

# Fatawa Mortgage and House Purchase 2004

## Buying a House through Conventional Mortgage in Western Countries

### **Subject: Mortgages and Purchasing Houses**

From: Islam on line

Sent: Thursday, September 30, 2004 8:07 AM

Name of Questioner Shahrul Gender Male Age 21-30

Education Graduate

country of Origin United Kingdom country of Residence Malaysia

Question

I have read most of your fatwa regarding mortgages which involves usuries. My specific question in my case is:- I am currently a practicing doctor in the UK. I am here for my training to become a specialist. It will involve probably next 3-4 years on the line. My intention is to go back to my own country whenever my training has ended. Unfortunately in Northern Ireland, the law is not provided for Islamic banking to be applicable at present. Am I able to make loans to purchase a house even though the house is not going to be permanent (as I plan to return home as soon as I finish my training). I am planning to sell back the house once my training ended. IS the fatwa only available for people who intend to stay abroad forever? Jazakallah Jazakum Allahu Khairan for your constant help

Yours,

My Answer

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi

Ajma'in

Dear Br. Shahrul,

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

permanency or long term is not one of the conditions of Fatwa. It is your personal and family circumstances that matter. If your circumstances are such that you need a house for any of the several considerations that are mentioned in the Fatwa including tax saving and building equity, etc. you may buy according to the Fatwa as long as Islamic financing approaches are not available to you.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabb al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

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### **Subject: Husband's Interest-based mortgage and Hajj**

From: Islam on line

Sent: Tuesday, October 12, 2004 6:30 AM

Name of Questioner NOREEN Gender Female Age 31-45

Education Diploma  
country of Origin United Kingdom  
Question

My husband had a mortgage prior to our marriage. It is interest based and I have tried unsuccessfully to get him to convert to a Halal one but without success. He has other loans as well that he wants to consolidate into one payment. I tried Islamic Banks of Britain but they are yet to set up their services. Can my husband carry on with his interest based mortgage which I know is Haram until such time we can find something suitable. What if we can't find something suitable to our needs I.e. consolidate his mortgage and his other debts into one debt. I am worried for him in this matter. I tried giving him my savings money which is not much in order to reduce his debts but he refused it. How can I plan to go to Hajj if he is so heavily indebted now? Please help. I am quite sad over this matter  
Jazakum Allahu Khairan for your constant help  
Yours,

My Answer

Bismi Allah al Rahman al Rahim  
Al Hamdu li Allah Rabb al 'Alamin  
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi  
Ajma'in

Dear Sr. Noreen,

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

Your going to Hajj from your own savings is unrelated to the finance of your husband. He is responsible, in this life and in the life after, for his debts and for the interest-based transactions. A house for own residence mortgage may be excused on the ground on the known Fatwa on this matter (it is based on needs that are upgraded to the level of necessities because they apply to a great number of people); but having other interest-based transactions and debts may not be permissible at all and it is one of the most grave sins as the Qur'an tells (2: 279). You need to keep advising him on putting a total end to any interest-based transaction and then start handing the existing debts as fast as he can.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabb al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

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**Subject: Buying a House with Interest-based Mortgage**

From: Islam on line

Sent: Wednesday, October 20, 2004 12:52 AM

Name of Questioner Akhtar Gender Male Age 21-30

Education Graduate

country of Origin Bangladesh country of Residence United Kingdom

Question

Asalaamu alay kum ya sheikh, Is it permissible for one to buy a house on interest based mortgages even though has the option to rent from private land lord and local authority. Jazak Allhu khairun Masalaam

Akhtar

Jazakum Allahu Khairan for your constant help

My Answer

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi

Ajma'in

Dear Br. Akhtar,

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

Yes, if the circumstances of the Fatwa in this regard apply to the person. Availability of rent does not annul the need for buying.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabb al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

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**Subject: Buying a House through Bank Interest--- Comment**

From: Islam on line

Sent: Sunday, October 24, 2004 3:18 AM

Name of Questioner Ahmed Gender Male Age 31-45

Education Graduate

country of Origin Egypt country of Residence Canada

Question

Dear brothers, Salamou Alikoum, I read several Fatawa on your site allowing buying a house through the bank (Interest) in non-Islamic countries. I have 2 questions regarding this Fatawa. 1) If you need a 4-bedroom house – for example- you can buy something for \$200000, \$250000, 300000 or more, it depends on the location, how big the house and many other factors. Now, in your Fatawa one of the bases used to allow buying a house is the “necessity” of the Muslim. Does the necessity means that I only buy a house that meets my minimum needs or I can buy some thing more luxuries? If I bought an expensive house will that be “Haram”? 2) After buying the house, we have to pay a fixed amount to the bank monthly, what if after paying this amount to the bank I was able to save some money, or I got some bonus or overtime from work, can I save this extra money or am I obligated to pay every extra penny to the bank to minimize the interest?

Jazakum Allahu Khairan for your constant help

Yours,

My Answer

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi

Ajma'in

Dear Br. Ahmed,

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

The Fatwa aims that Muslims should conduct a normal life, accumulate equity, have decent neighborhood and schooling, etc. Of course, if your normal comfort is satisfied by a three bedroom, taking five bedroom house would be extravagant. Also

if you income level and people you associate with warrant a 300,000 house taking half a million house would also be too much.

For payment, it is also meant in the Fatwa that you pay any extra funds you acquire toward reducing the interest without exposing your self to penalties of early retirement of the loan if there is any in the contract. This also taken in a reasonable way, with wisdom; all of us need some money cash for emergency and unexpected spending.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabb al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

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**Subject: Buying Homes through Mortgage**

From: Islam on line

Sent: Sunday, October 31, 2004 10:57 PM

Name of Questioner Basil Gender Male Age 31-45

Education Graduate

country of Origin Palestine country of Residence Canada

Question

Al-Salamu `alaykum. I need your fatwa of buying homes through mortgage. I have three houses and one apartment (Total four) all of them under mortgage. The mortgage was with a major Canadian bank. I live in one of them with my wife, and the other one my retired parents live in it (I take care of my parents). The third house and the apartment are now rented and they are paying their mortgage for them self, even more, they paying part of my house mortgage and my parent's mortgage, And now I'm thinking to bay a land as investment and put it under mortgage with the four houses .. I looked into Halal financing which is not readily available. And what is available I cannot afford. Do I have to sell the houses and the apartment? Or what should I do. Somebody told me that what I'm doing right now is Haram and its Haram wealth. I wanted to check with you. Please let me know whether what I'm doing right now is Halal or Haram. Jazakom alah kheer

Notes

1-The 3 houses and apartment still under the mortgage ( I don't own them)

2-The porpoise of baying the land is for investments. We can sell the land after few years and make money out of it.

3-My brother in law wants to share me the land by splitting the mortgage payments

Jazakum Allahu Khairan for your constant help

Yours,

My Answer

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br.Basil,

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

Interest is the most common kind of Riba. Riba is prohibited in Islam. God says in the Qur'an ""and Allah made sale permissible and prohibited Riba"" God also

threatens a war from God and His Messenger to those who do not quit even remaining remnants of Riba, please read Verses 276 to 280 of Surah 2. Taking mortgage for a house, a land for any purpose is certainly prohibited in Islam. There are certain necessities though that our Shari'ah recognizes. These include a house to live in, the size and value of it depends on the needs of the family. This means that while a personal residence for you and your parents may fall under such necessities, apartments for investment and land for investment do not. Find some other investment that does not make you fall under the prohibition of Riba. Or use the money to pay for the present mortgages and rid yourself of the Wrath of Riba. The Prophet, pbuh, said that the Wrath of God is on the taker, the giver, the writer and the two witnesses of Riba.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabb al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

**Subject: Re: Taking a Loan to Buy a House**

From: Islam on line

Sent: Tuesday, December 21, 2004 1:58 AM

Question

Please try to read the comment sent to one the answer you have given and respond to him:

Here is the original question and answer:

Question

Assalamualaikum Wr Wb Dear Respected Scholars, For Eg, In Singapore if you want to buy a house with 5 rooms, it can cost around 415K. Even though my family is small now, I'm planning to get a bigger house because so that in the future I don't have to keep changing my house. So for that amount, no one will be able to pay this amount in full cash unless the person is a millionaire. The housing board usually gives us a loan for 10, 20, 30 years etc. The more the years you prefer, the more interest you pay. Generally when people are getting low salary or when they don't want that much of burden which is to pay the full amount at one shot, they tend to go for the 30 years installment period. In this case, it is permissible for us to give the interest? Pls shed some light from the Quran and Sunnah to back your sayings. Thank You.

My Answer

Wa `alaykum As-Salamu wa Rahmatullahi wa Barakatuh.

In the Name of Allah, Most Gracious, Most Merciful.

All praise and thanks are due to Allah, and peace and blessings be upon His Messenger.

Dear questioner, we would like to thank you for the great confidence you place in us, and we implore Allah Almighty to help us serve His cause and render our work for His Sake. May Allah reward you abundantly for your interest in knowing the teachings of your religion, Islam!

In his response to your question, Dr. Monzer Kahf, a prominent economist and counselor states:

“Dear Br. Muhammad

Muslims in Singapore are a large minority to the extent that qualifies them to create Islamic financing institutions. This makes such establishment a religious obligation on the persons who are able among them. Permitting such large minorities to take interest-based house financing has a big negative effect on their ability to create such institutions.

You, in Singapore cannot be treated like small and financially weak Muslim minorities in other countries. Interest is prohibited in the Qur'an and Sunnah in clear terms and any exception has to have circumstances of necessities or quasi necessities."

If you are still in need of more information, don't hesitate to contact us. Do keep in touch. May Allah guide us all to the straight path!

Allah Almighty knows best.

Fatwa Editor: Sami Ahmad

Here is the man's new comment:

Name of Questioner Muhammad

country of Residence Singapore

Question

Assalamualaikum Wr Wb Kind Attention : Dr. Monzer Kahf - Economist and Counsellor States Dear Scholar, Pls refer to your fatwa Id : 1LL6M5 dated 1/12/2004 and titled Taking A Loan To Buy A House. I do agree that we Muslims in Singapore are a large minority to the extent that qualify us to create Islamic Financing Institutions but as far as I'm aware of there is no one who has created these kind of Institutions so this makes us necessary to take loan from the Housing Board. The rich plate of the Muslims does have the ability to create but it has not been done or I don't know whether the government has set any tough criteria. In this case the middle and the lower class are a kind of being "" forced "" to take the loan as I've said a house can cost up till around 220K - 415K ranging from the infrastructure of the house. We do have the Islamic Muslim Council Of Singapore ( MUIS ) but even them , I doubt that they offer this kind of loans to Muslims to purchase the house from the Housing Board. In your fatwa, you have mentioned Quasi Necessities. May I know the meaning of it? I believe I've made it clear to you the situation in Singapore. This brings me to another question. The question is as follows "" In Singapore to buy a car is very costly. For instance, it can cost up to 65K - 120K for good compactable car. No one would be able to pay this total amount at once in cash unless the person has a good savings, wages Etc. The only way out is to pay in installments and in installments they have a certain interest rate. Is it permissible for me to pay the installments with interest? And to purchase the car is a necessary. For instance. For the family, for business purposes, traveling purposes Etc "" Since I'm presently studying at overseas, I'm not fully aware of the changes going on in my country so if you're aware that there are some Islamic Financing Institutions. Kindly let me know.

Awaiting your earliest response, Thanking You With Regards,

Muhd Feroz

Jazakum Allah kairn

My Answer

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. Muhammad,

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

The point is exactly what you noticed. It become your personal responsibility to mobilize people and resources to create such institutions and to negotiate with the housing board to give Muslim families home financing on Ijarah basis that is compatible with 'Shari'ah.

