

Partner Michael Benoit comments for Automotive News on PA appeals court ruling

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According to *Automotive News*, a recent decision by the 3rd U.S. Circuit Court of Appeals could be problematic for auto lenders. The court ruled that TitleMax, an auto finance company located outside of Pennsylvania, is still subject to the state's usury laws, reversing a lower court's decision granting summary judgement to TitleMax after it sued to challenge a subpoena from the Pennsylvania department of Banking and Securities. TitleMax argued that PA could not apply the state's usury laws when PA residents physically obtained loans in other states, citing the Dormant Commerce Clause.

Automotive News spoke to Hudson Cook Chairman and Partner [Michael Benoit](#), who advises auto dealers and other creditors on compliance with state and federal regulations and in preparing for supervisory exams and enforcement matters. "I don't think the lower court was wrong," Michael told *Automotive News*. Michael said he could understand if Pennsylvania was regulating a loan taken out online within a resident's home. "To me, it's quite something else when you physically cross the border and submit yourself to the jurisdiction of another state," he said.

Michael also noted that the appellate court's ruling was contradicted by a recent federal court decision. California, Illinois and New York disagreed with an Office of the Comptroller of the Currency rule allowing national banks to transfer loans to third parties without an effect on the interest rate. The states argued this allowed lenders to circumvent their state usury laws by acquiring loans from national banks able to write higher-interest loans. But Northern District of California Judge Jeffrey White ruled in *California v. OCC* that the rule wasn't unreasonable.

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