UNITED STATES DISTRICT COURT FOR THE WESTERN DISTRICT OF MICHIGAN, SOUTHERN DIVISION

Private Financing Alternatives, LLC v. Walloon Lake Holdings, LLC, et al.

Private Financing Alternatives · No. 1:25-cv-165 · Decided March 6, 2026

SUMMARY

The United States District Court for the Western District of Michigan denied Private Financing Alternatives, LLC's motion to collect rents under Michigan's Uniform Assignment of Rents Act. The court found that Defendants had asserted a potentially viable defense based on Michigan's criminal usury statute and wrongful-conduct rule, particularly because the default interest rate appeared to exceed the statutory cap. The court deferred resolution of the usury and enforcement issues until summary judgment after discovery.

CASE DETAILS

COURT	United States District Court for the Western District of Michigan, Southern Division
WRITING FOR THE COURT	Hala Y. Jarbou
JURISDICTION	United States District Court for the Western District of Michigan, Southern Division
DECIDED	March 6, 2026
DOCKET	1:25-cv-165
DISPOSITION	other
PROCEDURAL POSTURE	Plaintiff moved under Michigan's Uniform Assignment of Rents Act to require commercial tenants to pay rents directly to Plaintiff based on an alleged default under a secured promissory note. The court denied the motion because Defendants asserted a potentially viable usury and wrongful-conduct defense that had not been adequately addressed.
STANDARD OF REVIEW	The opinion does not identify a formal standard of review; it evaluates Plaintiff's motion under the requirements of Michigan's Uniform Assignment of Rents Act and the asserted statutory and wrongful-conduct defenses.

PRECEDENTIAL VALUE	Unknown; federal district court opinion with no reporter citation or stated precedential designation.

TOPICS

assignment and delegation · mortgages · commercial litigation · contracts · remedies

PRACTICE AREAS

commercial litigation · real estate · contracts · remedies

QUESTIONS PRESENTED

1. Whether Plaintiff substantially complied with Michigan's Uniform Assignment of Rents Act notice requirements so that the commercial tenants could be required to pay rents to Plaintiff.
2. Whether Defendants' asserted defense that the promissory note was usurious and unenforceable under Michigan's wrongful-conduct rule prevented Plaintiff from collecting rents at this stage.
3. Whether the record was sufficiently developed to determine whether the loan qualified for the statutory exception to Michigan's 25% criminal usury cap.

HOLDINGS

1. The default notice substantially complied with Michigan's Uniform Assignment of Rents Act, and any omission concerning the wrongful-conduct defense was not substantial because the tenants were aware of that defense.
2. Plaintiff could not obtain rents through MUARA at this stage because Defendants asserted a potentially viable defense to enforcement of the note, and Plaintiff had not adequately responded to that defense.
3. The court declined to determine whether the statutory exception to the criminal usury cap applied or whether any usury violation would bar collection of the principal, interest, or the entire debt.

KEY QUOTATIONS

> *“A plaintiff cannot maintain an action if, in order to establish his cause of action, he must rely, in whole or part, on an illegal or immoral act or transaction to which he is a party.”* (II.B)

> *“For the reasons herein, the Court will deny Plaintiff’s motion to collect rents.”* (III)

FACTUAL BACKGROUND

Walloon Lake Holdings, LLC, executed a $10 million promissory note requiring monthly payments and a balloon payment, and allegedly secured the loan with mortgages on 13 commercial properties and assignments of leases and rents. JLB Restaurant Holdings, LLC, and Hotel Walloon, LLC, were tenants whose rents had been assigned to Plaintiff as additional security. Plaintiff recorded the assignment and sent a default notice, but Defendants contended that the note charged an unlawfully high interest rate, including a 32% default rate, potentially triggering Michigan's wrongful-conduct rule.

PROCEDURAL HISTORY

Plaintiff filed this federal action in February 2025 seeking damages for breach of a promissory note, mortgage foreclosure, and enforcement of assignments of leases and rents. Plaintiff then moved to collect rents paid by JLB Restaurant Holdings, LLC, and Hotel Walloon, LLC. The district court denied the motion without finally resolving whether the loan was subject to an exception to Michigan's criminal usury cap or what remedy would follow from any usury violation.

DISPOSITION

other

REMAND INSTRUCTIONS

No remand was ordered. The court indicated that the parties would have an opportunity to brief the usury-exception issue through summary judgment after discovery was complete.

CASES CITED

- Orzel by Orzel v. Scott Drug Co., 537 N.W.2d 208, 212–13 (Mich. 1995)
- Scalici v. Bank One, NA, No. 254632, 2005 WL 2291732, at *2 (Mich. Ct. App. Sept. 20, 2005)
- Nepal 2012, LLC v. Paniccia, No. 364885, 2024 WL 4100087, at *3 (Mich. Ct. App. Sept. 5, 2024)
- Ross v. Peyerk, No. 357597, 2022 WL 1714582, at *3–4 (Mich. Ct. App. June 23, 2022)
- Soaring Pine Cap. Real Est. & Debt Fund II, LLC v. Park St. Grp. Realty Servs., LLC, 999 N.W.2d 8, 14 n.8, 19 n.16 (Mich. 2023)