

On Demand Reference Guide

UCC Series #10 - Rejected UCC Filings v. UCCs Accepted with Errors



Rejected UCC Filings are Costly and Inconvenient, but a Filing Accepted with Errors Can Be Even More Dangerous

Rejected Filings

With a rejected filing, the completed UCC form is submitted to the filing office; the filing officer reviews the document, determines that it fails to meet the minimum requirements for that filing office and returns it to the submitting party without assigning a filing number.

Rejected filings can cause a number of problems. First off, a rejected filing can be costly. In many states, the filing office will retain a portion of the filing fee for the special handling of a rejected document. Additionally, if you work with a service provider to submit UCC filings on your behalf, some charge a rejected filing fee or increased service charge to process a rejected UCC document.

Another issue that arises with a rejected UCC filing is the potential loss of priority. During the time it takes for your document to be corrected, resubmitted and filed by the state, the door is open for another party to claim a priority position. It is not uncommon for a rejected filing to take a week to ten days to be resubmitted and ultimately filed; a lot can happen in that amount of time.

Filing Accepted with Errors

Filings accepted with errors are documents that meet the filing office's minimum requirements and are entered into the public record, but they contain some sort of incomplete or inaccurate data that compromises the integrity of the record. Examples of this type of mistake include typographical errors in party names, incorrect choice of filing office and incorrectly identifying the type of organization for a business debtor.

In some ways, a filing that is accepted with errors is much more dangerous than a document that gets rejected. The problem with a document that gets filed with errors is that the mistakes often go unnoticed, and are left a permanent part of the public record.

When a document comes back from the jurisdiction having been issued a date and file number, it will often just get tucked away in the customer's file without any further review. If the document contained any errors, they may only be discovered when a competing claim arises in the event of a debtor default or bankruptcy.



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