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Consultants to the Business Lending Community  
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Business Lending News

## UCC FILINGS: IT'S LOCATION. LOCATION. LOCATION.

"Location, location, location." There's a reason we say it three times. Location is important. We all know that choosing the wrong location can mean profit or loss, whether buying a home or establishing a business. The same goes for your institution when securing commercial UCC-1 liens. Filing UCC-1 Financial Statements in the wrong locations can come back to haunt you - and cost you.

As consultants, we've seen this situation from time-to-time, especially as applied to "foreign" businesses, those organized in one state but operating in another. What are the consequences of improper filing? Here's sample scenario:

The debtor (borrower) is headquartered in Nevada and doing business in California. At loan origination, the California-based lender files the UCC-1 in California although the business was established (incorporated) in Nevada. Despite all good intentions, the loan goes into liquidation. In this situation, it's possible for another lender based in Nevada to file in Nevada and take a "senior lender position."

Such a loss of lien position on collateral by the lender would result in a repair or denial on an SBA loan. In fact, improper lien position is one of the Top 5 reasons for repairs or denials. Remember too, that UCC-1 continuations must be filed every five years or the lien position will be lost.

Of course the key is to do the UCC-1 filing correctly from the get-go. Where to file? Here are a few guidelines for filing commercial UCC-1 liens:

- A UCC-1 for business personal property should be filed with the Secretary of State where the debtor is legally incorporated or organized;
- For fixture filings, the UCC-1 filing should be in the county where the real estate property that holds the fixtures is located.

Getting hit with the consequences of improper lien positioning is the last thing you want as a lender. At J.R. Bruno & Associates, we're experts at every facet of SBA and business lending. We can assist you in establishing and maintaining your portfolio, and getting over the rough spots if need be. Feel free to call me directly at 626.688.2125 to discuss your organization's needs. For our full range of services, please visit [www.jrbrunoassoc.com](http://www.jrbrunoassoc.com).

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