



Hemp Pilot Lending Program amendment to Farm Credit Act of 1971 Minorities for Medical Marijuana (M4MM)

We at Minorities for Medical Marijuana (M4MM) are committed to helping the Hemp Industry grow, for the general economic benefits that the country can receive and generate new opportunities for Minority Farmers and Minority Entrepreneurs within this sector. However for the Hemp sector to actually achieve its dual potential, the issue of Banking and Financial Capital must be addressed.

Even though Hemp was clearly made legal in the 2018 Farm Bill, the related infrastructure to build a viable Industrial production sector for Commercial and Industrial Hemp products has lagged and stunted American economic growth from this sector. This includes limited access to debt instrument, institutional investment and equity options for Hemp Farmers, Hemp Industrial focused Cultivators and Hemp Processors to establish a business or expand their businesses. The issue of banking and access to services for Hemp legitimate Businesses is still negatively impacting the Commercial Hemp industry, despite its federally legal status, due to the Federal status of Cannabis. The failure to create the Industrial Hemp infrastructure means lost revenue opportunities for farmers, small businesses and entrepreneurs, especially People of Color. The following three statistics demonstrate the challenge and opportunity for investing in American Industrial Hemp Production capacity:

- (1) As of June 2023, there are only 20 licensed and operational Industrial Hemp Processors in the United States
- (2) The global industrial hemp market size was estimated at USD \$4.74 billion in 2022 and is expected to grow at a compound annual growth rate (CAGR) of 17.1% from 2023 to 2030.
- (3) As of the April 19, 2023, National Hemp Report (by the National Agricultural Statistics Service (NASS), Agricultural Statistics Board) in 2022, the value of hemp production in the open and under protection for the United States totaled \$238 million, down 71 percent from 2021.

The challenge of inequitable capital access negatively impacts efforts to increase the diversity of ownership and executive level leadership and can institutionalize disenfranchisement without intentional Federal and State policy correction through amendment of existing statutory law or in adopting new Statutes to drive inclusion.

We recommend the following legislative and appropriative actions to clarify investment capital opportunities to stabilize the Hemp Cultivator sector, drive economic inclusion for Minority farmers and Processor applicants, address socioeconomic and racial disparities and encourage the development of additional Industrial Hemp Processors. This recommendation can be addressed via the 2023 Farm Bill



Recommendation #1 - Providing Directed Capital Access lending for increasing Hemp Processors Licensees via the 2023 Farm Bill by amending the Farm Credit Act:

- Via the Farm Bill, amend 12 U.S.C. 2001-2279cc (Farm Credit Act of 1971) by adding **SEC. 305 Small Business Lending Pilot Program** from the Cannabis Administration and Opportunity Act (CAO) of 2021 (our title draft - **Creating 420 Industrial Hemp Processors in four years Act**) - Currently, there are only 20 operating Hemp Processors in America, which doesn't support the development of Industrial Hemp products for domestic usage and exporting opportunities. Provide funding allocations for lending vehicles through MDI's and CDFI's for capital access for interested Hemp Processors is critical to growing this industry sector.
 - a. The pilot program would allocate directed lending activities through CDFI's, MDI's and eligible Non- Profits to offer loans and financial assistance for economically and socially disadvantaged farmers and minority business entities who want to become licensed Hemp Processors. If adopted, we would recommend the following appropriations allocations and lending authorizations (using Sec. 305 (o) amended language)
 - **Sec. 305. (o)(3)(G)(ii) Maximum Participants And Amounts** – The total appropriated amount should be increased to \$600,000,000 from \$300,000,000
 - **Sec. 305. (o)(4)(B) Loans to Small Business Concerns/Maximum Loan** – M4MM would recommend striking \$200,000 and replacing it with \$750,000
 - **Sec. 305. (o)(5)(A) & (B) Loans to Small Business Concerns/Funding** – M4MM recommends striking \$90,000,000 in subsection A and replacing it with \$180,000,000 and recommends striking \$41,000,000 and replacing it with \$81,000,000.

This addresses an important M4MM priority area by creating a lending facility through the 144 MDI's and 177 CDFI's that will help them expand their overall intra-banking portfolio and expand their services to underserved communities

Creating 420 Industrial Hemp Processors in Four Years Lending Act

PILOT PROGRAM FOR HEMP-RELATED LEGITIMATE LICENSED INDUSTRIAL PROCESSOR.

Section 7 of the Small Business Act ([15 U.S.C. 636](#)) is amended by adding at the end the following:

“(o) Pilot Program.—

“(1) DEFINITIONS.—In this subsection:

“(A) ELIGIBLE INTERMEDIARY.—The term ‘eligible intermediary’ means—

“(i) a private, nonprofit entity, including a private, nonprofit community development corporation, a consortium of private, nonprofit organizations or nonprofit community development corporations, and an agency of or nonprofit entity established by a Native American Tribal Government, that—



“(I) seeks or has been awarded a loan from the Administrator to make loans to small business concerns under this subsection; and

“(II) has not less than 1 year of experience making loans to startup or socially and economically disadvantaged small business concerns;

“(ii) a community development financial institution, as defined in section 103 of the Community Development Banking and Financial Institutions Act of 1994 ([12 U.S.C. 4702](#)); and

“(iii) a minority depository institution, as defined in section 308 of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 ([12 U.S.C. 1463](#) note).

