

**554.9406 Discharge of account debtor — notification of assignment — identification and proof of assignment — restrictions on assignment of accounts, chattel paper, payment intangibles, and promissory notes ineffective.**

1. *Discharge of account debtor — effect of notification.* Subject to [subsections 2 through 9 and 11](#), 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, signed 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.

2. *When notification ineffective.* Subject to [subsections 8 and 11](#), notification is ineffective under [subsection 1](#):

- a. if it does not reasonably identify the rights assigned;
- b. 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 Article](#); or
- c. 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:
  - (1) only a portion of the account, chattel paper, or payment intangible has been assigned to that assignee;
  - (2) a portion has been assigned to another assignee; or
  - (3) the account debtor knows that the assignment to that assignee is limited.

3. *Proof of assignment.* Subject to [subsections 8 and 11](#), 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 1](#).

4. *Term restricting assignment generally ineffective.* In [this subsection](#), “promissory note” includes a negotiable instrument that evidences chattel paper. Except as otherwise provided in [subsections 5 and 10A](#) and [sections 554.9407](#) and [554.13303](#), and subject to [subsection 8](#), a term in an agreement between an account debtor and an assignor or in a promissory note is ineffective to the extent that it:

- a. 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
- b. 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.

5. *Inapplicability of subsection 4 to certain sales.* [Subsection 4](#) does not apply to the sale of a payment intangible or promissory note, other than a sale pursuant to a disposition under [section 554.9610](#) or an acceptance of collateral under [section 554.9620](#).

6. *Legal restrictions on assignment generally ineffective.* Except as otherwise provided in [subsection 10A](#) and [sections 554.9407](#) and [554.13303](#) and subject to [subsections 8 and 9](#), 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:

- a. 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
- b. 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.

7. *Subsection 2, paragraph “c”, not waivable.* Subject to [subsections 8 and 11](#), an account debtor shall not waive or vary its option under [subsection 2](#), paragraph “c”.

8. *Rule for individual under other law.* [This section](#) is subject to law other than [this Article](#) 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.

9. *Inapplicability to health care insurance receivable.* [This section](#) does not apply to an assignment of a health care insurance receivable.

10. *Section prevails over specified inconsistent law.* [This section](#) prevails over any inconsistent provision of an existing or future statute, rule, or regulation of this state unless the provision is contained in a statute of this state, refers expressly to [this section](#), and states that the provision prevails over [this section](#).

10A. *Inapplicability to interests in certain entities.* [Subsections 4, 6, and 10](#) do not apply to a security interest in an ownership interest in a general partnership, limited partnership, or limited liability company.

11. *Inapplicability of certain subsections.* [Subsections 1, 2, 3, and 7](#) do not apply to a controllable account or controllable payment intangible.

[2000 Acts, ch 1149, §68, 185, 187; 2012 Acts, ch 1052, §10, 37; 2022 Acts, ch 1117, §33, 34; 2024 Acts, ch 1023, §78, 79](#)

Referred to in [§554.2210, 554.9209, 554.9401, 554.9405, 627.13](#)