

Arkansas Legislature Amends Uniform Commercial Code to Prevent Fraudulent Lien Filings



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06/28/2017

On April 3, 2017, the Arkansas Legislature passed Act 1114 (the "Act"), which amends certain portions of Article 9 of the State's Uniform Commercial Code to prevent fraudulent lien filings. On April 10, 2017, the Governor signed the Act into law.

The Act provides an avenue for individuals who believe a fraudulent lien has been placed against their property, to have such filings terminated, that previously did not exist. If an individual or organization finds that an unauthorized financing statement has been filed against them, provisions of the Act allows them to file an affidavit or sworn affirmation with the filing office of the Secretary of State. After an affidavit is filed, the filing office may file a termination statement, which becomes effective after thirty (30) days. However, affidavits or sworn affirmations are not allowed to be filed against filing statements filed by a bank or by a person that regularly extends credit to agricultural producers.

The Act provides a procedure for notice to secured parties and a procedure for secured parties to dispute termination of their lien filings.

Overall, the effect of this amendment should be very minimal to banks. Affidavits to terminate lien filings may not be filed with respect to a financing statement filed by a bank. Therefore banks should not be concerned about false claims that their valid liens are fraudulent. If for some reason a mistake was made and someone was able to file an affidavit against a financing statement by a bank, the bank would receive notice and has twenty (20) days to dispute termination of the bank's lien filing.

You can read the Act to amend the Uniform Commercial Code to Prevent Fraudulent Lien Filings [here](#).