

Senate Substitute for HOUSE BILL No. 2124

By Committee on Judiciary

3-20

1 AN ACT concerning the uniform commercial code; relating to the
2 exclusion of consumer transactions governed by federal law; secured
3 transactions; amending K.S.A. 84-4a-108 and K.S.A. 2014 Supp. 84-9-
4 408, 84-9-803, 84-9-805 and 84-9-807 and repealing the existing
5 sections.
6

7 *Be it enacted by the Legislature of the State of Kansas:*

8 Section 1. K.S.A. 84-4a-108 is hereby amended to read as follows:
9 84-4a-108. (a) *Except as provided in subsection (b)*, this article does not
10 apply to a funds transfer any part of which is governed by the electronic
11 fund transfer act of 1978 (title XX, public law 95-630, 92 Stat. 3728, 15
12 U.S.C. § 1693 et seq.) ~~as amended from time to time.~~

13 (b) *This article applies to a funds transfer that is a remittance*
14 *transfer as defined in the electronic fund transfer act (15 U.S.C. § 1693o-*
15 *1), unless the remittance transfer is an electronic fund transfer as defined*
16 *in the electronic fund transfer act (15 U.S.C. § 1693a).*

17 (c) *In a funds transfer to which this article applies, in the event of an*
18 *inconsistency between an applicable provision of this article and an*
19 *applicable provision of the electronic fund transfer act, the provision of*
20 *the electronic fund transfer act governs to the extent of the inconsistency.*

21 Sec. 2. K.S.A. 2014 Supp. 84-9-408 is hereby amended to read as
22 follows: 84-9-408. (a) **Term restricting assignment generally**
23 **ineffective.** Except as otherwise provided in ~~subsection (b) and subsection~~
24 ~~(g)~~ of K.S.A. 17-76,134(b) and (g), and amendments thereto, a term in a
25 promissory note or in an agreement between an account debtor and a
26 debtor which relates to a health-care-insurance receivable or a general
27 intangible, including a contract, permit, license, or franchise, and which
28 term prohibits, restricts, or requires the consent of the person obligated on
29 the promissory note or the account debtor to, the assignment or transfer of,
30 or creation, attachment, or perfection of a security interest in, the
31 promissory note, health-care-insurance receivable, or general intangible, is
32 ineffective to the extent that the term:

33 (1) Would impair the creation, attachment, or perfection of a security
34 interest; or

35 (2) provides that the assignment or transfer or the creation,
36 attachment, or perfection of the security interest may give rise to a default,

1 breach, right of recoupment, claim, defense, termination, right of
2 termination, or remedy under the promissory note, health-care-insurance
3 receivable, or general intangible.

4 **(b) Applicability of subsection (a) to sales of certain rights to**
5 **payment.** Subsection (a) applies to a security interest in a payment
6 intangible or promissory note only if the security interest arises out of a
7 sale of the payment intangible or promissory note, other than a sale
8 pursuant to a disposition under K.S.A. 2014 Supp. 84-9-610, and
9 amendments thereto, or an acceptance of collateral under K.S.A. 2014
10 Supp. 84-9-620, and amendments thereto.

11 **(c) Legal restrictions on assignment generally ineffective.** Except
12 as otherwise provided in ~~and subsection (g)~~ of K.S.A. 17-76,134(g), and
13 amendments thereto, a rule of law, statute, or regulation that prohibits,
14 restricts, or requires the consent of a government, governmental body or
15 official, person obligated on a promissory note, or account debtor to the
16 assignment or transfer of, or creation of a security interest in, a promissory
17 note, health-care-insurance receivable, or general intangible, including a
18 contract, permit, license, or franchise between an account debtor and a
19 debtor, is ineffective to the extent that the rule of law, statute, or
20 regulation:

21 (1) Would impair the creation, attachment, or perfection of a security
22 interest; or

23 (2) provides that the assignment or transfer or the creation,
24 attachment, or perfection of the security interest may give rise to a default,
25 breach, right of recoupment, claim, defense, termination, right of
26 termination, or remedy under the promissory note, health-care-insurance
27 receivable, or general intangible.

