Marijuana Series: Federal Reserve Approves Colorado Credit Union To Serve Cannabis Industry (But There's A Catch)

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The Wall Street Journal recently reported that the Federal Reserve conditionally approved a Colorado credit union, Fourth Corner Credit Union, to serve cannabis-linked businesses. To obtain this approval, however, the credit union had to "step back from its original plan to serve state-licensed dispensaries." Instead, it will focus on "individuals and companies that support legalized marijuana, including those who partner with vendors, such as accountants and landlords." In other words, the credit union can service individuals and entities involved in the cannabis industry, but not those who "touch the plant."

The conditional approval is important because of the banking difficulties faced by cannabis-linked businesses. A "significant chunk of the financial system" is regulated by the federal government, which still considers the distribution of cannabis a crime. Therefore, the doors to traditional banking and lending institutions, not to mention credit card companies and processors, are often closed to cannabis-linked business, forcing them to deal entirely in cash.

The credit union still has some hurdles to overcome, including obtaining deposit insurance (the National Credit Union Administration, which provides such insurance rejected its application, and this decision is being challenged in the courts). But the Federal Reserve's decision, which resolved a lawsuit filed by the credit union three years ago, appears to be a promising development, albeit incrementally so, for cannabis-linked businesses.