Same applies on cars. You need to know that it becomes a personal religious obligations on anyone who can help mobilize human and financial resources to create Islamic financial institutions for housing and for cars and other business. in some 20% minority and a geographically small country you can't tell me it is difficult to create such institutions or to negotiate with the authorities, banks and other finance providing institutions to have them offer Islamic contracts to the lucrative market of the Muslim community. Some exceptions may apply to small and poor minorities but certainly not to the Singaporean Muslim minority! Please remember that for any collective obligation, all persons who can help are sinful until what is needed is actually done.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabb al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

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**Subject: Getting a House Loan**

From: Islam on line

Sent: Thursday, August 26, 2004 1:16 AM

country of Residence Oman

Question

Please advise on following transaction: our employer company provided us a housing loan with following details: 1-a staff apply for a loan in his name and by mutual agreement between bank and the company , the latter to pay all interest as long as staff working with the employer, once he leave the company then he has to complete the loan with any balance interest.? 2-what if the employer has the WHOLE deal with the bank and staff gets the loan free of interest on the condition that once he leaves the company , the later will mortgage the property to the bank and the bank will take care of the deal according to their rules with Riba. Please advice on above in absence of any Islamic bank. And how to make the deal Halal. Jazakum Allahu Khairan for your constant help

Yours,

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa

Ashabihi Ajma'in

Dear Br.

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

This transaction is interesting. It can be made compatible with

Shari'ah, from the point of view of the employee, under the following format:

1) The employer makes a Riba-based or any other contract with the bank to buy the house.

2) A second sale contract is to be done between the employer and the employee, after the house is owned and actually received by the employer (this is done by handing the key and can be just five minutes after the first one, in the same sitting) for any price (that may be equal to the principal only if the company with pay any interest to the bank, alternatively it can be for the total amount of the price plus the amount of interest). In this contract when the employee leaves the company, he will be obliged to pay all the remainder to the company.

3) If the house is to be constructed, it can be made a four party contract, including the builder.

4) There are other format to achieve the same objective too. But remember that under all formats of contracts you will need to consult a Shari'ah expert for the specific language and conditions of the contract.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

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**Subject: Buying a Home through a Bank**

From: Islam on line

Sent: Monday, August 09, 2004 12:12 AM

Name of Questioner Ahmed Gender Male Age 31-45

Education Graduate

country of Origin Egypt country of Residence Canada

Question

Dear Brothers, Salamou Alikoum.. I read through many of the Fatawa published on your web site regarding buying a home through a bank in foreign countries, but I still unable to come to a clear conclusion if it's allowed or not. I want to present my situation and if you please tell me is it allowed or not for me to buy a house through a mortgage. I live in Canada, and we have ISNA and other Islamic institution offer forms of Islamic way to finance the houses, but I'll be unable to buy through them because they ask for big down payment and other conditions that will be very hard for me to meet. I make a very good income right now -AlhamdouLelah- and I can afford apartment rental in a very decent neighborhood. The rent is high but still I can afford it. The main motives behind the idea of buying a house are: 1) The sense of stability, where I have my own home, and can do whatever I like with it. 2) Right now I can afford the rent, but years from now when I retire I won't have enough money to pay rent in such good neighborhood 3) It's a way to save money for the future, so if one day I decided to go back to my home country I can sell the house and use the money there. Giving all this information am I allowed to buy the house or not? I'll appreciate if I can get a clear answer in the form or ""yes or no""

Jazakum Allahu Khairan for your constant help

Yours

My Answer,

Bismi Allahi al Rahmani al Rahim,



Al Hamdu li Allahi Rabbi al 'Alamin, wa al Salatu wa al Salamu 'Ala Sayyidina  
Muhammad wa 'Ala 'Alihi wa Sahbihi 'Ajma'in,  
Dear Br. Ahmed

Assalamu Alaikum wa Rahmatu Allahi wa Barakatuh

There is only one person who can give you a yes or no answer: YOU

But knowing the conditions of the Housing Cooperative in Canada, and with the  
points you mentioned add to them that I have children, if I were in your place I would  
take a mortgage and try to make early payments even with some squeezing on my  
expenses, in order to get rid of the mortgage the fastest way.

Wa Allahu A'lam,

Wa al Hamdu li Allahi Rabbi al 'Alamin,

Wa Assalam,

Sincerely,

Dr. Monzer Kahf

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**Subject: Purchasing Cars and homes through Commercial Loan Banks**

From: Islam on line

Sent: Wednesday, August 04, 2004 12:37 AM

Name of Questioner Iqbal                      Gender Male      Age 31-45

Education Post Graduate

country of Origin Australia                      country of Residence Australia

Question

Car and home loans Dear respected scholars Asalaamu alaikum In Australia, most  
members of the Muslim community are purchasing cars and homes through  
commercial bank loans and mortgages. This is justified in two ways: - one has no  
option in a Western country which does not have Islamic banking - and hence you  
need to borrow to be able to acquire a car and a home. - the interest prohibited  
refers to excessive interest over and above an acceptable rate (usurious rate).  
Interest at or below the average is acceptable. Please comment on the above -  
especially the notion of interest and riba in Islam. Also, please comment on what  
Riba encompasses (interest, excessive profiteering, etc). Wasalaam  
Jazakum Allahu Khairan for your constant help  
Yours,

My Answer,

Bismi Allahi al Rahmani al Rahim,

Al Hamdu li Allahi Rabbi al 'Alamin, wa al Salatu wa al Salamu 'Ala Sayyidina

Muhammad wa 'Ala 'Alihi wa Sahbihi 'Ajma'in,

Dear Br. Iqbal

Assalamu Alaikum wa Rahmatu Allahi wa Barakatuh

Interest is the most common kind of Riba, no doubt about it. It is the kind of Riba that  
is prohibited in the Qur'an and Sunnah and it is the kind that we usually mean when  
we say Riba (without any qualification or adjective). It is called in the Fiqh literature  
""Riba al duyun"" or ""Riba al Qurud"" [Riba of debts or Riba of loans].

This kind of Riba is defined, in Shari'ah, as an increment stipulated in a loan  
contractor in a debt rescheduling (for the time difference between giving the loan and  
repaying it or for delaying a debt to a further due date). Kindly, notice that there is no  
reference to low or high rates. Therefore, a low rate of interest is equally prohibited.  
Of course, high rate is double evil because it is Riba and it is exploitative too. The

Prophet, pbuh, made a reference to ""an atom of Riba"" is some of his Sayings. Riba is one of the most grave sin according to our religion; it is the sin about which God said that a war is declared from God and His Messenger on those who do not quit dealing with it. The prophet, pbuh, said that the Wrath of God is on the taker, the giver, the writer and the two witnesses and in some other Saying he, pbuh, said: they are all equal (in the sin).

Any prohibition may have certain necessity circumstances that call for relaxation. This applies to Riba and to many other prohibitions. Of course, a necessity must always be given its right weight since it is God, the Most Knowledgeable, is the One who is going to screen our truthfulness, and no body else. I can see a quasi necessity in buying homes in some countries like the USA and Canada, but I hardly find it for buying cars because the affordable used car market reduced such necessities to a minimum.

Wa Allahu A'lam,  
Wa al Hamdu li Allahi Rabbi al 'Alamin,  
Wa Assalam,  
Sincerely,  
Dr. Monzer Kahf

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**Subject: Houses through mortgages for two wives**

From: Islam on line  
Sent: Tuesday, July 06, 2004 12:57 AM  
Name of Questioner Fatima  
Education Post Graduate  
Question

I read in this side that Muslims can buy houses only for purpose of living through mortgage or by interest so if the man have tow wife can he buy tow houses through the previous mentioned means for each one of them as Darura ? is the wife should refuse to enter in a house by interest & will she punished if she live with her husband in this sort of houses ? I really do not want to be involve in Riba although this the only mean for her to have a house there .

Jazakum Allahu Khairan for your constant help  
Yours,

My Answer,  
Bismi Allahi al Rahmani al Rahim,  
Al Hamdu li Allahi Rabbi al 'Alamin, wa al Salatu wa al Salamu 'Ala Sayyidina  
Muhammad wa 'Ala 'Alihi wa Sahbihi 'Ajma'in,  
Dear Sr. Fatima,  
Assalamu Alaikum wa Rahmatu Allahi wa Barakatuh

Yes, the same principle applies to the residence of the second wife. Aren't we talking about two families? If the house if purchased for living on interest basis provided there is no accessible Islamic financing for the same, there will be no sin InShaAllah because it is out of quasi-necessity or necessity. The wife will not be committing the sin of Riba in living in such a house InShaAllah.

Wa Allahu A'lam,  
Wa al Hamdu li Allahi Rabbi al 'Alamin,  
Wa Assalam,  
Sincerely,

Dr. Monzer Kahf  
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**Subject: A Problem with a Father Buying a House on Interest**

From: Islam on line

Sent: Saturday, July 10, 2004 12:54 AM

Name of Questioner            Gender Female      Age 21-30

Education Graduate

country of Origin United Kingdom      country of Residence United Kingdom

Question

Assalamalaikum wa rahmatullahi wa barakatuhu Recently my father bought a house to rent in my name with a mortgage with interest. I had protested against this but I was ignored and given the guilt trip by my family, 'Why can't you keep your father happy?', 'It's for your future?'. I don't wish to have a penny of the rent or the house. My family refused to take out an Islamic mortgage claiming interest is still involved but termed differently plus it's more expensive. In fact my father wishes to transfer the current mortgage to a cheaper one so he will not transfer it to an Islamic mortgage. I reluctantly agreed and signed the papers. Although I don't pay towards the house or receive any profit the money is processed through my bank account. I'm not at all happy with my family's actions. It's been really upsetting me and I feel as if I failed as a Muslimah. I've been repenting and crying. Whenever I see my father I feel so much disappointed in my heart and I sometimes feel ashamed that I'm his daughter. He really has let me down. He has always provided me financially but that is far as his fatherly duty has gone. I haven't been guided along the right path just the evil Pakistani culture. I don't wish to be a part of my family anymore. They ignore Islamic advice I give them. They make Halal into Haram and Haram into Halal. I know I shouldn't feel negatively about my family but they have made me indulge in Haram and I'm finding it very hard to love them and forgive them. At the same time I have caused Allah to be displeased in me.

Jazakum Allahu Khairan for your constant help

Yours,

My Answer,

Bismi Allahi al Rahmani al Rahim,

Al Hamdu li Allahi Rabbi al 'Alamin, wa al Salatu wa al Salamu 'Ala Sayyidina

Muhammad wa 'Ala 'Alihi wa Sahbihi 'Ajma'in,

Dear Sr.

Assalamu Alaikum wa Rahmatu Allahi wa Barakatuh

Just take it a little easy please and have some patience. I fully agree with your feeling that you are let down by your family and very often our local culture, be it Arabic, Pakistani, Persian or what not, is given more weight than our faith and religion. This is part of the test.... Don't you want to succeed in the test?

It is sinful to take an interest-based loan unless by necessity or matters treated in Shari'ah the same way as necessities. But in this case, you should keep advising gently your father, some day he will listen and accept. Meanwhile you get the reward and you get the equity in the house too while the guilt is not yours. Isn't our mission to help those of us who need to know more and realize and internalize the importance of obeying God, the Almighty? A day will come when your father will come to realize it and do the right thing InShaAllah. Be assured, Sister, that may of us have sailed through the same struggle in their life and be assured that in the final

analysis only what is good will remain and last. Just be patient and keep learning and kindly advising.

