A sale of a promissory note.

(e) A security interest created by the assignment of a health-care-insurance receivable to the provider of the

health-care goods or services.

(f) A security interest arising under section 2401, 2505, 2711(3), or 2A508(5), until the debtor obtains possession of the collateral.

(g) A security interest of a collecting bank arising under section 4210.

(h) A security interest of an issuer or nominated person arising under section 5118.

(i) A security interest arising in the delivery of a financial asset under section 9206(3).

(j) A security interest in investment property created by a broker or securities intermediary.

(k) A security interest in a commodity contract or a commodity account created by a commodity intermediary.

(l) An assignment for the benefit of all creditors of the transferor and subsequent transfers by the assignee thereunder.

(m) A security interest created by an assignment of a beneficial interest in a decedent's estate.

History: 1962, Act 174, Eff. Jan. 1, 1964;—Am. 1987, Act 16, Imd. Eff. Apr. 24, 1987;—Am. 1998, Act 278, Imd. Eff. July 27, 1998;—Am. 2000, Act 348, Eff. July 1, 2001.

440.9310 When filing required to perfect security interest or agricultural lien; security interests and agricultural liens to which filing provisions do not apply.

Sec. 9310. (1) Except as otherwise provided in subsection (2) and section 9312(2), a financing statement must be filed to perfect all security interests and agricultural liens.

(2) The filing of a financing statement is not necessary to perfect 1 or more of the following:

(a) A security interest that is perfected under section 9308(4), (5), (6), or (7).

(b) A security interest that is perfected under section 9309 when it attaches.

(c) A security interest in property subject to a statute, regulation, or treaty described in section 9311(1).

(d) A security interest in goods in possession of a bailee that is perfected under section 9312(4)(a) or (b).

(e) A security interest in certificated securities, documents, goods, or instruments that is perfected without filing or possession under section 9312(5), (6), or (7).

(f) A security interest in collateral in the secured party's possession under section 9313.

(g) A security interest in a certificated security that is perfected by delivery of the security certificate to the secured party under section 9313.

(h) A security interest in deposit accounts, electronic chattel paper, investment property, or letter-of-credit rights that is perfected by control under section 9314.

(i) A security interest in proceeds that is perfected under section 9315.

(j) A security interest that is perfected under section 9316.

(3) If a secured party assigns a perfected security interest or agricultural lien, a filing under this article is not required to continue the perfected status of the security interest against creditors of and transferees from the original debtor.

History: 1962, Act 174, Eff. Jan. 1, 1964;—Am. 2000, Act 348, Eff. July 1, 2001.

440.9311 Perfection of security interests in property subject to certain statutes, regulations, and treaties.

Sec. 9311. (1) Except as otherwise provided in subsection (4), the filing of a financing statement is not necessary or effective to perfect a security interest in property subject to 1 or more of the following:

(a) A statute, regulation, or treaty of the United States whose requirements for a security interest's obtaining priority over the rights of a lien creditor with respect to the property preempt section 9310(1).

(b) The following statutes of this state:

(i) Chapter II of the Michigan vehicle code, 1949 PA 300, MCL 257.201 to 257.259.

(ii) Part 803 of the natural resources and environmental protection act, 1994 PA 451, MCL 324.80301 to 324.80322.

(iii) Part 811 of the natural resources and environmental protection act, 1994 PA 451, MCL 324.81101 to 324.81150.

(iv) Sections 30 through 30i of the mobile home commission act, 1987 PA 96, MCL 125.2330 to 125.2330i.

(c) A certificate-of-title statute of another jurisdiction that provides for a security interest to be indicated on the certificate as a condition or result of the security interest's obtaining priority over the rights of a lien creditor with respect to the property.

(2) Compliance with the requirements of a statute, regulation, or treaty described in subsection (1) for obtaining priority over the rights of a lien creditor is equivalent to the filing of a financing statement under this article. Except as otherwise provided in subsection (4) and sections 9313 and 9316(4) and (5) for goods

covered by a certificate of title, a security interest in property subject to a statute, regulation, or treaty described in subsection (1) may be perfected only by compliance with those requirements, and a security interest so perfected remains perfected notwithstanding a change in the use or transfer of possession of the collateral.

(3) Except as otherwise provided in subsection (4) and section 9316(4) and (5), duration and renewal of perfection of a security interest perfected by compliance with the requirements prescribed by a statute, regulation, or treaty described in subsection (1) are governed by the statute, regulation, or treaty. In other respects, the security interest is subject to this article.

(4) During any period in which collateral subject to a statute specified in subsection (1)(b) is inventory held for sale or lease by a person or leased by that person as lessor and that person is in the business of selling goods of that kind, this section does not apply to a security interest in that collateral created by that person.

History: 1962, Act 174, Eff. Jan. 1, 1964;—Am. 2000, Act 348, Eff. July 1, 2001;—Am. 2001, Act 145, Eff. Jan. 1, 2002;—Am. 2005, Act 25, Imd. Eff. May 23, 2005.

440.9312 Perfection of security interests in chattel paper, deposit accounts, documents, goods covered by documents, instruments, investment property, letter-of-credit rights, and money; perfection by permissive filing; temporary perfection without filing or transfer of possession.

Sec. 9312. (1) A security interest in chattel paper, negotiable documents, instruments, or investment property may be perfected by filing.

(2) Except as otherwise provided in section 9315(3) and (4) for proceeds, a security interest in a deposit account, a letter-of-credit right, or money may be perfected only as follows:

(a) A security interest in a deposit account may be perfected only by control under section 9314.

(b) Except as otherwise provided in section 9308(4), a security interest in a letter-of-credit right may be perfected only by control under section 9314.

(c) A security interest in money may be perfected only by the secured party's taking possession under section 9313.

(3) While goods are in the possession of a bailee that has issued a negotiable document covering the goods, a security interest in the goods may be perfected by perfecting a security interest in the document, and a security interest perfected in the document has priority over any security interest that becomes perfected in the goods by another method during that time.

(4) While goods are in the possession of a bailee that has issued a nonnegotiable document covering the goods, a security interest in the goods may be perfected by 1 or more of the following:

(a) Issuance of a document in the name of the secured party.

(b) The bailee's receipt of notification of the secured party's interest.

(c) Filing as to the goods.

(5) A security interest in certificated securities, negotiable documents, or instruments is perfected without filing or the taking of possession for a period of 20 days from the time it attaches to the extent that it arises for new value given under an authenticated security agreement.

(6) A perfected security interest in a negotiable document or goods in possession of a bailee, other than one that has issued a negotiable document for the goods, remains perfected for 20 days without filing if the secured party makes available to the debtor the goods or documents representing the goods for the purpose of ultimate sale or exchange, or for the purpose of loading, unloading, storing, shipping, transshipping, manufacturing, processing, or otherwise dealing with them in a manner preliminary to their sale or exchange:

(7) A perfected security interest in a certificated security or instrument remains perfected for 20 days without filing if the secured party delivers the security certificate or instrument to the debtor for the purpose of ultimate sale or exchange or for the purpose of presentation, collection, enforcement, renewal, or registration of transfer.

(8) After the 20-day period specified in subsection (5), (6), or (7) expires, perfection depends upon compliance with this article.

History: 1962, Act 174, Eff. Jan. 1, 1964;—Am. 1978, Act 369, Eff. Jan. 1, 1979;—Am. 1984, Act 170, Imd. Eff. June 29, 1984;—Am. 1987, Act 16, Imd. Eff. Apr. 24, 1987;—Am. 1998, Act 278, Imd. Eff. July 27, 1998;—Am. 2000, Act 348, Eff. July 1, 2001.

440.9313 When possession by or delivery to secured party perfects security interest without filing.

Sec. 9313. (1) Except as otherwise provided in subsection (2), a secured party may perfect a security interest in negotiable documents, goods, instruments, money, or tangible chattel paper by taking possession of the collateral. A secured party may perfect a security interest in certificated securities by taking delivery of

the certificated securities under section 8301.

(2) With respect to goods covered by a certificate of title issued by this state, a secured party may perfect a security interest in the goods by taking possession of the goods only in the circumstances described in section 9316(5).

(3) With respect to collateral other than certificated securities and goods covered by a document, a secured party takes possession of collateral in the possession of a person other than the debtor, the secured party, or a lessee of the collateral from the debtor in the ordinary course of the debtor's business, when the person in possession authenticates a record acknowledging that it holds possession of the collateral for the secured party's benefit, or the person takes possession of the collateral after having authenticated a record acknowledging that it will hold possession of collateral for the secured party's benefit.

(4) If the perfection of a security interest depends upon possession of the collateral by a secured party, perfection occurs no earlier than the time the secured party takes possession and continues only while the secured party retains possession.

(5) A security interest in a certificated security in registered form is perfected by delivery when delivery of the certificated security occurs under section 8301 and remains perfected by delivery until the debtor obtains possession of the security certificate.

(6) A person in possession of collateral is not required to acknowledge that it holds possession for a secured party's benefit.

(7) If a person acknowledges that it holds possession for the secured party's benefit, the acknowledgment is effective under subsection (3) or section 8301(1), even if the acknowledgment violates the rights of a debtor, and unless the person otherwise agrees or law other than this article otherwise provides, the person does not owe any duty to the secured party and is not required to confirm the acknowledgment to another person.

(8) A secured party having possession of collateral does not relinquish possession by delivering the collateral to a person other than the debtor or a lessee of the collateral from the debtor in the ordinary course of the debtor's business if the person was instructed before the delivery or is instructed contemporaneously with the delivery to hold possession of the collateral for the secured party's benefit, or to redeliver the collateral to the secured party.

(9) A secured party does not relinquish possession, even if a delivery under subsection (8) violates the rights of a debtor. A person to which collateral is delivered under subsection (8) does not owe any duty to the secured party and is not required to confirm the delivery to another person unless the person otherwise agrees or law other than this article otherwise provides.

History: 1962, Act 174, Eff. Jan. 1, 1964;—Am. 1978, Act 369, Eff. Jan. 1, 1979;—Am. 1980, Act 53, Imd. Eff. Mar. 27, 1980;—Am. 2000, Act 348, Eff. July 1, 2001.

440.9314 Perfection by control.

Sec. 9314. (1) A security interest in investment property, deposit accounts, letter-of-credit rights, or electronic chattel paper may be perfected by control of the collateral under section 9104, 9105, 9106, or 9107.

(2) A security interest in deposit accounts, electronic chattel paper, or letter-of-credit rights is perfected by control under section 9104, 9105, or 9107 when the secured party obtains control and remains perfected by control only while the secured party retains control.

(3) A security interest in investment property is perfected by control under section 9106 from the time the secured party obtains control and remains perfected by control until both of the following occur:

(a) The secured party does not have control.

(b) One of the following occurs:

(i) If the collateral is a certificated security, the debtor has or acquires possession of the security certificate.

(ii) If the collateral is an uncertificated security, the issuer has registered or registers the debtor as the registered owner.

(iii) If the collateral is a security entitlement, the debtor is or becomes the entitlement holder.

History: 1962, Act 174, Eff. Jan. 1, 1964;—Am. 2000, Act 348, Eff. July 1, 2001.

440.9315 Secured party's rights on disposition of collateral and in proceeds.

Sec. 9315. (1) Except as otherwise provided in this article and in section 2403(2), both of the following apply:

(a) A security interest or agricultural lien continues in collateral notwithstanding sale, lease, license, exchange, or other disposition thereof unless the secured party authorized the disposition free of the security interest or agricultural lien.

(b) A security interest attaches to any identifiable proceeds of collateral.

(2) Proceeds that are commingled with other property are identifiable proceeds to 1 of the following

extents:

(a) If the proceeds are goods, to the extent provided by section 9336.

(b) If the proceeds are not goods, to the extent that the secured party identifies the proceeds by a method of tracing, including application of equitable principles, that is permitted under law other than this article with respect to commingled property of the type involved.

(3) A security interest in proceeds is a perfected security interest if the security interest in the original collateral was perfected.

(4) A perfected security interest in proceeds becomes unperfected on the twenty-first day after the security interest attaches to the proceeds unless 1 of the following is met:

(a) All of the following conditions are satisfied:

(i) A filed financing statement covers the original collateral.

(ii) The proceeds are collateral in which a security interest may be perfected by filing in the office in which the financing statement has been filed.

(iii) The proceeds are not acquired with cash proceeds.

(b) The proceeds are identifiable cash proceeds.

(c) The security interest in the proceeds is perfected other than under subsection (3) when the security interest attaches to the proceeds or within 20 days thereafter.

(5) If a filed financing statement covers the original collateral, a security interest in proceeds which remains perfected under subsection (4)(a) becomes unperfected at the later of when the effectiveness of the filed financing statement lapses under section 9515 or is terminated under section 9513, or the twenty-first day after the security interest attaches to the proceeds.

History: 1962, Act 174, Eff. Jan. 1, 1964;—Am. 2000, Act 348, Eff. July 1, 2001.

440.9316 Continued perfection of security interest following change in governing law.

Sec. 9316. (1) A security interest perfected pursuant to the law of the jurisdiction designated in section 9301(a) or 9305(3) remains perfected until the earliest of the following:

(a) The time perfection would have ceased under the law of that jurisdiction.

(b) The expiration of 4 months after a change of the debtor's location to another jurisdiction.

(c) The expiration of 1 year after a transfer of collateral to a person that thereby becomes a debtor and is located in another jurisdiction.

(2) If a security interest described in subsection (1) becomes perfected under the law of the other jurisdiction before the earliest time or event described in that subsection, it remains perfected thereafter. If the security interest does not become perfected under the law of the other jurisdiction before the earliest time or event, it becomes unperfected and is deemed never to have been perfected as against a purchaser of the collateral for value.

(3) A possessory security interest in collateral, other than goods covered by a certificate of title and as-extracted collateral consisting of goods, remains continuously perfected if all of the following are met:

(a) The collateral is located in 1 jurisdiction and subject to a security interest perfected under the law of that jurisdiction.

(b) Thereafter, the collateral is brought into another jurisdiction.

(c) Upon entry of the collateral into the other jurisdiction, the security interest is perfected under the law of the other jurisdiction.

(4) Except as otherwise provided in subsection (5), a security interest in goods covered by a certificate of title that is perfected by any method under the law of another jurisdiction when the goods become covered by a certificate of title from this state remains perfected until the security interest would have become unperfected under the law of the other jurisdiction had the goods not become so covered.

(5) A security interest described in subsection (4) becomes unperfected as against a purchaser of the goods for value and is deemed never to have been perfected as against a purchaser of the goods for value if the applicable requirements for perfection under section 9311(2) or 9313 are not satisfied before the earlier of the following:

(a) The time the security interest would have become unperfected under the law of the other jurisdiction had the goods not become covered by a certificate of title from this state.

(b) The expiration of 4 months after the goods had become so covered.

(6) A security interest in deposit accounts, letter-of-credit rights, or investment property that is perfected under the law of the bank's jurisdiction, the issuer's jurisdiction, a nominated person's jurisdiction, the securities intermediary's jurisdiction, or the commodity intermediary's jurisdiction, as applicable, remains perfected until the earlier of the following:

(a) The time the security interest would have become unperfected under the law of that jurisdiction.

(b) The expiration of 4 months after a change of the applicable jurisdiction to another jurisdiction.

(7) If a security interest described in subsection (6) becomes perfected under the law of the other jurisdiction before the earlier of the time or the end of the period described in that subsection, it remains perfected thereafter. If the security interest does not become perfected under the law of the other jurisdiction before the earlier of that time or the end of that period, it becomes unperfected and is deemed never to have been perfected as against a purchaser of the collateral for value.

History: 1962, Act 174, Eff. Jan. 1, 1964;—Am. 2000, Act 348, Eff. July 1, 2001.

SUBPART 3. PRIORITY

440.9317 Interests that take priority over or take free of unperfected security interest or agricultural lien.

Sec. 9317. (1) A security interest or agricultural lien is subordinate to the rights of 1 or more of the following:

(a) A person entitled to priority under section 9322.

(b) Except as otherwise provided in subsection (5), a person that becomes a lien creditor before the earlier of the following:

(i) The time the security interest or agricultural lien is perfected.

(ii) The time 1 of the conditions specified in section 9203(2)(c) is met and a financing statement covering the collateral is filed.

(2) Except as otherwise provided in subsection (5), a buyer, other than a secured party, of tangible chattel paper, documents, goods, instruments, or a security certificate takes free of a security interest or agricultural lien if the buyer gives value and receives delivery of the collateral without knowledge of the security interest or agricultural lien and before it is perfected.

(3) Except as otherwise provided in subsection (5), a lessee of goods takes free of a security interest or agricultural lien if the lessee gives value and receives delivery of the collateral without knowledge of the security interest or agricultural lien and before it is perfected.

(4) A licensee of a general intangible or a buyer, other than a secured party, of accounts, electronic chattel paper, general intangibles, or investment property other than a certificated security takes free of a security interest if the licensee or buyer gives value without knowledge of the security interest and before it is perfected.

(5) Except as otherwise provided in sections 9320 and 9321, if a person files a financing statement with respect to a purchase-money security interest before or within 20 days after the debtor receives delivery of the collateral, the security interest takes priority over the rights of a buyer, lessee, or lien creditor that arise between the time the security interest attaches and the time of filing.

History: 1962, Act 174, Eff. Jan. 1, 1964;—Am. 2000, Act 348, Eff. July 1, 2001.

440.9318 No interest retained in right to payment that is sold; rights and title of seller of account or chattel paper with respect to creditors and purchasers.

Sec. 9318. (1) A debtor that has sold an account, chattel paper, payment intangibles, or promissory note does not retain a legal or equitable interest in the collateral sold.

(2) For purposes of determining the rights of creditors of, and purchasers for value of an account or chattel paper from, a debtor that has sold an account or chattel paper, while the buyer's security interest is unperfected, the debtor is deemed to have rights and title to the account or chattel paper identical to those the debtor sold.

History: 1962, Act 174, Eff. Jan. 1, 1964;—Am. 1978, Act 369, Eff. Jan. 1, 1979;—Am. 2000, Act 348, Eff. July 1, 2001.

440.9319 Rights and title of consignee with respect to creditors and purchasers.

Sec. 9319. (1) Except as otherwise provided in subsection (2), for purposes of determining the rights of creditors of, and purchasers for value of goods from, a consignee, while the goods are in the possession of the consignee, the consignee is deemed to have rights and title to the goods identical to those the consignor had or had power to transfer.

(2) For purposes of determining the rights of a creditor of a consignee, law other than this article determines the rights and title of a consignee while goods are in the consignee's possession if, under this part, a perfected security interest held by the consignor would have priority over the rights of the creditor.

History: Add. 2000, Act 348, Eff. July 1, 2001.

440.9320 Buyer of goods.

Sec. 9320. (1) Except as otherwise provided in subsection (5), a buyer in ordinary course of business, other than a person buying farm products from a person engaged in farming operations, takes free of a security interest created by the buyer's seller, even if the security interest is perfected and the buyer knows of its existence.

(2) Except as otherwise provided in subsection (5), a buyer of goods from a person who used or bought the goods for use primarily for personal, family, or household purposes takes free of a security interest, even if perfected, if the buyer buys without knowledge of the security interest, for value, primarily for the buyer's personal, family, or household purposes, and before the filing of a financing statement covering the goods.

(3) To the extent that it affects the priority of a security interest over a buyer of goods under subsection (2), the period of effectiveness of a filing made in the jurisdiction in which the seller is located is governed by section 9316(1) and (2).

(4) A buyer in ordinary course of business buying oil, gas, or other minerals at the wellhead or minehead or after extraction takes free of an interest arising out of an encumbrance.

(5) Subsections (1) and (2) do not affect a security interest in goods in the possession of the secured party under section 9313.

(6) Subsections (7) to (14) shall apply in the case of a person buying farm products from a person engaged in farming operations.

