



## WHY YOUR STATE SHOULD ADOPT THE UNIFORM ASSIGNMENT OF RENTS ACT

The Uniform Assignment of Rents Act (UARA), first promulgated by the Uniform Law Commission in 2005, provides a comprehensive framework to govern the creation, perfection, and enforcement of security interests in rents arising from mortgaged real property. Enacting UARA in your state will provide the following benefits:

- ***UARA prevents needless litigation.*** Before UARA, courts (particularly bankruptcy courts) struggled to establish clear and consistent rules governing security interests in rents — thereby encouraging needless and wasteful litigation over control of rents arising from mortgaged real property.
- ***UARA builds upon well-established commercial law.*** The procedures for creating and enforcing a security interest in rents are analogous to the rules for other types of security interests under Article 9 of the Uniform Commercial Code. Because the UCC has been universally adopted in the United States, attorneys and real estate professionals will already be familiar with UARA procedures.
- ***UARA provides consistent rules.*** Whether the income used for security is rent from a tenant, room fees from a hotel guest, or marina fees from a boat owner, UARA provides the same simple procedure for a borrower to assign an income interest as collateral for a loan.
- ***UARA reconciles the two theories of mortgage law.*** Some states use the title theory of mortgages, and others use a lien theory of mortgages. Under the former theory, the mortgage automatically creates a security interest in rents, while under the latter theory a mortgage has no such effect. UARA standardizes the law by establishing a consistent rule: Under either theory of law, a mortgage automatically establishes a security interest in rents for the mortgagee, unless the terms of the mortgage expressly state otherwise.
- ***UARA includes flexible remedies for enforcement.*** Under UARA, the holder of a security interest has the option to use the most appropriate method for collection: notification to the assignor, notification to the tenants, appointment of a receiver, or any other method permitted under the state's law.

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