Wa Allahu A'lam,  
Wa al Hamdu li Allahi Rabbi al 'Alamin,  
Wa Assalam,  
Sincerely,  
Dr. Monzer Kahf

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**Subject: Taking a Loan from the Bank**

From: Islam on line

Sent: Wednesday, June 16, 2004 5:13 AM

Name of Questioner Abbas Gender Male Age 46-60

Education Post Graduate

country of Origin Egypt country of Residence Canada

Question

I am not working as I could not find work. I have a business with my wife in the basement of my home and the other in the school. We are threatened to be kicked out of school at any time as the new principal doesn't like to have a day care in the school. also it is quite difficult to operate as last week we were going to lose a child as the building is open at all time. Being in a locked building for safety in our work is the most important factor in submitting our service. The different location is for different age group. I have most of the money to buy a building but the rest is not. Can I take a loan from the bank and consider it as the rent for the center. Put in consideration we live in Canada and life for Muslim or their children are not easy to depend on one age group will not work easy in the market specially we are Muslim and my wife and daughter are covered so the people whom we service or whom they require service realize right away, some like it and some not and leave. This is why we can not afford closing any of the age groups as one serves the other and we try to hire Muslim people who have difficulty to find jobs too. To have a loan from the bank to complete the full amount we have, and pay it back as soon as possible is it wrong. This amount can be considered as rent and we can claim it in our taxes as expenses. Please help us.

Jazakum Allahu Khairan for your constant help

Yours,

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi

Ajma'in

Dear Br. Abbas

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

Interest-based loans are not permissible in our Religion as interest is Riba; it cannot be ""considered as a rent."" In Canada you have the Islamic Housing Cooperative that you may use its help to finance the remaining amount. Try it first and if you failed try to get with you any friend as personal investor on the basis of Musharakah for a limited period. There is another Islamic financing company in Toronto area that you may like to consider. I am sure there are other means to solve this issue especially that the Muslim community in Canada is very large.

Wa Allahu A'lam  
Wa Alhamdu li Allah Rabbi al 'Alamin  
Wassalam  
Sincerely,  
Dr. Monzer Kahf  
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**Subject: Bought a House on Mortgage since 1999**

From: Islam on line  
Sent: Wednesday, June 09, 2004 11:15 PM  
Name of Questioner Ashraf Gender Male Age 31-45  
Education Post Graduate  
country of Origin Egypt country of Residence United Kingdom  
Question

I lived in UK for almost 10 years, I bought a house in Hull /UK using I in Dec.1999 and I heard that sheikh Yousuf Qaradawi allowed Muslims that time to take loan [I],and my plan was to stay for long time in UK, now I have changed my mind and I'm selling the house and there will be a profit of about 80 to me 90000 pounds so my question is this money Halal or Haram, my plan is give Zakah on this [Ribh or profit]unless you see it is all Haram.

Notes

The house originally I bought it for 70000stirling now I am selling it for 150000 my net Ribh/profit 80000 to 90000 pounds after paying back the loan.

Jazakum Allahu Khairan for your constant help  
Yours,

My Answer:

Bismi Allah al Rahman al Rahim  
Al Hamdu li Allah Rabb al 'Alamin  
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi  
Ajma'in

Dear Br. Asharaf

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

The capital gain you make is yours Halal InShaAllah, you made your purchase on the basis what was then best available and according to your then needs; you did not InShaAllah do any wrong in buying it and the gain is an increment in your property.

Wa Allahu A'lam  
Wa Alhamdu li Allah Rabbi al 'Alamin  
Wassalam  
Sincerely,  
Dr. Monzer Kahf  
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**Subject: Buying a House with a Loan/Mortgage**

From: sami  
Sent: Thursday, June 03, 2004 2:31 AM  
Question

Assalamu Alaikum, Dear Scholar, I am living in the US. With my income it is not possible to buy a house without a loan. Different views about the Islamic financing organizations are making me confused. Many practicing Muslim are compromising to the mortgage system. Could you please explain the options a Muslim like my self has in this country.

Jazakum Allahu Khairan for your constant help

Yours

My Answer,

Bismi Allahi al Rahmani al Rahim,

Al Hamdu li Allahi Rabbi al 'Alamin, wa al Salatu wa al Salamu 'Ala Sayyidina

Muhammad wa 'Ala 'Alihi wa Sahbihi 'Ajma'in,

Dear Br. Sami

Assalamu Alaikum wa Rahmatu Allahi wa Barakatuh

The principle is to find Islamic financing for your residence and other purchases.

There are several companies that offer such financing in the US today especially for residences. If a family needs a residence and Islamic financing is not available one may take conventional financing on the grounds of necessities and needs that apply to a large group of people. This is the essence of the Fatwa of the Second International Conference on Fiqh that was held in Detroit in 1999.

Wa Allahu A'lam,

Wa al Hamdu li Allahi Rabbi al 'Alamin,

Wa Assalam,

Sincerely,

Dr. Monzer Kahf

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**Subject: Buying a House on Mortgage**

From: Islam on line

Sent: Saturday, May 29, 2004 11:52 PM

Name of Questioner Farhan Gender Male Age 21-30

Education Post Graduate

country of Origin United Kingdom country of Residence United Kingdom

Question

Asalamualaikum Dear respected Ulema. May Allah reward you for all your hard work for the Deen. My question is regarding my father. He purchased a house on Mortgage (Riba) about 25 years ago. At the time he was ignorant of the rulings in Islam, with regards to this. Alhamdulillah, since I and my sister have been practicing Islam properly for the last 3 years, we have managed to show my father that it was actually Haram. Alhamdulillah he now accepts his mistake and wants to sell, pay off the bank and buy another property in cash. But I feel the money made from the house is Haram. What is your stance on this. Is this money Haram, or can my father use it to buy another house?? He is not a very wealthy man, so the only option for him, if it is Haram would be to rent a house, but as we have a younger brother and my sister is not married, the size of the house would demand a large rent, which would be difficult for my father to pay. Jazakallah khair.

Jazakum Allahu Khairan for your constant help

Yours

My Answer,

Bismi Allahi al Rahmani al Rahim,  
Al Hamdu li Allahi Rabbi al 'Alamin, wa al Salatu wa al Salamu 'Ala Sayyidina  
Muhammad wa 'Ala 'Alihi wa Sahbihi 'Ajma'in,

Dear Br. Farhan

Assalamu Alaikum wa Rahmatu Allahi wa Barakatuh

The price differential in the house is not caused by the Riba but by the market conditions. While it is true that generally it is Not permissible to take an interest-based mortgage for buying a house you father in fact paid interest rather than gained interest. Whatever the house is worth today is his and no body's else. He may pocket the price differential and use it for what ever purpose he wants because it is his. On the other hand, buying a house to live in if your family needs it is an essential need for every Muslim family that lives in the West. Therefore if there are no Islamically compatible financing it is not forbidden for Muslims who live under such circumstances to resort to interest based financing to fulfill this basic need in application to the rules of necessities according to the well known Fatwa of the Second International Conference on Fiqh held in Detroit 1999. You father may have not done a wrong decision to begin with. If his net proceeds from the existing house is sufficient to buy him a new house, he should go ahead and replace the house in order to do away with the interest obligation he is under at the present.

Wa Allahu A'lam,

Wa al Hamdu li Allahi Rabbi al 'Alamin,

Wa Assalam,

Sincerely,

Dr. Monzer Kahf

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**Subject: Selling the House Bought on Mortgage**

From: Islam on line

Sent: Saturday, May 22, 2004 11:18 PM

Name of Questioner Rachid Gender Male Age 21-30

Education Post Graduate

country of Origin Morocco country of Residence Belgium

Question

Assalamou alaykoum wa rahmatoullah wa barakatouh, Bismillahi arrahmani arrahim. I bought a house through a mortgage, under the conditions of necessity as explained by one of your scholar (wallahou 'alim). I've got two questions relating to that purchase. Question 1: Do I have the right to use a part of this house to set up a business? When buying it, my intention was not to do so but now I see a business opportunity. Question 2: What about selling the house in a few years? It is more a general question that I ask here. What shall people who bought their house through a mortgage do, if they need to sell the house. Do they have first to repay the whole loan, before thinking of selling it, do they have the right to gain money on the sale or should they only get back the cost ? Jazakoumoullah wa khairan

Jazakum Allahu Khairan for your constant help

Yours

My Answer,

Bismi Allahi al Rahmani al Rahim,

Al Hamdu li Allahi Rabbi al 'Alamin, wa al Salatu wa al Salamu 'Ala Sayyidina  
Muhammad wa 'Ala 'Alihi wa Sahbihi 'Ajma'in,

Dear Br. Rachid

Assalamu Alaikum wa Rahmatu Allahi wa Barakatuh

Once you purchased the house it becomes yours and as long as when you bought it you did that within the limit and spirit of the Fatwa, your action is InShaAllah permissible. The house becomes yours and if your circumstances change you do whatever you think is best for you. This means you can make a business in part of the house, rent it or sell it and whatever price differential and/or revenues are yours Halal InShaAllah. It is obvious that at the time of concluding the sale the lender will have to get the balance of the loan back and you take any residual whether it is more or less than the total amount you accumulated as equity.

Wa Allahu A'lam,

Wa al Hamdu li Allahi Rabbi al 'Alamin,

Wa Assalam,

Sincerely,

Dr. Monzer Kahf

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**Subject: Disabled Buying a House on Interest**

From: Islam on line

Sent: Tuesday, May 18, 2004 11:42 PM

Name of Questioner Yasin Age 21-30 Education Diploma

Country of Origin China

Question

Assalamu'alaykum ! Dear scholar, I want to ask you a question which is very important to me. I'm a disabled person and my parents had been divorced at my small age. So I have been raised by my grand parents. Grand father had passed away. Now I need to own a house in which I will live in the future InShaAllah. I have been offered a low price house by my working place. It's a rare opportunity for me to buy it. But I lack the money to pay for it at the moment. what I want to ask you is that, is there a possibility of being permissible to borrow money from a Riba-based bank, as there are no Islamic banks here in China ? That way, I may return the money to the bank on installments. If I don't buy the low price house, I will be in a difficult situation once the chance is gone. Furthermore, if my grand mother passes away and the children of her divide their shares, I will face a fact that I can't find a place to live in. I hope you will be able to give me a detailed answer to my question. Please note that I have tried hard to borrow money from other brothers, but none of them can afford to lend me that money.

Jazakum Allahu Khairan for your constant help

Yours

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. Yasin

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

The Shari'ah was sent down from Allah to make live easier for the human race individually and collectively; it was not sent to make it more difficult. Allah decrees in the Qur'an that He did make in this religion hardships and difficulties, See for



instance 22:78 and other similar Verses, I believe that the Fatwa of the Second International Fiqh Conference in North America about housing applies to countries like China, in both parts of it, although Muslims in China, especially those who are able among them, must recognize the urge to establish Islamic banking in China. Consequently, according to this Fatwa you may buy a house on interest-based mortgage as long as there is a need for it and there is no Islamically compatible financing contract available to you.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

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**Subject: giving one's name to take interest mortgage**

From: Islam on line

Sent: Thursday, May 13, 2004 12:29 AM

Name of Questioner weli Gender Male Age 21-30

Education Graduate

country of Origin Somalia country of Residence United Kingdom

Question

salaamu caleykum brothers I am living in a council flat, that is a property owned and run by the government. I applied to buy the property from the local council, in the UK there is something called (right to buy) scheme which you get 38% (38000) discount of the market value of the property. I applied the scheme last year and was accepted to buy it. BUT, I cannot get a mortgage as it's Haram, the other option is to sell the property to someone else on my behalf, who in most cases pays cash to purchase the property on my name (as the rules of the council), this is my option of (Halal nature) and I get half of the discount for example (19000 pounds), rather than the full 38000. My question is that the investors money is tied up into another property which is for sale at present time. Therefore, CAN THE INVESTOR APPLY MORGAGE IN MY NAME WHILE THE OTHER HOUSE IS TO BE SOLD????? I don't have the option of waiting because my deadline for buying the property is due in the near future. I get my percentage cash in advance, that is before the mortgage is applied in my name, and I won't get any other money after that. thank u  
Jazakum Allahu Khairan for your constant help  
Yours

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi  
Ajma'in

Dear Br. Weli

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

The question is what do you need, the house to live in or the money? If you need the house to live in with your family, the Fatwa is that you may go for a conventional mortgage if there is no Islamic financing available to you.

