

## **PROBLEMS: Introduction to the Filing System**

1. Karla Counsel represents Local Bank. If Karla submits a financing statement to the Secretary of State filing office in the State of Utopia to perfect a security interest granted by Debtor to Local Bank to secure a loan:

(A) the security interest is perfected only if the filing officer properly indexes the financing statement.

(B) the security interest is perfected simply by submitting the financing statement to the filing officer, assuming it is in proper form for filing.

(C) the security interest is perfected if the financing statement is submitted together with the appropriate filing fee, whether or not the financing statement is properly filed so long as the financing statement is in appropriate form (even if the financing statement is thereafter lost or thrown away by the filing office and never indexed).

(D) the security interest is perfected so long as the submission is in proper form and accompanied by the appropriate filing fee if the financing statement is indexed somewhere in the system, even if not indexed in the correct alphabetical index location.

2. Karla Counsel represents Local Bank. Debtor signs a security agreement to secure advances made to it by Local Bank. If Karla properly submits a financing statement to the Secretary of State filing office in the State of Utopia to perfect the security interest granted by Debtor to Local Bank to secure a loan made to Debtor:

(A) the security interest is perfected if Debtor is a corporation formed under the laws of the State of Utopia.

(B) the security interest is perfected if Debtor is a limited liability company formed under the laws of the State of Utopia.

(C) if debtor is a corporation, business trust or limited liability company, the security interest is perfected if Debtor maintains its chief executive office in the State of Utopia.

(D) the security interest is perfected if Debtor is a corporation or limited liability company organized under the laws of the State of Utopia or, if Debtor is an unincorporated sole proprietorship, if Debtor's chief executive office is located in Utopia.

3. Karla Counsel represents Local Bank. If Karla submits a financing statement to the Secretary of State filing office in the State of Utopia to perfect a security interest granted by Debtor, ABC Corporation, a Utopia corporation, to Local Bank to secure a loan:

(A) if the financing statement names 'ABC Corporation' as debtor, the security interest is perfected.

(B) if the financing statement names either 'ABC Corporation' or 'ABSea Corporation' as debtor (but not both), in each case the security interest is perfected.

(C) if the financing statement names any of 'ABC Corporation' or 'ABC Incorporated' or 'ABC' as debtor (but only one name), in each case the security interest is perfected.

(D) if the financing statement names either 'ABC Corporation' or 'Alpha Beta Crown' a trade name registered by ABC Corporation with the state of Utopia (but not both), in either case the security interest is perfected because a registered name is used.

4. Karla Counsel represents Local Bank, N. A. If Karla submits a financing statement to the Secretary of State filing office in the State of Utopia to perfect a security interest granted by Debtor, ABC Corporation, a Utopia corporation, to Local Bank to secure a loan:

(A) if Local Bank, N. A. changes its name to LB Bank, N. A., the financing statement must be changed to reflect the secured party name change within four months in order to continue perfection.

(B) if ABC Corporation changes its name to XYZ Company, the financing statement must be amended to reflect the Debtor name change within 4 months of the name change to maintain perfection as to collateral acquired after expiration of the four month period following the name change. Nothing needs to be done to maintain perfection of collateral in existence prior to the name change or acquired during the 4 month gap.

(C) both answers A and D are correct.

(D) if ABC Corporation changes its name to XYZ Company, the Debtor name change must be reflected by amendment to the financing statement within 4 months of the change in order to continue perfection.

5. Karla Counsel represents Local Bank. If Karla submits a financing statement to the Secretary of State filing office in the State of Utopia to perfect a security interest granted by Debtor, ABC Corporation, a Utopia corporation, to Local Bank to secure a loan made by Local Bank:

(A) if Local Bank sells its secured loan to Big Bank, Big Bank must file a financing statement amendment naming Big Bank as secured party within 4 months after the sale, otherwise the loan becomes unperfected in the hands of Big Bank.

(B) if Local Bank sells the loan to Big Bank, Big Bank does not need to do anything to maintain the perfected status of the loan, other than the filing of continuation statements.

(C) if Local Bank sells the secured loan to Big Bank, Big Bank must amend the financing statement to name Big Bank as secured party unless Local Bank has agreed in an authenticated record to act as the secured party of record for Big Bank.

(D) if Local Bank sells the loan to Big Bank, Big Bank must amend the financing statement to reflect the sale to Big Bank in order to maintain perfection of the security interest unless the financing statement names Local Bank as collateral agent or otherwise indicates that Local Bank may act as a secured party of record for other lenders.

