

Blanket v. PMSI

"Should I use a Blanket filing or a PMSI filing?"

There are primarily two types of secured transactions under Article 9 of the Uniform Commercial Code (UCC): Blanket Filing and Purchase Money Security Interest (PMSI) Filing.

Blanket Filing

"What is a Blanket Filing?"

A Blanket filing is a security interest in all assets of your customer on a non-priority basis, eliminating potential conflict with your customer's primary lender. The priority or payout in a bankruptcy is determined by the filing date (first in time, first in right). The UCC filing elevates the status of your accounts receivable to that of a secured creditor.

Blanket filings are applicable when providing financing, selling services, or in situations when your customer "consumes" or otherwise does not stock your goods.



Think of it like a blanket that covers you from head to toe!

PMSI Filings

"What is a PMSI Filing?"

A PMSI filing provides the same benefits as the blanket filing with the addition of the priority of repossession of specific identifiable goods, primarily inventory or equipment that your company would provide.

PMSI in Equipment

Securing collateral that is defined as equipment 9-102(33) - "Equipment" means goods other than inventory, farm products, or consumer goods. The "equipment" is used in the course of the debtor's business - it is not stocked.



Who would file a PMSI in Equipment?

Creditors who supply items like medical exam tables, copy machines and walk-in coolers; equipment your debtor would keep/not re-sell.

PMSI in Inventory

Securing collateral that is defined as inventory 9-102(48) - "Inventory" means goods, other than farm products, which: (A) are leased by a person as lessor; (B) are held by a person for sale or lease or to be furnished under a contract of service; (C) are furnished by a person under a contract of service; or (D) consist of raw materials, work in process, or materials used or consumed in a business.



Who would file a PMSI in Inventory?

Who would file a PMSI in Inventory? Creditors who supply goods to a debtor for the purpose of the goods being resold; Panasonic sells car stereos to Best Buy who in turn sells them to their customers.

It's all in the timing...

Just like other credit remedies, there are "deadlines" for filing a timely Financing Statement.

- Blanket Filing - The filing should be recorded prior to lending or shipping.
- PMSI in Equipment - To achieve priority in equipment, the UCC-1 Financing Statement must be recorded within 20 days of when the debtor receives possession of the collateral.
- PMSI in Inventory - To achieve priority in the inventory, the UCC-1 Financing Statement must be recorded, and authenticated notification letters must be sent, before the debtor receives possession of the collateral.

Did You Know?! A creditor can file a PMSI and Blanket Filing on the same collateral - true story!

Questions about UCC filings? Contact NCS Credit today!

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