If you just want the money to use this windfall opportunity, you are still entitle to what you want but you may not use a Riba-based route for it. If the investor only uses your

name and you set the papers correctly that are really reflective of this ( it is his loan and his responsibility, etc.) I don't see it forbidden to go ahead with this kind of transaction because it is he who is making the loan and paying for it.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

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**Subject: Purchasing a Home through a Bank Mortgage**

From: ahmad

Sent: Thursday, April 29, 2004 2:04 AM

Name of Questioner hashemin Gender Female Age 46-60

Education Diploma

country of Origin Trinidad and Tobago country of Residence Canada

Question

I plan insha'Allah is to perform hajj this year. I do not own a home and I do not have all the case to purchase outright. There are no Islamic banks here in the West. Can I purchase a home through a bank mortgage? Also I am presently staying at my son's home but he is not practicing Islam. He sells Halal foods in his restaurant but also sells beer and rents out part of the business to party goers. Is it Haram for me to stay in his home? I make Du'a everyday for him to change and practice Islam but he is not changing. Please, help me

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi

Ajma'in

Dear Sr. Hashemin

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

I pray to Allah to give guidance to your son. Living with him is permissible, but keep advising him to quit selling beer.

In Canada there is the Islamic Housing Cooperative that helps Muslims buying houses with Islamic contracts. Its offices are with the offices of ISNA-Canada in Mississauga.

It is certainly better to deal with it than with banks. If you cannot meet its requirement and you need to buy a house, you may go for conventional house financing according to the Fatwa of the Second International Conference on Fiqh in North America that was held in Detroit, 1999. But my question to you as a mother living with her son and his family is: do you really need to buy a house? Your staying with your son's family would help advising him, teaching the children, improving their Islamic practices and way of doing thing and helping the community at large, would it not?

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

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**Subject: FW: RE: Fatwa on buying houses on interest**

From: feisal

Sent: Wednesday, April 21, 2004 9:24 AM

To: Monzer@Kahf.com

Assalamu alaikum Dr. Kahf. How are you? My name is Feisal Rahall and I am a friend of Tariq Deeb's, who forwarded your address to me. I would like to ask you a couple of questions if you wouldn't mind. I recently came back from Hajj and I find myself being extremely cautious regarding everything, especially the matters of financing. I always hear of many different Fatawa concerning these situations.

In the case of Mutual Funds, many scholars have deemed them acceptable. There are many Muslims who invest in these funds as a tax shelter to avoid paying higher taxes to the federal government. My question for you, is it better to put the money in a straight RRSP fund that gives me a fixed interest rate, then I take the interest made and give it away to a charity?

Also, as I mentioned before, there are many Fatawa regarding such things as car loans and mortgages. Is it permissible for a Muslim to lease or take a loan out on a new vehicle even though he or she has the money to pay for it? I have heard it is okay as long as it is a fixed interest rate over a fixed term agreed upon by both parties. I would really appreciate any wisdom you could offer me on these specific questions. JazakALLAH Kheir for your time and may ALLAH (SWT) reward your contributions.

Feisal

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. Feisal

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

I am not aware about the many Fatwa that you mentioned.

- 1- Mutual funds are treated the same way as stocks because what you buy in mutual funds is in fact units in a company that is managed by someone for given fees and its assets are the stocks it holds and trade. You cannot say that mutual funds are Halal or Haram without knowing the assets they hold. If the majority of these assets are Haram, holding units in the fund become Haram too. The OIC Fiqh Academy discussed the matter of stocks in one of its sessions and its resolution is as follows:
  - 1- Stocks of companies that deal only in Halal products and Halal transactions are permissible, example: stocks of Islamic banks or any company that does not deal in interest and other prohibited products or contracts;
  - 2- Stocks of companies whose main business is prohibited are prohibited even if the company makes some permissible activities, example: conventional banks in spite of the fact that many of them give charities and spend on community services that are certainly Halal. These stocks are Haram to buy, hold and sell because by holding them you become partner and the actions of the management is done in your name and on your behalf, as if you did them.

3- Stocks of companies whose main line of business is permissible, like computer or furniture production but they deal with certain prohibitions such as getting interest-based loans or depositing on funds on interest or having a small subsidiary that does that. The principle is that these companies are also Haram because a little or peripheral Haram is as forbidden as a lot of it. Here a group of scholars dissents. They argue that at this time and under the world circumstance such a prohibition creates a great hardship for many Muslims who cannot invest their own savings directly. In application of the Shari'ah rules that hardship always calls for relaxation the continue that there must be certain criteria to determine the degree of tolerance of such stocks (that obviously represent the great majority of stocks). They came up with certain standards that aim at containing the forbidden transactions within a restricted limit: income from interest and other prohibited matters must not exceed 5% of the total income of the company, its assets used in interest and other prohibited matters must not exceed one third of total assets, it must not depend on interest-based borrowing for more than one third of its total assets. Additionally a cleansing criteria must be applied whereby one must estimate the percentage of the Haram in the company one invests in its stocks, both dividends and capital gain and give away to Muslim charity the same percentage of the return one get at the end of the period.

These criteria are easy to apply because companies are required to issue this info. Dow Jones Company used them and issued what is known as the D J Islamic market index. And some companies bought the right to use it and established Islamic market funds. Search for them on the internet.

To come back to the Mutual funds. Mutual funds that satisfy these criteria are permissible with the cleansing requirement. You need to do your homework if you want to invest in funds other than the Islamic funds.

- 2- I suppose the RRSP is the Canadian retirement funds, if it is not please correct me and explain: No, it is not better to invest in interest and give it to charity because there are outlets that are Halal. Interest given to charity is not considered Sadaqah; it is only cleansing and it is InShaAllah rewarded as such; but if you invest in Halal and still give from it is certainly rewarded at much higher rate, up to 700 times and more. The Islamic Housing Cooperative of Canada is authorized as an RRSP outlet, and you can invest in it the RRSP and it is Halal!
- 3- I am sorry not to be aware of the MANY Fatawa that interest for car and others is ok! To the best I know interest is Riba and it is Haram in the Qur'an and Sunnah whether it is for a car, a house, or any other purchase. It is one of the worst sins a Muslim may ever do as it is the only sin that provokes a war from God and His Messenger (the Qur'an, 2:279). True, under necessity a relaxation is incurred but a necessity cannot be expanded to what is not necessary.
- 4- There is a strong argument for buying a house to reside in for Muslims living in the West for several consideration that include decency of the area, schooling, building equity, tax saving, etc, although these are not necessities in the strict sense but since they apply to most or all Muslims in the West they are treated like necessities under the rule that when a thing that is needed (but below necessity) applies to a large number of people it is then treat as if it is a necessity; it is called in Fiqh ""Hajah 'Ammah."" I don't think it applies to buying cars in America unless in very very special individual cases

- 5- I don't know of any Muslim who says it is permissible in Shari'ah to take a loan with FIXED or variable interest. In fact Riba is defined as any increment in a loan. It is certainly Haram and big Haram.
- 6- Leasing is permissible for cars and other things provided the lease agreement does not contain other violations of Shari'ah. And one must look for such other violations in lease contracts. It does not matter if the lease is done with a bank that deals with interest or with an Islamic company that does not deal with interest.

Please do not hesitate to contact me for any other question and give my Salam to Tariq, in the meanwhile try to make some homework on the internet, start with the word Islamic financing or look at my website especially the item Fatawa, it is [www.Kahf.net](http://www.Kahf.net)

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

From: feisal

Sent: Monday, April 26, 2004 9:00 AM

Al Salam Alikom wa Rahmat Allah Wa Brakatoh,

How are you and how is you family?

You'll find attached the reply of ""Dar El Ifta El Masria"" regarding the interest and the lone for houses or cars or any valuable thing.

I hope that this Fatwa will ease our live in Canada.

Best regards

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. Feisal

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

Ired the Fatwa. This is an old opinion that is disputed on the ground of what is Dar al Harb. Are you living in Canada as a Dar Harb?

The Fatwa for houses that came from the second international Fiqh conference held in Detroit in the Fall of 1999, and headed by Shaikh al Qaradawi mentions that we may resort to interest mortgage in North America for families who need housing provided there are no Islamic alternatives. I DO NOT GO ALONG WITH THE FATWA OF THE MUFTI YOU SENT ME and I accept the reasonable Fatwa that founds it on the need and I don't see a need for a car (because there are other means to obtain a car and one is normally not in need to buy an expensive new car) except in very rare cases.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

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**Subject: Buying a House from a Bank**

From: Islam on line

Sent: Tuesday, April 06, 2004 12:58 AM

Name of Questioner Talal Gender Male Age 21-30

Education Post Graduate

country of Origin Saudi Arabia country of Residence Saudi Arabia

**Question**

al-salamo aleekoum wa rahmatoul allah wa barakatouh if I want to purchase an apartment in Canada and I cannot pay the whole money in one time, so the only way is to deal with the bank who will purchase this apartment from the owner then the will sell it to me( I will pay to the bank a monthly amount of money over a period of years after which the apartment will be mine) is it reeba ? and if it is Riba I am in a foreign country like Canada in which I am finishing my post-graduate education, is it allowed ?

**Notes**

the alternative way of purchasing an apartment is to rent one but at the end I will pay on monthly basis, but if I will pay to the bank monthly to own the apartment at the end so that I can sell it when I am leaving I will not loose my money because it is an investment which I need when I will be back to country with god welling. Thanks

**My Answer:**

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. Talal

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

First you should study the economics of buying and renting, when you are in a place for a short time, a few years only, it may be more economical to rent than to buy in many instances.

Second, there are also other opportunity to buy residences in Canada including the Islamic housing cooperative whose main office is in Mississauga.

And third, if you can get a contract with a bank as you described it: the bank buys the house for cash and you then buy it from the bank on installments for a higher price, this is permissible in principle. But there may be many conditions that are not permissible in the contract. Please send me a proposal of a contract that you want to make with the bank on this principle and I will study it and give you my opinion on it.

Of course, if you make this deal with an Islamic bank that has it own Shari'ah advisory Board, do not then worry; go ahead and accept this contract because its Shari'ah Board must have studied and approved it. Beware, there are companies that claim Islamic but do not have any Shari'ah experts who study their contracts.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

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**Subject: Buying a House through a Loan Taken by a Non-Muslim Mother**

From: Islam on line

Sent: Saturday, April 03, 2004 9:49 PM

Name of Questioner Tabari Gender Male Age 15-20

Education Graduate

country of Origin United States country of Residence United States

Question

As Salaam Alaikum, My question concerns the use of interest. I am entering the business of real estate and I am planning on buying houses through my mother's name. My mother is not Muslim and she was going to take out loans for the houses, then we would rent the houses out and make profit from the rent that is paid to us. I was concerned about the use of interest here in that, obviously Riba is Haram for us (Muslims), is it Haram to have someone who is not Muslim enter into an agreement of interest for you? I asked a learned person whose opinion I trust and he said that as long as the money that I (the Muslim) make is not from the interest loan...but from the rent being paid...then that income was Halal. I would like have a second opinion of that issue. Secondly...for some reason it doesn't feel right to have my mother involved in interest whether she is Muslim or not. She is coming closer to Islam and I hope that she becomes Muslim soon. And I said to myself that if she becomes Muslim then I would sell all the real estate we have and start another business. So I only mention that latter part to illustrate that this issues has really been bothering me. But I trust this service and trust that Allah will provide the proper answer as I double check my endeavours through your fatawa. Shukran jazeelan.

My Answer,

Bismi Allahi al Rahmani al Rahim,

Al Hamdu li Allahi Rabbi al 'Alamin, wa al Salatu wa al Salamu 'Ala Sayyidina

Muhammad wa 'Ala 'Alihi wa Sahbihi 'Ajma'in,

Dear Br. Tabari

Assalamu Alaikum wa Rahmatu Allahi wa Barakatuh

If you got an opinion from a person whom you trust, you are better avoid being confused with another opinion. But I think that the person whom you trusted did not get all the info and he/she gave you an incomplete opinion.

it seems from your question that you are entering into some form of partnership with your mother, even if gives away her share of the profit to you. In partnerships between Muslims and non Muslims, the Shari'ah requires that the partnership requires a condition that the non-Muslim partner must not take any interest-based transaction on behalf of the partnership. I think this transaction is not permitted in this form.

