

MARKS & WEINBERG, P.C.

In re Trotter

2001 WL 736718 (Bankr. D. Kan.)

Debtor's failure to comply with the vehicle registration laws of the state where Debtor resided did not affect validity of creditor's security interest when secured party was properly perfected under the laws of the state where the vehicle was titled. A debtor purchased a trailer from a dealer in Oklahoma and titled the vehicle in Oklahoma, although she immediately took the trailer to her residence in Kansas. Lewis Travel Trailers, Inc., the dealer, soon after assigned its security interest to CIT Group/Sales Financing, Inc. ("CIT") for value; and CIT's lien was duly noted on the Oklahoma title. The debtor failed to ever title, register or license the trailer in Kansas, as required by Kansas law.

Soon thereafter, the debtor failed to make payments to CIT as required by the security agreement and filed for Chapter 7 bankruptcy. The bankruptcy trustee subsequently moved to sell the trailer, arguing it was an asset of the estate. The trustee asserted that the CIT's security interest was not properly perfected because the trailer had been licensed and the lien perfected in Oklahoma, while the debtor lived in and possessed the trailer in Kansas.

The court, however, held that CIT's security interest was duly perfected by notation of its lien on the Oklahoma certificate of title and until the vehicle became titled in Kansas, Oklahoma law governed. Moreover, the court noted that generally, Kansas law governs



perfection of security in property located in Kansas; however, if another jurisdiction requires as a condition of perfection that a security interest be noted on the certificate of title, that jurisdiction's laws govern until the goods are registered in another jurisdiction. Thus, the security interest in the trailer remained perfected and CSI retained perfected status until the debtor titled the vehicle in Kansas. Furthermore, the debtor's failure to comply with her obligations to license the trailer in her state of residence, in no way affected CIT's perfected security interest.

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