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When Consumers Cross Borders: The Extraterritorial Limits of Article 9's Perfection Rules

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ABSTRACT

Consumer credit has become mobile in ways that Article 9 of the Uniform Commercial Code did not anticipate. Article 9's choice-of-law rules for perfecting a security interest assume that a debtor has one stable, easily identifiable location, ordinarily the debtor's principal residence, an assumption that dual-resident, remote-working, and expatriate consumers do not always satisfy. This article examines how UCC §§ 9-301, 9-307, and 9-316 apply to cross-border consumer-credit transactions, such as auto-secured installment credit, against the backdrop of a buy-now-pay-later market that is growing quickly and moving toward longer-term installment structures, and identifies a doctrinal gap: because individual cross-border consumer disputes are too small in dollar value to justify litigation, the choice-of-law problems created by consumer mobility have been absorbed quietly as a cost of doing business rather than resolved through case law or statutory reform. Drawing on recent Federal Reserve research on buy-now-pay-later growth, a bankruptcy decision applying the petition-date freeze rule to a lapsed Article 9 financing statement, and New York's rollout of the 2022 UCC amendments, the article argues that this gap will not stay latent as cross-border consumer lending scales. It concludes with practical compliance recommendations for lenders and counsel: treating a debtor's location as a servicing obligation subject to UCC § 9-316's four-month relocation clock, building a compliance response to § 9-307(c)'s District of Columbia default rule, and monitoring the state-by-state adoption of the 2022 UCC amendments as an early indicator of the friction consumer secured lending is likely to inherit.

Keywords: UCC Article 9, Secured Transactions, Choice of Law, Consumer Finance, Cross-Border Lending, Perfection of Security Interests, Buy Now Pay Later (BNPL)

I. INTRODUCTION

A driver leases a car in Chicago, moves to Toronto for a two-year work assignment, and keeps making the payments through an app. A shopper in Mexico City finances a home appliance through a U.S. retailer's point-of-sale installment plan, secured by the appliance until it's paid

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off. A retiree splits the year between a condo in Florida and a house in Portugal, financing a golf cart through the local dealer's installment plan. None of these people think they're doing anything unusual. Each of them has just handed a secured lender a choice-of-law problem that Article 9 of the Uniform Commercial Code was never really built to answer.

That mismatch is the subject of this piece. Article 9's rules for where a security interest must be perfected assume a debtor who lives, works, and borrows inside a single jurisdiction, an assumption that dual-resident, remote-working, and expatriate consumer borrowers do not always fit.¹ The doctrine has not broken so much as gone quiet: because most cross-border consumer contracts are too small to litigate, lenders have been absorbing the resulting risk as an unpriced cost of doing business rather than resolving it through case law or a legislative fix.² For practitioners advising consumer lenders, the takeaway is practical rather than theoretical: a debtor's location is not a fact to record once at origination and forget. It is a fact that can expire under UCC § 9-316's four-month relocation clock, and under § 9-307(c)'s little-known District of Columbia default, and compliance systems need to track it accordingly, before a bankruptcy trustee or a regulator does the tracking instead.

Practically, this creates two concrete obligations for lenders and the counsel advising them. First, at origination: build a step into underwriting or onboarding that captures and dates a consumer's residence, and treat any known change of address, work relocation, or move abroad as a trigger event rather than a routine data update. That is the moment the four-month clock under § 9-316 starts running,³ and it is easy to miss because an address change rarely looks legally significant on its face. Second, at servicing: add a periodic or trigger-based check to loan-servicing systems that flags accounts where the debtor's location may have shifted, particularly for portfolios with meaningful dual-residency, remote-work, or expatriate exposure, and have a pre-cleared process ready to re-perfect under the new jurisdiction's law before the window closes.⁴ None of this requires new technology or new law. It requires treating "location

¹ Telework among U.S. workers grew from 19.6% to 22.9% of people at work between the first quarters of 2023 and 2024, and the U.S. government does not reliably count the separate population of citizens living abroad, which independent estimates have long placed in the millions. See Connor Borkowski & Rifat Kaynas, *Telework Trends*, BEYOND THE NUMBERS: EMP. & UNEMPLOYMENT, vol. 14, no. 2 (U.S. BUREAU OF LAB. STAT., Mar. 2025), <https://www.bls.gov/opub/btn/volume-14/telework-trends.htm>; Joe Costanzo & Amanda Klekowski von Koppenfels, *Counting the Uncountable: Overseas Americans*, MIGRATION POL'Y INST. (May 17, 2013), <https://www.migrationpolicy.org/article/counting-uncountable-overseas-americans>.