If your mother takes a loan and transfers to you her equity in the house as a gift provided that you make payment for the remainder of her obligations (remaining installments), for you it becomes permissible because as you were told the rent is permissible in Shari'ah.

Regarding the second piece of info that you gave, I pray to Allah to give guidance to your mother so she will be among those who enter Jennah. With this prospect, I advise that you may consider starting some other business from now, do not wait until she reverts.

Wa Allahu A'lam,

Wa al Hamdu li Allahi Rabbi al 'Alamin,

Wa Assalam,

Sincerely,  
Dr. Monzer Kahf

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## Mortgage Insurance

**Subject: mortgage insurance**

From: Jaafar

Sent: Friday, November 12, 2004 7

Question from Canada:

Assalamu Alaikum:

I have a question about Mortgage Insurance where the consumer pays a small portion to cover the balance of their home. In the event of a death or disability, the mortgage is then discharged so that the family owns the house outright. Of course this insurance is only valid as long as the mortgage balance is owing. Thus, it is not a guaranteed payout like whole life or universal life insurance, which I know is HARAM for sure. Your opinion on this and other matters will be essential in making this product come to fruition.

Jazzak'Allah for helping us

Wassalaam,

Jaafar

P.S. I have actually tried to ask a question on ASKIMAM.com and I have seen that you have given some answers. However, it always seems that the session is closed for submissions when I log in. The two areas that I am inquiring about are very important for all Muslims living in Canada because these two registered investment funds are heavily used to fund retirement and education of children, respectively:

1) Many Canadians have investments held in Registered Retirement Savings Plans (This is a plan in Canada that are akin to locked-in IRA's so the government allows the funds to grow in the plan tax-free until retirement). I have been told by a very reliable brother and friend whose father-in-law is a Director for Dalla Al Baraka in Riyadh that no zakat is payable on this account because the funds are locked-in and thus you do not have to pay zakat while the money is in the plan. However, you do have to pay zakat on the amount initially when it is put in because it was cash and then you have to pay zakat on the amount that you take out in retirement because again it is cash.

These plans are akin to pension plans or social security and I don't know anyone who pays zakat on these.

2) RESP (Registered Education Savings Plans). There is also another type of registered plan, which is the same as the one aforementioned that is used for education for children. People put money in and then it grows tax-free until the child(ren) go to University/College. Again, the same rationale makes sense that ZAKAT is paid on the initial amount as it goes in because that was idle cash but inside the plan, it is supposed to be locked and earmarked for a later funding of education so I would think that no Zakat is payable until the funds are taken out.

If you can answer these directly or perhaps put them through ASKIMAM.COM as everyone in Canada will benefit from the answer.

Jazzak'Allah,

Jaafar

My Answer

Bismi Allah al Rahman al Rahim



Al Hamdu li Allah Rabb al 'Alamin  
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. Jaafer,

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

Here I'm answering the two questions in the footnote.

1. I do not agree with both the Fatwa given by the person in Riyadh and I do not also agree with the rationale of your comment. The reason is: a. It is unfortunate that there are many people who rush to giving Fatwa without having complete knowledge of what is the issue and very often without knowing the Shari'ah rules. These two funds have more than being ""locked in"" You can choose investment, depository, you can borrow from them, you can also withdraw subject to penalty and tax and more important they are VOLUNTARY, you choose to put the money. Social security is the US and to my knowledge in most countries, is compulsory; what you contribute is a tax and what you are given as pension is a new income. Second, Zakah on cash is not on the income but on the wealth. This means that when you put money in the fund (say from one's monthly income) you are not subject to Zakah, Zakah is due on savings (left over) at the end of a lunar year that began on the day your savings reached Nisab for the first time. Hence there is no Zakah on what you deposit in the fund and no Zakah on what you withdraw (assuming you withdraw it as a pension to live on or for the child to pay educational expenses)

Wa Allahu A'lam

Wa Alhamdu li Allah Rabb al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

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## Buying a House without Interest

**Subject: Buying a House Which Is Originally Bought from a Bank**

From: Islam on line

Sent: Wednesday, September 01, 2004 12:56 AM

Name of Questioner fathi Gender Male Age 31-45

Education Diploma

country of Origin Palestine country of Residence Palestine

Question

I have a dilemma. I have a friend who is a real estate agent and he wants to sell me a home without interest which is ok but I would like to know if it is ok for me to buy it from him, he bought it from the bank and I will buy it from him but is it considered his if he still owes the bank? Can he sell a home interest free if he still makes payments to the bank? Is he considered the owner, is it Batel the contract between him and I? is it ok to buy a house that has a lien because the bank holds the property papers till you finish payments

Jazakum Allahu Khairan for your constant help

Yours,

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi  
Ajma'in

Dear Br. Fathi

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

I am not familiar with the legal system in Palestine with regard to the availability of assuming (taking charge of the payment of) a loan. From a Shari'ah point of view, once your friend bought the house he becomes its owner regardless of the lien and the amount of debt that is still outstanding (the same principles exist in the American laws). Accordingly, he certainly can sell to you and you have nothing to do with the interest transaction that he made. You can buy the house on installment, with a cash advance (no harm if it is set to be exactly equal to the value of net worth in the house) and installments (also no harm if they are set to exactly, equal his installment to the bank that actually include principal and interest) AS LONG AS THE CONTRACT BETWEEN YOU AND YOUR FRIEND IS MADE AS A SALE FOR A PRICE THAT CONSISTS OF THE ADVANCE PAYMENT PLUS THE TOTAL FACE VALUES OF INSTALLMENTS). In fact, you can even go one step further: to make payment, on his behalf, directly to the bank, or even to legally, assume charge of the installments to the bank as long as they are part of your sale price (in contrast to being a loan plus interest). Assumption of these payments in this case is equal to Hawalah of a debt from Shari'ah point of view which is permissible.

Lastly, it is permissible to buy a house under a lien, as long as you accept it. And it is permissible to buy a house from a person who purchased it on a Riba-based loan.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

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**Subject: Shari`ah-based Housing Products with HSBC Bank**

From: Islam on line

Sent: Thursday, December 09, 2004 12:10 AM

Name of Questioner Hussain

Education Graduate

Country of Origin United Kingdom Gender Male

Question

Asalaamu Alaykum Respected Scholars, I have 2 questions which I hope you could answer for me. 1). My wife and I purchased a house over 2 years ago with a bank loan which includes Interest. I am InShaAllah searching for a Shari'ah compliant product (such as Amanah with HSBC bank). First can you advise if you know whether this product is Shari'ah compliant? 2). If for some reason it is not possible to transfer my Mortgage to this Amanah scheme and I have the debt outstanding, then can I go to Hajj next year InShaAllah if I meet my monthly payments and can I pay for my Mum to go to Hajj with me? May Allah (SWT) bless you for this advice. Please pray for me that I am relieved of this burden as soon as possible.

Jazakum Allahu Khairan for your constant help

Yours,

My Answer

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin  
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi  
Ajma'in

Dear Br. Hussain,

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

1. HSBC Amanah has its own Shari'ah board that includes respected scholars. I then assume that their Islamic financing contracts are must have been reviewed by these scholars and you can deal with this branch of HSBC without any worry.

2. If you have an interest based loan still on you it is better to pay the loan than going for Hajj because by keeping the loan you continue being under the Haram practice. This is of course with the exception that you took the housing loan under circumstances of need that are referred to in the Fatwa about buying homes with interest for Muslims who live in the Western countries. The exception applies if the conditions of an Islamic contract (such as what is offered by HSBC Amanah are difficult for you to meet or much more expensive than others. while under an interest-based loan you are not required to make Hajj (you are considered as not having financial means for it) because the first priority to use your savings would be to rid yourself of the Riba.

3. On the other hand, if you decide to go for Hajj and pay for your mother too while under a Riba loan,, your Hajj will InShaAllah be acceptable because the rule is that the sin of an action does not stand in the way of another action.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabb al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

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**Subject: Interest Loan from my own Money for housing**

From: Islam on line

Sent: Wednesday, December 08, 2004 9:11 AM

Name of Questioner M Gender Male Age 31-45

Education Post Graduate

Question

In an attempt to solve the problem of buying a house with mortgage, I am trying to benefit from some provisions in the US laws by taking a loan from my own retirement funds kept by the company I work for. The loan has to be then re-paid with interest within a certain amount of time. I understand that a loan with interest is Riba', but what is the Fatwa if the loan is from my own money & coming back to me?

Jazakum Allahu Khairan for your constant help

Yours,

My Answer

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi  
Ajma'in

Dear Br. M,

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

A loan from your own retirement account that requires you to pay it back to your own retirement account is not considered a Riba-based loan. Riba is defined in Shari'ah as between persons only.

Even if the tax laws and retirement systems call it a loan with interest, it is not really a loan and the increment you deposit in your account is not interest from the Shari'ah point of view. What you are doing is a good practice that we always advice our brothers and sisters in the US to do as a way to avoid Riba in buying homes.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabb al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

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**Subject: How to Buy a House through interest-free Mortgage**

From: Islam on line

Sent: Wednesday, December 08, 2004 9:11 AM

Name of Questioner Farooq Gender Female Age 31-45

Education Post Graduate

country of Origin Pakistan

country of Residence Pakistan

Question

I am currently living in UK. I am interested in buying the house but do not want to get interest based mortgage. Few banks here including one leading UK bank are offering finance which they claim to be in accordance with Islam. For example, Mudarabah based. They ask you to select a house and then bank purchase the house and ask the person to buy it a higher rate from bank but pay the money in 20-25 year (in installment, they divide the installments in to rent and money towards purchase of house). If one compares it with interest based mortgage, it appears that its the same thing but given an other name. do you think such a mortgage would in accordance with Islamic laws. thanks for time and help

Jazakum Allahu Khairan for your constant help

Yours,

My Answer

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. Farooq,

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

There are two ways to buy homes without interest. one is Murabahah and one is buying together and the bank rent you, the latter is called purchase lease. Both are permissible in Shari'ah and there are several differences between these two ways and Riba both on legal and practical grounds although they may appear similar. The only thing that is important to check is to be sure that the contract offered by a conventional bank has been reviewed by a knowledgeable Shari'ah specialist.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabb al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf  
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**Subject: Alternatives to Buy a House in NA**

From: Islam on line

Sent: Wednesday, June 09, 2004 11:14 PM

Name of Questioner Syed Gender Male Age 31-45

Education Post Graduate

country of Origin Bangladesh country of Residence Bangladesh

Question

Dear scholars, as-salamu `alaykum. I'm a Muslim, living in USA, and need to buy a house. I am aware that Islam forbids usury. I am also aware that Shari'ah allows relaxing the prohibition if there are no other alternatives available to the person and there is a real need for the residence because of family, children, safety areas, etc. Buying a house has become a necessity for me. I have tried hard to get a loan Islamic way. I have found two institutions (American Finance House, LARIBA, website: [www.lariba.com](http://www.lariba.com) & the other Guardian Financial) which claim that there loans are Shari'ah based. If I get loan from any of them I have to pay at least \$200 more/month compared to if I avail conventional interest based loans. By paying \$200 more/month, I will not be able to save almost any money. All my relatives and friends are of the opinion that these types of so-called ""Islamic loans"" are worse because it is charging a lot more in excess and hence putting me in financial difficulty instead of alleviating it. In this situation, is it OK to buy a house using interest-based loan or should I still go with the Shari'ah-based loans? Jazakum Allah Khayran.

Jazakum Allahu Khairan for your constant help

Yours

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. Syed

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

My reply has two folds: 1) you have to test any claim of being Islamic and be sure whether the claim is truthful. Two points must be looked at: a) whether the documents of the company give you a loan or purchase/lease agreement. They may give a loan contract and yet say it is not a loan this is contradiction; and b) whether the contract offered to you has been subjected to Shari'ah scrutinization by any well known Shari'ah scholars.

