

## Reasons to Use UCC Filings

Unsecured creditors are at the bottom of the barrel in the bankruptcy process. Companies that extend credit on an open account basis can often find themselves on the business end of a pennies-on-the-dollar settlement when their customer goes belly up, and many of them are glad to receive even that. Horror stories on the subject are plentiful, with many unsecured creditors receiving nothing at all in a debtor's bankruptcy filing.

For creditors, this can be a regular part of the credit management process. Therefore, to avoid all the disadvantages that unsecured creditors face in a bankruptcy case, construction suppliers and other businesses should consider perfecting Uniform Commercial Code (UCC) filings in order to make the jump from being unsecured to secured. Here's why:

### **High Priority**

The absolute priority rule in bankruptcy stipulates that unsecured creditors receive payment only after secured creditors are officially made whole. UCCs allow sellers to jump the line ahead of other creditors and get paid as quickly, and as fully, as a bank or loan provider would.

### **Sales Tool**

Using UCC filings to secure the extension of credit means that sellers can do businesses with companies that they might not have been able to otherwise. It reduces the amount of risk in the transaction, meaning that companies can take on a greater number of less creditworthy customers without having to worry about their payment.

### **Good for Five Years**

When perfecting a UCC filing, the seller must provide a collateral description, and to be effective, it has to be specific enough to identify the collateral in the instance of a bankruptcy, but general enough to last five years without rewrites. That's how long UCC filings are good for, and as long as this key step is taken care of early, the filing can be used to extend the financing throughout that time, offering flexibility and security to both buyer and seller.

### **Now It's Easy**

Construction creditors that don't file UCCs often do so because the process can seem daunting. Now, however, they can use the UCC Filing Services program offered by [NACM's Secured Transaction Services \(STS\)](#). For a flat fee, STS can handle a company's UCC filings in all 50 states. Users also have access to downloadable forms, online requests and reporting, and assistance with preparation, filing and expiration dates.

**(INSERT CONTACT INFORMATION OR OTHER MESSAGE.)**