

FUNDAMENTALS · LESSON 6 · 7 MIN READ

UCC Liens

Article 9 of the Uniform Commercial Code, how UCC-1 financing statements perfect a security interest, and why they matter for B2B credit.

OVERVIEW

A UCC-1 financing statement perfects a consensual security interest in a debtor's personal property — inventory, equipment, receivables, fixtures.

Filing is typically at the state level (often Secretary of State) in the state of the debtor's organization.

Priority generally follows the 'first to file or perfect' rule.

KEY CONCEPTS

- Security agreement (the contract) vs. financing statement (the public filing)
- Collateral description — broad vs. specific
- Continuation statements (typically every 5 years)
- Purchase money security interests (PMSI) and their super-priority

COMMON MISTAKES

- Filing in the wrong state because the debtor's legal entity sits elsewhere.
- Failing to file a continuation, letting perfection lapse.
- Vague collateral descriptions that don't actually cover the goods at issue.

PRACTICAL EXAMPLES

PMSI ADVANTAGE

An equipment seller takes a PMSI in the delivered equipment and files a UCC-1 within the statutory window. That seller jumps ahead of an earlier-filed blanket lender as to that specific equipment.