Senate Committee on Business and Commerce Interim Charge Hearing
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Introduction

Chair Schwertner, Vice Chair King, and Committee Members – thank you for the opportunity to offer written testimony to the Senate Committee on Business and Commerce related to **Fostering Financial Technology Innovation**.

The Fair Financial Services Project at Texas Appleseed is dedicated to advocating for consumer protections across a range of issues. Such protections are particularly important in this moment, with so many Texans struggling to afford housing, groceries, utility bills, and other basic expenses.[1] We look forward to working with the Committee to support consumer protection and financial well-being in Texas.

Fostering Financial Technology Innovation

Our comments under this charge focus on two important issues that impact the financial well-being of Texans:

- Protecting consumers from fraud and scams in the cryptocurrency space and beyond; and
- The importance of enforcing existing Texas consumer protection laws as they relate to financial technology.

Protecting Consumers from Fraud and Scams in the Cryptocurrency Space and Beyond

Fraud and scams drain an estimated $119 billion per year from Americans' pocketbooks.[2] Many different payment vehicles are used to extract this money, including cash payments, bank wires, gift cards, and cryptocurrency. Cryptocurrency is a growing payment mechanism used by fraudsters and scammers because it is anonymous and transactions can easily be passed through tools that make them impossible to trace.

Based on the FBI's 2025 Internet Crime Report, Texas had the second-highest number of cryptocurrency-related internet crime complaints compared to other states, with over 13,000

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[1] John C. Moritz, "Texas Poll Delivers Rough News for Republicans—and a Faint Ray of Sunshine," *Austin American-Statesman* (January 11. 2026), available at: https://www.statesman.com/news/columns/article/texas-republicans-democrats-2026-midterms-21286324.php. The poll found that just 24% of Texans were happy with their financial well-being.
[2] Ben Winters, "Follow the Money: Bridging Consumer Protection and Illicit Finance to Stop Scams," Consumer Federation of America (January 28, 2026).

complaints submitted, and the second-highest amount of financial loss associated with cryptocurrency-related complaints, totaling over $1 billion. Texas also ranked third for number of complaints and amount of financial loss suffered by individuals at and above the age of 60.[3]

According to a report created by the U.S. Senate Special Committee on Aging, cryptocurrency-related losses increased 66% in 2024 compared to the previous year, with $1.6 billion lost between January and May 2024, compared to approximately $300 million during the same period in 2023. Older adults suffered the largest losses in crypto-related investment scams, with an estimated loss of over $1,600,353,509 in 2024.[4]

We commend the examination of cryptocurrency kiosks as a nexus for fraud and scams targeting older Texans. We would also like to highlight other approaches that should be considered, particularly in light of the current focus on cryptocurrency regulation at both the state and federal levels.

1. Maintain important state oversight of new financial technology-based products, including cryptocurrency.

Texas regulators have played an important role in protecting our residents from harmful market practices. In the cryptocurrency space, it is important to highlight that Texas regulators scrutinized the FTX cryptocurrency exchange before it imploded and there were huge consumer financial losses and criminal charges against those running the exchange.[5] They have also uncovered other concerning practices related to cryptocurrency payments and investments and the Texas Securities Board has been a national leader in addressing cryptocurrency investment scams. We urge the legislature to maintain this important oversight role to the extent allowed by federal law.

2. Additional Accountability Measures

There is no silver bullet for addressing the financial scourge of fraud and scams affecting Texans, particularly older Texans. We recommend that additional measures be considered. Banks and securities brokers have important roles to play in mitigating scams. The Texas Finance Code and the Texas Securities Act include provisions enabling financial institutions and securities brokers to hold back transactions if they suspect fraud. Creating friction in the payment process by slowing things down is an important protection mechanism, but anecdotal evidence indicates that this tool is not used enough. It would be beneficial to explore additional provisions to encourage these intermediaries to use the powers they have. Technology is supercharging scams, but it is also supercharging the ability to detect them and take appropriate action.

Data brokers and advertisements sold through social media platforms are another nexus for scammers and fraudsters. Vast troves of personal data are combined with the power of AI to

[3] Federal Bureau of Investigation Internet Crime Complaint Center, "Internet Crime Report 2025," (April 6, 2026).
[4] US Senate Special Committee on Aging, "Age of Fraud: Scams Facing our Nation's Seniors," (July 10, 2026).
[5] See: https://cases.ra.kroll.com/FTXConsentOrders/Home-DownloadPDF?id1=MjMyMDI5Mg%3D%3D&id2=0 and https://www.ssb.texas.gov/sites/default/files/2026-03/ENF-26-CDO-1894.pdf.

make it easier to target those most vulnerable to scams. It is possible to buy lists of people with likely dementia from data brokers, and a recent report found that Meta earned 10% of its ad revenue, an estimated $16 billion in 2025, from selling advertisements to scammers and for banned goods.[6]

States are passing laws to restrict the sale and collection of precise geolocation information as one way to address the microtargeting of individuals.[7] With regard to advertising protections, a bipartisan bill was introduced in Congress earlier this year to address the problem of online scam targeting called the Safeguarding Consumers from Advertising Misconduct Act. This bill could be used as a model for similar state law if the measure does not move forward.[8]

Enforcing Existing Texas Consumer Protection Laws Related to Financial Technology

As a final point, we would like to emphasize the importance of maintaining and enforcing existing state laws that apply to new products offered using financial technology innovations. We have seen an uptick in products that use a technology veneer to claim they are not loans or money transmitters, when their activity meets state and federal law definitions of loans or money transmission.

One such example that has been considered in the Texas legislature over a few sessions is a product termed "Earned Wage Access." Companies that offer the product, which advances wages before payday, are seeking carveouts from existing consumer protections for loans and money transmission. These existing laws continue to be important and applicable in the current market.

Texas Appleseed published a study highlighting the risks of these products based on available data and consumer complaints along with policy recommendations.[9] Since the last legislative session, there have been multiple lawsuits challenging earned wage access companies for violating the federal Military Lending Act, which protects military borrowers and their families. To date, courts have rejected the assertion that these wage advance apps are not loans.[10]

We urge the legislature to look beyond the technology veneer to the actual function of financial technology products and ensure that long-standing consumer protections continue to be applicable.

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[6] Jeff Horowitz, "Meta is Earning a Fortune on a Deluge of Fraudulent Ads, Documents Show," *Reuters* (November 6, 2025), available at: https://www.reuters.com/investigations/meta-is-earning-fortune-deluge-fraudulent-ads-documents-show-2025-11-06/.

[7] Virgina and Oregon have recently amended their data privacy laws to restrict the collection and sale of precise geolocation information.

[8] See: https://meuser.house.gov/sites/evo-subsites/meuser.house.gov/files/evo-media-document/meuspa_039_xml.pdf

[9] Briana Gordley and Ann Baddour, "Skimming Fees from Texans' Paychecks: Is Earned Wage Access Becoming the Next Generation of Payday Loan?" (April 2025), available at: https://www.texasappleseed.org/sites/default/files/2025-04/ewa_earnedwagereport-final_apr28_2025.pdf.

[10] National Consumer Law Center, "Courts Reject Claims that Payday Loan Apps Are Not Loans" (May 2026), available at: https://www.nclc.org/resources/courts-reject-claims-that-payday-loan-apps-dont-offer-loans/.