

THIRD READING

Bill No: AB 501
Author: Papan (D)
Amended: 6/1/26 in Senate
Vote: 21

SENATE JUDICIARY COMMITTEE: 12-0, 6/9/26

AYES: Umberg, Niello, Allen, Ashby, Caballero, Durazo, Laird, Reyes,
Valladares, Wahab, Weber Pierson, Wiener

NO VOTE RECORDED: Stern

SENATE PUBLIC SAFETY COMMITTEE: 6-0, 6/30/26

AYES: Arreguín, Seyarto, Caballero, Cortese, Pérez, Wiener

SENATE APPROPRIATIONS COMMITTEE: 7-0, 8/13/26

AYES: Cervantes, Seyarto, Cabaldon, Dahle, Grayson, Richardson, Wahab

ASSEMBLY FLOOR: 75-0, 1/29/26 - See last page for vote

SUBJECT: Lawsuits, liens, and other encumbrances

SOURCE: Author

DIGEST: This bill (1) 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 fraudulent filed a lien is liable to the debtor for three times all of the court fees paid; (2) requires the Secretary of State (SOS) to notify a debtor named in a financing statement within 21 days after the financing statement is filed with the SOS; (3) authorizes a person identified as a debtor in a fraudulent financing statement to file an affidavit, under penalty of perjury, attesting as such with the filing office in which the statement was filed and authorizes a person who filed the financing statement to contest the affidavit in court, as provided.

ANALYSIS:

Existing law:

- 1) Establishes the California Uniform Commercial Code (CUCC), which generally governs commercial transactions with the goal of simplifying, clarifying, and modernizing the law relating to those transactions. (California Uniform Commercial Code §§ 9101 et seq.¹)
- 2) Defines, for the purpose of the CUCC, “lien creditor” to mean any of the following:
 - a) A creditor that has acquired a lien on the property involved by attachment, levy, or the like;
 - b) an assignee for benefit of creditors from the time of assignment;
 - c) a trustee in bankruptcy from the date of the filing of the petition; or
 - d) a receiver in equity from the time of appointment. (§ 9102(a)(52)(A).)
- 3) Defines, for the purpose of the CUCC, “obligor” to mean a person that, with respect to an obligation secured by a security interest in or an agricultural lien on the collateral: (i) owes payment or other performance of the obligation; (ii) has provided property other than the collateral to secure payment or other performance of the obligation; or (iii) is otherwise accountable in whole or in part for payment or other performance of the obligation. (§ 9102(a)(59).)
- 4) Outlines the rules regarding the perfection of a security interest. (§§ 9301 et seq.)
- 5) Provides procedures for filing a lien against a secured interest pursuant to the CUCC, including the requirement that specified financing statements must be transmitted to the SOS in order to perfect a security interest in collateral. (§ 9501.)
- 6) Authorizes a person subject to a lien filed pursuant to 4) 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. (§ 9518.)

¹ All further references are to the California Uniform Commercial Code unless specified otherwise.

- 7) Outlines the roles and responsibilities imposed on the filing office that collects the record of a lien filed. (§ 9519.)
- 8) Provides that if it is established that a secured party is not proceeding in accordance with the CUCC, a court may order or restrain collection, enforcement, or disposition of collateral on appropriate terms and conditions. (§ 9625(a).)
- 9) 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 Civil Procedure § 765.010(b).)
- 10) Authorizes a person or entity whose property is subject to a lien or encumbrance in violation of 11) 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 Civil Procedure § 765.010(c).)
- 11) 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 11) 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 Civil Procedure § 765.040.)

This bill:

- 1) Raises the existing penalty for filing a false lien to \$15,000 from the existing \$5,000.
 - a) 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.
- 2) Requires the SOS to notify a debtor named in a financing statement within 21 days after the financing statement is filed.
- 3) 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.

