

The Security Instrument

~~"The collateral follows the obligation. See UCC Section 9-308(d)."~~

U.C.C. - ARTICLE 9

§ 9-104. Transactions Excluded From Article.

This Article does not apply

- (a) to a security interest subject to any statute of the United States, to the extent that such statute governs the rights of parties to and third parties affected by transactions in particular types of property; or
- (b) to a landlord's lien; or
- (c) to a lien given by statute or other rule of law for services or materials except as provided in Section 9-310 on priority of such liens; or
- (d) to a transfer of a claim for wages, salary or other compensation of an employee; or
- (e) to a transfer by a government or governmental subdivision or agency; or
- (f) to a sale of [accounts](#) or [chattel paper](#) as part of a sale of the business out of which they arose, or an assignment of accounts or chattel paper which is for the purpose of collection only, or a transfer of a right to payment under a contract to an assignee who is also to do the performance under the contract or a transfer of a single account to an assignee in whole or partial satisfaction of a preexisting indebtedness; or
- (g) to a transfer of an interest in or claim in or under any policy of insurance, except as provided with respect to proceeds (Section [9-306](#)) and priorities in proceeds (Section [9-312](#)); or
- (h) to a right represented by a judgment (other than a judgment taken on a right to payment which was [collateral](#)); or
- (i) to any right of set-off; or
- **(j) except to the extent that provision is made for fixtures in Section [9-313](#), to the creation or transfer of an interest in or lien on real estate, including a lease or rents thereunder; or**
- (k) to a transfer in whole or in part of any claim arising out of tort; or
- (l) to a transfer of an interest in any [deposit account](#) (subsection (1) of Section [9-105](#)), except as provided with respect to proceeds (Section [9-306](#)) and priorities in proceeds (Section [9-312](#)).

§ 9-103. Perfection of Security Interest in Multiple State Transactions

(1) Documents, instruments and ordinary goods.

- (a) This subsection applies to documents and instruments and to goods other than those covered by a certificate of title described in subsection (2), mobile goods described in subsection (3), and minerals described in subsection (5).
- (b) Except as otherwise provided in this subsection, perfection and the effect of perfection or non-perfection of a security interest in collateral are governed by the law of the jurisdiction where the collateral is when the last event occurs on which is based the assertion that the security interest is perfected or unperfected.
- (c) If the parties to a transaction creating a purchase money security interest in goods in one jurisdiction understand at the time that the security interest attaches that the goods will be kept in another jurisdiction, then the law of the other jurisdiction governs the perfection and the effect of perfection or non-perfection of the security interest from the time it attaches until thirty days after the debtor receives possession of the goods and thereafter if the goods are taken to the other jurisdiction before the end of the thirty-day period.
- (d) When collateral is brought into and kept in this state while subject to a security interest perfected under the law of the jurisdiction from which the collateral was removed, the security interest remains perfected, but if action is required by Part 3 of this Article to perfect the security interest,
 - (i) if the action is not taken before the expiration of the period of perfection in the other jurisdiction or the end of four months after the collateral is brought into this state, whichever period first expires, the security interest becomes unperfected at the end of that period and is thereafter deemed to have been unperfected as against a person who became a purchaser after removal;
 - (ii) if the action is taken before the expiration of the period specified in subparagraph (i), the security interest continues perfected thereafter;
 - (iii) for the purpose of priority over a buyer of consumer goods (subsection (2) of Section 9-307), the period of the effectiveness of a filing in the jurisdiction from which the collateral is removed is governed by the rules with respect to perfection in subparagraphs (i) and (ii).

(2) Certificate of title.

§ 9-308. Purchase of Chattel Paper and Instruments

A purchaser of **chattel paper** or an **instrument** who gives new value and takes possession of it in the ordinary course of his business has priority over a security interest in the chattel paper or instrument

- (a) which is **perfected** under Section **9-304** (permissive filing and temporary perfection) or under Section **9-306** (perfection as to proceeds) if he acts without knowledge that the specific paper or **instrument** is subject to a security interest; or
- (b) which is claimed merely as proceeds of inventory subject to a security interest (Section **9-306**) even though he knows that the specific paper or **instrument** is subject to the security interest.
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§ 9-304. Perfection of Security Interest in Instruments, Documents, and Goods Covered by Documents; Perfection by Permissive Filing; Temporary Perfection Without Filing or Transfer of Possession

(1) A security interest in **chattel paper** or negotiable **documents** may be **perfected** by filing. A security interest in money or **instruments** (other than certificated securities or instruments which constitute part of chattel paper) can be perfected only by the **secured party's** taking possession, except as provided in subsections (4) and (5) of this section and subsections (2) and (3) of Section **9-306** on proceeds.

