

The Conference of State Bank Supervisors (CSBS) State Supervisory Processes Committee approved the release of this job aid to assist state examiners in the examination of a financial institution that may be banking hemp-related businesses (HRBs). If you notice something in the job aid that needs to be edited, contact John Hays (jhays@csbs.org).

It is not the examiner's role to determine compliance with the U.S. Department of Agriculture (USDA) and/or any state programs. There are significant control points built into the programs such as licensing and testing prior to harvest. The examiner's role is to determine if the institution has appropriate risk management practices for financing hemp-related businesses (HRBs) and to examine the loans as part of a routine asset quality examination scope. In addition, some of these businesses will have deposit accounts and the customary BSA review of any activities is appropriate.

Background: Federal Hemp Program

The [2018 Farm Bill \(pdf\)](#) directed the USDA to establish a national regulatory framework for hemp production in the United States.

The USDA published a [final rule](#) on January 19, 2021, that provides regulations for the production of hemp in the United States and was effective on March 22, 2021. The final rule builds on the [interim final rule](#) published October 31, 2019, that established the U.S. Domestic Hemp Production Program. The final rule incorporates modifications based on public comments and lessons learned during the 2020 growing season.

To access basic information on licensed hemp producers across the country, click on [Visit the U.S. Domestic Hemp Production Program's New Public HeMP \(Hemp eManagement Platform\) Search Tool](#). Examiners can use this tool to verify a borrower's license is valid.

Regulatory Requirements of Licensed Hemp Producers

Licensed hemp producers must also follow the regulatory sampling, testing, and reporting requirements of their respective licensing authority. These requirements vary by state or tribe, or if the grower is licensed directly by the USDA. Each lot must receive a compliant total tetrahydrocannabinol (THC) test prior to harvest. The compliance sample must be collected by a certified sampling agent. The licensee may not collect the compliance sample. If the sample collected and tested does not meet the regulatory requirements, the hemp lot must be destroyed (or remediated as permitted by the licensing authority).

Background

How big is the market in the United States?

The USDA's National Agricultural Statistics Service issued the National Hemp Report on April 17, 2024, and estimated the 2023 value of industrial hemp at \$291 million. The report includes state level production activity. <https://downloads.usda.library.cornell.edu/usda-esmis/files/gf06h2430/3t947c84r/mg74s940n/hempan24.pdf>

Is an industrial HRB a marijuana-related business (MRB)?

No. The production of industrial hemp and its by-products are authorized by the USDA and producers that raise hemp can take advantage of other USDA programs available to agricultural producers. The producers must be licensed by a state or tribal authority or directly by the USDA in those circumstances the state or tribal authority has not sought approval for a state program. In addition, the producer must comply with testing and other program requirements.

An MRB is approved under state law and grows or processes marijuana for consumption as determined by the state. Banks have compliance obligations under federal law since marijuana is not legal at the federal level, but federal prosecution has been de-prioritized. There is always a risk that federal prosecution could be re-prioritized, subjecting banks to a different legal environment for financing MRBs. See <https://www.justice.gov/iso/opa/resources/3052013829132756857467.pdf>

What is hemp (or industrial hemp)?

Hemp is any part of the Cannabis sativa L. plant that contains less than 0.3% of THC. The same plant produces marijuana and hemp – the difference is the amount of THC in that plant. Hemp includes any part of that plant, including the seeds thereof and all derivatives, extracts, cannabinoids, isomers, acids, salts, and salts of isomers, whether growing or not, with a delta-9 THC concentration of not more than 0.3% on a dry weight basis. A prominent use is fiber and cannabidiol (CBD) based products.

The 2018 Farm Bill, Section 10113, removed hemp and hemp seeds from the Drug Enforcement Administration's (DEA) schedule of controlled substances. This action removed hemp and hemp seeds from DEA authority for products containing THC levels less than 0.3%. The DEA no longer has authority to require hemp seed permits for import purposes.

What is CBD or CBD oil?

One of the main byproducts of industrial hemp is CBD/CBD oil. The Farm Bill authorizes CBD only to the extent that it is contained in hemp grown in a manner consistent with the Farm Bill and other federal and state regulations. CBD, which is regulated by the Food and Drug

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Administration (FDA), remains illegal as a food additive for human consumption. Hemp seeds and seed oil generally do not contain CBD.

How does a producer get a license?

