UNITED STATES DISTRICT COURT FOR THE WESTERN DISTRICT OF NEW YORK

WBL SPE III LLC v. Joel K. Schenfield and Liane M. Schenfield

No. 24-CV-471-LJV (W.D.N.Y. May 28, 2026) · No. 24-CV-471-LJV · Decided May 28, 2026

SUMMARY

The United States District Court for the Western District of New York reviews an appeal from a bankruptcy court order disallowing WBL SPE III LLC’s claim against Joel and Liane Schenfield. The court affirms, holding that applying New Jersey law under the loan agreement’s choice-of-law provision would violate New York public policy concerning usurious loans and that the transaction lacked a sufficient reasonable relationship with New Jersey.

CASE DETAILS

COURT	United States District Court for the Western District of New York
WRITING FOR THE COURT	Lawrence J. Vilardo
JURISDICTION	United States District Court for the Western District of New York
DECIDED	May 28, 2026
DOCKET	24-CV-471-LJV
DISPOSITION	affirmed
PROCEDURAL POSTURE	Appeal from a bankruptcy court order disallowing WBL SPE III LLC's secured proof of claim in the appellees' Chapter 13 bankruptcy case.
STANDARD OF REVIEW	The district court reviews bankruptcy-court factual findings for clear error and legal determinations de novo. Choice-of-law determinations are reviewed de novo, while factual findings underlying the choice-of-law determination are reviewed for clear error.
PRECEDENTIAL VALUE	nonprecedential
PARTIES	WBL SPE III LLC v. Joel K. Schenfield, Liane M. Schenfield

TOPICS

bankruptcy · appellate procedure · standard of review · contracts · commercial litigation

PRACTICE AREAS

bankruptcy choice of law usury commercial lending appellate procedure

QUESTIONS PRESENTED

1. Whether the New Jersey choice-of-law clause was unenforceable because applying New Jersey usury law would violate New York's fundamental public policy.
2. Whether the loan transaction had a reasonable relationship with New Jersey sufficient to justify enforcement of the New Jersey choice-of-law clause.
3. Whether the bankruptcy court's use of a center-of-gravity or grouping-of-contacts analysis constituted reversible error.
4. Whether the loan was criminally usurious and therefore void under New York law, requiring disallowance of WBL SPE III LLC's claim.

HOLDINGS

1. The New Jersey choice-of-law clause was unenforceable because applying New Jersey law to permit a 49.99% interest rate would violate New York's fundamental public policy against usurious lending, particularly where individual guarantors and mortgagors could face personal liability and loss of their home.
2. The loan agreement had no reasonable relationship with New Jersey sufficient to enforce the New Jersey choice-of-law clause.
3. Any error by the bankruptcy court in initially applying a center-of-gravity or grouping-of-contacts test was harmless because applying the correct reasonable-relationship analysis led to the same conclusion and then properly supported application of New York law.
4. Because New York law governed and the 49.99% interest rate was criminally usurious under New York law, the loan was void and WBL SPE III LLC's claim was properly disallowed.

KEY QUOTATIONS

> *"The public policy exception did not apply in a line of precedent where "the debtors were corporations,""* (Discussion, Part A)

> *"Without an effective choice-of-law provision, New York courts 'look to the center of gravity of a contract to determine choice of law.'"* (Discussion, Part B)

> *"For the reasons stated above, the New Jersey choice-of-law clause is unenforceable and the loan is void as usurious under New York law."* (Conclusion)

FACTUAL BACKGROUND

Applied Sciences Group, Inc., a New York corporation, received a $67,000 business loan from World Business Lenders, LLC, bearing a 49.99% annual interest rate. Joel Schenfield and Julie Dotton guaranteed the note, and Joel and Liane Schenfield mortgaged their Hamburg, New York home as collateral. The loan documents selected New Jersey law, but the Schenfields later filed Chapter 13 bankruptcy, and the assignee of the loan asserted a claim exceeding $184,000. The bankruptcy court and district court concluded that applying New Jersey law would contravene New York public policy and that the transaction lacked a sufficient relationship with New Jersey.

PROCEDURAL HISTORY

The Schenfields filed a Chapter 13 bankruptcy petition and proposed a plan providing for payment of a $67,000 secured claim. WBL SPE III LLC, the assignee of the loan, objected to plan confirmation and filed an amended secured proof of claim asserting that approximately $184,095.84 was owed. The Schenfields objected to the claim on the ground that the 49.99% interest rate was criminally usurious under New York law. The bankruptcy court rejected the New Jersey choice-of-law clause, applied New York law, found the loan criminally usurious, and disallowed the claim. The district court affirmed.

