After repossessing collateral, Article 9 allows the creditor to sell it and apply the proceeds to the outstanding balance. But first the creditor must comply with several important duties. The creditor must send the consumer a notice of the intended disposition of the collateral, including the date after which a private sale will occur or the time and place of a public sale.

Article 9 also grants the consumer the right to redeem the collateral after repossession by paying the full accelerated amount of the debt. For consumer-goods transactions (ones that are for consumer purposes and are secured by consumer goods), the notice of sale must give the consumer a telephone number to call in order to find out how much to pay to exercise this right.

Some state laws require the creditor to give the consumer additional information about the right to redeem.

In addition, in a number of states the consumer has the right to reinstate the transaction after repossession by paying the unaccelerated amount, in other words, just the payments that were in default at the time of repossession. Upon exercising this right, the consumer gets the collateral back and can resume payments on the original schedule. In these states the creditor typically is required to send the consumer a notice of this right.

Footnotes

8 {8} U.C.C. § 9-623.

9 {9} U.C.C. § 9-614.

Source: National Consumer Law Center, Repossessions [9th Ed.], updated at www.nclc.org/library

Source URL: https://library.nclc.org/repo/010407

Links
[3] https://library.nclc.org/nclc/link/Repo.10.06
[7] https://library.nclc.org/nclc/link/Repo.09.02
[8] https://library.nclc.org/nclc/link/Repo.09.03