A valid license is required before producing, cultivating, or storing hemp. A producer must secure a license from the state or tribal authority that has jurisdiction if hemp is legal. If there is no governing state or tribal authority, the producer must secure a USDA license.

USDA license applications are accepted from August 1 to October 31. USDA regulation 7 CFR 990.21 states “Any person producing or intending to produce hemp must have a valid license prior to producing, cultivating, or storing hemp.”

Where can I find more information on the federal or my state’s hemp program?

Information for hemp producers is found on the USDA site. <https://www.ams.usda.gov/rules-regulations/hemp>

The FDA maintains a question-and-answer website on cannabis with the latest information. <https://www.fda.gov/news-events/public-health-focus/fda-regulation-cannabis-and-cannabis-derived-products-questions-and-answers>

Information on the states can be found in the Appendix: State and Tribal Programs.

Examination Considerations

The financial institution is making a risk management decision to finance participants in the industrial hemp industry. Financial institutions considering whether to finance HRBs should be confident in their ability to assess the risk of the agricultural operations. Hemp is largely a contract market since it is not broadly produced. A producer must likely secure and maintain a contract in order to sell its production. The loss of a license or a contract may impact repayment ability. From a deposit standpoint, consideration should be given to normal examination activities relative to business accounts. Communications with the institution prior to an examination beginning should include an inquiry into whether the institution has loans or deposits with businesses in the hemp industry.

The questions that follow are designed to assist an examiner in the examination process to evaluate HRB customers at the institution.

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1. Is the institution currently financing any customers related to the hemp industry or have deposit relationships with HRB customers?

The industrial hemp industry may include growers, transporters, processors, and manufacturers (among others). If active, you should expect to see a specific credit policy on serving hemp borrowers.

Examiner Notes:

2. What discussions have taken place with the Board of Directors about HRBs?

This question is intended to help develop an understanding of how the institution's management team and the Board views banking the HRB industry and the regulatory framework. It is not intended to imply that specific provisions or steps should have been taken by the institution.

Examiner Notes:

3. What if the financial institution is engaged in banking HRBs?

Management would be expected to ensure that any applicable licenses or regulatory requirements have been met before establishing a relationship with any HRBs. These reviews should occur on a regular basis to ensure that no licenses have lapsed or no regulatory requirements have been missed by the HRB that could jeopardize their ability to operate their business and repay the loan.

Examiner Notes:**4. Do the institution's policies address banking HRBs?**

There is no requirement that separate policies or procedures be developed for HRBs but if an institution has HRB customers, the handling of such relationships should be addressed in existing or separate policies.

Examiner Notes:

5. Has the institution adjusted their risk management practices to include HRBs?

Risks specific to HRBs should be included in the institution's risk assessments if they have current or planned HRB relationships.

Examiner Notes:

6. What training has been provided for employees regarding HRBs?

Specific training requirements have not been articulated but if the institution has an active program to serve HRB customers, you should expect that the institution has conducted appropriate training.

Examiner Notes:

7. Are financial institutions required to file Suspicious Activity Reports (SARs) for HRBs?

No. Because industrial hemp is no longer a Schedule 1 controlled substance under the Controlled Substances Act, institutions are not required to file a SAR on customers solely because they are engaged in the growth or cultivation of hemp in accordance with applicable laws and regulations. Note this requirement is different than for MRBs. However, any suspicious activity relative to a deposit account would necessitate an appropriate filing.

Examiner Notes:**8. What challenges has the institution encountered in banking HRBs?**

Responses should help an examiner understand how HRBs have impacted the institution's risk profile.

Examiner Notes:

9. What should I look for in the loan documentation?

A loan for the production of industrial hemp is an agricultural loan. If the loan is for the processing, handling, or manufacturing of by-products it is a commercial and industrial loan.

- You should expect to see a copy of the hemp license obtained from either the state or the USDA and the results of periodic monitoring to determine if the license is in good standing. [Visit the U.S. Domestic Hemp Production Program’s New Public HeMP \(Hemp eManagement Platform\) Search Tool](#). The search tool allows users access to basic information on licensed hemp producers across the country. Examiners can use this tool to verify a borrower’s license is valid.

Welcome to the Hemp Public Search Tool

Use this search tool to find licenses in your area.

If your search does not return any results, please contact USDA at 888-721-4367 or farbill.hemp@usda.gov, Monday-Friday from 9:00-5:00 pm EST.

Search Hemp Licenses

Instructions

Search for licenses using one or more of these fields. Using the exact spelling and order of key terms will get you the best results.

