September 15th, 2026

Chairman Hughes and Members
Senate Committee on State Affairs
Texas Senate

RE: Written Testimony on Fair Banking for All Texans

Chairman Hughes and Members of the Committee,

Thank you for the opportunity to provide comments regarding fair access to banking and insurance services in Texas.

Access to financial services is essential to participating in modern economic life. Individuals need accounts to receive wages, pay bills, save money, and operate businesses. Businesses depend on payment processing, credit, insurance, and other financial products to serve customers and employ Texans. When access to those services is restricted because a person's lawful occupation, political beliefs, religious convictions, or associations are disfavored, the consequences can extend far beyond an ordinary commercial disagreement.

Texans engaged in lawful activity should not be excluded from the financial system merely because they are politically unpopular. At the same time, protecting economic liberty requires recognizing that private businesses generally retain the freedom to decide with whom they contract. The Legislature should therefore distinguish among legitimate risk-based decisions, private commercial discretion, coordinated ideological blacklisting, and financial restrictions encouraged or demanded by government officials. That distinction is critical. A bank may have legitimate reasons to deny a loan, terminate an account, or decline a customer. Those reasons may include creditworthiness, fraud, account misuse, compliance costs, threats to employees, unlawful transactions, or other material financial and operational risks. Insurers must similarly evaluate actuarial risk, claims history, exposure, and the terms under which coverage can responsibly be offered. Government should not force financial institutions to disregard genuine risks or enter every requested relationship.

Political or religious disapproval is different. A lawful business should not be treated as financially suspect merely because its industry is controversial. A citizen should not lose access to ordinary banking because of his speech, associations, charitable giving, religious activity, or participation in public debate. Risk management should measure risk, not serve as a convenient label for ideological discrimination.

The greatest concern arises when private financial decisions are influenced by government pressure. Banks and insurers operate within intensely regulated industries. Agencies possess significant authority over examinations, charters, enforcement, capital requirements, mergers, deposit insurance, and access to financial infrastructure. Even informal statements from regulators can carry coercive weight. A suggestion that institutions should distance themselves from a lawful but disfavored industry may function as an unwritten command when the recipient knows that the same government controls its regulatory future.

Government should never be permitted to accomplish indirectly what it could not constitutionally do directly. Public officials should not use banks, insurers, payment processors, or other intermediaries to punish protected speech, disfavored religious beliefs, lawful firearm activity, energy production, political advocacy, or any other lawful conduct. Nor should regulators rely on vague reputational-risk standards to pressure institutions into excluding customers whose activities do not present a demonstrable financial or legal risk. Texas has already responded to concerns about financial boycotts through laws addressing discrimination against the firearm and energy industries and through restrictions affecting state contracts and investments. Those policies reflect legitimate concern that lawful Texas industries can be targeted for political reasons. However, industry-specific protections can also produce an expanding cycle in which each politically favored group seeks its own statute, certification process, blacklist, or contracting preference.

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The goal should not be to replace one ideological financial policy with another. Texas should establish neutral principles that protect lawful commerce without empowering government to micromanage private underwriting, lending, or account decisions. A sound framework should begin with transparency. When a financial institution closes or materially restricts an account, the customer should generally receive reasonable notice and an understandable explanation identifying the contractual, legal, or risk-based basis for the decision. A vague statement that the relationship no longer aligns with the institution's "risk appetite" provides little ability to determine whether the decision resulted from fraud concerns, a regulatory mandate, a factual error, or viewpoint discrimination.

There will necessarily be exceptions. Institutions should not be required to disclose information when doing so would violate federal law, compromise an investigation, reveal a legally protected suspicious activity report, or enable fraud. But those exceptions should not swallow the general rule. When disclosure is legally permissible, Texans should receive enough information to understand why access was denied and how inaccurate information may be corrected.

Procedural protections are particularly important when an institution relies on third-party databases, automated systems, or risk-scoring tools. A person may be mislabeled because of outdated records, a mistaken identity, an inaccurate media report, or an algorithmic inference. Customers should have a meaningful process to challenge material factual errors. Financial institutions should not be required to reveal proprietary models, but they should remain accountable for adverse decisions based on false information.

