



4 Tips for Secured Parties Facing Possible Debtor Name Changes

Relying solely on the good faith of the debtor to advise its creditor of a name change is much like keeping a wave on the sand - next to impossible. However, there are tactics for encouraging notification and observations creditors can make on their own.

The following tips are courtesy of Ms. Mary Cowan, NCS President and Professor Margit Livingston, DePaul University College of Law, and were originally featured in NCS Whitepaper: *Debtor Name Changes Under Article 9: The Importance of Keeping Financing Statements Current and Accurate*.

- **Tip Number 1: Incentivize**
Incentivize the debtor to keep creditors informed. In the security agreement, the debtor should agree to inform the creditor of any planned name changes and/or relocations [specify number of days] in advance. Failure to do so should constitute default, allowing the secured party to call in the debt.
- **Tip Number 2: Examine Payments**
The creditor should routinely examine the payments made by the debtor. If the debtor has been sending payment checks that reflect a certain name or address and that information changes, the creditor should immediately contact the debtor for clarification.
- **Tip Number 3: Monitor Corporate Status**
Every three months, the creditor should check the state corporate registry where the debtor is listed. A change of name or status will be indicated on the registry.
- **Tip Number 4: Stop Credit**
Creditors should not advance additional funds to the debtor beyond the original credit limit amount without verifying the debtor's current name, address and business form.

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