Name of Business or License Holder

License Number

- You should expect to see a copy of the industrial hemp production contract, if produced under a contract. Determine if management periodically determines it is in good standing.
- It is not your primary duty to determine whether the borrower is in compliance with the hemp program. If the borrower is not in compliance, there is a risk that they would not be able to sell the current crop and thus repay the loan according to its terms. Review the credit factors and classify the credit accordingly.
- If the institution has multiple industrial hemp loans, consolidate any findings from the review of individual hemp loans and determine if the bank needs to correct any credit administration findings.

Examiner Notes:

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Additional Resources

[Providing Financial Services to Customers Engaged in Hemp-Related Businesses](#)

[FinCEN Guidance Regarding Due Diligence Requirements under the Bank Secrecy Act for Hemp-Related Business](#)

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Appendix: State and Tribal Plans

Once a plan is approved by the USDA, it remains in effect unless suspended or revoked by the USDA pursuant to the procedures described in the Final Rule, or unless the state or tribe revises their plan and resubmits it for USDA approval.

Updated August 28, 2024 (see <https://www.ams.usda.gov/rules-regulations/hemp/state-and-tribal-plan-review> for updates)

Alabama	AL Approved Plan (pdf) *
Alaska	AK Approved Plan (pdf) *
Arizona	AZ Approved Plan (pdf) *
Arkansas	AR Approved Plan (pdf) *
California	CA Approved Plan (pdf) *
Colorado	CO Approved Plan (pdf) *
Connecticut	CT Approved Plan (pdf) *
Delaware	DE Approved Plan (pdf)
Florida	FL Approved Plan (pdf)
Georgia	GA Approved Plan (pdf) *
Hawaii	USDA Hemp Producer License
Idaho	ID Approved Plan (pdf) *
Illinois	IL Approved Plan (pdf) *
Indiana	IN Approved Plan (pdf)
Iowa	IA Approved Plan (pdf)
Kansas	KS Approved Plan (pdf) *
Kentucky	KY Approved Plan (pdf) *
Louisiana	LA Approved Plan (pdf) *
Maine	ME Approved Plan (pdf) *
Maryland	MD Approved Plan (pdf)
Massachusetts	MA Approved Plan (pdf) *
Michigan	MI Approved Plan (pdf) *
Minnesota	MN Approved Plan (pdf) *
Mississippi	USDA Hemp Producer License
Missouri	USDA Hemp Producer License
Montana	MT Approved Plan (pdf) *

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Appendix: State and Tribal Plans cont.

Montana	MT Approved Plan (pdf) *
Nebraska	NE Approved Plan (pdf)
Nevada	NV Approved Plan (pdf) *
New Hampshire	USDA Hemp Producer License
New Jersey	NJ Approved Plan (pdf) *
New Mexico	NM Approved Plan (pdf) *
New York	NY Approved Plan (pdf) *
North Carolina	USDA Hemp Producer License
North Dakota	ND Approved Plan (pdf) *
Ohio	OH Approved Plan (pdf)
Oklahoma	OK Approved Plan (pdf)
Oregon	OR Approved Plan (pdf) *
Pennsylvania	PA Approved Plan (pdf) *
Rhode Island	RI Approved Plan (pdf)
South Carolina	SC Approved Plan (pdf) *
South Dakota	SD Approved Plan (pdf) *
Tennessee	TN Approved Plan (pdf) *
Texas	TX Approved Plan (pdf)
Utah	USDA Hemp Producer License
Vermont	USDA Hemp Producer License
Virginia	VA Approved Plan (pdf) *
Washington	WA Approved Plan (pdf) *
West Virginia	WV Approved Plan (pdf) *
Wisconsin	USDA Hemp Producer License
Wyoming	WY Approved Plan (pdf) *
Territories	
Guam	GU Approved Plan (pdf) *
Puerto Rico	PR Approved Plan (pdf)
U.S. Virgin Islands	UVI Approved Plan (pdf)
Tribes	
Assiniboine and Sioux Tribes of the Fort Peck Reservation	USDA Hemp Producer License
Blackfeet Nation Tribal Council	Approved Plan (pdf)
Bois Forte Band of Chippewa	USDA Hemp Producer License
Cahuilla Band of Indians	Approved Plan (pdf) *
Cayuga	Approved Plan (pdf)
Cheyenne and Arapaho Tribe	Approved Plan (pdf)
Cheyenne River Sioux	Approved Plan (pdf)

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Appendix: State and Tribal Plans cont.