(2) During the period that **goods** are in the possession of the issuer of a negotiable **document** therefor, a security interest in the goods is **perfected** by perfecting a security interest in the document, and any security interest in the goods otherwise perfected during such period is subject thereto.

(3) A security interest in **goods** in the possession of a bailee other than one who has issued a negotiable **document** therefor is **perfected** by issuance of a document in the name of the **secured party** or by the bailee's receipt of notification of the secured party's interest or by filing as to the goods.

(4) A security interest in **instruments** (other than certificated securities) or negotiable **documents** is **perfected** without filing or the taking of possession for a period of 21 days from the time it attaches to the extent that it arises for new value given under a written **security agreement**.

(5) A security interest remains **perfected** for a period of 21 days without filing where a **secured party** having a perfected security interest in an **instrument** (other than a certificated security), a negotiable **document** or **goods** in possession of a bailee other than one who has issued a negotiable document therefor

- (a) makes available to the [debtor](#) the [goods](#) or [documents](#) representing the goods for the purpose of ultimate sale or exchange or for the purpose of loading, unloading, storing, shipping, transshipping, manufacturing, processing or otherwise dealing with them in a manner preliminary to their sale or exchange, but priority between conflicting security interests in the goods is subject to subsection (3) of Section 9-312; or
- (b) delivers the [instrument](#) to the [debtor](#) for the purpose of ultimate sale or exchange or of presentation, collection, renewal or registration of transfer.

(6) After the 21 day period in subsections (4) and (5) perfection depends upon compliance with applicable provisions of this Article.

§ 9-306. "Proceeds"; Secured Party's Rights on Disposition of Collateral

(1) "Proceeds" includes whatever is received upon the sale, exchange, collection or other disposition of [collateral](#) or proceeds. Insurance payable by reason of loss or damage to the collateral is proceeds, except to the extent that it is payable to a person other than a party to the [security agreement](#). Money, checks, [deposit accounts](#), and the like are "cash proceeds". All other proceeds are "non-cash proceeds".

(2) Except where this Article otherwise provides, a security interest continues in [collateral](#) notwithstanding sale, exchange or other disposition thereof unless the disposition was authorized by the [secured party](#) in the [security agreement](#) or otherwise, and also continues in any identifiable proceeds including collections received by the [debtor](#).

(3) The security interest in proceeds is a continuously [perfected](#) security interest if the interest in the original [collateral](#) was perfected but it ceases to be a perfected security interest and becomes unperfected ten days after receipt of the proceeds by the [debtor](#) unless

- (a) a filed [financing statement](#) covers the original [collateral](#) and the proceeds are [collateral](#) in which a security interest may be [perfected](#) by filing in the office or offices where the financing statement has been filed and, if the proceeds are acquired with cash proceeds, the description of collateral in the financing statement indicates the types of property constituting the proceeds; or
- (b) a filed [financing statement](#) covers the original [collateral](#) and the proceeds are identifiable cash proceeds; or
- (c) the security interest in the proceeds is [perfected](#) before the expiration of the ten day period.

Except as provided in this section, a security interest in proceeds can be [perfected](#) only by the methods or under the circumstances permitted in this Article for original [collateral](#) of the same type.

(4) In the event of insolvency proceedings instituted by or against a [debtor](#), a [secured party](#) with a [perfected](#) security interest in proceeds has a perfected security interest only in the following proceeds:

- (a) in identifiable non-cash proceeds and in separate [deposit accounts](#) containing only proceeds;
- (b) in identifiable cash proceeds in the form of money which is neither commingled with other money nor deposited in a [deposit account](#) prior to the insolvency proceedings;
- (c) in identifiable cash proceeds in the form of checks and the like which are not deposited in a [deposit account](#) prior to the insolvency proceedings; and
- (d) in all cash and [deposit accounts](#) of the [debtor](#) in which proceeds have been commingled with other funds, but the [perfected](#) security interest under this paragraph (d) is
 - (i) subject to any right to set-off; and
 - (ii) limited to an amount not greater than the amount of any cash proceeds received by the [debtor](#) within ten days before the institution of the insolvency proceedings less the sum of (I) the payments to the [secured party](#) on [account](#) of cash proceeds received by the debtor during such period and (II) the cash proceeds received by the debtor during such period to which the secured party is entitled under paragraphs (a) through (c) of this subsection (4).