(7) If requested by the secured party, a debtor engaged in farming operations who gives a security interest in farm products shall provide to the secured party a written list identifying potential buyers and points of delivery of the farm products. Except as otherwise provided by subsection (8), the number of potential buyers for each commodity shall not exceed 5. If a potential buyer has more than 1 point of delivery, each additional point of delivery shall be counted as a potential buyer.

(8) A debtor engaged in farming operations who provides a written list of potential buyers to a secured party pursuant to subsection (7) shall not sell farm products that secure the debt to a buyer who is not identified on the list without the prior written consent of the secured party. A person who knowingly or intentionally violates this subsection is guilty of a felony, punishable by imprisonment for not more than 3 years or a fine of not more than \$10,000.00, or both. If appropriate given the facts and circumstances of the case, the court shall place the person on probation upon the condition that restitution be made to the secured party. Payment of, or application of the proceeds to, the debt upon which the security interest is based is an absolute defense to a prosecution under this subsection if the payment or application is made prior to commencement of prosecution.

(9) A secured party who is provided with a written list of potential buyers pursuant to subsection (7) may notify buyers identified on the list of the security interest as provided in this subsection. A secured party shall not notify a person not identified on the list, except that the secured party may notify a buyer concerning whom the secured party has given prior written consent pursuant to subsection (8) or to whom the secured party has reasonable cause to believe the debtor is about to sell the farm products. A notice provided pursuant to this subsection shall be in writing and shall be mailed by certified mail or delivered by another method by which receipt can be verified. The notice may be in a form agreed upon in writing by the buyer and the secured party, but in absence of such an agreement the notice shall be an original financing statement or a carbon, photographic, or other reproduction of an original or a statement that contains all of the following:

- (a) The full name and address of the debtor.
- (b) The full name and address of the secured party.
- (c) A description of the collateral.
- (d) The date and location of the filing of the security interest.
- (e) The date and signature of the secured party.

(10) If the debt that is the basis of the security interest is satisfied, the secured party shall notify in writing each potential buyer to whom the secured party sent notice under subsection (9). The notice may be given within a time period agreed upon in writing by the buyer and the secured party, but in absence of such an agreement the notice shall be given within 11 days after the debt is satisfied.

(11) A secured party who does any of the following is guilty of a misdemeanor, punishable by imprisonment for not more than 90 days or a fine of not more than \$1,000.00, or both:

(a) Knowingly or intentionally gives false or misleading information in a notice provided pursuant to subsection (9).

(b) Sends notice to a potential buyer other than as permitted in subsection (9).

(c) Fails to notify a potential buyer of the satisfaction of a debt within the time period prescribed by subsection (10).

(12) A buyer of farm products who receives notice pursuant to subsection (9) of a security interest in the farm products shall make payment for the farm products by check or other instrument made payable to the seller and the secured party jointly, except that payment may be made directly to the secured party if authorized in writing by the seller. This subsection does not apply to any payment or partial payment made before notice under subsection (9) has been received by the buyer. A buyer of farm products who violates this subsection is guilty of a misdemeanor, punishable by imprisonment for not more than 90 days or a fine of not more than \$1,000.00, or both. Payment of the debt upon which the security interest is based is an absolute defense to a prosecution under this subsection if payment is made prior to commencement of prosecution.

(13) As used in subsections (6) to (12), "person buying farm products" or "buyer" includes a commission merchant or selling agent who sells farm products in the ordinary course of business for a person engaged in farming operations.

(14) A buyer in ordinary course of business who receives notice pursuant to subsection (9), who buys farm products from a person engaged in farming operations, and who withholds all or part of the proceeds of the sale from the seller in order to satisfy a debt owed by the seller to the buyer, takes subject to a security interest in those farm products created by the seller, unless the debt owed by the seller to the buyer was secured by a prior perfected security interest. For purposes of this subsection, "debt" does not include the cost of harvesting; processing, including packaging, freezing, canning, and drying; storing; marketing; or transporting farm products to market.

(15) Except as otherwise provided by subsection (16), a commission merchant or selling agent who sells farm products, in the ordinary course of business, for a person engaged in farming operations is not liable to the holder of a security interest in those farm products even though the security interest is perfected and even though the commission merchant or selling agent knows of its existence.

(16) A commission merchant or selling agent who sells farm products, in the ordinary course of business, for a person engaged in farming operations, and who receives notice pursuant to subsection (9), shall not be protected from liability under subsection (15) if the commission merchant or selling agent withholds from the seller all or part of the proceeds of a sale of the farm products in order to satisfy a debt owed by the seller to the commission merchant or selling agent, unless the debt was secured by a prior perfected security interest. For purposes of this subsection, "debt" does not include the cost of harvesting; processing, including packaging, freezing, canning, and drying; storing; marketing; or transporting farm products to market.

(17) A prosecution under subsections (12) to (14) shall not be commenced after the expiration of 2 years following the date the violation occurred.

History: Add. 2000, Act 348, Eff. July 1, 2001.

440.9321 Licensee of general intangible and lessee of goods in ordinary course of business.

Sec. 9321. (1) As used in this section, "licensee in ordinary course of business" means a person that becomes a licensee of a general intangible in good faith, without knowledge that the licensee violates the rights of another person in the general intangible, and in the ordinary course from a person in the business of licensing general intangibles of that kind. A person becomes a licensee in the ordinary course if the license to the person comports with the usual or customary practices in the kind of business in which the licensor is engaged or with the licensor's own usual or customary practices.

(2) A licensee in ordinary course of business takes its rights under a nonexclusive license free of a security interest in the general intangible created by the licensor, even if the security interest is perfected and the licensee knows of its existence.

(3) A lessee in ordinary course of business takes its leasehold interest free of a security interest in the goods created by the lessor, even if the security interest is perfected and the lessee knows of its existence.

History: Add. 2000, Act 348, Eff. July 1, 2001.

440.9322 Priorities among conflicting security interests in and agricultural liens on same collateral.

Sec. 9322. (1) Except as otherwise provided in this section, priority among conflicting security interests and agricultural liens in the same collateral is determined according to the following rules:

(a) Conflicting perfected security interests and agricultural liens rank according to priority in time of filing or perfection. Priority dates from the earlier of the time a filing covering the collateral is first made or the security interest or agricultural lien is first perfected, if there is no period thereafter when there is neither filing nor perfection.

(b) A perfected security interest or agricultural lien has priority over a conflicting unperfected security interest or agricultural lien.

(c) The first security interest or agricultural lien to attach or become effective has priority if conflicting

security interests and agricultural liens are unperfected.

(2) For the purposes of subsection (1)(a), both of the following apply:

(a) The time of filing or perfection as to a security interest in collateral is also the time of filing or perfection as to a security interest in proceeds.

(b) The time of filing or perfection as to a security interest in collateral supported by a supporting obligation is also the time of filing or perfection as to a security interest in the supporting obligation.

(3) Except as otherwise provided in subsection (6), a security interest in collateral that qualifies for priority over a conflicting security interest under section 9327, 9328, 9329, 9330, or 9331 also has priority over a conflicting security interest in 1 or more of the following:

(a) Any supporting obligation for the collateral.

(b) Proceeds of the collateral if all of the following are met:

(i) The security interest in proceeds is perfected.

(ii) The proceeds are cash proceeds or of the same type as the collateral.

(iii) In the case of proceeds that are proceeds of proceeds, all intervening proceeds are cash proceeds, proceeds of the same type as the collateral, or an account relating to the collateral.

(4) Subject to subsection (5) and except as otherwise provided in subsection (6), if a security interest in chattel paper, deposit accounts, negotiable documents, instruments, investment property, or letter-of-credit rights is perfected by a method other than filing, conflicting perfected security interests in proceeds of the collateral rank according to priority in time of filing.

(5) Subsection (4) applies only if the proceeds of the collateral are not cash proceeds, chattel paper, negotiable documents, instruments, investment property, or letter-of-credit rights.

(6) Subsections (1) through (5) are subject to all of the following:

(a) Subsection (7) and the other provisions of this part.

(b) Section 4210 with respect to a security interest of a collecting bank.

(c) Section 5118 with respect to a security interest of an issuer or nominated person.

(d) Section 9110 with respect to a security interest arising under article 2 or 2A.

(7) A perfected agricultural lien on collateral has priority over a conflicting security interest in or agricultural lien on the same collateral if the statute creating the agricultural lien so provides.

History: Add. 2000, Act 348, Eff. July 1, 2001.

440.9323 Future advances.

Sec. 9323. (1) Except as otherwise provided in subsection (3), for purposes of determining the priority of a perfected security interest under section 9322(1)(a), perfection of the security interest dates from the time an advance is made to the extent that the security interest secures an advance that meets both of the following:

(a) Is made while the security interest is perfected only under 1 of the following:

(i) Under section 9309 when it attaches.

(ii) Temporarily under section 9312(5), (6), or (7).

(b) Is not made pursuant to a commitment entered into before or while the security interest is perfected by a method other than under section 9309 or 9312(5), (6), or (7).

(2) Except as otherwise provided in subsection (3), a security interest is subordinate to the rights of a person that becomes a lien creditor to the extent that the security interest secures an advance made more than 45 days after the person becomes a lien creditor unless the advance is made without knowledge of the lien, or pursuant to a commitment entered into without knowledge of the lien.

(3) Subsections (1) and (2) do not apply to a security interest held by a secured party that is a buyer of accounts, chattel paper, payment intangibles, or promissory notes or a consignor.

(4) Except as otherwise provided in subsection (5), a buyer of goods other than a buyer in ordinary course of business takes free of a security interest to the extent that it secures advances made after the earlier of the following:

(a) The time the secured party acquires knowledge of the buyer's purchase.

(b) Forty-five days after the purchase.

(5) Subsection (4) does not apply if the advance is made pursuant to a commitment entered into without knowledge of the buyer's purchase and before the expiration of the 45-day period.

(6) Except as otherwise provided in subsection (7), a lessee of goods, other than a lessee in ordinary course of business, takes the leasehold interest free of a security interest to the extent that it secures advances made after the earlier of the following:

(a) The time the secured party acquires knowledge of the lease.

(b) Forty-five days after the lease contract becomes enforceable.

(7) Subsection (6) does not apply if the advance is made pursuant to a commitment entered into without

knowledge of the lease and before the expiration of the 45-day period.

History: Add. 2000, Act 348, Eff. July 1, 2001.

440.9324 Priority of purchase-money security interests.

Sec. 9324. (1) Except as otherwise provided in subsection (7), a perfected purchase-money security interest in goods other than inventory or livestock has priority over a conflicting security interest in the same goods, and, except as otherwise provided in section 9327, a perfected security interest in its identifiable proceeds also has priority, if the purchase-money security interest is perfected when the debtor receives possession of the collateral or within 20 days thereafter.

(2) Subject to subsection (3) and except as otherwise provided in subsection (7), a perfected purchase-money security interest in inventory has priority over a conflicting security interest in the same inventory, has priority over a conflicting security interest in chattel paper or an instrument constituting proceeds of the inventory and in proceeds of the chattel paper, if so provided in section 9330, and, except as otherwise provided in section 9327, also has priority in identifiable cash proceeds of the inventory to the extent the identifiable cash proceeds are received on or before the delivery of the inventory to a buyer, if all of the following are met:

(a) The purchase-money security interest is perfected when the debtor receives possession of the inventory.

(b) The purchase-money secured party sends an authenticated notification to the holder of the conflicting security interest.

(c) The holder of the conflicting security interest receives the notification within 5 years before the debtor receives possession of the inventory.

(d) The notification states that the person sending the notification has or expects to acquire a purchase-money security interest in inventory of the debtor and describes the inventory.

(3) Subsection (2)(b) through (d) apply only if the holder of the conflicting security interest had filed a financing statement covering the same types of inventory before 1 of the following:

(a) If the purchase-money security interest is perfected by filing, before the date of the filing.

(b) If the purchase-money security interest is temporarily perfected without filing or possession under section 9312(6), before the beginning of the 20-day period thereunder.

(4) Subject to subsection (5) and except as otherwise provided in subsection (7), a perfected purchase-money security interest in livestock that are farm products has priority over a conflicting security interest in the same livestock, and, except as otherwise provided in section 9327, a perfected security interest in their identifiable proceeds and identifiable products in their unmanufactured states also has priority, if all of the following are met:

(a) The purchase-money security interest is perfected when the debtor receives possession of the livestock.

(b) The purchase-money secured party sends an authenticated notification to the holder of the conflicting security interest.

(c) The holder of the conflicting security interest receives the notification within 6 months before the debtor receives possession of the livestock.

(d) The notification states that the person sending the notification has or expects to acquire a purchase-money security interest in livestock of the debtor and describes the livestock.

(5) Subsection (4)(b) through (d) apply only if the holder of the conflicting security interest had filed a financing statement covering the same types of livestock before 1 of the following:

(a) If the purchase-money security interest is perfected by filing, before the date of the filing.

(b) If the purchase-money security interest is temporarily perfected without filing or possession under section 9312(6), before the beginning of the 20-day period thereunder.

(6) Except as otherwise provided in subsection (7), a perfected purchase-money security interest in software has priority over a conflicting security interest in the same collateral, and, except as otherwise provided in section 9327, a perfected security interest in its identifiable proceeds also has priority, to the extent that the purchase-money security interest in the goods in which the software was acquired for use has priority in the goods and proceeds of the goods under this section.

(7) If more than 1 security interest qualifies for priority in the same collateral under subsection (1), (2), (4), or (6), 1 of the following applies:

(a) A security interest securing an obligation incurred as all or part of the price of the collateral has priority over a security interest securing an obligation incurred for value given to enable the debtor to acquire rights in or the use of collateral.

(b) In all other cases, section 9322(1) applies to the qualifying security interest.

History: Add. 2000, Act 348, Eff. July 1, 2001.

440.9325 Priority of security interests in transferred collateral.

Sec. 9325. (1) Except as otherwise provided in subsection (2), a security interest created by a debtor is subordinate to a security interest in the same collateral created by another person if all of the following are met:

- (a) The debtor acquired the collateral subject to the security interest created by the other person.
- (b) The security interest created by the other person was perfected when the debtor acquired the collateral.
- (c) There is no period thereafter when the security interest is unperfected.

(2) Subsection (1) subordinates a security interest only if the security interest otherwise would have priority solely under section 9322(1) or 9324, or arose solely under section 2711(3) or 2A508(5).

History: Add. 2000, Act 348, Eff. July 1, 2001.

440.9326 Priority of security interests created by new debtor.

Sec. 9326. (1) Subject to subsection (2), a security interest created by a new debtor that is perfected by a filed financing statement that is effective solely under section 9508 in collateral in that a new debtor has or acquires rights is subordinate to a security interest in the same collateral that is perfected other than by a filed financing statement that is effective solely under section 9508.

(2) The other provisions of this part determine the priority among conflicting security interests in the same collateral perfected by filed financing statements that are effective solely under section 9508. However, if the security agreements to which a new debtor became bound as debtor were not entered into by the same original debtor, the conflicting security interests rank according to priority in time of the new debtor's having become bound.

History: Add. 2000, Act 348, Eff. July 1, 2001.

440.9327 Priority of security interests in deposit account.

Sec. 9327. The following rules govern priority among conflicting security interests in the same deposit account:

(a) A security interest held by a secured party having control of the deposit account under section 9104 has priority over a conflicting security interest held by a secured party that does not have control.

(b) Except as otherwise provided in subdivisions (c) and (d), security interests perfected by control under section 9314 rank according to priority in time of obtaining control.

(c) Except as otherwise provided in subdivision (d), a security interest held by the bank with which the deposit account is maintained has priority over a conflicting security interest held by another secured party.

(d) A security interest perfected by control under section 9104(1)(c) has priority over a security interest held by the bank with which the deposit account is maintained.

History: Add. 2000, Act 348, Eff. July 1, 2001.

440.9328 Priority of security interests in investment property.

Sec. 9328. The following rules govern priority among conflicting security interests in the same investment property:

(a) A security interest held by a secured party having control of investment property under section 9106 has priority over a security interest held by a secured party that does not have control of the investment property.

(b) Except as otherwise provided in subdivisions (c) and (d), conflicting security interests held by secured parties each of which has control under section 9106 rank according to priority in time of 1 of the following:

(i) If the collateral is a security, obtaining control.

(ii) If the collateral is a security entitlement carried in a securities account, according to 1 of the following:

(A) If the secured party obtained control under section 8106(4)(a), the secured party's becoming the person for which the securities account is maintained.

(B) If the secured party obtained control under section 8106(4)(b), the securities intermediary's agreement to comply with the secured party's entitlement orders with respect to security entitlements carried or to be carried in the securities account.

(C) If the secured party obtained control through another person under section 8106(4)(c), the time on which priority would be based under this paragraph if the other person were the secured party.

(iii) If the collateral is a commodity contract carried with a commodity intermediary, the satisfaction of the requirement for control specified in section 9106(2)(b) with respect to commodity contracts carried or to be carried with the commodity intermediary.

(c) A security interest held by a securities intermediary in a security entitlement or a securities account maintained with the securities intermediary has priority over a conflicting security interest held by another

secured party.

(d) A security interest held by a commodity intermediary in a commodity contract or a commodity account maintained with the commodity intermediary has priority over a conflicting security interest held by another secured party.

(e) A security interest in a certificated security in registered form that is perfected by taking delivery under section 9313(1) and not by control under section 9314 has priority over a conflicting security interest perfected by a method other than control.

(f) Conflicting security interests created by a broker, securities intermediary, or commodity intermediary that are perfected without control under section 9106 rank equally.

(g) In all other cases, priority among conflicting security interests in investment property is governed by sections 9322 and 9323.

History: Add. 2000, Act 348, Eff. July 1, 2001.

440.9329 Priority of security interests in letter-of-credit right.

Sec. 9329. The following rules govern priority among conflicting security interests in the same letter-of-credit right:

(a) A security interest held by a secured party having control of the letter-of-credit right under section 9107 has priority to the extent of its control over a conflicting security interest held by a secured party that does not have control.

(b) Security interests perfected by control under section 9314 rank according to priority in time of obtaining control.

History: Add. 2000, Act 348, Eff. July 1, 2001.

440.9330 Priority of purchaser of chattel paper or instrument.

Sec. 9330. (1) A purchaser of chattel paper has priority over a security interest in the chattel paper that is claimed merely as proceeds of inventory subject to a security interest if both of the following are met:

(a) In good faith and in the ordinary course of the purchaser's business, the purchaser gives new value and takes possession of the chattel paper or obtains control of the chattel paper under section 9105.

(b) The chattel paper does not indicate that it has been assigned to an identified assignee other than the purchaser.

(2) A purchaser of chattel paper has priority over a security interest in the chattel paper that is claimed other than merely as proceeds of inventory subject to a security interest if the purchaser gives new value and takes possession of the chattel paper or obtains control of the chattel paper under section 9105 in good faith, in the ordinary course of the purchaser's business, and without knowledge that the purchase violates the rights of the secured party.

(3) Except as otherwise provided in section 9327, a purchaser having priority in chattel paper under subsection (1) or (2) also has priority in proceeds of the chattel paper to the extent that section 9322 provides for priority in the proceeds, or the proceeds consist of the specific goods covered by the chattel paper or cash proceeds of the specific goods, even if the purchaser's security interest in the proceeds is unperfected.

(4) Except as otherwise provided in section 9331(1), a purchaser of an instrument has priority over a security interest in the instrument perfected by a method other than possession if the purchaser gives value and takes possession of the instrument in good faith and without knowledge that the purchase violates the rights of the secured party.

(5) For purposes of subsections (1) and (2), the holder of a purchase-money security interest in inventory gives new value for chattel paper constituting proceeds of the inventory.

(6) For purposes of subsections (2) and (4), if chattel paper or an instrument indicates that it has been assigned to an identified secured party other than the purchaser, a purchaser of the chattel paper or instrument has knowledge that the purchase violates the rights of the secured party.

History: Add. 2000, Act 348, Eff. July 1, 2001.

