

# SENATE BILL REPORT

## ESB 5163

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As Passed Senate, March 7, 1997

**Title:** An act relating to the expiration of filed financing statements.

**Brief Description:** Filing financing statements.

**Sponsors:** Senators Haugen and Schow.

**Brief History:**

**Committee Activity:** Financial Institutions, Insurance & Housing: 1/30/97, 2/4/97 [DP].  
Passed Senate, 3/7/97, 48-0.

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### SENATE COMMITTEE ON FINANCIAL INSTITUTIONS, INSURANCE & HOUSING

**Majority Report:** Do pass.

Signed by Senators Winsley, Chair; Benton, Vice Chair; Finkbeiner, Hale, Kline and Prentice.

**Staff:** Dave Cheal (786-7576)

**Background:** When personal property is sold under a conditional sales contract with payment to occur over time, the Uniform Commercial Code provides a method of recording the transaction as a public record to protect the rights of the seller and give notice to potential subsequent buyers of the property.

To perfect a security interest, the holder of the interest must file a prescribed financing statement with the county auditor or the Department of Licensing, depending on the type of property involved.

Financing statements filed to perfect a security interest do not last indefinitely, but expire after a period of five years from the date of filing unless a continuation statement is filed prior to the lapse. If a valid financing statement is not in effect, a subsequent purchaser of the property may obtain all rights to the property by simply paying the purchase price to the apparent owner, even though that party may still owe money to the original seller.

Sellers of property who are unfamiliar with the five-year life span of the financing statement, might fail to file a necessary continuation statement and lose their security interest.

**Summary of Bill:** The Department of Licensing is required to give notice to parties filing financing statements that it is only good for five years. The notice is provided four and one half years after filing.

The state is protected from lawsuits based on failure to provide the notice required in the bill.

**Appropriation:** None.

**Fiscal Note:** Requested on January 29, 1997.

**Effective Date:** Ninety days after adjournment of session in which bill is passed.

**Testimony For:** Significant rights can be lost without this notice. The current system is a trap for the unwary and inexperienced. Cost of the notice is negligible.

**Testimony Against:** None.

**Testified:** Senator Haugen, prime sponsor (pro).