

YOUR GUIDE TO A SUCCESSFUL SOLAR UCC STRATEGY

Learn the art of effective solar lien management with these helpful UCC search and filing tips.



As a provider of solar financing, one of the most important aspects of your business is protecting your investments.

The most successful lenders in this space know how to use solar UCC filings to recoup their losses in the event of a future loan default. But there's an art behind the science of an effective solar lien.

Solar liens can cover loans, leases, power purchase agreements (PPAs), and home equity loans or lines of credit. But they can be complex to establish and manage – particularly in the long term. It's not easy to create a lien and file a UCC. And it can be even more difficult to keep track of all your solar liens once you've created them. Multiple filings can make the process even more challenging, especially when different states and counties have varied financing rules.

In this guide, we'll take a closer look at the UCC search and filing process to help you understand how to manage risk, make informed lending decisions, and ultimately protect your business interests.

How UCC searches and filings work

Article 9 of the Uniform Commercial Code (UCC) governs commercial transactions where assets like solar equipment are used to secure financing. It enables you to establish a lien on the equipment to protect your financial interest as the lender in the event of a debtor's future default on the loan.

The UCC filing is the instrument that perfects your interest in the solar equipment. And this is what ultimately gives you an advantage over other parties that may claim an interest on the same property. But before you file, it's critical to conduct a thorough UCC search as part of your due diligence process. This will help you avoid the risk of discovering that another party has already secured an interest in the property that you've financed.

In a UCC search, the primary goal is to look for UCC-1 Financing Statements and UCC-3 Amendments that have been filed to publicly announce another lender's security interest against the asset you're looking to finance. These filings are typically submitted either in the state where the debtor is incorporated, or in the county where the asset is located.

Where do I perform a search?

First, you'll need to determine which states need to be searched, then identify the correct filing office. But this process is more difficult than it may seem. In fact, incorrectly identifying the jurisdiction of the filing office for a given location is a common cause of many unsuccessful searches. This adds up to wasted time and resources, as well as potential red flags that could be missed.

It's also important to know that a full due diligence process includes more than just a UCC search. You should also check for federal and state tax liens as well as for bankruptcies. A search for judgment liens and litigation can also help you find any open or pending cases involving a potential debtor. Your goal is to avoid a scenario where someone else's interest supersedes your own for solar equipment financing.

PRE-FILING CHECKLIST

Preparing for your search

Use these tips to ensure you capture what's needed for comprehensive search:

- Ask for all names and address used in the last seven years
- Look for former names, DBAs, and nicknames
- Search past tax returns and credit reports
- Find locations of offices and property

Reviewing search results

When reviewing results, be sure to check the accuracy of the following:

- Names of debtor and secured parties
- Addresses of debtor and secured parties
- Filing date
- Collateral description
- Status of UCC continuances

How to ensure you're using the right name in a UCC search

- If the debtor is a company, find a copy of the formation document so you know the exact name.
- If the debtor is an individual, ask for a copy of a government-issued ID like a driver's license to verify the full legal name.

Should I hire a search expert?

If you've never performed a UCC search, we highly recommend hiring a partner (like us!) who specializes in this type of work. Why? Because when it comes to UCC searching, the real work lies not just in knowing where to look, but in how to look for pre-existing liens. Remember, your ability to make an informed lending decision depends on the information uncovered during the search process. That's why it's critical to get it right.

UCC filing best practices

So, you've completed your due diligence process and you've made your lending decision – now it's time to file! But filing isn't as easy as you might think. UCC rules are complex, and they can vary by state. These four filing best practices address the most common pain points we see with filing – use them to avoid the typical mistakes that can lead to a rejection.



State the debtor's name correctly

Be sure to check all documents carefully to avoid typos or minor variations of the entity's name.

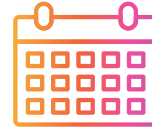
The name must appear exactly as stated on the public record most recently filed with or issued by the state.



Know the debtor's location

UCC financing statements must be filed in the state the debtor is located in, unless it's a fixture filing.

Fixture filings should be filed in the office designated for the recording of a mortgage on the related property.



Understand state turnaround times

Filing turnaround times vary by state, so it's important to know each state's guidelines.

Electronic filings are processed more quickly (even immediately in many states), but paper forms can take up to 30 days.



Do a thorough UCC search before filing

A lien may exist under a variation of the debtor name.

So it's critical to search UCC records for prior names and name variations, acquired businesses and former jurisdictions, as well as terminated UCCs.

Tips for success with UCC-3 amendments

UCC filings aren't permanent. In fact, they're only valid for five years, so it's likely that you'll need to file an amendment to an original UCC-1 filing due to a number of circumstances. If there are any changes to borrowers or lessors, collateral, secured party ownership, continuations or terminations, then a UCC-3 or UCC-3 Fixture amendment is required to record those changes. Here are some tips for successful UCC-3 filing:

- Ensure you're providing the right UCC-1 file number on the UCC-3 form.
- Know which states allow UCC-3s with multiple functions – and which ones don't.
- Complete all debtor or secured party information on UCC-3 forms, not just the details that are changing.
- Know which states require tax information for UCC fixture filings.
- Complete the legal description of the real property on UCC-3 fixture filings and indicate that the amendment will be recorded in the real estate records.
- File UCC-3 continuations 6 months prior to the lapse date.

Concord's UCC approach

At Concord Servicing, we know that UCC search and filing is a critical part of the solar loan and leasing process. But it's a complex task that requires considerable time, effort and resources to minimize your risk and ensure compliance. We can step in to seamlessly manage and automate your entire UCC filing process, so you can focus on running your business – and enhancing your portfolio performance.

Wolters Kluwer, our UCC services partner, is an industry leader in lien solutions. And since they support lien management across Concord's entire portfolio, our clients enjoy access to Wolters Kluwer's services at a discount due to the scale of our business. The company's comprehensive lien management support includes legal land descriptions, UCC filing and county-level recording. As your organization grows, they can scale for higher UCC search and filing volumes to accommodate changing needs.

Why partner with us for UCC services?

Our deep expertise and innovative technology, together with our commitment to compliance excellence, means that we leave no stone unturned when it comes to due diligence and UCC filing. We can help you:

- Increase team productivity and save time by eliminating the manual burden of UCC filing.
- Decrease risk and reduce errors by streamlining and automating your entire UCC process.
- Prevent and quickly resolve UCC issues with proactive monitoring and real-time data visibility.

Automated Lien Management Solutions:

- ◆ UCC filing on residential or commercial solar borrowers or lessees in any state.
- ◆ UCC fixture filing to secure solar assets in county real estate records.
- ◆ Real property searches to obtain legal information required for filing.
- ◆ Portfolio monitoring to optimize your end-to-end process.
- ◆ Platform integration with your existing CRM or loan processing systems.



If you're looking for UCC lien management support, we can manage your entire process, from initial filing and continuations to subordinations and terminations. As a leading loan servicer in the solar sector, Concord delivers compliant, flexible, and scalable solutions to meet your unique needs. Contact us today at (866) 493-6393 or bd@concordservicing.com.