



March 6, 2025

The Honorable John Thune
Majority Leader
United States Senate

The Honorable Charles Schumer
Minority Leader
United States Senate

The Honorable Tim Scott
Chairman
United States Senate Committee on
Banking, Housing, and Urban Affairs

The Honorable Elizabeth Warren
Ranking Member
United States Senate Committee on
Banking, Housing, and Urban Affairs

Dear Majority Leader Thune, Minority Leader Schumer, Chairman Scott, and Ranking Member Warren,

We, the undersigned state financial officers, are writing with respect to politicized debanking, a practice that threatens our nation's economy and the civil liberties of everyday Americans.

Diverse opinions were offered regarding potential causes of debanking at the recent U.S. Senate Committee on Banking, Housing, and Urban Affairs hearing, *Investigating the Real Impacts of Debanking in America*.¹ A recurring theme was that supervisory agencies are driving debanking by raising the real or perceived regulatory cost of serving specific customers and industries. While some instances may have been inadvertent or unintended, the historical record reveals a troubling pattern of regulators intentionally misusing their authority to restrict access to banking and financial services for lawful yet disfavored customers.²

¹ *Investigating the Real Impacts of Debanking in America*, United States Senate Committee on Banking, Housing, and Urban Affairs, February 5, 2025.

² The most well-attested cases at the federal level involve the FDIC's abuse of power regarding refund anticipation loans, payday lending, and other industries designated "high-risk." See *Generally* OFF. OF INSPECTOR GEN., FED. DEPOSIT INS. CORP., REPORT NO. OIG-16-001, REPORT OF INQUIRY INTO THE FDIC'S SUPERVISORY APPROACH TO REFUND ANTICIPATION LOANS AND THE INVOLVEMENT OF FDIC LEADERSHIP AND PERSONNEL (Feb. 2016); OFF. OF INSPECTOR GEN., FED. DEPOSIT INS. CORP., REPORT NO. AUD-15-008, THE FDIC'S ROLE IN OPERATION CHOKE POINT AND SUPERVISORY APPROACH TO INSTITUTIONS AND CONDUCTED BUSINESS WITH MERCHANTS ASSOCIATED WITH HIGH-RISK ACTIVITIES (Sept. 2015) (Hereinafter FDIC OIG reports). See also *National Rifle Association v. Maria T. Vullo*, 602 U.S. 175 (2024) for an example of a state financial regulator abusing their power.

Regulators must refrain from exerting undue influence over banking decisions or imposing policy preferences in place of the law. To that end, we support the goals of the Financial Integrity and Regulation Management Act, also known as the FIRM Act [Bill Number], which seeks to eliminate the nebulous concept of “reputational risk” from banking regulation.

This vague and subjective term invites unelected regulators to interject preferences and beliefs into legal interpretations, leading to discrimination untethered to pecuniary risk. Further, assessing a bank customer’s reputational risk could turn regulation into a popularity contest, effectively compelling even neutral regulators to enforce an “economic heckler’s veto.”³

Bank regulators should focus solely on concrete issues of safety, soundness, and legal compliance, rather than attempting to play “proctor for public opinion”⁴— a role for which they are neither suited nor intended. This reform will prevent regulators from imposing moral values on the American people under the pretext of bank regulation.

The FIRM Act is an important first step in addressing the issue of politicized debanking. While not a complete solution, it sends a clear message that access to financial services cannot be contingent on regulators’ political preferences. Further, the legislation would empower banks to make sound financial decisions based on risk and merit rather than political pressure.

As state financial officers, we believe that politicized debanking poses a serious threat not only to our nation’s economy and Americans seeking a fair and competitive financial system, but also to the financial health and reputation of the financial institutions engaging in this practice. We support efforts that will bring us significantly closer to ending politicized debanking. As such, we enthusiastically support the reforms contained in the FIRM ACT.



Alabama Auditor Andrew Sorrell



Alaska Commissioner of Revenue Adam Crum



Arizona Treasurer Kimberly Yee



Idaho Treasurer Julie Ellsworth

³ Brief for Financial and Business Law Scholars as Amicus Curiae, p.27-32, National Rifle Association v. Vullo, 602 U.S. 175 (2024)

⁴ Gulf Fed. Sav. & Loan Ass’n v. Fed. Home Loan Bank Bd., 651 F.2d 259, 265 (5th Cir. 1981)


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Kentucky Auditor Allison Ball

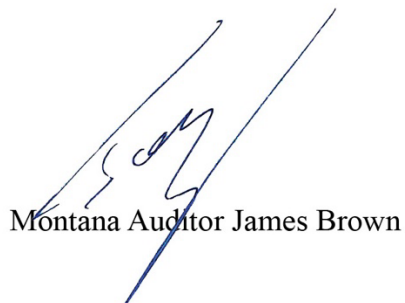

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