SENATE COMMITTEE ON PUBLIC SAFETY

Senator Jesse Arreguín, Chair
2025 - 2026 Regular

Bill No:	AB 501	**Hearing Date:**	June 30, 2026
Author:	Papan		
Version:	June 1, 2026		
Urgency:	No	**Fiscal:**	Yes
Consultant:	NDT		

Subject: ***Lawsuits, liens, and other encumbrances***

HISTORY

Source: Author

Prior Legislation: AB 909 (Schiavo), held in Assembly Banking, 2025
SB 255 (Seyarto), Ch. 351, Stats. of 2025
SB 95 (Roth), Ch. 210, Stats. of 2023
AB 75 (Roth), Ch. 269, Stats. of 2011
SB 45 (Sher), Ch. 991, Stats. of 1999

Support: Unknown

Opposition: None known

Assembly Floor Vote: 75 - 0

PURPOSE

The purpose of this bill is to increase penalties for fraudulently filed liens, including by adding attestations under penalty of perjury, by allowing treble court costs to be awarded, and by requiring the Secretary of State to notify a person when a lien has been field against them. The bill also enacts a mechanism for those who have had a fraudulent lien filed against them to request the lien be removed through an affidavit process.

Existing law defines "lien creditor" to mean any of the following:

- A creditor that has acquired a lien on the property involved by attachment, levy, or the like;
- An assignee for benefit of creditors from the time of assignment;
- A trustee in bankruptcy from the date of the filing of the petition; or
- A receiver in equity from the time of appointment. (Cal. U. Com. Code, § 9102(a)(52)(A).)

Existing law defines "obligor" to mean a person that, with respect to an obligation secured by a security interest in or an agricultural lien on the collateral:

- Owes payment or other performance of the obligation;
- Has provided property other than the collateral to secure payment or other performance of the obligation; or

- Is otherwise accountable in whole or in part for payment or other performance of the obligation. (Cal. U. Com. Code, § 9102(a)(59).)

Existing law outlines the rules regarding the perfection of a security interest. (Cal. U. Com. Code, §§ 9301 et seq.)

Existing law provides procedures for filing a lien against a secured interest, as specified, including the requirement that specified financing statements must be transmitted to the Secretary of State (SOS) in order to perfect a security interest in collateral. (Cal. U. Com. Code, § 9501.)

Existing law authorizes a person subject to a lien, as outlined above, to file in the filing office an information statement with respect to a record indexed there under the person's name if the person believes that the record is inaccurate or was wrongfully filed. (Cal. U. Com. Code, § 9518.)

Existing law outlines the roles and responsibilities imposed on the filing office that collects the record of a lien filed. (Cal. U. Com. Code, § 9519.)

Existing law provides that if it is established that a secured party is not proceeding in accordance with these procedures, a court may order or restrain collection, enforcement, or disposition of collateral on appropriate terms and conditions. (Cal. U. Com. Code, § 9625(a).)

Existing law prohibits a person from filing or recording, or directing another to file or record, a lawsuit, lien, or other encumbrance, including a notice of *lis pendens*, against another person or entity knowing it is false, with the intent to harass the person or entity or to influence or hinder the person in discharging their official duties if the person is a public officer or employee. (Code of Civ. Proc., § 765.010(b).)

Existing law authorizes a person or entity whose property is subject to a lien or encumbrance in violation of the above provision to petition the superior court of the county in which the person or entity resides or in which the property is located for an order, which may be granted *ex parte*, directing the lien or other encumbrance claimant to appear at a hearing before the court and show cause why the lien or other encumbrance should not be stricken and that other relief should not be granted. (Code of Civ. Proc., § 765.010(c).)

Existing law provides that any lien or encumbrance claimant who records or files, or directs another to record or file, a lawsuit, lien, or other encumbrance in violation of the above provision is liable to the person subject to the lawsuit or the owner of the property bound by the lien or other encumbrance for a civil penalty of up to $5,000. (Code of Civ. Proc. § 765.040.)

Existing law provides that falsely impersonating another, either in their private or official capacity, and does the following, is punishable by a fine not to exceed $10,000, or imprisonment in county jail for up to one year, or as a jail felony, or by both that fine and imprisonment:

- Verifies, publishes, acknowledges, or proves, in the name of another person, any written instrument, with intent that the same may be recorded, delivered, or used as true.
- Does any other act whereby, if done by the person falsely personated, that person might become liable to any suit or prosecution, or to pay any sum of money, or to incur any

charge, forfeiture, or penalty, or whereby any benefit might accrue to the party personating, or to any other person. (Pen. Code, § 529, subd. (a)(1)-(2).)