Chippewa Cree	Approved Plan (pdf)
Crow Creek Sioux Tribe	Approved Plan (pdf)*
Colorado River Indian Tribes	Approved Plan (pdf)
Comanche Nation	Approved Plan (pdf)
Confederated Salish & Kootenai Tribes of the Flathead Reservation	USDA Hemp Producer License
Confederated Tribes of the Colville Reservation	Approved Plan (pdf)*
Confederated Tribes of Warm Springs	Approved Plan (pdf)
Cow Creek Band of Umpqua Tribe of Indians	Approved Plan (pdf)
Colorado River Indian Tribes	Approved Plan (pdf)
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Confederated Tribes of the Colville Reservation	Approved Plan (pdf)*
Confederated Tribes of Warm Springs	Approved Plan (pdf)
Cow Creek Band of Umpqua Tribe of Indians	Approved Plan (pdf)
Eastern Band of Cherokee Indians	Approved Plan (pdf)
Flandreau Santee Sioux	Approved Plan (pdf)
Fort Belknap Indian Community	Approved Plan (pdf)
Iowa Tribe of Kansas and Nebraska	Approved Plan (pdf)
Kanosh Band of Paiute Indians	Approved Plan (pdf)*
La Jolla Band of Luiseno Indians	Approved Plan (pdf)
Lac Courte Oreilles Band of Lake Superior Chippewa Indians	Approved Plan (pdf)*
Lac Du Flambeau Band of Lake Superior Chippewa Indians	Under Review
Little Traverse Bay Bands of Odawa Indians Waganakising Odawak	Approved Plan (pdf)
Lower Brule Sioux Tribe	USDA Hemp Producer License
Lower Sioux Indian Community	Approved Plan (pdf)*
Mechoopda Indian River Tribe of Chico Rancheria	Approved Plan (pdf)*
Miccosukee Tribe of Indians of Florida	Approved Plan (pdf)
Mississippi Band of Choctaw	USDA Hemp Producer License
Nez Perce Tribe	Approved Plan (pdf)*
Oglala Sioux Tribe	Approved Plan (pdf)

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Appendix: State and Tribal Plans cont.

Omaha Tribe of Nebraska	Approved Plan (pdf)*
Otoe-Missouria Tribe	Approved Plan (pdf)
Pala Band of Mission Indians	Approved Plan (pdf)
Pauma Band of Luiseno Indians	Approved Plan (pdf) *
Pawnee Nation of Oklahoma	Approved Plan (pdf)
Prairie Band Potawatomi Nation	Approved Plan (pdf) *
Pueblo of Picuris Tribe	Approved Plan (pdf)
Red Lake Band of Chippewa	Approved Plan (pdf)
Rosebud Sioux Tribe	Approved Plan (pdf)
Sac & Fox Tribe of the Mississippi in Iowa	Approved Plan (pdf) *
Saint Regis Mohawk Tribe	Approved Plan (pdf) *
San Carlos Apache Tribe of Arizona	Approved Plan (pdf)
Santa Rosa Band of Cahuilla Indians	Approved Plan (pdf)*
Santee Sioux Nation	Approved Plan (pdf)
Seminole Nation of Oklahoma	Approved Plan (pdf)
Seneca Nation	Approved Plan (pdf)*
Shivwits Band of Paiutes	Approved Plan (pdf)*
Shoshone-Bannock	Approved Plan (pdf)*
Sisseton-Wahpeton Oyate	USDA Hemp Producer License
Soboba Band of Luiseno Indians	Approved Plan (pdf)
Southern Ute Indian Tribe	Under Review
Standing Rock Sioux Tribe	Approved Plan (pdf)
Tonto Apache Tribe of Arizona	Approved Plan (pdf)*
Torres Martinez Desert Cahuilla Indians	Approved Plan (pdf)
Turtle Mt. Band of Chippewa Indians	Approved Plan (pdf)
Ute Mountain Ute	Approved Plan (pdf)*
Walker River Paiute Tribe	USDA Hemp Producer License
White Earth Band of the Minnesota Chippewa	USDA Hemp Producer License
Winnebago Tribe of Nebraska	Approved Plan (pdf)
Wichita and Affiliated Tribes	Approved Plan (pdf) *
Yakama Nation	Approved Plan (pdf) *
Ysleta Del Sur Pueblo	Approved Plan (pdf)
Yurok Tribe	Approved Plan (pdf)