

Department of Legislative Services
Maryland General Assembly
2008 Session

FISCAL AND POLICY NOTE

Senate Bill 980

(Senator Robey)

Finance

Economic Matters

**Uniform Commercial Code - Financing Statements - Termination by
Government Employees**

This bill authorizes a State or local government employee (including an elected or appointed official as well as a member of an authority, board, or commission) who is listed as a debtor on a financing statement because of the office or position held to file a termination statement if the employee did not authorize the filing of the financing statement.

Fiscal Summary

State Effect: The bill would not directly affect State finances or operations.

Local Effect: The bill would not directly affect local finances or operations.

Small Business Effect: None.

Analysis

Bill Summary: Under the bill, a termination statement is required to state that • the government employee did not authorize the filing of the financing statement; and • a copy of the termination statement will be sent by first-class mail to the secured party of record for the financing statement. The government employee is required to send this copy of the termination statement to the secured party within three days after filing the termination statement. Upon filing, the financing statement to which it relates ceases to be effective as to the filing employee. Under the bill, a fee may not be charged for such a filing.

Current Law: Title 9 of the Commercial Law Article governs transactions that create security interests in personal property or fixtures, including • goods; • sales of accounts, chattel paper, or promissory notes; • specified rights in intangibles; and • 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. Under current law, a secured party is required to send the debtor a termination statement or file a termination statement for the financing statement within 20 days after the debtor demands authentication, if • there is no obligation or commitment secured by the collateral covered by the financing statement; • the financing statement covers accounts or chattel papers that have been sold but as to which the account debtor has discharged its obligation; • the financing statement covers goods that were the subject of a consignment to the debtor but are not in the debtor's possession; or • the debtor did not authorize the filing of the initial financing statement.

Background: The bill would allow government employees who did not authorize secured transactions on behalf of their government entity to terminate the financing statements related to such transactions. How often this occurs is unknown.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Kent County, Worcester County, Department of Budget and Management, Department of Legislative Services

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mll/ljm

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