440.9331 Priority of rights of purchasers of instruments, documents, and securities under other articles; priority of interests in financial assets and security entitlements under article 8.

Sec. 9331. (1) This article does not limit the rights of a holder in due course of a negotiable instrument, a holder to which a negotiable document of title has been duly negotiated, or a protected purchaser of a security. These holders or purchasers take priority over an earlier security interest, even if perfected, to the extent provided in articles 3, 7, and 8.

(2) This article does not limit the rights of or impose liability on a person to the extent that the person is

protected against the assertion of a claim under article 8.

(3) Filing under this article does not constitute notice of a claim or defense to the holders, or purchasers, or persons described in subsections (1) and (2).

History: Add. 2000, Act 348, Eff. July 1, 2001.

440.9332 Transfer of money; transfer of funds from deposit account.

Sec. 9332. (1) A transferee of money takes the money free of a security interest unless the transferee acts in collusion with the debtor in violating the rights of the secured party.

(2) A transferee of funds from a deposit account takes the funds free of a security interest in the deposit account unless the transferee acts in collusion with the debtor in violating the rights of the secured party.

History: Add. 2000, Act 348, Eff. July 1, 2001.

440.9333 Priority of certain liens arising by operation of law.

Sec. 9333. (1) As used in this section, "possessory lien" means an interest, other than a security interest or an agricultural lien, that meets all of the following:

(a) It secures payment or performance of an obligation for services or materials furnished with respect to goods by a person in the ordinary course of the person's business.

(b) It is created by statute or rule of law in favor of the person.

(c) Its effectiveness depends on the person's possession of the goods.

(2) A possessory lien on goods has priority over a security interest in the goods unless the lien is created by a statute that expressly provides otherwise.

History: Add. 2000, Act 348, Eff. July 1, 2001.

440.9334 Priority of security interests in fixtures and crops.

Sec. 9334. (1) A security interest under this article may be created in goods that are fixtures or may continue in goods that become fixtures. A security interest does not exist under this article in ordinary building materials incorporated into an improvement on land.

(2) This article does not prevent creation of an encumbrance upon fixtures under real property law.

(3) In cases not governed by subsections (4) through (8), a security interest in fixtures is subordinate to a conflicting interest of an encumbrancer or owner of the related real property other than the debtor.

(4) Except as otherwise provided in subsection (8), a perfected security interest in fixtures has priority over a conflicting interest of an encumbrancer or owner of the real property if the debtor has an interest of record in or is in possession of the real property and all of the following are met:

(a) The security interest is a purchase-money security interest.

(b) The interest of the encumbrancer or owner arises before the goods become fixtures.

(c) The security interest is perfected by a fixture filing before the goods become fixtures or within 20 days thereafter.

(5) A perfected security interest in fixtures has priority over a conflicting interest of an encumbrancer or owner of the real property in each of the following circumstances:

(a) If the debtor has an interest of record in the real property or is in possession of the real property, and the security interest is perfected by a fixture filing before the interest of the encumbrancer or owner is of record and has priority over any conflicting interest of a predecessor in title of the encumbrancer or owner.

(b) If before the goods become fixtures, the security interest is perfected by any method permitted by this article and the fixtures are readily removable factory or office machines, readily removable equipment that is not primarily used or leased for use in the operation of the real property, or readily removable replacements of domestic appliances that are consumer goods.

(c) If the conflicting interest is a lien on the real property obtained by legal or equitable proceedings after the security interest was perfected by any method permitted by this article.

(d) If the security interest is created in a manufactured home in a manufactured-home transaction and perfected pursuant to a statute described in section 9311(1)(b).

(6) A security interest in fixtures, whether or not perfected, has priority over a conflicting interest of an encumbrancer or owner of the real property if either of the following is met:

(a) The encumbrancer or owner has, in an authenticated record, consented to the security interest or disclaimed an interest in the goods as fixtures.

(b) The debtor has a right to remove the goods as against the encumbrancer or owner.

(7) The priority of the security interest under subsection (6)(b) continues for a reasonable time if the debtor's right to remove the goods as against the encumbrancer or owner terminates.

(8) A mortgage is a construction mortgage to the extent that it secures an obligation incurred for the

construction of an improvement on land, including the acquisition cost of the land, if a recorded record of the mortgage so indicates. Except as otherwise provided in subsections (5) and (6), a security interest in fixtures is subordinate to a construction mortgage if a record of the mortgage is recorded before the goods become fixtures and the goods become fixtures before the completion of the construction. A mortgage has this priority to the same extent as a construction mortgage to the extent that it is given to refinance a construction mortgage.

(9) A perfected security interest in crops growing on real property has priority over a conflicting interest of an encumbrancer or owner of the real property if the debtor has an interest or record in or is in possession of the real property.

History: Add. 2000, Act 348, Eff. July 1, 2001.

440.9335 Accessions.

Sec. 9335. (1) A security interest may be created in an accession and continues in collateral that becomes an accession.

(2) If a security interest is perfected when the collateral becomes an accession, the security interest remains perfected in the collateral.

(3) Except as otherwise provided in subsection (4), the other provisions of this part determine the priority of a security interest in an accession.

(4) A security interest in an accession is subordinate to a security interest in the whole which is perfected by compliance with the requirements of a certificate-of-title statute under section 9311(2).

(5) After default, subject to part 6 of this article, a secured party may remove an accession from other goods if the security interest in the accession has priority over the claims of every person having an interest in the whole.

(6) A secured party that removes an accession from other goods under subsection (5) shall promptly reimburse any holder of a security interest or other lien on, or owner of, the whole or of the other goods, other than the debtor, for the cost of repair of any physical injury to the whole or the other goods. The secured party need not reimburse the holder or owner for any diminution in value of the whole or the other goods caused by the absence of the accession removed or by any necessity for replacing it. A person entitled to reimbursement may refuse permission to remove until the secured party gives adequate assurance for the performance of the obligation to reimburse.

History: Add. 2000, Act 348, Eff. July 1, 2001.

440.9336 Commingled goods.

Sec. 9336. (1) As used in this section, "commingled goods" means goods that are physically united with other goods in such a manner that their identity is lost in a product or mass.

(2) A security interest does not exist in commingled goods as such. However, a security interest may attach to a product or mass that results when goods become commingled goods.

(3) If collateral becomes commingled goods, a security interest attaches to the product or mass.

(4) If a security interest in collateral is perfected before the collateral becomes commingled goods, the security interest that attaches to the product or mass under subsection (3) is perfected.

(5) Except as otherwise provided in subsection (6), the other provisions of this part determine the priority of a security interest that attaches to the product or mass under subsection (3).

(6) If more than 1 security interest attaches to the product or mass under subsection (3), the following rules determine priority:

(a) A security interest that is perfected under subsection (4) has priority over a security interest that is unperfected at the time the collateral becomes commingled goods.

(b) If more than 1 security interest is perfected under subsection (4), the security interests rank equally in proportion to the value of the collateral at the time it became commingled goods.

History: Add. 2000, Act 348, Eff. July 1, 2001.

440.9337 Priority of security interests in goods covered by certificate of title.

Sec. 9337. If, while a security interest in goods is perfected by any method under the law of another jurisdiction, this state issues a certificate of title that does not show that the goods are subject to the security interest or contain a statement that they may be subject to security interests not shown on the certificate, both of the following apply:

(a) A buyer of the goods, other than a person in the business of selling goods of that kind, takes free of the security interest if the buyer gives value and receives delivery of the goods after issuance of the certificate and without knowledge of the security interest.

(b) The security interest is subordinate to a conflicting security interest in the goods that attaches, and is perfected under section 9311(2), after issuance of the certificate and without the conflicting secured party's knowledge of the security interests.

History: Add. 2000, Act 348, Eff. July 1, 2001.

440.9338 Priority of security interests or agricultural lien perfected by filed financing statement providing certain incorrect information.

Sec. 9338. If a security interest or agricultural lien is perfected by a filed financing statement providing information described in section 9516(2)(e) that is incorrect at the time the financing statement is filed, all of the following apply:

(a) The security interest or agricultural lien is subordinate to a conflicting perfected security interest in the collateral to the extent that the holder of the conflicting security interest gives value in reasonable reliance upon the incorrect information.

(b) A purchaser, other than a secured party, of the collateral takes free of the security interest or agricultural lien to the extent that, in reasonable reliance upon the incorrect information, the purchaser gives value and, in the case of chattel paper, documents, goods, instruments, or a security certificate, receives delivery of the collateral.

History: Add. 2000, Act 348, Eff. July 1, 2001.

440.9339 Priority subject to subordination.

Sec. 9339. This article does not preclude subordination by agreement by a person entitled to priority.

History: Add. 2000, Act 348, Eff. July 1, 2001.

SUBPART 4.
RIGHTS OF BANK

440.9340 Effectiveness of right of recoupment or setoff against deposit account.

Sec. 9340. (1) Except as otherwise provided in subsection (3), a bank with which a deposit account is maintained may exercise any right of recoupment or setoff against a secured party that holds a security interest in the deposit account.

(2) Except as otherwise provided in subsection (3), the application of this article to a security interest in a deposit account does not affect a right of recoupment or setoff of the secured party as to a deposit account maintained with the secured party.

(3) The exercise by a bank of a setoff against a deposit account is ineffective against a secured party that holds a security interest in the deposit account that is perfected by control under section 9104(1)(c), if the setoff is based on a claim against the debtor.

History: Add. 2000, Act 348, Eff. July 1, 2001.

440.9341 Bank's rights and duties with respect to deposit account.

Sec. 9341. Except as otherwise provided in section 9340(3), and unless the bank otherwise agrees in an authenticated record, a bank's rights and duties with respect to a deposit account maintained with the bank are not terminated, suspended, or modified by 1 or more of the following:

(a) The creation, attachment, or perfection of a security interest in the deposit account.

(b) The bank's knowledge of the security interest.

(c) The bank's receipt of instructions from the secured party.

History: Add. 2000, Act 348, Eff. July 1, 2001.

440.9342 Bank's right to refuse to enter into or disclose existence of control agreement.

Sec. 9342. This article does not require a bank to enter into an agreement of the kind described in section 9104(1)(b), even if its customer so requests or directs. A bank that has entered into such an agreement is not required to confirm the existence of the agreement to another person unless requested to do so by its customer.

History: Add. 2000, Act 348, Eff. July 1, 2001.

PART 4
RIGHTS OF THIRD PARTIES

440.9401 Alienability of debtor's rights.

Sec. 9401. (1) Except as otherwise provided in subsection (2) and sections 9406, 9407, 9408, and 9409,

whether a debtor's rights in collateral may be voluntarily or involuntarily transferred is governed by law other than this article.

(2) An agreement between the debtor and secured party that prohibits a transfer of the debtor's rights in collateral or makes the transfer a default does not prevent the transfer from taking effect.

History: 1962, Act 174, Eff. Jan. 1, 1964;—Am. 1964, Act 250, Eff. Aug. 28, 1964;—Am. 1976, Act 27, Imd. Eff. Mar. 4, 1976;—Am. 1978, Act 369, Eff. Jan. 1, 1979;—Am. 1980, Act 53, Imd. Eff. Mar. 27, 1980;—Am. 1990, Act 288, Imd. Eff. Dec. 14, 1990;—Am. 2000, Act 348, Eff. July 1, 2001.

440.9402 Secured party not obligated on contract of debtor or in tort.

Sec. 9402. The existence of a security interest, agricultural lien, or authority given to a debtor to dispose of or use collateral, without more, does not subject a secured party to liability in contract or tort for the debtor's acts or omissions.

History: 1962, Act 174, Eff. Jan. 1, 1964;—Am. 1978, Act 369, Eff. Jan. 1, 1979;—Am. 1980, Act 53, Imd. Eff. Mar. 27, 1980;—Am. 1988, Act 130, Eff. Sept. 1, 1988;—Am. 1989, Act 216, Imd. Eff. Nov. 27, 1989;—Am. 1998, Act 489, Imd. Eff. Jan. 4, 1999;—Am. 2000, Act 348, Eff. July 1, 2001.

440.9403 Agreement not to assert defenses against assignee.

Sec. 9403. (1) As used in this section, "value" has the meaning provided in section 3303(1).

(2) Except as otherwise provided in this section, an agreement between an account debtor and an assignor not to assert against an assignee any claim or defense that the account debtor may have against the assignor is enforceable by an assignee that takes an assignment for value, in good faith, without notice of a claim of a property or possessory right to the property assigned, and without notice of a defense or claim in recoupment of the type that may be asserted against a person entitled to enforce a negotiable instrument under section 3305(1).

(3) Subsection (2) does not apply to defenses of a type that may be asserted against a holder in due course of a negotiable instrument under section 3305(2).

(4) In a consumer transaction, if a record evidences the account debtor's obligation, law other than this article requires that the record include a statement to the effect that the rights of an assignee are subject to claims or defenses that the account debtor could assert against the original obligee, and the record does not include such a statement, all of the following apply:

(a) The record has the same effect as if the record included such a statement.

(b) The account debtor may assert against an assignee those claims and defenses that would have been available if the record included such a statement.

(5) This section is subject to law other than this article that establishes a different rule for an account debtor who is an individual and who incurred the obligation primarily for personal, family, or household purposes.

(6) Except as otherwise provided in subsection (4), this section does not displace law other than this article that gives effect to an agreement by an account debtor not to assert a claim or defense against an assignee.

History: 1962, Act 174, Eff. Jan. 1, 1964;—Am. 1964, Act 250, Eff. Aug. 28, 1964;—Am. 1969, Act 74, Imd. Eff. July 21, 1969;—Am. 1976, Act 27, Imd. Eff. Mar. 4, 1976;—Am. 1978, Act 369, Eff. Jan. 1, 1979;—Am. 1980, Act 53, Imd. Eff. Mar. 27, 1980;—Am. 1988, Act 130, Eff. Sept. 1, 1988;—Am. 1992, Act 186, Imd. Eff. Oct. 5, 1992;—Am. 2000, Act 348, Eff. July 1, 2001.

440.9404 Rights acquired by assignee; claims and defenses against assignee.

Sec. 9404. (1) Unless an account debtor has made an enforceable agreement not to assert defenses or claims, and subject to subsections (2) through (5), the rights of an assignee are subject to all of the following:

(a) All terms of the agreement between the account debtor and assignor and any defense or claim in recoupment arising from the transaction that gave rise to the contract.

(b) Any other defense or claim of the account debtor against the assignor that accrues before the account debtor receives a notification of the assignment authenticated by the assignor or the assignee.

(2) Subject to subsection (3) and except as otherwise provided in subsection (4), the claim of an account debtor against an assignor may be asserted against an assignee under subsection (1) only to reduce the amount the account debtor owes.

(3) This section is subject to law other than this article that establishes a different rule for an account debtor who is an individual and who incurred the obligation primarily for personal, family, or household purposes.

(4) In a consumer transaction, if a record evidences the account debtor's obligation, law other than this article requires that the record include a statement to the effect that the account debtor's recovery against an assignee with respect to claims and defenses against the assignor may not exceed amounts paid by the account debtor under the record, and the record does not include such a statement, the extent to which a claim of an

account debtor against the assignor may be asserted against an assignee is determined as if the record included such a statement.

(5) This section does not apply to an assignment of a health-care-insurance receivable.

History: 1962, Act 174, Eff. Jan. 1, 1964;—Am. 1976, Act 27, Imd. Eff. Mar. 4, 1976;—Am. 1978, Act 369, Eff. Jan. 1, 1979;—Am. 1988, Act 130, Eff. Sept. 1, 1988;—Am. 1992, Act 186, Imd. Eff. Oct. 5, 1992;—Am. 2000, Act 348, Eff. July 1, 2001.

440.9405 Modification of assigned contract.

Sec. 9405. (1) A modification of or substitution for an assigned contract is effective against an assignee if made in good faith. The assignee acquires corresponding rights under the modified or substituted contract. The assignment may provide that the modification or substitution is a breach of contract by the assignor. This subsection is subject to subsections (2) through (4).

(2) Subsection (1) applies to the extent that the right to payment or a part thereof under an assigned contract has not been fully earned by performance, or to the extent that the right to payment or a part thereof has been fully earned by performance and the account debtor has not received notification of the assignment under section 9406(1).

(3) This section is subject to law other than this article that establishes a different rule for an account debtor who is an individual and who incurred the obligation primarily for personal, family, or household purposes.

(4) This section does not apply to an assignment of a health-care-insurance receivable.

History: 1962, Act 174, Eff. Jan. 1, 1964;—Am. 1976, Act 27, Imd. Eff. Mar. 4, 1976;—Am. 1978, Act 369, Eff. Jan. 1, 1979;—Am. 1980, Act 53, Imd. Eff. Mar. 27, 1980;—Am. 1988, Act 130, Eff. Sept. 1, 1988;—Am. 2000, Act 348, Eff. July 1, 2001.

440.9406 Discharge of account debtor; notification of assignment; identification and proof of assignment; restrictions on assignment of accounts, chattel paper, payment intangibles, and promissory notes ineffective.

Sec. 9406. (1) Subject to subsections (2) through (9), an account debtor on an account, chattel paper, or a payment intangible may discharge its obligation by paying the assignor until, but not after, the account debtor receives a notification, authenticated by the assignor or the assignee, that the amount due or to become due has been assigned and that payment is to be made to the assignee. After receipt of the notification, the account debtor may discharge its obligation by paying the assignee and may not discharge the obligation by paying the assignor.

(2) Subject to subsection (8), notification is ineffective under subsection (1) if 1 or more of the following apply:

(a) If notification does not reasonably identify the rights assigned.

(b) To the extent that an agreement between an account debtor and a seller of a payment intangible limits the account debtor's duty to pay a person other than the seller and the limitation is effective under law other than this article.

(c) At the option of an account debtor, if the notification notifies the account debtor to make less than the full amount of any installment or other periodic payment to the assignee, even if 1 or more of the following occur:

(i) Only a portion of the account, chattel paper, or payment intangible has been assigned to that assignee.

(ii) A portion has been assigned to another assignee.

(iii) The account debtor knows that the assignment to that assignee is limited.

(3) Subject to subsection (8), if requested by the account debtor, an assignee shall seasonably furnish reasonable proof that the assignment has been made. Unless the assignee complies, the account debtor may discharge its obligation by paying the assignor, even if the account debtor has received a notification under subsection (1).

(4) Except as otherwise provided in subsection (5) and sections 2A303 and 9407, and subject to subsection (8), a term in an agreement between an account debtor and an assignor or in a promissory note is ineffective to the extent that it does 1 or more of the following:

(a) Prohibits, restricts, or requires the consent of the account debtor or person obligated on the promissory note to the assignment or transfer of, or the creation, attachment, perfection, or enforcement of a security interest in, the account, chattel paper, payment intangible, or promissory note.

(b) Provides that the assignment or transfer or the creation, attachment, perfection, or enforcement of the security interest may give rise to a default, breach, right of recoupment, claim, defense, termination, right of termination, or remedy under the account, chattel paper, payment intangible, or promissory note.

(5) Subsection (4) does not apply to the following:

(a) A claim or right to receive an amount that would be excluded from gross income under section

104(a)(1) or (2) of the internal revenue code of 1986, 26 U.S.C. 104.

(b) A claim or right to receive benefits from a special needs trust. For purposes of this subdivision, a "special needs trust" is a trust described in section 1917(d)(4)(A), (B), or (C) of title XIX of the social security act, 42 U.S.C. 1396p.

(c) The sale of a payment intangible or promissory note.

(6) Except as otherwise provided in sections 2A303 and 9407 and subject to subsections (8) and (9), a rule of law, statute, or regulation, that prohibits, restricts, or requires the consent of a government, governmental body or official, or account debtor to the assignment or transfer of, or creation of a security interest in, an account or chattel paper is ineffective to the extent that the rule of law, statute, or regulation does 1 or more of the following:

(a) Prohibits, restricts, or requires the consent of the government, governmental body or official, or account debtor to the assignment or transfer of, or the creation, attachment, perfection, or enforcement of a security interest in, the account or chattel paper.

