

HOW TO BECOME A SECURED CREDITOR

It is very easy to become a Secured Creditor. Just obtain a Financing Statement aka UCC-1, follow the UCC-1 instructions sheet and then record it with the Secretary of State's Office in the state where the debtor has its principal office. The debtor need not sign anything but must have the knowledge that a secured arrangement exists (See AUTHENTICATE at "PURCHASE MONEY SECURITY INTEREST.") It is that simple; however, we recommend a different type of secured position known as a Purchase Money Security Interest (PMSI). We have outlined the recommended steps for the PMSI arrangement. If you follow "NGO's Recommended Procedure for Finalizing a Purchase Money Security Interest (PMSI)" at our FORMS & TOOLS web page and add the following recommended "additional wording" to the Financing Statement and Security Agreement, then the result will be that you will have a superior position to the extent of your inventory and a secured position subject to the existing secured's position on all other assets of the debtor's business. The "additional wording" is as follows:

All inventory, proceeds of sold inventory, accounts receivables, fixtures, cash, equipment, bank account balances and real property.

If you choose to become a Secured Creditor without following the PMSI steps, when your secured position is recorded, you will fall behind existing secureds. Under this scenario, you will be placed last in line of an exact pecking order of secureds. This means you could be first, last or as time passes anywhere in between. Under a liquidating scenario, the first Secured Creditor is completely satisfied, then the second and on down the ladder of secureds. If you are indifferent about repossessing your inventory or the order of your secured position is not important, you need only to follow the last three steps outlined in the "NGO Recommended Procedure for Finalizing a Purchase Money Security Interest (PMSI)". If your signed credit application contains a Security Agreement provision, you can reserve your right to become secured at a later date without the need to obtain additional debtor signatures. See (Optional) Applicant Grants Creditor a Security Interest at "PROVISIONS TO CONSIDER IN A CREDIT APPLICATION."

It is recommended, but not required, that a Security Agreement be filed in combination with the UCC-1 Financing Statement when becoming secured. The Security Agreement, whether it is a typical Security Agreement or a special Security Agreement such as a PMSI Agreement, defines default and spells out the expenses that the debtor becomes responsible for when breach occurs.

It is easy to become a secured party but it is better to become secured through a PMSI arrangement with a PMSI Security Agreement.

At no cost or obligation on your part, feel free to contact NGO Funding Group, LLC. if you have any questions about becoming a Secured Creditor or a secured party under a Purchase Money Security Interest procedure.

Call Us, or Email Us Today, and Ask US About how you can Use a Non-profit or a New Start-up to

CHANGE YOUR POLITICAL STATUS, BUILD BUSINESS CREDIT, and Gain Access to PRIVATE FUNDING!