State Report

As of September 17, 2026

The 90th Regular session of the Texas Legislature convenes January 12, 2027. The session will adjourn May 31st after a 140-day sprint of policy and budgeting.

The Texas Senate is under the firm rule of Lt. Governor Dan Patick. Little change is expected in committee leadership. There is a strong crypto basis in the Texas Senate in following the Governor's lead and President Trump's influence. The Lt. Governor's legislative agenda to date has not had a strong business stance but rather focuses on more social agendas along his conservative ideology platform: book bans, right to life, school vouchers.

The Texas House could see a change in leadership depending on the outcome of November elections. An expected 6-12 House seats may flip from Republican to Democrat putting Speaker Burrow's seat in jeopardy. A Republican will hold the Speaker's Office, should the expected seats flip, but the democrats will have more of a say in what member will be elected to lead them.

Texas will also have a new Comptroller, Attorney General and Secretary of State.

Don Huffines is expected to win the Comptroller's race. Governor Abbott and Huffines have traditionally not gotten along but tensions may be easing, time will tell. Huffines has been upfront that he and his staff will securitize the legislature's proposed budget closer than his predecessor to rout out DEI and "wasteful" spending. Mayes Middleton is expected to win the Attorney General's race. Typically, the office does not play a huge role in session so most notably will be the lack of attention the Attorney General's office receives.

Legislatures of the past two decades have enjoyed an abundance of surplus of money to plug into the budget. In 2025 the legislature had a $24B surplus. There is not a sitting member of the Texas Senate or Texas House that has voted on a budget without a minimum $15-20million dollar surplus. The Comptroller's budget estimate will be announced in January and is expected to have less than $3B in surplus funds once all obligations are funded. Many insiders are whispering projections of a budget deficit. Examples of obligated monies to be spent from surplus funds include: $4Billion for the Texas Voucher Program, $1Billion to the Water Infrastructure Fund, $3B for property tax relief. This is coming at a time of exponential population and data center growth stretching already stretched power, infrastructure and water resources.

In preparation for the session, IBAT GR proposes the following policy concepts for the committee's consideration.

I. Statewide Ban of Crypto Kiosks

IBAT member banks have increasingly encountered customer fraud cases involving crypto kiosks, particularly scams targeting senior citizens and vulnerable consumers who are directed by criminals to deposit funds through these machines under false pretenses. Law enforcement agencies and consumer advocates have raised concerns that crypto kiosks provide limited transaction transparency, insufficient consumer protections, and create challenges for recovery of stolen funds.

Indiana, Tennessee, and Minnesota, have recently enacted statewide prohibitions on cryptocurrency kiosks, commonly referred to as "crypto ATMs," due to growing concerns regarding fraud, money laundering, elder exploitation, and consumer financial harm. Similar proposals are now being discussed in other states and at the federal level in Canada.

Given Texas's significant and growing crypto kiosk footprint, IBAT will join the Texas Financial Crimes Intelligence Center (FCIC) efforts to lead a ban of crypto kiosks in Texas. IBAT has requested bill language be drafted from the legislative council.

II. UCC Modernization

Staff recommends IBAT supporting legislation to adopt revised provisions of the Uniform Commercial Code ("UCC"), including new Article 12, governing controllable electronic records and digital assets.

Article 12 was developed by the Uniform Law Commission and the American Law Institute to modernize commercial law frameworks for emerging digital transactions involving virtual currencies, tokenized assets, and other electronic records. The revisions are intended to provide legal certainty for secured transactions, payment systems, collateral perfection, and commercial lending involving digital assets.

Adoption of Article 12 would help ensure Texas commercial law remains consistent with other states modernizing their UCC statutes. Forty states have passed the code updates. Conspiracy theories have persisted

and prevented the passage of the updates in Florida and Texas and remaining states. As a result, opposition to Article 12 occasionally became entangled with broader anti-Central Bank Digital Currency political movements, even though the UCC amendments themselves are technical commercial law revisions rather than monetary policy legislation.

What Article 12 of the UCC does:

- Clarifies the legal rights associated with controllable electronic records and digital assets;
- Establishes rules for "control" of digital assets similar to possession concepts under existing commercial law;
- Provides greater certainty for secured lending and collateral treatment;
- Supports interstate consistency in commercial transactions; and
- Helps Texas maintain a competitive and modern financial services framework.