2) If a true Islamic contract (that fulfils the above two tests) is above the market level, you must consider it as non-existing and act accordingly. But are you sure that these two companies are both above the market. One of them at least claims, to my knowledge, that it is competitive! Please if you find both above the market let me know the exact numbers each offers and their way of giving financing!

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

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**SUBJECT: Buying a house using Islamic Banks**

From: Samir

Sent: Monday, March 15, 2004 5:14 PM

Question

I am writing to you for an advice to buy a house through two known Islamic banks here in North America: Lariba and financial Guidance. Lariba is based on the concept of "Lease to purchase" and Financial Guidance is based on ""Musharakah"". Have you heard about these two Islamic banks? If so, do you know if their business is HALAL or not? For example, Financial Guidance their contract to a conventional bank which interest based .

Thanks for your help.

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. Samir

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

I am sorry brother that I do not give Fatwa on individual persons or companies .

What you need to know is not what they tell you but what contract they offer you and whether such contract is studied and reviewed by trusted Shari'ah Scholars. If you check that you will know the difference on your own self.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

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**Subject: Islamic loan for Housing**

From: Hijazi

Sent: Friday, April 02, 2004 4:24 PM

Question

AL SALAM ALUKUM DR. KAHF.

I would like to buy a home in the U.S.A. in the islamic way.

I spoke with a Muslim agent in Houston to get islamic mortgage loan.

He told that he can get me a lease loan from the bank without showing any interest term in the loan (only leasing terms).

However, my understanding is that the leasing amount is based on an interest rate the bank will figure out. But the contract loan will be written as a lease and not interest.

My question is this considered an Islamic loan or not. Is this acceptable in islam or not.

Your answer is very important to me, and based on your answer I will make a decision to buy home or not. Thank You, Wa Al Salam Alukum

My Answer,  
Bismi Allahi al Rahmani al Rahim,  
Al Hamdu li Allahi Rabbi al 'Alamin, wa al Salatu wa al Salamu 'Ala Sayyidina  
Muhammad wa 'Ala 'Alihi wa Sahbihi 'Ajma'in,  
Dear Br. Hijazi

Assalamu Alaikum wa Rahmatu Allahi wa Barakatuh

Lease is permissible even if the rate of the rent is set so that it equals the prevalent interest rate. What matters is the contract and the responsibilities/ownership it represents.

A lease cannot be described as a "lease loan" because in a lease the lessor is an owner of the property and an owner is entitled for rent if she sells the usufruct of the property. You need to read carefully the contract because in some lease contracts the ownership and the offer to sell the property may not be written carefully enough to reflect the Islamic requirement.

Wa Allahu A'lam,

Wa al Hamdu li Allahi Rabbi al 'Alamin,

Wa Assalam,

Sincerely,

Dr. Monzer Kahf

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## **Mortgage for Tax Shelter**

**Subject: mortgage for tax shelter**

From: Osama

Sent: Saturday, August 21, 2004 8:16 AM

To: monzer@kahf.com

Salam,

My name is Osama and I listened to your seminar last weekend in . . . . , which was very informative and enlightening. I know you were talking with Dr. . . . . about sending him a copy of a similar contract you had put together for buying a house using the Murabahah concept. If you do not mind I would like a copy of that and any other boiler plate contracts such as an example of the Leasing purchase contract if you have any available. You can email them to me and I will share it with Dr. . . . .

Thanks again for the great program and InShaAllah you will be rewarded for your hard work and dedication to this sometimes controversial matter. If you are unable to email then my home address is:

Osama

My Answer

Dear Br. Osama

Assalamu Alaykum wa Rahmatullahi wa Barakatuh,

As promised here is the info about the approval of the US Comptroller of currency/Administrator of National Banks about Murabahah and leasing. These are public records you can get their texts from the Internet.

For Murabaha:

Comptroller of the Currency

Administrator of National Banks

Interpretive letter No. 867  
November 1999  
12 U.S.C. 24(7)  
12 U.S.C. 29  
Dated June 1, 1999  
For Leasing:  
Comptroller of the Currency  
Administrator of National Banks  
Interpretive letter No. 806  
December 1997  
12 U.S.C. 24(7)  
12 U.S.C. 371  
Dated October 17, 1997  
Please share it with Dr. Nahhas  
Wassalam  
Sincerely,  
Monzer Kahf

From: Osama            Sent: Thursday, September 02, 2004 11:14 AM  
To: Monzer Kahf  
Salam

Thanks for the info. I gave the interpretive letter to my banker on Friday. I just spoke with her and she said they would not be able to do the Murabahah because it is not one of the standard forms they get from Freddie MAC and Fannie May. I asked if we could do some sort of addendum to their standard contracts to include key aspects of Murabahah. This was also not a possibility. Therefore, I would appreciate your assistance as to the next step or how I should approach this matter. She also asked me if this contract had been done with any banks in the southeast. I really was not sure. However, I mentioned this form of contract had been done on the west coast. I really appreciate all the help thus far but I am a little confused as to what exactly I should do in order to make this work from the Islamic perspective.  
Thanks again and I hope to hear from you soon InShaAllah.

My Answer

Dear Br. Osama

Assalamu Alaykum wa Rahmatullahi wa Barakatuh,

I understand your dilemma! These small branch bankers only follow the standard forms provided to them by their headquarters. They don't know how to deviate from them. But they take the effort only if they feel that the transaction has a market and they can benefit from it!

For residential financing you need to press them to contact Freddie Mac and Fanny Mae because they both accept the Murabahah and the lease based contracts. Of course these two wholesalers will not provide your banker with forms to use but once a bank develop its forms they accept them. They do from Guidance financial and several other players in the market today. **YOUR BANKER NEEDS TO CONTACT THESE WHOLESALERS AND DEVELOP MURABAHAH/LEASING BASED FORMS.**

For nonresidential, forms are not sticky. Bankers always structure them according to the need of business. As long as these transactions are acceptable to the Banking Supervisory Authority (as shown in the interpretive letters) any bank can structure a



business contract accordingly. They hate to do because it is off standard, they need to learn it; but if the business is attractive to them they will certainly do it. In brief, it need pressure from the community and its financially strong members.

Wassalam

Sincerely,  
Monzer Kahf

From: Osama

Sent: Monday, September 13, 2004 9:52 AM

Salam,

I had a question about interest only payments. If you were going to buy a property and plan to sell it in a couple of years; is it permissible to do interest only if it is an investment and all the interest is tax deductible-acts as a tax-shelter. I'm not really sure if this is ok or not since the interest is not paid but just taken out of taxes.

My Answer

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. Osama

Interest is forbidden in Shari'ah and it is not Okay to make any interest-based transaction. If some one feels that this form of tax deduction is extremely important for him, I can't tell him it is Halal or Haram because necessities invoke relaxation of prohibitions and God is going to judge him, not me! God knows best whether it is really a necessity or not.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

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## **Working in Mortgage Industry**

**Subject: working as a mortgage consultant**

From: Lamis

Sent: Saturday, September 25, 2004 4:41 AM

Dear Dr Kahf,

I am a Muslim mortgage consultant who only promotes Shari'ah compliant products in a non-Muslim country. I have been approached by a colleague who promotes both Conventional interest loans and shari'ah compliant products to use my office facilities (space, fax...) and share the office expenses. Is it permissible for me to allow him to conduct business in my office thru that arrangement?

He suggested that I become his partner (arrangement has not been finalized yet).

My role would be to look after the Shari'ah compliant products only while he deals with other kinds of conventional loans. Is that acceptable? What would be the best arrangement to avoid any Shubhah?

Jazakom Allah Khayran  
Lamis

My Answer

Bismi Allah al Rahman al Rahim  
Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi  
Ajma'in

Dear Sr. Lamis,

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

to rent the other person a space and facilities is permissible because you are getting a rent for your office space and equipments/services (for services it becomes a price not rent) and she/he is free to do what one may like to do (sending faxes, using computer, making phone calls and sitting at a desk) thing that normal people do. Notice that the content of these things is her problem not yours as long as you are a renter.

On the other hand, partnership is a different story because in partnership each partner acts on behalf of herself and her partner at the same time. In partnership you become an actor (though by delegation) of interest-based mortgages that your partner (who is your attorney in fact from the point of view of Shari'ah in regards to all transactions of the partnership). In Fiqh the issue of creating a partnership with non-Muslims is disputed on this same ground. Those who see it forbidden argue that the partner may do thing prohibited in Shari'ah on behalf of the partnership. And those who see it permissible put the condition that the Muslim partner must make it clear in the contract that no act that violates the Shari'ah may be undertaken by the partner.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabb al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

My Answer

Bismi Allah al Rahman al Rahim  
Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi  
Ajma'in

Dear Sr. Lamis,

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

This is perfectly all right regardless of her faith or believes and regardless of her other businesses and practices.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabb al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

From: Lamis

Sent: Wednesday, September 29, 2004 1:22 AM

To: Monzer Kahf

Dear Dr Kahf,

Thank you very much for your answer. Just a quick follow up question: If I were to propose to my colleague for both of us to set up a new company or any other legal entity to overlook our activities, dealing only in Shari'ah compliant products, consequently, I do not get involved in her other activities and our business association (partnership) is only limited to the Shari'ah compliant products. Do you see that as a better option for me?

Jazak Allah Khayran

Lamis

My Answer

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi

Ajma'in

Dear Sr. Lamis,

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

to rent the other person a space and facilities is permissible because you are getting a rent for your office space and equipments/services (for services it becomes a price not rent) and she/he is free to do what one may like to do (sending faxes, using computer, making phone calls and sitting at a desk) thing that normal people do. Notice that the content of these things is her problem not yours as long as you are a renter.

On the other hand, partnership is a different story because in partnership each partner acts on behalf of herself and her partner at the same time. In partnership you become an actor (though by delegation) of interest-based mortgages that your partner (who is your attorney in fact from the point of view of Shari'ah in regards to all transactions of the partnership). In Fiqh the issue of creating a partnership with non-Muslims is disputed on this same ground. Those who see it forbidden argue that the partner may do thing prohibited in Shari'ah on behalf of the partnership. And those who sees it permissible put the condition that the Muslim partner must make it clear in the contract that no act that violates the Shari'ah may be undertaken by the partner.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabb al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

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**Subject: Hajj with Money Earned Through Mortgage**

From: Islam on line

Sent: Wednesday, November 10, 2004 9:16 AM

Name of Questioner Muhammad

Education Post Graduate

Country of Origin Pakistan Gender Male

Country of Citizenship Pakistan

Question

Dear Sir, AOA I would like to know that can I perform Umrah or hajj with money I get through mortgaging my property with a bank based on Murabahah agreement.

Jazakum Allahu Khairan for your constant help  
Yours,

My Answer

Bismi Allah al Rahman al Rahim  
Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi  
Ajma'in

Dear Br.Mohammad,

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

Murabahah with Islamic banks does not give you money. It gives commodities only.  
For you house Murabahah financing gives you building materials to build your house  
or it purchase the house itself for you. It does not give you money. what is then the  
thing your want to use for Hajj?

If you abuse the Murabahah, and the bank gives you money and does not care  
whether you buy goods or not it becomes Riba that is prohibited and then you cannot  
use this money to go for Hajj because it is prohibited to take Riba loan to go for Hajj  
or for any other reason. Please tell me clearly what do you want to do so I can be  
able to give you a definite answer.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabb al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

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## **Mortgaging a House to Get Money for Hajj**

**Subject: getting money for Hajj by adding to mortgage**

From: Mimi

Sent: Monday, November 08, 2004 9:37 AM

Assalmo Alikom:

Ramadan Mobarak , and my Allah (SWT) BLESS YOU AND YOURS.

I am divorced women, with two grown children. I am working and look after myself  
financially. I would like to go this year for hajj.

Unfortunately I do not have any money saved. I just make enough  
to cover my expenses. But I have some equity in my apartment.

