

Department of Legislative Services  
Maryland General Assembly  
2006 Session

FISCAL AND POLICY NOTE  
Revised

Senate Bill 354  
Finance

(Senator Kelley)

Economic Matters

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Uniform Commercial Code - Secured Transactions - Continuation Statement -  
Transition Rules

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This emergency bill authorizes a continuation statement filed under Title 9 of the Maryland Uniform Commercial Code (UCC) to be filed on the date that the financing statement on a good ceases to be effective.

The bill applies to all continuation statements filed before July 1, 2006.

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**Fiscal Summary**

**State Effect:** General and special fund revenues could increase minimally in FY 2006 from filing and expedited processing fees. Expenditures would not be affected.

**Local Effect:** None.

**Small Business Effect:** Minimal.

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**Analysis**

**Current Law:** Title 9 of the UCC governs transactions that create security interests in personal property or fixtures, including: (1) goods; (2) sales of accounts, chattel paper, or promissory notes; (3) specified rights in intangibles; and (4) agricultural liens. In order to perfect a security interest under Title 9, a person must file a financing statement with the State Department of Assessments and Taxation (SDAT). A continuation statement is an amendment to a financing statement, filed in the same manner.

Title 9 was revised by the National Conference of Commissioners on Uniform State Laws, and Chapter 408 of 2001 adopted the revised Title 9 in Maryland. The revision altered, among other things, in which state a financing statement should be filed to perfect a security interest and, at least in Maryland, the duration of a perfected interest under a financing statement. Generally under revised Title 9, a financing statement is effective for five years from the date it is filed. The period is 30 years for financing statements filed in connection with a public-finance transaction or a manufactured-home transaction. A continuation statement may be filed only within 6 months before the expiration of the 5-year or 30-year period applicable to the financing statement.

Title 9 protects security interests that were perfected under the prior version of Title 9. Under Chapter 372 of 2003, the financing statement for security interests perfected under the prior version remains in effect until the earlier of: (1) the time the financing statement would have ceased to be effective under the law of the jurisdiction in which it was filed; or (2) June 30, 2006.

**Background:** Because Maryland had a 12-year perfection period under its prior version of Title 9, some security interests perfected under the prior version to Title 9 could be left in doubt. The bill addresses that by authorizing a continuation statement to be filed for these security interests.

**State Revenues:** For those security interests affected by the bill, the secured parties would file a continuation statement prior to June 30, 2006. The number of documents that would be filed under the bill cannot be accurately estimated but is assumed to be minimal. The fee is \$25 for electronically filed documents or written documents of eight or fewer pages. The fee is \$75 for written documents more than eight pages in length. Revenues from these fees go to the general fund. The fee for expedited processing of these documents is \$50, if a filer chooses to have processing done on an expedited basis. Fees for expedited processing are credited to the special fund that helps pay SDAT's expenses for processing documents.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** HB 512 (Delegate Doory) – Economic Matters.

**Information Source(s):** State Department of Assessments and Taxation, Office of the Attorney General (Consumer Protection Division), Department of Legislative Services

**Fiscal Note History:** First Reader - February 6, 2006  
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