The Legislature should also examine whether financial institutions or insurers are using political, religious, or social data unrelated to legitimate financial risk. A person's lawful donations, advocacy, worship, organizational memberships, or online speech should not become components of a hidden social-credit system. If such information is used, lawmakers should determine where it originated, whether government officials encouraged its collection, how it affects decisions, and whether customers have any ability to challenge inaccuracies. Transparency must apply to government as well. Regulators should disclose formal policies, guidance, examination standards, and enforcement criteria that could influence access to financial services. Agencies should not be permitted to rely upon undisclosed expectations that encourage institutions to avoid lawful customers. Communications between government officials and regulated entities concerning the denial of services to lawful industries or groups should be subject to meaningful legislative oversight and applicable public-information laws.

State officials should also be prohibited from threatening, coercing, or materially pressuring a financial institution to restrict services because of a customer's protected speech, religion, political affiliation, or lawful occupation. Employees of regulated institutions should have a secure method to report improper government pressure to an appropriate oversight authority without retaliation. Lawmakers should be cautious about creating a broad mandate requiring every institution to serve every applicant. Such a policy would weaken freedom of contract, interfere with legitimate risk management, and invite extensive government control over pricing, underwriting, and business operations. It could also create moral hazard by making institutions responsible for relationships they reasonably determined they could not manage. The better approach is to require decisions to be connected to legitimate financial, actuarial, operational, contractual, or legal considerations when institutions invoke those grounds. A bank should not be forced to lend to an unqualified borrower, but it should not disguise political retaliation as credit analysis. An insurer should remain free to price genuine risk, but it should not treat lawful beliefs as an actuarial category. A payment processor should be permitted to enforce neutral terms of service, but those terms should not become a pretext for punishing lawful viewpoints at the request of government.

The Legislature should also consider competition. Customers are more vulnerable to debanking when financial services are concentrated, switching costs are high, or regulatory barriers prevent new institutions from entering the market. Excessive regulation can unintentionally strengthen the largest firms while reducing the number of alternatives available to Texans. Policies intended to protect access should therefore include a review of state barriers to entry, chartering, financial innovation, and competition.

State contracting and investment policies warrant similar care. Texas has a legitimate interest in ensuring that taxpayer-supported contracts serve public purposes and that state assets are managed according to fiduciary obligations rather than political agendas. Yet procurement rules should remain transparent, predictable, and focused on value to taxpayers. They should not become a system of political loyalty tests for private companies or a vehicle for government officials to pick winners and losers.

For the 90th Legislature, we recommend a neutral framework built around several principles.

First, prohibit state officials and regulators from coercing financial institutions or insurers to restrict services because of lawful speech, religious exercise, political affiliation, or lawful business activity.

Second, require reasonable notice and a meaningful explanation for material service denials or account closures when disclosure is not prohibited by law or necessary to protect an investigation.

Third, establish a process for customers to correct material factual errors used in adverse decisions, particularly when information originates from third-party databases or automated systems.

Fourth, require relevant state regulators to disclose policies and guidance concerning reputational risk, politically exposed activity, and other standards that could be used to restrict lawful customers.

Fifth, preserve the authority of banks and insurers to make individualized decisions based on genuine credit, actuarial, fraud, compliance, contractual, and operational risks.

Sixth, avoid creating industry-specific privileges or broad compelled-service mandates that substitute government judgment for private risk assessment.

Finally, examine whether state regulations unnecessarily reduce financial competition and make Texans more dependent on a small number of institutions.

The objective should be neither government-controlled banking nor politically weaponized banking. Texans should be free to speak, worship, associate, work, and operate lawful businesses without fearing exclusion from the financial system. Financial institutions should remain free to manage legitimate risks without being conscripted into political campaigns by regulators, activists, or lawmakers.

Economic liberty and freedom of contract must be protected together. Texas can address wrongful debanking by demanding transparency, preventing government coercion, protecting due process, and encouraging competition without granting the state sweeping authority over private financial decisions.

Thank you for your consideration.

For Liberty, For Texas!

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