

**355.9-620 Acceptance of collateral in full or partial satisfaction of obligation --  
Compulsory disposition of collateral. (Effective until January 1, 2025)**

- (1) Except as otherwise provided in subsection (7) of this section, a secured party may accept collateral in full or partial satisfaction of the obligation it secures only if:
  - (a) The debtor consents to the acceptance under subsection (3) of this section;
  - (b) The secured party does not receive, within the time set forth in subsection (4) of this section, a notification of objection to the proposal authenticated by:
    1. A person to which the secured party was required to send a proposal under KRS 355.9-621; or
    2. 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; and
  - (d) Subsection (5) of this section does not require the secured party to dispose of the collateral or the debtor waives the requirement pursuant to KRS 355.9-624.
- (2) A purported or apparent acceptance of collateral under this section is ineffective unless:
  - (a) The secured party consents to the acceptance in an authenticated record or sends a proposal to the debtor; and
  - (b) The conditions of subsection (1) of this section are met.
- (3) 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; and
  - (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:
    1. 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;
    2. In the proposal, proposes to accept collateral in full satisfaction of the obligation it secures; and
    3. Does not receive a notification of objection authenticated by the debtor within twenty (20) days after the proposal is sent.
- (4) To be effective under subsection (1)(b) of this section, a notification of objection must be received by the secured party:
  - (a) In the case of a person to which the proposal was sent pursuant to KRS 355.9-621, within twenty (20) days after notification was sent to that person; and
  - (b) In other cases:
    1. Within twenty (20) days after the last notification was sent pursuant to

KRS 355.9-621; or

2. If a notification was not sent, before the debtor consents to the acceptance under subsection (3) of this section.
- (5) A secured party that has taken possession of collateral shall dispose of the collateral pursuant to KRS 355.9-610 within the time specified in subsection (6) of this section if:
    - (a) Sixty percent (60%) of the cash price has been paid in the case of a purchase-money security interest in consumer goods; or
    - (b) Sixty percent (60%) 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) of this section, the secured party shall dispose of the collateral:
    - (a) Within ninety (90) days after taking possession; or
    - (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.

**Effective:** July 1, 2001

**History:** Created 2000 Ky. Acts ch. 408, sec. 138, effective July 1, 2001.