Can I borrow money against my apartment, added to my mortgage?

Or can I look for some one to lend me money without interest?

I would like to go to Hajj before I get more sick. Please let me know if what I am  
thinking is Halal.

Gazak Allah Khirn,

sr. Mimi

My Answer

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi  
Ajma'in

Dear Sister Mimi ,  
Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh  
Although you may not be required to go for Hajj, it is permissible to borrow against your property for the Hajj expenses provided you fulfill two conditions: 1) the borrowing is without any interest; and, 2) you can pay it when due, either from your regular income or from liquidating the property you own  
Wa Allahu A'lam  
Wa Alhamdu li Allah Rabb al 'Alamin  
Wassalam  
Sincerely,  
Dr. Monzer Kahf  
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## Buying Foreclosure Properties

### **Subject: A QUESTION ABOUT FORECLOSURE**

From: Fakher

Sent: Tuesday, July 20, 2004 8:16 PM

AslaaMuAlikum Dr. Monzer,

My case briefly:

I am currently Alhamdullilah living in a house that I got thru a private "Murabahah deal" from one of the brother in Austin few years ago. I am planning to INVEST (not a need or must) in a bigger house if I can find a pure Islamic way to finance it. So I have no such Dharoura (must) to buy a new house. But, I would like to buy a bigger one since the real estate market is down and I want to kind of invest my savings in a bigger property.

I have been in contact with Lariba institute ([www.lariba.com](http://www.lariba.com)) who uses the lease method and told me they offer a 100% Islamic mortgage. Are you familiar with their financial method? is there any loop holes or down sides with it?.

Do you know of any other Islamic institutes in the US you can recommend?

Please advice.

Jazaka Allahu Khair

Fakher.

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa

'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. Fakher

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

I refrain from giving a Fatwa about specific entities but I can give you the clue or test and you make your own judgment. There are two tests that will indicate whether a company offers Shari'ah compatible contracts: 1) the text of the contract, not the propaganda materials or the verbalization, must state that this financing is not interest based, is not a loan but some other form of financing such as lease/purchase, installment sale and any other contract that is susceptible to being Shari'ah compatible. If the contract says loan and interest, it is loan and interest no matter what the verbalization about it or its propaganda advertisements may be; and

2) even if the contract does not mention loan or interest, it must have been reviewed by a Shari'ah knowledgeable and trustworthy scholar because even other contracts may actually have violations in Shari'ah from the angle of Riba and from other angles too.

Please apply these two tests to whatever you are offered by any company and do not go for names only because names very often do not represent the reality.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

From: Fakher

Sent: Thursday, July 22, 2004 10:51 AM

To: Monzer Kahf

Dear Dr. Monzer,

Jazaka Allahu Khair for the prompt and quick answer. I really understand your concern about making comments about any specific entity. I really appreciate the straight forward and logical answer. I will use the logic below to the contract that Lariba offers and see if it is compliant. Also, as you mentioned, to be on the safe side, I will make sure this contract has been reviewed by some well known Shari'ah scholars. Would you be interested to the review the contact if I get you a copy of it?

Regards

fakher.

My Answer

Dear Br. Fakher

Assalamu Alaykum wa Rahmatullahi wa Barakatuh,

Thank you for your letter,

But no, I am not interested. I already knew their contract.

Wassalam

Sincerely,

Monzer Kahf

From: Fakher

Sent: Monday, August 23, 2004 7:48 PM

Question

I am sorry for coming back to you with more questions. Actually, I was going to get your opinion about foreclosures. If we buy the house directly from the bank as foreclosure, is that considered Shari'ah compliant? Any conditions to make it compliant you can provide will be really appreciated.

Regards

Fakher.

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa

Ashabihi Ajma'in

Dear Br. Fakher

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

1) Buying foreclosures is permissible because houses on foreclosure are there in implementation of the right of creditors

2) If you buy a foreclosed house from a bank (the creditor) on installments whereby the contractual price is the total of the installments, this kind of contract is permissible. On the other hand, if the contractual price is a giving amount and the contract mentions that above it an amount of interest is added to make the sale on installments, the contract is then Riba-based.

3) There is another format that is sometimes available that may be permissible, if the language is proper: buy for a given amount paid in cash plus assuming the payment of installments (that consisted originally from principals plus interest) whereby the contractual price is the total of the cash payment and the installments.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

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## **Buying a House on Interest in Muslim Countries ETC.**

**Subject: Buying a house with conventional mortgage in Morocco**

From: karim

Sent: Thursday, July 15, 2004 4:36 AM

To: Monzer@Kahf.com

Dear Dr. Monzer Kahf,

I would like to thank you warmly and sincerely for the help and support you offer millions of Muslims throughout the world. My poor training in Islamic teachings has always made me seek the advice of others whom God has enlightened, knowing that there is an Afterworld and that I am going to be judged for each single act good or bad. I have an issue that has long caused me so much anxiety. I write to you in the hope that you help me, may God grant you good health and happy life. My name is Karim, I am married since 2000, I teach English at the university Hassan II Casablanca, my wife teaches English at a secondary school. We both live in Casablanca (a huge and ugly city) far from home in the north of the country. We have, by the standard of the country, a respectable salary together, but we pay high rent and spend a lot of money in the taxis, especially my wife who has to travel 90 kms a day 6 times a week in a big taxi among other passengers, which personally angers me knowing that sometime she could ride among men at the back. She wears a scarf and dresses respectably, but she doesn't feel comfortable. We thought a loan from the bank will not cost us as much, and will save us so many worries. We also want to get our own house, we pay high rent and live in a very populous and dirty district. We made our calculations and found that we could apply for a loan supported by the Government at 4.5% interest rate, and get our own clean and new house. But these prospects I fear may run against God's teachings, that's why I have sought your email address in the hope you enlighten me and guide me towards the right path. I have outlined all the details but if there is anything I have to clarify, please let me know.

I know I have taken much of your valuable time.

""Jazaka Allaho Anni Kola Khair""  
Assalamo alaikom  
Karim

My Answer:

Bismi Allah al Rahman al Rahim  
Al Hamdu li Allah Rabb al 'Alamin  
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi  
Ajma'in

Dear Br. Karim

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

I really sympathize with you and I feel that Muslims in Morocco, Syria and similar countries that are prevented from having Islamic banking by government action are deprived from some of their basic human rights "" to practice their religion the way the desire.""

The Fatwa as it stands is that necessity call for relaxation of a prohibition. We know that Riba is forbidden and interest is no doubt the most common form of Riba. We also know that conditions of hardship call for relaxation of a prohibition only to the extent of removing the hardship.

If you feel that the present situation is giving you too much trouble take the subsidized loan only if your best judgment is that it will really remove the hardship you are currently in.

The other suggestion, did you try establishing a house financing cooperative, with other people in similar situation? How about personal borrowing from family and friends? If you decide to go for a loan, you should do your best to live on thrift and save as much as you can in order to rid yourself of the Riba in the shortest possible time.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

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**Subject: Taking a Loan from a Bank to Buy a House**

From: Islam on line

Sent: Tuesday, June 29, 2004 5:45 AM

Name of Questioner Amatullah                      Gender Female      Age 31-45

Education Graduate

country of Origin Morocco                      country of Residence Morocco

Question

as-salaamo alaikom, may Allah reward you for your help, my question is it Halal in our Deen to take a loan from the bank to buy a house to let a poor brother or sister live in. May Allah reward you with the best, as-salaamo alaikom.

Notes

I live in the U.S for more than 3 years

Jazakum Allahu Khairan for your constant help

Yours,

My Answer:



Bismi Allah al Rahman al Rahim  
Al Hamdu li Allah Rabb al 'Alamin  
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi  
Ajma'in

Dear Sr. Amatullah

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

Taking interest-based loans from banks or any other institutions to buy a house for residence or for investment is not permissible in our Shari'ah because this is a Riba-based transaction that is clearly prohibited in the Qur'an and in the Sunnah.

However, for Muslims who live in non Muslim countries who cannot establish their own financing institutions and housing cooperatives and who need houses as residences the prohibition is relaxed on the ground of avoiding hardship because God want us to avoid the hardship. This Fatwa must not be extended to Muslim countries because in the Muslim land there must be ways that Muslims must invent together to avoid Riba-based transactions and they are required to do that. Their number and financial abilities do not warrant relaxation of the prohibition.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

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**Subject: Buying a House with Riba in Morocco**

From: Islam on line

Sent: Thursday, June 17, 2004 1:23 AM

Name of Questioner ANWAR Gender Male Age 31-45

Education High School and Below

country of Origin Morocco country of Residence Morocco

Question

Assalam oulaikoum wa rahmatou allah I live in Morocco which is a Islamic country but unfortunately there's no Islamic bank. Actually I live in a renting house with my wife and my 2 children. I've heard very opposite Fatawa on bying a house using Riba banking, and I really want to know which fatwa I have to follow knowing that the amount of the rent is equivalent to 30% of my monthly wage. Please advise jazakoumou allah khairan. Assalamou alaikoum wa rahmatou allah.

Jazakum Allahu Khairan for your constant help

Yours,

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi  
Ajma'in

Dear Br. Anwar

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

Muslims in Muslims countries that have no Islamic banks are required to establish one or more. If they failed they are required to establish other institutions/ organizations to provide house financing (and financing for other needs too) without interest. They are not excused form this obligation. Therefore the exception that may

apply to Muslims in non-Muslim countries does not apply in this case and a Fatwa (as in the case of the Fatwa for Muslims in non-Muslim countries who need to buy houses) is by definition a special case very often based on exceptional situations that must not be extended to other cases.

My dear Brother you need to create a housing cooperative or any similar organization that help you even if you do not have Islamic banks. Resorting to interest-based loans is not excused in the Muslim countries.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

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**Subject: House finance in Morocco**

From: karim

Sent: Thursday, July 15, 2004 4:36 AM

Question

Dear Dr. Monzer Kahf,

I would like to thank you warmly and sincerely for the help and support you offer millions of Muslims throughout the world. My poor training in Islamic teachings has always made me seek the advice of others whom God has enlightened, knowing that there is an Afterworld and that I am going to be judged for each single act good or bad. I have an issue that has long caused me so much anxiety. I write to you in the hope that you help me, may God grant you good health and happy life. My name is Karim, I am married since 2000, I teach English at the university Hassan II Casablanca, my wife teaches English at a secondary school. We both live in casablanca(a huge and ugly city) far from home in the north of the country. We have, by the standard of the country, a respectable salary together, but we pay high rent and spend a lot of money in the taxis, especially my wife who has to travel 90 kms a day 6 times a week in a big taxi among other passengers, which personally angers me knowing that sometime she could ride among men at the back. She wears a scarf and dresses respectably, but she doesn't feel comfortable. We thought a loan from the bank will not cost us as much, and will save us so many worries. We also want to get our own house, we pay high rent and live in a very populous and dirty district. We made our calculations and found that we could apply for a loan supported by the Government at 4.5% interest rate, and get our own clean and new house. But these prospects I fear may run against God's teachings, that's why I have sought your email address in the hope you enlighten me and guide me towards the right path. I have outlined all the details but if there is anything I have to clarify, please let me know. I know I have taken much of your valuable time.

Jazaka Allahu Ani Kola Khair. Assalamo alaikom

karim

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi

Ajma'in

Dear Br. Karim

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

I really sympathize with you and I feel that Muslims in Morocco, Syria and similar countries that are prevented from having Islamic banking by government action are deprived from some of their basic human rights "to practice their religion the way the desire."

The Fatwa as it stands is that necessity call for relaxation of a prohibition. We know that Riba is forbidden and interest is no doubt the most common form of Riba. We also know that conditions of hardship call for relaxation of a prohibition only to the extent of removing the hardship.

If you feel that the present situation is giving you too much trouble take the subsidized loan only if your best judgment is that it will really remove the hardship you are currently in.

