CONCURRENCE IN SENATE AMENDMENTS
AB 501 (Papan)
As Amended June 1, 2026
Majority vote

SUMMARY

False UCC liens have been used to harass and dox businesses and public officials for decades, but more frequently today. This bill will modernize code sections addressing the foreseen problem of abuse of lien recordings that are 10 years old and 27 years old.

Senate Amendments

1) Adds a pathway for an affected person to file an affidavit with the Secretary of State (SOS) to contest the validity of a false filing. The pathway consists of:

    a) An affidavit made under the penalty of perjury by the person identified as the debtor. The SOS must send notice of the affidavit to all secured parties of record on the financing statement. The notice shall provide notice as to the pending termination of the financing statement based on the affidavit in 30 days.

    b) The recording party during this period, the recording party may seek an ex parte order from a court of jurisdiction to order the affiant to appear no less than 14 days after the date of the order. The hearing shall determine the validity of the financial statement with the findings to be filed with the SOS, and the outcome of the financial statement, termination or acceptance, based on the on the findings.

        i) If an affiant fails to appear after lawful notice, the financial statements may be deemed valid.

        ii) The prevailing party may recover their fees and costs for the court hearing. And if it is determined that the affiant filed its affidavit in bad faith, the court may award civil penalties not to exceed $5,000.

2) This pathway does not apply for UCC-1s filed by or on behalf of a financial institution or public entity.

3) Clarifies that for an affidavit filed by or on behalf of a public employee, the state or local agency that employs them may provide legal counsel.

4) Clarifies that the filing office or an employee of the filing office may not be 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

1) *Background*

A lien is a legal claim used to assert a lender's right to collateral that is used to secure a debt in the event that the borrower fails to pay. Some commonly encountered liens are: a mechanic's lien (for laborers on the property they worked on), car lien (the right the lender has to the car's title until the loan is fully repaid), and for small businesses, a merchant cash advance lien (the finance company's claim against the business's receivables or assets to secure full repayment of the financing). Liens can arise contractually and statutorily.

A UCC lien is a reference to the Uniform Commercial Code (UCC); the federal code section under which liens for commercial transactions involving property and equipment are regulated. In order to perfect a lien (complete all necessary legal steps to make the lien binding and establish priority to the collateral over any subsequent lienholders), in the interest of due process, the lienholder must file a financing statement, known as the UCC-1 form, on a public record, such as the Secretary of State or county recorder[1] to create public notice.

5) *Commercial Credit Reporting v. Consumer Credit Reporting*

For businesses, a recorded UCC lien is reported on the business' credit report by a data furnisher. Data furnishers are multitudinous; creditors, landlords, banks, lienholders, and student loans providers are examples of different data furnishers. In addition to providing its own data about the subject of the report, some data furnishers scrape public records for information that gets reported, albeit, under strict requirements of the Fair Credit Reporting Act (FCRA) <u>if applicable</u>.

The commercial credit report, much like a consumer credit report, is used to determine the creditworthiness of a business or how leveraged a business may already be for financing. However, unlike consumer credit reports, business credit reports do not enjoy the same safeguards and dispute requirements as its consumer counterpart. When a lien is recorded on a business credit report, it communicates to users of that report that the business does not pay its debts, or that it is overleveraged. For example, if the pizza oven of the pizza business already has a lien on it, were it to be used as collateral, the next person in line (a subordinate lienholder) is unlikely to recoup from any sale of that collateral. This makes the business look like a risky borrower to the lender, which can result in higher interest rates or complete denial for financing.

Two key abuse impact points raised by the author are the low barrier to recording liens and the low stake repercussions for filing false claims.

a) In pure business to business transactions, the federal law, FCRA, does not apply, however if personal assets are used as collateral, FCRA does apply. Unlike consumer credit reporting which has clear and conspicuous rules for accuracy and completeness for data furnishers,[2] the California Commercial Credit Report statute is silent as to any standards for data furnisher, even going so far as to permit credit reporting agencies to protect the identity of the sources of information used in the commercial credit report.[3]

b) Under the California Commercial Credit Report statute, no financial recourse is available for proven injuries.