- a) The SOS must make available a form affidavit for use.
 - b) The filing office must reject a filed affidavit that is incomplete or violates (c), below.
 - c) An affidavit is not effective with respect to a financing statement filed by, or on behalf of, a financial institution or a public entity.
- 4) Requires the filing office to hold the affidavit in abeyance for 30 days.
- a) 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.
 - b) The termination statement is to be immediately effective upon filing.
 - c) The termination statement must indicate that the statement was filed under these provisions and include a copy of the affidavit.
- 5) Requires, immediately upon acceptance of an affidavit filed under 3), 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.
- 6) 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.
- a) The court must schedule the hearing no earlier than 14 days after the date of the order.
 - b) The scheduled date of the hearing must allow adequate time for notice of the hearing.

- c) Any action brought under 6), must be brought not later than the 90th day after the date on which the termination statement is filed.
- 7) 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.
- a) 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.
 - b) 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.
- 8) 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.
- a) 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.
 - b) 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.
 - c) 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.
- 9) 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 brought under 6).

- 10) 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.

Comments

The UCC “is a comprehensive set of laws governing all commercial transactions in the United States.”² The UCC was developed as a joint project between the Uniform Law Commission (ULC) and the American Law Institute to create a comprehensive set of laws governing commercial transactions.³ Every state in the country has adopted the UCC (or portions of it), which promotes uniformity in commercial transactions across the country.⁴ California adopted the UCC as the CUCC in 1963.⁵ Under the CUCC, financing statements are filed with the SOS’s in order to provide public notice of secured transactions to designate a commercial agreement between a debtor and a secured party.⁶ The SOS office generally acts as a repository for these liens and does not verify or validate the filings, though the SOS may refuse to file a notice if they believe it is being submitted for an unlawful, false, or fraudulent purpose or for the purpose of harassing or defrauding a person or entity. (Government Code § 12181.).

Unfortunately, a troubling trend has arisen where people are using this system to harass public officials with fraudulent filings. In 2014, the National Association of Secretaries of State highlighted this issue in a report, writing:

The vast majority of Uniform Commercial Code (UCC) financing statements filed with Secretary of State offices are legitimate documents authorized by relevant parties. However, financing statements with no legitimate basis under the UCC, often referred to as fraudulent or bogus filings, are a persistent problem for state filing offices and the individuals targeted by these spurious claims. Often used as a retaliatory measure by government separatist group members, prison inmates, and others looking to harass or intimidate public

² ULC, *Uniform Commercial Code Summary*, <https://www.uniformlaws.org/acts/ucc>.

³ *Ibid.*

⁴ *Ibid.*

⁵ SB 118 (Ch. 819, Stats. 1963).

⁶ Cal. Sec. of State, Uniform Commercial Code (UCC) Records, <https://www.sos.ca.gov/administration/public-records-act-requests/uniform-commercial-code-ucc-records>.

officials and corporations/lending institutions, these filings can create serious financial difficulties for victims.⁷

This harassment of public officials has only continued as our nation's political climate has become more acrimonious over the past decade. These fraudulent filings can have real financial consequences. As noted in a Los Angeles Times article on this issue, a "single false filing can claim an individual or business owes debts worth hundreds of millions or even trillions of dollars."⁸

This bill seeks to address this issue in three ways. First, it raises the existing penalty for filing a false lien to \$15,000 from the existing \$5,000 and provides that a person who has fraudulently filed a lien is liable for three times all court fees paid by the debtor. Second, it requires the SOS office to notify a debtor named in a financing statement within 21 days after the financing statement is filed. Lastly, it creates a process for a person to file an affidavit with the SOS office stating that the filing is false. The affidavit process is drafted in a way to provide balance to the competing needs of addressing the issue of fraudulent filings while ensuring that legitimate filings are not extinguished.

Under this bill, the affidavit must be signed under penalty of perjury and notice must be provided to the person that filed the financing statement being contested as fraudulent. The person that filed the statement is authorized to bring an action in court to prove that the filing was valid. A court may award attorney's fees and costs to the prevailing party and, if the court further determines that the affidavit filed was made in bad faith, award the petitioner actual damages. Additionally, the court can impose a civil penalty not to exceed \$5,000 against the affiant. These are all in addition to any other liability that the affiant could be subject to, such as criminal charges for perjury. This bill provides that the SOS office or an employee of the SOS 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 these provisions.