28 **(d) Limitation on ineffectiveness under subsections (a) and (c).** To
29 the extent that a term in a promissory note or in an agreement between an
30 account debtor and a debtor which relates to a health-care-insurance
31 receivable or general intangible or a rule of law, statute, or regulation
32 described in subsection (c) would be effective under law other than this
33 article but is ineffective under subsection (a) or (c), the creation,
34 attachment, or perfection of a security interest in the promissory note,
35 health-care-insurance receivable, or general intangible:

36 (1) Is not enforceable against the person obligated on the promissory
37 note or the account debtor;

38 (2) does not impose a duty or obligation on the person obligated on
39 the promissory note or the account debtor;

40 (3) does not require the person obligated on the promissory note or
41 the account debtor to recognize the security interest, pay or render
42 performance to the secured party, or accept payment or performance from
43 the secured party;

1 (4) does not entitle the secured party to use or assign the debtor's
2 rights under the promissory note, health-care-insurance receivable, or
3 general intangible, including any related information or materials
4 furnished to the debtor in the transaction giving rise to the promissory
5 note, health-care-insurance receivable, or general intangible;

6 (5) does not entitle the secured party to use, assign, possess, or have
7 access to any trade secrets or confidential information of the person
8 obligated on the promissory note or the account debtor; and

9 (6) does not entitle the secured party to enforce the security interest in
10 the promissory note, health-care-insurance receivable, or general
11 intangible.

12 (e) **Section prevails over specified inconsistent law.** This section
13 prevails over any inconsistent provisions of any laws, rules, and
14 regulations of this state.

15 Sec. 3. K.S.A. 2014 Supp. 84-9-803 is hereby amended to read as
16 follows: 84-9-803. (a) **Continuing perfection: Perfection requirements**
17 **satisfied.** A security interest that is a perfected security interest
18 immediately before July 1, 2013, is a perfected security interest under
19 article 9 of chapter 84 of the Kansas Statutes Annotated, as amended by
20 this act, if, on July 1, 2013, the applicable requirements for attachment and
21 perfection under article 9 of chapter 84 of the Kansas Statutes Annotated,
22 as amended by this act, are satisfied without further action.

23 (b) **Continuing perfection: Perfection requirements not satisfied.**
24 Except as otherwise provided in K.S.A. 2014 Supp. ~~84-9-806~~ 84-9-805,
25 and amendments thereto, if immediately before July 1, 2013, a security
26 interest is a perfected security interest, but the applicable requirements for
27 perfection under article 9 of chapter 84 of the Kansas Statutes Annotated,
28 as amended by this act, are not satisfied on July 1, 2013, the security
29 interest remains perfected thereafter only if the applicable requirements for
30 perfection under article 9 of chapter 84 of the Kansas Statutes Annotated,
31 as amended by this act, are satisfied within one year after July 1, 2013.

32 Sec. 4. K.S.A. 2014 Supp. 84-9-805 is hereby amended to read as
33 follows: 84-9-805. (a) **Pre-effective-date filing effective.** The filing of a
34 financing statement before July 1, 2013, is effective to perfect a security
35 interest to the extent the filing would satisfy the applicable requirements
36 for perfection under article 9 of chapter 84 of the Kansas Statutes
37 Annotated, and as amended by this act.

38 (b) **When pre-effective-date filing becomes ineffective.** This act
39 does not render ineffective an effective financing statement that, before
40 July 1, 2013, is filed and satisfies the applicable requirements for
41 perfection under the law of the jurisdiction governing perfection as
42 provided in article 9 of chapter 84 of the Kansas Statutes Annotated, prior
43 to amendments by this act. However, except as otherwise provided in

1 subsections (c) and (d) ~~of~~ and K.S.A. 2014 Supp. ~~84-9-807~~ 84-9-806, and
2 amendments thereto, the financing statement ceases to be effective:

3 (1) If the financing statement is filed in this state, at the time the
4 financing statement would have ceased to be effective had this act not
5 taken effect; or

6 (2) if the financing statement is filed in another jurisdiction, at the
7 earlier of:

8 (A) At the time the financing statement would have ceased to be
9 effective under the law of that jurisdiction; or

10 (B) June 30, 2018.

11 (c) **Continuation statement.** The filing of a continuation statement
12 after July 1, 2013, does not continue the effectiveness of a financing
13 statement filed before this act takes effect. However, upon the timely filing
14 of a continuation statement after July 1, 2013, and in accordance with the
15 law of the jurisdiction governing perfection as provided in article 9 of
16 chapter 84 of the Kansas Statutes Annotated, as amended by this act, the
17 effectiveness of a financing statement filed in the same office in that
18 jurisdiction before July 1, 2013, continues for a period provided by the law
19 of that jurisdiction.

