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.

For further information about UARA, please contact ULC Chief Counsel Benjamin Orzeske at 312-450-6621 or borzeske@uniformlaws.org.