“(B) **INDIVIDUAL ADVERSELY IMPACTED BY THE WAR ON DRUGS.**—The term ‘individual adversely impacted by the War on Drugs’ has the meaning given the term.

“(C) **PROGRAM.**—The term ‘Program’ means the small business intermediary lending pilot program established under paragraph (2).

“(D) **SOCIALLY AND ECONOMICALLY DISADVANTAGED SMALL BUSINESS CONCERN.**—The term ‘socially and economically disadvantaged small business concern’ has the meaning given the term in section 8(a)(4)(A).

“(2) **ESTABLISHMENT.**—There is established a 10-year small business intermediary lending pilot program under which the Administrator may—

“(A) make direct loans to eligible intermediaries for the purpose of making loans to startup small business concerns, small business concerns owned and controlled by individuals adversely impacted by the War on Drugs, or socially and economically disadvantaged small business concerns that will establish Hemp-Related Legitimate Licensed Industrial Processor businesses; and

“(B) in conjunction with the direct loans described in subparagraph (A), make grants to eligible intermediaries for the purpose of providing intensive marketing, management, regulatory compliance, and technical assistance to the small business concerns described in subparagraph (A) that receive a loan under this subsection.

“(3) **LOANS TO ELIGIBLE INTERMEDIARIES.**—

“(A) **APPLICATION.**—Each eligible intermediary desiring a loan under this subsection shall submit an application to the Administrator that describes—

“(i) the type of small business concerns to be assisted;

“(ii) the size and range of loans to be made;

“(iii) the interest rate and terms of loans to be made;

“(iv) the geographic area to be served and the economic, poverty, and unemployment characteristics of the area;

“(v) the status of small business concerns in the area to be served and an analysis of the availability of credit;

“(vi) the marketing, management, regulatory compliance, and other technical assistance to be provided in connection with a loan made under this subsection; and

“(vii) the qualifications of the applicant to carry out this subsection.



“(B) LOAN LIMITS.—No loan may be made to an eligible intermediary under this subsection if the total amount outstanding and committed to the eligible intermediary by the Administrator would, as a result of such loan, exceed \$15,000,000 during the length of participation by the eligible private, nonprofit entity, including a private, nonprofit community development corporation, a consortium of private, nonprofit organizations or nonprofit community development corporations, and an agency of or nonprofit entity established by a Native American Tribal Government and exceed \$75,000,000 during the first 5 years and exceed \$100,000,000 during the final 5 years of participation by the eligible community development financial institutions or minority depository institutions intermediary in the Program..

“(C) LOAN DURATION.—Loans made by the Administrator under this subsection shall be for a term of 20 years.

“(D) APPLICABLE INTEREST RATE.—Loans made by the Administrator to an eligible intermediary under the Program shall bear an annual interest rate equal to the interest rate described in subsection (m)(3)(F)(ii).

“(E) FEES; COLLATERAL.—The Administrator may not charge any fees or require collateral with respect to any loan made to an eligible intermediary under this subsection.

“(F) DELAYED PAYMENTS.—The Administrator shall not require the repayment of principal or interest on a loan made to an eligible intermediary under the Program during the 2-year period beginning on the date of the initial disbursement of funds under that loan.

“(G) MAXIMUM PARTICIPANTS AND AMOUNTS.—During each fiscal years, the Administrator may make loans under the Program—

- “(i) to not more than 60 eligible intermediaries; and**
- “(ii) in a total amount of not more than \$600,000,000.**

“(4) LOANS TO SMALL BUSINESS CONCERNS.—

“(A) IN GENERAL.—The Administrator, through an eligible intermediary, shall make loans to the small business concerns described in paragraph (2) for eligible uses under subsection (a).

“(B) MAXIMUM LOAN.—An eligible intermediary may not make a loan under this subsection of more than \$750,000 to any 1 small business concern.

“(C) APPLICABLE INTEREST RATES.—

“(i) IN GENERAL.—Subject to clause (ii), a loan made by an eligible intermediary to a small business concern under this subsection—

- “(I) may have a fixed or a variable interest rate; and**



“(II) shall bear an interest rate specified by the eligible intermediary in the application of the eligible intermediary for a loan under this subsection.

“(ii) RESTRICTIONS.—The Administrator may limit the interest rate or provide forbearance or deferment on repayment of a loan made by an eligible intermediary to a small business concern under this section.

“(D) REVIEW RESTRICTIONS.—The Administrator may not review individual loans made by an eligible intermediary to a small business concern before approval of the loan by the eligible intermediary.

“(5) FUNDING.—In addition to amounts otherwise available, there is appropriated, out of any funds in the Treasury not otherwise appropriated, for fiscal year 2024, to remain available until September 30, 2028—

“(A) \$180,000,000 to carry out paragraph (2)(A); and

“(B) \$81,000,000 to carry out paragraph (2)(B).

“(6) TERMINATION.—The authority of the Administrator to make loans under the Program shall terminate on the date that is 10 years after the date of enactment of this subsection.

“(7) SENSE OF THE SENATE.—It is the sense of the Senate that the Administrator should issue regulations to ensure that the processing and disbursement of loans under this subsection prioritizes individuals adversely impacted by the War on Drugs.”.