(b) Provides that the assignment or transfer or the creation, attachment, perfection, or enforcement of the security interest may give rise to a default, breach, right of recoupment, claim, defense, termination, right of termination, or remedy under the account or chattel paper.

(7) Subject to subsection (8), an account debtor may not waive or vary its option under subsection (2)(c).

(8) This section is subject to law other than this article that establishes a different rule for an account debtor who is an individual and who incurred the obligation primarily for personal, family, or household purposes.

(9) This section does not apply to an assignment of a health-care-insurance receivable.

History: 1962, Act 174, Eff. Jan. 1, 1964;—Am. 1976, Act 27, Imd. Eff. Mar. 4, 1976;—Am. 1978, Act 369, Eff. Jan. 1, 1979;—Am. 1988, Act 130, Eff. Sept. 1, 1988;—Am. 1989, Act 216, Imd. Eff. Nov. 27, 1989;—Am. 2000, Act 348, Eff. July 1, 2001.

440.9407 Restrictions on creation or enforcement of security interest in leasehold interest or in lessor's residual interest.

Sec. 9407. (1) Except as otherwise provided in subsection (2), a term in a lease agreement is ineffective to the extent that it does 1 or more of the following:

(a) Prohibits, restricts, or requires the consent of a party to the lease to the assignment or transfer of, or the creation, attachment, perfection, or enforcement of a security interest in, an interest of a party under the lease contract or in the lessor's residual interest in the goods.

(b) Provides that the assignment or transfer or the creation, attachment, perfection, or enforcement of the security interest may give rise to a default, breach, right of recoupment, claim, defense, termination, right of termination, or remedy under the lease.

(2) Except as otherwise provided in section 2A303(7), a term described in subsection (1)(b) is effective to the extent that there is 1 or more of the following:

(a) A transfer by the lessee of the lessee's right of possession or use of the goods in violation of the term.

(b) A delegation of a material performance of either party to the lease contract in violation of the term.

(3) The creation, attachment, perfection, or enforcement of a security interest in the lessor's interest under the lease contract or the lessor's residual interest in the goods is not a transfer that materially impairs the lessee's prospect of obtaining return performance or materially changes the duty of or materially increases the burden or risk imposed on the lessee within the purview of section 2A303(4) unless, and then only to the extent that, enforcement actually results in a delegation of material performance of the lessor.

History: 1962, Act 174, Eff. Jan. 1, 1964;—Am. 1976, Act 27, Imd. Eff. Mar. 4, 1976;—Am. 1978, Act 369, Eff. Jan. 1, 1979;—Am. 1988, Act 130, Eff. Sept. 1, 1988;—Am. 2000, Act 348, Eff. July 1, 2001.

440.9408 Restrictions on assignment of promissory notes, health-care-insurance receivables, and certain general intangibles ineffective.

Sec. 9408. (1) Except as otherwise provided in subsection (2) or (4), a term in a promissory note or in an agreement between an account debtor and a debtor that relates to a health-care-insurance receivable or a general intangible, including a contract, permit, license, or franchise, and which term prohibits, restricts, or requires the consent of the person obligated on the promissory note or the account debtor to, the assignment or transfer of, or creation, attachment, or perfection of a security interest in, the promissory note, health-care-insurance receivable, or general intangible, is ineffective to the extent that the term does 1 or more of the following:

(a) Would impair the creation, attachment, or perfection of a security interest.

(b) Provides that the assignment or transfer or the creation, attachment, or perfection of the security interest may give rise to a default, breach, right of recoupment, claim, defense, termination, right of termination, or

remedy under the promissory note, health-care-insurance receivable, or general intangible.

(2) Subsection (1) applies to a security interest in a payment intangible or promissory note only if the security interest arises out of a sale of the payment intangible or promissory note.

(3) Except as otherwise provided in subsection (4), a rule of law, statute, or regulation that prohibits, restricts, or requires the consent of a government, governmental body or official, person obligated on a promissory note, or account debtor to the assignment or transfer of, or creation of a security interest in, a promissory note, health-care-insurance receivable, or general intangible, including a contract, permit, license, or franchise between an account debtor and a debtor, is ineffective to the extent that the rule of law, statute, or regulation does 1 or more of the following:

(a) Would impair the creation, attachment, or perfection of a security interest.

(b) Provides that the assignment or transfer or the creation, attachment, or perfection of the security interest may give rise to a default, breach, right of recoupment, claim, defense, termination, right of termination, or remedy under the promissory note, health-care-insurance receivable, or general intangible.

(4) To the extent that a term in a promissory note or in an agreement between an account debtor and a debtor that relates to a health-care-insurance receivable or general intangible or a rule of law, statute, or regulation described in subsection (3) would be effective under law other than this article but is ineffective under subsection (1) or (3), the creation, attachment, or perfection of a security interest in the promissory note, health-care-insurance receivable, or general intangible is not or does not do all of the following:

(a) Is not enforceable against the person obligated on the promissory note or the account debtor.

(b) Does not impose a duty or obligation on the person obligated on the promissory note or the account debtor.

(c) Does not require the person obligated on the promissory note or the account debtor to recognize the security interest, pay or render performance to the secured party, or accept payment or performance from the secured party.

(d) Does not entitle the secured party to use or assign the debtor's rights under the promissory note, health-care-insurance receivable, or general intangible, including any related information or materials furnished to the debtor in the transaction giving rise to the promissory note, health-care-insurance receivable, or general intangible.

(e) Does not entitle the secured party to use, assign, possess, or have access to any trade secrets or confidential information of the person obligated on the promissory note or the account debtor.

(f) Does not entitle the secured party to enforce the security interest in the promissory note, health-care-insurance receivable, or general intangible.

(5) Subsections (1) and (3) do not apply to either of the following:

(a) A claim or right to receive an amount that would be excluded from gross income under section 104(a)(1) or (2) of the internal revenue code of 1986, 26 U.S.C. 104.

(b) A claim or right to receive benefits from a special needs trust. For purposes of this subdivision, a "special needs trust" is a trust described in section 1917(d)(4)(A), (B), or (C) of title XIX of the social security act, 42 U.S.C. 1396p.

History: Add. 1963, Act 223, Eff. Sept. 6, 1963;—Am. 2000, Act 348, Eff. July 1, 2001.

440.9408a Repealed. 2000, Act 348, Eff. July 1, 2001.

Compiler's note: The repealed section pertained to financing statement of consignor or lessor of goods.

440.9409 Restrictions on assignment of letter-of-credit rights ineffective.

Sec. 9409. (1) A term in a letter of credit or a rule of law, statute, regulation, custom, or practice applicable to the letter of credit that prohibits, restricts, or requires the consent of an applicant, issuer, or nominated person to a beneficiary's assignment of or creation of a security interest in a letter-of-credit right is ineffective to the extent that the term or rule of law, statute, regulation, custom, or practice does 1 or more of the following:

(a) Would impair the creation, attachment, or perfection of a security interest in the letter-of-credit right.

(b) Provides that the assignment or the creation, attachment, or perfection of the security interest may give rise to a default, breach, right of recoupment, claim, defense, termination, right of termination, or remedy under the letter-of-credit right.

(2) To the extent that a term in a letter of credit is ineffective under subsection (1) but would be effective under law other than this article or a custom or practice applicable to the letter of credit, to the transfer of a right to draw or otherwise demand performance under the letter of credit, or to the assignment of a right to proceeds of the letter of credit, the creation, attachment, or perfection of a security interest in the letter-of-credit right, the term is not enforceable against the applicant, issuer, nominated person, or transferee

beneficiary, imposes no duties or obligations on the applicant, issuer, nominated person, or transferee beneficiary, and does not require the applicant, issuer, nominated person, or transferee beneficiary to recognize the security interest, pay or render performance to the secured party, or accept payment or other performance from the secured party.

History: Add. 1976, Act 27, Imd. Eff. Mar. 4, 1976;—Am. 2000, Act 348, Eff. July 1, 2001.

440.9410 Repealed. 2000, Act 348, Eff. July 1, 2001.

Compiler's note: The repealed section pertained to establishment of subscription service.

PART 5

FILING

SUBPART 1.

FILING OFFICE; CONTENTS AND EFFECTIVENESS OF FINANCING STATEMENT

440.9501 Filing office.

Sec. 9501. (1) Except as otherwise provided in subsection (2), the office in which to file a financing statement to perfect the security interest or agricultural lien is 1 of the following:

(a) The office designated for the filing or recording of a record of a mortgage on the related real property, if the collateral is as-extracted collateral or timber to be cut, or the financing statement is filed as a fixture filing and the collateral is goods that are or are to become fixtures.

(b) The office of secretary of state in all other cases, including a case in which the collateral is goods that are or are to become fixtures and the financing statement is not filed as a fixture filing.

(2) The office in which to file a financing statement to perfect a security interest in collateral, including fixtures, of a transmitting utility is the office of the secretary of state. The financing statement also constitutes a fixture filing as to the collateral indicated in the financing statement which is or is to become fixtures.

(3) Any financing statement filed under subsection (1)(a) with a register of deeds and any continuation statement, termination statement, amendment, or assignment relating to the financing statement and meeting the formal requisites of this part shall be recorded by the register of deeds, notwithstanding the provisions for witnessing and acknowledging instruments to be recorded in the real property records contained in section 47 of 1846 RS 65, MCL 565.47.

(4) If the office of secretary of state receives a financing statement under subsection (1)(b) or (2) for filing, and any debtor identified on the financing statement is an individual, the secretary of state shall provide written notice of the filing of the financing statement to that debtor. The secretary of state shall determine the form of the written notice and the written notice shall contain at least all of the following information:

(a) The debtor's name and address as shown on the financing statement.

(b) The secured party's name and address as shown on the financing statement.

(c) The remedies available to the debtor under this act if he or she believes that the financing statement is erroneously or fraudulently filed.

(5) In addition to the written notice described in subsection (4), the secretary of state shall provide at no charge to a debtor described in that subsection a copy or image of the filed financing statement and any attachments. If the debtor requests additional copies or searches, the fees provided in section 9525 apply to that request.

(6) A person shall not knowingly or intentionally file a false or fraudulent financing statement with the office of the secretary of state under subsection (1)(b) or (2). In addition to any other penalty provided by law, a violation of this subsection is a felony punishable by imprisonment for not more than 5 years or a fine of not more than \$2,500.00, or both. If the person is convicted of the violation, the court may find that the financing statement is ineffective and may order the office of the secretary of state to terminate the financing statement and may order restitution.

(7) If a person files a false or fraudulent financing statement with the office of the secretary of state under subsection (1)(b) or (2), a debtor named in that financing statement may file an action against the person that filed the financing statement seeking appropriate equitable relief or damages, including, but not limited to, an order declaring the financing statement ineffective and ordering the office of the secretary of state to terminate the financing statement, and reasonable attorney fees.

History: 1962, Act 174, Eff. Jan. 1, 1964;—Am. 1978, Act 369, Eff. Jan. 1, 1979;—Am. 2000, Act 348, Eff. July 1, 2001;—Am. 2004, Act 212, Eff. Jan. 1, 2005.

440.9501a Fraudulent financing statement; affidavit; form; notice; termination of financing statement; filing fee; notice of termination; action to reinstate financing statement; court

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order; payment of costs and expenses; violation as felony; penalty; "regulated financial institution" defined.

Sec. 9501a. (1) A person identified as a debtor in a financing statement filed with the secretary of state may file an affidavit with the secretary of state in the form prescribed under subsection (2) stating that the financing statement is fraudulent. A person shall not file an affidavit under this subsection with respect to a financing statement filed by a regulated financial institution or a representative of a regulated financial institution.

(2) The secretary of state shall adopt and make available a form affidavit to be used to give notice of a fraudulent financing statement under subsection (1).

(3) On receipt of an affidavit under subsection (1), the secretary of state shall terminate the financing statement effective on the date the affidavit is filed.

(4) The secretary of state shall not charge a fee to file an affidavit under this section. The secretary of state shall not return any filing fee paid for filing the financing statement, regardless of whether the financing statement is terminated under this section.

(5) The secretary of state shall send notice of the termination of a financing statement under subsection (3) to the filer of the financing statement advising the filer that the financing statement has been terminated. If the filer of the financing statement believes in good faith that the statement was legally filed and is not fraudulent, the filer may file an action to reinstate the financing statement.

(6) If the court in an action under this section or section 9520(7) determines that the financing statement should be reinstated or accepted, the court shall provide a copy of its order to the secretary of state. On receipt of an order reinstating a financing statement, the secretary of state shall file a record that identifies by its file number the initial financing statement to which the record relates and indicates that the financing statement has been reinstated.

(7) On the filing of a record reinstating a financing statement under subsection (6), the financing statement is effective as a filed record from the initial filing date. If a financing statement that is reinstated would have lapsed during the period of termination, the secured party may file a continuation statement within 30 days after the record reinstating the financing statement is filed. The continuation statement is effective as a filed record from the date the financing statement would have lapsed. However, a financing or continuation statement is not retroactive as provided in this subsection as against a purchaser of the collateral that gives value in reasonable reliance on the absence of the record from the files.

(8) If the court in an action under this section determines that the financing statement is fraudulent, the filer of the financing statement shall pay the costs and expenses incurred by the person identified as a debtor in the financing statement in the action.

(9) An individual who files a materially false or fraudulent affidavit under subsection (1) is guilty of a felony punishable by imprisonment for not more than 5 years or a \$2,500.00 fine, or both.

(10) As used in this section, "regulated financial institution" means a financial institution subject to regulatory oversight or examination by a state or federal agency. Regulated financial institution includes a bank, savings bank, savings association, building and loan association, credit union, consumer finance company, industrial bank, industrial loan company, insurance company, investment company, installment seller, mortgage servicer, sales finance company, or leasing company.

History: Add. 2008, Act 381, Eff. Mar. 29, 2009.

440.9502 Contents of financing statement; record of mortgage as financing statement; time of filing financing statement.

Sec. 9502. (1) Subject to subsection (2), a financing statement is sufficient only if it does all of the following:

- (a) Provides the name of the debtor.
- (b) Provides the name of the secured party or a representative of the secured party.
- (c) Indicates the collateral covered by the financing statement.

(2) Except as otherwise provided in section 9501(2), to be sufficient, a financing statement that covers as-extracted collateral or timber to be cut, or that is filed as a fixture filing and covers goods that are or are to become fixtures, must satisfy subsection (1) and also do all of the following:

- (a) Indicate that it covers this type of collateral.
- (b) Indicate that it is to be recorded in the real property records.
- (c) Provide a description of the real property to which the collateral is related sufficient to give constructive notice of a mortgage under the law of this state if the description were contained in a record of the mortgage of the real property.

(d) If the debtor does not have an interest of record in the real property, provide the name of a record

owner.

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

(a) The record indicates the goods or accounts that it covers.

(b) The goods are or are to become fixtures related to the real property described in the record or the collateral is related to the real property described in the record and is as-extracted collateral or timber to be cut.

(c) The record satisfies the requirements for a financing statement in this section other than an indication that it is to be filed in the real property records.

(d) The record is duly recorded.

(4) A financing statement may be filed before a security agreement is made or a security interest otherwise attaches.

History: 1962, Act 174, Eff. Jan. 1, 1964;—Am. 1978, Act 369, Eff. Jan. 1, 1979;—Am. 2000, Act 348, Eff. July 1, 2001.

440.9503 Name of debtor and secured party.

Sec. 9503. (1) A financing statement sufficiently provides the name of the debtor if it meets all of the following that apply to the debtor:

(a) If the debtor is a registered organization, only if the financing statement provides the name of the debtor indicated on the public record of the debtor's jurisdiction of organization which shows the debtor to have been organized.

(b) If the debtor is a decedent's estate, only if the financing statement provides the name of the decedent and indicates that the debtor is an estate.

(c) If the debtor is a trust or a trustee acting with respect to property held in trust, only if the financing statement does both of the following:

(i) Provides the name specified for the trust in its organic documents or, if no name is specified, provides the name of the settlor and additional information sufficient to distinguish the debtor from other trusts having 1 or more of the same settlors.

(ii) Indicates, in the debtor's name or otherwise, that the debtor is a trust or is a trustee acting with respect to property held in trust.

(d) In other cases, satisfies 1 of the following:

(i) If the debtor has a name, only if it provides the individual or organizational name of the debtor.

(ii) If the debtor does not have a name, only if it provides the names of the partners, members, associates, or other persons comprising the debtor.

(2) A financing statement that provides the name of the debtor in accordance with subsection (1) is not rendered ineffective by the absence of 1 or more of the following:

(a) A trade name or other name of the debtor.

(b) Unless required under subsection (1)(d)(ii), names of partners, members, associates, or other persons comprising the debtor.

(3) A financing statement that provides only the debtor's trade name does not sufficiently provide the name of the debtor.

(4) Failure to indicate the representative capacity of a secured party or representative of a secured party does not affect the sufficiency of a financing statement.

(5) A financing statement may provide the name of more than 1 debtor and the name of more than 1 secured party.

History: 1962, Act 174, Eff. Jan. 1, 1964;—Am. 2000, Act 348, Eff. July 1, 2001.

440.9504 Indication of collateral.

Sec. 9504. A financing statement sufficiently indicates the collateral that it covers if the financing statement provides 1 of the following:

(a) A description of the collateral pursuant to section 9108.

(b) An indication that the financing statement covers all assets or all personal property.

History: 1962, Act 174, Eff. Jan. 1, 1964;—Am. 1978, Act 369, Eff. Jan. 1, 1979;—Am. 2000, Act 348, Eff. July 1, 2001.

440.9505 Filing and compliance with other statutes and treaties for consignments, leases, other bailments, and other transactions.

Sec. 9505. (1) A consignor, lessor, or other bailor of goods, a licensor, or a buyer of a payment intangible or promissory note may file a financing statement, or may comply with a statute or treaty described in section

9311(1), using the terms “consignor”, “consignee”, “lessor”, “lessee”, “bailor”, “bailee”, “licensor”, “licensee”, “owner”, “registered owner”, “buyer”, “seller”, or words of similar import, instead of the terms “secured party” and “debtor”.

(2) This part applies to the filing of a financing statement under subsection (1) and, as appropriate, to compliance that is equivalent to filing a financing statement under section 9311(2), but the filing or compliance is not of itself a factor in determining whether the collateral secures an obligation. If it is determined for another reason that the collateral secures an obligation, a security interest held by the consignor, lessor, bailor, licensor, owner, or buyer which attaches to the collateral is perfected by the filing or compliance.

History: 1962, Act 174, Eff. Jan. 1, 1964;—Am. 1978, Act 369, Eff. Jan. 1, 1979;—Am. 2000, Act 348, Eff. July 1, 2001.

440.9506 Effect of errors or omissions.

Sec. 9506. (1) A financing statement substantially satisfying the requirements of this part is effective, even if it has minor errors or omissions, unless the errors or omissions make the financing statement seriously misleading.

(2) Except as otherwise provided in subsection (3), a financing statement that fails sufficiently to provide the name of the debtor in accordance with section 9503(1) is seriously misleading.

(3) If a search of the records of the filing office under the debtor's correct name, using the filing office's standard search logic, if any, would disclose a financing statement that fails sufficiently to provide the name of the debtor in accordance with section 9503(1), the name provided does not make the financing statement seriously misleading.

(4) For purposes of section 9508(2), the “debtor's correct name” in subsection (3) means the correct name of the new debtor.

History: 1962, Act 174, Eff. Jan. 1, 1964;—Am. 2000, Act 348, Eff. July 1, 2001.

440.9507 Effect of certain events on effectiveness of financing statement.

Sec. 9507. (1) A filed financing statement remains effective with respect to collateral that is sold, exchanged, leased, licensed, or otherwise disposed of and in which a security interest or agricultural lien continues, even if the secured party knows of or consents to the disposition.