6) *Impact of UCC Liens on Credit Reports*

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[1] The office in which the claimant files is determined based on the property type and the corresponding statute.
[2] Federal Fair Credit Reporting Act (FCRA) 15 U.S. Code Section 1681s-2- Responsibilities of furnishers of information to consumer reporting agencies. And Tile 16 Code of Federal Regulations Part 660.3 Reasonable policies and procedures concerning the accuracy and integrity of furnished information.
[3] Civil Code Section 1785.43(a)

A practical disparity between the California Commercial Credit Report statute and FCRA is the dispute process. Because accuracy and completeness are foundational cornerstones of FCRA, the dispute process requires removal of disputed information if the reporting agency's investigation determines the information to be inaccurate, incomplete or cannot be verified.[4]

California's Commercial Credit Reporting statute is more limiting on the business and permissive for the credit reporting bureau. First, the statute limits the window of time the business may dispute information to 30 days from receiving the report. Second, the statute limits the business to a 50 word summary statement of dispute to explain the inaccuracy. And third, the statute only requires the agency to either delete or include an indication that the business' statement of dispute will be provided upon request. No investigation as to the validity of the information is required. And yet, a commercial credit report is used to determine a business' creditworthiness on the presumption of accuracy.

It is a well-known statistic that 99.9% of U.S. businesses are small businesses which employ 45.9% of the country's employees.[5] Unsurprisingly, small businesses rarely use private investors or venture capital to fund their work, instead small businesses seek financing. Access to credit is essential for business, but access to credit with terms that are reasonable is the difference between succeeding and failing. Thus, even though commercial credit reports and the information provided on them are used the same way that consumer credit reports are used, the lack of parity in the requirements for trustworthiness and correction makes the consequences of false reporting deeply dire for businesses.

7) *This Bill*

This bill seeks to address these issues above and thus mitigate the harm on innocent parties in three ways: 1) deterrence, 2) notice, and 3) correction. First, the bill increases penalties from $5,000 to $15,000 and trebles all court fees that were paid by the debtor for violations of the Civil Code of Procedure (CCP) Section 765.010 under the UCC. The bill then addresses a big issue of dormancy by requiring the Secretary of the State to notify the debtor named in a financing statement for a Uniform Commercial Code lien within 21 days of being filed. Finally the bill provides a balanced process that will allow for an expedient dispute of claims while deterring the abuse of process in valid claims through fee shifting and civil penalties.

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,

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[4] 15 U.S. Code Section 1681i(5) Treatment of inaccurate or unverifiable information
[5] U.S. Small Business Administration Office of Advocacy 2025 Small Business Profile:
https://advocacy.sba.gov/wp-content/uploads/2025/06/United_States_2025-State-Profile.pdf

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.

Arguments in Support
None received. Last verified 8/20/2026.

Arguments in Opposition
None received. Last verified 8/20/2026.

FISCAL COMMENTS

The following is from the analysis of the Senate Committee on Appropriations following the last amendments taken in the Senate on June 1, 2026.

Costs 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).

VOTES:

ASM BANKING AND FINANCE: 8-0-1
YES: Valencia, Dixon, Fong, Krell, Michelle Rodriguez, Blanca Rubio, Schiavo, Soria
ABS, ABST OR NV: Chen

ASM JUDICIARY: 12-0-0
YES: Kalra, Dixon, Bauer-Kahan, Bryan, Connolly, Harabedian, Macedo, Pacheco, Papan, Johnson, Stefani, Zbur

ASM APPROPRIATIONS: 15-0-0
YES: Wicks, Hoover, Stefani, Calderon, Caloza, Dixon, Fong, Mark González, Krell, Bauer-Kahan, Pacheco, Pellerin, Solache, Ta, Tangipa

ASSEMBLY FLOOR: 75-0-5
YES: 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
ABS, ABST OR NV: Arambula, Gipson, Ransom, Celeste Rodriguez, Valencia

SENATE FLOOR: 39-0-1
YES: Allen, Alvarado-Gil, Archuleta, Arreguín, Ashby, Becker, Blakespear, Cabaldon, Caballero, Cervantes, Choi, Cortese, Dahle, Durazo, Gonzalez, Grayson, Grove, Hurtado, Jones, Laird, Limón, McGuire, McNerney, Menjivar, Niello, Ochoa Bogh, Padilla, Pérez, Richardson, Rubio, Seyarto, Smallwood-Cuevas, Stern, Strickland, Umberg, Valladares, Wahab, Weber Pierson, Wiener
ABS, ABST OR NV: Reyes

UPDATED

VERSION: June 1, 2026

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