Existing law provides that willfully obtaining personal identifying information, as defined, of another person, and using that information for any unlawful purpose, including to obtain, or attempt to obtain, credit, goods, services, real property, or medical information without the consent of that person, is punishable by a fine not to exceed $10,000, or imprisonment in county jail for up to one year, or as a jail felony, or by both that fine and imprisonment. (Pen. Code, § 530.5.)

Existing law provides that every person who, having taken an oath that he or she will testify, declare, depose, or certify truly before any competent tribunal, officer, or person, in any of the cases in which the oath may by law of the State of California be administered, willfully and contrary to the oath, states as true any material matter which he or she knows to be false, and every person who testifies, declares, deposes, or certifies under penalty of perjury in any of the cases in which the testimony, declarations, depositions, or certification is permitted by law of the State of California under penalty of perjury and willfully states as true any material matter which he or she knows to be false, is guilty of perjury. (Pen. Code, § 118, subd. (a).)

Existing law provides that any person who, in any affidavit taken before any person authorized to administer oaths, swears, affirms, declares, deposes, or certifies that they will testify, declare, depose, or certify before any competent tribunal, officer, or person, in any case then pending or thereafter to be instituted, in any particular manner, or to any particular fact, and in such affidavit willfully and contrary to such oath states as true any material matter which they know to be false, is guilty of perjury. In any prosecution, the subsequent testimony of such person, in any action involving the matters in such affidavit contained, which is contrary to any of the matters in such affidavit contained, shall be prima facie evidence that the matters in such affidavit were false. (Pen. Code, § 118a.)

Existing law makes perjury a jail felony, punishable by imprisonment for two, three, or four years. (Pen. Code, § 126.)

This bill raises the existing penalty for filing a false lien to $15,000 from the existing $5,000, and provides that any party deemed to have fraudulently filed a lien in violation of section 765.010 of the Code of Civil Procedure is liable to the debtor for three times all of the court fees paid.

This bill requires the SOS to notify a debtor named in a financing statement within 21 days of the financing statement being filed.

This bill authorizes a person identified as a debtor in a fraudulent financing statement or a person who reasonably appears to be the person intended to be identified as a debtor in a fraudulent financing statement, including where the financing statement identifies the debtor by a trade name, fictitious business name, former name, misspelling or truncation, to file an affidavit, under penalty of perjury, attesting as such with the filing office in which the statement was filed.

- The SOS must make available a form affidavit for use.
- The filing office must reject a filed affidavit that is incomplete or violates these provisions.

- An affidavit is not effective with respect to a financing statement filed by, or on behalf of, a financial institution or a public entity.

This bill requires the filing office to hold the affidavit in abeyance for 30 days.

- Upon the expiration of the 30-day period, if no court order enjoining the filing has been received, the filing office must file a termination statement with respect to the financing statement identified in the affidavit.
- The termination statement is to be immediately effective upon filing.
- The termination statement must indicate that the statement was filed under these provisions and include a copy of the affidavit.

This bill requires, immediately upon acceptance of an affidavit, as specified, the filing office to send notice of the pending termination of the financing statement to each secured party of record identified in the financing statement at the mailing address provided in the financing statement.

This bill authorizes a secured party of record identified in a financing statement for which an affidavit has been accepted to petition the superior court of the county in which the filing office is located, or in which the secured party of record resides or has its principal place of business, for preliminary injunctive relief to enjoin the filing office from filing the termination statement and for an order, which may be granted *ex parte*, directing the affiant to appear at a hearing before the court at which the court is to determine whether the financing statement is valid and should be reinstated.

- The court must schedule the hearing no earlier than 14 days after the date of the order.
- The scheduled date of the hearing must allow adequate time for notice of the hearing.
- Any action must be brought not later than the 90th day after the date on which the termination statement is filed.

This bill authorizes the court to deem the financing statement valid and issue an order to that effect if the affiant fails to appear at the hearing after proper service, and upon a *prima facie* showing by the petitioner.

- If the court determines that the financing statement is invalid, the court must issue an order to that effect and may award costs and reasonable attorney's fees to the affiant to be paid by the petitioner.
- If the court determines that the financing statement is valid and should be reinstated, the court must issue an order to that effect and may award costs and reasonable attorney's fees to the petitioner to be paid by the affiant. If the court further determines that the affidavit filed was made in bad faith, it may additionally award the petitioner actual damages and may impose a civil penalty not to exceed $5,000 against the affiant. This does not limit criminal liability for perjury or other applicable offenses.