DISPOSITION

affirmed

CASES CITED

- In re 114 Tenth Ave. Ass’n, 441 B.R. 416, 424 (S.D.N.Y. 2010)
- EDP Med. Comput. Sys., Inc. v. United States, 480 F.3d 621, 626 (2d Cir. 2007)
- In re Anderson, 884 F.3d 382, 387 (2d Cir. 2018)
- In re W. 125th St. Liquors, 615 B.R. 25, 29 (S.D.N.Y. 2020)
- AEI Life LLC v. Lincoln Benefit Life Co., 892 F.3d 126, 131, 135 (2d Cir. 2018)
- Myer’s Lawn Care Servs., Inc. v. Pryor, 2024 WL 3716118, at *7 (E.D.N.Y. Aug. 6, 2024), aff’d sub nom. In re Fragala, 2025 WL 2857877 (2d Cir. Oct. 8, 2025)
- Heilbron v. Plaza, 2021 WL 1062034, at *2 (E.D.N.Y. Mar. 19, 2021)
- Pullman-Standard v. Swint, 456 U.S. 273, 291 (1982)
- Johnson v. Nextel Commc’ns. Inc., 780 F.3d 128, 146 n.19 (2d Cir. 2015)
- In re Bernard L. Madoff Inv. Sec., LLC, 2016 WL 183492, at *8 n.14 (S.D.N.Y. Jan. 14, 2016), aff’d, 697 F. App’x 708 (2d Cir. 2017)
- In re Great Atl. & Pac. Tea Co., 2015 WL 6395967, at *2 n.1 (S.D.N.Y. Oct. 21, 2015)
- In re Brown, 615 B.R. 725, 738-39 (Bankr. S.D.N.Y. 2020), aff’d, 2021 WL 510157 (S.D.N.Y. Feb. 11, 2021)
- In re Scafuro, 2013 WL 4776740, at *2 (Bankr. D. Vt. Sept. 4, 2013)
- Klaxon Co. v. Stentor Elec. Mfg. Co., 313 U.S. 487, 496 (1941)
- In re Gaston & Snow, 243 F.3d 599, 605-07 (2d Cir. 2001)
- Loreley Fin. (Jersey) No. 3 Ltd. v. Wells Fargo Sec., LLC, 797 F.3d 160, 170 (2d Cir. 2015)
- DarkPulse, Inc. v. Crown Bridge Partners LLC, 2024 WL 3872725, at *2 (2d Cir. Aug. 19, 2024)
- Forest Park Pictures v. Universal TV Network, Inc., 683 F.3d 424, 433 (2d Cir. 2012)
- Hartford Fire Ins. Co. v. Orient Overseas Containers Lines (UK) Ltd., 230 F.3d 549, 556 (2d Cir. 2000)
- Beatie & Osborn LLP v. Patriot Sci. Corp., 431 F. Supp. 2d 367, 378 (S.D.N.Y. 2006)

- Petróleos de Venez. S.A. v. MUFG Union Bank, N.A., 51 F.4th 456, 472 (2d Cir. 2022)
- Welsbach Elec. Corp. v. MasTec N.A., Inc., 7 N.Y.3d 624, 629, 859 N.E.2d 498, 500 (2006)
- United States v. Moseley, 980 F.3d 9, 14-15, 20-22 (2d Cir. 2020)
- Brown & Brown, Inc. v. Johnson, 25 N.Y.3d 364, 368, 34 N.E.3d 357, 360 (2015)
- Otoe-Missouria Tribe of Indians v. N.Y. State Dep’t of Fin. Servs., 769 F.3d 105, 110-11 (2d Cir. 2014)
- Schneider v. Phelps, 41 N.Y.2d 238, 243, 359 N.E.2d 1361, 1365 (1977)
- Carlone v. Lion & the Bull Films, Inc., 861 F. Supp. 2d 312, 322 n.4 (S.D.N.Y. 2012)
- DarkPulse, Inc. v. FirstFire Glob. Opportunities Fund, LLC, 2023 WL 199196, at *12 (S.D.N.Y. Jan. 16, 2023)
- Cyber Apps World, Inc. v. EMA Fin., LLC, 645 F. Supp. 3d 281, 286-87 (S.D.N.Y. 2022)
- Parallax Health Scis., Inc. v. EMA Fin., LLC, 2022 WL 1446521, at *11-12 (S.D.N.Y. Feb. 24, 2022)
- DarkPulse, Inc. v. Crown Bridge Partners, LLC, 2026 WL 696787, at *8-9 (S.D.N.Y. Mar. 12, 2026)
- DarkPulse, Inc. v. Crown Bridge Partners LLC, 2023 WL 6386006, at *4-5 (S.D.N.Y. Sept. 29, 2023), vacated, 2024 WL 3872725 (2d Cir. Aug. 19, 2024)
- Axos Bank v. 64-03 Realty LLC, 2024 WL 1435971, at *10-11 (E.D.N.Y. Apr. 3, 2024)
- EMA Fin., LLC v. NFusz, Inc., 444 F. Supp. 3d 530, 541-42 (S.D.N.Y. 2020)
- Samson Lending LLC v. Greenfield Mgmt. LLC, 80 Misc. 3d 1023, 1028-32, 196 N.Y.S.3d 850, 854-57 (Sup. Ct. Ontario Cnty. 2023), aff’d, 227 A.D.3d 1479, 208 N.Y.S.3d 786 (4th Dep’t 2024)
- Clever Ideas v. 999 Rest. Corp., 2007 WL 3234747, at *1-2 (Sup. Ct. N.Y. Cnty. 2007)
- NFusz, Inc., 444 F. Supp. 3d at 541
- JTH Tax LLC v. Kukla, 2022 WL 1651074, at *6 (E.D.N.Y. Apr. 26, 2022)
- Fleetwood Servs., LLC v. Ram Cap. Funding, LLC, 2022 WL 1997207, at *18 (S.D.N.Y. June 6, 2022)
- In re Windstream Holdings, Inc., 634 F. Supp. 3d 99, 107 (S.D.N.Y. 2022), aff’d, 105 F.4th 488 (2d Cir. 2024)
- Pullman v. Alpha Media Publ’g, Inc., 624 F. App’x 774, 779 (2d Cir. 2015)
- Staehr v. Hartford Fin. Servs. Grp., Inc., 547 F.3d 406, 425 (2d Cir. 2008)