

Department of Legislative Services
2010 Session

FISCAL AND POLICY NOTE
Revised

House Bill 202 (Delegate Cardin, *et al.*)

Economic Matters

Finance

Uniform Commercial Code - Financing Statements - False Filings - Prohibited

This bill prohibits a person from filing a Uniform Commercial Code (UCC) financing statement that the person knows to contain false information. A person who violates this provision is guilty of a misdemeanor, and is subject to a maximum fine of \$500 for each fraudulently filed UCC financing statement.

Fiscal Summary

State Effect: Potential minimal increase in general fund revenues due to the bill's penalty provision. Any increase in the workload of the District Court is expected to be minimal and can likely be handled with existing resources.

Local Effect: None. The bill is not expected to materially affect local finances.

Small Business Effect: Potential minimal.

Analysis

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; rights in intangibles; and agricultural liens. A person files a UCC financing statement with the State Department of Assessments and Taxation to provide notice that the named debtor has pledged personal property to secure a debt. Properly filed financing statements establish priority among creditors with respect to the property described in the financing statement.

Background: Individuals have been known to file fraudulent financing statements for the purpose of harassing another person. Although a fraudulent financing statement does not create any legal liability for the named debtor, it can cause the named debtor economic harm. When a fraudulent financing statement purports to relate to a large outstanding debt, a prospective lender that discovers the financing statement may be unwilling to extend credit to the person named in the financing statement. A fraudulent financing statement, therefore, can impair an individual's capacity to obtain credit. Also, it can be costly and time-consuming for a person named in a fraudulent financing statement to remove the financing statement from the public records.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): State Department of Assessments and Taxation; Department of Budget and Management; Governor's Office; Judiciary (Administrative Office of the Courts); Allegany, Harford, Montgomery, and Talbot counties; Department of Legislative Services

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