

Section 9-406 in New Jersey

N.J.S.A. 12A:9-406

AS ENACTED · THE COMPLETE SECTION

- (a) Discharge of account debtor; effect of notification. Subject to subsections (b) through (i), an account debtor on an account, chattel paper, or a payment intangible may discharge its obligation by paying the assignor until, but not after, the account debtor receives a notification, authenticated by the assignor or the assignee, that the amount due or to become due has been assigned and that payment is to be made to the assignee. After receipt of the notification, the account debtor may discharge its obligation by paying the assignee and may not discharge the obligation by paying the assignor.
- (b) When notification ineffective. Subject to subsection (h), notification is ineffective under subsection (a): (1) if it does not reasonably identify the rights assigned; (2) to the extent that an agreement between an account debtor and a seller of a payment intangible limits the account debtor's duty to pay a person other than the seller and the limitation is effective under law other than this chapter; or (3) at the option of an account debtor, if the notification notifies the account debtor to make less than the full amount of any installment or other periodic payment to the assignee, even if: (A) only a portion of the account, chattel paper, or payment intangible has been assigned to that assignee; (B) a portion has been assigned to another assignee; or (C) the account debtor knows that the assignment to that assignee is limited.
- (c) Proof of assignment. Subject to subsection (h), if requested by the account debtor, an assignee shall seasonably furnish reasonable proof that the assignment has been made. Unless the assignee complies, the account debtor may discharge its obligation by paying the assignor, even if the account debtor has received a notification under subsection (a).
- (d) Term restricting assignment generally ineffective. Except as otherwise provided in subsection (e), 12A:2A-303 and 12A:9-407, and subject to subsection (h), a term in an agreement between an account debtor and an assignor or in a promissory note is ineffective to the extent that it: (1) prohibits, restricts, or requires the consent of the account debtor or person obligated on the promissory note to the assignment or transfer of, or the creation, attachment, perfection, or enforcement of a security interest in, the account, chattel paper, payment intangible, or promissory note; or (2) 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 account, chattel paper, payment intangible, or promissory note.
- (e) Inapplicability of subsection (d) to certain sales. Subsection (d) does not apply to the sale of a payment intangible or promissory note, other than a sale pursuant to a disposition under 12A:9-610 or an acceptance of collateral under 12A:9-620.
- (f) Legal restrictions on assignment generally ineffective. Except as otherwise provided in 12A:2A-303 and 12A:9-407 and subject to subsections (h), (i) and (j), a rule of law, statute, or regulation that prohibits, restricts, or requires the consent of a government, governmental body or official, or account debtor to the assignment or transfer of, or creation of a security interest in, an account or chattel paper is ineffective to the extent that the rule of law, statute, or regulation: (1) prohibits, restricts, or requires the consent of the government, governmental body or official, or account debtor to the assignment or transfer of, or the creation, attachment, perfection, or enforcement of a security interest in the account or chattel paper; or (2) 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 account or chattel paper.
- (g) Subsection (b) (3) not waivable. Subject to subsection (h), an account debtor may not waive or vary its option under subsection (b) (3).
- (h) Rule for individual under other law. This section is subject to law other than this chapter which establishes a different rule for an account debtor who is an individual and who incurred the obligation primarily for personal, family, or household purposes.
- (i) Inapplicability. This section does not apply to an assignment of a health-care-insurance receivable. Subsection (f) does not apply to an assignment or transfer of, or the creation, attachment, perfection or enforcement of a security interest in, a right the transfer of which is prohibited or restricted by any of the following statutes to the extent that the statute is inconsistent with subsection (f): R.S.34:15-29 (workers' compensation claims); section 13 of P.L.1970, c.13 (C.5:9-13) (State lottery winnings); and P.

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HISTORY, AS PUBLISHED

L.2001, c.139 (C.2A:16-63 et seq.) (structured settlement agreements).

OFFICIAL PUBLICATION

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New Jersey Legislature

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PUBLIC UCC RECORD

New Jersey Department of the Treasury, Division of Revenue and Enterprise Services

<https://www.nj.gov/www.nj.gov/treasury/revenue/dcr/geninfo/uccsrch.shtml>

COUNSEL

The rule is the same in every enactment. Your counsel can confirm which state's enactment governs a particular account, and we welcome that review at liens@eastshoreequities.com

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