The other suggestion, did you try establishing a house financing cooperative, with other people in similar situation? How about personal borrowing from family and friends? If you decide to go for a loan, you should do your best to live on thrift and save as much as you can in order to rid yourself of the Riba in the shortest possible time.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

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**Subject: Buying a House on Interest**

From: Islam on line

Sent: Monday, May 31, 2004 11:47 PM

Name of Questioner Karam Gender Male Age 31-45

Education Graduate

country of Origin Egypt

country of Residence Egypt

Question

My question is that I have a necessity to take a loan on interest to be able build a house gathering my widowed aged mother, sister who are living alone in a separate and my family together. Mother refused my frequent requests to come and live with me in my apartment as she is so sensitive and wants to feel free in her own house. She is diabetic and hypertensive and I fear that something bad may happen to her while staying alone most of the time, So, I believed the best solution is to build a house of two stories to make her come and live under my care and at the same time, in a separate apartment. I don't have the full price for a piece of land only 2/3 after buying my wife's jewelry and I can't help but getting a loan from an Islamic or other bank to complete the price and obtain my dream for mother to come and live with me or closer in order to look after her as I should be. Is this case considered a necessity to take a loan on interest or is there any other means to find an Islamic bank to achieve this dream? May Allah grant you His Blessing for illuminating our way in this regard.

Notes

I did my best to avoid this way and am still trying but my mother is getting older and should keep her in my care and as close as possible. She is still refusing my frequent requests and I should find a solution. Thanks

Jazakum Allahu Khairan for your constant help  
Yours

My Answer,  
Bismi Allahi al Rahmani al Rahim,  
Al Hamdu li Allahi Rabbi al 'Alamin, wa al Salatu wa al Salamu 'Ala Sayyidina  
Muhammad wa 'Ala 'Alihi wa Sahbihi 'Ajma'in,  
Dear Br. Karam  
Assalamu Alaikum wa Rahmatu Allahi wa Barakatuh  
Your excellent intention can be InShaAllah realized by resorting to an Islamic bank in  
Egypt to partially finance the purchase of the land and the materials needed for  
building on Murabahah or Istisna' basis. Interest is the most common form of Riba  
and it is forbidden in the Qur'an and the Sunnah.  
Wa Allahu A'lam,  
Wa al Hamdu li Allahi Rabbi al 'Alamin,  
Wa Assalam,  
Sincerely,  
Dr. Monzer Kahf

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**Subject: House Loans in India**

From: Zaujat through Islam on line  
Sent: Thursday, April 29, 2004 2:15 AM  
Question

assalamualikum, I had asked a question earlier on taking house loans, to reduce  
income tax. I was answered to check whether there are any Islamic banks which  
provide house loans, I was also given the name of Amanath bank, to check for  
housing loans. I was also asked to write back if I needed more help. I finally, got the  
chance again, alhamdulillah. Sir, Amanath bank, un fortunately deals in interest. So,  
do you have knowledge of any Halal housing loans schemes here in India? Your  
answer will very appreciated. jazakALLAH. pls do not make my question in public.

My Answer:  
Bismi Allah al Rahman al Rahim  
Al Hamdu li Allah Rabb al 'Alamin  
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabih  
Ajma'in  
Dear Sr. Zaujat  
Assalamu Alaykum wa Rahmatullahi wa Barakatuh.  
Please check again. You may be wrong on saying that Amanath Bank deals with  
interest. You must remember that Islamic finance is not a free finance, it is using  
different contracts, some of them may appear similar to interest, instead of using a  
loan contract. To the best of my knowledge this bank has a Shari'ah board of  
advisers and does not use any interest-based contracts.  
Wa Allahu A'lam  
Wa Alhamdu li Allah Rabbi al 'Alamin  
Wassalam  
Sincerely,  
Dr. Monzer Kahf

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**Subject: Buying a House through Mortgage**

From: Islam on line

Sent: Tuesday, April 13, 2004 12:06 AM

Name of Questioner Yasir Gender Male Age 21-30

Education Post Graduate

country of Origin Pakistan country of Residence Saudi Arabia

**Question**

Assalam O Alaikum, I am working here in Saudi Arabia. I have collected some money and now want to build my own house out there in Pakistan. I don't have enough money right now to straight away buy the house. I have two options: 1. Get funding from any bank and pay back the bank's monthly payment. The bank's interest rate is 8.5% on the remaining amount. so it will become very easy for me to be the owner of the house. (Everything is crystal clear and I don't think there is any chance to conflict between me and the bank). 2. Wait for the time till I'll have the money to straight away buy the house which is very difficult. What I must adopt? Choice 1 or 2? JazakAllah o Khairan, Yasir.

**Notes**

I am actually very much concerned because I have read about the Sood or Riba that its not permissible in Islam. But I see it that it will be very difficult for me to be a property owner. what should I do?

**My Answer:**

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi

Ajma'in

Dear Br. Yasir

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

You missed other options by limiting your thinking to only an interest-based loan or not buying now.

In Pakistan, you have other options: 1) you can borrow from friends and family; 2) the Pakistan House finance Corporation, to the best of my knowledge, works on the basis of rent/purchase or Murabahah; 3) there are several Islamic banks in Pakistan that can supply the material for building on Murabahah, or financing for buying a house on Murabahah or rent purchase; 4) you can also agree with a friend on buying together and you rent/purchase his/her share through time.

INTEREST-BASED LOANS ARE HARAM FOR HOUSES AND OTHER WISE, THIS INTEREST IS RIBA that is prohibited in the Qur'an with the strongest statement that goes as far as being in a war against God and His Messenger. Please read the verses in surah Number 2 (al Baqarah) 273 to 279.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

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**Subject: Taking Loan to buy a House in Palestine**

From: Islam on line  
Sent: Tuesday, April 06, 2004 1:01 AM  
Name of Questioner Tahsin Gender Female Age 31-45  
Education Post Graduate  
country of Origin Palestine country of Residence Palestine  
Question

assalalamo alaikum I work, but I can't save enough money to build or buy a house, so I pay a high rent monthly. Is it Halal or not to take a loan from the bank to buy a house and pay payments to the bank instead of rent? Thank you

My Answer:

Bismi Allah al Rahman al Rahim  
Al Hamdu li Allah Rabb al 'Alamin  
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi  
Ajma'in

Dear Sr. Tahsin

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

The Fatwa is that in all Muslim countries, including Palestine, Muslims are required to establish Islamic banks, companies and cooperative to satisfy their financing needs, especially for housing. Therefore, there must be no exception from the prohibition of Riba because there are many Muslims around and you can create such organizations together. Additionally Palestine has at least one Islamic bank, and also the Branch of Amman Cairo Bank has an Islamic department.

Please try to find a solution to your personal case and to similar cases of other Muslims around you through the existing facilities or by creating new cooperatives and companies. The prohibition of Riba came in the Qur'an with the strongest pronouncement ever, a declaration of war from God and His Messenger on those who do not quit dealing in Riba. We do not need such a war in Palestine, do we?

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

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## **Buying Membership in Housing Society**

**Subject: Buying Membership in Housing Society**

From: Islam on line  
Sent: Thursday, June 03, 2004 3:39 AM  
Name of Questioner Muhammad Gender Male Age 21-30  
Education Graduate  
country of Origin Pakistan country of Residence Pakistan  
Question

Respectable Sir, Assalam O Alaikum Wa Rahmatullahi Wa Barakaatuh ""A housing society/scheme was formed in 1987 in my office. All the employees were given an opportunity to bye its membership. The cost of membership was Rs.125-1000. Few weeks back the society acquired some land and asked the member to deposit their

dues. Society has tow kind of members' regular employees and non-employees. The cost of land for regular employees is 185000 and for non-employees are 235000. Instead of paying their due, the regular members of society start selling their membership to some private inverters/property dealers by taking some amount (I.e. Rs. 15000-50000). The investors are using the name of > regular member for their own benefit. I want to seek your kind guidance whether the regular members can sell their membership by taking big amount of money and can a man sell a thing/plot, which is not in his possession as yet. Please guide me in accordance with Quran and Sunnah. A detail reply is required in this mater."" Thank. Muhammad Saud Akhtar  
Jazakum Allahu Khairan for your constant help  
Yours

My Answer,  
Bismi Allahi al Rahmani al Rahim,  
Al Hamdu li Allahi Rabbi al 'Alamin, wa al Salatu wa al Salamu 'Ala Sayyidina Muhammad wa 'Ala 'Alihi wa Sahbihi 'Ajma'in,  
Dear Br. Muhammad  
Assalamu Alaikum wa Rahmatu Allahi wa Barakatuh  
Selling the membership is not permissible because it is personal and not subject to sale. It is like the right of authorship in writing it cannot be sold because writings cannot be attributed to other than their real authors. But once a right to acquire a lot of land or an apartment in a building is assigned to a member, this member can sell this right for any price because it is now a financial right that can have a market value. It become like the right of an employee to buy shares from the company, once it is materialize it can be sold even before purchasing the land or the share.  
Wa Allahu A'lam,  
Wa al Hamdu li Allahi Rabbi al 'Alamin,  
Wa Assalam,  
Sincerely,  
Dr. Monzer Kahf  
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## **Buying Investment Properties on Mortgage**

### **Subject: Taking a Mortgage on a Rental Property**

From: Islam on line  
Sent: Monday, June 07, 2004 11:38 PM  
Name of Questioner Tarek Gender Male Age 31-45  
Education Diploma  
country of Origin Lebanon country of Residence Canada  
Question

Assalamu Alaykum. In Islam, is it permitted to have a mortgage on a rental property other than your own home, in order to build equity and have a second income to better provide for your family? And is it allowed to have money invested in registered retirement savings plans (RRSP), or registered educational savings plans (RESP) which provides funds for children's post secondary education. Thank you.

Notes

I have the opportunity to invest in rental property with help from a Muslim brother, but the majority of the purchase price would have to come from a bank.

Jazakum Allahu Khairan for your constant help

Yours

My Answer,

Bismi Allahi al Rahmani al Rahim,

Al Hamdu li Allahi Rabbi al 'Alamin, wa al Salatu wa al Salamu 'Ala Sayyidina

Muhammad wa 'Ala 'Alihi wa Sahbihi 'Ajma'in,

Dear Br. Tarek

Assalamu Alaikum wa Rahmatu Allahi wa Barakatuh

for the RRSP and the RESP you have the Islamic housing cooperative of Canada that you can invest with, it is approved for these plans and it gives a reasonable return. With the presence of the IHC (whose offices are in Mississauga) it is difficult to accept any claim that Muslims in Canada do not have safe and rewarding depository for their retirement plans. Accordingly it is not permissible to invest funds in these plans on interest basis.

With regard to financing rental property, interest is forbidden and there is not sufficient justification that invokes a relaxation of this prohibition. There are many opportunities for investment that are consistent with the Islamic Shari'ah and there are today finance providers in Canada and the US that provide financing in modes compatible with the Shari'ah.

Wa Allahu A'lam,

Wa al Hamdu li Allahi Rabbi al 'Alamin,

Wa Assalam,

Sincerely,

Dr. Monzer Kahf

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**Subject: Buying income property on mortgage**

From: Islam on line

Sent: Sunday, May 16, 2004 12:26 AM

Name of Questioner Adnan Gender Male Age 31-45

Education Post Graduate

Question

I am a 60 year old retired Muslim living in Canada. My question is: Is it acceptable in Islam to take two bank mortgages to buy two houses (other than my own residence) to be rented to collect rental income and pay back the mortgage from the rental income and use the rest to cover up for my living expenses? Thank you and God bless you.

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi

Ajma'in

Dear Br. Adnan

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.



Riba is prohibited in the Qur'an and the Sunnah. It is one of the most grave sins as it is the only sin that invokes a war from God and His Messenger, as it is mentioned in the Qur'an (2: 279). The Fatwa that is based on need to residences is an exception not a rule and it is only relevant to buying a residence as it is based on needs for place to live in. I am sure there are other kinds of investments that you can use your down payment to increase your income.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

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