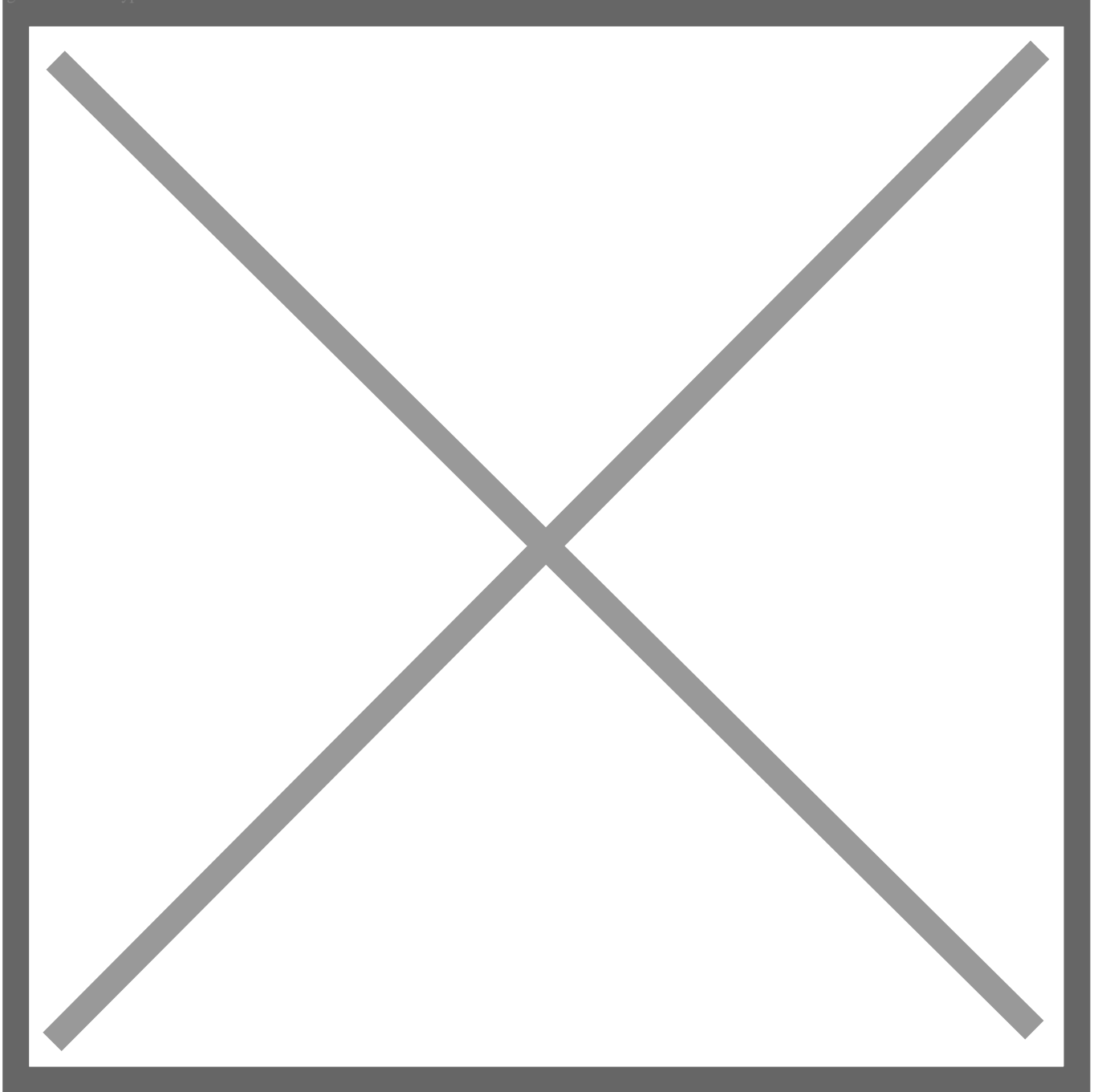
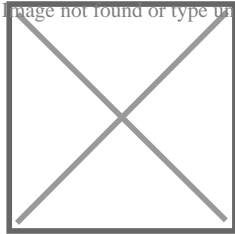


The Perfected Landlord Lien: What to Do if Your Tenant Farm Operator Hasn't Paid Rent

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Until recently, row crop farm income has steadily increased – followed suit by land values and cash rents. Today, with sub \$4 per bushel corn and soybeans hanging out under \$9 per bushel, times have drastically changed.

Now is terrific time for landowners to familiarize themselves with the "perfected" landlord lien. Iowa Code reads that the landlord lien entitles landlords ownership of all farm products produced on a leased property for the rental amount. That said, this lien also holds less value to a landowner in the instance that a tenant is unable to fulfill payment obligations.

The "perfected" landlord lien takes precedence over conflicting security interest or other perfected liens, and jumps to the front of the payment line.

In order to perfect a lien, one must submit a UCC Financing Statement to the Iowa Secretary of State, and this must be done no more than 20 days from when the tenant take possession of the premises. Therefore, these UCCs must be filed by March 20, for the farm leases starting March 1. Upon filing, the key statement to include is that the lien is “for the purpose of perfecting a landlord’s lien.”

It may be the first time in several years that landowners have received any kickback from farm operators stating they want to negotiate leases. Or, perhaps now that March 1 has come and gone, they may not have the ability to make their cash rent payment – or the first half of a bi-annual payment.

We may not know exactly what the future will bring, but chances are margins will remain tighter and working capital may be harder to come by this fall, for the second half of the outstanding rent, if the lease is structured bi-annually. The reason for this is due to the fact that other creditors such as banks, retailers and equipment dealers fall in line ahead of the generic landlord lien; that is until it is *perfected*.

Although it doesn’t guarantee payment in the case of bankruptcy, the perfected landlord lien is a powerful insurance tool to have for the minimal cost of \$10 to mitigate risk. In today’s environment, that may be a wise decision and good business practice as delinquencies become more prevalent. Unlike in the past, the tenant’s signature is not required to file a perfected landlord lien.

At Peoples Company, our Land Management division is equipped to assist filing perfected landlord liens, and our leases are structured in a way we are upfront with tenants – stating we reserve the right to perfect the landlord lien.

For any questions regarding landlord liens or in regards to the management of your farm, please email us at LandManagement@PeoplesCompany.com or call (515) 222-1347.