

Creditors' Rights Law Alert: Make Sure Your Security Interests are in Place and Perfected

Since, in the current business climate, defaults and bankruptcies are likely to increase, it is crucial that your security interests be in place and properly perfected. This applies not only to security interests in collateral that secures debt, but also equipment or machinery you lease to a business and goods consigned for sale. Your failure to perfect a security interest may result in a secured creditor with a blanket lien or a bankruptcy trustee or debtor-in-possession obtaining title to your property. Case law makes it clear that minor mistakes in the identification of the debtor or description of collateral may lead to a finding that your security interest is not perfected and is therefore avoidable by a debtor-in-possession or trustee in bankruptcy. In addition, perfecting a security interest within the preference period (usually 90 days from the filing) may lead to a properly perfected security interest being set aside by a bankruptcy court as a preferential transfer (see, [Business Creditors Alert: Minimizing Your Exposure to Claims for Preferential Payments](#)).

Because time may be of the essence, we encourage you to [cohttps://www.hancocklaw.com/publications/creditors-rights-law-alert-minimizing-your-exposure-to-claims-for-preferential-payments/](https://www.hancocklaw.com/publications/creditors-rights-law-alert-minimizing-your-exposure-to-claims-for-preferential-payments/)ntact one of the lawyers in our Creditors' Rights Practice Group to arrange for an audit of your security interests, leases and consignments to make sure they are properly perfected and not susceptible to subordination or avoidance.

Please visit our [Bankruptcy & Creditors' Rights Practice Area](#) to learn more about the legal services we can provide in this area. If you have any questions or would like more information on the issues discussed in this communication, please contact any of our Bankruptcy & Creditors' Rights attorneys.