(2) Except as otherwise provided in subsection (3) and section 9508, a financing statement is not rendered ineffective if, after the financing statement is filed, the information provided in the financing statement becomes seriously misleading under section 9506.

(3) If a debtor so changes its name that a filed financing statement becomes seriously misleading under section 9506, both of the following apply:

(a) The financing statement is effective to perfect a security interest in collateral acquired by the debtor before, or within 4 months after, the change.

(b) The financing statement is not effective to perfect a security interest in collateral acquired by the debtor more than 4 months after the change, unless an amendment to the financing statement that renders the financing statement not seriously misleading is filed within 4 months after the change.

History: 1962, Act 174, Eff. Jan. 1, 1964;—Am. 2000, Act 348, Eff. July 1, 2001.

440.9508 Effectiveness of financing statement if new debtor becomes bound by security agreement.

Sec. 9508. (1) Except as otherwise provided in this section, a filed financing statement naming an original debtor is effective to perfect a security interest in collateral in which a new debtor has or acquires rights to the extent that the financing statement would have been effective had the original debtor acquired rights in the collateral.

(2) If the difference between the name of the original debtor and that of the new debtor causes a filed financing statement that is effective under subsection (1) to be seriously misleading under section 9506, both of the following apply:

(a) The financing statement is effective to perfect a security interest in collateral acquired by the new debtor before, and within 4 months after, the new debtor becomes bound under section 9203(4).

(b) The financing statement is not effective to perfect a security interest in collateral acquired by the new debtor more than 4 months after the new debtor becomes bound under section 9203(4) unless an initial financing statement providing the name of the new debtor is filed before the expiration of that time.

(3) This section does not apply to collateral as to which a filed financing statement remains effective against the new debtor under section 9507(1).

History: Add. 2000, Act 348, Eff. July 1, 2001.

440.9509 Persons entitled to file a record.

Sec. 9509. (1) A person may file an initial financing statement, amendment that adds collateral covered by a financing statement, or amendment that adds a debtor to a financing statement only if 1 of the following occurs:

(a) The debtor authorizes the filing in an authenticated record or pursuant to subsection (2) or (3).

(b) The person holds an agricultural lien that has become effective at time of filing and the financing statement covers only collateral in which the person holds an agricultural lien.

(2) By authenticating or becoming bound as debtor by a security agreement, a debtor or new debtor authorizes the filing of an initial financing statement, and an amendment, covering both of the following:

(a) The collateral described in the security agreement.

(b) Property that becomes collateral under section 9315(1)(b), whether or not the security agreement expressly covers proceeds.

(3) By acquiring collateral in which a security interest or agricultural lien continues under section 9315(1)(a), a debtor authorizes the filing of an initial financing statement, and an amendment, covering the collateral and property that becomes collateral under section 9315(1)(b).

(4) A person may file an amendment other than an amendment that adds collateral covered by a financing statement or an amendment that adds a debtor to a financing statement only if 1 of the following applies:

(a) The secured party of record authorizes the filing.

(b) The amendment is a termination statement for a financing statement as to which the secured party of record has failed to file or send a termination statement as required by section 9513(1) or (3), the debtor authorizes the filing, and the termination statement indicates that the debtor authorized it to be filed.

(5) If there is more than 1 secured party of record for a financing statement, each secured party of record may authorize the filing of an amendment under subsection (4).

History: Add. 2000, Act 348, Eff. July 1, 2001.

440.9510 Effectiveness of filing record.

Sec. 9510. (1) A filed record is effective only to the extent that it was filed by a person that may file it under section 9509.

(2) A record authorized by 1 secured party of record does not affect the financing statement with respect to another secured party of record.

(3) A continuation statement that is not filed within the 6-month period prescribed by section 9515(4) is ineffective.

History: Add. 2000, Act 348, Eff. July 1, 2001.

440.9511 Secured party of record.

Sec. 9511. (1) A secured party of record with respect to a financing statement is a person whose name is provided as the name of the secured party or a representative of the secured party in an initial financing statement that has been filed. If an initial financing statement is filed under section 9514(1), the assignee named in the initial financing statement is the secured party of record with respect to the financing statement.

(2) If an amendment of a financing statement that provides the name of a person as a secured party or a representative of a secured party is filed, the person named in the amendment is a secured party of record. If an amendment is filed under section 9514(2), the assignee named in the amendment is a secured party of record.

(3) A person remains a secured party of record until the filing of an amendment of the financing statement that deletes the person.

History: Add. 2000, Act 348, Eff. July 1, 2001.

440.9512 Amendment of financing statement.

Sec. 9512. (1) Subject to section 9509, a person may add or delete collateral covered by, continue or terminate the effectiveness of, or, subject to subsection (5), otherwise amend the information provided in, a financing statement by filing an amendment that does both of the following:

(a) Identifies, by its file number, and, if applicable, by liber and page, the initial financing statement to which the amendment relates.

(b) If the amendment relates to an initial financing statement filed or recorded in a filing office described in section 9501(1)(a), provides the date that the initial financing statement was filed or recorded and the information specified in section 9502(2).

(2) Except as otherwise provided in section 9515, the filing of an amendment does not extend the period of effectiveness of the financing statement.

(3) A financing statement that is amended by an amendment that adds collateral is effective as to the added collateral only from the date of the filing of the amendment.

(4) A financing statement that is amended by an amendment that adds a debtor is effective as to the added debtor only from the date of the filing of the amendment.

(5) An amendment is ineffective to the extent 1 or more of the following apply to it:

(a) It purports to delete all debtors and fails to provide the name of a debtor to be covered by the financing statement.

(b) It purports to delete all secured parties of record and fails to provide the name of a new secured party of record.

History: Add. 2000, Act 348, Eff. July 1, 2001.

440.9513 Termination statement.

Sec. 9513. (1) A secured party shall cause the secured party of record for a financing statement to file a termination statement for the financing statement if the financing statement covers consumer goods and 1 or more of the following apply:

(a) There is no obligation secured by the collateral covered by the financing statement and no commitment to make an advance, incur an obligation, or otherwise give value.

(b) The debtor did not authorize the filing of the initial financing statement.

(2) To comply with subsection (1), a secured party shall cause the secured party of record to file the termination statement within 1 of the following periods:

(a) Within 1 month after there is no obligation secured by the collateral covered by the financing statement and no commitment to make an advance, incur an obligation, or otherwise give value.

(b) If earlier, within 20 days after the secured party receives an authenticated demand from a debtor.

(3) In cases not governed by subsection (1), within 20 days after a secured party receives an authenticated demand from a debtor, the secured party shall cause the secured party of record for a financing statement to send to the debtor a termination statement for the financing statement or file the termination statement in the filing office if 1 or more of the following apply:

(a) Except in the case of a financing statement covering accounts or chattel paper that has been sold or goods that are the subject of a consignment, there is no obligation secured by the collateral covered by the financing statement and no commitment to make an advance, incur an obligation, or otherwise give value.

(b) The financing statement covers accounts or chattel paper that has been sold but as to which the account debtor or other person obligated has discharged its obligation.

(c) The financing statement covers goods that were the subject of a consignment to the debtor but are not in the debtor's possession.

(d) The debtor did not authorize the filing of the initial financing statement.

(4) Except as otherwise provided in section 9510, upon the filing of a termination statement with the filing office, the financing statement to which the termination statement relates ceases to be effective. Except as otherwise provided in section 9510, for purposes of sections 9519(7), 9522(1), and 9523(3), the filing with the filing office of a termination statement relating to a financing statement that indicates that the debtor is a transmitting utility also causes the effectiveness of the financing statement to lapse.

History: Add. 2000, Act 348, Eff. July 1, 2001.

440.9514 Assignment of powers of secured party of record.

Sec. 9514. (1) Except as otherwise provided in subsection (3), an initial financing statement may reflect an assignment of all of the secured party's power to authorize an amendment to the financing statement providing the name and mailing address of the assignee as the name and address of the secured party.

(2) Except as otherwise provided in subsection (3), a secured party of record may assign of record all or part of its power to authorize an amendment to a financing statement by filing in the filing office an amendment of the financing statement that does all of the following:

(a) Identifies, by its file number, the initial financing statement to which it relates.

(b) Provides the name of the assignor.

(c) Provides the name and mailing address of the assignee.

(3) An assignment of record of a security interest in a fixture covered by a record of a mortgage which is effective as a financing statement filed as a fixture filing under section 9502(3) may be made only by an assignment of record of the mortgage in the manner provided by law of this state other than this act.

History: Add. 2000, Act 348, Eff. July 1, 2001.

440.9515 Duration and effectiveness of financing statement; effect of lapsed financing

statement; continuation statement; termination.

Sec. 9515. (1) Except as otherwise provided in subsections (2), (5), (6), and (7), a filed financing statement is effective for a period of 5 years after the date of filing.

(2) Except as otherwise provided in subsections (5), (6), and (7), an initial financing statement filed in connection with a manufactured-home transaction is effective for a period of 30 years after the date of filing if it indicates that it is filed in connection with a manufactured-home transaction.

(3) The effectiveness of a filed financing statement lapses on the expiration of the period of its effectiveness unless before the lapse a continuation statement is filed pursuant to subsection (4). Upon lapse, a financing statement ceases to be effective and any security interest or agricultural lien that was perfected by the financing statement becomes unperfected, unless the security interest is perfected otherwise. If the security interest or agricultural lien becomes unperfected upon lapse, it is deemed never to have been perfected as against a purchaser of the collateral for value.

(4) A continuation statement may be filed only within 6 months before the expiration of the 5-year period specified in subsection (1) or the 30-year period specified in subsection (2), whichever is applicable.

(5) Except as otherwise provided in section 9510, upon timely filing of a continuation statement, the effectiveness of the initial financing statement continues for a period of 5 years commencing on the day on which the financing statement would have become ineffective in the absence of the filing. Upon the expiration of the 5-year period, the financing statement lapses in the same manner as provided in subsection (3), unless, before the lapse, another continuation statement is filed pursuant to subsection (4). Succeeding continuation statements may be filed in the same manner to continue the effectiveness of the initial financing statement.

(6) If a debtor is an organization identified as a transmitting utility and a filed initial financing statement so indicates, the financing statement is effective until a termination statement is filed. A financing statement that is filed before the effective date of the amendatory act that added this sentence is effective for a period of 5 years after the date of filing and shall not be continued under this section if the financing statement indicates either of the following:

(a) That the debtor is an individual purporting to be a transmitting utility.

(b) That the debtor is an individual showing his or her name as an organization and purporting to be a transmitting utility.

(7) A record of a mortgage that is effective as a financing statement filed as a fixture filing under section 9502(3) remains effective as a financing statement filed as a fixture filing until the mortgage is released or satisfied of record or its effectiveness otherwise terminates as to the real property.

History: Add. 2000, Act 348, Eff. July 1, 2001;—Am. 2008, Act 383, Eff. Mar. 29, 2009.

440.9516 Filing; requirements; communication of record with tender of filing fee; effectiveness.

Sec. 9516. (1) Except as otherwise provided in subsection (2), communication of a record to a filing office and tender of the filing fee or acceptance of the record by the filing office constitutes filing.

(2) Filing does not occur with respect to a record that a filing office refuses to accept because of 1 or more of the following:

(a) The record is not communicated by a method or medium of communication authorized by the filing office.

(b) An amount equal to or greater than the applicable filing fee is not tendered.

(c) The filing office is unable to index the record because of 1 or more of the following:

(i) In the case of an initial financing statement, the record does not provide a name for the debtor.

(ii) In the case of an amendment or correction statement, the record does not identify the initial financing statement as required by section 9512 or 9518, as applicable, or identifies an initial financing statement whose effectiveness has lapsed under section 9515.

(iii) In the case of an initial financing statement that provides the name of a debtor identified as an individual or an amendment that provides a name of a debtor identified as an individual that was not previously provided in the financing statement to which the record relates, the record does not identify the debtor's last name.

(iv) In the case of a record filed or recorded in the filing office described in section 9501(1)(a), the record does not provide a sufficient description of the real property to which it relates.

(d) In the case of an initial financing statement or an amendment that adds a secured party of record, the record does not provide a name and mailing address for the secured party of record.

(e) In the case of an initial financing statement or an amendment that provides a name of a debtor which was not previously provided in the financing statement to which the amendment relates, the record does not provide or indicate 1 or more of the following:

- (i) Provide a mailing address for the debtor.
- (ii) Indicate whether the debtor is an individual or an organization.
- (iii) If the financing statement indicates that the debtor is an organization, provide 1 or more of the following:
 - (A) A type of organization for the debtor.
 - (B) A jurisdiction of organization for the debtor.
 - (C) An organizational identification number for the debtor or indicate that the debtor has none.
- (f) In the case of an assignment reflected in an initial financing statement under section 9514(1) or an amendment filed under section 9514(2), the record does not provide a name and mailing address for the assignee.
- (g) In the case of a continuation statement, the record is not filed within the 6-month period prescribed by section 9515(4).
- (3) For purposes of subsection (2), both of the following apply:
 - (a) A record does not provide information if the filing office is unable to read or decipher the information.
 - (b) A record that does not indicate that it is an amendment or identify an initial financing statement to which it relates, as required by section 9512, 9514, or 9518, is an initial financing statement.
 - (4) A record that is communicated to the filing office with tender of the filing fee, but which the filing office refuses to accept for a reason other than one set forth in subsection (2) or section 9520(5), is effective as a filed record except as against a purchaser of the collateral which gives value in reasonable reliance upon the absence of the record from the files.

History: Add. 2000, Act 348, Eff. July 1, 2001;—Am. 2008, Act 383, Eff. Mar. 29, 2009.

440.9517 Effect of indexing errors.

Sec. 9517. The failure of the filing office to index a record correctly does not affect the effectiveness of the filed record.

History: Add. 2000, Act 348, Eff. July 1, 2001.

440.9518 Claim concerning inaccurate or wrongfully filed record.

Sec. 9518. (1) A person may file in the filing office a correction statement with respect to a record indexed there under the person's name if the person believes that the record is inaccurate or was wrongfully filed.

- (2) A correction statement must do all of the following:
 - (a) Identify the record to which it relates by both of the following:
 - (i) The file number assigned to the initial financing statement to which the record relates.
 - (ii) If the correction statement relates to a record filed or recorded in a filing office described in section 9501(1)(a), the date that the initial financing statement was filed or recorded and the information specified in section 9502(2).
 - (b) Indicate that it is a correction statement.
 - (c) Provide the basis for the person's belief that the record is inaccurate and indicate the manner in which the person believes the record should be amended to cure any inaccuracy or provide the basis for the person's belief that the record was wrongfully filed.
- (3) The filing of a correction statement does not affect the effectiveness of an initial financing statement or other filed record.

History: Add. 2000, Act 348, Eff. July 1, 2001.

SUBPART 2.

DUTIES AND OPERATION OF FILING OFFICE

440.9519 Numbering, maintaining, and indexing records; communicating information provided in records.

- Sec. 9519. (1) For each record filed in a filing office, the filing office shall do all of the following:
- (a) Assign a unique number to the filed record.
 - (b) Create a record that bears the number assigned to the filed record and the date and time of filing.
 - (c) Maintain the filed record for public inspection.
 - (d) Index the filed record in accordance with subsections (3), (4), and (5).
- (2) A file number assigned after January 1, 2002 must include a digit that is mathematically derived from or related to the other digits of the file number, and aids the filing office in determining whether a number communicated as the file number includes a single-digit or transpositional error.
- (3) Except as otherwise provided in subsections (4) and (5), the filing office shall do both of the following:

(a) Index an initial financing statement according to the name of the debtor and index all filed records relating to the initial financing statement in a manner that associates with one another an initial financing statement and all filed records relating to the initial financing statement.

(b) Index a record that provides a name of a debtor that was not previously provided in the financing statement to which the record relates also according to the name that was not previously provided.

(4) If a financing statement is filed as a fixture filing or covers as-extracted collateral or timber to be cut, it must be filed for record and the filing office shall index it under both of the following:

(a) Under the names of the debtor and of each owner of record shown on the financing statement as if they were the mortgagors under a mortgage of the real property described.

(b) To the extent that the law of this state provides for indexing of records of mortgages under the name of the mortgagee, under the name of the secured party as if the secured party were the mortgagee thereunder, or, if indexing is by description, as if the financing statement were a record of a mortgage of the real property described.

(5) If a financing statement is filed as a fixture filing or covers as-extracted collateral or timber to be cut, the filing office shall index an assignment filed under section 9514(1) or an amendment filed under section 9514(2) under both of the following:

(a) Under the name of the assignor as grantor.

(b) To the extent that the law of this state provides for indexing a record of the assignment of a mortgage under the name of the assignee, under the name of the assignee.

(6) The filing office shall maintain a capability to do both of the following:

(a) To retrieve a record by the name of the debtor and by 1 of the following:

(i) If the filing office is described in section 9501(1)(a), by the file number assigned to the initial financing statement to which the record relates and the date that the record was filed or recorded.

(ii) If the filing office is described in section 9501(1)(b), by the file number assigned to the initial financing statement to which the record relates.

(b) To associate and retrieve with one another an initial financing statement and each filed record relating to the initial financing statement.

(7) The filing office shall not remove a debtor's name from the index until 1 year after the effectiveness of a financing statement naming the debtor lapses under section 9515 with respect to all secured parties of record.

(8) The filing office shall perform the acts required by subsections (1) through (5) at the time and in the manner prescribed by filing-office rule, but not later than 2 business days after the filing office receives the record in question.

(9) Subsections (2) and (8) do not apply to a filing office described in section 9501(1)(a).

History: Add. 2000, Act 348, Eff. July 1, 2001.

440.9520 Acceptance and refusal to accept record; wrongful filing; action to require secretary of state to accept record; personal liability; filing by regulated financial institution.

Sec. 9520. (1) A filing office shall refuse to accept a record for filing for a reason set forth in section 9516(2) or, if the filing office is the secretary of state, subsection (5) and may refuse to accept a record for filing only for a reason set forth in section 9516(2) or, if the filing office is the secretary of state, subsection (5).

(2) If a filing office refuses to accept a record for filing, it shall communicate to the person that presented the record the fact of and reason for the refusal and the date and time the record would have been filed had the filing office accepted it. The communication must be made at the time and in the manner prescribed by filing-office rule but, in the case of a filing office described in section 9501(1)(b), in no event more than 2 business days after the filing office receives the record.

(3) A filed financing statement satisfying section 9502(1) and (2) is effective, even if the filing office is required to refuse to accept it for filing under subsection (1). However, section 9338 applies to a filed financing statement providing information described in section 9516(2)(e) that is incorrect at the time the financing statement is filed.

(4) If a record communicated to a filing office provides information that relates to more than 1 debtor, this part applies as to each debtor separately.

(5) Notwithstanding any other provision of this act, if a person presents a record to the secretary of state for filing or recording, the secretary of state may refuse to accept the record for filing or recording if 1 or more of the following circumstances exist:

(a) The record is not required or authorized to be filed or recorded with the secretary of state.

(b) The record is being filed or recorded for a purpose outside the scope of this article.

(c) The secretary of state has reasonable cause to believe the record is materially false or fraudulent.

(d) The record asserts a claim against a current or former employee or officer of a federal, state, county, or other local governmental unit that relates to the performance of the officer's or employee's public duties, and for which the filer does not hold a properly executed security agreement or judgment from a court of competent jurisdiction.

(e) The record indicates that the debtor and the secured party are substantially the same or that an individual debtor is a transmitting utility.

(6) If a correction statement filed with the secretary of state under section 9518 alleges that a previously filed record was wrongfully filed, the secretary of state shall, without undue delay, determine whether the contested record was wrongfully filed. To determine whether the record was wrongfully filed, the secretary of state may require the person who filed the correction statement or the secured party to provide any additional relevant information requested by the secretary of state, including an original or copy of a security agreement that is related to the record. If the secretary of state finds that the record was wrongfully filed, the secretary of state shall terminate the record and the record is void and ineffective. The secretary of state shall notify the secured party named in the contested record of the termination.

