

HOUSE RESEARCH

Bill Summary

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Overview

House File 2442 makes numerous statutory amendments that will eventually lead to more complete implementation of the statewide central computerized filing system, operated by the secretary of state, for recording liens on agricultural products. The role of county recorders is gradually phased out, but a county recorder has the option to qualify for and become a designated "satellite office" supporting the computerized filing system.

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- 1 Definitions.** The list of terms used in the agricultural lien statutes is expanded by adding several new definitions including "business day," "crop year," "lienholder," "monthly list," and "secured party."
- 2 Specification of farm products; list of products.** The basis for the filing system is changed from a general description of the value of products secured to a specific list of some 42 farm crops and livestock items.
- 3 Contents of effective financing statement or lien notice.** A change from current statute allows for an electronically reproduced copy of a statement to serve as the equivalent of paper copies for these documents. Slight changes are made in the requirements for identifying the location of farm products. The form or format of the effective financing statement, the identification code for each farm product, and a county code are to be designated by the secretary of state. These formats and codes are to be used when filing an effective financing statement or lien notice. A lienholder and a debtor must both be identified on the effective financing statement or lien notice by full, complete legal business or

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- personal names and addresses. Material amendments to an effective financing statement or lien notice must take the form of a new document replacing the previous document.
- 4 **Satellite offices.** The secretary of state is authorized to establish satellite office throughout the state by contracting with suitable public officials. Satellite offices must accept effective financing statements and lien notices for entry in the computerized filing system. The secretary of state is instructed to maintain the computerized filing system which will include a database of all effective financing statements and lien notices filed on or after July 1, 2001. Effective financing statements and lien notices filed before July 1, 2001, must also be housed in the computerized filing system, although electronic access to these records is somewhat more limited. Standards are set for the performance of all filing officers. Records created on paper can be destroyed after the information has been captured by the computerized filing system.
- 5 **Filing effective financing statement or lien notice; location.** Removes county recorders as the official location for filing effective financing statements or lien notices and transfers document responsibilities to the computerized filing system operated by the secretary of state. The current fee of \$15 for filing a standard form or format will continue for filings made through the secretary of state web interface but, after June 30, 2005, will be increased to \$20 for each filing submitted in any other manner. Filing fees collected by satellite offices must be deposited to the general fund of the county in which the satellite office is located. Each effective financing statement, lien notice, continuation statement, or termination statement will be assigned a unique identification number which will serve for purposes of indexing documents for maintenance and public inspection. All related record identification numbers relating to a debtor or to previously filed documents must be cross-indexed for easy identification. The index of any given document must remain available for one year after the effectiveness of a lien documented by a filed document lapses.
- 6 **Effect of filing on perfection and priority.** Liens and security interests previously filed with county recorders and perfected under the uniform commercial code are not affected by the switch in filing procedures.
- 7 **Continuation statement; filing period.** A continuation statement is equally validated by signature or other authentication procedure. Continuation statements must now be filed in the computerized filing system rather than in the county recorders office where the effective financing statement was originally filed.
- 8 **Termination statements.** A termination statement is equally validated by signature or other authentication procedure. A termination statement must include the file number of the effective financing statement or lien notice and be signed, authorized, or otherwise authenticated by the lienholder. The termination statement must be filed in the computerized filing system.
- 9 **Master list.** The master list of lien documents in the computerized filing system needs to include terminations of effective financing statements and lien notices. A registered buyer can request a monthly list that includes all crops or all livestock, or a partial list. Monthly lists are to be distributed or made available on the 10th day of each month. The monthly lists can be distributed in a variety of formats and media. There is no fee for lists distributed electronically. Lists distributed by digital media or on paper have an annual cost of \$200 to \$400. Farm product dealers that register by the last business day of a month can receive the monthly list for that month. If the list distributed cannot be read by the recipient or is incomplete, the farm product dealer must notify the secretary of state and the secretary of state must replace the list within five business days. A farm product dealer may elect to

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receive an initial list and monthly updates rather than full lists each month.

- 10 Inquiries.** A filing office must respond to an inquiry by sending a confirmation of the response to the inquiry to the requestor by the next business day. Procedures are detailed for delivering the results of a search to a requestor. The fee for a report is increased from \$15 to \$20. Fees must be deposited in the general fund of the county where the satellite office is located.
- 11 Immunity.** The secretary of state, county recorders, and their employees and agents are shielded from liability for errors or omissions involving the computerized filing system.
- 12 Registration requirements.** A farm products dealer must register for the distribution of lists in the form or format required by the secretary of state.
- 13 Registration forms or format.** The secretary of state is to make the registration form or format available to farm products dealers.
- 14 Rules, authority.** The secretary of state is to provide the forms or format for effective financing statements, lien notices, and other notices.
- 15 Receipt of written notice.** Clarifies timelines by which various types of notices to farm product dealers will be presumed to have been received.
- 16 Temporary surcharge.** For each effective financing statement and lien notice filed between July 1, 2004, and June 30, 2005, the filer must pay a surcharge of \$10. The surcharge is deposited in the general fund and appropriated to the Secretary of State for purposes of implementing the revised electronic registration system.
- 17 Appropriation.** \$62,000 is appropriated from the general fund to the secretary of state to implement the changes provided by this bill.
- 18 Repealer.** Various sections of Minnesota rules dealing with agricultural product liens are repealed.
- 19 Effective date.** Sections 1 to 15 are effective on a scheduled determined by the approval of the central filing system by the U.S. department of agriculture. The repeals of rules in section 16 will be effective as determined by the revisor of statutes. Section 16 is effective July 1, 2004.