² This claim about why the doctrinal gap persists unresolved is developed further, and its evidentiary basis explained, *infra* Part IV.

³ N.Y. U.C.C. LAW § 9-316(a)(2) (McKinney 2026).

⁴ Cf. Kira Mineroff, *Maintaining Perfected Security Interests Under the UCC: Top Points for Foreign Lenders*, DLA PIPER (Mar. 25, 2026), <https://www.dlapiper.com/en-us/insights/publications/2026/03/maintaining-perfected-security-interests-under-the-ucc> (suggesting calendar systems to track the lapse dates of financing statements so that continuation statements are filed in time, and audits of existing filings that include checking debtor name changes against the four-month amendment deadline); Kira Mineroff, Alex Stone & Alexandra

of debtor” as a servicing obligation with a deadline, not a one-time underwriting fact, and building that expectation into compliance checklists and vendor contracts now, before a bankruptcy trustee or a state regulator finds the gap instead.

Consumer credit has gone cross-border faster than the law governing it has adapted. The Federal Reserve Bank of Richmond documented the domestic growth of buy-now-pay-later (BNPL) lending first, in a February 2026 economic brief; the Federal Reserve’s own research staff followed in June 2026 with a FEDS Notes piece walking through how BNPL products have moved well past the original “pay-in-four” model into longer-term installment structures. Neither piece suggests that this growth has moved BNPL toward secured lending;⁵ most BNPL remains unsecured point-of-sale credit. Add a market-research release published this summer projecting that Mexico’s alternative-lending market will grow by roughly 11.8% in 2026, with BNPL integration cited as a driver,⁶ and the picture is of a consumer credit market that increasingly doesn’t stop at a state line, let alone a national border: a market in which the Article 9 exposure examined here reaches the credit that is actually secured, such as auto loans and point-of-sale financing secured by the goods purchased.

Commercial secured lenders have spent two decades building infrastructure for exactly this problem: parallel filings, local-law opinions, foreign-qualification checks before every cross-border deal closes.⁷ Consumer lenders extending a few hundred or a few thousand dollars per contract have none of that. Nobody commissions a local-law opinion for a laptop loan.

II. THE DOCTRINE, BRIEFLY

Article 9’s basic choice-of-law rule is simple to state: the law of the jurisdiction where the debtor is “located” governs perfection of a security interest, and generally its priority against competing claimants.⁸ For an individual, that means the debtor’s principal residence.⁹ If the

Smyllie, *Cross-Border Creation and Perfection of Security Interests*, DLA PIPER (Sept. 30, 2025), <https://www.dlapiper.com/en-us/insights/publications/2025/09/cross-border-creation-and-perfection-of-security-interests> (describing parallel filings and jurisdiction-specific registration checks in cross-border secured lending).

⁵ Zhu Wang, *Buy Now, Pay Later: Recent Developments and Implications*, FED. RSRV. BANK OF RICHMOND ECON. BRIEF No. 26-05 (Feb. 2026), https://www.richmondfed.org/publications/research/economic_brief/2026/eb_26-05; Nina R. Acree et al., “Buy Now, Pay Later” Beyond “Pay in 4”: A Comprehensive Product Overview, FEDS NOTES (June 5, 2026), <https://www.federalreserve.gov/econres/notes/feds-notes/buy-now-pay-later-beyond-pay-in-4-a-comprehensive-product-overview-20260605.html>.

⁶ *Mexico’s Alternative Lending Market Poised for 11.8% Growth with BNPL Integration Fuelling Expansion*, GLOBENEWSWIRE (July 3, 2026), <https://www.globenewswire.com/news-release/2026/07/03/3321795/28124/en/mexico-s-alternative-lending-market-poised-for-11-8-growth-with-bnpl-integration-fuelling-expansion.html>.

⁷ See, e.g., sources cited *supra* note 4.

⁸ N.Y. U.C.C. LAW § 9-301(a) (McKinney 2026). New York letters the subsections of § 9-301 (a)–(e) where the uniform text numbers them (1)–(4); New York’s § 9-301(a) corresponds to uniform § 9-301(1). The 2022 UCC Amendments, effective in New York on June 3, 2026, left the rule stated in text unchanged: the local law of the debtor’s jurisdiction governs perfection, the effect of perfection or nonperfection, and priority.