(7) If the secretary of state refuses to accept a record for filing or recording pursuant to subsection (5), the person who presented the record to the secretary of state may commence an action under section 9501a to require the secretary of state to accept the record for filing or recording. A record ordered by the court to be accepted is effective as a filed record from the initial filing date except as against a purchaser of the collateral which gives value in reasonable reliance on the absence of the record from the files.

(8) A filing officer who, acting in a manner that does not subject the filing officer to personal liability under the statutes of this state, improperly refuses to accept a record for filing or recording under subsection (5) is not personally liable for the improper refusal or determination.

(9) Subsection (5) does not apply to a financing statement filed by a regulated financial institution or a representative of a regulated financial institution. If a regulated financial institution that is attempting to file a financing statement is organized under the law of a governmental unit other than this state, the secretary of state may request the regulated financial institution or its representative to provide verification of regulation or licensure in the jurisdiction under whose law the institution is organized. As used in this subsection, "regulated financial institution" means that term as defined in section 9501a.

History: Add. 2000, Act 348, Eff. July 1, 2001;—Am. 2008, Act 383, Eff. Mar. 29, 2009.

440.9521 Uniform form of written initial financing statement and amendment.

Sec. 9521. (1) A filing office that accepts written records for filing shall not refuse to accept a written initial financing statement that conforms to the current format prescribed by the national conference of commissioners on uniform state laws, except for a reason set forth in section 9516(2) or 9520(5).

(2) A filing office that accepts written records for filing shall not refuse to accept a written financing statement amendment on a form that conforms to the current format prescribed by the national conference of commissioners on uniform state laws, except for a reason set forth in section 9516(2) or 9520(5).

History: Add. 2000, Act 348, Eff. July 1, 2001;—Am. 2008, Act 383, Eff. Mar. 29, 2009.

440.9522 Maintenance and destruction of records.

Sec. 9522. (1) The filing office shall maintain a record of the information provided in a filed financing statement for at least 1 year after the effectiveness of the financing statement has lapsed under section 9515 with respect to all secured parties of record. The record must be retrievable by using the name of the debtor and 1 of the following:

(a) If the record was filed or recorded in the filing office described in section 9501(1)(a), by using the file number assigned to the initial financing statement to which the record relates and the date that the record was filed or recorded.

(b) If record was filed in the filing office described in section 9501(1)(b), by using the file number assigned to the initial financing statement to which the record relates.

(2) Except to the extent that a statute governing disposition of public records provides otherwise, the filing office immediately may destroy any written record evidencing a financing statement. However, if the filing office destroys a written record, it shall maintain another record of the financing statement that complies with subsection (1).

History: Add. 2000, Act 348, Eff. July 1, 2001.

440.9523 Information from filing office; sale or license of records.

Sec. 9523. (1) If a person that files a written record requests an acknowledgment of the filing, the filing office shall send to the person an image of the record showing the number assigned to the record pursuant to section 9519(1)(a) and the date and time of the filing of the record. However, if the person furnishes a copy of the record to the filing office, the filing office may instead do both of the following:

(a) Note upon the copy the number assigned to the record pursuant to section 9519(1)(a) and the date and time of the filing of the record.

(b) Send the copy to the person.

(2) If a person files a record other than a written record, the filing office shall communicate to the person an acknowledgment that provides all of the following:

(a) The information in the record.

(b) The number assigned to the record pursuant to section 9519(1)(a).

(c) The date and time of the filing of the record.

(3) The filing office shall communicate or otherwise make available in a record 1 or more of the following information to any person that requests it:

(a) Whether there is on file on a date and time specified by the filing office, but not a date earlier than 3 business days before the filing office receives the request, any financing statement that meets all of the following:

(i) Designates a particular debtor or, if the request so states, designates a particular debtor at the address specified in the request.

(ii) Has not lapsed under section 9515 with respect to all secured parties of record.

(iii) If the request so states, has lapsed under section 9515 and a record of which is maintained by the filing office under section 9522(1).

(b) The date and time of filing of each financing statement.

(c) The information provided in each financing statement.

(4) In complying with its duty under subsection (3), the filing office may communicate information in any medium. However, if requested, the filing office shall communicate information by issuing its written certificate or another record that can be admitted into evidence in the courts of this state without extrinsic evidence of its authenticity.

(5) The filing office shall perform the acts required by subsections (1) through (4) at the time and in the manner prescribed by filing-office rule, but, in the case of a filing office described in section 9501(1)(b), not later than 2 business days after the filing office receives the request.

(6) At least weekly, at the per record rate under section 9525, the filing office shall offer to sell or license to the public on a nonexclusive basis, in bulk, copies of all records filed in it under this part, in every medium from time to time available to the filing office.

History: Add. 2000, Act 348, Eff. July 1, 2001.

440.9524 Delay by filing office.

Sec. 9524. Delay by the filing office beyond a time limit prescribed by this part is excused if both of the following apply:

(a) The delay is caused by interruption of communication or computer facilities, war, emergency conditions, failure of equipment, or other circumstances beyond control of the filing office.

(b) The filing office exercises reasonable diligence under the circumstances.

History: Add. 2000, Act 348, Eff. July 1, 2001.

440.9525 Fees.

Sec. 9525. (1) Except as otherwise provided in subsection (3) or (4), the fee for filing and indexing a record under this part is \$15.00.

(2) A filing office shall charge a person a fee for responding to a request for a search of the records filed with a filing office concerning a debtor, including issuance of a certificate describing each presently effective record filed concerning the debtor if requested. The fee is \$6.00, plus 1 or more of the following, if applicable:

(a) If the person requests expediting of the regular search process, an additional fee of \$25.00.

(b) If the person requests copies of the presently effective records disclosed by the search, an additional fee of \$2.00 per page.

(c) If the filing office is the secretary of state and the person requests that the secretary of state include an impression of the official seal of the secretary of state on the certificate, an additional fee of \$6.00.

(3) This section does not require a fee with respect to a record of a mortgage that is effective as a financing statement filed as a fixture filing or as a financing statement covering as-extracted collateral or timber to be

cut under section 9502(3). However, the recording and satisfaction fees that otherwise would be applicable to the record of the mortgage apply.

(4) There is no fee for filing and indexing a correction statement filed with the office of the secretary of state under section 9518, filed by an individual named as a debtor on a record indexed by the secretary of state.

History: Add. 2000, Act 348, Eff. July 1, 2001;—Am. 2004, Act 212, Eff. Jan. 1, 2005.

440.9526 Filing-office rules.

Sec. 9526. (1) The secretary of state shall adopt and publish rules to implement this article. The filing-office rules must be consistent with this article and adopted and published in accordance with the administrative procedures act of 1969, 1969 PA 306, MCL 24.201 to 24.328.

(2) To keep the filing-office rules and practices of the filing office in harmony with the rules and practices of filing offices in other jurisdictions that enact substantially this part, and to keep the technology used by the filing office compatible with the technology used by filing offices in other jurisdictions that enact substantially this part, the secretary of state, so far as is consistent with the purposes, policies, and provisions of this article, in adopting, amending, and repealing filing-office rules, shall do all of the following:

(a) Consult with filing offices in other jurisdictions that enact substantially this part.

(b) Consult the most recent version of the model rules promulgated by the international association of corporate administrators or any successor organization.

(c) Take into consideration the rules and practices of, and the technology used by, filing offices in other jurisdictions that enact substantially this part.

History: Add. 2000, Act 348, Eff. July 1, 2001.

Administrative rules: R 440.101 et seq. of the Michigan Administrative Code.

440.9527 Repealed. 2008, Act 383, Eff. Mar. 29, 2009.

Compiler's note: The repealed section pertained to submission of report by secretary of state on the operation of the filing office.

PART 6

DEFAULT

SUBPART 1.

DEFAULT AND ENFORCEMENT OF SECURITY INTEREST

440.9601 Rights after default; judicial enforcement; consignor or buyer of accounts, chattel paper, payment intangibles, or promissory notes.

Sec. 9601. (1) After default, a secured party has the rights provided in this part and, except as otherwise provided in section 9602, those provided by agreement of the parties. A secured party may do 1 or more of the following:

(a) May reduce a claim to judgment, foreclose, or otherwise enforce the claim, security interest, or agricultural lien by any available judicial procedure.

(b) If the collateral is documents, may proceed either as to the documents or as to the goods they cover.

(2) A secured party in possession of collateral or control of collateral under section 9104, 9105, 9106, or 9107 has the rights and duties provided in section 9207.

(3) The rights under subsections (1) and (2) are cumulative and may be exercised simultaneously.

(4) Except as otherwise provided in subsection (7) and section 9605, after default, a debtor and an obligor have the rights provided in this part and by agreement of the parties.

(5) If a secured party has reduced its claim to judgment, the lien of any levy that may be made upon the collateral by virtue of an execution based upon the judgment relates back to the earliest of the following:

(a) The date of perfection of the security interest or agricultural lien in the collateral.

(b) The date of filing a financing statement covering the collateral.

(c) Any date specified in a statute under which the agricultural lien was created.

(6) A sale pursuant to an execution is a foreclosure of the security interest or agricultural lien by judicial procedure within the meaning of this section. A secured party may purchase at the sale and thereafter hold the collateral free of any other requirements of this article.

(7) Except as otherwise provided in section 9607(3), this part imposes no duties upon a secured party that is a consignor or is a buyer of accounts, chattel paper, payment intangibles, or promissory notes.

History: Add. 2000, Act 348, Eff. July 1, 2001.

440.9602 Waiver and variance of rights and duties.

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Sec. 9602. Except as otherwise provided in section 9624, to the extent that they give rights to a debtor or obligor and impose duties on a secured party, the debtor or obligor may not waive or vary the rules stated in the following listed sections:

- (a) Section 9207(2)(d)(iii), which deals with use and operation of the collateral by the secured party.
- (b) Section 9210, which deals with requests for an accounting and requests concerning a list of collateral and statement of account.
- (c) Section 9607(3), which deals with collection and enforcement of collateral.
- (d) Sections 9608(1) and 9615(3) to the extent that they deal with application or payment of noncash proceeds of collection, enforcement, or disposition.
- (e) Sections 9608(1) and 9615(4) to the extent that they require accounting for or payment of surplus proceeds of collateral.
- (f) Section 9609 to the extent that it imposes upon a secured party that takes possession of collateral without judicial process the duty to do so without breach of the peace.
- (g) Sections 9610(2), 9611, 9613, and 9614, which deal with disposition of collateral.
- (h) Section 9615(6), which deals with calculation of a deficiency or surplus when a disposition is made to the secured party, a person related to the secured party, or a secondary obligor.
- (i) Section 9616, which deals with explanation of the calculation of a surplus or deficiency.
- (j) Sections 9620, 9621, and 9622, which deal with acceptance of collateral in satisfaction of obligation.
- (k) Section 9623, which deals with redemption of collateral.
- (l) Section 9624, which deals with permissible waivers.
- (m) Sections 9625 and 9626, which deal with the secured party's liability for failure to comply with this article.

History: Add. 2000, Act 348, Eff. July 1, 2001.

440.9603 Agreement on standards concerning rights and duties.

Sec. 9603. (1) The parties may determine by agreement the standards measuring the fulfillment of the rights of a debtor or obligor and the duties of a secured party under a rule stated in section 9602 if the standards are not manifestly unreasonable.

(2) Subsection (1) does not apply to the duty under section 9609 to refrain from breaching the peace.

History: Add. 2000, Act 348, Eff. July 1, 2001.

440.9604 Procedure if security agreement covers real property or fixtures.

Sec. 9604. (1) If a security agreement covers both personal and real property, a secured party may do either of the following:

(a) Proceed under this part as to the personal property without prejudicing any rights with respect to the real property.

(b) Proceed as to both the personal property and the real property in accordance with the rights with respect to the real property, in which case the other provisions of this part do not apply.

(2) Subject to subsection (3), if a security agreement covers goods that are or become fixtures, a secured party may do either of the following:

(a) Proceed under this part.

(b) Proceed in accordance with the rights with respect to real property, in which case the other provisions of this part do not apply.

(3) Subject to the other provisions of this part, if a secured party holding a security interest in fixtures has priority over all owners and encumbrancers of the real property, the secured party, after default, may remove the collateral from the real property.

(4) A secured party that removes collateral shall promptly reimburse any encumbrancer or owner of the real property, other than the debtor, for the cost of repair of any physical injury caused by the removal. The secured party need not reimburse the encumbrancer or owner for any diminution in value of the real property caused by the absence of the goods removed or by any necessity of replacing them. A person entitled to reimbursement may refuse permission to remove until the secured party gives adequate assurance for the performance of the obligation to reimburse.

History: Add. 2000, Act 348, Eff. July 1, 2001.

440.9605 Unknown debtor or secondary obligor.

Sec. 9605. A secured party does not owe a duty based on its status as secured party to either of the following:

(a) To a person that is a debtor or obligor, unless the secured party knows all of the following:

- (i) That the person is a debtor or obligor.
- (ii) The identity of the person.
- (iii) How to communicate with the person.

(b) To a secured party or lienholder that has filed a financing statement against a person, unless the secured party knows both of the following:

- (i) That the person is a debtor.
- (ii) The identity of the person.

History: Add. 2000, Act 348, Eff. July 1, 2001.

440.9606 Time of default for agricultural lien.

Sec. 9606. For purposes of this part, a default occurs in connection with an agricultural lien at the time the secured party becomes entitled to enforce the lien in accordance with the statute under which it was created.

History: Add. 2000, Act 348, Eff. July 1, 2001.

440.9607 Collection and enforcement by secured party.

Sec. 9607. (1) If so agreed, and in any event after default, a secured party may do 1 or more of the following:

(a) Notify an account debtor or other person obligated on collateral to make payment or otherwise render performance to or for the benefit of the secured party.

(b) Take any proceeds to which the secured party is entitled under section 9315.

(c) Enforce the obligations of an account debtor or other person obligated on collateral and exercise the rights of the debtor with respect to the obligation of the account debtor or other person obligated on collateral to make payment or otherwise render performance to the debtor, and with respect to any property that secures the obligations of the account debtor or other person obligated on the collateral.

(d) If it holds a security interest in a deposit account perfected by control under section 9104(1)(a), apply the balance of the deposit account to the obligation secured by the deposit account.

(e) If it holds a security interest in a deposit account perfected by control under section 9104(1)(b) or (c), instruct the bank to pay the balance of the deposit account to or for the benefit of the secured party.

(2) If necessary to enable a secured party to exercise under subsection (1)(c) the right of a debtor to enforce a mortgage nonjudicially, the secured party may record both of the following in the office in which a record of the mortgage is recorded:

(a) A copy of the security agreement that creates or provides for a security interest in the obligation secured by the mortgage.

(b) The secured party's sworn affidavit in recordable form stating that a default has occurred and the secured party is entitled to enforce the mortgage nonjudicially.

(3) A secured party shall proceed in a commercially reasonable manner if the secured party meets both of the following:

(a) Undertakes to collect from or enforce an obligation of an account debtor or other person obligated on collateral.

(b) Is entitled to charge back uncollected collateral or otherwise to full or limited recourse against the debtor or a secondary obligor.

(4) A secured party may deduct from the collections made pursuant to subsection (3) reasonable expenses of collection and enforcement, including reasonable attorney fees and legal expenses incurred by the secured party.

(5) This section does not determine whether an account debtor, bank, or other person obligated on collateral owes a duty to a secured party.

History: Add. 2000, Act 348, Eff. July 1, 2001.

440.9608 Application of proceeds of collection or enforcement; liability for deficiency and right to surplus.

Sec. 9608. (1) If a security interest or agricultural lien secures payment or performance of an obligation, the following rules apply:

(a) A secured party shall apply or pay over for application the cash proceeds of collection or enforcement under section 9607 in the following order to:

(i) The reasonable expenses of collection and enforcement and, to the extent provided for by agreement and not prohibited by law, reasonable attorney fees and legal expenses incurred by the secured party.

(ii) The satisfaction of obligations secured by the security interest or agricultural lien under which the collection or enforcement is made.

(iii) The satisfaction of obligations secured by any subordinate security interest in or other lien on the collateral subject to the security interest or agricultural lien under which the collection or enforcement is made if the secured party receives an authenticated demand for proceeds before distribution of the proceeds is completed.

(b) If requested by a secured party, a holder of a subordinate security interest or other lien shall furnish reasonable proof of the interest or lien within a reasonable time. Unless the holder complies, the secured party need not comply with the holder's demand under subdivision (a)(iii).

(c) A secured party need not apply or pay over for application noncash proceeds of collection and enforcement under section 9607 unless the failure to do so would be commercially unreasonable. A secured party that applies or pays over for application noncash proceeds shall do so in a commercially reasonable manner.

(d) A secured party shall account to and pay a debtor for any surplus, and the obligor is liable for any deficiency.

(2) If the underlying transaction is a sale of accounts, chattel paper, payment intangibles, or promissory notes, the debtor is not entitled to any surplus, and the obligor is not liable for any deficiency.

History: Add. 2000, Act 348, Eff. July 1, 2001.

440.9609 Secured party's right to take possession after default.

Sec. 9609. (1) After default, a secured party may do 1 or more of the following:

(a) Take possession of the collateral.

(b) Without removal, render equipment unusable and dispose of collateral on a debtor's premises under section 9610.

(2) A secured party may proceed under subsection (1) either pursuant to judicial process, or without judicial process if it proceeds without breach of the peace.

(3) If so agreed, and in any event after default, a secured party may require the debtor to assemble the collateral and make it available to the secured party at a place to be designated by the secured party that is reasonably convenient to both parties.

History: Add. 2000, Act 348, Eff. July 1, 2001.

440.9610 Disposition of collateral after default.

Sec. 9610. (1) After default, a secured party may sell, lease, license, or otherwise dispose of any or all of the collateral in its present condition or following any commercially reasonable preparation or processing.

(2) Every aspect of a disposition of collateral, including the method, manner, time, place, and other terms, must be commercially reasonable. If commercially reasonable, a secured party may dispose of collateral by public or private proceedings, by 1 or more contracts, as a unit or in parcels, and at any time and place and on any terms.

(3) A secured party may purchase collateral either at a public disposition, or at a private disposition only if the collateral is of a kind that is customarily sold on a recognized market or the subject of widely distributed standard price quotations.

(4) A contract for sale, lease, license, or other disposition includes the warranties relating to title, possession, quiet enjoyment, and the like which by operation of law accompany a voluntary disposition of property of the kind subject to the contract.

(5) A secured party may disclaim or modify warranties under subsection (4) either in a manner that would be effective to disclaim or modify the warranties in a voluntary disposition of property of the kind subject to the contract of disposition, or by communicating to the purchaser a record evidencing the contract for disposition and including an express disclaimer or modification of the warranties.

(6) A record is sufficient to disclaim warranties under subsection (5) if it indicates "There is no warranty relating to title, possession, quiet enjoyment, or the like in this disposition" or uses words of similar import.

History: Add. 2000, Act 348, Eff. July 1, 2001.

440.9611 Notification before disposition of collateral.

Sec. 9611. (1) As used in this section, "notification date" means the earlier of the date on which 1 of the following occurs:

(a) A secured party sends to the debtor and any secondary obligor an authenticated notification of disposition.

(b) The debtor and any secondary obligor waive the right to notification.

(2) Except as otherwise provided in subsection (4), a secured party that disposes of collateral under section 9610 shall send to the persons specified in subsection (3) a reasonable authenticated notification of

disposition.

(3) To comply with subsection (2), the secured party shall send an authenticated notification of disposition to all of the following:

(a) The debtor.

(b) Any secondary obligor.

(c) If the collateral is other than consumer goods, all of the following, as applicable:

(i) Any other person from which the secured party has received, before the notification date, an authenticated notification of a claim of an interest in the collateral.