20 (d) **Application of subsection (b)(2)(B) to transmitting utility**
21 **financing statement.** Subsection (b)(2)(B) applies to a financing
22 statement that, before July 1, 2013, is filed against a transmitting utility
23 and satisfies the applicable requirements for perfection under the law of
24 the jurisdiction governing perfection as provided in article 9 of chapter 84
25 of the Kansas Statutes Annotated, prior to amendments by this act, only to
26 the extent that article 9 of chapter 84 of the Kansas Statutes Annotated, as
27 amended by this act, provides that the law of a jurisdiction other than the
28 jurisdiction in which the financing statement is filed governs perfection of
29 a security interest in collateral covered by the financing statement.

30 (e) **Application of part 5.** A financing statement that includes a
31 financing statement filed before July 1, 2013, and a continuation statement
32 filed after July 1, 2013, is effective only to the extent that it satisfies the
33 requirements of part 5 of article 9 of chapter 84 of the Kansas Statutes
34 Annotated, as amended by this act, for an initial financing statement. A
35 financing statement that indicates that the debtor is a decedent's estate
36 indicates that the collateral is being administered by a personal
37 representative within the meaning of K.S.A. 2014 Supp. 84-9-503(a)(2), as
38 amended by this act. A financing statement that indicates that the debtor is
39 a trust or trustee acting with respect to property held in trust indicates that
40 the collateral is held in a trust within the meaning of K.S.A. 2014 Supp.
41 84-9-503(a)(3), as amended by this act.

42 Sec. 5. K.S.A. 2014 Supp. 84-9-807 is hereby amended to read as
43 follows: 84-9-807. (a) **Pre-effective-date financing statement.** In this

1 section, "pre-effective-date financing statement" means a financing
2 statement filed before July 1, 2013.

3 (b) **Applicable law.** After July 1, 2013, a person may add or delete
4 collateral covered by, continue or terminate the effectiveness of, or
5 otherwise amend the information provided in, a pre-effective-date
6 financing statement only in accordance with the law of the jurisdiction
7 governing perfection as provided in article 9 of chapter 84 of the Kansas
8 Statutes Annotated, as amended by this act. However, the effectiveness of
9 a pre-effective-date financing statement also may be terminated in
10 accordance with the law of the jurisdiction in which the financing
11 statement is filed.

12 (c) **Method of amending: General rule.** Except as otherwise
13 provided in subsection (d), if the law of this state governs perfection of a
14 security interest, the information in a pre-effective-date financing
15 statement may be amended after July 1, 2013, only if:

16 (1) The pre-effective-date financing statement and an amendment are
17 filed in the office specified in K.S.A. 2014 Supp. 84-9-501, and
18 amendments thereto;

19 (2) an amendment is filed in the office specified in K.S.A. 2014 Supp.
20 84-9-501, and amendments thereto, concurrently with, or after the filing in
21 that office of, an initial financing statement that satisfies ~~subsection (e) of~~
22 K.S.A. 2014 Supp. ~~84-9-807 84-9-806(c)~~, and amendments thereto; or

23 (3) an initial financing statement that provides the information as
24 amended and satisfies ~~subsection (e) of~~ K.S.A. 2014 Supp. 84-9-807(c),
25 and amendments thereto, is filed in the office specified in K.S.A. 2014
26 Supp. 84-9-501, and amendments thereto.

27 (d) **Method of amending: Continuation.** If the law of this state
28 governs perfection of a security interest, the effectiveness of a pre-
29 effective-date financing statement may be continued only under
30 ~~subsections (c) and (e) of~~ K.S.A. 2014 Supp. ~~84-9-806 84-9-805(c) and~~
31 ~~(e)~~, and amendments thereto, or K.S.A. 2014 Supp. ~~84-9-807 84-9-806~~,
32 and amendments thereto.

33 (e) **Method of amending: Additional termination rule.** Whether or
34 not the law of this state governs perfection of a security interest, the
35 effectiveness of a pre-effective-date financing statement filed in this state
36 may be terminated after July 1, 2013, by filing a termination statement in
37 the office in which the pre-effective-date financing statement is filed,
38 unless an initial financing statement that satisfies ~~subsection (c) of~~ K.S.A.
39 2014 Supp. ~~84-9-807 84-9-806(c)~~, and amendments thereto, has been filed
40 in the office specified by the law of the jurisdiction governing perfection
41 as provided in article 9 of chapter 84 of the Kansas Statutes Annotated, as
42 amended by this act, as the office in which to file a financing statement.

43 Sec. 6. K.S.A. 84-4a-108 and K.S.A. 2014 Supp. 84-9-408, 84-9-803,

1 84-9-805 and 84-9-807 are hereby repealed.

2 Sec. 7. This act shall take effect and be in force from and after its
3 publication in the statute book.