

2023

Uniform Commercial Code Annual Report

DECEMBER 2023



Program Overview

RCW 62A.9A-527 requires the Department of Licensing to send an annual report to the Governor regarding the operation of the Uniform Commercial Code (UCC) filing office. UCC activities support the Governor's priorities for a prosperous economy.

The UCC program operates under Chapter 62A.9A RCW and Chapter 308-391 RCW of the Washington Administrative Code. The program is administered by the Department of Licensing.

UCC supports commerce by providing lenders, in the United States and internationally, a central place to file information regarding personal property pledged as collateral for loans. Filing with the UCC office legally establishes a lender's priority for the collateral in case the borrower defaults on the loan.

UCC program facts:

- The UCC program has approximately 693,818 active filings in the database which includes UCC financing statements, agricultural liens, and various federal liens.
- The program provides certified searches of its records so potential lenders will know whether the debtor has already used particular items as collateral for a loan.
- Filing with the UCC program is not mandatory but is heavily relied on by the lending industry. Services are provided upon request.
- The program is entirely fee-supported.
- State law requires the Department of Licensing to process UCC records within two business days from the filing date or within two business days from when a search request is received.

The Uniform Commercial Code model law (Revised Article 9) was adopted in all 50 states with the intention of:

- Creating greater uniformity, filing standards and search standards nationwide.
- Reducing program response time to filers and searchers.
- Reducing the number of requests that the program rejects or cannot fulfill.
- The Washington State UCC program continues to meet the requirements of the law.

UCC Filing Office Requirements

Uniformity of rules and practices

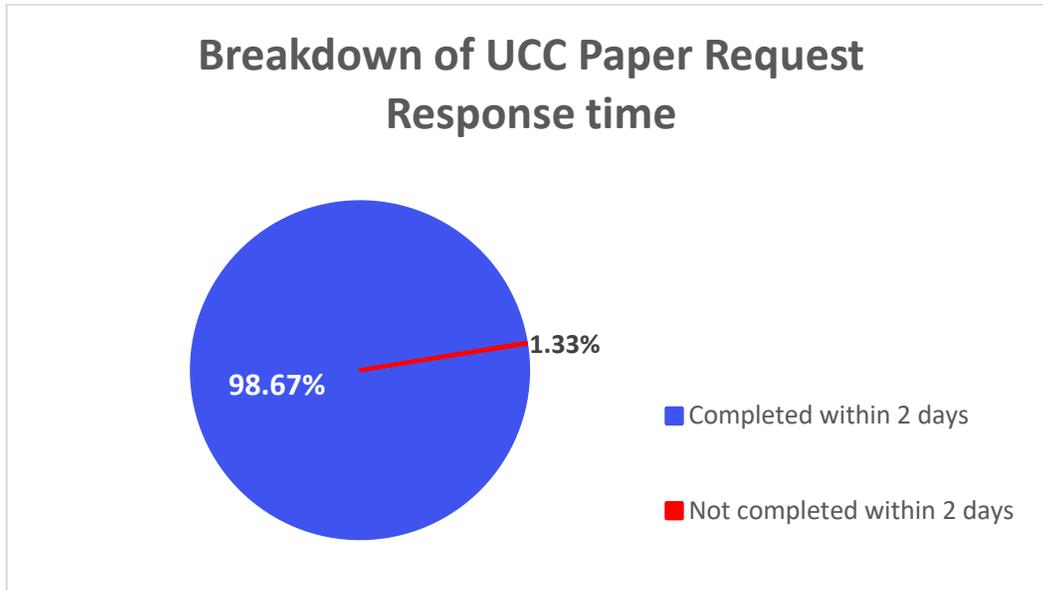
State law requires Washington's rules and practices to be in harmony with other states' filing offices. To meet this requirement, UCC managers are active members of the International Association of Commercial Administrators (IACA). The IACA members communicate via a national listserv and attend an annual conference where they debate and vote on issues such as changes to the model rules. The program complies with technical standards adopted by IACA and works closely with other states to apply the model law to achieve uniformity and consistency.

Online services

Providing online services to customers across the nation is a cornerstone of the UCC program. In 2023 Washington's UCC program processed a total of 94,795 transactions online and via electronic batch, which includes 2 paper wage liens. 88% of all transactions were made electronically.

Two business day response time

Revised Article 9 of the Washington UCC law requires a two-business day response time for all services. This year, UCC responded *instantaneously* to the web-based transactions and met or exceeded the two-business day response requirement of transactions submitted on paper.



Records Purged

In accordance with the law and records retention schedule, Washington's UCC program purges lapsed filings each year. In 2023, approximately 92,381 lapsed records were purged. The purge reduces the total volume of UCC filings and makes searching the records easier. Customers' search results are unambiguous since we provide only valid records.

Future Steps

The Department of Licensing has started the process of beginning planning and developing a modernized UCC system replacement. The current system is outdated and needs improvements that are more customer centered and reduces the risk of system failures and offers better security features like automated redaction of sensitive information.

Summary

The Department of Licensing is successful at maintaining the standards and processes established in the UCC law. Customers have access to easy online filing and search services that provide instantaneous results. Washington's rules and practices are in harmony with most other states' rules and practices. The program contributes to the economic vitality of individuals and businesses by lowering risk factors associated with making business loans.