(ii) Any other secured party or lienholder that, 10 days before the notification date, held a security interest in or other lien on the collateral perfected by the filing of a financing statement that identified the collateral, was indexed under the debtor's name as of that date, and was filed in the office in which to file a financing statement against the debtor covering the collateral as of that date.

(iii) Any other secured party that, 10 days before the notification date, held a security interest in the collateral perfected by compliance with a statute, regulation, or treaty described in section 9311(1).

(4) Subsection (2) does not apply if the collateral is perishable or threatens to decline speedily in value or is of a type customarily sold on a recognized market.

(5) A secured party complies with the requirement for notification prescribed by subsection (3)(c)(ii) if the secured party does both of the following:

(a) Not later than 20 days or earlier than 30 days before the notification date, the secured party requests, in a commercially reasonable manner, information concerning financing statements indexed under the debtor's name in the office indicated in subsection (3)(c)(ii).

(b) Before the notification date, 1 of the following applies:

(i) The secured party did not receive a response to the request for information.

(ii) The secured party received a response to the request for information and sent an authenticated notification of disposition to each secured party or other lienholder named in that response whose financing statement covered the collateral.

History: Add. 2000, Act 348, Eff. July 1, 2001.

440.9612 Timeliness of notification before disposition of collateral.

Sec. 9612. (1) Except as otherwise provided in subsection (2), whether a notification is sent within a reasonable time is a question of fact.

(2) In a transaction other than a consumer transaction, a notification of disposition sent after default and 10 days or more before the earliest time of disposition set forth in the notification is sent within a reasonable time before the disposition.

History: Add. 2000, Act 348, Eff. July 1, 2001.

440.9613 Contents and form of notification before disposition of collateral; generally.

Sec. 9613. Except in a consumer-goods transaction, the following rules apply:

(a) The contents of a notification of disposition are sufficient if the notification does all of the following:

(i) Describes the debtor and the secured party.

(ii) Describes the collateral that is the subject of the intended disposition.

(iii) States the method of intended disposition.

(iv) States that the debtor is entitled to an accounting of the unpaid indebtedness and states the charge, if any, for an accounting.

(v) States the time and place of a public disposition or the time after which any other disposition is to be made.

(b) Whether the contents of a notification that lacks any of the information specified in subdivision (a) are nevertheless sufficient is a question of fact.

(c) The contents of a notification providing substantially the information specified in subdivision (a) are sufficient, even if the notification includes information not specified by that paragraph or minor errors that are not seriously misleading.

(d) A particular phrasing of the notification is not required.

(e) The following form of notification and the form appearing in section 9614(c), when completed, each provides sufficient information:

NOTIFICATION OF DISPOSITION OF COLLATERAL

To: [Name of debtor, obligor, or other person to which the notification is sent]

From: [Name, address, and telephone number of secured party]

Name of Debtor(s): [Include only if debtor(s) are not an addressee]

[For a public disposition:]

We will sell [or lease or license, as applicable] the [describe collateral] [to the highest qualified bidder] in public as follows:

Day and Date: _____

Time: _____

Place: _____

[For a private disposition:]

We will sell [or lease or license, as applicable] the [describe collateral] privately sometime after [day and date].

You are entitled to an accounting of the unpaid indebtedness secured by the property that we intend to sell [or lease or license, as applicable] [for a charge of \$ _____]. You may request an accounting by calling us at [telephone number].

[End of Form]

History: Add. 2000, Act 348, Eff. July 1, 2001.

440.9614 Contents and form of notification before disposition of collateral; consumer-goods transaction.

Sec. 9614. In a consumer-goods transaction, the following rules apply:

(a) A notification of disposition must provide all of the following information:

(i) The information specified in section 9613(a).

(ii) A description of any liability for a deficiency of the person to which the notification is sent.

(iii) A telephone number from which the amount that must be paid to the secured party to redeem the collateral under section 9623 is available.

(iv) A telephone number or mailing address from which additional information concerning the disposition and the obligation secured is available.

(b) A particular phrasing of the notification is not required.

(c) The following form of notification, when completed, provides sufficient information:

[Name and address of secured party]

[Date]

NOTICE OF OUR PLAN TO SELL PROPERTY

[Name and address of any obligor who is also a debtor]

Subject: [Identification of Transaction]

We have your [describe collateral], because you broke promises in our agreement.

[For a public disposition:]

We will sell [describe collateral] at public sale. A sale could include a lease or license. The sale will be held as follows:

Date: _____

Time: _____

Place: _____

You may attend the sale and bring bidders if you want.

[For a private disposition:]

We will sell [describe collateral] at private sale sometime after [date]. A sale could include a lease or license.

The money that we get from the sale (after paying our costs) will reduce the amount you owe. If we get less money than you owe, you [will or will not, as applicable] still owe us the difference. If we get more money than you owe, you will get the extra money, unless we must pay it to someone else.

You can get the property back at any time before we sell it by paying us the full amount you owe (not just the past due payments), including our expenses. To learn the exact amount you must pay, call us at [telephone number].

If you want us to explain to you in writing how we have figured the amount that you owe us, you may call us at

[telephone number] [or write us at [secured party's address]]
and request a written explanation. [We will charge you
\$_____ for the explanation if we sent you another written
explanation of the amount you owe us within the last 6 months.]

If you need more information about the sale, call us at
[telephone number] [or write us at [secured party's address]].

We are sending this notice to the following other people
who have an interest in [describe collateral] or who owe money
under your agreement: [Names of all other debtors and obligors,
if any].

[End of Form]

(d) A notification in the form of subdivision (c) is sufficient, even if additional information appears at the end of the form.

(e) A notification in the form of subdivision (c) is sufficient, even if it includes errors in information not required by subdivision (a), unless the error is misleading with respect to rights arising under this article.

(f) If a notification under this section is not in the form of subdivision (c), law other than this article determines the effect of including information not required by subdivision (a).

History: Add. 2000, Act 348, Eff. July 1, 2001.

440.9615 Application of proceeds of disposition; liability for deficiency and right to surplus.

Sec. 9615. (1) A secured party shall apply or pay over for application the cash proceeds of disposition under section 9610 in the following order:

(a) To the reasonable expenses of retaking, holding, preparing for disposition, processing, and disposing, and, to the extent provided for by agreement and not prohibited by law, reasonable attorney fees and legal expenses incurred by the secured party.

(b) To the satisfaction of obligations secured by the security interest or agricultural lien under which the disposition is made.

(c) To the satisfaction of obligations secured by any subordinate security interest in or other subordinate lien on the collateral if both of the following, if applicable, are met:

(i) The secured party receives from the holder of the subordinate security interest or other lien an authenticated demand for proceeds before distribution of the proceeds is completed.

(ii) In a case in which a consignor has an interest in the collateral, the subordinate security interest or other lien is senior to the interest of the consignor.

(d) To a secured party that is a consignor of the collateral if the secured party receives from the consignor an authenticated demand for proceeds before distribution of the proceeds is completed.

(2) If requested by a secured party, a holder of a subordinate security interest or other lien shall furnish reasonable proof of the interest or lien within a reasonable time. Unless the holder does so, the secured party need not comply with the holder's demand under subsection (1)(c).

(3) A secured party need not apply or pay over for application noncash proceeds of disposition under section 9610 unless the failure to do so would be commercially unreasonable. A secured party that applies or pays over for application noncash proceeds shall do so in a commercially reasonable manner.

(4) If the security interest under which a disposition is made secures payment or performance of an obligation, after making the payments and applications required by subsection (1) and permitted by subsection (3), both of the following apply:

(a) Unless subsection (1)(d) requires the secured party to apply or pay over cash proceeds to a consignor, the secured party shall account to and pay a debtor for any surplus.

(b) The obligor is liable for any deficiency.

(5) If the underlying transaction is a sale of accounts, chattel paper, payment intangibles, or promissory notes, the debtor is not entitled to any surplus, and the obligor is not liable for any deficiency.

(6) The surplus or deficiency following a disposition is calculated based on the amount of proceeds that would have been realized in a disposition complying with this part to a transferee other than the secured party, a person related to the secured party, or a secondary obligor if both of the following apply:

(a) The transferee in the disposition is the secured party, a person related to the secured party, or a secondary obligor.

(b) The amount of proceeds of the disposition is significantly below the range of proceeds that a complying disposition to a person other than the secured party, a person related to the secured party, or a secondary obligor would have brought.

(7) All of the following apply to a secured party that receives cash proceeds of a disposition in good faith

and without knowledge that the receipt violates the rights of the holder of a security interest or other lien that is not subordinate to the security interest or agricultural lien under which the disposition is made:

- (a) The secured party takes the cash proceeds free of the security interest or other lien.
- (b) The secured party is not obligated to apply the proceeds of the disposition to the satisfaction of obligations secured by the security interest or other lien.
- (c) The secured party is not obligated to account to or pay the holder of the security interest or other lien for any surplus.

History: Add. 2000, Act 348, Eff. July 1, 2001.

440.9616 Explanation of calculation of surplus or deficiency.

Sec. 9616. (1) As used in this section:

- (a) "Explanation" means a writing that does all of the following:
 - (i) States the amount of the surplus or deficiency.
 - (ii) Provides an explanation in accordance with subsection (3) of how the secured party calculated the surplus or deficiency.
 - (iii) States, if applicable, that future debits, credits, charges, including additional credit service charges or interest, rebates, and expenses may affect the amount of the surplus or deficiency.
 - (iv) Provides a telephone number or mailing address from which additional information concerning the transaction is available.
- (b) "Request" means a record that meets all of the following:
 - (i) Authenticated by a debtor or consumer obligor.
 - (ii) Requesting that the recipient provide an explanation.
 - (iii) Sent after disposition of the collateral under section 9610.
- (2) In a consumer-goods transaction in which the debtor is entitled to a surplus or a consumer obligor is liable for a deficiency under section 9615, the secured party shall do 1 or both of the following:
 - (a) Send an explanation to the debtor or consumer obligor, as applicable, after the disposition and in accordance with both of the following:
 - (i) Sent before or when the secured party accounts to the debtor and pays any surplus or first makes written demand on the consumer obligor after the disposition for payment of the deficiency.
 - (ii) Sent within 14 days after receipt of a request.
 - (b) In the case of a consumer obligor who is liable for a deficiency, within 14 days after receipt of a request, send to the consumer obligor a record waiving the secured party's right to a deficiency.
- (3) To comply with subsection (1)(a)(ii), a writing must provide the following information in the following order:
 - (a) The aggregate amount of obligations secured by the security interest under which the disposition was made, and, if the amount reflects a rebate of unearned interest or credit service charge, an indication of that fact, calculated as of a specified date, that is 1 of the following:
 - (i) If the secured party takes or receives possession of the collateral after default, not more than 35 days before the secured party takes or receives possession.
 - (ii) If the secured party takes or receives possession of the collateral before default or does not take possession of the collateral, not more than 35 days before the disposition.
 - (b) The amount of proceeds of the disposition.
 - (c) The aggregate amount of the obligations after deducting the amount of proceeds.
 - (d) The amount, in the aggregate or by type, and types of expenses, including expenses of retaking, holding, preparing for disposition, processing, and disposing of the collateral, and attorney fees secured by the collateral that are known to the secured party and relate to the current disposition.
 - (e) The amount, in the aggregate or by type, and types of credits, including rebates of interest or credit service charges, to which the obligor is known to be entitled and that are not reflected in the amount in subdivision (a).
 - (f) The amount of the surplus or deficiency.
- (4) A particular phrasing of the explanation is not required. An explanation complying substantially with the requirements of subsection (1) is sufficient, even if it includes minor errors that are not seriously misleading.
- (5) A debtor or consumer obligor is entitled without charge to 1 response to a request under this section during any 6-month period in which the secured party did not send to the debtor or consumer obligor an explanation pursuant to subsection (2)(a). The secured party may require payment of a charge not exceeding \$25.00 for each additional response.

History: Add. 2000, Act 348, Eff. July 1, 2001;—Am. 2001, Act 145, Eff. Jan. 1, 2002.

440.9617 Rights of transferee of collateral.

Sec. 9617. (1) A secured party's disposition of collateral after default does all of the following:

- (a) Transfers to a transferee for value all of the debtor's rights in the collateral.
- (b) Discharges the security interest under which the disposition is made.
- (c) Discharges any subordinate security interest or other subordinate lien.

(2) A transferee that acts in good faith takes free of the rights and interests described in subsection (1), even if the secured party fails to comply with this article or the requirements of any judicial proceeding.

(3) If a transferee does not take free of the rights and interests described in subsection (1), the transferee takes the collateral subject to all of the following:

- (a) The debtor's rights in the collateral.
- (b) The security interest or agricultural lien under which the disposition is made.
- (c) Any other security interest or other lien.

History: Add. 2000, Act 348, Eff. July 1, 2001.

440.9618 Rights and duties of certain secondary obligors.

Sec. 9618. (1) A secondary obligor acquires the rights and becomes obligated to perform the duties of the secured party after all of the following:

- (a) The secondary obligor receives an assignment of a secured obligation from the secured party.
- (b) The secondary obligor receives a transfer of collateral from the secured party and agrees to accept the rights and assume the duties of the secured party.
- (c) The secondary obligor is subrogated to the rights of a secured party with respect to collateral.

(2) An assignment, transfer, or subrogation described in subsection (1) results in both of the following:

- (a) It is not a disposition of collateral under section 9610.
- (b) It relieves the secured party of further duties under this article.

History: Add. 2000, Act 348, Eff. July 1, 2001.

440.9619 Transfer of record or legal title.

Sec. 9619. (1) As used in this section, "transfer statement" means a record authenticated by a secured party stating all of the following:

- (a) That the debtor has defaulted in connection with an obligation secured by specified collateral.
- (b) That the secured party has exercised its postdefault remedies with respect to the collateral.
- (c) That, by reason of the exercise, a transferee has acquired the rights of the debtor in the collateral.
- (d) The name and mailing address of the secured party, debtor, and transferee.

(2) A transfer statement entitles the transferee to the transfer of record of all rights of the debtor in the collateral specified in the statement in any official filing, recording, registration, or certificate-of-title system covering the collateral. If a transfer statement is presented with the applicable fee and request form to the official or office responsible for maintaining the system, the official or office shall do all of the following:

- (a) Accept the transfer statement.
- (b) Promptly amend its records to reflect the transfer.
- (c) If applicable, issue a new appropriate certificate of title in the name of the transferee.

(3) A transfer of the record or legal title to collateral to a secured party under subsection (2) or otherwise is not of itself a disposition of collateral under this article and does not of itself relieve the secured party of its duties under this article.

History: Add. 2000, Act 348, Eff. July 1, 2001.

440.9620 Acceptance of collateral in full or partial satisfaction of obligation; compulsory disposition of collateral.

Sec. 9620. (1) Except as otherwise provided in subsection (7), a secured party may accept collateral in full or partial satisfaction of the obligation it secures only if all of the following are met:

- (a) The debtor consents to the acceptance under subsection (3).

(b) The secured party does not receive, within the time set forth in subsection (4), a notification of objection to the proposal authenticated by 1 of the following:

- (i) A person to which the secured party was required to send a proposal under section 9621.

(ii) Any other person, other than the debtor, holding an interest in the collateral subordinate to the security interest that is the subject of the proposal.

(c) If the collateral is consumer goods, the collateral is not in the possession of the debtor when the debtor consents to the acceptance.

(d) Subsection (5) does not require the secured party to dispose of the collateral or the debtor waives the requirement pursuant to section 9624.

(2) A purported or apparent acceptance of collateral under this section is ineffective unless both of the following occur:

(a) The secured party consents to the acceptance in an authenticated record or sends a proposal to the debtor.

(b) The conditions of subsection (1) are met.

(3) All of the following apply for purposes of this section:

(a) A debtor consents to an acceptance of collateral in partial satisfaction of the obligation it secures only if the debtor agrees to the terms of the acceptance in a record authenticated after default.

(b) A debtor consents to an acceptance of collateral in full satisfaction of the obligation it secures only if the debtor agrees to the terms of the acceptance in a record authenticated after default or the secured party meets all of the following requirements:

(i) Sends to the debtor after default a proposal that is unconditional or subject only to a condition that collateral not in the possession of the secured party be preserved or maintained.

(ii) In the proposal, proposes to accept collateral in full satisfaction of the obligation it secures.

(iii) Does not receive a notification of objection authenticated by the debtor within 20 days after the proposal is sent.

(4) To be effective under subsection (1)(b), a notification of objection must be received by the secured party within or before 1 of the following:

(a) In the case of a person to which the proposal was sent pursuant to section 9621, within 20 days after notification was sent to that person.

(b) In other cases, 1 of the following:

(i) Within 20 days after the last notification was sent pursuant to section 9621.

(ii) If a notification was not sent, before the debtor consents to the acceptance under subsection (3).

(5) A secured party that has taken possession of collateral shall dispose of the collateral pursuant to section 9610 within the time specified in subsection (6) if 1 of the following is met:

(a) Sixty percent of the cash price has been paid in the case of a purchase-money security interest in consumer goods.

(b) Sixty percent of the principal amount of the obligation secured has been paid in the case of a non-purchase-money security interest in consumer goods.

(6) To comply with subsection (5), the secured party shall dispose of the collateral within 1 of the following:

(a) Within 90 days after taking possession.

(b) Within any longer period to which the debtor and all secondary obligors have agreed in an agreement to that effect entered into and authenticated after default.

(7) In a consumer transaction, a secured party may not accept collateral in partial satisfaction of the obligation it secures.

History: Add. 2000, Act 348, Eff. July 1, 2001.

440.9621 Notification of proposal to accept collateral.

Sec. 9621. (1) A secured party that desires to accept collateral in full or partial satisfaction of the obligation it secures shall send its proposal to all of the following:

(a) Any person from which the secured party has received, before the debtor consented to the acceptance, an authenticated notification of a claim of an interest in the collateral.

(b) Any other secured party or lienholder that, 10 days before the debtor consented to the acceptance, held a security interest in or other lien on the collateral perfected by the filing of a financing statement that met all of the following:

(i) Identified the collateral.

(ii) Was indexed under the debtor's name as of that date.

(iii) Was filed in the office or offices in which to file a financing statement against the debtor covering the collateral as of that date.

(c) Any other secured party that, 10 days before the debtor consented to the acceptance, held a security interest in the collateral perfected by compliance with a statute, regulation, or treaty described in section 9311(1).

(2) A secured party that desires to accept collateral in partial satisfaction of the obligation it secures shall send its proposal to any secondary obligor in addition to the persons described in subsection (1).

History: Add. 2000, Act 348, Eff. July 1, 2001.

440.9622 Effect of acceptance of collateral.

Sec. 9622. (1) A secured party's acceptance of collateral in full or partial satisfaction of the obligation it secures does all of the following:

- (a) Discharges the obligation to the extent consented to by the debtor.
 - (b) Transfers to the secured party all of a debtor's rights in the collateral.
 - (c) Discharges the security interest or agricultural lien that is the subject of the debtor's consent and any subordinate security interest or other subordinate lien.
 - (d) Terminates any other subordinate interest.
- (2) A subordinate interest is discharged or terminated under subsection (1), even if the secured party fails to comply with this article.

History: Add. 2000, Act 348, Eff. July 1, 2001.

440.9623 Right to redeem collateral.

Sec. 9623. (1) A debtor, any secondary obligor, or any other secured party or lienholder may redeem collateral.

- (2) To redeem collateral, a person shall tender both of the following:
- (a) Fulfillment of all obligations secured by the collateral.
 - (b) The reasonable expenses and attorney fees described in section 9615(1)(a).
- (3) A redemption may occur at any time before a secured party has done 1 of the following:
- (a) Has collected collateral under section 9607.
 - (b) Has disposed of collateral or entered into a contract for its disposition under section 9610.
 - (c) Has accepted collateral in full or partial satisfaction of the obligation it secures under section 9622.

History: Add. 2000, Act 348, Eff. July 1, 2001.

