

Search Logic Variation Impact

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Agenda

- **Why is SSL a problem?**
- **Examples of SSL gone wrong!**
- **What does the SSL UCC search need to tell the customer?**
- **Why do we need another kind of search?**
- **What about the search report?**

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Why is SSL a Problem????

- **Problem for Filing Offices**

- *Many were not around in mid-90's when discussed*
- *Some saw that an order of programming was suggested, others did not hear that message*
- *Few realized just how vital order of programming would be to the result*

- **Problem for Searchers**

- *Not aware that it differs from State to State*
- *Do not know when it is important to search that way*
- *Results are often incomplete, creating "hidden liens"*

- **Problem for Courts**

- *Do not understand what SSL means*
- *Not aware that it differs from State to State*

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Examples of SSL Gone Wrong!!!

Name on Articles: **Network Solutions, Inc.**

Financing Statement: **Net work Solutions, Inc.**

Standard Search Logic Available – Yes (no rules on exact search logic)

Result

In this case – the search would not find the name on the Financing Statement as spaces are not ignored. Competing secured party won as the Financing Statement was not found due to data entry error on debtor name by secured party. If SSL implementation had been followed – this Financing Statement would have been found and the secured party’s Financing Statement would have been found effective.

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Search Logic Variation Example

Correct Debtor Name: ABC-NACO, INC.

	State 1	State 2	State 3	State 4
Normalized Name	ABCNACO	ABC	???	???
Use SSL	Yes	Yes	Yes	No

Searched As:	State 1	State 2	State 3	State 4
ABC-NACO INC	Found	Found	Found	Hidden
ABC-NACO	Found	Found	Found	Hidden
ABC NACO INC	Found	Found	Hidden	Hidden
ABC NACO	Found	Found	Hidden	Found
ABC	Hidden	Found	Hidden	Hidden

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Search Logic Examples

Correct Debtor Name: CUSA, INC.

	State 1	State 2
Normalized Name	CUSA	NULL
Use SSL	Yes	Yes

Search Results:

State 1	State 2
NONE	CUSA, INC
	FSB PARTNERS
	SASC, INC.
	CHARTER BANK
	NAPA

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What does the SSL UCC Search Need to Tell the Customer?

- **Type of Search Conducted**

- *RA9 Standard Search Logic*
- *Variation, if so, what kind*

- **Name Searched After Normalization**

- *After whatever logic you use has been applied ---
What do you have left???*

- **What is being “Certified”**

- *Official Listing from Index*
- *Copies of Documents Provided*
- *Filing Office “did the work”*

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Why Do We Need Another Kind Of Search?

- **Due to 9-705(c) issue - UCC Variations needed 6 more months**
 - *12/31/06 for majority*
 - *6 months after “non uniform” transition end date for others*
- **“Adverse” Lien Variation Search Logic – Why not use SSL?**
 - *Adverse Liens do not have the same RA9 statutory requirements*
 - *They become “hidden liens” with costly results for secured parties*

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Example of Case Where Federal Tax Lien Not Found

Spearing Tool and Manufacturing Co. *(Correct Name)*

Spearing Tool & Mfg. Company, Inc. *(IRS Name on Tax Returns)*

Standard Search Logic available in State – YES

Variation Search Logic available in State – NO

Tax Liens filed with UCC's and searched using same logic – YES

(In this case – even if the IRS had spelled out “manufacturing” and abbreviated “Company to Co” and left off the “Inc” – it still would not be found because their version of SSL does not make the “&” and “and” equal or delete both. The name would need to be searched both ways to be found)

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What About the Search Report?

- **Do I need to certify these Variation Searches?**

- *No – only certify copies of documents, if requested*

- *May want to only offer on website*

- **No website searching OR “Must” offer from office!**

- *If on same report as UCC’s (like NE) report separately and indicate different search logic was used*

- *Easier to do as a separate request and as completely separate report – much clearer to searching party (like VA)*

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What did we learn from the questionnaires many of you completed on these “other” or adverse liens in your systems????

Carol Nulty, Esq. from Skadden, Arps, etal will fill you in!!!

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Survey Results:

State	Non-UCC & UCC in the same database	RA9 Search Logic Applied (from in-house, not web)	Do you supply separate cover sheet if both UCC & Non-UCC are requested?	Do you notify the searcher of the search logic used?
Alaska	No			
Arizona	Yes	Yes	No	No
Arkansas	Yes	Yes	No	No
California	Yes	Yes	No	
Colorado	Yes	No	No	No
Connecticut	Yes	No	No	No
Delaware	Yes	Yes	Yes	
Florida	No	No		
Hawaii	Yes	Yes	Yes	No
Idaho	Yes	Yes	No	No
Illinois	No	No	Yes	No
Iowa	Yes	Yes	Yes	No
Kansas	Yes	Yes	No	No
Louisiana	Yes	Yes	No	No
Maine	Yes	Yes	No	No
Michigan	Yes	Yes	No	Yes
Minnesota	Yes	No	Yes	Yes
Mississippi	Yes	Yes	No	No
Montana	Yes	Yes	No	
Nebraska	No		No	
Nevada	Yes	Yes	No	No
New Hampshire	Yes	Yes	No	Yes
North Carolina	Yes	Yes	Yes	Yes
North Dakota	Yes	No	No	No
Oklahoma	Yes	Yes	No	No
Oregon	Yes	Yes	No	No
Pennsylvania	Yes	Yes	No	No
South Dakota	Yes	Yes	No	No
Texas	Yes	Yes	No	
Utah	Yes	No	No	No
Virginia	Yes	No	Yes	No
Washington	Yes	Yes	No	No
Wisconsin	Yes	No	No	No
Wyoming	Yes	Yes	No	Yes

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