This bill requires the filing office to promptly file an amendment to the financing statement indicating that the financing statement has been reinstated upon receipt of a certified order of the court that a terminated financing statement is valid and should be reinstated.

- Upon receipt of a certified order of the court that a financing statement for which no termination statement has been filed is invalid, the filing office must promptly file such termination statement.
- A financing statement reinstated is effective from the initial filing date and is considered to have never been ineffective against all persons and for all purposes except against a purchaser of the collateral described in the financing statement who gave value in reliance on the termination statement.
- If the period of effectiveness of a reinstated financing statement would have lapsed during the period of termination, a secured party of record may file a continuation statement not later than the 30th day after the financing statement is reinstated, and the continuation statement has the same effect as if it had been filed during the statutory period.

This bill provides that if an affidavit is filed by or on behalf of a public officer or employee, the state or local agency that employs the public officer or employee may provide counsel for the public officer or employee in an action.

This bill provides that the filing office or an employee of the filing office is not subject to liability for the termination or amendment of a financing statement in the lawful performance of the duties of the filing office under this section.

This bill makes a person who violates the above provisions guilty of the crime of perjury, as specified.

COMMENTS

1. Need for This Bill

According to the author:

> Assembly Bill 501 is a common sense approach to fix the recurring and frivolous weaponization of the UCC-1 filing process. Filing a UCC-1 Lien is an accessible tool for businesses that need to perfect debts attached to a commercial transaction. Unfortunately, bad actors are currently using the process to smear the name and credit of public officials and others.
>
> This bill will hold fraudulent lien filers accountable while ensuring individuals targeted with a false claim can take swift action. First, the bill requires the Secretary of State's office to immediately notify all individuals when named on a UCC-1 filing, giving them plenty of time to pursue a corrective course of action. Second, the bill establishes a process which individuals can use to expedite the removal of the falsely filed lien without forcing victims to go to court. Third, the bill also moves court fees to the back end of litigation to ease the process of debtors going after the claimants and requires the guilty party to pay all court fees. Lastly, the bill additionally raises the penalty for those found guilty of filing a fraudulent lien. Taken together, these reforms create a targeted, practical fix to the vulnerabilities in the current UCC-1 filing system and help protect Californians from misuse.

2. Perjury

Perjury occurs when a person, having taken an oath that they will speak honestly before a tribunal, officer, or person, states as true any material matter which they know to be false. (Pen. Code, § 118, subd. (a).) Perjury applies not only to the described testimony but also to written sworn affidavits. (Pen. Code, § 118a.) It is a felony punishable by two, three, or four years of imprisonment in a county jail. (Pen. Code, § 126.)

It is not a defense to perjury that the person accused was not competent to give the testimony of which the falsehood is alleged. (Pen. Code, § 122.) It is also not a defense to perjury that the person accused did not know the materiality of the false statement or did not know the effect that the false statement could have. (Pen. Code, § 123.) A person cannot be convicted of perjury if the proof of their perjury rests solely upon the testimony of one other person. (Pen. Code, § 118, subd. (b).)

3. Enhanced Sentencing and Deterrence

Research shows that increasing the severity of punishment does little to deter crime. According to the National Institute of Justice, an agency of the U.S. Department of Justice, "[l]aws and policies designed to deter crime by focusing mainly on increasing the severity of punishment are ineffective partly because criminals know little about the sanctions for specific crimes. More severe punishments do not 'chasten' individuals convicted of crimes, and prisons may exacerbate recidivism… Studies show that for most individuals convicted of a crime, short to moderate prison sentences may be a deterrent but longer prison terms produce only a limited deterrent effect. In addition, the crime prevention benefit falls far short of the social and economic costs."[1]

4. Effect of This Bill

This bill requires a person identified as a debtor in a financing statement, as specified, to file a petition with the Secretary of State, as specified, under penalty of perjury. Perjury is punishable as a jail felony of up to four years.

By expanding the definition of this crime, it is possible more individuals will be incarcerated; increased punishment does little to deter crime. However, placing a lien against a person can be incredibly harmful and the person placing the lien will likely know at the time of placing it if they are committing this crime. While this offense may be punishable by the criminal statutes governing fraud, no current statute is clearly applicable to this narrow offense.

-- END --

[1] National Institute of Justice (May 2016). *Five Things about Deterrence* https://www.ojp.gov/pdffiles1/nij/247350.pdf