440.9624 Waiver.

Sec. 9624. (1) A debtor or secondary obligor may waive the right to notification of disposition of collateral under section 9611 only by an agreement to that effect entered into and authenticated after default.

(2) A debtor may waive the right to require disposition of collateral under section 9620(5) only by an agreement to that effect entered into and authenticated after default.

(3) Except in a consumer-goods transaction, a debtor or secondary obligor may waive the right to redeem collateral under section 9623 only by an agreement to that effect entered into and authenticated after default.

History: Add. 2000, Act 348, Eff. July 1, 2001.

SUBPART 2.

NONCOMPLIANCE WITH ARTICLE

440.9625 Remedies for secured party's failure to comply with article.

Sec. 9625. (1) If it is established that a secured party is not proceeding in accordance with this article, a court may order or restrain collection, enforcement, or disposition of collateral on appropriate terms and conditions.

(2) Subject to subsections (3), (4), and (6), a person is liable for damages in the amount of any loss caused by a failure to comply with this article. Loss caused by a failure to comply may include loss resulting from the debtor's inability to obtain, or increased costs of, alternative financing.

(3) Except as otherwise provided in section 9628, both of the following apply:

(a) A person that, at the time of the failure, was a debtor, was an obligor, or held a security interest in or other lien on the collateral may recover damages under subsection (2) for its loss.

(b) If the collateral is consumer goods, a person that was a debtor or a secondary obligor at the time a secured party failed to comply with this part may recover for that failure in any event an amount not less than the credit service charge plus 10% of the principal amount of the obligation or the time-price differential plus 10% of the cash price.

(4) A debtor whose deficiency is eliminated under section 9626 may recover damages for the loss of any surplus. However, a debtor or secondary obligor whose deficiency is eliminated or reduced under section 9626 may not otherwise recover under subsection (2) for noncompliance with the provisions of this part relating to collection, enforcement, disposition, or acceptance.

(5) In addition to any damages recoverable under subsection (2), the debtor, consumer obligor, or person named as a debtor in a filed record, as applicable, may recover \$500.00 in each case from a person that does 1 or more of the following:

- (a) Fails to comply with section 9208.

- (b) Fails to comply with section 9209.
- (c) Files a record that the person is not entitled to file under section 9509(1).
- (d) Fails to cause the secured party of record to file or send a termination statement as required by section 9513(1) or (3).
- (e) Fails to comply with section 9616(2)(a) and whose failure is part of a pattern, or consistent with a practice, of noncompliance.
- (f) Fails to comply with section 9616(2)(b).
- (6) A debtor or consumer obligor may recover damages under subsection (2) and, in addition, \$500.00 in each case from a person that, without reasonable cause, fails to comply with a request under section 9210. A recipient of a request under section 9210 that never claimed an interest in the collateral or obligations that are the subject of a request under that section has a reasonable excuse for failure to comply with the request within the meaning of this subsection.
- (7) If a secured party fails to comply with a request regarding a list of collateral or a statement of account under section 9210, the secured party may claim a security interest only as shown in the list or statement included in the request as against a person that is reasonably misled by the failure.

History: Add. 2000, Act 348, Eff. July 1, 2001.

440.9626 Action in which deficiency or surplus is in issue.

Sec. 9626. (1) In an action arising from a transaction, other than a consumer transaction, in which the amount of a deficiency or surplus is in issue, the following rules apply:

(a) A secured party need not prove compliance with the provisions of this part relating to collection, enforcement, disposition, or acceptance unless the debtor or a secondary obligor places the secured party's compliance in issue.

(b) If the secured party's compliance is placed in issue, the secured party has the burden of establishing that the collection, enforcement, disposition, or acceptance was conducted in accordance with this part.

(c) Except as otherwise provided in section 9628, if a secured party fails to prove that the collection, enforcement, disposition, or acceptance was conducted in accordance with the provisions of this part relating to collection, enforcement, disposition, or acceptance, the liability of a debtor or a secondary obligor for a deficiency is limited to an amount by which the sum of the secured obligation, expenses, and attorney fees exceeds the greater of 1 of the following:

(i) The proceeds of the collection, enforcement, disposition, or acceptance.

(ii) The amount of proceeds that would have been realized had the noncomplying secured party proceeded in accordance with the provisions of this part relating to collection, enforcement, disposition, or acceptance.

(d) For purposes of subdivision (c)(ii), the amount of proceeds that would have been realized is equal to the sum of the secured obligation, expenses, and attorney fees unless the secured party proves that the amount is less than that sum.

(e) If a deficiency or surplus is calculated under section 9615(6), the debtor or obligor has the burden of establishing that the amount of proceeds of the disposition is significantly below the range of prices that a complying disposition to a person other than the secured party, a person related to the secured party, or a secondary obligor would have brought.

(2) The limitation of the rules in subsection (1) to transactions other than consumer transactions is intended to leave to the court the determination of the proper rules in consumer transactions. The court may not infer from that limitation the nature of the proper rule in consumer transactions and may continue to apply established approaches.

History: Add. 2000, Act 348, Eff. July 1, 2001.

440.9627 Determination of whether conduct was commercially reasonable.

Sec. 9627. (1) The fact that a greater amount could have been obtained by a collection, enforcement, disposition, or acceptance at a different time or in a different method from that selected by the secured party is not of itself sufficient to preclude the secured party from establishing that the collection, enforcement, disposition, or acceptance was made in a commercially reasonable manner.

(2) A disposition of collateral is made in a commercially reasonable manner if the disposition is made in the usual manner on any recognized market, at the price current in any recognized market at the time of the disposition, or otherwise in conformity with reasonable commercial practices among dealers in the type of property that was the subject of the disposition.

(3) A collection, enforcement, disposition, or acceptance is commercially reasonable if it has been approved in a judicial proceeding, by a bona fide creditors' committee, by a representative of creditors, or by an assignee for the benefit of creditors.

(4) Approval under subsection (3) need not be obtained, and lack of approval does not mean that the collection, enforcement, disposition, or acceptance is not commercially reasonable.

History: Add. 2000, Act 348, Eff. July 1, 2001.

440.9628 Nonliability and limitation on liability of secured party; liability of secondary obligor.

Sec. 9628. (1) Unless a secured party knows that a person is a debtor or obligor, knows the identity of the person, and knows how to communicate with the person, both of the following apply:

(a) The secured party is not liable to the person, or to a secured party or lienholder that has filed a financing statement against the person, for failure to comply with this article.

(b) The secured party's failure to comply with this article does not affect the liability of the person for a deficiency.

(2) A secured party is not liable because of its status as secured party to either of the following:

(a) To a person that is a debtor or obligor, unless the secured party knows all of the following:

(i) That the person is a debtor or obligor.

(ii) The identity of the person.

(iii) How to communicate with the person.

(b) To a secured party or lienholder that has filed a financing statement against a person, unless the secured party knows both of the following:

(i) That the person is a debtor.

(ii) The identity of the person.

(3) A secured party is not liable to any person, and a person's liability for a deficiency is not affected, because of any act or omission arising out of the secured party's reasonable belief that a transaction is not a consumer-goods transaction or a consumer transaction or that goods are not consumer goods, if the secured party's belief is based on its reasonable reliance on 1 or more of the following:

(a) A debtor's representation concerning the purpose for which collateral was to be used, acquired, or held.

(b) An obligor's representation concerning the purpose for which a secured obligation was incurred.

(4) A secured party is not liable to any person under section 9625(3)(b) for its failure to comply with section 9616.

(5) A secured party is not liable under section 9625(3)(b) more than once with respect to any 1 secured obligation.

History: Add. 2000, Act 348, Eff. July 1, 2001.

PART 7
TRANSITION

440.9701 "This amendatory act" defined.

Sec. 9701. As used in this part, "this amendatory act" means the amendatory act that added this part.

History: Add. 2000, Act 348, Eff. July 1, 2001.

440.9702 Savings clause.

Sec. 9702. (1) Except as otherwise provided in this part, this amendatory act applies to a transaction or lien within its scope, even if the transaction or lien was entered into or created before this amendatory act takes effect.

(2) Except as otherwise provided in subsection (3) and sections 9703 through 9709, both of the following apply:

(a) Transactions and liens that were not governed by this article before this amendatory act takes effect, were validly entered into or created before this amendatory act takes effect, and would be subject to this amendatory act if they had been entered into or created after this amendatory act takes effect, and the rights, duties, and interests flowing from those transactions and liens remain valid after this amendatory act takes effect.

(b) The transactions and liens may be terminated, completed, consummated, and enforced as required or permitted by this amendatory act or by the law that otherwise would apply if this amendatory act had not taken effect.

(3) This amendatory act does not affect an action, case, or proceeding commenced before this amendatory act takes effect.

History: Add. 2000, Act 348, Eff. July 1, 2001.

440.9703 Security interest perfected before effective date.

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Sec. 9703. (1) A security interest that is enforceable immediately before this amendatory act takes effect and would have priority over the rights of a person that becomes a lien creditor at that time is a perfected security interest under this amendatory act if, when this amendatory act takes effect, the applicable requirements for enforceability and perfection under this amendatory act are satisfied without further action.

(2) Except as otherwise provided in section 9705, if, immediately before this amendatory act takes effect, a security interest is enforceable and would have priority over the rights of a person that becomes a lien creditor at that time, but the applicable requirements for enforceability or perfection under this amendatory act are not satisfied when this amendatory act takes effect, all of the following apply to the security interest:

(a) The security interest is a perfected security interest for 1 year after this amendatory act takes effect.

(b) The security interest remains enforceable thereafter only if the security interest becomes enforceable under section 9203 before the year expires.

(c) The security interest remains perfected thereafter only if the applicable requirements for perfection under this amendatory act are satisfied before the year expires.

History: Add. 2000, Act 348, Eff. July 1, 2001.

440.9704 Security interest unperfected before effective date.

Sec. 9704. All of the following apply to a security interest that is enforceable immediately before this amendatory act takes effect but which would be subordinate to the rights of a person that becomes a lien creditor at that time:

(a) The security interest remains an enforceable security interest for 1 year after this amendatory act takes effect.

(b) The security interest remains enforceable thereafter if the security interest becomes enforceable under section 9203 when this amendatory act takes effect or within 1 year thereafter.

(c) The security interest becomes perfected under 1 of the following:

(i) Without further action, when this amendatory act takes effect if the applicable requirements for perfection under this amendatory act are satisfied before or at that time.

(ii) When the applicable requirements for perfection are satisfied if the requirements are satisfied after that time.

History: Add. 2000, Act 348, Eff. July 1, 2001.

440.9705 Effectiveness of action taken before effective date.

Sec. 9705. (1) If action, other than the filing of a financing statement, is taken before this amendatory act takes effect and the action would have resulted in priority of a security interest over the rights of a person that becomes a lien creditor had the security interest become enforceable before this amendatory act takes effect, the action is effective to perfect a security interest that attaches under this amendatory act within 1 year after this amendatory act takes effect. An attached security interest becomes unperfected 1 year after this amendatory act takes effect unless the security interest becomes a perfected security interest under this amendatory act before the expiration of that period.

(2) The filing of a financing statement before this amendatory act takes effect is effective to perfect a security interest to the extent the filing would satisfy the applicable requirements for perfection under this amendatory act.

(3) This amendatory act does not render ineffective an effective financing statement that, before this amendatory act takes effect, is filed and satisfies the applicable requirements for perfection under the law of the jurisdiction governing perfection as provided in section 9103 before this amendatory act takes effect. However, except as otherwise provided in subsections (4) and (5) and section 9706, the financing statement ceases to be effective at the earlier of the following:

(a) The time the financing statement would have ceased to be effective under the law of the jurisdiction in which it is filed.

(b) June 30, 2006.

(4) The filing of a continuation statement after this amendatory act takes effect does not continue the effectiveness of the financing statement filed before this amendatory act takes effect. However, upon the timely filing of a continuation statement after this amendatory act takes effect and in accordance with the law of the jurisdiction governing perfection as provided in part 3, the effectiveness of a financing statement filed in the same office in that jurisdiction before this amendatory act takes effect continues for the period provided by the law of that jurisdiction.

(5) Subsection (3)(b) applies to a financing statement that, before this amendatory act takes effect, is filed against a transmitting utility and satisfies the applicable requirements for perfection under the law of the jurisdiction governing perfection as provided in section 9103 before this amendatory act takes effect only to

the extent that part 3 provides that the law of a jurisdiction other than the jurisdiction in which the financing statement is filed governs perfection of a security interest in collateral covered by the financing statement.

(6) A financing statement that includes a financing statement filed before this amendatory act takes effect and a continuation statement filed after this amendatory act takes effect is effective only to the extent that it satisfies the requirements of part 5 for an initial financing statement.

History: Add. 2000, Act 348, Eff. July 1, 2001.

440.9706 When initial financing statement suffices to continue effectiveness of financing statement.

Sec. 9706. (1) The filing of an initial financing statement in the office specified in section 9501 continues the effectiveness of a financing statement filed before this amendatory act takes effect if all of the following apply:

(a) The filing of an initial financing statement in that office would be effective to perfect a security interest under this amendatory act.

(b) The pre-effective-date financing statement was filed in an office in another state or another office in this state.

(c) The initial financing statement satisfies subsection (3).

(2) The filing of an initial financing statement under subsection (1) continues the effectiveness of the pre-effective-date financing statement if both of the following apply:

(a) If the initial financing statement is filed before this amendatory act takes effect, for the period provided in section 9403 before this amendatory act takes effect with respect to a financing statement.

(b) If the initial financing statement is filed after this amendatory act takes effect, for the period provided in section 9515 with respect to an initial financing statement.

(3) To be effective for purposes of subsection (1), an initial financing statement must do all of the following:

(a) Satisfy the requirements of part 5 for an initial financing statement.

(b) Identify the pre-effective-date financing statement by indicating the office in which the financing statement was filed and providing the dates of filing and file numbers, if any, of the financing statement and of the most recent continuation statement filed with respect to the financing statement.

(c) Indicate that the pre-effective-date financing statement remains effective.

History: Add. 2000, Act 348, Eff. July 1, 2001.

440.9707 Pre-effective-date financing statement.

Sec. 9707. (1) As used in this section, "pre-effective-date financing statement" means a financing statement filed before this amendatory act takes effect.

(2) After this amendatory act takes effect, a person may add or delete collateral covered by, continue or terminate the effectiveness of, or otherwise amend the information provided in, a pre-effective-date financing statement only in accordance with the law of the jurisdiction governing perfection as provided in part 3. However, the effectiveness of a pre-effective-date financing statement also may be terminated in accordance with the law of the jurisdiction in which the financing statement is filed.

(3) Except as otherwise provided in subsection (4), if the law of this state governs perfection of a security interest, the information in a pre-effective-date financing statement may be amended after this amendatory act takes effect only if 1 of the following is met:

(a) The pre-effective-date financing statement and an amendment are filed in the office specified in section 9501.

(b) An amendment is filed in the office specified in section 9501 concurrently with, or after the filing in that office of, an initial financing statement that satisfies section 9706(3).

(c) An initial financing statement that provides the information as amended and satisfies section 9706(3) is filed in the office specified in section 9501.

(4) If the law of this state governs perfection of a security interest, the effectiveness of a pre-effective-date financing statement may be continued only under section 9705(4) and (6) or 9706.

(5) Whether or not the law of this state governs perfection of a security interest, the effectiveness of a pre-effective-date financing statement filed in this state may be terminated after this amendatory act takes effect by filing a termination statement in the office in which the pre-effective-date financing statement is filed, unless an initial financing statement that satisfies section 9706(3) has been filed in the office specified by the law of the jurisdiction governing perfection as provided in part 3 as the office in which to file a financing statement.

History: Add. 2000, Act 348, Eff. July 1, 2001.

440.9708 Persons entitled to file initial financing statement or continuation statement.

Sec. 9708. A person may file an initial financing statement or a continuation statement under this part if both of the following apply:

- (a) The secured party of record authorizes the filing.
- (b) The filing is necessary under this part to do 1 of the following:
 - (i) To continue the effectiveness of a financing statement filed before this amendatory act takes effect.
 - (ii) To perfect or continue the perfection of a security interest.

History: Add. 2000, Act 348, Eff. July 1, 2001.

440.9709 Priority.

Sec. 9709. (1) This amendatory act determines the priority of conflicting claims to collateral. However, if the relative priorities of the claims were established before this amendatory act takes effect, this article as in effect before this amendatory act takes effect determines priority.

(2) For purposes of section 9322(1), the priority of a security interest that becomes enforceable under section 9203 of this amendatory act dates from the time this amendatory act takes effect if the security interest is perfected under this amendatory act by the filing of a financing statement before this amendatory act takes effect which would not have been effective to perfect the security interest under this article as in effect before this amendatory act takes effect. This subsection does not apply to conflicting security interests each of which is perfected by the filing of a financing statement described in this subsection.

History: Add. 2000, Act 348, Eff. July 1, 2001.

EFFECTIVE DATE AND REPEALER

440.9991 Effective date of act; application to future transactions.

Sec. 9991. This act shall become effective on January 1, 1964. It applies to transactions entered into and events occurring after that date.

History: 1962, Act 174, Eff. Jan. 1, 1964.

440.9992 Repeal.

Sec. 9992. The following acts and parts of acts, as amended, are hereby repealed:

- (1) Revised Statutes of 1846.

Chapter	Section Numbers	Compiled Law Sections (1948)
81	7 to 16	566.137 to 566.146

- (2) Public Acts.

Year of Act	Public Act Number	Section Numbers	Compiled Law Sections (1948)
1877	57		566.191
1881	117		566.201 and 566.202
1893	81		469.291 to 469.293
1895	220	2 to 6	444.2 to 444.6
1895	220	8	444.8
1895	220	11	444.11
1895	220	12	444.12
1895	220	14 to 22	444.14 to 444.22
1899	84		442.301 to 442.303
1901	236		468.321
1905	223		442.1 to 442.3
1905	265		439.1 to 439.191
1907	95		487.661
1909	303	1 to 49	443.1 to 443.49
1909	303	56 to 58	443.56 to 443.58
1911	165	1 to 43	482.1 to 482.43
1911	165	51 to 56	482.51 to 482.56
1913	100		440.1 to 440.78
1913	106		441.1 to 441.25

1915	64		442.101
1919	386		487.641
1919	378		487.671
1925	348		487.681 and 487.682
1925	390		487.621
1929	200		442.51 to 442.53
1931	327	26	450.26
1931	240		487.601 to 487.617
1933	154		442.151
1937	341	48	487.48
1937	341	154	487.154
1937	341	213	487.213
1939	290		566.401 to 566.412
1939	305	3 to 14	566.303 to 566.314
1943	187		566.501
1947	180		570.501 to 570.512
1950 (Ex. Sess.)	27	23 to 27	492.123 to 492.127
1952	19		555.401 to 555.419
1961	236	2150	600.2150
1961	236	5401 to 5445	600.5401 to 600.5445

History: 1962, Act 174, Eff. Jan. 1, 1964.

440.9993 Saving clause.

Sec. 9993. Transactions validly entered into before the effective date specified in section 9991 and the rights, duties and interests flowing from them remain valid thereafter and may be terminated, completed, consummated or enforced as required or permitted by any statute or other law amended or repealed by this act as though such repeal or amendment had not occurred.

History: 1962, Act 174, Eff. Jan. 1, 1964.

440.9994 Effect of Article 7.

Sec. 9994. The article on documents of title (article 7) does not repeal or modify any laws prescribing the form or contents of documents of title or the services or facilities to be afforded by bailees, or otherwise regulating bailees' businesses in respects not specifically dealt with herein. The fact that such laws are violated does not affect the status of a document of title which otherwise complies with the definition of a document of title (section 1201).

History: 1962, Act 174, Eff. Jan. 1, 1964;—Am. 1964, Act 250, Eff. Aug. 28, 1964;—Am. 1998, Act 278, Imd. Eff. July 27, 1998.