FISCAL EFFECT: Appropriation: No Fiscal Com.: Yes Local: Yes

⁷ Nat'l. Ass. of Sec. of State, *State Strategies to Subvert Fraudulent Uniform Commercial Code (UCC) Filings*, Apr. 2014, available at <https://www.nass.org/sites/default/files/surveys/2017-08/final-nass-report-bogus-filings-040914.pdf>.

⁸ Melody Gutierrez, L.A. Times, Jan. 6, 2026, *California bill increases penalties for fake liens used to harass politicians, businesses*, available at <https://www.latimes.com/politics/story/2026-01-06/california-bill-increases-penalties-for-fake-liens>.

The Senate Appropriations Committee analysis states “[c]osts of up to \$3 million in FY 2026-27 and FY 2027-28 and costs of up to \$2.4 million annually ongoing for the SOS to comply with updated Uniform Commercial Code (UCC) financing statement notification and dispute requirements.

To notify an estimated 1.2 million debtors annually will generate an estimated 60,000 customer service calls per year, necessitating six positions. The new affidavit dispute process will require one position to process an estimated 1,040 annual submissions while meeting the statutorily mandated UCC two business day processing time. Information technology system modifications to bizfile Online, including automated notification workflows, affidavit intake, and termination statement processing, will require one-time contractor and first year support and three permanent positions. The SOS receives approximately 600,000 financing statements and amendments annually.

Potentially significant costs to the courts to adjudicate new penalties depending on many unknowns, including the numbers of people charged and the factors unique to each case. Potential savings of an unknown amount to the extent increasing penalties for filing fraudulent liens decreases the practice and results in a commensurate reduction in workload. An eight-hour court day costs approximately \$10,500 based on the hourly rate of court personnel including at minimum the judge, clerk, bailiff, court reporter, jury administrator, administrative staff, and jury per-diems. While the courts are not funded on a workload basis, an increase in workload could result in delayed court services and would put pressure on the General Fund to fund additional staff and resources. The FY 2026-27 Budget appropriated \$70 million General Fund for this purpose (Trial Court Trust Fund, General Fund).”

SUPPORT: (Verified 8/12/26)

None received

OPPOSITION: (Verified 8/12/26)

None received

ARGUMENTS IN SUPPORT: The author writes:

AB 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, this 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, this 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, this 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, this 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.

ASSEMBLY FLOOR: 75-0, 1/29/26

AYES: Addis, Aguiar-Curry, Ahrens, Alanis, Alvarez, Ávila Farías, Bains, Bauer-Kahan, Bennett, Berman, Boerner, Bonta, Bryan, Calderon, Caloza, Carrillo, Castillo, Chen, Connolly, Davies, DeMaio, Dixon, Elhawary, Ellis, Flora, Fong, Gabriel, Gallagher, Garcia, Jeff Gonzalez, Mark González, Hadwick, Haney, Harabedian, Hart, Hoover, Irwin, Jackson, Johnson, Kalra, Krell, Lackey, Lee, Lowenthal, Macedo, McKinnor, Muratsuchi, Nguyen, Ortega, Pacheco, Papan, Patel, Patterson, Pellerin, Petrie-Norris, Quirk-Silva, Ramos, Michelle Rodriguez, Rogers, Blanca Rubio, Sanchez, Schiavo, Schultz, Sharp-Collins, Solache, Soria, Stefani, Ta, Tangipa, Wallis, Ward, Wicks, Wilson, Zbur, Rivas

NO VOTE RECORDED: Arambula, Gipson, Ransom, Celeste Rodriguez, Valencia

Prepared by: Amanda Mattson / JUD. / (916) 651-4113
8/14/26 10:58:51

**** END ****