6. Karla Counsel represents Local Bank. Karla submits a financing statement to the Secretary of State filing office in the State of Utopia to perfect a security interest granted by Debtor, ABC Corporation, a Utopia corporation, to Local Bank to secure a loan. The security interest was granted in a written security agreement signed by ABC Corporation. Local Bank sells its secured loan to Big Bank one year later.

(A) If Big Bank files a new financing statement naming itself as secured party on the date it buys the secured loan and terminates the old financing statement one day later, Big Bank's priority relates back to the date of the original filing of the financing statement by Local Bank because of continuous perfection.

(B) If Big Bank both files a new financing statement and takes an assignment of the old financing statement, Big Bank's priority will date from the date of filing the new financing statement or the date of recording the assignment, whichever first named Big Bank as secured party of record.

(C) Big Bank may not file a new financing statement unless the Debtor specifically authorizes the filing in a separate letter.

(D) After the sale of the loan, ABC Corporation can force Local Bank to terminate the financing statement unless the financing statement has been assigned of record to Big Bank or Local Bank has agreed to act as the secured party of record for Big Bank.

7. Karla Counsel represents Local Bank. Karla submits a financing statement to the Secretary of State filing office in the State of Utopia to perfect a security interest granted by Debtor, ABC Corporation, a Utopia corporation, to Local Bank to secure a loan. The security interest was granted in a written security agreement signed by ABC Corporation. Local Bank sells 75% of the secured loan to Big Bank one year later, retaining 25% of the secured loan for itself.

- (A) The 25% portion of the loan retained by Local Bank remains secured. The 75% portion of the loan purchased by Big Bank will become unsecured unless the financing statement is amended to name Big Bank as a secured party.
- (B) The 75% portion of the loan is unsecured unless the security agreement specifically mentioned that it covered future advances.
- (C) Both answers A and B are correct.
- (D) If ABC Corporation persuades Local Bank to terminate its financing statement because its credit exposure is now lower, Big Bank no longer holds a perfected security interest to secure its 75% of the loan.

8. Karla Counsel represents Local Bank. Karla submits a financing statement to the Secretary of State filing office in the State of Utopia to perfect a security interest granted by Debtor, ABC Corporation, a Utopia corporation, to Local Bank to secure a loan made by Local Bank. The filing office accepts the financing statement for filing. If the Debtor's address:

- (A) does not appear on the financing statement, Local Bank's security interest will be unperfected unless Local Bank files an amendment to the financing statement to include the omitted address.
- (B) is changed after the initial filing, it is not necessary for Local Bank to file an amendment to reflect the address change in order to maintain perfection of the security interest. However, if Local Bank elects to file an amendment reflecting the address change, Local Bank will need ABC Corporation's separate permission to file the amendment.
- (C) Answer B is correct, however, ABC Corporation must give its permission in a writing or other authenticated record.
- (D) is changed after the initial filing, Local Bank does not need to file an amendment to the financing statement noting the address change. However, it may file an amendment without the consent of ABC Corporation.

9. Karla Counsel represents Local Bank. Karla submits a financing statement to the Secretary of State filing office in the State of Utopia to perfect a security interest granted by Debtor, ABC Corporation, a Utopia corporation, to Local Bank to secure a loan made by Local Bank. If Local Bank's address:

(A) does not appear on the initial financing statement, the security interest remains perfected even if Local Bank does not file an amendment adding the omitted address.

(B) is changed after the initial filing, to maintain perfection, Local Bank must file an amendment noting the address change within 4 months after the change.

(C) Answer B is correct but only if the address change is to a location in another state.

(D) does not appear on the initial financing statement, Local Bank's security interest remains perfected, but it is subordinate to any secured party who files a subsequent financing statement noting the correct address and who gave value to the debtor in reasonable reliance on the incorrect information.

10. Karla Counsel represents Local Bank. Karla submits a financing statement to the Secretary of State filing office in the State of Utopia to perfect a security interest to be granted by Debtor, ABC Corporation, a Utopia corporation, to Local Bank. At the time of filing the financing statement Local Bank has not made a loan and ABC Corporation has not signed a security agreement.

(A) Whoops! Karla jumped the gun. The filing is not effective because Local Bank has not given value.

(B) Oh No! The filing is not effective because a security agreement has not been signed (which is the way in which a Debtor authorizes a financing statement filing).

(C) Read the law, Karla! The filing is not effective because the security interest has not attached, which requires that Local Bank give value, ABC Corporation have rights in the collateral and ABC Corporation has signed a security agreement.

(D) Sorry, Karla. The filing is not effective unless ABC Corporation gave a specific authorization for filing the financing statement in an authenticated record.