⁹ N.Y. U.C.C. LAW § 9-307(b)(1) (McKinney 2026).

debtor later moves, the secured party isn't automatically out of luck, but the clock starts running. Under UCC § 9-316(a)(2), a security interest perfected under the old jurisdiction's law stays perfected for four months after the debtor relocates; if the secured party hasn't re-perfected under the new jurisdiction's law by then, the interest becomes unperfected, and § 9-316(b) deems it never to have been perfected as against a purchaser of the collateral for value who acquires rights in the meantime.¹⁰ Unperfected status exposes the secured party more broadly, too: under § 9-317(a), an unperfected security interest is subordinate to a person who becomes a lien creditor before the secured party re-perfects,¹¹ and in a bankruptcy that includes the trustee, who is not a purchaser for value but who steps into the shoes of a hypothetical lien creditor as of the petition date under Bankruptcy Code § 544(a).¹²

Courts do take these deadlines seriously, but *Firsttrust Bank v. Industrial Bank (In re Essex Construction, LLC)* shows they are not always as unforgiving as they look. There, a senior secured lender let its financing statement's five-year continuation deadline lapse mid-bankruptcy (a different clock from § 9-316's four months) and still kept its priority. The U.S. Bankruptcy Court for the District of Maryland applied the bankruptcy "freeze rule," under which the priorities among secured creditors are fixed as of the petition date, so the post-petition lapse did not hand priority to the junior secured lender; in doing so the court followed decisions reasoning that the bankruptcy filing itself puts creditors on notice, leaving a refiling during the case with no work to do.¹³ The lesson for consumer lending is cautionary rather than reassuring. *Essex Construction's* rescue depended on the bankruptcy petition having been filed before the deadline ran out. The freeze rule is not confined to continuation statements: one of the decisions the court followed applied it to the four-month refiling period that runs when collateral is moved to another state.¹⁴ But it protects only a lender whose clock is still running on the petition date. A consumer debtor's quiet move abroad creates no equivalent public record, so a lender that lets § 9-316's four-month clock lapse before any bankruptcy is filed cannot assume a comparable doctrine will save its priority.

¹⁰ N.Y. U.C.C. LAW § 9-316(a)(2), (b) (McKinney 2026).

¹¹ N.Y. U.C.C. LAW § 9-317(a)(2) (McKinney 2026).

¹² 11 U.S.C. § 544(a)(1).

¹³ *Firsttrust Bank v. Indus. Bank (In re Essex Constr., LLC)*, 591 B.R. 630 (Bankr. D. Md. 2018) (holding that the post-petition lapse of the senior lender's financing statement did not make the junior secured lender senior, because priorities are fixed as of the petition date).

¹⁴ *See id.* (following *Gen. Elec. Co. v. Halmar Distribs., Inc. (In re Halmar Distribs., Inc.)*, 968 F.2d 121, 126–28 (1st Cir. 1992), which held that the debtor's bankruptcy filing tolled the four-month period within which a secured party had to file in the state to which its collateral had been moved).

III. WHERE THE CROSS-BORDER CONSUMER BREAKS THE MODEL

Here's where it gets genuinely messy for individuals rather than companies. Article 9's "principal residence" test assumes a debtor has one clearly identifiable home base. Plenty of consumers today don't, at least not in a way a loan-origination system easily captures: dual residents who split the year between two countries, remote workers who relocate abroad without ever changing their U.S. billing address, expatriates who keep financing purchases through U.S.-licensed platforms while living overseas.

The statute does have an answer for the more extreme version of this problem. Under UCC § 9-307(c), the "principal residence" rule applies only if the debtor's home jurisdiction generally requires security-interest information to be made available through a filing, recording, or registration system comparable to Article 9's own.¹⁵ If it doesn't, if the consumer's home country has no UCC-style public filing regime, the debtor is deemed located in the District of Columbia for perfection purposes, regardless of where they live. That's a workable rule on paper, but a strange one to operationalize: a compliance officer must explain to an origination team that a borrower who has never set foot in Washington is, for filing purposes, located there.

None of this is exotic anymore. It's the ordinary operation of a consumer-credit market that has gone digital and mobile faster than the doctrine underneath it.