What Article 12 of the UCC does NOT do:

- Enables or forces adoption of a central bank digital currency (CBDC);
- Eliminates cash;
- Gives governments control over private financial transactions;
- Authorizes seizure or tracking of digital assets; or
- Creates a legal framework for a "social credit" financial system.

Importantly, Article 12 does not require banks to engage in cryptocurrency activities or digital asset custody. Rather, it provides legal clarity for courts, lenders, and commercial counterparties when such assets are involved in transactions.

III. Modernize Texas Home Equity "Cash Out" Refinance Restrictions

Texans continue to encounter operational and consumer challenges arising from the state's constitutional treatment of home equity "cash-out" refinance loans under Article XVI, Section 50 of the Texas Constitution. Current law can unintentionally restrict homeowners from later accessing a Home Equity Line of Credit ("HELOC") because a prior refinance transaction is categorized as a Texas home equity loan—even when the original refinance involved only a minimal amount of cash to the borrower.

Under current Texas law, once a refinance transaction is designated as a Section 50(a)(6) home equity loan (commonly referred to as a "cash-out" loan), th e lien remains subject to the constitutional home equity framework unless and until the property owner completes a subsequent refinance under Section 50(f)(2), often referred to as the "seasoning" or "conversion" refinance process. As a practical matter, this structure can prevent or significantly complicate a homeowner's ability to later obtain a HELOC or secondary lien product. This issue frequently arises in otherwise routine refinance transactions where borrowers receive nominal cash proceeds for legitimate closing adjustments, escrow balances, debt consolidation, or incidental borrower credits. Although the transaction may economically resemble a traditional rate-and-term refinance, the loan can nevertheless become permanently classified as a Texas cash-out home equity loan.

Given current economic conditions, elevated interest rates, and growing consumer demand for flexible liquidity products, it may be time to address this policy issue. IBAT GR proposes a committee be formed to look at the issue and propose possible legislative reforms for consideration in the 91st regular legislative session (2029). IBAT GR is not recommending seeking changes to home equity laws in the upcoming legislative session unless an opportunity to do so presents itself outside of our intended efforts for 2029. The Texas Mortgage Bankers Association is joining IBAT's efforts to seek changes in the law and will form its own committee to create policy recommendations.

IV. Texas Uniform Transfer to Minors Act Modernization

The Texas Uniform Transfers to Minors Act (UTMA), Chapter 141 of the Texas Property Code, creates operational and legal uncertainty for Texas finance institutions once a beneficiary reaches the statutory termination age of 21. Under current law, the custodian has an affirmative duty to transfer custodial property to the minor upon attainment of the applicable age. However, many financial institutions conservatively interpret the statute and continue to restrict account access until the custodian affirmatively authorizes the transfer or closes the account.

This creates a practical problem for banks. Current Texas statute places the legal obligation on the custodian not the financial institution—to transfer the custodial property. If the custodian fails to do so after the beneficiary turns 21, the beneficiary's remedy is against the custodian through a private cause of action. IBAT recommends legislation to clarify once the beneficiary reaches the age of 21, a financial institution is expressly authorized to recognize the beneficiary as the owner of the account and permit the beneficiary to conduct transactions, access funds, or retitle the account.

V. Interchange Fees

Developments in Illinois and federal courts guarantee interchange/swipe fees will again be discussed in the 90th Texas legislative session particularly on separating sales tax and gratuity portions of transactions.

In February 2026, a federal district court partially upheld the Illinois law, permitting the interchange fee restrictions to proceed. More recently, the Office of the Comptroller of the Currency ("OCC") issued an interim order declaring that federal banking law preempts the Illinois statute as applied to national banks and federal savings associations. Appeals remain pending before the Seventh Circuit, and additional litigation is expected. Texas merchant associations and retail advocacy groups have supported interchange legislation despite the added burden it means for small businesses. IBAT's membership in Texas Business Association has neutralized its involvement.

Policy proposals that may resurface this session include:

- Prohibiting interchange fees on sales tax or gratuity portions of transactions;
- Imposing additional disclosure requirements on card issuers or payment networks;
- Restricting interchange fees on government-related payments or public transactions.

Importantly, most community banks operate with debit cards and do not issue credit cards; however, IBAT has been largely involved because of the effect interchange fees will have on Texas small business.

IBAT GR staff recommends monitoring the issue and continuing involvement in the Electronic Payments Coalition. GR further recommends IBAT not be overly involved in policy negotiations. IBAT is routinely pushed to lead the narrative against Visa, Mastercard and others as the small business advocate.