

UNIFORM COMMERCIAL CODE (EXCERPT)
Act 174 of 1962

440.9620 Acceptance of collateral in full or partial satisfaction of obligation; compulsory disposition of collateral.

Sec. 9620.

(1) Except as otherwise provided in subsection (7), a secured party may accept collateral in full or partial satisfaction of the obligation it secures only if all of the following are met:

- (a) The debtor consents to the acceptance under subsection (3).
- (b) The secured party does not receive, within the time set forth in subsection (4), a notification of objection to the proposal authenticated by 1 of the following:
 - (i) A person to which the secured party was required to send a proposal under section 9621.
 - (ii) Any other person, other than the debtor, holding an interest in the collateral subordinate to the security interest that is the subject of the proposal.
 - (c) If the collateral is consumer goods, the collateral is not in the possession of the debtor when the debtor consents to the acceptance.
 - (d) Subsection (5) does not require the secured party to dispose of the collateral or the debtor waives the requirement pursuant to section 9624.

(2) A purported or apparent acceptance of collateral under this section is ineffective unless both of the following occur:

- (a) The secured party consents to the acceptance in an authenticated record or sends a proposal to the debtor.
- (b) The conditions of subsection (1) are met.
- (3) All of the following apply for purposes of this section:
 - (a) A debtor consents to an acceptance of collateral in partial satisfaction of the obligation it secures only if the debtor agrees to the terms of the acceptance in a record authenticated after default.
 - (b) A debtor consents to an acceptance of collateral in full satisfaction of the obligation it secures only if the debtor agrees to the terms of the acceptance in a record authenticated after default or the secured party meets all of the following requirements:
 - (i) Sends to the debtor after default a proposal that is unconditional or subject only to a condition that collateral not in the possession of the secured party be preserved or maintained.
 - (ii) In the proposal, proposes to accept collateral in full satisfaction of the obligation it secures.
 - (iii) Does not receive a notification of objection authenticated by the debtor within 20 days after the proposal is sent.

(4) To be effective under subsection (1)(b), a notification of objection must be received by the secured party within or before 1 of the following:

- (a) In the case of a person to which the proposal was sent pursuant to section 9621, within 20 days after notification was sent to that person.
- (b) In other cases, 1 of the following:
 - (i) Within 20 days after the last notification was sent pursuant to section 9621.
 - (ii) If a notification was not sent, before the debtor consents to the acceptance under subsection (3).
- (5) A secured party that has taken possession of collateral shall dispose of the collateral pursuant to section 9610 within the time specified in subsection (6) if 1 of the following is met:
 - (a) Sixty percent of the cash price has been paid in the case of a purchase-money security interest in consumer goods.
 - (b) Sixty percent of the principal amount of the obligation secured has been paid in the case of a non-purchase-money security interest in consumer goods.
- (6) To comply with subsection (5), the secured party shall dispose of the collateral within 1 of the following:
 - (a) Within 90 days after taking possession.
 - (b) Within any longer period to which the debtor and all secondary obligors have agreed in an agreement to that effect entered into and authenticated after default.
- (7) In a consumer transaction, a secured party may not accept collateral in partial satisfaction of the obligation it secures.

History: Add. 2000, Act 348, Eff. July 1, 2001