

UNIFORM COMMERCIAL CODE (EXCERPT)
Act 174 of 1962

440.9407 Restrictions on creation or enforcement of security interest in leasehold interest or in lessor's residual interest.

Sec. 9407. (1) Except as otherwise provided in subsection (2), a term in a lease agreement is ineffective to the extent that it does 1 or more of the following:

(a) Prohibits, restricts, or requires the consent of a party to the lease to the assignment or transfer of, or the creation, attachment, perfection, or enforcement of a security interest in, an interest of a party under the lease contract or in the lessor's residual interest in the goods.

(b) Provides that the assignment or transfer or the creation, attachment, perfection, or enforcement of the security interest may give rise to a default, breach, right of recoupment, claim, defense, termination, right of termination, or remedy under the lease.

(2) Except as otherwise provided in section 2A303(7), a term described in subsection (1)(b) is effective to the extent that there is 1 or more of the following:

(a) A transfer by the lessee of the lessee's right of possession or use of the goods in violation of the term.

(b) A delegation of a material performance of either party to the lease contract in violation of the term.

(3) The creation, attachment, perfection, or enforcement of a security interest in the lessor's interest under the lease contract or the lessor's residual interest in the goods is not a transfer that materially impairs the lessee's prospect of obtaining return performance or materially changes the duty of or materially increases the burden or risk imposed on the lessee within the purview of section 2A303(4) unless, and then only to the extent that, enforcement actually results in a delegation of material performance of the lessor.

History: 1962, Act 174, Eff. Jan. 1, 1964;—Am. 1976, Act 27, Imd. Eff. Mar. 4, 1976;—Am. 1978, Act 369, Eff. Jan. 1, 1979;—Am. 1988, Act 130, Eff. Sept. 1, 1988;—Am. 2000, Act 348, Eff. July 1, 2001.