

UCC Q&A

Why lien searches?

Lien searches are run in order to determine if an asset being purchased or loaned against is encumbered. Lenders run lien searches to ensure that a first lien position is secured on the agency they are financing. Allstate is requiring lien searches to ensure each selling agency they are transferring to a new buyer is free and clear of liens and can be sold.

What should be searched?

Lenders order lien searches on all borrowing and guaranteeing individuals and business entities, as well as any selling individuals or business entities. Searches are also run on any fictitious business names (d/b/a names) or variations such as nicknames or middle names used by the individuals involved. Not only should UCC liens at the state level be searched, but searches should be obtained for UCC, Federal & State Tax liens, and judgment liens filed at the county level, as any of these can encumber the agency.

How do I interpret the results?

The searches should include at a minimum, the following information:

- 1) Debtor Name(s)
- 2) Secured Party Names
- 3) Filing Date
- 4) Filing Number

Most UCC liens will also describe the collateral taken (i.e. a blanket lien over all of the debtor's assets, or specific pieces of equipment, etc.) Tax and judgment liens generally do not list encumbered property, so additional research may need to be performed to determine if those liens encumber the agency assets. Clarifying documentation may need to be obtained for verification that the agency is discharged from the lien.