

# A Perfect (ed) PMSI

## & the Importance of a Timely Filing

### Purchase Money Security Interest (PMSI) defined



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"Section 9-103 of the UCC defines a PMSI as a security interest in goods that are collateral for an obligation that arises in connection with the sale of the goods.

When the required steps are met, a PMSI can give a creditor a first or priority security interest in the goods, even if other secured parties hold prior perfected security interests in the same collateral."

### When is a Purchase Money Security Interest (PMSI) perfected?



The debtor has signed & dated the Security Agreement

The debtor's correct legal name and state of jurisdiction have been verified through the Articles of Incorporation or an unexpired driver's license



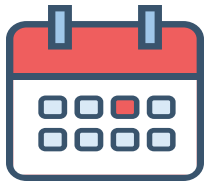
The Financing Statement has been filed with the Secretary of State

A UCC-11 search in the state of jurisdiction and all states to which the secured party is shipping has been performed



All previous secured parties have been notified

### The date of perfection



Once a PMSI is perfected, your collateral will be secured as of the date of the filing or the date the agreement was signed, whichever is later.

### Why would a PMSI perfection be delayed?



The state of jurisdiction does not offer online filing (i.e. the jurisdiction only accepts entries via fax or mail)

The filing includes an attachment, such as an additional collateral description, and the state does not permit the online filing of attachments



The UCC search website is not through the date of your UCC filing

Several previously secured parties need to be notified and there is a delay in verifying receipt of the notification letters, or if those parties are located in a different country



### Don't get hit by preference

There is a 90-day preference period regarding all security interest filings and bankruptcy. Any security interest filed within 90 days of the bankruptcy being filed will be dismissed as a preference and not considered as part of the bankruptcy proceedings, leaving you as an unsecured party.



### Best practice

"Don't wait! Be sure to file your PMSI as soon as the security agreement has been signed. It's important to remember the UCC has no impact on your customer's credit worthiness or day-to-day operations; it simply protects against customer bankruptcy, or default."



Jerry Bailey  
NCS Executive Sales & Education Manager



Need assistance filing your PMSIs?  
Contact our UCC experts today!

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