(5) If a sale of [goods](#) results in an [account](#) or [chattel paper](#) which is transferred by the seller to a [secured party](#), and if the goods are returned to or are repossessed by the seller or the secured party, the following rules determine priorities:

- (a) If the [goods](#) were [collateral](#) at the time of sale, for an indebtedness of the seller which is still unpaid, the original security interest attaches again to the goods and continues as a [perfected](#) security interest if it was perfected at the time when the goods were sold. If the security interest was originally perfected by a filing which is still effective, nothing further is required to continue the perfected status; in any other case, the [secured party](#) must take possession of the returned or repossessed goods or must file.
- (b) An unpaid transferee of the [chattel paper](#) has a security interest in the [goods](#) against the transferor. Such security interest is prior to a security interest asserted under paragraph (a) to the extent that the transferee of the chattel paper was entitled to priority under Section [9-308](#).
- (c) An unpaid transferee of the [account](#) has a security interest in the [goods](#) against the transferor. Such security interest is subordinate to a security interest asserted under paragraph (a).
- (d) A security interest of an unpaid transferee asserted under paragraph (b) or (c) must be [perfected](#) for protection against creditors of the transferor and purchasers of the returned or repossessed [goods](#).

§ 9-302. When Filing Is Required to Perfect Security Interest; Security Interests to Which Filing Provisions of This Article Do Not Apply

(1) A [financing statement](#) must be filed to perfect all security interests except the following:

- (a) a security interest in [collateral](#) in possession of the [secured party](#) under Section [9-305](#);
- (b) a security interest temporarily [perfected](#) in [instruments](#) or [documents](#) without delivery under Section [9-304](#) or in proceeds for a 10 day period under Section [9-306](#);
- (c) a security interest created by an assignment of a beneficial interest in a trust or a decedent's estate;
- (d) a [purchase money security interest](#) in [consumer goods](#); but filing is required for a motor vehicle required to be registered; and fixture filing is required for priority over conflicting interests in fixtures to the extent provided in Section [9-313](#);
- (e) an assignment of [accounts](#) which does not alone or in conjunction with other assignments to the same assignee transfer a significant part of the outstanding accounts of the assignor;
- (f) a security interest of a collecting bank (Section [4-208](#)) or in securities (Section [8-321](#)) or arising under the Article on Sales (see Section [9-113](#)) or covered in subsection (3) of this section;
- (g) an assignment for the benefit of all the creditors of the transferor, and subsequent transfers by the assignee thereunder.

(2) If a [secured party](#) assigns a [perfected](#) security interest, no filing under this Article is required in order to continue the perfected status of the security interest against creditors of and transferees from the original [debtor](#).

§ 9-303. When Security Interest Is Perfected; Continuity of Perfection

(1) A security interest is [perfected](#) when it has attached and when all of the applicable steps required for perfection have been taken. Such steps are specified in Sections [9-302](#), [9-304](#), [9-305](#) and [9-306](#). If such steps are taken before the security interest attaches, it is perfected at the time when it attaches.

(2) If a security interest is originally perfected in any way permitted under this Article and is subsequently perfected in some other way under this Article, without an intermediate period when it was unperfected, the security interest shall be deemed to be perfected continuously for the purposes of this Article.

The Negotiable Instrument/Original Wet Blue Ink Signed Paper
Promissory Note
(Writers Comments)

Herein the largest fault. "A Paper Note can never be converted into an Electronic Note".

An "Electronic Negotiable Instrument" lacks supporting laws and as such there can never be a proper negotiation to transfer the rights of "Holder in Due Course". E-Sign and UETA both exclude Article 3 & 9 of the UCC and most states equivalence.

Fannie/Freddie and others were offered up a "Digitized Electronic Graphic Image of the Paper Note" in the Book-Entry System as being negotiable instrument while the Original Paper Note was either placed in storage or destroyed by the originator of the loan.

The Paper Note in many cases has **NOT** been negotiated through the primary market to Freddie/Fannie and as such lacks the proper Chain of Endorsements.

As § 9-104 (j) excludes interest in real estate, then as such this statement "The collateral follows the obligation. See UCC Section 9-308(d). Bill Satchell, O'Melveny & Myers LLP, 1625 Eye Street, NW, Washington, D.C. 20006-4001" is a misrepresentation.

Attention then must be paid to the "Security Instrument" itself, as most Security Instruments contain a clause that the laws of local jurisdiction will apply.

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