IV. A GAP THAT HASN'T BEEN TESTED BECAUSE IT'S TOO SMALL TO LITIGATE

A search of publicly available case-law databases did not surface a body of consumer-specific case law addressing cross-border disputes under §§ 9-307 and 9-316.¹⁶ That absence probably isn't because the underlying choice-of-law problem doesn't exist; it's that these are, individually, small-dollar transactions. Nobody takes a \$1,200 secured consumer-credit default up on appeal to resolve a choice-of-law question. The commercial cross-border secured-lending bar has developed sophisticated practice precisely because those deals are large enough to justify the legal spend.¹⁷ Consumer secured lending doesn't have that luxury, which means the doctrinal gap persists not because it has been tested and resolved, but because it has been quietly absorbed as a cost of doing business, until enough of it shows up in an aggregated bankruptcy or a regulator's cross-portfolio review to matter.

¹⁵ N.Y. U.C.C. LAW § 9-307(c) (McKinney 2026).

¹⁶ This statement reflects a search of CourtListener and Google Scholar, conducted in September 2026, for reported decisions citing UCC §§ 9-307 and 9-316 (and their state-law codifications) in disputes involving individual consumer, rather than commercial or institutional, debtors; it did not identify a matching decision. Westlaw and Lexis, which are more comprehensive than these free databases, were not searched.

¹⁷ See sources cited *supra* note 4.

There's a preview of how badly this can scale playing out right now in a different corner of Article 9. New York's adoption of the 2022 UCC amendments, creating new Article 12 and its "controllable electronic records" framework for digital-asset collateral, took effect June 3, 2026.¹⁸ Practitioners are already flagging that because effective dates and transition periods vary from state to state, and some states haven't adopted the amendments at all, multistate and multijurisdictional transactions involving digital-asset collateral may have to be analyzed under each potentially applicable regime rather than against a single state's timeline.¹⁹ That's the commercial, institutional version of the same underlying problem described here for consumers: a doctrine built state by state, now applied to a market that no longer respects state or national lines.

V. WHAT THIS MEANS FOR PRACTITIONERS ADVISING CONSUMER LENDERS

A few practical takeaways follow. First, counsel to any lender extending secured consumer credit at real scale (auto-secured installment credit or other point-of-sale financing secured by the goods purchased) should map how origination and servicing systems capture and update a debtor's residence, and confirm someone is actually tracking the § 9-316 four-month clock when a customer's address changes.²⁰ Second, § 9-307(c)'s District of Columbia default deserves a real compliance answer rather than an assumption it will never come up; as consumer platforms expand into markets without UCC-style filing systems, it will.²¹ Third, the state-by-state rollout of the 2022 amendments is worth watching as a live indicator of how much friction multistate consumer secured lending is about to inherit, because the commercial market is absorbing that friction right now.²²

VI. CONCLUSION

None of this requires a legislative fix to manage today. It requires lenders and their counsel to stop treating "location of debtor" as a box checked once at origination and start treating it as

¹⁸ Act of Dec. 5, 2025, ch. 579, 2025 N.Y. LAWS (codified as amended in scattered sections of N.Y. U.C.C. LAW arts. 1, 2, 2-A, 3, 4-A, 5, 7, 8, 9 & new art. 12) (eff. June 3, 2026); *see also* Edwin E. Smith et al., *New York Adopts 2022 UCC Amendments: A New Era of Digital Assets, Electronic Commerce, and Secured Transactions*, MORGAN LEWIS (June 22, 2026), <https://www.morganlewis.com/pubs/2026/06/new-york-adopts-2022-ucc-amendments-a-new-era-of-digital-assets-electronic-commerce-and-secured-transactions>.

¹⁹ Cristina Diaz, Scott A. Lessne, Carlton Greene & Anand Sithian, *Lending Against Digital Assets: Five Key Takeaways for Lenders After a Year of Regulatory and UCC Change*, CROWELL & MORING Client Alert (Aug. 11, 2026), <https://www.crowell.com/en/insights/client-alerts/lending-against-digital-assets-five-key-takeaways-for-lenders-after-a-year-of-regulatory-and-ucc-change>.

²⁰ N.Y. U.C.C. LAW § 9-316(a)(2) (McKinney 2026); *see supra* note 10 and accompanying text.

²¹ N.Y. U.C.C. LAW § 9-307(c) (McKinney 2026); *see supra* note 15 and accompanying text.

²² For a running account of state-by-state adoption of the 2022 UCC amendments, *see* UNIFORM LAW COMMISSION, *UCC, 2022 Amendments to*, <https://www.uniformlaws.org/committees/community-home?communitykey=1457c422-ddb7-40b0-8c76-39a1991651ac> (last visited Sept. 17, 2026).

something that can quietly expire, four months at a time. A four-month clock is not a long time to miss. The lenders who build that into their compliance systems now will be the ones explaining their diligence to a regulator later, rather than explaining their gap.
